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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended December 31, 2006

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** *(Address of Principal Executive Offices)*	**02862** *(Zip Code)*

Registrant's telephone number, including area code (401) 431-8697

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock	**New York Stock Exchange**
Preference Share Purchase Rights	**New York Stock Exchange**

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ or No ☐.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ or No ☑.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ or No ☐.

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one:)
Large accelerated filer ☑ Accelerated filer ☐ Non-Accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ or No ☑.

The aggregate market value on June 30, 2006 (the last business day of the Company's most recently completed second quarter) of the voting common stock held by non-affiliates of the registrant, computed by reference to the closing price of the stock, was approximately $2,695,875,000. The registrant does not have non-voting common stock outstanding.

The number of shares of common stock outstanding as of February 8, 2007 was 160,857,841.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our definitive proxy statement for our 2007 Annual Meeting of Shareholders are incorporated by reference into Part III of this Report.

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PART I

Item 1. *Business*

General Development and Description of Business and Business Segments

Except as expressly indicated or unless the context otherwise requires, as used herein, "Hasbro", the "Company", "we", or "us", means Hasbro, Inc., a Rhode Island corporation organized on January 8, 1926, and its subsidiaries. Unless otherwise specifically indicated, all dollar or share amounts herein are expressed in thousands of dollars or shares, except for per share amounts.

Overview

We are 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. Both internationally and in the U.S., our widely recognized core brands such as PLAYSKOOL, TONKA, SUPER SOAKER, MILTON BRADLEY, PARKER BROTHERS, TIGER, and WIZARDS OF THE COAST provide what we believe are the highest quality play experiences in the world. Our offerings encompass a broad variety of games, including traditional board, card, hand-held electronic, trading card, roleplaying, plug and play and DVD games, as well as electronic learning aids and puzzles. Toy offerings include boys' action figures, vehicles and playsets, girls' toys, electronic toys, plush products, preschool toys and infant products, children's consumer electronics, electronic interactive products, creative play and toy related specialty products. In addition, we license certain of our trademarks, characters and other property rights to third parties for use in connection with consumer promotions and for the sale of noncompeting toys and games and non-toy products.

Organizationally, our principal segments are North America and International. Both of these segments engage in the development, marketing and selling of various toy and game products as listed above. Our North American segment covers the United States, Canada and Mexico while the International segment primarily includes Europe, the Asia Pacific region and Latin and South America. Financial information with respect to our segments and geographic areas is included in note 15 to our financial statements, which are included in Item 8 of this Form 10-K.

In addition, the Hasbro Products Group outlicenses our intellectual property to third parties on a worldwide basis and the Global Operations segment is responsible for arranging product manufacturing and sourcing for the North American and International segments.

North America

The North American segment's strategy in 2006 continued to be based on growing core brands through innovation and reinvention, introducing new initiatives driven by consumer and marketplace insights and leveraging opportunistic toy and game lines and licenses. In recent years, a major source of innovation has been the incorporation of greater technology into our products. The use of technology has increased our ability to develop products that appeal to older children who have been shifting from traditional toys and games to consumer electronic products, such as MP3 players, cell phones and other entertainment and lifestyle products. In addition, we seek to grow our business and maintain our brands by refreshing and reintroducing products from our vast portfolio which have been out of the market for extended periods of time. Recent successful reintroductions of products include BABY ALIVE in 2006, LITTLEST PET SHOP in 2005 and MY LITTLE PONY in 2003. Major 2006 brands and products included STAR WARS, PLAYSKOOL, LITTLEST PET SHOP, NERF, MAGIC: THE GATHERING, PLAY-DOH, TRANSFORMERS and MONOPOLY. In the North American segment, our products are organized into the following categories: (i) games and puzzles; (ii) boys' toys; (iii) girls' toys; (iv) preschool toys; (v) tween toys; and (vi) other.

Our games and puzzles category includes several well known brands, including MILTON BRADLEY, PARKER BROTHERS, TIGER GAMES, AVALON HILL, and WIZARDS OF THE COAST. The MILTON BRADLEY, PARKER BROTHERS, TIGER GAMES and AVALON HILL brand portfolios consist of a broad assortment of games for children, tweens, families and adults. Core game brands include MONOPOLY,

BATTLESHIP, GAME OF LIFE, SCRABBLE, CHUTES AND LADDERS, CANDY LAND, TROUBLE, MOUSETRAP, OPERATION, HUNGRY HUNGRY HIPPOS, CONNECT FOUR, TWISTER, YAHTZEE, JENGA, SIMON, CLUE, SORRY!, RISK, BOGGLE, and TRIVIAL PURSUIT, as well as a line of jigsaw puzzles for children and adults, including BIG BEN and CROXLEY, as well as the PUZZ-3D line. WIZARDS OF THE COAST offers a variety of successful trading card and roleplaying games, including MAGIC: THE GATHERING and DUNGEONS & DRAGONS. We seek to keep our core brands relevant through sustained marketing programs as well as by offering consumers new ways to experience them. In 2006, the Company introduced MONOPOLY HERE & NOW, a modernized version of MONOPOLY that reflects contemporary culture and landmarks. In 2007 we plan to continue this reinvention of MONOPOLY through the introduction of several new related products including MONOPOLY TROPICAL TYCOON DVD game and the MONOPOLY HERE & NOW electronic banking game. Other core brand extensions expected for 2007 include a new version of the GAME OF LIFE, TWISTS AND TURNS, as well as a new version of the OPERATION game, OPERATION RESCUE KIT. In addition to our core brands strategy, we seek to develop new game concepts, such as the 2006 introduction of COSMIC CATCH. In 2007, the Company plans to introduce a new line of brain training games, which will include hand held electronics, card games, plug and play games and pocket-sized games. In addition to more traditional game play, in the tween category, we plan to introduce NET JET, a digital internet game system.

Our boys' toys include a wide range of core properties such as G.I. JOE and TRANSFORMERS action figures as well as entertainment-based licensed products based on popular movie and television characters, such as STAR WARS and MARVEL toys and accessories. The boys' toys category is increasingly competing with video games as boys become more sophisticated in their evaluation of entertainment. In the action figure area, a key part of our strategy focuses on the importance of reinforcing the storyline associated with these products through the use of media-based entertainment. In 2007, the Company expects to have significant sales of MARVEL and TRANSFORMERS products due to the anticipated major motion picture releases of SPIDER-MAN 3 in May of 2007 and TRANSFORMERS in July of 2007. There are two other MARVEL motion picture releases scheduled in 2007, GHOST RIDER and FANTASTIC FOUR: THE RISE OF THE SILVER SURFER for which the Company will be offering products in 2007. In addition to marketing and developing action figures for traditional play, the Company also develops and markets products designed for collectors, which was a key component of the success of the STAR WARS brand in 2006. In 2007, in addition to toys designed around the MARVEL and TRANSFORMERS motion picture releases, the Company will offer products such as the MARVEL ORIGINS product line, designed for the collector market.

In our girls' toys category, we seek to provide a traditional and wholesome play experience. Girls' toys include the MY LITTLE PONY, LITTLEST PET SHOP, FUR REAL FRIENDS and BABY ALIVE brands as well as the EASY BAKE oven. In 2007, we will seek to continue the growth of the MY LITTLE PONY and LITTLEST PET SHOP brands though innovative new lines, such as the PONYVILLE line and the TEENIEST TINIEST PET line. The FUR REAL FRIENDS line combines plush toys with electronic innovation to provide an interactive play experience.

Our preschool toys category encompasses a range of products for preschoolers in the various stages of development, from infant to kindergarteners. Our preschool products include a portfolio of core brands marketed primarily under the PLAYSKOOL trademark. The PLAYSKOOL line includes such well-known products as MR. POTATO HEAD, WEEBLES, SIT 'N SPIN and GLOWORM, along with a successful line of infant toys including STEP START WALK 'N RIDE, 2-IN-1 TUMMY TIME GYM and BUSY BALL POPPER. In addition, starting in 2007, the PLAYSKOOL line will also include the TONKA line of trucks and interactive toys and the PLAY-DOH brand. Through our AGES & STAGES system, we seek to provide consumer friendly information that assists parents in understanding the developmental milestones their children will encounter as well as the role each PLAYSKOOL product can play in helping children to achieve these developmental milestones. In 2007, the Company plans to introduce the MADE FOR ME toy and gear line that will allow parents to customize activities and features to suit a child's developmental needs. Our preschool toys focus on encouraging children to get active through the PLAYSKOOL KID MOTION line of indoor and outdoor toys as well as seek to promote the use of the child's imagination through products such as the PLAY-DOH line of playsets and products such as DREAMTOWN, a system of role play environments and accessories. In 2007, we plan to continue to increase the visibility of our PLAYSKOOL brand through an agreement with the CVS/pharmacy retail chain whereby PLAYSKOOL will serve as the private label brand for CVS' baby care products.

Our tweens toys category generally markets products under the TIGER ELECTRONICS and NERF brands and seeks to target those children who have outgrown traditional toys. The age group targeted by this category is generally 8 to 12 years old. In recent years, we have used our consumer insights and electronic innovation to develop a strong line of products focusing on this target audience. Our major tweens toys product lines in 2006 included I-DOG and NERF. As demonstrated through our I-DOG product, an interactive pet that acts as an accessory to an MP3 player, we seek to draw on the popularity of electronic trends in our tween product offerings. In 2007, we will seek to leverage the interest of this age group in music and musical instruments through the introduction of the POWER TOUR GUITAR product.

International

In addition to our business in the United States, Mexico and Canada, in 2006 we operated in more than 20 other countries, selling a representative range of the toy and game products marketed in North America, together with some items that are sold only internationally. The major geographic regions included in the International segment are Europe, Asia Pacific, South America and Latin America, excluding Mexico. In addition to growing core brands and leveraging opportunistic toy lines and licenses, we seek to grow our international business by continuing to expand into Eastern Europe and emerging markets in Asia and Latin and South America. Key international brands for 2006 included MONOPOLY, MY LITTLE PONY, PLAYSKOOL, STAR WARS, and LITTLEST PET SHOP.

Other Segments

In our Global Operations segment, we manufacture and source production of substantially all of our toy and game products. The Company operates manufacturing facilities in East Longmeadow, Massachusetts and Waterford, Ireland. Sourcing of our other production is done through unrelated manufacturers in various Far East countries, principally China, using a Hong Kong based subsidiary for quality control and order coordination purposes. See "Manufacturing and Importing" below for more details concerning overseas manufacturing.

Through our other segment, the Hasbro Products Group, we generate revenue through the out-licensing worldwide of certain of our intellectual properties to third parties for promotional and merchandising uses in businesses which do not compete directly with our own product offerings.

Other Information

To further extend our range of products in the various segments of our business, we sell our toy and game products directly to retailers, primarily on a direct import basis from the Far East. These sales are reflected in the revenue of the related segment where the customer resides.

Certain of our products are licensed to other companies for sale in selected countries where we do not otherwise have a direct business presence.

No individual line of products accounted for 10% or more of our consolidated net revenues during our 2006 or 2004 fiscal years. During the 2005 fiscal year, revenues generated from the sale of STAR WARS products produced under our license with Lucas Licensing and Lucasfilm were approximately $494,000, which was 16% of our consolidated net revenues in 2005. No other line of products constituted 10% or more of our consolidated net revenues in 2005.

Working Capital Requirements

Our working capital needs are primarily financed through cash generated from operations and, when necessary, short-term borrowings and proceeds from our accounts receivable securitization program. Our borrowings and the use of our accounts receivable program generally reach peak levels during the fourth quarter of each year. This corresponds to the time of year when our receivables also generally reach peak levels as part of the production and shipment of product in preparation for the holiday shipping season. The strategy of retailers has been to make a higher percentage of their purchases of toy and game products within or close to the fourth quarter holiday consumer buying season, which includes Christmas. We expect this trend will continue. Our historical revenue pattern is one in which the second half of the year is more significant to our overall business than the first half and, within the second half of the year, the fourth quarter is more prominent. In 2006, the second half of the year accounted for approximately 68% of full year revenues with the third and fourth quarters accounting for 33% and 35% of full year revenues, respectively. In years where the Company has products tied to a major motion picture release, such as in 2005 with the mid-year release of STAR WARS III: REVENGE OF THE SITH, this concentration is not as pronounced due to the higher level of sales that occur around the time of the motion picture theatrical release. In 2007 the Company has products tied to two anticipated major motion picture releases, SPIDER-MAN 3, expected to be released in May of 2007, and TRANSFORMERS, which is expected to be released in July of 2007.

The toy and game business is also characterized by customer order patterns which vary from year to year largely because of differences each year in the degree of consumer acceptance of product lines, product availability, marketing strategies and inventory policies of retailers, the dates of theatrical releases of major motion pictures for which we have product licenses, and changes in overall economic conditions. As a result, comparisons of our unshipped orders on any date with those at the same date in a prior year are not necessarily indicative of our sales for that year. Moreover, quick response inventory management practices now being used result in fewer orders being placed significantly in advance of shipment with more orders being placed for immediate delivery. Unshipped orders at January 28, 2007 and January 29, 2006 were approximately $192,000 and $123,000, respectively. It is a general industry practice that orders are subject to amendment or cancellation by customers prior to shipment. The backlog of unshipped orders at any date in a given year can also be affected by programs that we may employ to incent customers to place orders and accept shipments early in the year. This method is a general industry practice. The programs that we plan to employ to promote sales in 2007 are substantially the same as those we employed in 2006.

Historically, we commit to the majority of our inventory production and advertising and marketing expenditures for a given year prior to the peak third and fourth quarter retail selling season. Our accounts receivable increase during the third and fourth quarter as customers increase their purchases to meet expected consumer demand in the holiday season. Due to the concentrated timeframe of this selling period, payments for these accounts receivable are generally not due until later in the fourth quarter or early in the first quarter of the subsequent year. The timing difference between expenses paid and revenues collected sometimes makes it necessary for us to borrow varying amounts during the year. During 2006 and 2005, we utilized cash from our operations, proceeds from our accounts receivable securitization program, borrowing under our revolving credit agreement as well as our uncommitted lines of credit to meet our cash flow requirements.

Royalties, Research and Development

Our success is dependent on innovation through the continuing development of new products and the redesign of existing products for continued market acceptance. In 2006, 2005, and 2004, we spent $171,358, $150,586, and $157,162, respectively, on activities relating to the development, design and engineering of new products and their packaging (including products brought to us by independent designers) and on the improvement or modification of ongoing products. Much of this work is performed by our internal staff of designers, artists, model makers and engineers.

In addition to the design and development work performed by our own staff, we deal with a number of independent toy and game designers for whose designs and ideas we compete with other toy and game manufacturers. Rights to such designs and ideas, when acquired by us, are usually exclusive and the agreements require us to pay the designer a royalty on our net sales of the item. These designer royalty agreements, in some cases, also provide for advance royalties and minimum guarantees.

We also produce a number of toys under trademarks and copyrights utilizing the names or likenesses of characters from movies, television shows and other entertainment media, for whose rights we compete with other toy and game manufacturers. Licensing fees for these rights are generally paid as a royalty on our net sales of the item. Licenses for the use of characters are generally exclusive for specific products or product lines in specified territories. In many instances, advance royalties and minimum guarantees are required by these license agreements. In 2006, 2005, and 2004, we incurred $169,731, $247,283, and $223,193, respectively, of royalty expense. A portion of this expense relates to amounts paid in prior years as royalty advances. Our royalty expenses in any given year vary depending upon the timing of movie releases and other entertainment. In 2005, royalty expense increased due to the release of STAR WARS EPISODE III: REVENGE OF THE SITH, and the corresponding increase of our sales of STAR WARS licensed products. In 2007, the Company has licensed products tied to anticipated MARVEL major motion picture releases, including SPIDER-MAN 3 in May of 2007 as well as FANTASTIC FOUR: THE RISE OF THE SILVER SURFER and GHOSTRIDER. We will also incur royalties on products based on the theatrical release of TRANSFORMERS in July of 2007. As such, we expect higher royalty expense in 2007 then was incurred in 2006.

We have $116,792 of prepaid royalties, which are a component of prepaid expenses and other current assets on our balance sheet. Included in other assets is $64,769 representing the long-term portion of royalty advances already paid. As further detailed in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, based on contracts in effect at December 31, 2006, the Company may be required to pay approximately $164,780 of minimum guaranteed royalties at various times from 2007 through 2011. Amounts paid and advances to be paid relate to anticipated revenues from licensed properties to be sold in the years 2007 through 2018.

Marketing and Sales

Our products are sold nationally and internationally to a broad spectrum of customers, including wholesalers, distributors, chain stores, discount stores, mail order houses, catalog stores, department stores and other traditional retailers, large and small, as well as internet-based "e-tailers." Our own sales forces account for the majority of sales of our products. Remaining sales are generated by independent distributors who sell our products, for the most part, in areas of the world where we do not otherwise maintain a direct presence. Although we had more than 2,500 customers in the United States and Canada during 2006, including specialty retailers carrying trading card games and toy-related products, there has been significant consolidation at the retail level over the last several years in our industry, which we expect to continue. As a result, the majority of our sales are to large chain stores, distributors and wholesalers. While the consolidation of customers provides us with certain benefits, such as potentially more efficient product distribution and other decreased costs of sales and distribution, this consolidation also creates additional risks to our business associated with a major customer having financial difficulties or reducing its business with us. In addition, customer concentration may decrease the prices we are able to obtain for some of our products and reduce the number of products we would otherwise be able to bring to market. During 2006, sales to our three largest customers, Wal-Mart Stores, Inc., Target Corporation and Toys 'R Us, Inc., represented 24%, 13% and 11%, respectively, of consolidated net revenues, and sales to our top five customers accounted for approximately 53% of our consolidated net revenues. During 2006, 90% of the net revenues from our top 5 customers related to the North American segment.

We advertise many of our toy and game products extensively on television. Generally our advertising highlights selected items in our various product groups in a manner designed to promote the sale of not only the selected item, but also other items we offer in those product groups as well. We introduce many of our new products to major customers during the year prior to the year of introduction of such products for retail sale. In addition, we showcase many of our new products at international toy fairs held early in the fiscal year in Hong Kong, London, Nuremberg, and New York City.

In 2006 we spent $368,996 on advertising, promotion and marketing programs compared to $366,371 in 2005 and $387,523 in 2004.

Manufacturing and Importing

During 2006 substantially all of our products were manufactured in third party facilities in the Far East, primarily China, as well as in our two owned facilities located in East Longmeadow, Massachusetts and Waterford, Ireland.

Most of our products are manufactured from basic raw materials such as plastic, paper and cardboard, although certain products also make use of electronic components. All of these materials are readily available but may be subject to significant fluctuations in price. We generally enter into agreements with suppliers at the beginning of a fiscal year that establish prices for that year. For this reason, we are generally insulated, in the short-term, from increases in the prices of raw materials. However, severe increases in the prices of any of these materials may require renegotiation with our suppliers during the year. Our manufacturing processes and those of our vendors include injection molding, blow molding, spray painting, printing, box making and assembly. We purchase most of the components and accessories used in our toys and certain of the components used in our games, as well as some finished items, from manufacturers in the United States and in other countries. However, the countries of the Far East, and particularly the People's Republic of China, constitute the largest manufacturing center of toys in the world and the substantial majority of our toy products are manufactured in China.

We believe that the manufacturing capacity of our third party manufacturers, together with our own facilities, as well as the supply of components, accessories and completed products which we purchase from unaffiliated manufacturers, are adequate to meet the anticipated demand in 2007 for our products. Our reliance on designated external sources of manufacturing could be shifted, over a period of time, to alternative sources of supply for our products, should such changes be necessary or desirable. However, if we were to be prevented from obtaining products from a substantial number of our current Far East suppliers due to political, labor or other factors beyond our control, our operations and our ability to obtain products would be disrupted while alternative sources of product were secured. The imposition of trade sanctions by the United States or the European Union against a class of products imported by us from, or the loss of "normal trade relations" status by, the People's Republic of China could significantly disrupt our operations and increase the cost of our products imported into the United States or Europe.

We purchase dies and molds, principally from independent United States and international sources.

Competition

We are a worldwide leader in the design, manufacture and marketing of games and toys, but our business is highly competitive. We compete with several large toy and game companies in our product categories, as well as many smaller United States and international toy and game designers, manufacturers and marketers. Competition is based primarily on meeting consumer entertainment preferences and on the quality and play value of our products. To a lesser extent, competition is also based on product pricing.

In addition to contending with competition from other toy and game companies, in our business we must deal with the phenomena that many children have been moving away from traditional toys and games at a younger age. We refer to this as "children getting older younger." As a result, our products not only compete with the offerings of other toy and game manufacturers, but we must compete, particularly in meeting the demands of older children, with the entertainment offerings of many other companies, such as makers of video games and consumer electronic products.

The volatility in consumer preferences with respect to family entertainment and low barriers to entry continually create new opportunities for existing competitors and start-ups to develop products which compete with our toy and game offerings.

Employees

At December 31, 2006, we employed approximately 5,800 persons worldwide, approximately 3,200 of whom were located in the United States.

Trademarks, Copyrights and Patents

We seek to protect our products, for the most part, and in as many countries as practical, through registered trademarks, copyrights and patents to the extent that such protection is available, cost effective, and meaningful. The loss of such rights concerning any particular product is unlikely to result in significant harm to our business, although the loss of such protection for a number of significant items might have such an effect.

Government Regulation

Our toy and game products sold in the United States are subject to the provisions of The Consumer Product Safety Act (the “CPSA”), The Federal Hazardous Substances Act (the “FHSA”), The Flammable Fabrics Act (the “FFA”), and the regulations promulgated thereunder. In addition, certain of our products, such as the mixes for our EASY BAKE ovens, are also subject to regulation by the Food and Drug Administration.

The CPSA empowers the Consumer Product Safety Commission (the “CPSC”) to take action against hazards presented by consumer products, including the formulation and implementation of regulations and uniform safety standards. The CPSC has the authority to seek to declare a product “a banned hazardous substance” under the CPSA and to ban it from commerce. The CPSC can file an action to seize and condemn an “imminently hazardous consumer product” under the CPSA and may also order equitable remedies such as recall, replacement, repair or refund for the product. The FHSA provides for the repurchase by the manufacturer of articles that are banned.

Consumer product safety laws also exist in some states and cities within the United States and in Canada, Australia and Europe. We maintain laboratories that employ testing and other procedures intended to maintain compliance with the CPSA, the FHSA, the FFA, international standards, and our own standards. Notwithstanding the foregoing, there can be no assurance that our products are or will be hazard free. Any material product recall could have an adverse effect on our results of operations or financial condition, depending on the product and scope of the recall, and could negatively affect sales of our other products, as well.

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

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

Financial Information About International and United States Operations and Export Sales

The information required by this item is included in note 15 of the Notes to Consolidated Financial Statements included in Item 8 of Part II of this report and is incorporated herein by reference.

Availability of Information

Our internet address is http://www.hasbro.com. We make our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, available free of charge on or through our website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

Item 1A. *Risk Factors*

Forward-Looking Information and Risk Factors That May Affect Future Results

From time to time, including in this Annual Report on Form 10-K and in our annual report to shareholders, we publish “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These “forward-looking statements” may relate to such matters as our anticipated financial performance or business prospects in future periods, expected technological developments, the expected timing of new product introductions or our expectations concerning the future acceptance of products by customers, the timing of entertainment releases, marketing and promotional efforts, research and development activities, liquidity, and similar matters. Forward-looking statements are inherently subject to risks and uncertainties. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. These statements may be identified by the use of forward-looking words or phrases such as "anticipate," "believe," "could," "expect," "intend," "looking forward," "may," "planned," "potential," "should," "will" and "would" or any variations of words with similar meanings. We note that a variety of factors could cause our actual results and experience to differ materially from the anticipated results or other expectations expressed or anticipated in our forward-looking statements. The factors listed below are illustrative and other risks and uncertainties may arise as are or may be detailed from time to time in our public announcements and our filings with the Securities and Exchange Commission, such as on Forms 8-K, 10-Q and 10-K. We undertake no obligation to make any revisions to the forward-looking statements contained in this Annual Report on Form 10-K or in our annual report to shareholders to reflect events or circumstances occurring after the date of the filing of this report. Unless otherwise specifically indicated, all dollar or share amounts herein are expressed in thousands of dollars or shares, except for per share amounts.

Volatility of consumer preferences, combined with the high level of competition and low barriers to entry in the family entertainment industry make it difficult to maintain the success of existing product lines or consistently introduce successful new products. In addition, an inability to develop and introduce planned new products and product lines in a timely and cost-effective manner may damage our business.

The family entertainment business is a fashion industry. Our success is critically dependent upon the consumer appeal of our products, principally games and toys. Our failure to successfully anticipate, identify and react to children's interests and the current preferences in family entertainment could significantly lower sales of our products and harm our profitability.

A decline in the popularity of our existing products and product lines, or the failure of our new products and product lines to achieve and sustain market acceptance with retailers and consumers, could significantly lower our sales and operating margins, which would in turn harm our profitability, business and financial condition. In our industry, it is important to identify and offer what are considered to be the "hot" toys and games on children's "wish lists". Our continued success will depend on our ability to develop, market and sell popular toys, games and children's electronic products which are sought after by both children and their parents. We seek to achieve and maintain market popularity for our products through the redesign and extension of our existing family entertainment properties in ways we believe will capture evolving consumer interest and imagination and remain relevant in today's world, and by developing, introducing and gaining customer interest for new family entertainment products. This process involves anticipating and extending successful play patterns and identifying entertainment concepts and properties that appeal to children's imaginations. However, consumer preferences with respect to family entertainment are continuously changing and are difficult to anticipate. Evolving consumer tastes, coupled with an ever changing pipeline of entertainment properties and products which compete for consumer interest and acceptance, creates an environment in which products can be extremely popular during a certain period in time but then rapidly be replaced in consumer's minds with other properties. As a result, individual family entertainment products and properties generally, and high technology products in particular, often have short consumer life cycles.

Not only must we address rapidly changing consumer tastes and interests but we face competitors who are also constantly monitoring consumer tastes, seeking ideas which will appeal to consumers and introducing new products that compete with our products for consumer purchasing. In addition to existing competitors, the barriers to entry for new participants in the family entertainment industry are low. New participants with a popular product idea or property can gain access to consumers and become a significant source of competition for our products. In some cases our competitors' products may achieve greater market acceptance than our products and potentially reduce demand for our products.

The challenge of developing and offering products that are sought after by children is compounded by the trend of children "getting older younger". By this we mean that children are losing interest in traditional toys at younger ages and, as a result, at younger and younger ages, our products compete with the offerings of video game suppliers, consumer electronics companies and other businesses outside of the traditional toy and game industry.

In addition to designing and developing products based on our own brands, we seek to fulfill consumer preferences and interests by producing products based on popular entertainment properties developed by other parties and licensed to us. The success of entertainment properties released theatrically for which we have a license, such as MARVEL or STAR WARS related products, can significantly affect our revenues. If we produce a line of products based on a movie or television series, the success of the movie or series has a critical impact on the level of consumer interest in the associated products we are offering. In addition, competition in our industry for access to entertainment properties can lessen our ability to secure, maintain, and renew popular licenses to entertainment products on beneficial terms, if at all, and to attract and retain the talented employees necessary to design, develop and market successful products based on these properties. The loss of ownership rights granted pursuant to any of our licensing agreements could harm our business and competitive position.

There is no guarantee that:

- Any of our current products or product lines will continue to be popular;
- Any property for which we have a significant license will achieve or sustain popularity;
- Any new products or product lines we introduce will be considered interesting to consumers and achieve an adequate market acceptance;
- Any new product's life cycle will be sufficient to permit us to profitably recover development, manufacturing, marketing, royalties (including royalty advances and guarantees) and other costs of producing and selling the product; or
- We will be able to manufacture, source and ship new or continuing products in a timely and cost-effective basis to meet constantly changing consumer demands, a risk that is heightened by our customers' compressed shipping schedules and the seasonality of our business.

In developing new products and product lines, we have anticipated dates for the associated product introductions. When we state that we will introduce, or anticipate introducing, a particular product or product line at a certain time in the future those expectations are based on completing the associated development and implementation work in accordance with our currently anticipated development schedule. Unforeseen delays or difficulties in the development process, or significant increases in the planned cost of development, may cause the introduction date for products to be later than anticipated or, in some situations, may cause a product introduction to be discontinued. Similarly, the success of our products is often dependent on the timelines and effectiveness of related advertising and media efforts. Television programming, movie and DVD releases, comic book releases, and other media efforts are often critical in generating interest in our products. Not only our efforts, but the efforts of third parties, heavily impact the launch dates and success of these media efforts. When we say that products or brands will be supported by certain media releases, those statements are based on our current plans and expectations. Unforeseen factors may delay these media releases or even lead to their cancellation. Any delay or cancellation of planned product development work, introductions, or media support may decrease the number of products we sell and harm our business.

Our business is seasonal and therefore our annual operating results will depend, in large part, on our sales during the relatively brief holiday season. This seasonality is exacerbated as retailers become more efficient in their control of inventory levels through quick response inventory management techniques.

Sales of our family entertainment products at retail are extremely seasonal, with a majority of retail sales occurring during the period from September through December in anticipation of the holiday season, including Christmas. This seasonality has increased over time, as retailers become more efficient in their control of inventory levels through quick response inventory management techniques. These customers are timing their orders so that they are being filled by suppliers, such as us, closer to the time of purchase by consumers. For toys, games and other family entertainment products which we produce, a majority of retail sales occur in the fourth quarter, close to the holiday season. As a consequence, the majority of our sales to our customers occur in the period from September through December, as our customers do not want to maintain large on-hand inventories throughout the year to meet consumer demand. While these techniques reduce a retailer's investment in inventory, they increase pressure on suppliers like us to fill orders promptly and thereby shift a significant portion of inventory risk and carrying costs to the supplier.

The limited inventory carried by retailers may also reduce or delay retail sales, resulting in lower revenues for us. If we or our customers determine that one of our products is more popular at retail than was originally anticipated, we may not have sufficient time to produce and ship enough additional product to fully capture consumer interest in the product. Additionally, the logistics of supplying more and more product within shorter time periods increases the risk that we will fail to achieve tight and compressed shipping schedules, which also may reduce our sales and harm our financial performance. This seasonal pattern requires significant use of working capital, mainly to manufacture or acquire inventory during the portion of the year prior to the holiday season, and requires accurate forecasting of demand for products during the holiday season in order to avoid losing potential sales of popular products or producing excess inventory of products that are less popular with consumers. Our failure to accurately predict and respond to consumer demand, resulting in our underproducing popular items and/or overproducing less popular items, would reduce our total sales and harm our results of operations. In addition, as a result of the seasonal nature of our business, we would be significantly and adversely affected, in a manner disproportionate to the impact on a company with sales spread more evenly throughout the year, by unforeseen events, such as a terrorist attack or economic shock, that harm the retail environment or consumer buying patterns during our key selling season, or by events, such as strikes or port delays, that interfere with the shipment of goods, particularly from the Far East, during the critical months leading up to the holiday purchasing season.

The continuing consolidation of our retail customer base means that economic difficulties or changes in the purchasing policies of our major customers could have a significant impact on us.

We depend upon a relatively small retail customer base to sell the majority of our products. For the fiscal year ended December 31, 2006, Wal-Mart Stores, Inc., Target Corporation, and Toys 'R Us, Inc., accounted for approximately 24%, 13% and 11%, respectively, of our consolidated net revenues and our five largest customers, including Wal-Mart, Target and Toys 'R Us, in the aggregate accounted for approximately 53% of our consolidated net revenues. These net revenues were primarily related to the North American segment. While the consolidation of our customer base may provide certain benefits to us, such as potentially more efficient product distribution and other decreased costs of sales and distribution, this consolidation also means that if one or more of our major customers were to experience difficulties in fulfilling their obligations to us, cease doing business with us, significantly reduce the amount of their purchases from us or return substantial amounts of our products, it could harm our business, financial condition and results of operations. Increased concentration among our customers could also negatively impact our ability to negotiate higher sales prices for our products and could result in lower gross margins than would otherwise be obtained if there were less consolidation among our customers. In addition, the bankruptcy or other lack of success of one or more of our significant retail customers could negatively impact our revenues and bad debt expense.

We may not realize the full benefit of our licenses if the licensed material has less market appeal than expected or if sales revenue from the licensed products is not sufficient to earn out the minimum guaranteed royalties.

An important part of our business involves obtaining licenses to produce products based on various entertainment properties and theatrical releases, such as those based upon MARVEL or STAR WARS characters. The license agreements we enter to obtain these rights usually require us to pay minimum royalty guarantees that may be substantial, and in some cases may be greater than what we are ultimately able to recoup from actual sales, which could result in write-offs of significant amounts which in turn would harm our results of operations. At December 31, 2006, we had $181,561 of prepaid royalties, $116,792 of which are included in prepaid expenses and other current assets and $64,769 of which are included in other assets. Under the terms of existing contracts as of December 31, 2006, we may be required to pay future minimum guaranteed royalties and other licensing fees totaling approximately $164,780. Acquiring or renewing licenses may require the payment of minimum guaranteed royalties that we consider to be too high to be profitable, which may result in losing licenses we currently hold when they become available for renewal, or missing business opportunities for new licenses. Additionally, as a licensee of entertainment based properties we have no guaranty that a particular property or brand will translate into successful toy or game products.

We anticipate that the shorter theatrical duration for movie releases will make it increasingly difficult for us to profitably sell licensed products based on entertainment properties and may lead our customers to reduce their demand for these products in order to minimize their inventory risk. Furthermore, there can be no assurance that a successful brand will continue to be successful or maintain a high level of sales in the future, as new entertainment properties and competitive products are continually being introduced to the market. In the event that we are not able to acquire or maintain successful entertainment licenses on advantageous terms, our revenues and profits may be harmed.

Our substantial sales and manufacturing operations outside the United States subject us to risks associated with international operations.

We operate facilities and sell products in numerous countries outside the United States. For the year ended December 31, 2006, our net revenues from international customers comprised approximately 40% of our total consolidated net revenues. We expect our sales to international customers to continue to account for a significant portion of our revenues. Additionally, we utilize third-party manufacturers located principally in the Far East, to produce the majority of our products, and we have a manufacturing facility in Ireland. These sales and manufacturing operations are subject to the risks associated with international operations, including:

- Currency conversion risks and currency fluctuations;
- Limitations, including taxes, on the repatriation of earnings;
- Political instability, civil unrest and economic instability;
- Greater difficulty enforcing intellectual property rights and weaker laws protecting such rights;
- Complications in complying with different laws in varying jurisdictions, which laws may dictate that certain practices which are acceptable in some jurisdictions are not acceptable in others, and changes in governmental policies;
- Natural disasters and the greater difficulty and expense in recovering therefrom;
- Difficulties in moving materials and products from one country to another, including port congestion, strikes and other transportation delays and interruptions;
- Changes in international labor costs and other costs of doing business internationally; and
- The imposition of tariffs.

Our reliance on external sources of manufacturing can be shifted, over a period of time, to alternative sources of supply, should such changes be necessary. However, if we were prevented from obtaining products or components for a material portion of our product line due to political, labor or other factors beyond our control, our operations would be disrupted, potentially for a significant period of time, while alternative sources of products were secured. In particular, as the majority of our toy products, in addition to certain other products, are manufactured in the People's Republic of China, health conditions and other factors affecting social and economic activity in China and affecting the movement of people and products into and from China to our major markets, including North America and Europe, and the labor and other costs of doing business in China, could have a significant negative impact on our operations, revenues and earnings. Factors that could negatively affect our business include a potential revaluation of the Chinese yuan, which may result in an increase in the cost of producing products in China, increases in labor costs and difficulties in moving products manufactured in the Far East through the ports on the western coast of North America, whether due to port congestion, labor disputes or other factors. Also, the imposition of trade sanctions by the United States or the European Union against a class of products imported by us from, or the loss of "normal trade relations" status with, the People's Republic of China, could significantly increase our cost of products imported into the United States or Europe and harm our business. Because of the importance of our international sales and international sourcing of manufacturing to our business, our financial condition and results of operations could be significantly harmed if any of the risks described above were to occur.

Part of our strategy for remaining relevant to older children is to offer innovative children's toy and game electronic products. The margins on many of these products are lower than more traditional toys and games and such products may have a shorter lifespan than more traditional toys and games. As a result, increasing sales of children's toy and game electronic products may lower our overall operating margins and produce more volatility in our business.

As children have grown "older younger" and have become interested in more and more sophisticated and adult products, such as videogames and consumer electronics, at younger and younger ages, we have needed to work even harder to keep our products relevant for these consumers. One initiative we have been pursuing to capture the interest of older children is to offer innovative children's electronic toys and games. Examples of such products in the last few years include VIDEONOW, CHATNOW, ZOOMBOX, our I-branded products such as I-DOG and I-CAT, and our FURREAL FRIENDS line of products, including BUTTERSCOTCH. These products, if successful, can be an effective way for us to connect with consumers and increase sales. However, children's electronics, in addition to the risks associated with our other family entertainment products, also face certain additional risks.

Our costs for designing, developing and producing electronic products tend to be higher than for many of our other more traditional products, such as board games and action figures. The ability to recoup these higher costs through sufficient sales quantities and to reflect higher costs in higher prices is constrained by heavy competition in consumer electronics. As a consequence, our margins on the sales of electronic products tend to be lower than for more traditional products and we can face increased risk of not achieving sales sufficient to recover our costs. In addition, the pace of change in product offerings and consumer tastes in the electronics area is potentially even greater than for our other products. This pace of change means that the window in which a product can achieve and maintain consumer interest may be even shorter.

Market conditions, including commodity and fuel prices, public health conditions and other third party conduct could negatively impact our revenues, margins and our other business initiatives.

Economic and public health conditions, including factors that impact the strength of the retail market and retail demand, or our ability to manufacture and deliver products, can have a significant impact on our business. The success of our family entertainment products is dependent on consumer purchasing of those products. Consumers may not purchase our products because the products do not capture consumer interest and imagination or because competitor family entertainment offerings are deemed more attractive. But consumer spending on our products can also be harmed by factors that negatively impact consumers' budgets generally, and which are not due to our product offerings. Significant increases in the costs of other products which are required by consumers, such as gasoline and home heating fuels, may reduce household spending on entertainment products we offer. In addition, rising fuel and raw material prices, for components such as resin used in plastics, or increased transportation costs, may increase our costs for producing and transporting our products, which in turn may reduce our margins and harm our business.

In addition, general economic conditions and employment levels can impact demand for our products. Economic conditions were significantly harmed by the September 11, 2001 terrorist attacks and could be similarly affected by any future attacks. Economic conditions may also be negatively impacted by wars and other conflicts, increases in critical commodity prices, or the prospect of such events. Such a weakened economic and business climate, as well as consumer uncertainty created by such a climate, could harm our sales and profitability.

Other conditions, such as the unavailability of electrical components, may impede our ability to manufacture, source and ship new and continuing products on a timely basis. Additional factors outside of our control could delay or increase the cost of implementing our business initiatives and product plans or alter our actions and reduce actual results. For example, work stoppages, slowdowns or strikes, a severe public health pandemic or the occurrence or threat of wars or other conflicts, could impact our ability to manufacture or deliver product, resulting in increased costs and/or lost sales for our products.

Our business is dependent on intellectual property rights and we may not be able to protect such rights successfully. In addition, we have a material amount of acquired product rights which, if impaired, would result in a reduction of our income.

Our intellectual property, including our license agreements and other agreements that establish our ownership rights and maintain the confidentiality of our intellectual property, are of great value. We rely on a combination of trade secret, copyright, trademark, patent and other proprietary rights laws to protect our rights to valuable intellectual property related to our brands. From time to time, third parties have challenged, and may in the future try to challenge, our ownership of our intellectual property. In addition, our business is subject to the risk of third parties counterfeiting our products or infringing on our intellectual property rights. We may need to resort to litigation to protect our intellectual property rights, which could result in substantial costs and diversion of resources. Our failure to protect our intellectual property rights could harm our business and competitive position. Much of our intellectual property has been internally developed and has no carrying value on our balance sheet. However, as of December 31, 2006, we had approximately $532,257 of acquired product and licensing rights included in other assets on our balance sheet. Declines in the profitability of the acquired brands or licensed products may impact our ability to recover the carrying value of the related assets and could result in an impairment charge. Reduction in our net income caused by impairment charges could harm our financial results.

We may not realize the anticipated benefits of future acquisitions or those benefits may be delayed or reduced in their realization.

Although we have not made any major acquisitions in the last few years, acquisitions have been a significant part of our historical growth and have enabled us to further broaden and diversify our product offerings. In making acquisitions, we target companies that we believe offer attractive family entertainment products. We may also target companies in markets where we would like to increase our local presence. However, we cannot be certain that the products of companies we may acquire in the future will achieve or maintain popularity with consumers or that we will be successful in a particular geographic region. In some cases, we expect that the integration of the product lines of the companies that we acquire into our operations will create production, marketing and other operating synergies which will produce greater revenue growth and profitability and, where applicable, cost savings, operating efficiencies and other advantages. However, we cannot be certain that these synergies, efficiencies and cost savings will be realized. Even if achieved, these benefits may be delayed or reduced in their realization. In other cases, we acquire companies that we believe have strong and creative management, in which case we plan to operate them more autonomously rather than fully integrating them into our operations. We cannot be certain that the key talented individuals at these companies will continue to work for us after the acquisition or that they will continue to develop popular and profitable products or services.

From time to time, we are involved in litigation, arbitration or regulatory matters where the outcome is uncertain and which could entail significant expense.

As is the case with many large multinational corporations, we are subject from time to time to regulatory investigations, litigation and arbitration disputes. Because the outcome of litigation, arbitration and regulatory investigations is inherently difficult to predict, it is possible that the outcome of any of these matters could entail significant expense for us and harm our business. The fact that we operate in significant numbers of international markets also increases the risk that we may face legal and regulatory exposures as we attempt to comply with a large number of varying legal and regulatory requirements.

We rely on external financing, including our credit facilities and accounts receivable securitization facility, to fund our operations. If we were unable to obtain or service such financing, or if the restrictions imposed by such financing were too burdensome, our business would be harmed.

Due to the seasonal nature of our business, in order to meet our working capital needs, particularly those in the third and fourth quarters, we rely on our revolving credit facility and our other credit facilities for working capital. We currently have a five-year revolving credit agreement, which provides for a $300,000 committed revolving credit facility which provides the Company the ability to request increases in the committed facility in additional increments of $50,000, up to a total of $500,000. The credit agreement contains certain restrictive covenants setting forth leverage and coverage requirements, and certain other limitations typical of an investment grade facility. These restrictive covenants may limit our future actions, and financial, operating and strategic flexibility. In addition, our financial covenants were set at the time we entered into our credit facility. Our performance and financial condition may not meet our original expectations, causing us to fail to meet such financial covenants. Non-compliance with our debt covenants could result in us being unable to utilize borrowings under our revolving credit facility and other bank lines, a circumstance which potentially could occur when operating shortfalls would most require supplementary borrowings to enable us to continue to fund our operations.

As an additional source of working capital and liquidity, we currently have a $250,000 accounts receivable securitization program, which is increased to $300,000 from fiscal October through fiscal January. Under this program, we sell on an ongoing basis, substantially all of our U.S. dollar denominated trade accounts receivable to a bankruptcy remote special purpose entity. Under this facility, the special purpose entity is able to sell, on a revolving basis, undivided ownership interests in the eligible receivables to bank conduits. During the term of the facility, we must maintain certain performance ratios. If we fail to maintain these ratios, we could be prevented from accessing this cost-effective source of working capital and short-term financing.

We believe that our cash flow from operations, together with our cash on hand and access to existing credit facilities and our accounts receivable securitization facility, are adequate for current and planned needs in 2007. However, our actual experience may differ from these expectations. Factors that may lead to a difference include, but are not limited to, the matters discussed herein, as well as future events that might have the effect of reducing our available cash balance, such as unexpected material operating losses or increased capital or other expenditures, as well as increases in inventory or accounts receivable that are ineligible for sale under our securitization facility, or future events that may reduce or eliminate the availability of external financial resources.

We also may choose to finance our capital needs, from time to time, through the issuance of debt securities. Our ability to issue such securities on satisfactory terms, if at all, will depend on the state of our business and financial condition, any ratings issued by major credit rating agencies, market interest rates, and the overall condition of the financial and credit markets at the time of the offering. The condition of the credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Variations in these factors could make it difficult for us to sell debt securities or require us to offer higher interest rates in order to sell new debt securities. The failure to receive financing on desirable terms, or at all, could damage our ability to support our future operations or capital needs or engage in other business activities.

As of December 31, 2006, we had $494,983 of total principal amount of indebtedness outstanding. If we are unable to generate sufficient available cash flow to service our outstanding debt we would need to refinance such debt or face default. There is no guarantee that we would be able to refinance debt on favorable terms, or at all. This total indebtedness includes $249,996 in aggregate principal amount of 2.75% senior convertible debentures that we issued in 2001. On December 1, 2011 and December 1, 2016, and upon the occurrence of certain fundamental corporate changes, holders of the 2.75% senior convertible debentures may require us to purchase their debentures. At that time, the purchase price may be paid in cash, shares of common stock or a combination of the two, at our discretion, provided that we will pay accrued and unpaid interest in cash. We may not have sufficient cash at that time to make the required repurchases and may be required to settle in shares of common stock.

We previously issued warrants that provide the holder with an option through January 2008 to sell all of these warrants to us for a price to be paid, at our election, of either $100,000 in cash or $110,000 in our common stock, such stock being valued at the time of the exercise of the option. Should we be required to settle these warrants under this option, we believe that we will have adequate funds to settle in cash if necessary. However, we may not have sufficient funds at that time to make the required payment and may be required to settle the warrants in stock.

As a manufacturer of consumer products and a large multinational corporation, we are subject to various government regulations, violation of which could subject us to sanctions. In addition, we could be the subject of future product liability suits or product recalls, which could harm our business.

As a manufacturer of consumer products, we are subject to significant government regulations under The Consumer Products Safety Act, The Federal Hazardous Substances Act, and The Flammable Fabrics Act. In addition, certain of our products are subject to regulation by the Food and Drug Administration. While we take all the steps we believe are necessary to comply with these acts, there can be no assurance that we will be in compliance in the future. Failure to comply could result in sanctions which could have a negative impact on our business, financial condition and results of operations. We may also be subject to involuntary product recalls or may voluntarily conduct a product recall. While costs associated with product recalls have generally not been material to our business, the costs associated with future product recalls individually and in the aggregate in any given fiscal year, could be significant. In addition, any product recall, regardless of direct costs of the recall, may harm consumer perceptions of our products and have a negative impact on our future sales and results of operations.

In addition to government regulation, products that have been or may be developed by us may expose us to potential liability from personal injury or property damage claims by the users of such products. There can be no assurance that a claim will not be brought against us in the future. While we currently maintain product liability insurance coverage in amounts we believe sufficient for our business risks, we may not be able to maintain such coverage or such coverage may not be adequate to cover all potential claims. Moreover, even if we maintain sufficient insurance coverage, any successful claim could significantly harm our business, financial condition and results of operations.

As a large, multinational corporation, we are subject to a host of governmental regulations throughout the world, including antitrust, customs and tax requirements, anti-boycott regulations and the Foreign Corrupt Practices Act. Our failure to successfully comply with any such legal requirements could subject us to monetary liabilities and other sanctions that could harm our business and financial condition.

We have a material amount of goodwill which, if it becomes impaired, would result in a reduction in our net income.

Goodwill is the amount by which the cost of an acquisition accounted for using the purchase method exceeds the fair value of the net assets we acquire. Current accounting standards require that goodwill no longer be amortized but instead be periodically evaluated for impairment based on the fair value of the reporting unit. At December 31, 2006, approximately $469,938 or 15.2%, of our total assets represented goodwill. Declines in our profitability may impact the fair value of our reporting units, which could result in a write-down of our goodwill. Reductions in our net income caused by the write-down of goodwill could harm our results of operations.

Item 1B. ***Unresolved Staff Comments***

None

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Item 2. ***Properties***

Location	Use	Square Feet	Type of Possession	Lease Expiration Dates
Rhode Island				
Pawtucket(1) (2) (3)	Administrative, Sales & Marketing, and Product Development offices	343,000	Owned	—
Pawtucket(2)	Executive Office	23,000	Owned	—
East Providence (2) (3)	Administrative Office	120,000	Leased	2014
Central Falls(1) (2)	Warehouse	261,500	Owned	—
Massachusetts				
East Longmeadow(1) (3)	Office, Manufacturing & Warehouse	1,148,000	Owned	—
East Longmeadow(1) (3)	Warehouse	500,000	Leased	2007
California				
Chino(1)	Warehouse	1,001,000	Leased	2010
Texas				
Dallas(1)	Warehouse	147,500	Leased	2011
Washington				
Renton(1)	Office	95,400	Leased	2016
Tukwilla(1)	Warehouse	5,000	Leased	2007
Australia				
Erskine Park(4)	Office & Warehouse	98,400	Leased	2015
Eastwood(4)	Office	16,900	Leased	2009
Belgium				
Brussels(4)	Office & Showroom	18,800	Leased	2008
Canada				
Montreal(1)	Office, Warehouse & Showroom	133,900	Leased	2010
Mississauga(1)	Sales Office & Showroom	16,300	Leased	2010
Montreal(1)	Warehouse	88,100	Leased	2010
Chile				
Santiago(4)	Warehouse	67,600	Leased	2007
Santiago(4)	Office	17,300	Leased	2007
China				
Shenzhen(3)	Office	25,700	Leased	2009
Shenzhen(3)	Office	26,600	Leased	2009
Denmark				
Glostrup(4)	Office	9,200	Leased	2010
England				
Uxbridge(4)	Office & Showroom	51,000	Leased	2013
France				
Le Bourget du Lac(4)	Office	33,500	Owned	—
Creutzwald(4)	Warehouse	301,300	Owned	—
Germany				
Soest(4)	Office & Warehouse	258,300	Owned	—
Soest(4)	Warehouse	79,700	Leased	2007
Dreieich(4)	Office	24,900	Leased	2015

Location	Use	Square Feet	Type of Possession	Lease Expiration Dates
Hong Kong				
Kowloon(3)	Offices	64,300	Leased	2008
New Territories(3)	Warehouse	11,500	Leased	2008
New Territories(3)	Warehouse	8,100	Leased	2009
Ireland				
Waterford(3)	Office, Manufacturing & Warehouse	244,000	Owned	—
Italy				
Milan(4)	Office & Showroom	12,100	Leased	2007
Mexico				
Mexico City(1)	Office	21,700	Leased	2013
Carretera(1)	Warehouse	221,700	Leased	2011
The Netherlands				
Utrecht(4)	Office	7,200	Leased	2008
Amsterdam(2)	Office	2,600	Leased	2011
New Zealand				
Auckland(4)	Office & Warehouse	35,000	Leased	2010
Poland				
Warsaw(4)	Office	3,200	Leased	2007
Spain				
Valencia(4)	Office & Warehouse	251,900	Leased	2015
Switzerland				
Delemont(2)	Office	9,200	Leased	2009
Baar(4)	Office	3,700	Leased	2011
Turkey				
Istanbul(4)	Office	11,000	Leased	2007
Wales				
Newport(4)	Warehouse	94,000	Leased	2013
Newport(4)	Warehouse	72,000	Leased	2018
Newport(4)	Warehouse	198,000	Owned	—

(1) Property used in the North American segment.

(2) Property used in the Corporate function.

(3) Property used in the Global Operations segment.

(4) Property used in the International segment.

In addition to the above listed facilities, the Company either owns or leases various other properties approximating an aggregate of 123,500 square feet which are utilized by its various segments. The Company also either owns or leases an aggregate of approximately 533,600 square feet not currently being utilized in its operations or previously included in restructuring actions, which are currently subleased or offered for sublease.

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

The Company believes that its facilities are adequate for its current needs.

Item 3. ***Legal Proceedings***

We are currently party to certain legal proceedings, none of which, individually or in the aggregate, we believe to be material to our financial condition.

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

None.

Executive Officers of the Registrant

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

Name	Age	Position and Office Held	Period Serving in Current Position
Alfred J. Verrecchia(1)	64	President and Chief Executive Officer	Since 2003
Brian Goldner(2)	43	Chief Operating Officer	Since 2006
David D. R. Hargreaves(3)	54	Executive Vice President, Finance and Global Operations and Chief Financial Officer	Since 2007
Frank P. Bifulco, Jr.(4)	57	President, North American Sales	Since 2006
Simon Gardner(5)	46	President, Hasbro Europe	Since 2002
Barry Nagler	50	Senior Vice President, General Counsel and Secretary	Since 2001
Deborah Thomas Slater(6)	43	Senior Vice President and Controller	Since 2003
Martin R. Trueb	54	Senior Vice President and Treasurer	Since 1997

(1) Prior thereto, President and Chief Operating Officer from 2001 to 2003.

(2) Prior thereto, President, U.S. Toys Segment from 2003 to 2006; prior thereto, President, U.S. Toys, from 2001 to 2003.

(3) Prior thereto, Senior Vice President and Chief Financial Officer from 2001 to 2007.

(4) Prior thereto, President, U.S. Games since joining the Company in June 2003; prior thereto, Senior Vice President and Chief Marketing Officer of The Timberland Company since 2001.

(5) From 2002 to 2003 also President, Asia Pacific; prior to 2002, President, Hasbro International.

(6) Prior thereto, Vice President and Assistant Controller from 1998 to 2003.

PART II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

The Company's common stock, par value $.50 per share (the "Common Stock"), is traded on the New York Stock Exchange under the symbol "HAS". The following table sets forth the high and low sales prices as reported on the Composite Tape of the New York Stock Exchange and the cash dividends declared per share of Common Stock for the periods listed.

Period	Sales Prices High	Sales Prices Low	Cash Dividends Declared
2006			
1st Quarter	$21.90	19.52	$ .12
2nd Quarter	21.27	17.90	.12
3rd Quarter	22.75	17.00	.12
4th Quarter	27.69	22.41	.12
2005			
1st Quarter	$21.50	18.11	$ .09
2nd Quarter	21.00	18.40	.09
3rd Quarter	22.35	19.83	.09
4th Quarter	20.75	17.75	.09

The approximate number of holders of record of the Company's Common Stock as of February 8, 2007 was 9,400.

See Part III, Item 12 of this report for the information concerning the Company's "Equity Compensation Plans".

Dividends

Declaration of dividends is at the discretion of the Company's Board of Directors and will depend upon the earnings and financial condition of the Company and such other factors as the Board of Directors deems appropriate. Payment of dividends is subject to restrictions contained in agreements relating to the Company's outstanding short-term and long-term debt.

Issuer Repurchases of Common Stock

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

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May yet be Purchased Under the Plans or Programs
October 2006				
(October 2, 2006 to October 29, 2006)	1,055,122	$22.9814	1,010,000	$ 212,217,280
November 2006				
(October 30, 2006 to December 3, 2006)	404,769	$26.8426	395,000	$ 201,615,992
December 2006				
(December 4, 2006 to December 31, 2006)	210,100	$26.8221	210,100	$ 195,980,672
Total	1,669,991	$24.4004	1,615,100	$ 195,980,672

In 2006, the Company utilized the remaining capacity it had under the Board of Director's May 2005 authorization to repurchase up to $350 million in common stock. In July 2006, the Company's Board of Directors authorized the repurchase of up to an additional $350 million in common stock. 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.

In October and November 2006, the Company repurchased an aggregate of 54,891 shares upon the exercises of stock options, which shares were delivered by the award recipient as payment of the exercise price and related taxes. These shares were purchased at the market prices on the dates of the exercises of the stock options.

Item 6. *Selected Financial Data*

	Fiscal Year				
	2006	2005	2004	2003	2002
	(Thousands of dollars and shares except per share data and ratios)				
Statement of Earnings Data:					
Net revenues	$3,151,481	3,087,627	2,997,510	3,138,657	2,816,230
Net earnings before cumulative effect of accounting change	$ 230,055	212,075	195,977	175,015	75,058
Per Common Share Data:					
Earnings before cumulative effect of accounting change					
Basic	$ 1.38	1.19	1.11	1.01	.43
Diluted	$ 1.29	1.09	.96	.94	.43
Cash dividends declared	$ .48	.36	.24	.12	.12
Balance Sheet Data:					
Total assets	$3,096,905	3,301,143	3,240,660	3,163,376	3,142,881
Total long-term debt	$ 494,917	528,389	626,822	688,204	1,059,115
Ratio of Earnings to Fixed Charges(1)	9.74	8.33	6.93	4.56	2.05
Weighted Average Number of Common Shares:					
Basic	167,100	178,303	176,540	173,748	172,720
Diluted	181,043	197,436	196,048	190,058	185,062

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

See "Forward-Looking Information and Risk Factors That May Affect Future Results" contained in Item 1A of this report for a discussion of risks and uncertainties that may affect future results. Also see "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in Item 7 of this report for a discussion of factors affecting the comparability of information contained in this Item 6.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion should be read in conjunction with the audited consolidated financial statements of the Company included in Part II Item 8 of this document.

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements concerning the Company's expectations and beliefs. See Item 1A "Forward-Looking Information and Risk Factors That May Affect Future Results" for a discussion of other uncertainties, risks and assumptions associated with these statements.

(Thousands of Dollars and Shares Except Per Share Data)

Executive Summary

The Company earns revenue and generates cash through the sale of a variety of toy and game products. The Company sells these products both within the United States and in a number of international markets. The Company's business is highly seasonal with a significant amount of revenues occurring in the second half of the year and within that half, the fourth quarter. In 2006, 68% of the Company's net revenues were generated in the second half of the year with 35% of annual net revenues generated in the fourth quarter. In both 2005 and 2004, percentages were comparable at 67% and 35% for the second half and fourth quarter. While many of the Company's products are based on brands the Company owns or controls, the Company also offers products which are licensed from outside inventors. In addition, the Company licenses rights to produce products based on movie, television, music and other entertainment properties, such as MARVEL and STAR WARS properties.

In January 2006 the Company simplified its operating segment structure in order to better focus on consumer demands, better anticipate the needs of its retail customers, provide a more integrated toy and game marketing plan, place a greater company-wide focus on its core brands and thereby improve its overall business. The Company's North American toy and games business is managed under common leadership, providing a combined focus on developing, marketing, and selling products in the U.S., Canada and Mexico. The International segment consists of the Company's European, Asia Pacific and Latin American marketing operations, excluding Mexico. The Company's world-wide manufacturing and product sourcing operations are managed through its Global Operations segment. The Hasbro Products Group continues to be responsible for the world-wide outlicensing of the Company's intellectual properties and works closely with the North American and International segments on the coordinated out-licensing activities of the Company's brands.

The Company's focus remains on growing core owned and controlled brands, developing new and innovative products which respond to market insights, and optimizing efficiencies within the Company to reduce costs, increase operating profits and strengthen its balance sheet. While the Company has sought to achieve a more sustainable revenue base by developing and maintaining its core brands and avoiding reliance on licensed entertainment properties, it continues to opportunistically enter into or leverage existing strategic licenses which complement its brands and key strengths. Given the strength of its core brands, the Company may also seek to drive product-related revenues by increasing the visibility of its core brands through entertainment-based theatrical venues. As an example of this, in July of 2007, the TRANSFORMERS motion picture is expected to be released and the Company has developed products based on the motion picture that will be marketed in 2007.

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 have been 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. These brands may also be further extended by pairing a licensed concept with a core brand. By focusing on core brands, the Company is working to build a more consistent revenue stream and basis for future growth. In 2006, the Company had strong sales of core brand products, namely PLAYSKOOL, LITTLEST PET SHOP, MONOPOLY, NERF, and PLAY-DOH.

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 and insights. 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.

With the theatrical release of Lucasfilm's STAR WARS EPISODE III: REVENGE OF THE SITH in May 2005, and the subsequent holiday season DVD release, sales of product related to the Company's strategic STAR WARS license were a significant contributor to 2005 revenues and have continued to be strong in 2006. Pairing this key licensed property with the Company's ability to design and produce action figures, role playing toys, and games, as well as its ability to launch an integrated marketing campaign to promote the product globally, was the key to this line's success. While sales of product related to this license performed well in 2006, they were lower than 2005.

While the Company's strategy has continued to focus on growing its core brands and developing innovative, new products, it will continue to evaluate and enter into arrangements to license properties when the Company believes it is economically attractive. In 2006, the Company entered into a license with Marvel Entertainment, Inc. and Marvel Characters, Inc. (collectively "Marvel") to produce toys and games based on Marvel's portfolio of characters. The Company will also incur royalties on products based on the theatrical release of TRANSFORMERS in July 2007. While gross profits of theatrical entertainment-based products are generally higher than many of the Company's other products, sales from these products also incur royalty expenses payable to the licensor. Such royalties reduce the impact of these higher gross margins. In certain instances, such as with Lucasfilm's STAR WARS, the Company may also incur amortization expense on property right-based assets acquired from the licensor of such properties, further impacting profit made on these products.

The Company remains committed to reducing fixed costs and increasing operating margins. Over the last 5 years the Company has improved its operating margin from 7.8% in 2002 to 11.9% in 2006. In the fourth quarter of 2006, as part of its ongoing cost reduction efforts, the Company determined that it will reduce its manufacturing activity in Ireland and transition the manufacture of certain products to the Company's suppliers in China. The Company is also investing to grow its business in emerging international markets. With a strong balance sheet, and having achieved a debt to capitalization ratio of between 25-30%, the Company will also continue to evaluate strategic alliances and acquisitions which may complement its current product offerings or allow it entry into an area which is adjacent to and complementary to the toy and game business. The Company expects to leverage revenue to offset the impact of these investments and maintain 2007 operating margin levels near 2006.

In recent years, the Company has been seeking to return excess cash to its shareholders through share repurchase and dividends. As part of this initiative, in July 2006, the Company's Board of Directors (the "Board'') authorized the repurchase of an additional $350,000 in common stock after a previous authorization of $350,000 was exhausted in July 2006. For the fiscal year ended December 31, 2006, the Company has invested $456,744 in the repurchase of 22,767 shares of common stock in the open market. The Company intends to opportunistically repurchase shares in the future subject to market conditions. In addition, in February 2007, the Company announced an increase in its quarterly dividend to $.16 per share. This is the fourth consecutive year that the Board of Directors has increased the dividend rate.

Summary

The relationship between various components of the results of operations, stated as a percent of net revenues, is illustrated below for each of the three fiscal years ended December 31, 2006.

	2006	2005	2004
Net revenues	100.0%	100.0%	100.0%
Cost of sales	41.4	41.7	41.8
Gross profit	58.6	58.3	58.2
Amortization	2.5	3.3	2.4
Royalties	5.4	8.0	7.4
Research and product development	5.4	4.9	5.2
Advertising	11.7	11.8	12.9
Selling, distribution and administration	21.7	20.2	20.5
Operating profit	11.9	10.1	9.8
Interest expense	0.9	1.0	1.1
Interest income	(0.9)	(0.8)	(0.3)
Other (income) expense, net	1.1	(0.2)	0.3
Earnings before income taxes	10.8	10.1	8.7
Income taxes	3.5	3.2	2.2
Net earnings	7.3%	6.9%	6.5%

Results of Operations

The fiscal year ended December 31, 2006 was a fifty-three week year while the fiscal years ended December 25, 2005 and December 26, 2004 were fifty-two week years.

Net earnings for the fiscal year ended December 31, 2006 were $230,055, or $1.29 per diluted share. This compares to net earnings for fiscal 2005 and 2004 of $212,075 and $195,977, or $1.09 and $.96 per diluted share, respectively.

On December 26, 2005, the first day of fiscal 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), which required that the Company measure all stock-based compensation awards using a fair value method and record such expense in its financial statements. The Company adopted this statement using the modified prospective method. Under this adoption method, the Company is recording expense related to stock option awards that were unvested as of the date of adoption as well as all awards made after the date of adoption. The adoption of this statement resulted in total expense, net of tax, of $14,285 in 2006.

Net earnings and basic and diluted earnings per share for 2005 include income tax expense of approximately $25,800 related to the Company's repatriation of approximately $547,000 of foreign earnings in the fourth quarter of 2005 pursuant to the special incentive provided by the American Jobs Creation Act of 2004.

Consolidated net revenues for the year ended December 31, 2006 were $3,151,481 compared to $3,087,627 in 2005 and $2,997,510 in 2004. Most of the Company's revenues and operating profits were derived from its two principal segments: North America and International, which are discussed in detail below. Consolidated net revenues were positively impacted by foreign currency translation in the amount of $27,800 in 2006 and $1,029 in 2005 as the result of the overall weaker U.S. dollar in each of those years. The following table presents net revenues and operating profit data for the Company's two principal segments for 2006, 2005 and 2004. Both 2005 and 2004 results have been reclassified to conform to the Company's new operating segment structure. The operating profit for 2005 and 2004 for each of these segments have been adjusted to include the impact of expense related to stock options as disclosed under SFAS 123, consistent with the Company's management reporting. See notes 1 and 15 to the consolidated financial statements for further details.

	2006	% Change	2005	% Change	2004
Net Revenues					
North America	$ 2,130,290	4%	$ 2,038,556	4%	$ 1,956,031
International	$ 959,319	(3)%	$ 988,591	1%	$ 977,128
Operating Profit					
North America	$ 275,959	67%	$ 165,676	1%	$ 163,786
International	$ 90,893	(15)%	$ 106,435	13%	$ 94,487

North America

North American segment net revenues for the year ended December 31, 2006 increased 4% to $2,130,290 from $2,038,556 in 2005. The impact of foreign currency translation on North American segment net revenues in 2006 was favorable and increased net revenues by approximately $3,200. Anticipated decreased revenues of STAR WARS products were more than offset primarily by increased sales of LITTLEST PET SHOP, PLAYSKOOL, NERF, I-DOG and MONOPOLY products, as well as revenues from the successful reintroduction of BABY ALIVE. 2006 revenues were also positively impacted, to a lesser extent, by increased sales of PLAY-DOH and TRANSFORMERS products. STAR WARS revenues were significant in 2005 due to the theatrical and DVD releases of STAR WARS EPISODE III: REVENGE OF THE SITH and remained strong in 2006. In 2007, the Company will introduce products related to two anticipated major motion picture releases, SPIDER-MAN 3 in May of 2007 and TRANSFORMERS in July of 2007.

North American operating profit increased to $275,959 in 2006 from $165,676 in 2005. The increase in operating profit is primarily due to increased gross profit as a result of the increased sales in 2006 as well as decreases in royalty and amortization expense principally due to the decrease in sales of STAR WARS products. Operating profit for the North American segment was negatively impacted by higher research and product development costs due to higher investments in the PLAYSKOOL line and costs related to MARVEL products expected to be introduced in 2007. North American operating profit was negatively impacted in 2005 by a loss of approximately $23,000 in the electronic games category, which included charges associated with inventory obsolescence and customer allowances related to plug and play games.

North American segment net revenues for the year ended December 25, 2005 increased 4% to $2,038,556 from $1,956,031 in 2004. North American revenues were positively impacted in 2005 by currency translation by approximately $11,300 due to the stronger Mexican Peso and Canadian Dollar. The increase in volume was predominantly due to increased revenues from STAR WARS related products as the result of the theatrical and DVD release of STAR WARS EPISODE III: REVENGE OF THE SITH in 2005. In addition to the increase from STAR WARS related products, North American net revenues were also positively impacted by the reintroduction of LITTLEST PET SHOP products as well as increased sales of NERF products. These increases were partially offset by decreased games sales in 2005, primarily MAGIC: THE GATHERING and DUEL MASTERS trading card games. Net revenues in 2005 were also negatively impacted by decreased sales of VIDEONOW and FURREAL FRIENDS products as well as the continued decline in BEYBLADE products.

North American segment operating profit increased slightly to $165,676 in 2005 from $163,786 in 2004. Increased gross profit primarily resulting from higher net revenues was partially offset by higher royalty and amortization expense associated with higher sales of STAR WARS products. 2005 operating profit was also positively impacted by decreased advertising expense due to the high percentage of net revenues that represented STAR WARS products, which do not require as much advertising and promotion to raise awareness as an internally-developed product would. North American operating profit was negatively impacted in 2005 by a loss of approximately $23,000 in the electronic games category, which included charges associated with inventory obsolescence and customer allowances related to plug and play games. Currency translation had a positive impact of approximately $1,900 on the operating profit of the North American segment in 2005.

International

International segment net revenues for the year ended December 31, 2006 decreased by 3% to $959,319 from $988,591 in 2005. In 2006 net revenues were positively impacted by currency translation by approximately $24,300 as a result of a weaker U.S. dollar. The decrease in net revenues was primarily the result of decreased sales of STAR WARS products in 2006 as well as decreased sales of FURBY and DUEL MASTERS products. These decreases were partially offset by increased revenues from LITTLEST PET SHOP, PLAYSKOOL and MONOPOLY products. To a lesser extent, 2006 net revenues were also positively impacted by increased sales of MY LITTLE PONY, TRANSFORMERS, and PLAY-DOH products as well as the reintroduction of the BABY ALIVE doll.

International segment operating profit decreased 15% to $90,893 in 2006 from $106,435 in 2005. Operating profit in 2006 was positively impacted by approximately $4,900 due to the translation of foreign currencies to the U.S. dollar. The decrease in operating profit is the result of decreased gross profit primarily as the result of the decrease in net revenues, partially offset by decreases in royalties and amortization expense as a result of the decrease in sales of STAR WARS products.

International segment net revenues for the year ended December 25, 2005 increased by 1% to $988,591 from $977,128 in 2004. In 2005, net revenues were negatively impacted by approximately $10,000 as a result of the stronger U.S. dollar. The increase in revenues was primarily the result of increased sales of STAR WARS products in 2005 and, to a lesser extent, the successful reintroduction of LITTLEST PET SHOP and FURBY products and the introduction of B-DAMAN products. These increases were partly offset by decreased sales of BEYBLADE and ACTION MAN products as well as decreased sales of FURREAL FRIENDS and VIDEONOW products. Revenues for board games grew internationally in 2005, while the Company experienced decreased revenues in its trading card games, primarily DUEL MASTERS and MAGIC: THE GATHERING.

International operating profit increased 13% to $106,435 in 2005 from $94,487 in 2004. Increased gross profit as a result of increased revenues was partially offset by higher amortization and royalty expenses as a result of the higher sales of licensed products, primarily STAR WARS products, in 2005. International operating profit was negatively impacted by approximately $4,500 due to the translation of foreign currencies to the U.S. dollar.

Gross Profit

The Company's gross profit margin increased to 58.6% for the year ended December 31, 2006 from 58.3% in 2005. This increase is due to increased revenues from certain core brand products that have higher gross margins, such as LITTLEST PET SHOP products and traditional board games, such as MONOPOLY. Gross profit in 2006 was negatively impacted by a charge of approximately $10,300 related to the Company's decision to transfer certain manufacturing activities from its Ireland manufacturing facility to its suppliers in China. Gross margin in 2005 was also negatively impacted by inventory obsolescence and customer allowances on plug and play games.

The Company's gross profit margin increased slightly to 58.3% for the year ended December 25, 2005 from 58.2% in 2004. This increase was primarily due to increased sales of STAR WARS products. Gross profit margin in 2005 was also impacted by decreased sales of VIDEONOW products that have lower gross margins. These increases were largely offset by inventory obsolescence and customer allowances on plug and play games as well as lower sales of trading card games that carry a higher gross margin.

The Company aggressively monitors its levels of inventory, attempting to avoid unnecessary 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.

Expenses

The Company's operating expenses, stated as percentages of net revenues, are illustrated below for the three fiscal years ended December 31, 2006:

	2006	2005	2004
Amortization	2.5%	3.3%	2.4%
Royalties	5.4	8.0	7.4
Research and product development	5.4	4.9	5.2
Advertising	11.7	11.8	12.9
Selling, distribution and administration	21.7	20.2	20.5

Amortization expense decreased to $78,934 in 2006 from $102,035 in 2005. This decrease was due to decreased amortization of STAR WARS property rights as a result of the decrease in sales of STAR WARS products in 2006. Amortization of these property rights is based on actual sales of products as a portion of total expected sales of related products related to this licensing right. Amortization is generally higher in years where theatrical or DVD releases occur, such as in 2005. Amortization expense increased to $102,035 in 2005 from $70,562 in 2004 as a result of increased amortization of STAR WARS property rights due to the theatrical and DVD releases of STAR WARS EPISODE III: REVENGE OF THE SITH.

Royalty expense decreased to $169,731 or 5.4% of net revenues in 2006 compared to $247,283 or 8.0% of net revenues in 2005. This decrease primarily relates to the decrease in sales of STAR WARS products in 2006, as a higher percentage of net revenues were from the Company's core brands. Royalty expense in 2005 increased to $247,283 or 8.0% of net revenues in 2005 from $223,193 or 7.4% of net revenues in 2004. Increased royalty expense in 2005 related primarily to increased sales of STAR WARS related products. The increase from STAR WARS products was partially offset by lower sales of BEYBLADE, SHREK and DISNEY products. The Company expects royalty expense to increase in both dollars and as a percentage of net revenues in 2007 compared to 2006, due to significant anticipated revenues from MARVEL products in 2007 primarily due to the anticipated release of SPIDER-MAN 3 in May. In addition, in 2007, the Company will incur additional royalty expense on certain sales of TRANSFORMERS products that are related to the major motion picture release anticipated in July of 2007.

Research and product development expense increased in 2006 to $171,358 or 5.4% of net revenues from $150,586 or 4.9% of net revenues in 2005. This increase is the result of development expenses related to the MARVEL line of products as well as increased investment in the PLAYSKOOL line. Research and product development decreased in 2005 to $150,586 or 4.9% of net revenues from $157,162 or 5.2% of net revenues in 2004. The decrease reflected increased efficiencies in the product development of certain toy lines resulting from a realignment in 2004. This realignment streamlined the workforce of these toy lines and moved certain product development activity outside of the U.S. While the Company strives to incur these costs in the most efficient manner possible, 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.

Advertising expense in 2006 was $368,996 or 11.7% of net revenues which was consistent with the 2005 expense of $366,371 or 11.8% of net revenues. Advertising expense in 2005 decreased in dollars and as a percentage of net revenues from $387,523 or 12.9% of net revenues in 2004. The Company continues to focus on marketing to raise awareness of its core brands, as well as to introduce new products.

Selling, distribution and administration expenses were $682,214 or 21.7% of net revenues in 2006 compared to $624,560 or 20.2% in 2005. Approximately $20,000 of this increase relates to the Company's adoption of SFAS 123R in 2006 which required that the Company measure all stock-based compensation awards using a fair value method and record such expense in its financial statements. The remainder of the increase primarily relates to increased sales and marketing expense in 2006 associated with the higher level of sales and increased bonus and incentive provisions due to the strong performance of the Company in 2006. Selling, distribution and administration expenses increased in dollars but decreased as a percentage of net revenues to $624,560 or 20.2% of net revenues in 2005, from $614,401 or 20.5% of net revenues in 2004. The increase in administration costs in dollars in 2005 over 2004 primarily reflected increased performance incentive bonus provisions reflecting the Company's improved performance.

Interest Expense

Interest expense continued to decrease in 2006 to $27,521 from $30,537 in 2005 and $31,698 in 2004. Decreases in interest expense resulting from lower levels of debt were partially offset by increases resulting from higher interest rates in 2006. The decrease in interest expense mainly reflects the reduction in the Company's long-term debt. The Company repurchased or repaid principal amounts of long-term debt of $32,743 in 2006, $93,303 in 2005, and $56,697 in 2004. The Company will continue to review the amount of long-term debt outstanding as part of its strategic capital structure objective of maintaining a debt to capitalization ratio between 25% and 30%.

Interest Income

Interest income was $27,609 in 2006 compared to $24,157 in 2005 and $7,729 in 2004. Interest income includes $5,200 in 2006 related to a long-term deposit that was refunded during 2006 and approximately $4,100 in 2005 related to an IRS settlement. The increase in interest income reflects the Company's strong financial position. During a portion of 2006, the Company invested excess cash in auction rate securities, which generated a higher rate of return and contributed to the increase in interest income in 2006. In recent years the Company has reduced its long-term debt which has reduced cash required to service debt and allowed the Company to retain and invest excess cash.

Other (Income) Expense, Net

Other (income) expense, net of $34,977 in 2006 compares to $(6,772) in 2005 and $8,955 in 2004. The major component of other (income) expense is non-cash (income) expense related to the change in fair value of certain warrants required to be classified as a liability. These warrants are required to be adjusted to their fair value each quarter through earnings. For 2006, 2005 and 2004, expense (income) related to the change in fair value of these warrants was $31,770, $(2,080) and $(12,710), respectively. 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 and dividends, as well as risk-free interest rates. Assuming the Company's stock volatility and dividend payments, as well as risk-free interest rates remain constant, the fair value of the warrants would increase and the Company would recognize a charge to earnings as 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 $30.00 per share at December 31, 2006 from its actual price of $27.25 a share on that date, the Company would have recognized a non-cash charge of approximately $52,190 rather than actual non-cash charge recorded of $31,770 for the year ended December 31, 2006, to reflect the change in the fair value of the warrants from their fair value of $123,860 at December 25, 2005.

In addition to the above, other (income) expense, net in 2006 and 2004 also include $2,629 and $8,988, respectively, representing write-downs of the value of the common stock of Infogrames, held by the Company as an available-for-sale investment. This write-down resulted from an other-than-temporary decline in the fair value of this investment.

Income Taxes

Income tax expense was 32.6% of pretax earnings in 2006 compared with 31.8% of pretax earnings in 2005 and 24.6% of pretax earnings in 2004. Income tax expense for 2006 includes approximately $7,800 of discrete tax events, primarily relating to the settlement of various tax exams in multiple jurisdictions. Income tax expense for 2005 includes approximately $25,800 related to the repatriation of $547,000 of foreign earnings pursuant to the special incentive provided by the American Jobs Creation Act of 2004. Income tax expense for 2005 was also reduced by approximately $4,000, due primarily to the settlement of an Internal

Revenue Service examination of tax years ending in December 2001. Absent these items and the effect of the adjustment of certain warrants to their fair value, which has no tax effect, the 2006 effective tax rate would have been 27.6% compared with 24.9% in 2005 and 25.9% in 2004. The increase in the adjusted rate to 27.6% in 2006 from 24.9% in 2005 was the result of higher earnings in jurisdictions with higher statutory tax rates. The decrease in the adjusted rate, to 24.9% in 2005 from 25.9% in 2004, was due to the tax impact of higher operating profits in jurisdictions with lower statutory tax rates.

Liquidity and Capital Resources

The Company has historically generated a significant amount of cash from operations. In 2006, the Company funded its operations and liquidity needs primarily through cash flows from operations, and, when needed, proceeds from its accounts receivable securitization program and borrowings under its unsecured credit facilities. During 2007, 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. The Company believes that the funds available to it, including cash expected to be generated from operations and funds available through its securitization program and other available lines of credit, are adequate to meet its needs for 2007.

During the last five fiscal years, as part of its strategy of reducing long-term debt and its overall debt-to-capitalization ratio, the Company has repurchased or repaid approximately $679,000 in aggregate principal amount of long-term debt, primarily using cash from operations. Remaining principal amounts of long-term debt at December 31, 2006, were $494,983. The Company believes that the reduction in its debt-to-capitalization ratio has improved its liquidity situation by decreasing cash required to service outstanding debt and increasing the ability of the Company to obtain additional financing should the need to do so arise in the future.

At December 31, 2006, cash and cash equivalents, net of short-term borrowings, were $704,818 compared to $927,592 and $707,043 at December 25, 2005 and December 26, 2004, respectively. Hasbro generated $320,647, $496,624, and $358,506 of cash from its operating activities in 2006, 2005 and 2004, respectively. The higher cash flows from operations in 2005 compared to 2006 and 2004 is primarily due to the mix of products in 2005 net revenues. Net earnings in 2005 included increased non-cash expenses primarily as a result of increased STAR WARS revenues. Increased royalty expense in 2005 related to revenues from STAR WARS products, most of which had been paid in prior years. In 2006 and 2005, operating cash flows were impacted by royalty advances paid of $105,000 and $35,000 related to MARVEL and STAR WARS agreements, respectively. In addition, the Company had increased amortization expense in 2005, which did not impact the cash flows from operations.

Accounts receivable increased to $556,287 at December 31, 2006 from $523,232 at December 25, 2005. Fourth quarter days sales outstanding increased slightly to 45 days in 2006 from 44 days in 2005. Fourth quarter days sales outstanding in 2004 was 49. The increase in days sales outstanding from 2005 primarily reflects increases in international accounts receivable due to the weaker U.S. dollar in 2006. The December 31, 2006 accounts receivable balance includes an increase of approximately $18,800 related to the currency impact of the weaker U.S. dollar. The Company has a revolving accounts receivable securitization facility whereby the Company is able to sell undivided interests in qualifying accounts receivable on an ongoing basis. At December 31, 2006 and December 25, 2005, there was $250,000 sold at each period-end under this program.

Inventories increased to $203,337 at December 31, 2006 from $179,398 at December 25, 2005. The increase in inventory represents higher levels of inventory at December 31, 2006 primarily due to anticipated sales of MARVEL products in early 2007. In addition, inventories increased approximately $6,100 due to the weaker U.S. dollar in 2006. The decrease in inventory to $179,398 at December 25, 2005 from $194,780 at December 26, 2004 reflects higher levels of inventory at December 26, 2004 due to lower levels of sales in the fourth quarter of 2004 and, to a lesser extent, lower international inventories in U.S. dollars as a result of the stronger U.S. dollar in 2005.

Prepaid expenses and other current assets increased to $243,291 at December 31, 2006 from $185,297 at December 25, 2005. This increase is primarily due to a royalty advance paid to MARVEL in 2006, of which approximately $87,400 is recorded in prepaid assets and $12,930 is shown in long-term assets at December 31, 2006. Prepaid expenses and other current assets decreased to $185,297 in 2005 from $219,735 in 2004. This decrease is primarily related to decreased prepaid royalties as a result of the increased sales of STAR WARS products in 2005. Generally, when the Company enters into a licensing agreement for entertainment-based properties, an advance royalty payment is required at the inception of the agreement. This payment is then recognized in the consolidated statement of operations as the related sales are recorded. The decrease related to prepaid royalties was partially offset by increased deferred taxes. With respect to the MARVEL and STAR WARS licenses, the Company has prepaid royalties recorded in both current and non-current assets.

Accounts payable and accrued expenses increased to $895,311 at December 31, 2006 from $863,280 at December 25, 2005. $31,770 of this increase relates to the increase in fair value of the Lucas warrants that the Company is required to record as liabilities under SFAS 150. As a result of SFAS 150, the Company classifies these warrants containing a put option as a current liability and adjusts the amount of this liability to its fair value on a periodic basis. Increases from higher accrued bonus and incentive payments as a result of the Company's strong performance in 2006 were offset by decreases in other accrued amounts, principally accrued royalties. Accounts payable and accrued expenses increased to $863,280 at December 25, 2005 from $806,528 at December 26, 2004. This primarily reflected an increase in accrued income taxes primarily as a result of improved earnings in 2005 and, to a lesser extent, taxes payable related to earnings repatriated under the American Jobs Creation Act (the "Act"). In December 2005, the Company repatriated approximately $547,000 under this Act. The increase from accrued income taxes was partially offset by lower accrued royalties at December 25, 2005 due to lower sales of BEYBLADE and SHREK products in the fourth quarter of 2005. These contracts did not require the Company to prepay royalties and these amounts were paid in arrears.

Cash flows from investing activities were a net utilization of $83,604, $120,671, and $84,967 in 2006, 2005, and 2004, respectively. During 2005, the Company expended $65,000 to reacquire the digital gaming rights for its owned or controlled properties from Infogrames Entertainment SA (Infogrames). These rights were previously held by Infogrames on an exclusive basis as a result of a licensing agreement entered into during 2000. In addition, the Company expended $14,179 to purchase the assets of Wrebbit Inc., a Montreal-based creator and manufacturer of innovative puzzles. In 2005, the Company also had proceeds from the sales of property, plant and equipment of $33,083. These proceeds came primarily from the sale of the Company's former manufacturing facility in Spain. During 2006, the Company expended approximately $82,000 on additions to its property, plant and equipment while during 2005 and 2004 it expended approximately $71,000 and $79,000, respectively. Of these amounts, 63% in 2006, 61% in 2005, and 58% in 2004 were for purchases of tools, dies and molds related to the Company's products. In 2007, the Company expects capital expenditures to increase and be in the range of $90,000 to $110,000, primarily as the result of increased tooling requirements for the MARVEL line. During the three years ended December 31, 2006, depreciation and amortization of plant and equipment was $67,773, $78,097, and $75,618, respectively. In 2004, the Company acquired the remaining unowned interest in its Latin America operations for total consideration of $9,824. This purchase resulted in an increase in goodwill in the amount of $9,390. The Company made no acquisitions of businesses in 2006.

The Company commits to inventory production, advertising and marketing expenditures prior to the peak third and fourth quarter retail selling season. Accounts receivable increase during the third and fourth quarter as customers increase their purchases to meet expected consumer demand in the holiday season. Due to the concentrated timeframe of this selling period, payments for these accounts receivable are generally not due until the fourth quarter or early in the first quarter of the subsequent year. This timing difference between expenditures and cash collections on accounts receivable makes it necessary for the Company to borrow varying amounts during the year. During 2006, 2005 and 2004, the Company primarily utilized cash from operations and its accounts receivable securitization program to fund its operations.

The Company is party to an accounts receivable securitization program, which was amended in December 2006, whereby 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. During the period from the first day of the October fiscal month through the last day of the following January fiscal month, this limit is increased to $300,000. The program provides the Company with a cost-effective source of working capital. Based on the amount of eligible accounts receivable as of December 31, 2006, the Company had $300,000 available to sell under this program of which $250,000 was utilized.

In June 2006, the Company entered into a five-year revolving credit agreement (the "Agreement") which provides the Company with a $300,000 committed borrowing facility that replaced the prior credit facility. The Company has the ability to request increases in the committed facility in additional increments of at least $50,000, up to a total of committed facility of $500,000. The Company is not required to maintain compensating balances under the Agreement. The Agreement contains certain financial covenants setting forth leverage and coverage requirements, and certain other limitations typical of an investment grade facility, including with respect to liens, mergers and incurrence of indebtedness. The Company was in compliance with all covenants as of and for the fiscal year ended December 31, 2006. The Company had no borrowings outstanding under its committed revolving credit facility at December 31, 2006. The Company also has other uncommitted lines from various banks, of which approximately $37,755 was utilized at December 31, 2006. Amounts available and unused under the committed line at December 31, 2006 were approximately $297,131.

Net cash utilized by financing activities was $467,279 in 2006. Of this amount, $456,744, which includes transaction costs, was used to repurchase shares of the Company's common stock. In July 2006, the Company's Board of Directors authorized the repurchase of an additional $350,000 in common stock subsequent to the full utilization of the Board of Director's May 2005 authorization of $350,000. During 2006, the Company repurchased 22,767 shares at an average price of $20.03. In addition, $32,743 was used to repay long-term debt. Dividends paid were $75,282 in 2006 reflecting the increase in the Company's quarterly dividend rate to $.12 per share in 2006 compared to $.09 per share in 2005. These uses of cash were partially offset by cash receipts of $86,257 from the exercise of employee stock options.

Net cash utilized by financing activities was $158,641 in 2005. This amount included repayments in principal amount of long-term debt totaling $93,303. These amounts primarily related to $71,970 of bonds that matured in November of 2005. The remaining amount related to repayment of long-term debt associated with the Company's former manufacturing facility in Spain. Dividends paid increased to $58,901 as a result of the increase of the quarterly dividend rate to $0.09 in 2005 from $0.06. In 2005, the Company repurchased 2,386 shares at an average price of $20.10 under the Board of Director's May 2005 authorization. The total cost of these repurchases, including transaction costs, was $48,030. The Company received $45,278 in 2005 in proceeds from the exercise of employee stock options.

Net cash utilized by financing activities was $75,824 in 2004. This amount included repurchases in principal amount of long-term debt totaling $56,697 in connection with the Company's strategy of reducing its overall debt and improving its debt-to-capitalization ratio. The Company received $25,836 from the exercise of stock options during the year. Cash paid for dividends in 2004 was $37,088.

At December 31, 2006, the Company has outstanding $249,996 in principal amount of senior convertible debentures due 2021. The senior convertible debentures bear interest at 2.75%, which could be subject to an upward adjustment in the rate, not to exceed 11%, should the price of the Company's stock trade at or below $9.72 per share for 20 of the 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 calendar quarter. At December 31, 2006, this conversion feature was met and the bonds are convertible through March 31, 2007 at which time the conversion feature will be reassessed. In addition, if the closing price of the Company's stock exceeds $27.00 for at least 20 trading days in any 30 day period, the Company has the right to call the debentures by giving notice to the holders of the debentures. During a prescribed notice period, the holders of the debentures have the right to convert their debentures in accordance with the conversion terms described above. The holders of these debentures may also put the notes back to Hasbro in 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. On December 1, 2005, the holders of these debentures had the option to put these notes back to Hasbro. On that date, the Company redeemed $4 of these notes in cash.

The Company has remaining principal amounts of long-term debt at December 31, 2006 of approximately $494,983. As detailed below in Contractual Obligations and Commercial Commitments, this debt is due at varying times from 2008 through 2028. In addition, the Company is committed to guaranteed royalty and other contractual payments of approximately $91,890 in 2007, which includes $70,000 of royalty commitments related to a contract signed in January 2006 with Marvel Entertainment, Inc. and Marvel Characters, Inc. Also, as detailed in Contractual Obligations and Commercial Commitments, the Company has certain warrants, currently recorded in accrued liabilities, that may be settleable for, at the Company's option, $100,000 in cash or $110,000 in the Company's stock, such stock being valued at the time of the exercise of the option. 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. The Company will continue to review the amount of long-term debt outstanding as part of its strategic capital structure objective of maintaining a debt to capitalization ratio between 25% and 30%.

In July 2006, the Company's Board of Directors authorized the repurchase of up to $350,000 in common stock, replacing a fully utilized prior authorization of $350,000 dated May 2005. Purchases of the Company's common stock may be made in the open market or through privately negotiated transactions. The Company has no obligation to repurchase shares under the open authorization, and the timing, actual number, and the 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. In 2006, the Company repurchased 22,767 shares at an average price of $20.03 under these authorizations. The total cost of these repurchases, including transaction costs, was $456,744.

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, pension costs and obligations, and stock-based compensation.

Sales Allowances

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 therefore subject to estimation. For its allowance programs that are not fixed, such as returns, the Company estimates these amounts using a combination of historical experience and current market conditions. These estimates are reviewed periodically against actual results and any adjustments are recorded at that time as an increase or decrease to net revenues. During 2006, there have been no material adjustments to the Company’s estimates.

Inventory Valuation

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 under producing 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. During 2006, there have been no material adjustments to the Company’s estimates.

Recoverability of Goodwill and Intangible Assets

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. The Company’s annual impairment test was performed in the fourth quarter of 2006 and no impairment was indicated. 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. At December 31, 2006, the Company has goodwill and intangible assets with indefinite lives of $545,676 recorded on the balance sheet.

Intangible assets, other than those with indefinite lives, are amortized over their estimated useful lives and 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 expected to be generated by the asset. 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 $456,519 at December 31, 2006. During 2006, there were no impairment charges related to these intangible assets.

Recoverability of Royalty Advances and Commitments

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 guaranteed royalties. At December 31, 2006, the Company had $181,561 of prepaid royalties, $116,792 of which are included in prepaid expenses and other current assets and $64,769 which are included in other assets.

Pension Costs and Obligations

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 at the Company's measurement date of September 30 to measure the liabilities and assets of the plans as of that date and to establish the expense for the upcoming year. As a result of the Company's adoption of Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans", ("SFAS No. 158") in December 2006, the Company will be required to change the measurement date for its pension plans to match its year-end date by 2008.

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 domestic plan assets was 8.75% in 2006, 2005 and 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. A decrease of .25% in the estimate of expected return on plan assets would have increased 2006 pension expense for U.S. plans by approximately $550.

Expected compensation increases are estimated using a combination of historical and expected compensation increases. Based on this analysis, the Company's estimate of expected long-term compensation increases for its U.S. plans was 4.0% in 2006, 2005 and 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 yield at September 30, 2006, the Company's measurement date for its pension assets and liabilities, the Company's discount rate for its domestic plans used for the calculation of 2007 pension expense was 5.75% compared to a rate of 5.50% used in the calculation of 2006 pension expense and 5.75% used in the calculation of 2005 pension expense. A decrease in the discount rate would result in greater pension expense while an increase in the discount rate would decrease pension expense. A decrease of .25% in the Company's discount rate would have increased 2006 pension expense and the 2006 projected benefit obligation by approximately $756 and $9,395, 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 in future periods. In December 2006, the Company adopted SFAS No. 158, which required that the funded status of the plans be recognized on the Company's balance sheet and any unrecognized gains or losses be recorded to accumulated other comprehensive income. At December 31, 2006, the Company has unrecognized actuarial losses of $48,879 included in accumulated other comprehensive income related to its defined benefit pension plans. Assets in the plan are valued on the basis of their fair market value on the measurement date.

Stock-Based Compensation

The Company has a stock-based compensation plan for employees and non-employee members of the Company's Board of Directors. Under this plan, the Company grants stock options at or above the fair market value of the Company's stock. On December 26, 2005, the first day of fiscal 2006, the Company adopted SFAS 123R, which requires the Company to measure all stock-based compensation awards using a fair value method and record such expense in its consolidated financial statements. The Company uses the Black-Scholes option pricing model to value the stock options that are granted under these plans. The Black-Scholes method includes four significant assumptions: (1) expected term of the options, (2) risk-free interest rate, (3) expected dividend yield, and (4) expected stock price volatility. For the Company's 2006 stock option grant, the weighted average expected term was approximately 5 years. This amount is based on a review of employees' exercise history relating to stock options as well as the contractual term of the option. The weighted average risk-free interest rate used for 2006 stock option grants was 4.98%. This estimate was based on the interest rate available on U.S. treasury securities with durations that approximate the expected term of the option. For 2006 stock option grants, the weighted average expected dividend yield used was 2.55% which is based on the Company's current annual dividend amount divided by the stock price on the date of the grant. The weighted average expected stock price volatility used for 2006 stock option grants was 24%. This amount was derived using a combination of historical price volatility over the most recent period approximating the expected term of the option and implied price volatility. Implied price volatility represents the volatility implied in publicly traded options on the Company's stock, which the Company believes represents the expected future volatility of the Company's stock price. The Company believes that since this is a market-based estimate, it can provide a better estimate of expected future volatility.

In July 2006, as part of its employee stock-based compensation plan, the Company issued contingent stock performance awards, which provide the recipients with the ability to earn shares of the Company's common stock based on the Company's achievement of stated cumulative diluted earnings per share and cumulative net revenue targets over a ten quarter period beginning July 3, 2006 and ending December 28, 2008. Each award has a target number of shares of common stock associated with such award which may be earned by the recipient if the Company achieves the stated diluted earnings per share and net revenue targets. The measurement of the expense related to this award is based on the Company's current estimate of revenues and diluted earnings per share over the performance period. Changes in these estimates may impact the expense recognized related to these awards.

Contractual Obligations and Commercial Commitments

In the normal course of its business, the Company enters into contracts related to obtaining rights to produce product under license, which may require the payment of minimum guarantees, as well as contracts related to the leasing of facilities and equipment. In addition, the Company has $494,983 in principal amount of long-term debt outstanding at December 31, 2006, excluding fair value adjustments. Future payments required under these and other obligations as of December 31, 2006 are as follows:

	Payments Due by Fiscal Year						
Certain Contractual Obligations	**2007**	**2008**	**2009**	**2010**	**2011**	**Thereafter**	**Total**
Long-term debt	$ —	135,092	—	—	—	359,891	494,983
Interest payments on long-term debt	22,436	22,436	14,128	14,128	14,128	192,058	279,314
Operating lease commitments	28,149	25,529	21,733	10,979	10,487	22,914	119,791
Future minimum guaranteed contractual payments	91,890	12,380	13,900	41,810	4,800	—	164,780
Purchase commitments	249,554	—	—	—	—	—	249,554
	$392,029	195,437	49,761	66,917	29,415	574,863	1,308,422

The Company's agreement with MARVEL also requires the Company to make minimum expenditures on marketing and promotional activities, including the spending of at least $15,000 associated with the motion picture SPIDER-MAN 3, which is included in purchase commitments above. Certain of the future minimum guaranteed contractual royalty payments are contingent upon the theatrical release of the related entertainment property.

Included in the Thereafter column above is $249,996 in principal amount of senior convertible debt due 2021. The holders of these debentures may put the notes back to the Company in December 2011 and December 2016 at the principal amount. At that time, the purchase price may be paid in cash, shares of common stock or a combination of the two. In addition, at December 31, 2006, these debentures may be converted to shares at an initial conversion price of $21.60 per share through March 31, 2007, at which time the contingent conversion feature will be reassessed. If 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 a calendar quarter, or upon other specified events, the debentures will be convertible at the initial conversion price of $21.60.

In addition to the above, the Company has certain warrants outstanding at December 31, 2006 that contain a put option that would require the Company to repurchase the warrants for a price to be paid, at the Company's election, of either $100,000 in cash or $110,000 in shares of the Company's common stock, such stock being valued at the time of the exercise of the option. The Company's current intent is to settle this put option in cash if exercised. In accordance with SFAS 150, these warrants are recorded as a current liability in the amount of $155,630, which represented the fair value of these warrants at December 31, 2006.

In addition, the Company expects to make contributions totaling approximately $7,100 to its pension plans in 2007. The Company also has letters of credit and related instruments of approximately $71,000 at December 31, 2006.

Financial Risk Management

The Company is exposed to market risks attributable to fluctuations in foreign currency exchange rates primarily as the result of sourcing products priced in U.S. dollars, Hong Kong dollars and Euros while marketing those products in more than twenty currencies. Results of operations may be affected primarily 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 forecasted foreign currency transactions using forward foreign exchange contracts. The Company estimates that a hypothetical immediate 10% depreciation of the U.S. dollar against foreign currencies could result in an approximate $22,000 decrease in the fair value of these instruments. A decrease in the fair value of these instruments would be substantially offset by decreases in the related forecasted foreign currency transaction.

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 exchange contracts. At December 31, 2006, these contracts had unrealized losses of $2,574, which are recorded in accrued liabilities. Included in accumulated other comprehensive income at December 31, 2006 are deferred losses of $2,116, net of tax.

At December 31, 2006, the Company had fixed rate long-term debt, excluding fair value adjustments, of $494,983. At December 31, 2006, the Company had fixed-for-floating interest rate swaps with notional amounts of $75,000. The interest rate swaps are designed to adjust a portion 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 the related long-term debt. At

December 31, 2006, the fair value of these contracts were a liability of $66, which is included in long-term liabilities, with a corresponding fair value adjustment to decrease long-term debt. Changes in interest rates affect the fair value of fixed rate debt not hedged by interest rate swap agreements while affecting the earnings and cash flows of the long-term debt hedged by the interest rate swaps. The Company estimates that a hypothetical one percentage point decrease or increase in interest rates would increase or decrease the fair value of this long-term debt by approximately $15,600 or $12,800, respectively. A hypothetical one percentage point change in interest rates would increase or decrease 2007 pretax earnings and cash flows by $731 and $377, respectively.

The Economy and Inflation

The principal market for the Company's products is the retail sector. Revenues from the Company's top 5 customers, all retailers, accounted for approximately 53%, 53%, and 50% of its consolidated net revenues in 2006, 2005 and 2004, respectively. In the past three years certain customers in the retail sector have experienced economic difficulty. The Company monitors the creditworthiness of its customers and adjusts credit policies and limits as it deems appropriate.

The Company's revenue pattern continues to show the second half of the year to be more significant to its overall business for the full year. In 2006, approximately 68% of the Company's full year net revenues were recognized in the second half of the year. Although the Company expects that this concentration will continue, particularly as more of its business shifts to larger customers with order patterns concentrated in the second half of the year, this concentration may be less in years where the Company has products related to a major motion picture release that occurs in the first half of the year. In 2007, the Company will have products related to two major motion picture releases, SPIDER-MAN 3 in May of 2007 and TRANSFORMERS in July of 2007. The concentration of sales in the second half of the year 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 trend of larger 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. To the extent that retailers do not sell as much of their year-end inventory purchases during this 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 or other lack of success of one of the Company's significant retailers could negatively impact the Company's future revenues.

The effect of inflation on the Company's operations during 2006 was not significant and the Company will continue its policy of monitoring costs and adjusting prices, accordingly.

Other Information

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), which applies to all tax positions accounted for under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". FIN 48 prescribes a two step process for the measurement of uncertain tax positions that have been taken or are expected to be taken in a tax return. The first step is a determination of whether the tax position should be recognized in the financial statements. The second step determines the measurement of the tax position. FIN 48 also provides guidance on derecognition of such tax positions, classification, interest and penalties, accounting in interim periods and disclosure. FIN 48 was applicable to the Company as of January 1, 2007, the first day of fiscal 2007. The adoption of FIN 48 is expected to decrease the Company's current liabilities and increase the Company's long-term liabilities. Overall, tax liabilities are not expected to change by a material amount.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements", ("SFAS No. 157") which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 is applicable for the Company as of December 31, 2007, the first day of fiscal 2008. The Company is currently evaluating SFAS No. 157 and the potential effect it will have on its consolidated balance sheet and results of operations.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS No. 159"). SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective for the Company beginning January 1, 2008. The Company has not yet determined the impact, if any, from the adoption of SFAS No. 159.

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

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

The information required by this item is included in Item 7 of Part II of this Report and is incorporated herein by reference.

Item 8. ***Financial Statements and Supplementary Data***

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Hasbro, Inc.:

We have audited the accompanying consolidated balance sheets of Hasbro, Inc. and subsidiaries as of December 31, 2006 and December 25, 2005, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the fiscal years in the three-year period ended December 31, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hasbro, Inc. and subsidiaries as of December 31, 2006 and December 25, 2005, and the results of their operations and their cash flows for each of the fiscal years in the three-year period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Hasbro, Inc.'s internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 27, 2007, expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

As discussed in note 10 to the consolidated financial statements, during the first quarter of 2006, the Company adopted Statement of Financial Accounting Standards No. 123(R), "Share-Based Payments". As discussed in note 11 to the consolidated financial statements, during the fourth quarter of 2006, the Company adopted Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans".

/s/ KPMG LLP

Providence, Rhode Island
February 27, 2007

HASBRO, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
December 31, 2006 and December 25, 2005
(Thousands of dollars except share data)

	2006	2005
ASSETS		
Current assets		
Cash and cash equivalents	$ 715,400	942,268
Accounts receivable, less allowance for doubtful accounts of $27,700 in 2006 and $29,800 in 2005	556,287	523,232
Inventories	203,337	179,398
Prepaid expenses and other current assets	243,291	185,297
Total current assets	1,718,315	1,830,195
Property, plant and equipment, net	181,726	164,045
Other assets		
Goodwill	469,938	467,061
Other intangibles, net	532,257	613,433
Other	194,669	226,409
Total other assets	1,196,864	1,306,903
Total assets	$3,096,905	3,301,143
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	$ 10,582	14,676
Current portion of long-term debt	—	32,770
Accounts payable	160,015	152,468
Accrued liabilities	735,296	710,812
Total current liabilities	905,893	910,726
Long-term debt, excluding current portion	494,917	495,619
Other liabilities	158,205	171,322
Total liabilities	1,559,015	1,577,667
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 shares in 2006 and 2005	104,847	104,847
Additional paid-in capital	322,254	358,199
Deferred compensation	—	(24)
Retained earnings	2,020,348	1,869,007
Accumulated other comprehensive earnings	11,186	15,348
Treasury stock, at cost, 49,074,215 shares in 2006 and 31,744,690 shares in 2005	(920,745)	(623,901)
Total shareholders' equity	1,537,890	1,723,476
Total liabilities and shareholders' equity	$3,096,905	3,301,143

See accompanying notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES

Consolidated Statements of Operations
Fiscal Years Ended in December
(Thousands of dollars except per share data)

	2006	2005	2004
Net revenues	$3,151,481	3,087,627	2,997,510
Cost of sales	1,303,885	1,286,271	1,251,657
Gross profit	1,847,596	1,801,356	1,745,853
Expenses			
Amortization	78,934	102,035	70,562
Royalties	169,731	247,283	223,193
Research and product development	171,358	150,586	157,162
Advertising	368,996	366,371	387,523
Selling, distribution and administration	682,214	624,560	614,401
Total expenses	1,471,233	1,490,835	1,452,841
Operating profit	376,363	310,521	293,012
Nonoperating (income) expense			
Interest expense	27,521	30,537	31,698
Interest income	(27,609)	(24,157)	(7,729)
Other (income) expense, net	34,977	(6,772)	8,955
Total nonoperating (income) expense	34,889	(392)	32,924
Earnings before income taxes	341,474	310,913	260,088
Income taxes	111,419	98,838	64,111
Net earnings	$ 230,055	212,075	195,977
Per common share			
Net earnings			
Basic	$ 1.38	1.19	1.11
Diluted	$ 1.29	1.09	.96
Cash dividends declared	$ .48	.36	.24

See accompanying notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
Fiscal Years Ended in December
(Thousands of dollars)

	2006	2005	2004
Cash flows from operating activities			
Net earnings	$ 230,055	212,075	195,977
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization of plant and equipment	67,773	78,097	75,618
Other amortization	78,934	102,035	70,562
Loss on early extinguishment of debt	—	—	1,277
Loss on impairment of investment	2,629	—	8,988
Change in fair value of liabilities potentially settleable in common stock	31,770	(2,080)	(12,710)
Deferred income taxes	24,967	(24,032)	34,624
Stock-based compensation	22,832	74	138
Excess tax benefits from stock-based compensation	(14,959)	—	—
Change in operating assets and liabilities (other than cash and cash equivalents):			
(Increase) decrease in accounts receivable	(10,708)	39,341	75,590
(Increase) decrease in inventories	(17,623)	10,677	(15,838)
(Increase) decrease in prepaid expenses and other current assets	(35,174)	74,531	29,423
Increase (decrease) in accounts payable and accrued liabilities	(20,680)	33,211	(89,735)
Other, including long-term advances	(39,169)	(27,305)	(15,408)
Net cash provided by operating activities	320,647	496,624	358,506
Cash flows from investing activities			
Additions to property, plant and equipment	(82,103)	(70,584)	(79,239)
Investments and acquisitions, net of cash acquired	—	(79,179)	(9,824)
Proceeds from sale of property, plant and equipment	1,197	33,083	4,309
Puchases of short-term investments	(941,120)	—	—
Proceeds from sales of short-term investments	941,120	—	—
Other	(2,698)	(3,991)	(213)
Net cash utilized by investing activities	(83,604)	(120,671)	(84,967)
Cash flows from financing activities			
Repurchases and repayments of borrowings with original maturities of more than three months	(32,743)	(93,303)	(57,974)
Net repayments of other short-term borrowings	(3,726)	(3,685)	(6,598)
Purchase of common stock	(456,744)	(48,030)	—
Stock option transactions	86,257	45,278	25,836
Excess tax benefits from stock-based compensation	14,959	—	—
Dividends paid	(75,282)	(58,901)	(37,088)
Net cash utilized by financing activities	(467,279)	(158,641)	(75,824)
Effect of exchange rate changes on cash	3,368	(46)	6,540
(Decrease) increase in cash and cash equivalents	(226,868)	217,266	204,255
Cash and cash equivalents at beginning of year	942,268	725,002	520,747
Cash and cash equivalents at end of year	$ 715,400	942,268	725,002
Supplemental information			
Interest paid	$ 26,228	33,265	35,781
Income taxes paid	$ 84,901	32,962	40,647

See accompanying notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity
(Thousands of dollars)

	Common Stock	Additional Paid-in Capital	Deferred Compensation	Retained Earnings	Accumulated Other Comprehensive Earnings	Treasury Stock	Total Shareholders' Equity
Balance, December 28, 2003	$104,847	397,878	(679)	1,567,693	30,484	(694,983)	1,405,240
Net earnings	—	—	—	195,977	—	—	195,977
Other comprehensive earnings	—	—	—	—	51,904	—	51,904
Comprehensive earnings							247,881
Stock option and warrant transactions	—	(16,748)	—	—	—	45,720	28,972
Restricted stock activity	—	(385)	581	—	—	(104)	92
Dividends declared	—	—	—	(42,461)	—	—	(42,461)
Balance, December 26, 2004	104,847	380,745	(98)	1,721,209	82,388	(649,367)	1,639,724
Net earnings	—	—	—	212,075	—	—	212,075
Other comprehensive loss	—	—	—	—	(67,040)	—	(67,040)
Comprehensive earnings							145,035
Stock option and warrant transactions	—	(22,546)	—	—	—	73,496	50,950
Purchases of treasury stock	—	—	—	—	—	(48,030)	(48,030)
Restricted stock activity	—	—	74	—	—	—	74
Dividends declared	—	—	—	(64,277)	—	—	(64,277)
Balance, December 25, 2005	104,847	358,199	(24)	1,869,007	15,348	(623,901)	1,723,476
Net earnings	—	—	—	230,055	—	—	230,055
Other comprehensive earnings	—	—	—	—	22,588	—	22,588
Comprehensive earnings							252,643
Adjustment to adopt SFAS No. 158	—	—	—	—	(26,750)	—	(26,750)
Stock option and warrant transactions	—	(58,498)	—	—	—	159,645	101,147
Purchases of treasury stock	—	—	—	—	—	(456,744)	(456,744)
Stock-based compensation	—	22,553	24	—	—	255	22,832
Dividends declared	—	—	—	(78,714)	—	—	(78,714)
Balance, December 31, 2006	$104,847	322,254	—	2,020,348	11,186	(920,745)	1,537,890

See accompanying notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(Thousands of Dollars and Shares Except Per Share Data)

(1) Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Hasbro, Inc. and all majority-owned subsidiaries ("Hasbro" or the "Company"). Investments representing 20% to 50% ownership interest in other companies are accounted for using the equity method. The Company had no equity method investments at December 31, 2006 that were material to the consolidated financial statements. All significant intercompany balances and transactions have been eliminated.

Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Reclassifications

Certain amounts in the 2005 and 2004 consolidated financial statements have been reclassified to conform to the 2006 presentation.

Fiscal Year

Hasbro's fiscal year ends on the last Sunday in December. The fiscal year ended December 31, 2006 was a fifty-three week period while the fiscal years ended December 25, 2005 and December 26, 2004 were fifty-two week periods.

Cash and Cash Equivalents

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

Marketable Securities

Marketable securities are comprised of investments in publicly-traded securities, classified as available-for-sale, and are recorded at market value with unrealized gains or losses, net of tax, reported as a component of accumulated other comprehensive earnings within shareholders' equity until realized. Unrealized losses are evaluated to determine the nature of the losses. If the losses are determined to be other than temporary, the basis of the security is adjusted and the loss is recognized in earnings at that time. These securities are included in other assets in the accompanying consolidated balance sheets.

Accounts Receivable and Allowance for Doubtful Accounts

Credit is granted to customers predominantly on an unsecured basis. Credit limits and payment terms are established based on extensive evaluations made on an ongoing basis throughout the fiscal year with regard to the financial performance, cash generation, financing availability and liquidity status of each customer. The majority of customers are reviewed at least annually; more frequent reviews are performed based on the customer's financial condition and the level of credit being extended. For customers on credit who are experiencing financial difficulties, management performs additional financial analyses before shipping orders. The Company uses a variety of financial transactions based on availability and cost, to increase the collectibility of certain of its accounts, including letters of credit, credit insurance, factoring with unrelated third parties, and requiring cash in advance of shipping.

The Company records an allowance for doubtful accounts at the time revenue is recognized based on management's assessment of the business environment, customers' financial condition, historical collection experience, accounts receivable aging and customer disputes. When a significant event occurs, such as a bankruptcy filing by a specific customer, and on a quarterly basis, the allowance is reviewed for adequacy and the balance or accrual rate is adjusted to reflect current risk prospects.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Based upon a consideration of quantities on hand, actual and projected sales volume, anticipated product selling price and product lines planned to be discontinued, slow-moving and obsolete inventory is written down to its net realizable value.

At December 31, 2006 and December 25, 2005, finished goods comprised 92% and 89% of inventories, respectively.

Long-Lived Assets

The Company's long-lived assets consist of property, plant and equipment, goodwill and intangible assets with indefinite lives as well as other intangible assets the Company considers to have a defined life.

Goodwill results from purchase method acquisitions the Company has made over time. Substantially all of the other intangibles consist of the cost of acquired product rights. In establishing the value of such rights, the Company considers, but does not individually value, existing trademarks, copyrights, patents, license agreements and other product-related rights. These rights were valued at their acquisition date based on the anticipated future cash flows from the underlying product line. The Company has certain intangible assets related to the Tonka and Milton Bradley acquisitions that have an indefinite life, and amortization of these assets has been suspended until a remaining useful life can be determined.

Goodwill and intangible assets deemed to have indefinite lives are not amortized and are tested for impairment at least annually. The annual test begins with goodwill and all intangible assets being allocated to applicable reporting units. Goodwill is then tested using a two-step process that begins with an estimation of 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 annually for impairment by comparing their carrying value to their estimated fair value, also calculated using the present value of expected future cash flows.

The remaining intangibles having defined lives are being amortized over three to twenty-five years, primarily using the straight-line method. Approximately 9% of other intangibles relate to rights acquired in connection with a major motion picture entertainment property and are being amortized over the contract life, in proportion to projected sales of the licensed products during the same period.

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using accelerated and straight-line methods to amortize the cost of property, plant and equipment over their estimated useful lives. The principal lives, in years, used in determining depreciation rates of various assets are: land improvements 15 to 19, buildings and improvements 15 to 25 and machinery and equipment 3 to 12. Tools, dies and molds are amortized over a three-year period or their useful lives, whichever is less, using an accelerated method. The Company generally owns all tools, dies and molds related to its products.

The Company reviews property, plant and equipment and other intangibles with defined lives for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Recoverability is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets were considered to be impaired, the impairment to be recognized would be measured by the amount by which the carrying value of the assets exceeds their fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the asset. Assets to be disposed of are carried at the lower of the net book value or their fair value less disposal costs.

Financial Instruments

Hasbro's financial instruments include cash and cash equivalents, accounts receivable, marketable securities, short- and long-term borrowings, accounts payable and accrued liabilities. At December 31, 2006, the carrying cost of these instruments approximated their fair value, with the exception of the Company's contingent convertible debentures due 2021. At December 31, 2006, these debentures had a carrying value of $249,996 and an approximate fair value of $318,700. The Company's financial instruments also include foreign currency forwards (see note 13) as well as interest rate swap agreements (see note 7). At December 31, 2006, the carrying value of these instruments approximated their fair value based on quoted or publicly available market information.

Securitization and Transfer of Financial Instruments

Hasbro has an agreement that allows the Company to sell, on an ongoing basis, an undivided interest in certain of its trade accounts receivable through a revolving securitization arrangement. The Company retains servicing responsibilities for, as well as a subordinate interest in the transferred receivables. Hasbro accounts for the securitization of trade accounts receivable as a sale in accordance with SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities" ("SFAS 140"). As a result, the related receivables are removed from the consolidated balance sheet.

Revenue Recognition

Revenue from product sales is recognized upon the passing of title to the customer, generally at the time of shipment. Provisions for discounts, rebates and returns are made when the related revenues are recognized. The Company bases its estimates for discounts, rebates and returns on agreed customer terms and historical experience.

The Company enters into arrangements licensing its brand names on specifically approved products. The licensees pay the Company royalties as products are sold, in some cases subject to annual minimum guaranteed amounts. Royalty revenues are recognized as they are reported as earned and payment becomes assured, over the life of the agreement. Revenue from product sales less related provisions for discounts, rebates and returns, as well as royalty revenues comprise net revenues in the consolidated statements of operations.

Royalties

The Company enters into license agreements with inventors, designers and others for the use of intellectual properties in its products. These agreements may call for payment in advance or future payment for minimum guaranteed amounts. Amounts paid in advance are recorded as an asset and charged to expense as revenue from the related products is recognized. If all or a portion of the minimum guaranteed amounts appear not to be recoverable through future use of the rights obtained under license, the nonrecoverable portion of the guaranty is charged to expense at that time.

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)
(Thousands of Dollars and Shares Except Per Share Data)

Advertising

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

Shipping and Handling

Hasbro expenses costs related to the shipment and handling of goods to customers as incurred. For 2006, 2005, and 2004, these costs were $145,729, $144,953 and $144,620, respectively, and are included in selling, distribution and administration expenses.

Operating Leases

Hasbro records lease expense in such a manner as to recognize this expense on a straight-line basis inclusive of rent concessions and rent increases. Reimbursements from lessors for leasehold improvements are deferred and recognized as a reduction to lease expense over the lease term.

Income Taxes

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

Foreign Currency Translation

Foreign currency assets and liabilities are translated into U.S. dollars at period-end rates, and revenues, costs and expenses are translated at weighted average rates during each reporting period. Earnings include gains or losses resulting from foreign currency transactions and, when required, translation gains and losses resulting from the use of the U.S. dollar as the functional currency in highly inflationary economies. Other gains and losses resulting from translation of financial statements are a component of other comprehensive earnings.

Pension Plans, Postretirement and Postemployment Benefits

Hasbro, except for certain international subsidiaries, has pension plans covering substantially all of its full-time employees. Pension expense is based on actuarial computations of current and future benefits. In December 2006, the Company adopted Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" ("SFAS 158"), which amends SFAS 87, 88, 106 and 132(R). See footnotes 2 and 11 for the impact of adoption of this statement.

The Company's policy is to fund amounts which are required by applicable regulations and which are tax deductible. In 2007, the Company expects to contribute approximately $7,100 to its pension plans. The estimated amounts of future payments to be made under other retirement programs are being accrued currently over the period of active employment and are also included in pension expense.

Hasbro has a contributory postretirement health and life insurance plan covering substantially all employees who retire under any of its United States defined benefit pension plans and meet certain age and length of service requirements. It also has several plans covering certain groups of employees, which may provide benefits to such employees following their period of employment but prior to their retirement. The Company measures the costs of these obligations based on actuarial computations.

Risk Management Contracts

Hasbro uses foreign currency forward and option contracts, generally purchased for terms of not more than eighteen months, to mitigate the impact of adverse currency rate fluctuations on firmly committed and projected future foreign currency transactions. These over-the-counter contracts, which hedge future purchases of inventory and other cross-border currency requirements not denominated in the functional currency of the unit, are primarily denominated in United States and Hong Kong dollars, Euros and United Kingdom pound sterling and are entered into with counterparties who are major financial institutions. The Company believes any risk related to default by a counterparty to be remote. Hasbro does not enter into derivative financial instruments for speculative purposes.

At the inception of the contracts, Hasbro designates its derivatives as either cash flow or fair value hedges. The Company formally documents all relationships between hedging instruments and hedged items as well as its risk management objectives and strategies for undertaking various hedge transactions. All hedges designated as cash flow hedges are linked to forecasted transactions and the Company assesses, both at the inception of the hedge and on an on-going basis, the effectiveness of the derivatives used in hedging transactions in offsetting changes in the cash flows of the forecasted transaction. The ineffective portion of a hedging derivative, if any, is immediately recognized in the consolidated statements of operations.

The Company records all derivatives, such as foreign currency exchange contracts, on the balance sheet at fair value. Changes in the derivative fair values that are designated effective and qualify as cash flow hedges are deferred and recorded as a component of accumulated other comprehensive earnings (“AOCE”) until the hedged transactions occur and are then recognized in the consolidated statements of operations. The Company’s foreign currency contracts hedging anticipated cash flows are designated as cash flow hedges. When it is determined that a derivative is not highly effective as a hedge, the Company discontinues hedge accounting prospectively. Any gain or loss deferred through that date remains in AOCE until the forecasted transaction occurs, at which time it is reclassified to the consolidated statements of operations. To the extent the transaction is no longer deemed probable of occurring, hedge accounting treatment is discontinued prospectively and amounts deferred would be reclassified to the consolidated statements of operations. In the event hedge accounting requirements are not met, gains and losses on such instruments are included currently in the consolidated statements of operations. The Company uses derivatives to hedge intercompany loans denominated in foreign currencies. Due to the short-term nature of the contracts involved, the Company does not use hedge accounting for these contracts.

The Company also uses interest rate swap agreements to adjust the amount of long-term debt subject to fixed interest rates. The interest rate swaps are matched with specific long-term debt obligations and are designated and effective as fair value hedges of the change in fair value of those debt obligations. These agreements are recorded at their fair value as an asset or liability. Gains and losses on these contracts are included currently in the consolidated statements of operations and are wholly offset by changes in the fair value of the related long-term debt. These hedges are considered to be perfectly effective under Statement of Financial Accounting Standards No. 133, “Accounting for Derivative Instruments and Hedging Activities,” as amended by Statement of Financial Accounting Standards No. 138 (collectively “SFAS 133”). The interest rate swap contracts are with a number of major financial institutions in order to minimize counterparty credit risk. The Company believes that it is unlikely that any of its counterparties will be unable to perform under the terms of the contracts.

Accounting for Stock-Based Compensation

At December 31, 2006, the Company had stock-based employee compensation plans and plans for non-employee members of the Company’s Board of Directors, which are described more fully in note 10. Effective December 26, 2005, the first day of fiscal 2006, the Company adopted Statement of Financial Accounting

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)
(Thousands of Dollars and Shares Except Per Share Data)

Standards No. 123 (revised 2004), “Share-Based Payment” (“SFAS 123R”), which amends Statement of Financial Accounting Standards No. 123, as amended by No. 148, and Statement of Financial Accounting Standards No. 95, “Statement of Cash Flows”. The Company adopted SFAS 123R under the modified prospective basis as defined in the statement. In 2006, the Company recorded stock option expense based on all unvested stock options as of the adoption date as well as all stock-based compensation awards granted subsequent to the adoption date. See footnote 10 for further information related to the adoption of this statement. Prior to 2006, as permitted by Statement of Financial Accounting Standards No. 123, as amended by No. 148, “Accounting for Stock-Based Compensation”, (collectively “SFAS 123”), Hasbro accounted for those plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees”, and related interpretations. 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 was recognized for these grants in the consolidated statements of operations in 2005 and 2004.

Had compensation expense been recorded under the fair value method as set forth in the provisions of SFAS 123 for stock options awarded, the impact on the Company’s net earnings and earnings per share for 2005 and 2004 would have been:

	2005	2004
Reported net earnings	$212,075	195,977
Add:		
Stock-based employee compensation expense included in reported net earnings, net of related tax effects	46	103
Deduct:		
Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(15,124)	(13,844)
Pro forma net earnings	$196,997	182,236
Reported net earnings per share		
Basic	$ 1.19	1.11
Diluted	$ 1.09	.96
Pro forma net earnings per share		
Basic	$ 1.10	1.03
Diluted	$ 1.01	.89

Earnings Per Common Share

Basic earnings per share is computed by dividing net earnings by the weighted average number of shares outstanding for the year. Diluted earnings per share is similar except that the weighted average number of shares outstanding is increased by dilutive securities, and net earnings are adjusted for certain amounts related to dilutive securities. Dilutive securities include shares issuable under convertible debt, as well as shares issuable upon exercise of stock options and warrants for which market price exceeds exercise price, less shares which could have been purchased by the Company with the related proceeds. Dilutive securities may also include shares potentially issuable to settle liabilities. Options and warrants totaling 5,148, 6,018 and 10,207 for 2006, 2005 and 2004, respectively, were excluded from the calculation of diluted earnings per share because to include them would have been antidilutive.

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)
(Thousands of Dollars and Shares Except Per Share Data)

A reconciliation of net earnings and average number of shares for the three fiscal years ended December 31, 2006 is as follows:

	2006		2005		2004	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net earnings	$230,055	230,055	212,075	212,075	195,977	195,977
Change in fair value of liabilities potentially settleable in common stock	—	—	—	(2,080)	—	(12,710)
Interest expense on contingent convertible debentures due 2021, net of tax	—	4,262	—	4,263	—	4,263
	$230,055	234,317	212,075	214,258	195,977	187,530
Average shares outstanding	167,100	167,100	178,303	178,303	176,540	176,540
Effect of dilutive securities:						
Liabilities potentially settleable in common stock	—	—	—	5,339	—	5,629
Contingent convertible debentures due 2021	—	11,574	—	11,574	—	11,574
Options and warrants	—	2,369	—	2,220	—	2,305
Equivalent shares	167,100	181,043	178,303	197,436	176,540	196,048
Net earnings per share	$ 1.38	1.29	1.19	1.09	1.11	.96

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. The earnings per share calculations for the three years ended December 31, 2006 include adjustments to add back to earnings the interest expense, net of tax, incurred on the Company's Senior Convertible Debentures due 2021, as well as add back to outstanding shares the amount of shares potentially issuable as if the contingent conversion features were met.

Pursuant to Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of Liabilities and Equity" (note 6), 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. As of December 31, 2006, the warrants had a more dilutive impact on earnings per share assuming they were treated as a liability and no adjustments to net earnings or equivalent shares was required. As of December 25, 2005 and December 26, 2004, the warrants had a more dilutive impact on earnings per share assuming they were treated as an equity contract. Accordingly for those years, 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 those dates.

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)
(Thousands of Dollars and Shares Except Per Share Data)

(2) Other Comprehensive Earnings

The Company's other comprehensive earnings (loss) for the years 2006, 2005 and 2004 consist of the following:

	2006	2005	2004
Foreign currency translation adjustments	$26,429	(68,530)	50,391
Changes in value of available-for-sale securities, net of tax	(2,497)	838	(9,862)
Gains (losses) on cash flow hedging activities, net of tax	(7,412)	6,460	(3,954)
Minimum pension liability adjustment, net of tax	1,991	(7,813)	(1,661)
Reclassifications to earnings, net of tax	4,077	2,005	16,990
Other comprehensive earnings (loss)	$22,588	(67,040)	51,904

Reclassification adjustments from other comprehensive earnings to earnings in 2006, 2005 and 2004 were net of related income taxes of $85, $89, and $1,724, respectively. The reclassification adjustments for 2006 and 2004 includes an impairment charge relating to other than temporary decreases in the value of the Company's available-for-sale securities. In accordance with Hasbro's marketable securities accounting policy, as the result of the decline in the fair value of the Company's investment in Infogrames Entertainment SA common stock, the Company adjusted the basis of this investment and recorded a pretax charge to earnings in the amounts of $2,629 and $8,988 in 2006 and 2004, respectively. The remainder of the reclassification adjustments in 2006 and 2004, as well as the 2005 reclassification adjustment, include net losses on cash flow hedging derivatives for which the related transaction has impacted earnings and was reflected in cost of sales.

The related tax benefit (expense) of other comprehensive earnings items was $273, $3,960, and $(283) for the years 2006, 2005, and 2004, respectively.

At December 31, 2006, the Company adopted SFAS 158, which required the Company to recognize the over or underfunded status of defined benefit pension and postretirement plans as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. The adoption of this statement resulted in an adjustment of $(26,750) to accumulated other comprehensive income at December 31, 2006.

Components of accumulated other comprehensive earnings at December 31, 2006 and December 25, 2005 are as follows:

	2006	2005
Foreign currency translation adjustments	$ 68,984	42,555
Changes in value of available-for-sale securities, net of tax	1,932	1,800
Gains (losses) on cash flow hedging activities, net of tax	(2,116)	3,848
Minimum pension liability adjustment, net of tax	—	(32,855)
Unrecognized pension and postretirement amounts, net of tax	(57,614)	—
	$ 11,186	15,348

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)
(Thousands of Dollars and Shares Except Per Share Data)

(3) Property, Plant and Equipment

	2006	2005
Land and improvements	$ 6,623	6,836
Buildings and improvements	186,519	174,183
Machinery and equipment	318,835	296,607
	511,977	477,626
Less accumulated depreciation	378,979	348,646
	132,998	128,980
Tools, dies and molds, net of amortization	48,728	35,065
	$181,726	164,045

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

(4) Goodwill and Intangibles

Goodwill and certain intangible assets relating to rights obtained in the Company's acquisition of Milton Bradley in 1984 and Tonka in 1991 are not amortized. These rights were determined to have indefinite lives and total approximately $75,700. The Company's other intangible assets are amortized over their remaining useful lives, and accumulated amortization of these other intangibles is reflected in other intangibles, net in the accompanying consolidated balance sheet.

The Company performs an annual impairment test for goodwill and intangible assets with indefinite lives. This annual impairment test is performed in the fourth quarter of the Company's fiscal year. In addition, if an event occurs or circumstances change that indicate that the carrying value may not be recoverable, the Company will perform an interim impairment test at that time. For the three fiscal years ended December 31, 2006, no such events occurred. The Company completed its annual impairment tests in the fourth quarters of 2006, 2005 and 2004, which indicated that there was no impairment.

A portion of the Company's goodwill and other intangible assets reside in the Corporate segment of the business. For purposes of testing pursuant to Statement of Financial Accounting Standards No. 142, these assets are allocated to the reporting units within the Company's operating segments. In 2006, the Company realigned its business, which resulted in a change in the Company's operating segments (see note 15). The Company has adjusted its prior year information to reflect the current reporting structure and reallocated Corporate segment amounts. Changes in carrying amount of goodwill, by operating segment for the years ended December 31, 2006 and December 25, 2005 are as follows:

	North America	International	Total
2006			
Balance at December 25, 2005	$294,378	172,683	$467,061
Foreign exchange translation	—	2,877	2,877
Balance at December 31, 2006	$294,378	175,560	$469,938
2005			
Balance at December 26, 2004	$294,378	175,348	$469,726
Foreign exchange translation	—	(2,665)	(2,665)
Balance at December 31, 2005	$294,378	172,683	$467,061

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)
(Thousands of Dollars and Shares Except Per Share Data)

A summary of the Company's other intangibles, net at December 31, 2006 and December 25, 2005 is as follows:

	2006	2005
Acquired product rights	$ 903,182	900,891
Licensed rights of entertainment properties	211,555	219,071
Accumulated amortization	(658,218)	(586,022)
Amortizable intangible assets	456,519	533,940
Product rights with indefinite lives	75,738	75,738
Unrecognized pension prior service cost	—	3,755
	$ 532,257	613,433

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 $14,200. Based on the allocation of the purchase price, property rights related to acquired product lines of approximately $10,900 were recorded in connection with this acquisition. These property rights are being amortized over a ten year life. 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 $65,000. 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 acquired product rights and is being 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 new license agreement, the Company will receive royalty income on Infogrames sales.

The Company will continue to incur amortization expense related to the use of acquired and licensed rights to produce various products. The amortization of these product rights will fluctuate depending on related projected revenues during an annual period, as well as rights reaching the end of their useful lives. The Company currently estimates continuing amortization expense for the next five years to be approximately:

2007	$66,400
2008	67,400
2009	62,500
2010	36,000
2011	34,200

(5) Financing Arrangements

Short-Term Borrowings

At December 31, 2006, Hasbro had available an unsecured committed line and unsecured uncommitted lines of credit from various banks approximating $300,000 and $203,600, respectively. A significant portion of the short-term borrowings outstanding at the end of 2006 and 2005 represents borrowings made under, or supported by, these lines of credit. The weighted average interest rates of the outstanding borrowings as of December 31, 2006 and December 25, 2005 were 4.7% and 4.2%, respectively. The Company had no borrowings outstanding under its committed line of credit at December 31, 2006. During 2006, Hasbro's working capital needs were fulfilled by cash generated from operations, the Company's accounts receivable securitization program, and borrowing under lines of credit. Borrowings under the lines of credit were on terms and at interest rates generally extended to companies of comparable creditworthiness.

In June 2006, the Company entered into a five-year revolving credit agreement (the "Agreement") which replaced the prior amended and restated credit agreement. The Agreement provides the Company with a $300,000 committed borrowing facility. The Company has the ability to request increases in the committed facility in additional increments of at least $50,000, up to a total committed facility of $500,000. The Company is not required to maintain compensating balances under the Agreement. The Agreement contains certain financial covenants setting forth leverage and coverage requirements, and certain other limitations typical of an investment grade facility, including with respect to liens, mergers and incurrence of indebtedness. The Company was in compliance with all covenants as of and for the year ended December 31, 2006.

The Company pays a fee (currently .10%) based on the unused portion of the facility and interest equal to Libor or Prime plus a spread on borrowings under the facility. The amount of the spread to Libor or Prime varies based on the Company's long-term debt ratings and the Company's leverage. At December 31, 2006, the interest rate under the facility was equal to Libor plus 0.50% or Prime.

Securitization

As of December 31, 2006, the Company is party to a receivable securitization program whereby the Company sells, on an ongoing basis, substantially all of its U.S. trade accounts receivable to a bankruptcy-remote, special purpose subsidiary, Hasbro Receivables Funding, LLC (HRF), which is wholly owned and consolidated by the Company. HRF will, subject to certain conditions, sell, from time to time on a revolving basis, an undivided fractional ownership interest in up to $250,000 of eligible domestic receivables to various multi-party commercial paper conduits supported by a committed liquidity facility. Under the terms of the agreement, new receivables are added to the pool as collections reduce previously held receivables. The Company expects to service, administer, and collect the receivables on behalf of HRF and the conduits. The net proceeds of sale will be less than the face amount of accounts receivable sold by an amount that approximates the purchaser's financing costs. In December 2006, this agreement was amended. Under the amended agreement, the expiration date is December 1, 2011, subject to an annual renewal process. Also under the amended agreement, the maximum aggregate outstanding purchase limit for interest in receivables which may be sold is raised to $300,000 during the period from fiscal October to fiscal January of each year.

The receivables facility contains certain restrictions on the Company and HRF that are customary for facilities of this type. The commitments under the facility are subject to termination prior to their term upon the occurrence of certain events, including payment defaults, breach of covenants, breach of representations or warranties, bankruptcy, and failure of the receivables to satisfy certain performance criteria.

As of December 31, 2006 and December 25, 2005 the utilization of the receivables facility on both dates was $250,000, which was the maximum available to the Company to sell under this program at December 25, 2005. As of December 31, 2006, the Company had an additional $50,000 available to sell under the facility. The transactions are accounted for as sales under SFAS 140. During 2006 and 2005, the loss on the sale of the receivables totaled $2,241 and $6,925, respectively, which is recorded in selling, distribution and administration expenses in the accompanying consolidated statements of operations. The discount on interests sold is approximately equal to the interest rate paid by the conduits to the holders of the commercial paper plus other fees. The discount rate as of December 31, 2006 was approximately 5.73%.

Upon sale to the conduits, HRF continues to hold a subordinated retained interest in the receivables. The subordinated interest in receivables is recorded at fair value, which is determined based on the present value of future expected cash flows estimated using management's best estimates of credit losses and discount rates commensurate with the risks involved. Due to the short-term nature of trade receivables, the carrying amount, less allowances, approximates fair value. Variations in the credit and discount assumptions would not significantly impact fair value.

(Thousands of Dollars and Shares Except Per Share Data)

(6) Accrued Liabilities

	2006	2005
Liabilities potentially settleable in common stock	$155,630	123,860
Royalties	76,695	84,765
Advertising	74,781	75,515
Payroll and management incentives	76,653	64,583
Accrued income taxes	121,254	130,007
Other	230,283	232,082
	$735,296	710,812

The Company currently has a warrant amendment agreement with Lucas Licensing Ltd. and Lucasfilm Ltd. that provides the Company with a call option through October 13, 2016 to purchase all of these warrants from Lucas for a price to be paid at the Company's election of either $200,000 in cash or the equivalent of $220,000 in shares of the Company's common stock, such stock being valued at the time of the exercise of the option. Also, the warrant amendment agreement provides Lucas with a put option through January 2008 to sell all of these warrants to the Company for a price to be paid at the Company's election of either $100,000 in cash or the equivalent of $110,000 in shares of the Company's common stock, such stock being valued at the time of the exercise of the option.

The Company adjusts these warrants to their fair value through earnings at the end of each reporting period. During 2006, 2005, and 2004, the Company recorded (income) expense of $31,770, $(2,080), and $(12,710), respectively, to adjust the warrants to their fair value. This (income) expense is included in other (income) expense, net in the consolidated statement of operations. There is no tax benefit or expense associated with the fair value adjustments.

Should either the put or call option be required to be settled, the Company believes that it will have adequate funds available to settle them in cash if necessary. Had this option been exercised at December 31, 2006 and the Company had elected to settle this option in the Company's stock, the Company would have been required to issue 4,078 shares. If the share price of the Company's common stock were higher as of December 31, 2006 the number of shares issuable would have decreased. If the share price were lower as of December 31, 2006, the number of shares issuable would have increased.

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)
(Thousands of Dollars and Shares Except Per Share Data)

(7) Long-Term Debt

Components of long-term debt are as follows:

	2006	2005
8.50% Notes Due 2006	$ —	32,743
6.15% Notes Due 2008	135,092	135,092
2.75% Debentures Due 2021	249,996	249,996
6.60% Notes Due 2028	109,895	109,895
Total principal amount of long-term debt	494,983	527,726
Fair value adjustment related to interest rate swaps	(66)	663
Total long-term debt	494,917	528,389
Less current portion	—	32,770
Long-term debt excluding current portion	$494,917	495,619

The schedule of contractual maturities of long-term debt for the next five years and thereafter is as follows:

2007	$ —
2008	135,092
2009	—
2010	—
2011	—
Thereafter	359,891
	$494,983

In 2006, the Company repaid in principal amount $32,743 of 8.50% Notes due in March 2006.

During 2004, the Company repurchased an aggregate of $55,658 in principal amount of long-term debt, comprised of $19,105 in principal amount of 6.60% Debentures due 2028, $10,908 in principal amount of 6.15% Notes due 2008, and $25,645 in principal amount of 5.60% Notes due 2005. The Company recorded a loss on repurchase of $1,277, which is included in other (income) expense, net in the accompanying consolidated statements of operations.

The Company is party to interest rate swap agreements in order to adjust the amount of total debt that is subject to fixed interest rates. The interest rate swaps are matched with specific long-term debt obligations and accounted for as fair value hedges of those debt obligations. At December 31, 2006, these interest rate swaps had a total notional amount of $75,000 with maturities in 2008. In each of the contracts, the Company receives payments based upon a fixed interest rate that matches the interest rate of the debt being hedged and makes payments based upon a floating rate based on Libor. These contracts are designated and effective as hedges of the change in the fair value of the associated debt. At December 31, 2006, these contracts had unrealized losses of $66, which are included in other liabilities, with a corresponding fair value adjustment to decrease long-term debt.

The Company currently has $249,996 outstanding in principal amount of contingent convertible debentures due 2021. These debentures bear interest at 2.75%, which could be subject to an upward adjustment commencing in December 2005 depending on the price of the Company's stock. 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, the holders have the right to convert the notes to shares of the Company's common stock at the initial conversion price of $21.60 in the next calendar quarter. At December 31, 2006, this contingent conversion feature was met and the debentures are convertible through March 31, 2007, at which time the contingent conversion feature will be reassessed. In addition, if the closing price of the Company's stock exceeds $27.00 for at least 20 trading days in any 30 day period, the Company has the right to call the debentures by giving notice to the holders of the debentures. During a prescribed notice period, the holders of the debentures have the right to convert their debentures in accordance with the conversion terms described above. The holders of these debentures may also put the notes back to Hasbro in December 2011 and December 2016. At these times, the purchase price may be paid in cash, shares of common stock or a combination of the two, at the discretion of the Company.

(Thousands of Dollars and Shares Except Per Share Data)

(8) Income Taxes

Income taxes attributable to earnings before income taxes are:

	2006	2005	2004
Current			
United States	$ 34,049	76,642	3,786
State and local	3,203	7,147	(497)
International	49,200	39,081	26,198
	86,452	122,870	29,487
Deferred			
United States	24,912	(20,611)	28,019
State and local	2,135	(1,767)	2,402
International	(2,080)	(1,654)	4,203
	24,967	(24,032)	34,624
	$111,419	98,838	64,111

On October 22, 2004, the American Jobs Creation Act of 2004 (the "Act") was signed into law. The Act created 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 was available to corporations during the tax year that includes October 22, 2004 or in the immediately subsequent tax year. In the fourth quarter of 2005, the Company's Board of Directors approved a plan to repatriate approximately $547,000 in foreign earnings, which was completed in December 2005. The tax expense related to this repatriation was $25,844.

Certain tax benefits (expenses) are not reflected in income taxes in the statements of operations. Such benefits of $27,876 in 2006, $8,426 in 2005, and $6,675 in 2004, relate primarily to stock options. In 2006, 2005 and 2004, the deferred tax portion of the total benefit (expense) was $12,917, $4,563, and $(283), respectively.

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)
(Thousands of Dollars and Shares Except Per Share Data)

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

	2006	2005	2004
Statutory income tax rate	35.0%	35.0%	35.0%
State and local income taxes, net	1.2	0.8	0.5
One time dividend	—	8.3	—
Tax on international earnings	(9.7)	(12.2)	(12.9)
Fair value adjustment of liabilities potentially settleable in common stock	3.3	(0.2)	(1.7)
Change in valuation allowance	0.8	—	2.7
Settlement of tax examinations	1.5	(1.4)	—
Other, net	0.5	1.5	1.0
	32.6%	31.8%	24.6%

The components of earnings before income taxes, determined by tax jurisdiction, are as follows:

	2006	2005	2004
United States	$113,761	98,180	71,759
International	227,713	212,733	188,329
	$341,474	310,913	260,088

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

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2006 and December 25, 2005 are:

	2006	2005
Deferred tax assets:		
Accounts receivable	$ 19,287	25,477
Inventories	17,860	21,454
Losses and tax credit carryforwards	34,405	36,574
Operating expenses	62,392	56,667
Pension	27,663	35,946
Deferred compensation and stock options	16,251	9,023
Postretirement benefits	14,128	11,197
Other	26,453	26,450
Gross deferred tax assets	218,439	222,788
Valuation allowance	(27,808)	(23,333)
Net deferred tax assets	190,631	199,455
Deferred tax liabilities:		
Convertible debentures	32,149	24,784
Depreciation and amortization of long-lived assets	9,658	14,337
Other	655	880
Deferred tax liabilities	42,462	40,001
Net deferred income taxes	$148,169	159,454

Hasbro has a valuation allowance for deferred tax assets at December 31, 2006 of $27,808, which is an increase of $4,475 from $23,333 at December 25, 2005. The valuation allowance pertains to United States and International loss carryforwards, some of which have no expiration and others that would expire beginning in 2007. The increase in the valuation allowance is primarily attributable to the investment in Infogrames Entertainment S.A. If the operating loss carryforwards are fully realized, $210 will reduce goodwill and the balance will reduce future income tax expense.

Based on Hasbro's history of taxable income and the anticipation of sufficient taxable income in years when the temporary differences are expected to become tax deductions, it believes that it will realize the benefit of the deferred tax assets, net of the existing valuation allowance.

Deferred income taxes of $83,854 and $103,209 at the end of 2006 and 2005, respectively, are included as a component of prepaid expenses and other current assets, and $66,276 and $58,075, respectively, are included as a component of other assets. At the same dates, deferred income taxes of $122 and $200, respectively, are included as a component of accrued liabilities, and $1,839 and $1,630, respectively, are included as a component of other liabilities.

The cumulative amount of undistributed earnings of Hasbro's international subsidiaries held for reinvestment is approximately $625,000 at December 31, 2006. In the event that all international undistributed earnings were remitted to the United States, the amount of incremental taxes would be approximately $135,000.

In June of 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), which applies to all tax positions accounted for under Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes". FIN 48 prescribes a two step process for the measurement of uncertain tax positions that have been taken or are expected to be taken in a tax return. The first step is a determination of whether the tax position should be recognized in the financial statements. The second step determines the measurement of the tax position. FIN 48 also provides guidance on derecognition of such tax positions, classification, interest and penalties, accounting in interim periods and disclosure. FIN 48 was applicable to the Company as of January 1, 2007, the first day of fiscal 2007. The adoption of FIN 48 is expected to decrease the Company's current liabilities and increase the Company's long-term liabilities. Overall, tax liabilities are not expected to change by a material amount.

(9) Capital Stock

Preference Share Purchase Rights

Hasbro maintains a Preference Share Purchase Rights Plan (the "Rights Plan"). Under the terms of the Rights Plan, each share of common stock is accompanied by a Preference Share Purchase Right ("Right"). Each Right is only exercisable under certain circumstances and, until exercisable, the Rights are not transferable apart from Hasbro's common stock. When exercisable, each Right will entitle its holder to purchase until June 30, 2009, in certain merger or other business combination or recapitalization transactions, at the Right's then current exercise price, a number of the acquiring company's or Hasbro's, as the case may be, common shares having a market value at that time of twice the Right's exercise price. Under certain circumstances, the Company may substitute cash, other assets, equity securities or debt securities for the common stock. At the option of the Board of Directors of Hasbro ("the Board"), the rightholder may, under certain circumstances, receive shares of Hasbro's stock in exchange for Rights.

Prior to the acquisition by a person or group of beneficial ownership of a certain percentage of Hasbro's common stock, the Rights are redeemable for $.01 per Right. The Rights Plan contains certain exceptions with respect to the Hassenfeld family and related entities.

Common Stock

In May 2005, the Company's Board of Directors authorized the repurchase of up to $350,000 in common stock. In 2006, the remaining portion of this authorization was fully utilized and an additional $350,000 was authorized by the Board of Directors in July 2006. 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 the value of the shares which are repurchased will depend on a number of factors, including the price of the Company's common stock. These authorizations replace all prior authorizations. In 2006, the Company repurchased 22,767 shares at an average price of $20.03. The total cost of these repurchases, including transaction costs, was $456,744.

(10) Stock Options, Restricted Stock and Warrants

Hasbro has reserved 19,291 shares of its common stock for issuance upon exercise of options and the grant of other awards granted or to be granted under stock incentive plans for employees and for non-employee members of the Board of Directors (collectively, the "plans"). These options generally vest in equal annual amounts over three to five years. The plans provide that options be granted at exercise prices not less than fair market value on the date the option is granted and options are adjusted for such changes as stock splits and stock dividends. Generally, options are exercisable for periods of no more than ten years after date of grant. Certain of the plans permit the granting of awards in the form of stock options, stock appreciation rights, stock awards and cash awards in addition to options. Upon exercise in the case of stock options, grant in the case of restricted stock or vesting in the case of performance based contingent stock grants, shares are issued out of available treasury shares. Additionally, the Company has reserved 17,450 shares of its common stock for issuance upon exercise of outstanding warrants.

The Company on occasion will issue restricted stock and grant deferred restricted stock units to certain key employees. In 2006, the Company issued restricted stock of 20 shares. No restricted stock or deferred restricted stock awards were granted in 2005 or 2004. These shares or units are nontransferable and subject to forfeiture for periods prescribed by the Company. These awards are valued at the market value at the date of grant and are subsequently amortized over the periods during which the restrictions lapse, generally 3 years. Amortization of unearned compensation expense relating to the outstanding restricted stock and deferred restricted stock was $158, $74, and $138 in fiscal 2006, 2005, and 2004, respectively. At December 31, 2006, the amount of total unrecognized compensation cost related to restricted stock is $293 and the weighted average period over which this will be expensed is 24.5 months.

In July 2006, as part of its annual equity grant to executive officers and certain other employees, the Company's Board of Directors approved the issuance of contingent stock performance awards (the "Stock Performance Awards"), which provide the recipients with the ability to earn shares of the Company's common stock based on the Company's achievement of stated cumulative diluted earnings per share and cumulative net revenue targets over a ten quarter period beginning July 3, 2006 and ending December 28, 2008. Each Stock Performance Award has a target number of shares of common stock associated with such award which may be earned by the recipient if the Company achieves the stated diluted earnings per share and revenue targets. The Compensation Committee of the Company's Board of Directors has discretionary power to reduce the amount of the award regardless of whether the stated targets are met. If the Company achieves 100% of the stated targets, it would expect to issue 738 shares under these awards.

During 2006, the Company recognized $2,390 of expense relating to these awards. If minimum targets, as detailed under the award, are not met, no additional compensation cost will be recognized and any previously recognized compensation cost will be reversed. These awards were valued at the market value at the date of grant and are being amortized over the 10 quarter period from July 3, 2006 through December 28, 2008. The weighted average grant-date fair value of each Stock Performance Awards was $19.00. Forfeitures of these awards during 2006 were 24. At December 31, 2006, the amount of total unrecognized compensation cost related to these awards is approximately $11,317 and the weighted average period over which this will be expensed is 24 months.

(Thousands of Dollars and Shares Except Per Share Data)

Prior to fiscal 2006, Hasbro used the intrinsic-value method of accounting for stock options granted to employees and non-employee members of the Board of Directors. Effective December 26, 2005, the first day of fiscal 2006, the Company adopted SFAS 123R under the modified prospective transition method as defined in the statement. Under this adoption method, the Company recorded stock option expense in 2006 based on all unvested stock options as of the adoption date and any stock option awards made subsequent to the adoption date. Stock-based compensation is recognized on a straight-line basis over the requisite service period of the award. In accordance with the modified prospective transition method, the Company's consolidated financial statements for prior years have not been restated to reflect, and do not include, the impact of SFAS 123R.

Total compensation expense related to stock options and the stock performance awards recognized under SFAS 123R for the year ended December 31, 2006 was $21,684 and was recorded as follows:

Cost of sales	$ 306
Research and product development	1,436
Selling, distribution and administration	19,942
	21,684
Income taxes	7,399
	$14,285

Information with respect to stock options for the three years ended December 31, 2006 is as follows:

	2006	2005	2004
Outstanding at beginning of year	20,443	21,041	19,261
Granted	3,126	2,953	4,956
Exercised	(5,490)	(3,020)	(1,865)
Expired or canceled	(770)	(531)	(1,311)
Outstanding at end of year	17,309	20,443	21,041
Exercisable at end of year	11,016	14,015	12,570
Weighted average exercise price:			
Granted	$ 18.83	20.55	19.35
Exercised	$ 16.00	15.00	14.28
Expired or canceled	$ 24.38	25.07	20.59
Outstanding at end of year	$ 19.73	19.04	18.40
Exercisable at end of year	$ 19.94	19.29	19.24

With respect to the 17,309 outstanding options and 11,016 options exercisable at December 31, 2006, the weighted average remaining contractual life of these options was 5.29 years and 4.66 years, respectively. The aggregate intrinsic value of the options outstanding and exercisable at December 31, 2006 was $140,257 and $90,630, respectively.

(Thousands of Dollars and Shares Except Per Share Data)

The Company uses the Black-Scholes valuation model in determining fair value of stock-based awards. The weighted average fair value of options granted in fiscal 2006, 2005 and 2004 were $4.26, $5.41 and $6.32, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in the fiscal years 2006, 2005, and 2004:

	2006	2005	2004
Risk-free interest rate	4.98%	3.84%	3.85%
Expected dividend yield	2.55%	1.75%	1.29%
Expected volatility	24%	29%	40%
Expected option life	5 years	5 years	5 years

The intrinsic values, which represent the difference between the fair market value on the date of exercise and the exercise price of the option, of the options exercised in fiscal 2006, 2005 and 2004 were $46,684, $16,898 and $11,113, respectively.

In addition to the above, the Company currently has 17,450 warrants outstanding and exercisable at December 31, 2006, which have a weighted average exercise price, weighted average remaining life and intrinsic value at December 31, 2006 of $20.11, 11.46 years, and $124,624, respectively.

At December 31, 2006, the amount of total unrecognized compensation cost related to stock options is $20,008 and the weighted average period over which this will be expensed is 21.9 months.

In May 2006, the Company granted 52 shares of common stock to its non-employee members of its Board of Directors, of which the receipt of 43 shares have been deferred to the date upon which the respective director ceases to be a member of the Company's Board of Directors. This award was valued at the market value at the date of grant and vested upon grant. Compensation cost of $990 was recorded in connection with this grant.

(11) Pension, Postretirement and Postemployment Benefits

Pension and Postretirement Benefits

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, "Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans", ("SFAS No. 158") which amends Statements of Financial Accounting Standards No. 87, 88, 106 and 132R. Under SFAS No. 158, the Company is required to recognize on its balance sheet actuarial gains and losses and prior service costs that have not yet been included in income as an adjustment of equity through other comprehensive earnings with a corresponding adjustment to prepaid pension expense or the accrued pension liability. In addition, within two years of adoption, the measurement date for plan assets and liabilities would be required to be the Company's fiscal year end. SFAS No. 158 was effective for the Company in the fourth quarter of 2006. The effect of this statement on the Company's defined benefit pension and postretirement plans was an increase in accrued pension liability of $36,287, a decrease in intangible assets of $3,108, an increase in deferred tax assets of $12,645 and a decrease in accumulated other comprehensive earnings, net of tax, of $26,750.

Expense related to the Company's defined benefit and defined contribution plans for 2006, 2005 and 2004 were approximately $31,100, $28,800, and $26,300, respectively. Of these amounts, $15,400, $13,900 and $12,100 related to defined contribution plans in the United States and certain international affiliates. The remainder of the expense relates to defined benefit plans discussed below.

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)
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United States Plans

Substantially all United States employees are covered under at least one of several non-contributory defined benefit pension plans maintained by the Company. Benefits under the two major plans which principally cover non-union employees, are based primarily on salary and years of service. One of these major plans is funded. Benefits under the remaining plans are based primarily on fixed amounts for specified years of service. Of these remaining plans, the plan covering union employees is also funded. At September 30, 2006, the measurement date, all individual plans had projected and accumulated benefit obligations in excess of the fair value of each plan's assets. By the fiscal year ending December 28, 2008, the Company will be required under SFAS 158 to change the measurement dates for its pension plans to its fiscal year-end.

Hasbro also provides certain postretirement health care and life insurance benefits to eligible employees who retire and have either attained age 65 with 5 years of service or age 55 with 10 years of service. The cost of providing these benefits on behalf of employees who retired prior to 1993 is and will continue to be substantially borne by the Company. The cost of providing benefits on behalf of substantially all employees who retire after 1992 is borne by the employee. The plan is not funded.

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Notes to Consolidated Financial Statements — (Continued)
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	Pension		Postretirement	
	2006	2005	2006	2005
Change in Projected Benefit Obligation				
Projected benefit obligation — beginning	$ 313,937	277,820	38,505	36,082
Service cost	10,188	9,383	684	573
Interest cost	16,809	15,526	2,047	2,003
Actuarial loss (gain)	(8,014)	28,698	(2,358)	2,342
Benefits paid	(23,291)	(16,514)	(2,560)	(2,495)
Expenses paid	(608)	(976)	—	—
Projected benefit obligation — ending	$ 309,021	313,937	36,318	38,505
Accumulated benefit obligation — ending	$ 290,452	289,720	36,318	38,505
Change in Plan Assets				
Fair value of plan assets — beginning	$ 208,625	188,054	—	—
Actual return on plan assets	14,838	28,537	—	—
Employer contribution	35,918	9,524	—	—
Benefits paid	(23,291)	(16,514)	—	—
Expenses paid	(608)	(976)	—	—
Fair value of plan assets — ending	$ 235,482	208,625	—	—
Reconciliation of Funded Status				
Projected benefit obligation	$ (309,021)	(313,937)	(36,318)	(38,505)
Fair value of plan assets	235,482	208,625	—	—
Contributions after measurement date	25,533	—	579	—
Funded status	$ (48,006)	(105,312)	(35,739)	(38,505)
Unrecognized net loss	—	73,996	—	11,552
Unrecognized prior service cost	—	3,550	—	—
Net amount recognized	$ (48,006)	(27,766)	(35,739)	(26,953)
Accrued benefit liability	$ (48,006)	(81,095)	(35,739)	(26,953)
Intangible asset	—	3,550	—	—
Accumulated other comprehensive earnings	—	49,779	—	—
Net amount recognized	$ (48,006)	(27,766)	(35,739)	(26,953)

Of the pension amount recognized at December 31, 2006, $3,065 is recognized in current liabilities and the remaining $44,941 is recognized in non-current liabilities. Of the postretirement amount recognized at December 31, 2006, $2,396 is recognized in current liabilities and the remaining $33,343 is recognized in non-current liabilities.

In connection with the adoption of SFAS 158 at December 31, 2006 described above, the Company's unamortized prior service costs of $2,954 and unrecognized net loss of $66,781 were recorded as a reduction of accumulated other comprehensive earnings. In fiscal 2007, the Company expects amortization of $592 and $2,914, respectively, of these amounts to be included as a component of net periodic benefit cost.

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)
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The provisions of Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions", prior to the statement being amended by SFAS 158, required the Company to record an additional minimum pension liability for certain of the Company's plans of $53,329 at December 25, 2005. This liability represented the amount by which the accumulated benefit obligation exceeds the sum of the fair market value of plan assets and accrued amounts previously recorded. The additional minimum pension liability was offset by an intangible asset to the extent of previously unrecognized prior service cost. An intangible asset in the amount of $3,550 is included in other intangibles on the balance sheet as of December 25, 2005. The remaining amount of $49,779 was recorded as components of accumulated other comprehensive earnings, along with related deferred taxes of $18,916 at December 25, 2005.

The assets of the funded plans are managed by investment advisors and consist of the following:

Asset Category	2006	2005
Large Cap Equity	30%	31%
Small Cap Equity	14	13
International Equity	20	17
Domestic Core Fixed Income	9	10
Domestic High Yield Fixed Income	11	11
Total Return Fund	16	17
Cash	—	1
	100%	100%

Hasbro's two major funded plans (the "Plans") are defined benefit pension plans intended to provide retirement benefits to participants in accordance with the benefit structure established by the Company. The Plans' investment managers, who exercise full investment discretion within guidelines outlined in the Plans' Investment Policy, are charged with managing the assets with the care, skill, prudence and diligence that a prudent investment professional in similar circumstance would exercise. Investment practices, at a minimum, must comply with the Employee Retirement Income Security Act (ERISA) and any other applicable laws and regulations.

The Plans' shared primary investment goal is maximum total return, consistent with prudent investment management. The Plans' asset allocations are structured to meet a long-term targeted total return consistent with the ongoing nature of the Plans' liabilities. The shared long-term total return goal, presently 8.75%, includes income plus realized and unrealized gains and/or losses on the Plans' assets. Utilizing generally accepted diversification techniques, the Plans' assets, in aggregate and at the individual portfolio level, are invested so that the total portfolio risk exposure and risk-adjusted returns best meet the Plans' long-term liabilities to employees. Plan asset allocations are reviewed at least quarterly and rebalanced to achieve target allocation among the asset categories when necessary.

The Plans' investment managers are provided specific guidelines under which they are to invest the assets assigned to them. In general, investment managers are expected to remain fully invested in their asset class with further limitations of risk as related to investments in a single security, portfolio turnover and credit quality.

The Plans' Investment Policy restricts the use of derivatives associated with leverage and speculation, or investments in securities issued by Hasbro, Inc., except through index-related strategies (e.g. an S&P 500 Index Fund) and/or commingled funds. In addition, unless specifically approved by the Investment Committee (which is comprised of members of management, established by the Board to manage and control pension plan assets), certain securities, strategies, and investments are ineligible for inclusion within the Plans.

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Notes to Consolidated Financial Statements — (Continued)
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The Company measures its liabilities and related assets at September 30 ("the measurement date") to coincide with the upcoming year planning cycle. The discount rates used in the pension calculation were also used for the postretirement calculation.

	2006	2005	2004
Components of Net Periodic Cost			
Pension			
Service cost	$ 10,188	9,384	8,632
Interest cost	16,809	15,526	14,630
Expected return on assets	(19,112)	(16,275)	(14,489)
Amortization of prior service cost	596	582	609
Amortization of actuarial loss	3,399	2,554	2,141
Net periodic benefit cost	$ 11,880	11,771	11,523
Postretirement			
Service cost	$ 684	573	605
Interest cost	2,047	2,003	2,285
Amortization of actuarial loss	459	354	529
Net periodic benefit cost	$ 3,190	2,930	3,419

Assumptions used to determine the year-end benefit obligation are as follows:

	2006	2005
Weighted average discount rate	5.75%	5.50%
Rate of future compensation increases	4.00%	4.00%
Long-term rate of return on plan assets	8.75%	8.75%
Mortality table	RP-2000	RP-2000

Assumptions used to determine net periodic benefit cost of the pension plans for each fiscal year follow:

	2006	2005	2004
Weighted average discount rate	5.50%	5.75%	6.00%
Rate of future compensation increases	4.00%	4.00%	4.00%
Long-term rate of return on plan assets	8.75%	8.75%	8.75%

Hasbro works with external benefit investment specialists to assist in the development of the long-term rate of return assumptions used to model and determine the overall asset allocation. Forecast returns are based on the combination of historical returns, current market conditions and a forecast for the capital markets for the next 5-7 years. Approximately 75% of the return assumption is based on the historical information and 25% is based on current or forward-looking information. All asset class assumptions are within certain bands around the long-term historical averages. Correlations are based primarily on historical return patterns.

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Expected benefit payments under the defined benefit pension plans and expected gross benefit payments and subsidy receipts under the postretirement benefit plan for the next five years subsequent to 2006 and in the aggregate for the following five years are as follows:

		Postretirement	
	Pension	Gross Benefit Payments	Subsidy Receipts
2007	$ 17,685	2,666	271
2008	19,283	2,750	282
2009	19,346	2,815	290
2010	18,977	2,887	292
2011	19,614	2,937	290
2012-2016	118,325	14,577	1,285

Assumptions used to determine the net periodic benefit cost of the postretirement plans for the year to date period are as follows:

	2006	2005	2004
Health care cost trend rate assumed for next year	10.00%	9.00%	10.00%
Rate to which the cost trend rate is assumed to decline (ultimate trend rate)	5.00%	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2012	2011	2009

If the health care cost trend rate were increased one percentage point in each year, the accumulated postretirement benefit obligation at December 31, 2006 and the aggregate of the benefits earned during the period and the interest cost would have each increased by approximately 5% and 5%, respectively.

International Plans

Pension coverage for employees of Hasbro's international subsidiaries is provided, to the extent deemed appropriate, through separate defined benefit and defined contribution plans. At December 31, 2006 and December 25, 2005, the defined benefit plans had total projected benefit obligations of $73,333 and $58,206, respectively, accumulated benefit obligations of $62,893 and $46,557, respectively, and fair values of plan assets of $55,429 and $40,397, respectively. Substantially all of the plan assets are invested in equity and fixed income securities. The pension expense related to these plans was $3,702 for fiscal 2006 and $3,073 for fiscal 2005. In connection with the adoption of SFAS 158 at December 31, 2006 described above, the Company's unamortized prior service costs of $443, unrecognized net loss of $9,710 and unrecognized transition obligation of $277 were recorded as a reduction of accumulated other comprehensive earnings. In fiscal 2007, the Company expects amortization of $96, $231 and $45, respectively, of these amounts to be included as a component of net periodic benefit cost. At December 25, 2005, the Company had recorded an additional minimum pension liability related to these international plans of $3,100. This additional minimum pension liability was partially offset by an intangible asset in the amount of $206 at December 25, 2005. The remaining amount of $2,894 was recorded as a separate component of accumulated other comprehensive earnings, along with related deferred taxes of $902. Assumptions used to calculate the benefit obligations and pension expense for these plans vary depending on each plan and are based on factors specific to each country.

(Thousands of Dollars and Shares Except Per Share Data)

Expected benefit payments under the international defined benefit pension plans for the five years subsequent to 2006 and in the aggregate for the following five years are as follows:

2007	$ 949
2008	1,027
2009	1,075
2010	1,294
2011	1,367
2012-2016	11,655

Postemployment Benefits

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

(12) Leases

Hasbro occupies certain offices and uses certain equipment under various operating lease arrangements. The rent expense under such arrangements, net of sublease income which is not material, for 2006, 2005, and 2004 amounted to $34,603, $35,570, and $36,576, respectively.

Minimum rentals, net of minimum sublease income, which is not material, under long-term operating leases for the five years subsequent to 2006 and in the aggregate are as follows:

2007	$ 28,149
2008	25,529
2009	21,733
2010	10,979
2011	10,487
Later years	22,914
	$119,791

All leases expire prior to the end of 2018. Real estate taxes, insurance and maintenance expenses are generally obligations of the Company. It is expected that in the normal course of business, leases that expire will be renewed or replaced by leases on other properties; thus, it is anticipated that future minimum lease commitments will not be less than the amounts shown for 2006.

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

(13) Derivative Financial Instruments

Hasbro uses foreign currency forwards and options, generally purchased for terms of not more than eighteen months, to reduce the impact of currency rate fluctuations on firmly committed and projected future foreign currency transactions.

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During 2006, 2005, and 2004, the Company reclassified net losses, net of tax, from other comprehensive income to earnings of $1,448, $2,005, and $9,111, respectively, which included gains (losses) of $(68), $509, and $(163), respectively, as the result of ineffectiveness.

The remaining balance in accumulated other comprehensive earnings at December 31, 2006 of $2,116 represents a net unrealized loss on foreign currency contracts relating to hedges of inventory purchased during the fourth quarter of 2006 or forecasted to be purchased during 2007 and intercompany expenses and royalty payments expected to be paid or received during 2007. These amounts will be transferred to the consolidated statement of operations upon the sale of the related inventory and receipt or payment of the related royalties and expenses. The Company expects substantially all of the balance in accumulated other comprehensive earnings to be reclassified to the consolidated statement of operations within the next 12 months.

The Company also enters into derivative instruments to offset changes in the fair value of intercompany loans due to the impact of foreign currency changes. The Company recorded a net loss on these instruments to other (income) expense, net of $5,501, $60,014, and $30,882 in 2006, 2005, and 2004, respectively, relating to the change in fair value of such derivatives, substantially offsetting gains from the change in fair value of intercompany loans to which the contracts relate included in other (income) expense, net.

(14) Commitments and Contingencies

Hasbro had unused open letters of credit and related instruments of approximately $71,000 and $33,600 at December 31, 2006 and December 25, 2005, respectively.

The Company enters into license agreements with inventors, designers and others for the use of intellectual properties in its products. Certain of these agreements contain provisions for the payment of guaranteed or minimum royalty amounts. Additionally, the Company has a long-term commitment related to promotional and marketing activities at a U.S. based theme park. Under terms of currently existing agreements as of December 31, 2006, Hasbro may, provided the other party meets their contractual commitment, be required to pay amounts as follows:

2007	$ 91,890
2008	12,380
2009	13,900
2010	41,810
2011	4,800
	$164,780

In addition to the above commitments, certain of the above contracts impose minimum marketing commitments on the Company, including the Company's agreement with MARVEL, which requires the expenditure of $15,000 in connection with the theatrical release of SPIDER-MAN 3 expected to occur in May of 2007.

In addition, the Company has $116,792 of prepaid royalties included as a component of prepaid expenses and other current assets in the balance sheet. The long-term portion of advances paid of $64,769 is included in other assets. Advanced royalties paid and guaranteed or minimum royalties to be paid relate to anticipated revenues in the years 2007 through 2018.

At December 31, 2006, including the $15,000 marketing commitment mentioned above, the Company had approximately $249,554 in outstanding purchase commitments.

Hasbro is party to certain legal proceedings, none of which, individually or in the aggregate, is deemed to be material to the financial condition of the Company.

(15) Segment Reporting

Segment and Geographic Information

Hasbro is a worldwide leader in children's and family leisure time and entertainment products, including the development, manufacture and marketing of games and toys ranging from traditional to high-tech. In 2006 the Company restructured its business by combining the U.S. Toys and Games operations, previously reported as separate segments, with the Canadian and Mexican operations, previously managed as part of the International segment, into one segment, the North American segment. The International segment is now comprised of operations in the Europe, Asia Pacific, South America and Latin America, excluding Mexico. The Company's manufacturing facilities in East Longmeadow, Massachusetts and Waterford, Ireland, which were previously included in the Games and International segments, respectively, along with the Company's Far East sourcing operations, are now managed as part of the Global Operations segment.

The North American segment includes the development, marketing and selling of boys' action figures, vehicles and playsets, girls' toys, electronic toys and games, plush products, preschool toys and infant products, electronic interactive products, tween electronic products, toy-related specialty products, traditional board games and puzzles, DVD- based games, fiction books, and trading card and role-playing games within the United States, Canada and Mexico. Within the International segment, the Company develops, markets and sells both toy and certain game products in non-North American markets, primarily the European, Asia Pacific, and Latin and South American regions. The Global Operations segment is responsible for manufacturing and sourcing finished product for the Company's North American and International segments. The Company has another segment that licenses out certain toy and game properties.

Segment performance is measured at the operating profit level. Included in Corporate and eliminations are certain 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 2005 and 2004 segment data has been restated to reflect the 2006 segment structure. In 2006 the Company adopted SFAS 123R, which requires the Company to record expense related to stock options in its consolidated financial statements. Consistent with management's approach in evaluating segment results, the 2005 and 2004 segment operating profit (loss) has been adjusted to include stock-based compensation as disclosed under SFAS 123. The amount of 2005 and 2004 stock option expense is subtracted from the total segment operating profit (loss) in order to reconcile to the operating profit (loss) in the consolidated financial statements.

With the exception of the treatment of stock-based compensation expense for 2005 and 2004 management financial statements, the accounting policies of the segments are the same as those referenced in Note 1.

Results shown for fiscal years 2006, 2005 and 2004 are not necessarily those which would be achieved were each segment an unaffiliated business enterprise.

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Information by segment and a reconciliation to reported amounts are as follows:

	Revenues from External Customers	Affiliate Revenue	Operating Profit (Loss)	Depreciation and Amortization	Capital Additions	Total Assets
2006						
North America	$2,130,290	8,266	275,959	51,926	4,278	3,193,870
International	959,319	23	90,893	24,681	3,004	859,690
Global Operations(a)	13,185	1,242,354	27,158	46,584	57,487	1,073,871
Other Segments	48,687	—	15,729	2,002	105	134,970
Corporate and eliminations(b)	—	(1,250,643)	(33,376)	21,514	17,229	(2,165,496)
Consolidated Total	$3,151,481	—	376,363	146,707	82,103	3,096,905
2005						
North America	$2,038,556	11,042	165,676	78,562	7,394	2,658,821
International	988,591	124	106,435	33,048	3,866	811,577
Global Operations(a)	10,612	1,171,150	22,712	53,919	49,701	866,125
Other Segments	49,868	—	19,153	997	108	115,864
Corporate and eliminations(b)	—	(1,182,316)	(26,499)	13,606	9,515	(1,151,244)
Subtotal	3,087,627	—	287,477	180,132	70,584	3,301,143
Stock Compensation(c)	—	—	23,044	—	—	—
Consolidated Total	$3,087,627	—	310,521	180,132	70,584	3,301,143
2004						
North America	$1,956,031	11,247	163,786	53,266	3,941	2,469,719
International	977,128	161	94,487	27,971	4,313	1,090,605
Global Operations(a)	13,129	1,099,551	13,437	48,949	56,343	885,487
Other Segments	51,222	—	16,470	154	428	178,913
Corporate and eliminations(b)	—	(1,110,959)	(17,332)	15,840	14,214	(1,384,064)
Subtotal	2,997,510	—	270,848	146,180	79,239	3,240,660
Stock Compensation(c)	—	—	22,164	—	—	—
Consolidated Total	$2,997,510	—	293,012	146,180	79,239	3,240,660

(a) The Global Operations segment derives substantially all of its revenues, and thus its operating results, from intersegment activities. Operating profit of the Global Operations segment for the fiscal year 2006 includes a charge of approximately $11,200, primarily related to severance costs, in connection with the reduction of manufacturing activity at the Company facility in Ireland.

(b) Certain intangible assets, primarily goodwill, which benefit operating segments are reflected as Corporate assets for segment reporting purposes. For application of SFAS 142, these amounts have been allocated to the reporting unit which benefits from their use. In addition, allocations of certain expenses related to

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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.

(c) As noted in footnote 10, on December 26, 2005, the first day of fiscal 2006, the Company adopted SFAS 123R using the modified prospective method. Under this method, the Company recorded stock option compensation in 2006 related to unvested options as of that date as well as grants made in 2006. The Company did not restate any of the prior years but has adjusted the operating profit (loss) of each of its segments for 2005 and 2004 to reflect compensation for those periods based on the Company's 2005 and 2004 pro forma disclosures under SFAS 123. As such, the above amounts represents the removal of the amounts included in the segment disclosures to reconcile to the 2005 and 2004 reported consolidated operating profit for 2005 and 2004. The $23,044 of 2005 pro forma stock option expense was allocated as follows: $15,417 to North America, $4,309 to International, $1,774 to Global Operations and $1,544 to Other Segment. The $22,164 of 2004 pro forma stock option expense was allocated as follows: $14,535 to North America, $4,187 to International, $1,824 to Global Operations and $1,618 to Other Segment.

The following table presents consolidated net revenues by classes of principal products for the three fiscal years ended December 31, 2006:

	2006	2005	2004
Games and puzzles	$ 1,294,110	1,246,422	1,316,031
Boys' toys	575,841	721,770	591,574
Preschool toys	406,663	334,729	381,424
Tweens toys	266,844	269,826	287,035
Girls' toys	540,298	446,822	367,734
Other	67,725	68,058	53,712
Net revenues	$ 3,151,481	3,087,627	2,997,510

No individual product lines accounted for 10% or more of consolidated net revenues during 2006 or 2004. During 2005, revenues from STAR WARS related products accounted for 16% of consolidated net revenues.

Information as to Hasbro's operations in different geographical areas is presented below on the basis the Company uses to manage its business. Net revenues are categorized based on location of the customer, while long-lived assets (property, plant and equipment, goodwill and other intangibles) are categorized based on their location:

	2006	2005	2004
Net revenues			
United States	$ 1,898,865	1,846,217	1,782,295
International	1,252,616	1,241,410	1,215,215
	$ 3,151,481	3,087,627	2,997,510
Long-lived assets			
United States	$ 1,051,124	1,127,100	1,151,852
International	132,797	117,439	162,737
	$ 1,183,921	1,244,539	1,314,589

Principal international markets include Europe, Canada, Mexico, Australia, and Hong Kong.

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Other Information

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

Sales to the Company's three largest customers, Wal-Mart Stores, Inc., Target Corporation and Toys 'R Us, Inc., amounted to 24%, 13% and 11%, respectively, of consolidated net revenues during 2006, 24%, 12% and 12% during 2005 and 21%, 10% and 15% during 2004. These net revenues were primarily related to the North American segment.

Hasbro purchases certain components and accessories used in its manufacturing process and certain finished products from manufacturers in the Far East. The Company's reliance on external sources of manufacturing can be shifted, over a period of time, to alternative sources of supply for products it sells, should such changes be necessary. However, if the Company were prevented from obtaining products from a substantial number of its current Far East suppliers due to political, labor or other factors beyond its control, the Company's operations would be disrupted, potentially for a significant period of time, while alternative sources of product were secured. The imposition of trade sanctions by the United States or the European Union against a class of products imported by Hasbro from, or the loss of "normal trade relations" status by, the People's Republic of China could significantly increase the cost of the Company's products imported into the United States or Europe.

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)
(Thousands of Dollars and Shares Except Per Share Data)

(16) Quarterly Financial Data (Unaudited)

	Quarter				
	First	Second	Third	Fourth	Full Year
2006					
Net revenues	$468,181	527,764	1,039,138	1,116,398	3,151,481
Gross profit	282,089	317,395	577,627	670,485	1,847,596
Earnings (loss) before income taxes	(5,453)	32,502	143,876	170,549	341,474
Net earnings (loss)	(4,899)	27,088	99,584	108,282	230,055
Per common share					
Net earnings (loss)					
Basic	$ (.03)	.16	.62	.68	1.38
Diluted	(.03)	.07	.58	.62	1.29
Market price					
High	$ 21.90	21.27	22.75	27.69	27.69
Low	19.52	17.90	17.00	22.41	17.00
Cash dividends declared	$ .12	.12	.12	.12	.48
2005					
Net revenues	$454,944	572,388	988,052	1,072,243	3,087,627
Gross profit	288,969	347,622	543,277	621,488	1,801,356
Earnings (loss) before income taxes	(3,225)	32,690	126,326	155,122	310,913
Net earnings (loss)	(3,713)	29,454	92,063	94,271	212,075
Per common share					
Net earnings (loss)					
Basic	$ (.02)	.17	.51	.53	1.19
Diluted	(.02)	.13	.47	.48	1.09
Market price					
High	$ 21.50	21.00	22.35	20.75	22.35
Low	18.11	18.40	19.83	17.75	17.75
Cash dividends declared	$ .09	.09	.09	.09	.36

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

Evaluation of Disclosure 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 of the design and operation of the Company's disclosure controls and procedures as of December 31, 2006. 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.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) promulgated under the Exchange Act. Hasbro's internal control system is designed 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. Hasbro's management assessed the effectiveness of its internal control over financial reporting as of December 31, 2006. In making its assessment, Hasbro's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in "Internal Control-Integrated Framework". Based on this assessment, Hasbro's management concluded that, as of December 31, 2006, its internal control over financial reporting was effective based on those criteria. Hasbro's independent registered public accounting firm has issued an audit report on management's assessment of its internal control over financial reporting, which appears below.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Hasbro, Inc.:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Hasbro, Inc. maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Hasbro, Inc. maintained effective internal control over financial reporting as of December 31, 2006 is fairly stated, in all material respects, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, Hasbro, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006 based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Hasbro, Inc. and subsidiaries as of December 31, 2006 and December 25, 2005, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the fiscal years in the three-year period ended December 31, 2006, and our report dated February 27, 2007, expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Providence, Rhode Island
February 27, 2007

Changes in Internal Controls

There were no changes in the Company's internal controls over financial reporting, as defined in Rule 13a-15(f) promulgated under the Exchange Act, during the quarter ended December 31, 2006, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Item 9B. ***Other Information***

None

PART III

Item 10. ***Directors and Executive Officers of the Registrant***

Certain of the information required by this item is contained under the captions "Election of Directors", "Governance of the Company" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's definitive proxy statement for the 2007 Annual Meeting of Shareholders and is incorporated herein by reference.

The information required by this item with respect to executive officers of the Company is included in this Annual Report on Form 10-K under the caption "Executive Officers of the Registrant" and is incorporated herein by reference.

The Company has a Code of Conduct, which is applicable to all of the Company's employees, officers and directors, including the Company's Chief Executive Officer, Chief Financial Officer and Controller. A copy of the Code of Conduct is available on the Company's website under Corporate Information, Investors, Corporate Governance. The Company's website address is http://www.hasbro.com. Although the Company does not generally intend to provide waivers of or amendments to the Code of Conduct for its Chief Executive Officer, Chief Financial Officer, Controller, or other officers or employees, information concerning any waiver of or amendment to the Code of Conduct for the Chief Executive Officer, Chief Financial Officer, Controller, or any other executive officers or directors of the Company, will be promptly disclosed on the Company's website in the location where the Code of Conduct is posted.

The Company has also posted on its website, in the Corporate Governance location referred to above, copies of its Corporate Governance Principles and of the charters for its (i) Audit, (ii) Compensation, (iii) Finance, (iv) Nominating, Governance and Social Responsibility, and (v) Executive Committees of its Board of Directors.

In addition to being accessible on the Company's website, copies of the Company's Code of Conduct, Corporate Governance Principles, and charters for the Company's five Board Committees, are all available free of charge upon request to the Company's Senior Vice President, General Counsel and Secretary, Barry Nagler, at 1027 Newport Avenue, P.O. Box 1059, Pawtucket, R.I. 02862-1059.

Pursuant to the Annual Chief Executive Officer Certification submitted to the New York Stock Exchange ("NYSE"), the Company's Chief Executive Officer certified on June 1, 2006 that he was not aware of any violation by the Company of the NYSE's corporate governance listing standards. Further, as of the date of the filing of this report, the Company's Chief Executive Officer is not aware of any violation by the Company of the NYSE's corporate governance listing standards.

Item 11. ***Executive Compensation***

The information required by this item is contained under the captions "Compensation of Directors", "Executive Compensation", "Compensation Committee Report", "Compensation Discussion and Analysis" and "Compensation Committee Interlocks and Insider Participation" in the Company's definitive proxy statement for the 2007 Annual Meeting of Shareholders and is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required by this item is contained under the captions "Voting Securities and Principal Holders Thereof", "Security Ownership of Management" and "Equity Compensation Plans" in the Company's definitive proxy statement for the 2007 Annual Meeting of Shareholders and is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions***

The information required by this item is contained under the caption "Governance of the Company" and "Certain Relationships and Related Transactions" in the Company's definitive proxy statement for the 2007 Annual Meeting of Shareholders and is incorporated herein by reference.

Item 14. ***Principal Accountant Fees and Services***

The information required by this item is contained under the caption "Additional Information Regarding Independent Registered Public Accounting Firm" in the Company's definitive proxy statement for the 2007 Annual Meeting of Shareholders and is incorporated herein by reference.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) Financial Statements, Financial Statement Schedules and Exhibits

(1) *Financial Statements*

Included in PART II of this report:

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets at December 31, 2006 and December 25, 2005
Consolidated Statements of Operations for the Three Fiscal Years Ended in December 2006, 2005, and 2004
Consolidated Statements of Shareholders' Equity for the Three Fiscal Years Ended in December 2006, 2005, and 2004
Consolidated Statements of Cash Flows for the Three Fiscal Years Ended in December 2006, 2005, and 2004
Notes to Consolidated Financial Statements

(2) *Financial Statement Schedules*

Included in PART IV of this report:
Report of Independent Registered Public Accounting Firm on Financial Statement Schedule
For the Three Fiscal Years Ended in December 2006, 2005, and 2004:
Schedule II — Valuation and Qualifying Accounts and Reserves

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

(3) *Exhibits*

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

Exhibit

3. Articles of Incorporation and Bylaws
   - (a) Restated Articles of Incorporation of the Company. (Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)
   - (b) 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.)
   - (c) 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.)
   - (d) Amended and Restated Bylaws of the Company, as amended.
   - (e) 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.)
   - (f) 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. Instruments defining the rights of security holders, including indentures.
   - (a) 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.)
   - (b) 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 Fiscal Year Ended December 26, 1999, File No. 1-6682.)
   - (c) Indenture, dated as of November 30, 2001, 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.)
   - (d) Revolving Credit Agreement, dated as of June 23, 2006, by and among Hasbro, Inc., Hasbro SA, Bank of America, N.A., Citibank, N.A., Citizens Bank of Massachusetts, Commerzbank AG, New York and Grand Cayman Branches, BNP Paribas, Banc of America Securities LLC and the other banks party thereto. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 23, 2006, File No. 1-6682.)
   - (e) Rights Agreement, dated as of June 16, 1999, between the Company and 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.)
   - (f) 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 Fiscal Year Ended December 31, 2000, File No. 1-6682.)
   - (g) Second Amendment to Rights Agreement, dated as of February 13, 2007, between the Company and Computershare Trust Company N.A. as the Rights Agent.
10. Material Contracts
   - (a) Lease between Hasbro Canada Corporation (formerly named Hasbro Industries (Canada) Ltd.) (''Hasbro Canada'') and Central Toy Manufacturing Co. (''Central Toy''), dated December 23, 1976. (Incorporated by reference to Exhibit 10.15 to the Company's Registration Statement on Form S-14, File No. 2-92550.)
   - (b) Lease between Hasbro Canada and Central Toy, together with an Addendum thereto, each dated as of May 1, 1987. (Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1987, File No. 1-6682.)

Exhibit		
	(c)	Addendum to lease, dated March 5, 1998, between Hasbro Canada and Central Toy. (Incorporated by reference to Exhibit 10(c) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 28, 1997, File No. 1-6682.)
	(d)	Letter agreement, dated December 13, 2000, between Hasbro Canada and Central Toy. (Incorporated by reference to Exhibit 10(d) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2000, File No. 1-6682.)
	(e)	Indenture and Agreement of Lease between Hasbro Canada and Central Toy, dated November 11, 2003. (Incorporated by reference to Exhibit 10(e) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 28, 2003, File No. 1-6682.)
	(f)	Toy License Agreement between Lucas Licensing Ltd. and the Company, dated as of October 14, 1997. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.)(Incorporated by reference to Exhibit 10(d) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1998, File No. 1-6682.)
	(g)	First Amendment to Toy License Agreement between Lucas Licensing Ltd. and the Company, dated as of September 25, 1998. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.)(Incorporated by reference to Exhibit 10(e) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1998, File No. 1-6682.)
	(h)	Seventeenth Amendment to Toy License Agreement between Lucas Licensing Ltd. and the Company, dated as of January 30, 2003. (Incorporated by reference to Exhibit 10(g) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 29, 2002, File No. 1-6682.)
	(i)	Agreement of Strategic Relationship between Lucasfilm Ltd. and the Company, dated as of October 14, 1997. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.) (Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1998, File No. 1-6682.)
	(j)	First Amendment to Agreement of Strategic Relationship between Lucasfilm Ltd. and the Company, dated as of September 25, 1998. (Incorporated by reference to Exhibit 10(g) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)
	(k)	Second Amendment to Agreement of Strategic Relationship between Lucasfilm Ltd. and the Company, dated as of January 30, 2003. (Incorporated by reference to Exhibit 10(j) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 29, 2002, File No. 1-6682.)
	(l)	Warrant, dated October 14, 1997 between the Company and Lucas Licensing Ltd. (Incorporated by reference to Exhibit 10(h) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1998, File No. 1-6682.)
	(m)	Warrant, dated October 14, 1997 between the Company and Lucasfilm Ltd. (Incorporated by reference to Exhibit 10(i) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1998, File No. 1-6682.)
	(n)	Warrant, dated October 30, 1998 between the Company and Lucas Licensing Ltd. (Incorporated by reference to Exhibit 10(j) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1998, File No. 1-6682.)
	(o)	Warrant, dated October 30, 1998 between the Company and Lucasfilm Ltd. (Incorporated by reference to Exhibit 10(k) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1998, File No. 1-6682.)
	(p)	Warrant Amendment Agreement dated January 30, 2003 by and among the Company, Lucasfilm Ltd., and Lucas Licensing Ltd. (Filed as Exhibit 1 to Amendment No. 1 to Statement on Schedule 13D filed with the SEC with respect to the securities of Hasbro, Inc. on February 10, 2003 and incorporated herein by reference.)

Exhibit

(q) Receivables Purchase Agreement dated as of December 10, 2003 among Hasbro Receivables Funding, LLC, as the Seller, CAFCO LLC and Starbird Funding Corporation, as Investors, Citibank, N.A. and BNP Paribas, as Banks, Citicorp North America, Inc., as Program Agent, Citicorp North America, Inc. and BNP Paribas, as Investor Agents, Hasbro, Inc., as Collection Agent and Originator, and Wizards of the Coast, Inc. and Oddzon, Inc., as Originators. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.) (Incorporated by reference to Exhibit 10(q) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 28, 2003, File No. 1-6682.)

(r) Amendment No. 8 to Receivables Purchase Agreement, dated as of December 18, 2006, among Hasbro Receivables Funding, LLC, as the Seller, CAFCO LLC and Starbird Funding Corporation, as Investors, Citibank, N.A. and BNP Paribas, as Banks, Citicorp North America, Inc., as Program Agent, Citicorp North America, Inc. and BNP Paribas, as Investor Agents, Hasbro, Inc., as Collection Agent and Originator, and Wizards of the Coast, Inc. as Originator. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.)

(s) License Agreement, dated January 6, 2006, by and between Hasbro, Inc., Marvel Characters, Inc., and Spider-Man Merchandising L.P. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.) (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended April 2, 2006, File No. 1-6682.)

(t) First Amendment to License Agreement, dated February 8, 2006, by and between Hasbro, Inc., Marvel Characters, Inc. and Spider-Man Merchandising L.P. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.) (Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the period ended April 2, 2006, File No. 1-6682.)

Executive Compensation Plans and Arrangements

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

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

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

(x) First Amendment to the 1992 Stock Incentive Plan and the 1995 Stock Incentive Performance Plan. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 27, 1999, File No. 1-6682.)

(y) Second Amendment to the 1995 Stock Incentive Performance Plan. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 2000 Annual Meeting of Shareholders, File No. 1-6682.)

(z) Second Amendment to the 1992 Stock Incentive Plan. (Incorporated by reference to Exhibit 10(w) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 25, 2005, File No. 1-6682.)

(aa) Third Amendment to the 1995 Stock Incentive Performance Plan. (Incorporated by reference to Exhibit 10(x) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 25, 2005, File No. 1-6682.)

(bb) 1997 Employee Non-Qualified Stock Plan. (Incorporated by reference to Exhibit 10(dd) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 29, 1996, File No. 1-6682.)

Exhibit		
	(cc)	First Amendment to the 1997 Employee Non-Qualified Stock Plan. (Incorporated by reference to Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the period ended March 28, 1999, File No. 1-6682.)
	(dd)	Form of Stock Option Agreement (For Participants in the Long Term Incentive Program) under the 1992 Stock Incentive Plan, the 1995 Stock Incentive Performance Plan, and the 1997 Employee Non-Qualified Stock Plan. (Incorporated by reference to Exhibit 10(w) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1992, File No. 1-6682.)
	(ee)	Third Amendment to the 1997 Employee Non-Qualified Stock Plan. (Incorporated by reference to Exhibit 10(bb) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 25, 2005, File No. 1-6682.)
	(ff)	Form of Restricted Stock Agreement. (Incorporated by reference to Exhibit 10(gg) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2000, File No. 1-6682.)
	(gg)	Form of Deferred Restricted Stock Unit Agreement. (Incorporated by reference to Exhibit 10(hh) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2000, File No. 1-6682.)
	(hh)	Form of Employment Agreement between the Company and six Company executives. (Incorporated by reference to Exhibit 10(v) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1989, File No. 1-6682.)
	(ii)	Form of Amendment, dated as of March 10, 2000, to Form of Employment Agreement included as Exhibit 10(hh) above. (Incorporated by reference to Exhibit 10(ff) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 26, 1999, File No. 1-6682.)
	(jj)	Hasbro, Inc. Retirement Plan for Directors. (Incorporated by reference to Exhibit 10(x) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 30, 1990, File No. 1-6682.)
	(kk)	First Amendment to Hasbro, Inc. Retirement Plan for Directors, dated April 15, 2003. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 29, 2003, File No. 1-6682.)
	(ll)	Second Amendment to Hasbro, Inc. Retirement Plan for Directors. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 27, 2004, File No. 1-6682.)
	(mm)	Form of Director's Indemnification Agreement. (Incorporated by reference to Appendix B to the Company's definitive proxy statement for its 1988 Annual Meeting of Shareholders, File No. 1-6682.)
	(nn)	Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors. (Incorporated by reference to Exhibit 10(cc) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 26, 1993, File No. 1-6682.)
	(oo)	First Amendment to Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors, dated April 15, 2003. (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 29, 2003, File No. 1-6682.)
	(pp)	Second Amendment to Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors, dated July 17, 2003. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 28, 2003, File No. 1-6682.)
	(qq)	Third Amendment to Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors, dated December 15, 2005. (Incorporated by reference to Exhibit 10(nn) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 25, 2005, File No. 1-6682.)
	(rr)	Hasbro, Inc. 1994 Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 1994 Annual Meeting of Shareholders, File No. 1-6682.)

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Exhibit		
	(ss)	First Amendment to the 1994 Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 27, 1999, File No. 1-6682.)
	(tt)	Form of Stock Option Agreement for Non-Employee Directors under the Hasbro, Inc. 1994 Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Exhibit 10(w) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 25, 1994, File No. 1-6682.)
	(uu)	Hasbro, Inc. 2003 Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Appendix B to the Company's definitive proxy statement for its 2003 Annual Meeting of Shareholders, File No. 1-6682.)
	(vv)	Hasbro, Inc. 2004 Senior Management Annual Performance Plan. (Incorporated by reference to Appendix B to the Company's definitive proxy statement for its 2004 Annual Meeting of Shareholders, File No. 1-6682.)
	(ww)	Hasbro, Inc. 2003 Stock Incentive Performance Plan. (Incorporated by reference to Appendix D to the Company's definitive proxy statement for its 2003 Annual Meeting of Shareholders, File No. 1-6682.)
	(xx)	First Amendment to the Hasbro, Inc. 2003 Stock Incentive Performance Plan. (Incorporated by reference to Appendix B to the Company's definitive proxy statement for its 2005 Annual Meeting of Shareholders, File No. 1-6682.)
	(yy)	Second Amendment to Hasbro, Inc. 2003 Stock Incentive Performance Plan. (Incorporated by reference to Exhibit 10(vv) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 25, 2005, File No. 1-6682.)
	(zz)	Third Amendment to Hasbro, Inc. 2003 Stock Incentive Performance Plan. (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2006, File No. 1-6682.)
	(aaa)	Fourth Amendment to Hasbro, Inc. 2003 Stock Incentive Performance Plan. (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended October 1, 2006, File No. 1-6682.)
	(bbb)	Form of Fair Market Value Stock Option Agreement under the 2003 Stock Incentive Performance Plan. (Incorporated by Reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 26, 2004, File No. 1-6682.)
	(ccc)	Form of Premium-Priced Stock Option Agreement under the 2003 Stock Incentive Performance Plan. (Incorporated by Reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended September 26, 2004, File No. 1-6682.)
	(ddd)	Form of Contingent Stock Performance Award under the Hasbro, Inc. 2003 Stock Incentive Performance Plan. (Incorporated by reference to Exhibit 10 to the Company's Current Report on Form 8-K dated as of July 27, 2006, File No. 1-6682.)
	(eee)	Hasbro, Inc. Amended and Restated Nonqualified Deferred Compensation Plan. (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 dated October 27, 2003, File No. 333-110002.)
	(fff)	First Amendment to Hasbro, Inc. Amended and Restated Nonqualified Deferred Compensation Plan. (Incorporated by Reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 28, 2004, File No. 1-6682.)
	(ggg)	Post-Employment Agreement, dated March 10, 2004, by and between the Company and Alfred J. Verrecchia. (Incorporated by reference to Exhibit 10(rr) to the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 2003, File No. 1-6682.)
	(hhh)	Hasbro, Inc. 2006 Management Incentive Plan. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended April 2, 2006, File No. 1-6682.)
	(iii)	Chairmanship Agreement between the Company and Alan Hassenfeld dated August 30, 2005. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 25, 2005, File No. 1-6682.)

Exhibit		
	(jjj)	Employment agreement, dated January 20, 2006, by and between the Company and Brian Goldner. (Incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the period ended April 2, 2006, File No. 1-6682.)
	(kkk)	Form of Non-Competition and Non-Solicitation Agreement (Signed by the following executive officers: David Hargreaves, Frank Bifulco, Deborah Thomas Slater, Barry Nagler and Martin Trueb and certain other employees of the Company.) (Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the period ended October 1, 2006, File No. 1-6682.)
12.	Statement re computation of ratios	
21.	Subsidiaries of the registrant	
23.	Consent of KPMG LLP	
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.	

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

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Hasbro, Inc.:

Under date of February 27, 2007, we reported on the consolidated balance sheets of Hasbro, Inc. and subsidiaries as of December 31, 2006 and December 25, 2005, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the fiscal years in the three-year period ended December 31, 2006, which are included in the Form 10-K for the year ended December 31, 2006. Our report refers to a change in the accounting for pensions and other postretirement benefits other than pensions and a change in the accounting for share-based payments. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule of Valuation and Qualifying Accounts in the Form 10-K. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

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

/s/ KPMG LLP

Providence, Rhode Island
February 27, 2007

HASBRO, INC. AND SUBSIDIARIES

Valuation and Qualifying Accounts and Reserves
Fiscal Years Ended in December
(Thousands of dollars)

	Balance at Beginning of Year	Provision Charged to Cost and Expenses(a)	Other Additions	Write-Offs and Other(b)	Balance at End of Year
Valuation accounts deducted from assets to which they apply — for doubtful accounts receivable:					
2006	$ 29,800	(1,020)	—	(1,080)	$27,700
2005	$ 37,000	582	—	(7,782)	$29,800
2004	$ 39,200	1,590	—	(3,790)	$37,000

(a) Based on an assessment of accounts receivable, the Company made an adjustment to reduce its allowance for doubtful accounts at December 31, 2006.

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HASBRO, INC.
(Registrant)

By: /s/ Alfred J. Verrecchia
Alfred J. Verrecchia
President and Chief Executive Officer

Date: February 28, 2007

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

Signature	Title	Date
/s/ Alan G. Hassenfeld Alan G. Hassenfeld	Chairman of the Board	February 28, 2007
/s/ Alfred J. Verrecchia Alfred J. Verrecchia	President, Chief Executive Officer and Director (Principal Executive Officer)	February 28, 2007
/s/ David D.R. Hargreaves David D.R. Hargreaves	Executive Vice President, Finance and Global Operations and Chief Financial Officer (Principal Financial and Accounting Officer)	February 28, 2007
/s/ Basil L. Anderson Basil L. Anderson	Director	February 28, 2007
/s/ Alan R. Batkin Alan R. Batkin	Director	February 28, 2007
/s/ Frank J. Biondi, Jr. Frank J. Biondi, Jr.	Director	February 28, 2007
/s/ John M. Connors, Jr. John M. Connors, Jr.	Director	February 28, 2007
/s/ Michael W.O. Garrett Michael W.O. Garrett	Director	February 28, 2007
/s/ E. Gordon Gee E. Gordon Gee	Director	February 28, 2007
/s/ Jack M. Greenberg Jack M. Greenberg	Director	February 28, 2007

Signature	Title	Date
/s/ Claudine B. Malone Claudine B. Malone	Director	February 28, 2007
/s/ Edward M. Philip Edward M. Philip	Director	February 28, 2007
/s/ Paula Stern Paula Stern	Director	February 28, 2007

HASBRO, INC.

Annual Report on Form 10-K
for the Year Ended December 31, 2006

Exhibit Index

Exhibit

3. Articles of Incorporation and Bylaws
   - (a) 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.)
   - (b) 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.)
   - (c) 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.)
   - (d) Amended and Restated Bylaws of the Company, as amended.
   - (e) 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.)
   - (f) 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. Instruments defining the rights of security holders, including indentures.
   - (a) 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.)
   - (b) 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 Fiscal Year Ended December 26, 1999, File No. 1-6682.)
   - (c) Indenture, dated as of November 30, 2001, 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.)
   - (d) Revolving Credit Agreement, dated as of June 23, 2006, by and among Hasbro, Inc., Hasbro SA, Bank of America, N.A., Citibank, N.A., Citizens Bank of Massachusetts, Commerzbank AG, New York and Grand Cayman Branches, BNP Paribas, Banc of America Securities LLC and the other banks party thereto. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 23, 2006, File No. 1-6682.)
   - (e) Rights Agreement, dated as of June 16, 1999, between the Company and 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.)
   - (f) 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 Fiscal Year Ended December 31, 2000, File No. 1-6682.)
   - (g) Second Amendment to Rights Agreement, dated as of February 13, 2007, between the Company and Computershare Trust Company N.A. as the Rights Agent.

Exhibit

10. Material Contracts
   (a) Lease between Hasbro Canada Corporation (formerly named Hasbro Industries (Canada) Ltd.)(‘‘Hasbro Canada”) and Central Toy Manufacturing Co. (‘‘Central Toy”), dated December 23, 1976. (Incorporated by reference to Exhibit 10.15 to the Company’s Registration Statement on Form S-14, File No. 2-92550.)
   (b) Lease between Hasbro Canada and Central Toy, together with an Addendum thereto, each dated as of May 1, 1987. (Incorporated by reference to Exhibit 10(f) to the Company’s Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1987, File No. 1-6682.)
   (c) Addendum to lease, dated March 5, 1998, between Hasbro Canada and Central Toy. (Incorporated by reference to Exhibit 10(c) to the Company’s Annual Report on Form 10-K for the Fiscal Year Ended December 28, 1997, File No. 1-6682.)
   (d) Letter agreement, dated December 13, 2000, between Hasbro Canada and Central Toy. (Incorporated by reference to Exhibit 10(d) to the Company’s Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2000, File No. 1-6682.)
   (e) Indenture and Agreement of Lease between Hasbro Canada and Central Toy, dated November 11, 2003. (Incorporated by reference to Exhibit 10(e) to the Company’s Annual Report on Form 10-K for the Fiscal Year Ended December 28, 2003, File No. 1-6682.)
   (f) Toy License Agreement between Lucas Licensing Ltd. and the Company, dated as of October 14, 1997. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.)(Incorporated by reference to Exhibit 10(d) to the Company’s Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1998, File No. 1-6682.)
   (g) First Amendment to Toy License Agreement between Lucas Licensing Ltd. and the Company, dated as of September 25, 1998. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.)(Incorporated by reference to Exhibit 10(e) to the Company’s Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1998, File No. 1-6682.)
   (h) Seventeenth Amendment to Toy License Agreement between Lucas Licensing Ltd. and the Company, dated as of January 30, 2003. (Incorporated by reference to Exhibit 10(g) to the Company’s Annual Report on Form 10-K for the Fiscal Year Ended December 29, 2002, File No. 1-6682.)
   (i) Agreement of Strategic Relationship between Lucasfilm Ltd. and the Company, dated as of October 14, 1997. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.) (Incorporated by reference to Exhibit 10(f) to the Company’s Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1998, File No. 1-6682.)
   (j) First Amendment to Agreement of Strategic Relationship between Lucasfilm Ltd. and the Company, dated as of September 25, 1998. (Incorporated by reference to Exhibit 10(g) to the Company’s Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1998, File No. 1-6682.)
   (k) Second Amendment to Agreement of Strategic Relationship between Lucasfilm Ltd. and the Company, dated as of January 30, 2003. (Incorporated by reference to Exhibit 10(j) to the Company’s Annual Report on Form 10-K for the Fiscal Year Ended December 29, 2002, File No. 1-6682.)
   (l) Warrant, dated October 14, 1997 between the Company and Lucas Licensing Ltd. (Incorporated by reference to Exhibit 10(h) to the Company’s Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1998, File No. 1-6682.)
   (m) Warrant, dated October 14, 1997 between the Company and Lucasfilm Ltd. (Incorporated by reference to Exhibit 10(i) to the Company’s Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1998, File No. 1-6682.)

Exhibit

(n) Warrant, dated October 30, 1998 between the Company and Lucas Licensing Ltd. (Incorporated by reference to Exhibit 10(j) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)

(o) Warrant, dated October 30, 1998 between the Company and Lucasfilm Ltd. (Incorporated by reference to Exhibit 10(k) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)

(p) Warrant Amendment Agreement dated January 30, 2003 by and among the Company, Lucasfilm Ltd., and Lucas Licensing Ltd. (Filed as Exhibit 1 to Amendment No. 1 to Statement on Schedule 13D filed with the SEC with respect to the securities of Hasbro, Inc. on February 10, 2003 and incorporated herein by reference.)

(q) Receivables Purchase Agreement dated as of December 10, 2003 among Hasbro Receivables Funding, LLC, as the Seller, CAFCO LLC and Starbird Funding Corporation, as Investors, Citibank, N.A. and BNP Paribas, as Banks, Citicorp North America, Inc., as Program Agent, Citicorp North America, Inc. and BNP Paribas, as Investor Agents, Hasbro, Inc., as Collection Agent and Originator, and Wizards of the Coast, Inc. and Oddzon, Inc., as Originators. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.) (Incorporated by reference to Exhibit 10(q) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 28, 2003, File No. 1-6682.)

(r) Amendment No. 8 to Receivables Purchase Agreement, dated as of December 18, 2006, among Hasbro Receivables Funding, LLC, as the Seller, CAFCO LLC and Starbird Funding Corporation, as Investors, Citibank, N.A. and BNP Paribas, as Banks, Citicorp North America, Inc., as Program Agent, Citicorp North America, Inc. and BNP Paribas, as Investor Agents, Hasbro, Inc., as Collection Agent and Originator, and Wizards of the Coast, Inc. as Originator. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.)

(s) License Agreement, dated January 6, 2006, by and between Hasbro, Inc., Marvel Characters, Inc., and Spider-Man Merchandising L.P. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.) (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended April 2, 2006, File No. 1-6682.)

(t) First Amendment to License Agreement, dated February 8, 2006, by and between Hasbro, Inc., Marvel Characters, Inc. and Spider-Man Merchandising L.P. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.) (Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the period ended April 2, 2006, File No. 1-6682.)

Executive Compensation Plans and Arrangements

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

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

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

(x) First Amendment to the 1992 Stock Incentive Plan and the 1995 Stock Incentive Performance Plan. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 27, 1999, File No. 1-6682.)

(y) Second Amendment to the 1995 Stock Incentive Performance Plan. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 2000 Annual Meeting of Shareholders, File No. 1-6682.)

Exhibit

(z) Second Amendment to the 1992 Stock Incentive Plan. (Incorporated by reference to Exhibit 10(w) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 25, 2005, File No. 1-6682.)

(aa) Third Amendment to the 1995 Stock Incentive Performance Plan. (Incorporated by reference to Exhibit 10(x) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 25, 2005, File No. 1-6682.)

(bb) 1997 Employee Non-Qualified Stock Plan. (Incorporated by reference to Exhibit 10(dd) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 29, 1996, File No. 1-6682.)

(cc) First Amendment to the 1997 Employee Non-Qualified Stock Plan. (Incorporated by reference to Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the period ended March 28, 1999, File No. 1-6682.)

(dd) Form of Stock Option Agreement (For Participants in the Long Term Incentive Program) under the 1992 Stock Incentive Plan, the 1995 Stock Incentive Performance Plan, and the 1997 Employee Non-Qualified Stock Plan. (Incorporated by reference to Exhibit 10(w) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1992, File No. 1-6682.)

(ee) Third Amendment to the 1997 Employee Non-Qualified Stock Plan. (Incorporated by reference to Exhibit 10(bb) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 25, 2005, File No. 1-6682.)

(ff) Form of Restricted Stock Agreement. (Incorporated by reference to Exhibit 10(gg) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2000, File No. 1-6682.)

(gg) Form of Deferred Restricted Stock Unit Agreement. (Incorporated by reference to Exhibit 10(hh) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2000, File No. 1-6682.)

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

(ii) Form of Amendment, dated as of March 10, 2000, to Form of Employment Agreement included as Exhibit 10(hh) above. (Incorporated by reference to Exhibit 10(ff) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 26, 1999, File No. 1-6682.)

(jj) Hasbro, Inc. Retirement Plan for Directors. (Incorporated by reference to Exhibit 10(x) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 30, 1990, File No. 1-6682.)

(kk) First Amendment to Hasbro, Inc. Retirement Plan for Directors, dated April 15, 2003. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 29, 2003, File No. 1-6682.)

(ll) Second Amendment to Hasbro, Inc. Retirement Plan for Directors. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 27, 2004, File No. 1-6682.)

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

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

(oo) First Amendment to Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors, dated April 15, 2003. (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 29, 2003, File No. 1-6682.)

Exhibit	
(pp)	Second Amendment to Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors, dated July 17, 2003. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 28, 2003, File No. 1-6682.)
(qq)	Third Amendment to Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors, dated December 15, 2005. (Incorporated by reference to Exhibit 10(nn) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 25, 2005, File No. 1-6682.)
(rr)	Hasbro, Inc. 1994 Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 1994 Annual Meeting of Shareholders, File No. 1-6682.)
(ss)	First Amendment to the 1994 Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 27, 1999, File No. 1-6682.)
(tt)	Form of Stock Option Agreement for Non-Employee Directors under the Hasbro, Inc. 1994 Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Exhibit 10(w) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 25, 1994, File No. 1-6682.)
(uu)	Hasbro, Inc. 2003 Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Appendix B to the Company's definitive proxy statement for its 2003 Annual Meeting of Shareholders, File No. 1-6682.)
(vv)	Hasbro, Inc. 2004 Senior Management Annual Performance Plan. (Incorporated by reference to Appendix B to the Company's definitive proxy statement for its 2004 Annual Meeting of Shareholders, File No. 1-6682.)
(ww)	Hasbro, Inc. 2003 Stock Incentive Performance Plan. (Incorporated by reference to Appendix D to the Company's definitive proxy statement for its 2003 Annual Meeting of Shareholders, File No. 1-6682.)
(xx)	First Amendment to the Hasbro, Inc. 2003 Stock Incentive Performance Plan. (Incorporated by reference to Appendix B to the Company's definitive proxy statement for its 2005 Annual Meeting of Shareholders, File No. 1-6682.)
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	(ggg)	Post-Employment Agreement, dated March 10, 2004, by and between the Company and Alfred J. Verrecchia. (Incorporated by reference to Exhibit 10(rr) to the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 2003, File No. 1-6682.)
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EXHIBIT 3(D)

AMENDED AND RESTATED BY-LAWS OF HASBRO, INC.

(as amended from time to time)

ARTICLE I

OFFICES

Section 1.1. The office of Hasbro, Inc. (the "Corporation") within the State of Rhode Island shall be located in the City of Pawtucket, County of Providence.

Section 1.2. Other Offices. The Corporation may also have offices and places of business at such other places within or without the State of Rhode Island as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II

MEETINGS OF SHAREHOLDERS

Section 2.1. Place. All meetings of shareholders of the Corporation shall be held at such place within or without the State of Rhode Island as shall be stated in the notice of the meeting.

Section 2.2. Annual Meeting. Commencing with the year 1995, a meeting of the shareholders of the Corporation shall be held annually on the second Wednesday in the month of May of each year, if not a legal holiday, and if a legal holiday, then on the next secular day following, or on such other date and at such time and place as the Board of Directors shall determine, and at such meeting, the shareholders shall transact such business as may properly be brought before the meeting.

Section 2.3. Special Meetings. Special meetings of the shareholders of the Corporation, for any purpose or purposes, unless otherwise prescribed by statute or by the Restated Articles of Incorporation (the "Articles of Incorporation"), may be called by the Chairman of the Board, any Vice Chairman, any Chief Operating Officer, President, or the Board of Directors.

Section 2.4. Notice of Meetings. Written notice of each meeting of shareholders of the Corporation stating the place, date and hour thereof, and in the case of a special meeting of shareholders, specifying the purpose or purposes thereof, and the person or persons by whom or at whose direction such meeting has been called, shall be given to each shareholder entitled to vote thereat, at his address as it appears on the records of the Corporation, not less than ten (10) nor more than sixty (60) days prior to the meeting.

Section 2.5. Quorum. At each meeting of the shareholders of the Corporation, the holders of a majority of shares of the Corporation entitled to vote thereat, present in person or by proxy, shall constitute a quorum, except as may be otherwise provided by the Articles of Incorporation or these By-Laws. If, however, a quorum shall not be present on the date specified in the original notice of meeting, the shareholders entitled to vote thereat, present in person or by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. At any such adjourned meeting, at which a quorum shall be present, the shareholders, present in person or by proxy, may transact any business which might have been transacted had a quorum been present on the date specified in the original notice of meeting.

Section 2.6. Voting. At any meeting of the shareholders of the Corporation, each shareholder having the right to vote shall be entitled to vote in person or by proxy appointed by an instrument in writing subscribed by such shareholder or otherwise appointed in accordance with the provisions of Section 2.7 of these By-Laws. Except as may be otherwise provided by the Articles of Incorporation, each holder of record of Common Stock shall be entitled to one vote for every share of such stock standing in his name on the book of the Corporation. All elections of directors by shareholders shall be determined by the vote of the holders of a majority of the stock having voting power and represented in person or by proxy at such meeting and, except as otherwise provided by statute, the Articles of Incorporation or Article XII of these By-Laws, all other matters shall be decided by the vote of the holders of a majority of the stock having voting power and represented in person or by proxy at such meeting.

Section 2.7. Proxies. Each proxy shall be either (i) executed in writing by the shareholder or his duly authorized attorney or (ii) provided through instructions transmitted by or on behalf of the shareholder by telegram, cablegram, or other means of electronic transmission, including Internet and telephonic transmissions, which in the case of this subsection (ii) are both (A) consistent with the procedures of the Corporation designed to verify that such instructions have been authorized by such shareholder and (B) comply with the applicable requirements of the Rhode Island Business Corporation Act for such proxies. No proxy shall be valid after the expiration of eleven (11) months from the date of its execution unless it shall have specified therein a longer duration. Each proxy shall be revocable at the pleasure of the person executing it or of his personal representative, except in those cases where an irrevocable proxy is permissible under applicable law.

Section 2.8. Consents. Action shall be taken by the shareholders only by unanimous written consent or at annual or special meetings of shareholders of the Corporation except that, if and with the percentage of the outstanding Preference Stock or any series thereof (the "Required Percentage") set forth in the resolution or resolutions adopted by the Board of Directors with respect to the Preference Stock, action may be taken without a meeting, without prior notice and without a vote, if consent in writing setting forth the action so taken, shall be signed by the holders of the Required Percentage of the outstanding Preference Stock or any series thereof entitled to vote thereon.

Section 2.9. Shareholder Proposals. Any new business proposed by any shareholder to be taken up at the annual meeting of shareholders shall be stated in writing and filed with the Secretary of the Corporation at least 150 days before the date of the annual meeting, and all business so stated, proposed and filed shall, if appropriate under applicable law, be considered at the annual meeting, but no other proposal shall be acted upon at the annual meeting. These provisions shall not prevent the consideration and approval or disapproval at the annual meetings of reports of officers, directors and committees, but in connection with such reports no new business shall be acted upon at such annual meeting unless stated and filed as herein provided. The business to be taken up at a special meeting of shareholders shall be confined to that set forth in the notice of special meeting.

Section 2.10. Nomination of Directors.

(a) Except as otherwise expressly provided in the Articles of Incorporation or pursuant to applicable law, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the Board of Directors may be made at any annual meeting of shareholders (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (b) by any shareholder of the Corporation (i) who is a shareholder of record on the date of the giving of notice provided for in this Section 2.10 and on the record date for the determination of shareholders entitled to vote at such annual meeting and (ii) who complies with the notice-procedure set forth in this Section 2.10.

(b) In addition to any other applicable requirements, for a nomination to be made by a shareholder, such shareholder must have given timely notice thereof in proper written form to the Secretary of the Corporation (as more fully described below). To be timely, a shareholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than sixty (60) days nor more than ninety (90) days prior to the one year anniversary date of the immediately preceding annual meeting of shareholders; provided that in the event that the annual meeting is not called for at a date that is not within the thirty (30) days before or after such anniversary date, notice by the shareholder in order to be timely must be so received not later than the close of business on the 10th day following the day on which notice of the date of the annual meeting was mailed or public disclosure of the date of the annual meeting was made, whichever first occurs.

(c) To be in proper written form, a shareholder's notice to the Secretary must set forth (a) as to each person whom the shareholder proposes to nominate for election or reelection as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series or number of shares of capital stock of the Corporation that are owned beneficially or of record by the person and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder; and (b) as to the shareholder giving the notice (i) the name and record address of such shareholder, (ii) the class or series and number of shares of capital stock of the Corporation that are owned beneficially or of record by such shareholder, (iii) a description of all arrangements or understandings between such shareholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such shareholder, (iv) a representation that such shareholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and (v) any other information relating to such shareholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. The Corporation may require that any proposed nominee furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as director of the Corporation. Such written notice from the nominating shareholder must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director, if elected.

(d) Except as otherwise expressly provided in the Articles of Incorporation or pursuant to applicable law, no person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 2.10. If the Chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

ARTICLE III

DIRECTORS

Section 3.1. Board of Directors. The property and business of the Corporation shall be managed by its Board of Directors, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not, by statute or by the Articles of Incorporation or by these By-Laws, directed or required to be exercised or done by the shareholders. Directors need not be shareholders.

Section 3.2. Number. The number of directors of the Corporation (exclusive of directors that may be elected by the holders of any one or more series of the Preference Stock voting separately as a class or classes) that shall constitute the entire Board of Directors (the "Entire Board of Directors") shall be 17, unless otherwise determined from time to time by resolution adopted by the affirmative vote of a majority of the Entire Board of Directors, except that if an Interested Person (as hereinafter defined in Article XIII of these By-Laws) exists, such majority must include the affirmative vote of at least a majority of the Continuing Directors (as hereinafter defined in Article XIII of these By-Laws).

Section 3.3. Election. Directors shall be elected at the annual meeting of shareholders, or as otherwise provided in the Articles of Incorporation or in these By-Laws.

Section 3.4. Term of Office, Classes. Except with respect to any directors elected by holders of any one or more series of Preference Stock voting separately as a class or classes, directors shall be elected in the following manner. The directors elected at the annual meeting of shareholders held in 2003 shall, along with the directors elected at the annual meeting of shareholders held in 2001, serve until the annual meeting of shareholders to be held in 2004 and until their successors shall be elected and qualified, or until their earlier death, resignation or removal. The directors elected at the annual meeting in 2002 shall hold office until the annual meeting of shareholders held in 2005 and until their successors shall be elected and qualified, or until their earlier death, resignation or removal. Beginning with the annual meeting of shareholders to be held in 2004, at each annual meeting of shareholders the directors elected at such meeting shall serve until the next annual meeting of shareholders and until their successors shall be elected and qualified, or until their earlier death, resignation or removal. No decrease in the number of directors shall have the effect of shortening the term of office of any incumbent director.

Section 3.5. Removal. Except as otherwise required by law and subject to the terms of any one or more classes or series of outstanding capital stock of the Corporation, any director may be removed; provided, however, such removal must be for cause and must be approved by at least a majority vote of the Entire Board of Directors or by at least a majority of the votes held by the holders of shares of the Corporation then entitled to be voted at an election for that director, except that if an Interested Person exists, such removal must be approved (1) by at least a majority vote of the Entire Board of Directors, including a majority of the Continuing Directors, or (2) by at least 80% of the votes held by the holders of shares of the Corporation then entitled to be voted at an election for that director, including a majority of the votes held by holders of shares of the Corporation then entitled to vote at an election for that director that are not beneficially owned or controlled, directly or indirectly, by any Interested Person. For purposes of this Section 3.5, the Entire Board of Directors will not include the director who is the subject of the removal determination, nor will such director be entitled to vote thereon. However, nothing in the preceding sentence shall be construed as preventing a director who is the subject of removal determination (but who has not yet actually been removed in accordance with this Section 3.5) from voting on any other matters brought before the Board of Directors, including, without limitation, any removal determination with respect to any other director or directors.

Section 3.6. Vacancies. Except as otherwise provided by the terms of any one or more classes or series of outstanding capital stock of the Corporation, any vacancy occurring on the Board of Directors, including any vacancy created by reason of any increase in the number of directors, shall be filled by the affirmative vote of at least a majority of the remaining directors, whether or not such remaining directors constitute a quorum, except that if an Interested Person exists, such majority of the remaining directors must include a majority of the Continuing Directors. A director elected to fill a vacancy shall serve for the unexpired term of his or her predecessor in office.

ARTICLE IV

MEETINGS OF THE BOARD

Section 4.1. Time and Place. Meetings of the Board of Directors may be held either within or without the State of Rhode Island. Regular meetings of the Board of Directors may be held without notice at such time and place as shall from time to time be determined by the Board. Each special meeting of the Board of Directors shall be held at such time and place as shall be stated in the notice of the meeting.

Section 4.2. First Meeting. The first meeting of each newly elected Board of Directors shall be held within ten (10) days following each annual meeting of the shareholders, at such time and place either within or without the State of Rhode Island, as shall be announced at the annual meeting of shareholders, and no notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present.

Section 4.3. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board, any Vice Chairman, any Chief Operating Officer, the President, or the Secretary, and at the written request of any two (2) directors, shall be called by the Secretary. Written notice of each special meeting of directors, stating the time and place thereof, shall be served upon each director, personally, by mail or by telegraph, at least two (2) days before such meeting.

Section 4.4. Quorum and Voting. At all meetings of the Board of Directors a majority of the entire Board of Directors shall be necessary and sufficient to constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute, by the Articles of Incorporation or by these By-Laws. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without further notice other than announcement at the meeting, until a quorum shall be present.

Section 4.5. Telephone Conference Meetings. Meetings of the directors may be held by means of a telephone or similar communications equipment, by means of which all persons participating in the meeting can hear each other at the same time and participation by such means shall constitute presence in person at a meeting.

Section 4.6 Consents. Any action allowed or required to be taken at a meeting of the Board of Directors or by any committee thereof, may be taken without a meeting if all of the directors, or all of the members of the committee, as the case may be, consent thereto in writing or by electronic transmission, before or after the action, and the writing or writings, or electronic transmission or transmissions are filed with the minutes of proceedings of the board or committee.

ARTICLE V

COMMITTEES OF DIRECTORS

Section 5.1. Designation: Powers. The Board of Directors may, by resolution or resolutions adopted by a majority of the Entire Board of Directors, designate from among its members an Executive Committee, or other Committees, each consisting of three (3) or more directors, and each of which, to the extent provided in any such resolution, shall have all the authority of the Board, except as provided by law, the Articles of Incorporation or these By-Laws. The Board of Directors may designate one or more directors as alternate members of any such Committee who may replace any absent member or members at any meeting of such Committee.

Section 5.2. Tenure and Reports. Each such Committee shall serve at the pleasure of the Board of Directors. It shall keep minutes of its meetings and report the same to the Board.

ARTICLE VI

NOTICES

Section 6.1. Delivery of Notices. Notices to directors and shareholders shall be in writing and may be delivered personally, by mail or facsimile, or by means of a form of electronic transmission consented to by the director or shareholder to whom the notice is being given. Notice by mail shall be deemed to be given at the time when the same shall be deposited in the post office or letter box, in a postage paid, sealed envelope, addressed to the director or shareholder at their address appearing on the books of the corporation. Notice given by facsimile or electronic transmission shall be deemed given when sent, addressed to the director or shareholder at their facsimile number or by means of the electronic address provided to the Corporation.

Section 6.2. Waiver of Notice. Whenever any notice is required to be given by any statute, the Articles of Incorporation or these By-Laws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto. Any shareholder attending a meeting of shareholders in person or by proxy, or any director attending a meeting of the Board of Directors or any committee thereof, without protesting such lack of notice prior to the meeting or at its commencement, shall be deemed conclusively to have waived notice of such meeting. Any shareholder signing a unanimous or other written consent pursuant to Section 2.8 hereof or any director signing a unanimous written consent pursuant to Section 4.6 hereof shall be deemed conclusively to have waived notice of the action taken by such consent.

ARTICLE VII

OFFICERS

Section 7.1. Officers. The officers of the Corporation shall be a Chief Executive Officer, a President, a Treasurer, a Secretary, and such other officers as the Board of Directors shall determine. Each officer of the Corporation shall be elected annually by the directors at their annual meeting, and shall hold office at the pleasure of the Board of Directors. Any person may hold two or more such offices.

Section 7.2. Additional Officers. The Board of Directors may appoint such other officers and agents, including, without limitation, Assistant Vice Presidents, Assistant Secretaries, Assistant Treasurers and Assistant Controllers with such powers and duties as it shall deem necessary or appropriate. All such officers or agents shall hold office at the pleasure of the Board of Directors.

Section 7.3. Authorities and Duties. All officers, as between themselves and the Corporation, shall have such authority and perform such duties in the management of the Corporation as may be provided in these By-Laws, or, to the extent not so provided, as may be prescribed by the Board of Directors.

Section 7.4. Salaries. The salaries or other compensation of all officers of the Corporation shall be fixed by the Board of Directors. The salaries or other compensation of all other employees and agents of the Corporation may be fixed by the Board of Directors. However, the Board of Directors may delegate to one or more officers or employees authority to employ and to fix the salaries or other compensation of any such employees or agents.

Section 7.5. The Chairman of the Board. The Chairman of the Board shall preside at all meetings of the Board of Directors and shall have such powers and perform such duties as may from time to time be assigned to him by the Board of Directors.

Section 7.6. The Vice Chairman. In the absence of the Chairman of the Board, the Vice Chairman (and if there is more than one Vice Chairman, the Vice Chairmen in order of their seniority or as otherwise determined by the Board) shall preside at all meetings of the Board of Directors and shall have such powers and perform such duties as may from time to time be assigned to him by the Board of Directors.

Section 7.7. The Chief Operating Officers. In the absence of the Chairman of the Board and any Vice Chairman, any Chief Operating Officer (and if there is more than one Chief Operating Officer, in order of their seniority or as otherwise determined by the Board) shall preside at all meetings of the Board of Directors and shall have such powers and perform such duties as may from time to time be assigned to him by the Board of Directors.

Section 7.8. The President. In the absence of the Chairman of the Board, any Vice Chairman and the Chief Operating Officers, the President shall preside at all meetings of the Board of Directors and shall have such powers and perform such duties as may from time to time be assigned to him by the Board of Directors.

Section 7.9. The Vice Presidents. The Vice Presidents in the order of their seniority, as indicated by their titles (Executive, Senior, etc.) or as otherwise determined by the Board of Directors, shall, in the absence of the Chairman of the Board, any Vice Chairmen, the Chief Operating Officers and the President, perform the duties and exercise the powers of the Chairman of the Board, the Vice Chairmen, the Chief Operating Officers and the President, shall perform such other duties as the Board of Directors shall prescribe and shall generally assist the Chairman of the Board, the Vice Chairmen, the Chief Operating Officers and the President.

Section 7.10. The Secretary. The Secretary shall attend meetings of the Board of Directors and shareholders and record all votes and the minutes of all proceedings in a book to be kept for that purpose and shall perform like duties for the standing committees of the Board of Directors when required. He shall give, or cause to be given, notice of meetings of the shareholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors, the Chairman of the Board, the Vice Chairmen, the Chief Operating Officers and the President, under whose collective supervision he shall be. He shall keep in safe custody the seal of the Corporation and, when authorized by the Board of Directors, affix the same to any instrument requiring it and, when so affixed, it shall be attested by his signature or by the signature of the Treasurer or an Assistant Secretary or Treasurer. He shall keep in safe custody the certificate books and stock books and such other books and papers as the Board of Directors may direct and shall perform all other duties incident to the office of Secretary.

Section 7.11. Assistant Secretaries. The Assistant Secretaries in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary and shall perform such other duties as the Board of Directors shall prescribe.

Section 7.12. The Treasurer. The Treasurer shall have the care and custody of the corporate funds, and other valuable effects, including securities, and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board, taking proper vouchers for such disbursements, and shall render to the Chairman of the Board, the Vice Chairmen, the Chief Operating Officers, the President and the Board of Directors, at the regular meetings of the Board, or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond for such term, in such sum and with such surety or sureties as shall be satisfactory to the Board for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

Section 7.13. Assistant Treasurers. The Assistant Treasurer shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer and shall perform such other duties as the Board of Directors may prescribe.

Section 7.14. Execution of Instruments. Each of the Chairman of the Board, the Vice Chairman, the Chief Operating Officers, the President and the Executive Vice Presidents shall have the power to sign on behalf of the Corporation bonds, notes, deeds, mortgages, guarantees and any and all contracts, agreements and instruments of a contractual nature pertaining to matters which arise in the normal conduct and ordinary course of the business of the Corporation, except in cases in which the signing and execution thereof shall have been expressly delegated by the Board of Directors of the Corporation to some other officer or agent of the Corporation.

ARTICLE VIII

CERTIFICATES OF STOCK

Section 8.1. Form. The shares of stock of the Corporation shall be represented by certificates, provided, however, that the Board of Directors may provide by resolution or resolutions that some or all of any class or series of the Corporation's stock shall be uncertificated, and in such case, the Board of Directors shall designate any procedures applicable to such uncertificated shares. The certificates of stock of the Corporation shall be in such form as shall be determined by the Board of Directors and shall be numbered consecutively and entered in the books of the Corporation as they are issued. Each certificate shall exhibit the registered holder's name and the number and class of shares, and shall be signed by the Chairman of the Board, any Vice Chairman, any Chief Operating Officer, the President, any Executive Vice President, Senior Vice President, or Vice President and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, and shall bear the seal of the Corporation or an engraved or printed facsimile thereof. Where any such certificate is signed by a transfer agent or by a registrar, the signature of the Chairman of the Board, any Vice Chairman, any Chief Operating

Officer, the President, Executive Vice President, Senior Vice President, Vice President, Treasurer, Assistant Treasurer, Secretary or Assistant Secretary may be a facsimile. In case any officer, transfer agent or registrar, who has signed, or whose facsimile signature or signatures have been used on, any such certificate or certificates, shall cease to be such officer, transfer agent or registrar of the Corporation, whether because of death, resignation or otherwise, before such certificate or certificates have been delivered by the Corporation, such certificate or certificates may nevertheless be issued and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature or signatures have been used thereon had not ceased to be such officer, transfer agent or registrar of the Corporation.

Section 8.2. Registered Shareholders. The Corporation shall be entitled to (1) recognize the exclusive right of a person registered on its books as the owner of shares as entitled to receive dividends and notices of meetings of shareholders and to vote as such owner; and (2) hold liable for calls and assessments a person registered on its books as the owner of shares; and the Corporation shall not be bound to recognize any equitable or other claim to or interest in such shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise required by law.

Section 8.3. Lost Certificates. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed, and upon such other terms as the Board of Directors may prescribe; and the Board of Directors may, in its discretion and as a condition precedent to the issuance of a new certificate or certificates, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to give the Corporation a bond in such sum and with such surety or sureties as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 8.4. Record Date.

(a) For the purpose of determining the shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or to express consent to or dissent from any proposal without a meeting, or for the purpose of determining shareholders entitled to receive payment of any dividend or the allotment of any rights, or for the purpose of any other action, the Board may fix, in advance, a date as the record date for any such determination of shareholders. Such date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting nor more than sixty (60) days prior to any other action.

(b) If no record date is fixed:

(1) The record date for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the day next preceding the day on which notice is given, or, if no notice is given, the day on which the meeting is held.

(2) The record date for determining shareholders for any purpose other than that specified in subparagraph (1) shall be at the close of business on the day on which the resolution of the Board relating thereto is adopted.

(c) When a determination of shareholders of record entitled to notice of or to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof, unless the Board fixes a new record date under this section for the adjourned meeting.

Section 8.5. Fractional Shares. The Corporation may (1) issue fractions of a share, (2) arrange for the disposition of fractional interests by those entitled thereto, (3) pay in cash the fair value of fractions of a share as of the time when those entitled to receive such fractions are determined, or (4) issue scrip in registered or bearer form which shall entitle the holder to receive a certificate for a full share upon the surrender of such scrip aggregating a full share. A certificate for a fractional share shall, but scrip shall not, unless otherwise provided therein, entitle the holder to exercise voting rights, to receive dividends thereon, and to participate in any of the assets of the Corporation in the event of liquidation. The Board of Directors may cause scrip to be issued subject to the condition that it shall become void if not exchanged for certificates representing full shares before a specified date, or subject to the condition that the shares for which scrip is exchangeable may be sold by the Corporation and the proceeds thereof distributed to the holders of scrip, or subject to any other conditions which the Board of Directors may deem advisable.

ARTICLE IX

GENERAL PROVISIONS

Section 9.1. Dividends. Subject always to the provisions of the law and the Articles of Incorporation, the Board of Directors shall have full power to determine whether any, and if any, what part of any, funds legally available for the payment of dividends shall be declared in dividends and paid to shareholders; the division of the whole or any part of such funds of the Corporation shall rest wholly within the lawful discretion of the Board of Directors, and it shall not be required at any time, against such discretion, to divide or pay any part of such funds among or to the shareholders as dividends or otherwise; and the Board of Directors may fix a sum which may be set aside or reserved over and above the capital paid in of the Corporation as working capital for the Corporation or as a reserve for any proper purpose, and from time to time may increase, diminish, and vary the same in its absolute judgment and discretion.

Section 9.2. Fiscal Year. The fiscal year of the Corporation shall be determined by the Board of Directors.

Section 9.3. Seal. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Incorporated, Rhode Island". Said seal may be used by causing it or a facsimile thereof to be impressed, affixed or otherwise reproduced.

Section 9.4. Instruments for the Payment of Money. All checks or other instruments for the payment of money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

ARTICLE X

INDEMNIFICATION

Section 10.1. Without limiting the provisions of Section 10.2, each person who at any time serves or shall have served as a director or officer of the Corporation or who, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a member of any committee of the Board of Directors or as a director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, other enterprise or employee benefit plan shall be indemnified to the full extent permitted by Title 7-1.1-4.1 of the Rhode Island Business Corporation Act, as the same may

be amended from time to time.

Section 10.2. Nothing contained in this ARTICLE X shall affect any rights to indemnification to which directors and officers may be entitled by agreement, vote of shareholders or disinterested directors or otherwise.

ARTICLE XI

AMENDMENTS

Section 11.1. Power to Amend. The Board of Directors is authorized to adopt, repeal, alter, amend or rescind these By-Laws by the affirmative vote of at least a majority of the Entire Board of Directors, except that if an Interested Person exists, such Board action must be taken by the affirmative vote of at least a majority of the Entire Board of Directors, including a majority of the Continuing Directors. The shareholders may adopt, repeal, alter, amend or rescind the By-Laws of the Corporation by the vote of at least 66-2/3% of the votes held by holders of shares of Voting Stock (as hereinafter defined) except that if an Interested Person exists, such shareholder action must be taken by the vote of at least 80% of the votes held by holders of shares of Voting Stock, including an Independent Majority of Shareholders (as hereinafter defined in Article XIII of these By-Laws).

ARTICLE XII

BUSINESS COMBINATIONS

Section 12.1. Subject to Section 12.2 of this Article XII, but notwithstanding any other provisions of these By-Laws or of the Articles of Incorporation or the fact that no vote for such a transaction may be required by law or that approval by some lesser percentage of shareholders may be permitted by law, neither the Corporation nor any Subsidiary shall be party to a Business Combination (as hereinafter defined in Article XIII of these By-Laws) unless all of the following conditions are met:

(1) After becoming an Interested Person and prior to consummation of such Business Combination:

(a) such Interested Person shall not have acquired any newly issued shares of capital stock, directly or indirectly, from the Corporation or a Subsidiary (except upon exercise or conversion of warrants or other rights, including preemptive rights, or convertible securities acquired by an Interested Person prior to becoming an interested Person or upon compliance with the provisions of this Article XII or as a result of a pro rata stock dividend or stock split);

(b) such Interested Person shall not have received the benefit, directly or indirectly (except proportionately as a shareholder), of any loans, advances, guarantees, pledges or other financial assistance or tax credits provided by the Corporation or a Subsidiary, or have made any major changes in the Corporation's business or equity capital structure;

(c) except as approved by a majority of the Continuing Directors, there shall have been (i) no reduction in the annual rate of dividends paid on voting Stock (except as necessary to reflect a pro rata stock dividend or stock split) and (ii) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of Voting Stock; and

(d) such Interested Person shall have taken steps to insure that the Board of Directors of the Corporation included at all times representation by Continuing Directors proportionate to the ratio that the number of shares of Voting Stock (as hereinafter defined in Article XIII of these By-Laws) from time to time owned by shareholders who are not Interested Persons bears to all shares of Voting Stock outstanding at the time in question (with a Continuing Director to occupy any resulting fractional position among the

directors); and

(2) The Business Combination shall have been approved by at least a majority of the Entire Board of Directors of the Corporation, including a majority of the Continuing Directors; and

(3) A shareholder's meeting shall have been called for the purpose of approving the Business Combination and a proxy statement complying with the requirements of the Exchange Act, as amended, or any successor statute or rule, whether or not the Corporation is then subject to such requirements, shall be mailed to all shareholders of the Corporation not less than thirty (30) days prior to the date of such meeting for the purpose of soliciting shareholder approval of such Business Combination and shall contain at the front thereof, in a prominent place, (a) any recommendations as to the advisability (or inadvisability) of the Business Combination which the Continuing Directors may choose to state, and (b) the opinion of a reputable national investment banking firm as to the fairness (or lack thereof) of the terms of such Business

Combination, from the point of view of the remaining shareholders of the Corporation (such investment banking firm to be engaged by a majority of the Continuing Directors solely on behalf of the remaining shareholders and paid a reasonable fee for their services, which fee shall not be contingent upon the consummation of the transaction); and

(4) The Business Combination shall have been approved by at least 80% of the votes held by the holders of the outstanding Voting Stock, including an Independent Majority of Shareholders.

Section 12.2. The approval requirements of Section 12.1 shall not apply to any particular Business Combination, and such Business Combination shall require only such affirmative shareholder vote as is required by law, any other provision of the Articles of Incorporation or of these By-Laws, the terms of any outstanding classes or series of capital stock of the Corporation or any agreement with any national securities exchange, if the Business Combination is approved by a majority of the Entire Board of Directors, including the affirmative vote of at least 66-2/3% of the Continuing Directors.

Section 12.3. The Board of Directors of the Corporation, when evaluating any offer of another Person (the "Offering Person") (i) to make a tender or exchange offer for any equity security of the Corporation or (ii) to effect any Business Combination (as defined in Article XIII of these By-Laws, except that for purposes of this Section 12.3 the term "Person" shall be substituted for the term "Interested Person"), shall, in connection with the exercise of the Board's judgment in determining what is in the best interests of the Corporation as a whole, be authorized to give due consideration to such factors as the Board of Directors determines to be relevant, including, without limitation:

(a) the relationships between the consideration offered by the Offering Person and (x) the market price of the voting Stock over a period of years, (y) the current and future value of the Corporation as an independent entity and (z) political, economic and other factors bearing on securities prices and the Corporation's financial condition and future prospects;

(b) the interests of all of the Corporation's shareholders, including minority shareholders;

(c) whether the proposed transaction might violate federal, state, local or foreign laws;

(d) the competence, experience and integrity of the Offering Person and its management;

and

(e) the social, legal and economic effects upon employees, suppliers, customers, licensors, licensees and other constituents of the Corporation and its Subsidiaries and on the communities in which the Corporation and its Subsidiaries operate or are located.

In connection with any such evaluation, the Board of Directors is authorized to conduct such investigations and to engage in such legal proceedings as the Board of Directors may determine.

Section 12.4. As to any particular transaction, the Continuing Directors shall have the power and duty to determine, on the basis of information known to them:

(a) The amount of Voting Stock beneficially owned by any Person (as hereinafter defined in Article XIII of these By-Laws);

(b) Whether a Person is an Affiliate (as herein after defined in Article XIII of these By-Laws) or Associate (as hereinafter defined in Article XIII of these By-Laws) of another;

(c) Whether a Person has an agreement, arrangement or understanding with, or is acting in concert with, another;

(d) Whether the assets subject to any Business Combination constitute a Substantial Part (as hereinafter defined in Article XIII of these By-Laws);

(e) Whether a proposed transaction is proposed, directly or indirectly, by or on behalf of any Person;

(f) Whether a proposed amendment of any Article of the Articles of Incorporation would have the effect of modifying or permitting circumvention of the provisions of Article Eighth through Twelfth of the Articles of Incorporation; and

(g) Such other matters with respect to which a determination is required under Articles Eighth through Twelfth of the Articles of Incorporation.

Any such determination shall be conclusive and binding for all purposes of the Articles of Incorporation and of these By-Laws.

Section 12.5. The affirmative votes required by this Article XII is in addition to the vote of the holders of any class or series of capital stock of the Corporation otherwise required by law, the Articles of Incorporation or these By-Laws, any resolution which has been adopted by the Board of Directors providing for the issuance of a class or series of capital stock or any agreement between the Corporation and any national securities exchange.

Section 12.6. Nothing contained in this Article XII shall be construed to relieve any Interested Person from any fiduciary or other obligation imposed by law.

ARTICLE XIII

DEFINITIONS

For the purposes of these By-Laws:

(1) The term "beneficial owner" and correlative terms shall have the meaning as set forth in Rule 13d-3 of the General Rules and Regulations (the "General Rules") promulgated by the Securities and Exchange Commission (the "Commission") under the Securities Exchange Act of 1934 (the "Exchange Act"), as in effect on June 5,1985, except that the words "within sixty days" in Rule 13d-3(d) (1) (i) shall be omitted.

(2) The term "Business Combination" shall mean:

(a) any merger or consolidation of the Corporation or any Subsidiary (as hereinafter defined) (i) with an Interested Person, any Affiliate (as hereinafter defined) or Associate (as hereinafter defined) of an Interested Person or any Person (as hereinafter defined) acting in concert with an Interested Person (including, without limitation, any Person, which after such merger or consolidation, would be an Affiliate or Associate of an Interested Person), in each case irrespective of which Person is the surviving entity in such merger or consolidation, or (ii) proposed, directly or indirectly, by or on behalf of an Interested Person;

(b) any sale, lease, exchange, transfer, distribution to shareholders or other disposition, including, without limitation, a mortgage, pledge or other security device, by the Corporation or any Subsidiary (in a single transaction or a series of separate or related transactions) of all, substantially all or any Substantial Part (as hereinafter defined) of the assets or business of the Corporation or a Subsidiary (including, without limitation, any securities of a Subsidiary) (i) to or with an Interested Person, or (ii) proposed, directly or indirectly, by or on behalf of an Interested Person;

(c) the purchase, exchange, lease or other acquisition, including, without limitation, a mortgage, pledge or other security device, by the Corporation or any Subsidiary (in a single transaction or a series of separate or related transactions) of all, substantially all or any Substantial Part of the assets or business of (i) an Interested Person, or (ii) any Person, if such purchase, exchange, lease or other acquisition is proposed, directly or indirectly, by or on behalf of an Interested Person;

(d) the issuance of any securities, or of any rights, warrants or options to acquire any securities, by the Corporation or a Subsidiary to an Interested Person (except (i) as a result of a pro rata stock dividend or stock split, (ii) upon the exercise or conversion of warrants or other rights, including preemptive rights, or convertible securities acquired by an Interested Person prior to or simultaneously with becoming an Interested Person or (iii) upon conversion of publicly traded convertible securities of the Corporation) or the acquisition by the Corporation or a Subsidiary of any securities, or of any rights, warrants or options to acquire any securities, issued by an Interested Person;

(e) any plan or proposal for, or which has the effect of, the partial or complete liquidation, dissolution, spin off, split off or split up of the Corporation or any Subsidiary proposed, directly or indirectly, by or on behalf of an Interested Person;

(f) any of the following which has the effect, directly or indirectly, of increasing the proportionate amount of Voting Stock or capital stock of any Subsidiary thereof which is beneficially owned by an Interested Person: any reclassification of securities (including, without limitation, any reverse stock split) of the Corporation, any issuance of any Voting Stock or other securities of the Corporation, any recapitalization of the Corporation or any merger, consolidation or other transaction (whether or not with or into or otherwise involving an Interested Person); and

(g) any agreement, contract, understanding or other arrangement providing for any of the transactions described in this subsection (2) of this Article XIII.

(3) The term "Continuing Director" shall mean (i) a director serving continuously as a director of the Corporation from and including June 5, 1985; (ii,) a person who was a member of the Board of Directors of the Corporation immediately prior to the time that any then existing Interested Person became an Interested Person, (in) a person not affiliated with any Interested Person and designated (before or simultaneously with initially becoming a director) as a Continuing Director by at least a majority of the then Continuing Directors and (iv) a director deemed to be a Continuing Director in accordance with the last sentence of this subsection (3) of this Article XIII. All references to action by a specified percentage of the Continuing Directors shall mean a vote of such specified percentage of the total number of Continuing Directors of the Corporation at a meeting at which at least such specified percentage of the total number of Continuing Directors shall have been in attendance. Whenever a condition requires the act of a specified percentage of Continuing Directors, such condition shall not be capable of fulfillment unless there is at least one Continuing Director. If all of the capital stock of the Corporation is beneficially owned by one Person continuously for at least three consecutive years during which period at least three annual meetings of shareholders shall have taken place, at which meetings all of the Continuing Directors as defined in clauses (i) -(iii) above shall not have been reelected, all directors elected from and after such third consecutive year shall be deemed Continuing Directors.

(4) The term "Independent Majority of Shareholders" shall mean the majority of the votes held by holders of shares of the outstanding Voting Stock that are not beneficially owned or controlled, directly or indirectly, by any Interested Person.

(5) The term "Interested Person" shall mean (i) any Person, which, together with its "Affiliates"

and "Associates" (as defined in Rule 12b-2 of the General Rules promulgated by the Commission under the Exchange Act, as in effect on June 5, 1985) and any Person acting in concert therewith, is the beneficial owner, directly or indirectly, often percent (10%) or more of the votes held by the holders of shares of Voting Stock, (ii) any Affiliate or Associate of an Interested Person, including, without limitation, a Person acting in concert therewith, (iii) any Person that at any time within the two year period immediately prior to the date in question was the beneficial owner, directly or indirectly, often percent (10%) or more of the votes held by the holders of shares of Voting Stock, or (iv) an assignee of, or successor to, any shares of Voting Stock which were at any time within the two-year period prior to the date in question beneficially owned by any Interested Person, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933, as amended. For purposes of determining the percentage of votes held by a Person, any Voting Stock not outstanding which is subject to any option, warrant, convertible security, preemptive or other right held by such Person (whether or not such option, warrant, convertible security, preemptive or other right is currently exercisable) shall be deemed to be outstanding for the purpose of computing the percentage of votes held by such Person.

Notwithstanding anything contained in the immediately preceding paragraph, the term "Interested Person" shall not include (A) a Subsidiary of the Corporation or (B) a Continuing Director who beneficially owned, on June 5, 1985, ten percent (10%) or more of the votes held by the holders of shares of Voting Stock and any Affiliate or Associate of one or more of such Continuing Directors. For purposes of Articles III and XI of these By-Laws, the term "Interested Person" shall not include any Person which shall have deposited all of its Voting Stock in a voting trust (only and for so long as the voting trust shall be continuing and all of such Person's Voting Stock shall remain deposited in the Voting Trust) pursuant to an agreement with the Corporation providing the Corporation with the power to appoint a majority of the voting trustees of the voting trust who, in turn, shall have the power to vote all of the snares of Voting Stock in the voting trust, in their discretion, for the election of directors of the Corporation and the amendment of the Articles of Incorporation and/or these By-Laws. The agreement by the Corporation with any Person described in the immediately preceding sentence to use its best efforts to elect one designee of such Person as a director and to cause the voting trustees appointed by the Corporation to vote for such designee shall not cause such Person to be deemed an Interested Person for purposes of Articles III and XI of these By-Laws.

A Person who is an Interested Person as of (x) the time any definitive agreement, or amendment thereto, relating to a Business Combination is entered into, (y) the record date for the determination of shareholders entitled to notice of and to vote on a Business Combination, or (z) immediately prior to the consummation of a Business Combination shall be deemed an Interested Person for purposes of this definition.

(6) The term "Person" shall mean any individual, corporation, partnership or other person, group or entity (other than the Corporation, any Subsidiary or a trustee holding stock for the benefit of employees of the Corporation or its Subsidiaries, or anyone of them, pursuant to one or more employee benefit plans or arrangements). When two or more Persons act as a partnership, limited partnership, syndicate, association or other group for the purpose of acquiring, holding or disposing of securities, such partnership, syndicate, association or group will be deemed a "Person".

(7) The term "Subsidiary" shall mean any corporation or other entity fifty percent (50%) or more of the equity of which is beneficially owned by the Corporation; provided, however, that for purposes of the definition of Interested Person set forth in subsection (5) of this Article XIII and the definition of Person set forth in subsection (6) of this Article XIII, the term "Subsidiary" shall mean only a corporation of which a majority of each class of equity security is beneficially owned by the Corporation.

(8) The term "Substantial Part", as used in reference to the assets or business of any Person means assets or business having a value of more than ten percent (10%) of the total consolidated assets of the Corporation and its Subsidiaries as of the end of the Corporation's most recent fiscal year ending prior to the time the determination is made.

(9) For the purposes of determining the number of "votes held by holders" of shares, including Voting Stock, of the Corporation, each share shall have the number of votes granted to it pursuant to Article Fifth of the Articles of Incorporation of the Corporation.

(10) The term "Voting Stock" shall mean stock or other securities of the Corporation entitled to vote generally in the election of directors.

EXHIBIT 4(G)

SECOND AMENDMENT TO RIGHTS AGREEMENT

This is the Second Amendment (the "Second Amendment") to the Rights Agreement, dated June 16, 1999, between Hasbro, Inc., a Rhode Island corporation (the "Company") and BankBoston, N.A, as the original Rights Agent. The Rights Agreement was amended by a First Amendment dated December 4, 2000. Fleet National Bank ("Fleet") became the Rights Agent under the Rights Agreement when it succeeded to the business of BankBoston, N.A. Subsequently, EquiServe L.P. and EquiServe Trust Company, N.A. succeeded to the business of Fleet. Following this, Computershare Trust Company, N.A. succeeded to the business of EquiServe Trust Company, N.A. and is now the current Rights Agent. Terms used in this Second Amendment and not otherwise defined shall have the meanings set forth in the Rights Agreement, as amended.

The Company and the Rights Agent have entered into this Second Amendment effective as of February 13, 2007 in accordance with the provisions of Section 27 of the Rights Agreement. The Company and the Rights Agent each hereby represent, respectively, that they have taken all steps necessary for them to adopt this amendment in compliance with the Rights Agreement.

1. Effective as of the date of this Second Amendment the definition of "Acquiring Person", as it appears in Section 1(a) of the Rights Agreement, be and hereby is replaced in its entirety with the following:

"(a) "Acquiring Person" shall mean any Person who or which, together with all Affiliates and Associates of such Person, shall be the Beneficial Owner of twenty percent (20%) or more of the shares of Common Stock then outstanding, but shall not include (i) the Company, (ii) any Subsidiary of the Company, (iii) any employee benefit plan of the Company, or of any Subsidiary of the Company, or any Person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan, (iv) Alan or Sylvia Hassenfeld or members of their respective immediate families (the "Hassenfeld Family"), heirs or legatees of the Hassenfeld Family, the Sylvia Hassenfeld Trust, the Merrill Hassenfeld Trust, the Stephen Hassenfeld Trust, the Alan Hassenfeld Trust, the Hassenfeld Foundation, transferees by will, laws of descent or distribution or by operation of law of any of the foregoing (including any such transferees), any trust or foundation to which any of the foregoing has transferred or may transfer securities of the Company, any trust established for primary benefit of any of the foregoing, or any Affiliates or Associates of any of the foregoing (collectively, the "Hassenfeld Group"), or (v) any Person who becomes the Beneficial Owner of twenty percent (20%) or more of the shares of Common Stock then outstanding as the result of a reduction in the number of shares of Common Stock outstanding due to the repurchase of shares of Common Stock by the Company unless and until such Person, after becoming aware that such Person has become the Beneficial Owner of twenty percent (20%) or more of the then outstanding shares of Common Stock, acquires beneficial ownership of additional shares of Common Stock representing one percent (1%) or more of the shares of Common Stock then outstanding."

2. This Second Amendment shall be governed by and construed in accordance with the laws of the State of Rhode Island and for all purposes shall be governed and construed in accordance with the laws of such State applicable to contracts to be made and performed entirely within such State.

3. This Second Amendment to Rights Agreement may be executed in counterparts and such counterparts shall together constitute one and the same agreement.

4. In all respects not inconsistent with the terms and provisions of this Second Amendment, the Rights Agreement as previously amended is hereby ratified, adopted, approved and confirmed. In executing and delivering this Second Amendment, the Rights Agent shall be entitled to all the privileges and immunities afforded to the Rights Agent under the terms and conditions of the Rights Agreement.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties have caused this Second Amendment to be duly executed as of February 13, 2007.

HASBRO, INC.

By: /s/ Alfred J. Verrecchia

Name: Alfred J. Verrecchia

Title: President and Chief Executive Officer

COMPUTERSHARE TRUST COMPANY, N.A.

By: /s/ Dennis Moccia

Name: Dennis Moccia

Title: Managing Director

EXHIBIT 10(R)

"____________" DENOTES MATERIAL THAT HAS BEEN OMITTED FROM THE PUBLICLY FILED VERSION OF THIS DOCUMENT PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

AMENDMENT NO. 8 TO RECEIVABLES PURCHASE AGREEMENT

This AMENDMENT NO. 8 TO RECEIVABLES PURCHASE AGREEMENT, dated as of December 18, 2006 (this "Amendment Agreement"), is made by and among Hasbro Receivables Funding, LLC (the "Seller"), CAFCO, LLC ("CAFCO"), Starbird Funding Corporation ("Starbird"), Citibank, N.A. ("Citibank"), BNP Paribas acting through its New York Branch ("BNP Paribas"), as a Bank and an Investor Agent (each as defined in the Agreement) (as defined below), Citicorp North America, Inc., as program agent (the "Program Agent") for the Investors (as defined in the Agreement) and the Banks and as an Investor Agent, Hasbro, Inc., as collection agent and undertaking party under the Parent Undertaking (as defined in the Agreement defined below) (the "Collection Agent and the Parent"), and Hasbro, Inc., and Wizards of the Coast, Inc., as originators (the "Originators").

Preliminary Statements. (1) The Seller, CAFCO, Starbird, Citibank, BNP Paribas, the Program Agent, the Collection Agent, the Investor Agents and the Originators are parties to a Receivables Purchase Agreement, dated as of December 10, 2003, as amended as of August 27, 2004, as of November 18, 2004, as of December 3, 2004, as of December 7, 2005, as of January 23, 2006, as of May 17, 2006 and as of December 6, 2006 (as amended, the "Agreement"; capitalized terms used herein and not otherwise defined herein shall have the meanings attributed to them in the Agreement).

(2) The Seller, CAFCO, Starbird, Citibank, BNP Paribas, the Program Agent, the Collection Agent and the Originators wish to amend the Agreement, to, among other things, increase the Purchase Limit.

NOW, THEREFORE, the parties agree as follows:

SECTION 1. Amendments to Agreement. Effective as of the date hereof in accordance with Section 2 of this Amendment Agreement:

(a) Section 1.01 of the Agreement is amended as follows:

(i) (A) The definition of "Applicable Margin" is restated in its entirety to read as follows:

"'Applicable Margin' means, at any time, the percentage determined pursuant to Annex F corresponding to the more favorable to the Seller of the Parent's Debt/Earnings Ratio

for the most recent fiscal quarter and the Parent's Debt Rating at such time."

(B) The definition of "Bank Commitment" is restated in its entirety as follows:

"'Bank Commitment' of any Bank means, (a) with respect to Citibank, $150,000,000 from and including the first day of the October Fiscal Month of each year and ending on the last day of the January Fiscal Month of the next year, and at all other times, $125,000,000 or such amount as reduced or increased by any transfer under any Assignment and Acceptance entered into among Citibank, another Bank, the Investor Agent for Citibank and the Program Agent, (b) with respect to BNP Paribas, $150,000,000 from and including the first day of the October Fiscal Month of each year and ending on the last day of the January Fiscal Month of the next year, and at all other times, $125,000,000 or such amount as reduced or increased by any transfer under any Assignment and Acceptance entered into among BNP Paribas, another Bank, the Investor Agent for BNP

Paribas and the Program Agent or (c) with respect to a Bank (other than Citibank or BNP Paribas) that has entered into an Assignment and Acceptance, the amount set forth therein as such Bank's Bank Commitment, in each case as such amount may be reduced or increased by an Assignment and Acceptance entered into among such Bank, an Eligible Assignee, the Investor Agent for such Bank and the Program Agent, and as may be further reduced (or terminated) pursuant to the next sentence. Any reduction (or termination) of the Purchase Limit pursuant to the terms of this Agreement shall reduce ratably (or terminate) each Bank's Bank Commitment; provided that if the Investors and Banks in any Group (the 'Departing Group') shall determine not to extend the Commitment Termination Date or shall approve an extension of the Commitment Termination Date based on a reduced Investor Purchase Limit for their Group, then, if the Investors and the Banks in the other Groups shall nonetheless determine to extend the Commitment Termination Date, effective from such Commitment Termination Date, the Bank Commitment of each Bank in the Departing Group shall be reduced (ratably, or as otherwise mutually agreed by such Banks) or terminated."

(C) The definition of "Commitment Termination Date" is amended by deleting the date "December 18, 2006" in line

one thereof and replacing it with the date "December 5, 2007".

(D) The definition of "Concentration Limit" is restated in its entirety to read as follows:

"'Concentration Limit' for any Obligor means (i) at any time that such Obligor's Debt Rating is at least

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('Normal Concentration Limit'), or such other higher percentage or dollar amount ('Special Concentration Limit') for such Obligor designated by the Program Agent and each Investor Agent in a writing delivered to the Seller; provided that in the case of an Obligor with any Affiliated Obligor, the Concentration Limit shall be calculated as if such Obligor and such Affiliated Obligor are one Obligor; provided further, that the Program Agent or any Investor Agent may for bona fide credit reasons reduce or cancel any Special Concentration Limit for any Obligor upon three Business Days' notice to the Seller (with a copy to each of the other Agents). The foregoing notwithstanding, but subject to the two provisos in the previous sentence, the Special Concentration Limit

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as the case may be, shall be the applicable Concentration Limit determined pursuant to clauses (ii) and (iii) of the first sentence of this definition."

(E) The definition of "Debt Rating" is restated in its entirety to read as follows:

"'Debt Rating' for any Person means the rating determined by one or more of S&P, Moody's or Fitch, as the case may be, of such Person's long-term public senior unsecured non-credit enhanced debt."

(F) The definition of "Dilution Horizon Factor" is restated in its entirety to read as follows:

"'Dilution Horizon Factor' means (i) as of any date which does not occur during the Ratings and Leverage Period, a ratio computed by dividing (A) the aggregate original Outstanding Balance of all Originator Receivables created by the Originators during the number of Fiscal Months determined pursuant to the definition of Liquidation Period by (B) the Outstanding Balance of Originator Receivables (other than Defaulted Receivables), less Collections on hand but not yet applied to reduce the Outstanding Balance of Originator Receivables, in each case as at the last day of the most recently ended Fiscal Month and (ii) as of any date which occurs during the Ratings and Leverage Period, a ratio computed by dividing (A) the aggregate original Outstanding Balance of all Originator Receivables created by the Originators during the three most recently ended Fiscal Months by (B) the Outstanding Balance of Originator Receivables (other than Defaulted Receivables), less Collections on hand but not yet applied to reduce the Outstanding Balance of Originator Receivables, in each case as of the last day of the most recently ended Fiscal Month."

(G) The definition of "Dilution Percentage" is restated in its entirety to read as follows:

"'Dilution Percentage' means, as of any date, the product of (a) the sum of (i) the product of (x) 2.0 (or for so long as the Ratings and Leverage Period shall have occurred and shall be continuing, 1.5), multiplied by (y) the average of the Dilution Ratios for each of the twelve most recently ended Fiscal Months, plus (ii) the Dilution Volatility Ratio as at the last day of the most recently ended Fiscal Month, multiplied by (b) the Dilution Horizon Factor as of such date."

(H) The definition of "Dilution Ratio" is restated in its entirety to read as follows:

"'Dilution Ratio' means (i) as of any date which does not occur during the Ratings and Leverage Period, the ratio (expressed as a percentage) computed for the most recently ended Fiscal Month by dividing (A) the aggregate amount of Diluted Receivables arising during such Fiscal Month by (B) the aggregate Outstanding Balance (in each case, at the time of creation) of all Originator Receivables created during the sixth Fiscal Month immediately preceding such Fiscal Month and (ii) as of any date which occurs during the Ratings and

Leverage Period, the ratio (expressed as a percentage) computed for the most recently ended Fiscal Month by dividing (A) the aggregate amount of Diluted Receivables less an amount equal to the amount of Planned Diluted Receivables arising during such Fiscal Month by (B) the aggregate Outstanding Balance (in each case at the time of creation) of all Originator Receivables created during the third Fiscal Month immediately preceding such Fiscal Month."

(I) The definition of "Dilution Reserve" is restated in its entirety to read as follows:

"'Dilution Reserve' means, for any Receivable Interest on any date, an amount equal to the greater of:

(a) DP x (C + YFR)

where:

DP = the Dilution Percentage on such date.

C = the Capital of such Receivable Interest on such date.

YFR = the Yield and Fee Reserve for such Receivable Interest on such date.

or (b) PD x 2.0

where:

PD = the Projected Dilution for the most recent Fiscal Month.

provided, that for so long as the Ratings and Leverage Period shall have occurred and shall be continuing, then the Dilution Reserve shall be as set forth only in clause (a) above."

(J) The definition of "Facility Termination Date" is amended by deleting the date "December 18, 2006" in line one thereof and replacing it with the date "December 1, 2011".

(K) The definition of "Investor Purchase Limit" is restated in its entirety as follows:

"'Investor Purchase Limit' means (a) with respect to the Group consisting of CAFCO and its Related Banks, $150,000,000 from and including the first day of the October Fiscal Month of each year and ending on the last day of the January Fiscal Month of the next year, and at all other times, $125,000,000, and (b) with respect to the Group consisting of Starbird and its Related Banks, $150,000,000 from and including the first day of the October Fiscal Month of each year and ending on the last day of the January Fiscal Month of the next year, and at all other times, $125,000,000. Any reduction (or termination) of the Purchase Limit pursuant to the terms of this Agreement shall reduce ratably (or terminate) each Group's Investor Purchase Limit; provided, that if any Departing Group shall determine not to extend the Commitment Termination Date or shall approve an extension of the Commitment Termination Date based on a reduced Investor Purchase Limit for their Group, then, if the Investors and Banks in the other Groups shall nonetheless determine to extend the Commitment Termination Date, effective from such Commitment Termination Date, the Investor Purchase

Limit of the Departing Group shall be so reduced or terminated.

(L) The definition of "Net Receivables Pool Balance" is restated in its entirety to read as follows:

"'Net Receivables Pool Balance' means at any time the Outstanding Balance of Eligible Receivables then in the Receivables Pool reduced by the sum of (without duplication) (i) the aggregate amount by which the Outstanding Balance of Eligible Receivables of each Obligor then in the Receivables Pool exceeds the product of (A) the Concentration Limit for such Obligor multiplied by (B) the aggregate outstanding Capital of all Receivable Interests (provided, that if such Concentration Limit is calculated as a dollar amount, then such dollar amount shall be used in lieu of the product of clauses (A) and (B)), (ii) the aggregate amount of Collections on hand at such time but not yet applied to reduce the Outstanding Balance

of a Pool Receivable, (iii) to the extent credit memos exceed open deductions, the aggregate Outstanding Balance of all Eligible Receivables in respect of which any credit memo issued by an Originator or the Seller is outstanding at such time to the extent not yet applied to reduce the Outstanding Balance of a Pool Receivable, (iv) the amount, if any, by which (A) the aggregate Outstanding Balance of all Eligible Receivables then in the Receivables Pool having original due dates more than

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Outstanding Balance of all Receivables then in the Receivables Pool and (ix) so long as the Ratings and Leverage Period shall have occurred and shall be continuing, an amount equal to the then Planned Dilution Reserve."

(M) The definition of "Purchase Limit" is amended in its entirety to read as follows:

"'Purchase Limit' means $300,000,000 from and including the first day of the October Fiscal Month of each year and ending on the last day of the January Fiscal Month of the next year, and at all other times, $250,000,000, as such amount may be reduced pursuant to the immediately succeeding sentence or Section 2.01(b). In the event that the Facility Termination Date shall occur solely under clause (d) of such defined term, then on such Facility Termination Date the Purchase Limit shall be reduced by the aggregate Bank Commitments of the Banks in the Group for which such Facility Termination Date has occurred (as such Bank Commitments were in effect immediately prior to such Facility Termination Date). References to the unused portions of the Purchase Limit shall mean, at any time, the Purchase Limit, as then reduced pursuant to Section 2.01(b), minus the then outstanding Capital of Receivable Interests under this Agreement."

(N) The definition of "Subsidiary" is amended in its entirety to read as follows:

"'Subsidiary' of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of Capital Stock having ordinary voting power for the election of directors or other governing body (other than Capital Stock having such power only by reason of the happening of a contingency) are at the time beneficially owned directly or indirectly through one or more Subsidiaries by such Person. Unless otherwise specified, all references herein to a 'Subsidiary' or to 'Subsidiaries' shall refer to a Subsidiary or Subsidiaries of the Parent."

(O) The definition of "Weekly Reporting Period" is amended in its entirety to read as follows:

"'Weekly Reporting Period' means the period beginning on the first day of the December Fiscal Month of each year and ending on the last day of the February Fiscal Month of the next year; provided, that Weekly Reporting Period shall mean the period beginning on the first day of the January Fiscal Month of each year and ending on the last day of the February Fiscal Month of each year for so long as the Ratings and Leverage Period shall have occurred and shall then be continuing."

(ii) The following new definitions are hereby added in their proper alphabetical order:

(A) "'Attributable Indebtedness' means, at any time, the amount of obligations outstanding at such time under the legal documents entered into as part of a Permitted Receivables Securitization Facility on any date of determination that would be characterized as principal if such Permitted Receivables Securitization Facility were structured as a secured lending transaction rather than as a purchase, less (i) any escrowed or pledged cash proceeds which effectively secure, or are required to be maintained as reserves by the applicable Receivables Subsidiary for, the Indebtedness of the Parent and its Subsidiaries in

respect of, or the obligations of the Parent and its Subsidiaries under, such Permitted Receivables Securitization Facility, (ii) reasonable attorneys' fees, accountants' fees, brokerage consultant and other customary fees, underwriting commissions and other reasonable fees and expenses actually incurred in connection with such Permitted Receivables Securitization Facility and (iii) any taxes paid or reasonably estimated to be payable as a result thereof."

(B) "'Capital Stock' means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing."

(C) "'Capitalized Leases' means leases under which the Parent or any of its Subsidiaries is the lessee or obligor, the discounted future rental payment obligations under which are required to be capitalized on the balance sheet of the lessee or obligor in accordance with GAAP."

(D) "'Consolidated EBITDA' means, with respect to any particular fiscal period, the amount equal to (a) Consolidated Operating Profit (or Loss) for such period, plus (b) in each case without duplication, and to the extent deducted in calculating Consolidated Operating Profit (or Loss) for such period, (i) depreciation and amortization of the Parent and its Subsidiaries, (ii) other non-cash charges of the Parent and its Subsidiaries, and (iii) extraordinary losses of the Parent and its Subsidiaries, and minus (c) to the extent included in Consolidated Operating Profit (or Loss) for such period, extraordinary gains of the Parent and its Subsidiaries for such period, all determined in accordance with GAAP."

(E) "'Consolidated Operating Profit (or Loss)' means the consolidated operating profit (or loss) of the Parent and its Subsidiaries identified as such on the Parent's income statement for any period, determined in accordance with GAAP."

(F) "'Consolidated Total Funded Debt' means, as of any date of determination, with respect to the Parent and its Subsidiaries, the amount equal to, without duplication, (a) the aggregate amount of Indebtedness of the Parent and

its Subsidiaries, on a consolidated basis, relating to (i) the borrowing of money or the obtaining of credit, (ii) the deferred purchase price of assets (other than trade payables incurred in the ordinary course of business), (iii) any Synthetic Lease Obligation or any Capitalized Leases, (iv) the face amount of all letters of credit outstanding, (v) any Recourse Obligations, plus (b) the aggregate amount of Indebtedness of the type referred to in clause (a) of another Person (other than the Parent or a Subsidiary thereof) guaranteed by the Parent or any of its Subsidiaries plus (c) the Attributable Indebtedness. In determining under clause (a) of this definition the Indebtedness of the Parent and its Subsidiaries under or in respect of any Permitted Receivables Securitization Facility or under clause (c) of this definition the Attributable Indebtedness in respect of any Permitted Receivables Securitization Facility, such Indebtedness or amount shall be reduced by any escrowed or pledged cash proceeds which effectively secure such Indebtedness or the obligations of the Parent or any such Subsidiary under such Permitted Receivables Securitization Facility."

(G) "'Credit Agreement' means the Revolving Credit Agreement dated as of June 23, 2006 among Hasbro, Inc., and Hasbro SA as Borrowers, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and the other lenders party thereto, Citibank, N.A. and Citizen Bank of Massachusetts, as Co-Syndication Agents, Commerzbank AG, New York and Grand Cayman Branches, and BNP Paribas as Co-Documentation Agents and Banc of America Securities LLC, as Sole Lead Arranger and Sole Book Manager as the same may be amended, modified or restated from time to time."

(H) "'Debt/Earnings Ratio' means, for any fiscal quarter of the Parent, the ratio of Consolidated Total Funded Debt at the end of such fiscal quarter to Consolidated EBITDA for the fiscal period consisting of such fiscal quarter and the three preceding fiscal quarters."

(I) "'Designated Borrower' means Hasbro SA, a corporation organized under the laws of Switzerland and a wholly-owned Subsidiary of the Parent."

(J) "'GAAP' means generally accepted accounting principles in the United States consistent with the opinions and pronouncements of the Accounting Principles Board and

the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied."

(K) "'Indebtedness' as applied to any Person, means, without duplication:

(a) every obligation of such Person to repay money borrowed,

(b) every obligation of such Person for principal evidenced by bonds, debentures, notes or other similar instruments, including obligations incurred in connection with the acquisition of property, assets or businesses,

(c) every reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such Person,

(d) every obligation of such Person issued or assumed as the deferred purchase price of property or services (including securities repurchase agreements but excluding (i) trade accounts payable or accrued liabilities arising in the ordinary course of business, (ii) earnout obligations in respect of assets or businesses acquired prior to the Closing Date (as defined in the Credit Agreement) and (iii) obligations to repurchase any Lucas Warrant (as defined in the Credit Agreement) under the Warrant Amendment Agreement (as defined in the Credit Agreement),

(e) every obligation of such Person under any Capitalized Lease,

(f) every obligation of such Person under any Synthetic Lease Obligation,

(g) Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent that such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent that the terms of such

Indebtedness provide that such Person is not liable therefor and such terms are enforceable under applicable law,

(h) every obligation, contingent or otherwise, of such Person guaranteeing, or having the economic effect of guaranteeing or otherwise acting as surety for, any obligation of a type described in any of clauses (a) through (h) (the 'primary obligation') of another Person (the 'primary obligor'), in any manner, whether directly or indirectly, and including, without limitation, any such obligation of such Person (i) to purchase or pay (or advance or supply funds for the purchase of) any security for the payment of such primary obligation, (ii) to purchase property, securities or services for the purpose of assuring the payment of such primary obligation, or (iii) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such primary obligation.

The 'amount' or 'principal amount' of any Indebtedness at any time of determination represented by (w) any Indebtedness, issued at a price that is less than the principal amount at maturity thereof, shall be the amount of the liability in respect thereof determined in accordance with GAAP, (x) any Capitalized Lease shall be the discounted aggregate rental obligations under such Capitalized Lease required to be capitalized on the balance sheet of the lessee in accordance with GAAP and (y) any Synthetic Lease shall be the stipulated loss value, termination value or other equivalent amount."

(L) "'Permitted Receivables Securitization Facility' means any transaction or series of related transactions providing for the financing of any Receivables (as defined in the Credit Agreement); provided that any such transaction shall be consummated on terms that include terms substantially as described on Schedule 1.03 to the Credit Agreement or as the Required Lenders (as defined in the Credit Agreement) may otherwise consent, such consent not to be unreasonably withheld."

(M) "'Planned Diluted Receivable' means that portion (and only that portion) of any Originator Receivable which is either reduced or cancelled as a result of the application of a credit to such Receivable issued with respect to a Planned Dilution."

(N) "'Planned Dilution' means, with respect to any Originator Receivable, the aggregate amount of credits which have been accrued for in advance by the relevant Originator consistent with past practices and are issued with respect to such Originator Receivable
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(O) "'Planned Dilution Reserve' means as of any date of determination during the period from and including the first day of the January Fiscal Month of each year and ending on the last day of the November Fiscal Month of each year, an amount equal to the sum of (a) the Planned Dilution Reserve as shown on the Monthly Report for the immediately preceding Fiscal Month plus (b) amounts representing total accruals for Planned Dilution during the current Fiscal Month earned, but not yet paid

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(P) "'Ratings and Leverage Period' means any period of time during which the Parent's Debt Rating is at least BBB- by S&P or Baa1 by Moody's or BBB- by Fitch (provided, that at no time during such period shall the Parent's Debt Rating be below BB+ by S&P or Ba1 by Moody's or BB+ by Fitch) and the Debt/Earnings Ratio for the most recent fiscal quarter is less than or equal to 2:75 to 1:0.

(Q) "'Receivables Subsidiary" means any special purpose, bankruptcy-remote corporation, limited liability company, trust or other entity established and majority owned by the Parent that purchases, receives contributions of, or receives financing secured by, Receivables (as defined in the Credit

Agreement) generated by the Parent or any of its Subsidiaries."

(R) "'Recourse Obligations' of a Person means all sales with recourse by such Person of (i) accounts or general intangibles for money due or to become due, (ii) chattel paper, instruments or documents creating or evidencing a right to payment of money or (iii) other receivables (collectively 'receivables'), whether pursuant to a purchase facility or otherwise, other than in connection with the disposition of the business operations of such Person relating thereto or a disposition of defaulted receivables for collection and not as a financing arrangement, and together with any obligation of such Person to pay any discount, interest, fees, indemnities, penalties, recourse, expenses or other amounts in connection therewith. The outstanding amount of any Recourse Obligation shall be the portion of the principal investment of the purchaser thereof (other than the Parent or a Significant Subsidiary) as to which recourse to such Person exists, in any event excluding amounts representative of yield and interest earned on such investment."

(S) "'Significant Subsidiary' means (a) the Designated Borrower, (b) any other Subsidiary of the Parent (other than any Receivables Subsidiary), which, either alone or together with the Subsidiaries of such Subsidiary, meets either of the following conditions:

(i) the investments of the Parent and its Subsidiaries in, or their proportionate share (based on their equity interests) of the book value of the total assets (after intercompany eliminations) of, the Subsidiary in question exceed 10% of the book value of the total assets of the Parent and its Subsidiaries on a consolidated basis, or

(ii) the equity of the Parent and its Subsidiaries in the revenues of the Subsidiary in question exceeds 10% of the revenues from continuing operations of the Parent and its Subsidiaries on a consolidated basis for the Parent's most recent fiscal year; or

(c) Any other Subsidiary of the Parent designated as a 'Significant Subsidiary' by the Parent in a written notice to the Administrative Agent (as defined in the Credit Agreement) with a copy to the Program Agent."

(T) "'Synthetic Lease Obligation' means the monetary obligation of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment)".

(b) Section 1.02 of the Agreement is amended by deleting the term "generally accepted accounting principles" and replacing it with the term "GAAP".

(c) Section 4.01(e) of the Agreement is amended by deleting the date "December 10, 2003" in line five thereof and replacing it with the date "December 25, 2005".

(d) Section 4.02(e) of the Agreement is amended by deleting the date "September 28, 2003" in line seven thereof and replacing it with the date "December 25, 2005".

(e) Clause (x) of Section 5.01(k) of the Agreement is amended in its entirety to read as follows:

"(x) at the time of the delivery of the financial statements provided for in clauses (i) and (ii) of this paragraph, (A) a certificate of the chief financial officer or the treasurer of the Seller to the effect that, to the best of such officer's knowledge, no Event of Termination has occurred and is continuing or, if any Event of Termination has occurred and is continuing, specifying the nature and extent thereof and (B) a copy of the Compliance Certificate (as defined in the Credit Agreement) corresponding to such fiscal period and setting forth the calculation of the Debt/Earnings Ratio for the most recent fiscal quarter in reasonable detail;"

(f) Section 6.02(g)(iv) of the Agreement is amended by deleting the proviso clause contained therein and replacing it in its entirety as follows:

", provided, however, that so long as the Ratings and Leverage Period shall have occurred and shall be continuing, such Daily Report need not be submitted during a Weekly Reporting Period."

(g) Section 7.01(h)(iv) is restated in its entirety to read as follows:

"(iv)(A) if such last day of such Fiscal Month does not occur during the Ratings and Leverage Period, the average of such Dilution Ratios for such Fiscal Month and the two immediately preceding Fiscal Months shall exceed

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(h) Section 7.01 of the Agreement is further amended by adding the word "or" at the end of subsection (o) thereof and adding a new subsection (p) as follows:

"(p) The aggregate outstanding Capital of all Receivable Interests at any time shall exceed the Purchase Limit then in effect for more than five Business Days after the delivery of the most recent Seller Report which indicates such an excess;"

(i) Annex A-1 (Monthly Report) is deleted in its entirety and replaced with Exhibit I to this Amendment Agreement.

(j) Annex F (Applicable Margin) is deleted in its entirety and replaced with Exhibit II to this Amendment Agreement.

(k) Schedule III (Fiscal Months) is deleted in its entirety and replaced with Exhibit III to this Amendment Agreement.

SECTION 2. Effectiveness. This Amendment Agreement shall become effective as of the date hereof at such time that (i) executed counterparts of this Amendment Agreement and a replacement Fee Agreement (in form and substance satisfactory to each Investor Agent party thereto) have been delivered by each party hereto and thereto to the other parties hereto and thereto, (ii) a non-refundable up-front fee

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and delivered to the Program Agent and (iv) documents of the type described in Section 3.01(a), (b) and (g) (but not with respect to true sale, non-consolidation or UCC) of the Agreement relating to the execution and delivery of this Amendment Agreement and the Agreement as amended hereby, in form and substance satisfactory to the Program Agent, have been delivered to the Program Agent.

SECTION 3. Consent. Pursuant to Section 5.01(m) of the Agreement, each of the Program Agent and each Investor Agent hereby consents to an amendment to the Originator Purchase Agreement amending Section 4.01(f) thereof.

SECTION 4. Representations and Warranties. Each of the Seller and the Collection Agent represents and warrants that each of the representations and warranties contained in Section 4.01 and Section 4.02, respectively, of the Agreement (after giving effect to this Amendment Agreement) are correct in all material respects on and as of the date of this Amendment Agreement as though made on and as of such date.

SECTION 5. Confirmation of Agreement. Each reference in the Agreement to "this Agreement" or "the Agreement" shall mean the Agreement as amended by this Amendment Agreement, and as hereafter amended or restated. Except as herein expressly amended, the Agreement is ratified and confirmed in all respects and shall remain in full force and effect in accordance with its terms.

SECTION 6. Confirmation and Amendment of Parent Undertaking. (a) The Parent, as the undertaking party under the Parent Undertaking, hereby consents to the terms of this Amendment Agreement and hereby confirms and agrees that, notwithstanding the effectiveness of this Amendment Agreement, the Parent Undertaking is, and shall continue to be, in full force and effect and shall apply to the Agreement as amended by this Amendment Agreement and the Parent

Undertaking is hereby ratified and confirmed.

(b) The Parent and the Program Agent (as assignee of the Seller) agree to amend Section 5(e) of the Parent Undertaking by deleting the date "June 29, 2003" in line seven thereof and replacing it with the date "December 25, 2005".

SECTION 7. Costs and Expenses. The Seller agrees to pay on demand all reasonable costs and expenses in connection with the preparation, execution and delivery of this Amendment Agreement and any other documents to be delivered hereunder, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Program Agent, the Investor Agents, the Investors and the Banks with respect thereto.

SECTION 8. GOVERNING LAW. THIS AMENDMENT AGREEMENT SHALL, IN ACCORDANCE WITH SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK, BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO ANY CONFLICT OF LAWS PRINCIPLES THEREOF THAT WOULD CALL FOR THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION.

SECTION 9. Execution in Counterparts. This Amendment Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment Agreement by facsimile shall be effective as delivery of a manually executed counterpart of this Amendment Agreement.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the parties have caused this Amendment Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

HASBRO RECEIVABLES FUNDING, LLC,
as the Seller

By: /s/ Martin R. Trueb

Name: Martin R. Trueb
Title: Senior Vice-President,
Treasurer

CAFCO, LLC, as an Investor

By: Citicorp North America,
Inc., as Attorney-in-Fact

By: /s/ Patricia Schaupp

Name: Patricia Schaupp
Title:

STARBIRD FUNDING CORPORATION,
as an Investor

By: /s/ Franklin P. Collazo

Name: Franklin P. Collazo
Title: Secretary

CITICORP NORTH AMERICA, INC.,
as Program Agent and as an
Investor Agent

By: /s/ Patricia Schaupp

Name: Patricia Schaupp
Title:

CITIBANK, N.A., as a Bank

By: /s/ Patricia Schaupp

Name: Patricia Schaupp
Title:

BNP PARIBAS, NEW YORK BRANCH
as a Bank and as an Investor Agent

By: /s/ Sean Reddington

Name: Sean Reddington
Title: Managing Director

By: /s/ Michael Gonik

Name: Michael Gonik
Title: Director

HASBRO, INC., as an Originator and as
Collection Agent

By: /s/ Martin R. Trueb

Name: Martin R. Trueb
Title: Senior Vice-President,
Treasurer

WIZARDS OF THE COAST, INC., as an
Originator

By: /s/ Martin R. Trueb

Name: Martin R. Trueb
Title: Senior Vice-President,
Treasurer

EXHIBIT-I TO

AMENDMENT NO. 8 TO RECEIVABLES

PURCHASE AGREEMENT

[Exhibit omitted pursuant to a request for confidential treatment]

EXHIBIT-II TO

AMENDMENT NO. 8 TO RECEIVABLES

PURCHASE AGREEMENT

[Exhibit omitted pursuant to a request for confidential treatment]

EXHIBIT-III TO

AMENDMENT NO. 8 TO RECEIVABLES

PURCHASE AGREEMENT

(Fiscal Months)

SCHEDULE III

FISCAL MONTHS

HASBRO, INC.
FISCAL YEARS PLANNING CALENDAR
2005-2020

		2005	2006	2007	2008	2009	2010	2011
JAN	Beginning Date	12/27/04	12/26/05	1/1/07	12/31/07	12/29/08	12/28/09	12/27/10
	Ending Date	1/23/05	1/29/06	1/28/07	1/27/08	1/25/09	1/24/10	1/23/11
	Weeks in Mo	4	5	4	4	4	4	4
FEB	Beginning Date	1/24/05	1/30/06	1/29/07	1/28/08	1/26/09	1/25/10	1/24/11
	Ending Date	2/27/05	3/5/06	3/4/07	3/2/08	3/1/09	2/28/10	2/27/11
	Weeks in Mo	5	5	5	5	5	5	5
MAR	Beginning Date	2/28/05	3/6/06	3/5/07	3/3/08	3/2/09	3/1/10	2/28/11
	Ending Date	3/27/05	4/2/06	4/1/07	3/30/08	3/29/09	3/28/10	3/27/11
	Weeks in Mo	4	4	4	4	4	4	4
APR	Beginning Date	3/28/05	4/3/06	4/2/07	3/31/08	3/30/09	3/29/10	3/28/11
	Ending Date	4/24/05	4/30/06	4/29/07	4/27/08	4/26/09	4/25/10	4/24/11
	Weeks in Mo	4	4	4	4	4	4	4

MAY	Beginning Date	4/25/05	5/1/06	4/30/07	4/28/08	4/27/09	4/26/10	4/25/11
	Ending Date	5/29/05	6/4/06	6/3/07	6/1/08	5/31/09	5/30/10	5/29/11
	Weeks in Mo	5	5	5	5	5	5	5
JUN	Beginning Date	5/30/05	6/5/06	6/4/07	6/2/08	6/1/09	5/31/10	5/30/11
	Ending Date	6/26/05	7/2/06	7/1/07	6/29/08	6/28/09	6/27/10	6/26/11
	Weeks in Mo	4	4	4	4	4	4	4
JUL	Beginning Date	6/27/05	7/3/06	7/2/07	6/30/08	6/29/09	6/28/10	6/27/11
	Ending Date	7/24/05	7/30/06	7/29/07	7/27/08	7/26/09	7/25/10	7/24/11
	Weeks in Mo	4	4	4	4	4	4	4
AUG	Beginning Date	7/25/05	7/31/06	7/30/07	7/28/08	7/27/09	7/26/10	7/25/11
	Ending Date	8/28/05	9/3/06	9/2/07	8/31/08	8/30/09	8/29/10	8/28/11
	Weeks in Mo	5	5	5	5	5	5	5
SEP	Beginning Date	8/29/05	9/4/06	9/3/07	9/1/08	8/31/09	8/30/10	8/29/11
	Ending Date	9/25/05	10/1/06	9/30/07	9/28/08	9/27/09	9/26/10	9/25/11
	Weeks in Mo	4	4	4	4	4	4	4
OCT	Beginning Date	9/26/05	10/2/06	10/1/07	9/29/08	9/28/09	9/27/10	9/26/11
	Ending Date	10/23/05	10/29/06	10/28/07	10/26/08	10/25/09	10/24/10	10/23/11
	Weeks in Mo	4	4	4	4	4	4	4
NOV	Beginning Date	10/24/05	10/30/06	10/29/07	10/27/08	10/26/09	10/25/10	10/24/11
	Ending Date	11/27/05	12/3/06	12/2/07	11/30/08	11/29/09	11/28/10	11/27/11
	Weeks in Mo	5	5	5	5	5	5	5
DEC	Beginning Date	11/28/05	12/4/06	12/3/07	12/1/08	11/30/09	11/29/10	11/28/11
	Ending Date	12/25/05	12/31/06	12/30/07	12/28/08	12/27/09	12/26/10	12/25/11
	Weeks in Mo	4	4	4	4	4	4	4
	WEEKS IN YR	52	53	52	52	52	52	52

EXHIBIT 12

HASBRO, INC. AND SUBSIDIARIES

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

(Thousands of Dollars)

	2006	2005	2004	2003	2002
Earnings available for fixed charges:					
Net earnings (loss)	$230,055	212,075	195,977	157,664	(170,674)
Add:					
Cumulative effect of accounting change	--	--	--	17,351	245,732
Fixed charges	39,055	42,394	43,890	68,467	99,209
Taxes on income	111,419	98,838	64,111	69,049	29,030
Total	$380,529	353,307	303,978	312,531	203,297
Fixed charges:					
Interest on long-term debt	$ 23,157	26,602	27,813	44,461	69,480
Other interest charges	2,884	2,423	3,205	6,413	8,019
Amortization of debt expense	1,480	1,512	680	1,588	1,843
Rental expense representative of interest factor	11,534	11,857	12,192	16,005	19,867
Total	$ 39,055	42,394	43,890	68,467	99,209
Ratio of earnings to fixed charges	9.74	8.33	6.93	4.56	2.05

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EXHIBIT 21

HASBRO, INC. AND SUBSIDIARIES

Subsidiaries of the Registrant (a)

Name Under Which Subsidiary Does Business	State or Other Jurisdiction of Incorporation or Organization
Hasbro Receivables Funding, LLC.	Delaware
Hasbro International, Inc.	Delaware
Hasbro France S.A.S.	France
Hasbro Deutschland GmbH	Germany
Hasbro Italy S.r.l.	Italy
Hasbro Latin America Inc.	Delaware
Hasbro Chile LTDA	Chile
Hasbro International Holdings, B.V.	The Netherlands
Hasbro Ireland Limited	Ireland
Hasbro S.A.	Switzerland
Hasbro Holdings S.A.	Switzerland
Hasbro Canada Corporation	Nova Scotia
Hasbro Asia-Pacific Marketing Ltd.	Hong Kong
Hasbro de Mexico S.R.L. de C.V.	Mexico
Hasbro (Schweiz) AG	Switzerland
Hasbro U.K. Limited	United Kingdom
Group Grosvenor Plc.	United Kingdom
MB International B.V.	The Netherlands
Hasbro B.V.	The Netherlands
Hasbro Hellas Industrial & Commercial Company S.A.	Greece
Hasbro Toys & Games Holdings, S.L.	Spain
Hasbro Iberia SL	Spain
S.A. Hasbro N.V.	Belgium
Hasbro InterToy Eqitim Araclari Sanayi Ve Ticaret A.S.	Turkey
Hasbro Far East LTD	Hong Kong
Hasbro Australia Pty Ltd	Australia
Hasbro Australia Limited	Australia
Sobral Ltd.	Bermuda
Hasbro Managerial Services, Inc.	Rhode Island
Wizards of the Coast, Inc.	Washington

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

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Hasbro, Inc.:

We consent to the incorporation by reference in the Registration Statements Nos. 2-78018, 2-93483, 33-57344, 33-59583, 333-38159, 333-10404, 333-10412, 333-34282, 333-110000, 333-110001, 333-110002 and 333-129618 on Form S-8 and Nos. 33-41548, 333-44101, 333-82077, 333-83250 and 333-103561 on Form S-3 of Hasbro, Inc. of our reports dated February 27, 2007, with respect to the consolidated balance sheets of Hasbro, Inc. and subsidiaries as of December 31, 2006 and December 25, 2005, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the fiscal years in the three-year period ended December 31, 2006 and the related consolidated financial statement schedule, management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2006 and the effectiveness of internal control over financial reporting as of December 31, 2006, which reports appear in the December 31, 2006 annual report on Form 10-K of Hasbro, Inc. Our report refers to a change in the accounting for pensions and other postretirement benefits other than pensions and a change in the accounting for share-based payments.

/s/ KPMG LLP

Providence, Rhode Island
February 27, 2007

Exhibit 31.1

CERTIFICATION

I, Alfred J. Verrecchia, certify that:

1. I have reviewed this annual report on Form 10-K 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: February 28, 2007

/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 annual report on Form 10-K 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: February 28, 2007

/s/ David D.R. Hargreaves
David D.R. Hargreaves
Executive Vice President, Finance and Global Operations
and Chief Financial Officer

Exhibit 32.1

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 Annual Report on Form 10-K for the year ended December 31, 2006, as filed with the Securities and Exchange Commission (the “10-K 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-K 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: February 28, 2007

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 Annual Report on Form 10-K for the year ended December 31, 2006, as filed with the Securities and Exchange Commission (the "10-K 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-K 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
Executive Vice President, Finance and Global Operations
and Chief Financial Officer of Hasbro, Inc.

Dated: February 28, 2007

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.