Hasbro 1996

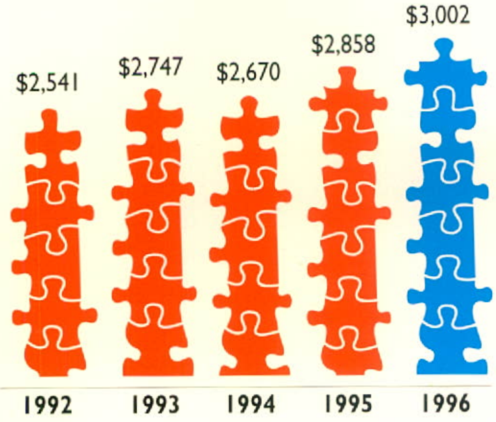
annual report

*company*profile

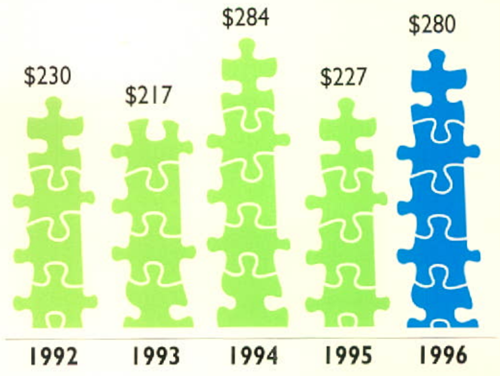
Hasbro, Inc. is a worldwide leader in the design, manufacture and marketing of toys, games, interactive software, puzzles and infant care products. Both internationally and in the U.S., its Playskool®, Kenner®, Tonka®, Milton Bradley®, Parker Brothers®, and Hasbro Interactive® products provide children and families with the highest quality and most recognizable toys and games in the world. They include: Mr. Potato Head®, Tinkertoy®, G.I. Joe®, Tonka® Trucks, Easy Bake® Oven, Star Wars™, Batman™, The Game of Life®, Scrabble®, and Monopoly®, to name a few.

(Thousands of Dollars and Shares Except Per Share Data)	1996	1995	1994	1993	1992
FOR THE YEAR					
Net revenues	$3,002,370	2,858,210	2,670,262	2,747,176	2,541,055
Operating profit	$ 332,267	273,572	295,677	351,188	324,538
Earnings before income taxes (1)	$ 306,893	252,550	291,569	325,210	292,376
Net earnings (2)	$ 199,912	155,571	175,033	200,004	179,164
Cash provided by operating activities	$ 279,993	227,400	283,785	217,237	229,810
Cash utilized by investing activities	$ 127,286	209,331	244,178	126,001	93,994
Weighted average number of common shares outstanding (3)	131,856	132,379	133,996	135,046	133,629
EBITDA (4)	$ 470,532	434,580	430,448	467,336	420,153
PER COMMON SHARE (3)					
Net earnings (2)	$ 1.52	1.18	1.31	1.48	1.34
Cash dividends declared (5)	$ .27	.21	.19	.16	.13
Shareholders' equity	$ 12.82	11.64	10.63	9.69	8.46
AT YEAR END					
Shareholders' equity	$1,652,046	1,525,612	1,395,417	1,276,683	1,105,621
Total assets	$2,701,509	2,616,388	2,378,375	2,293,018	2,082,766
Long-term debt	$ 149,382	149,991	150,000	200,510	206,189
Debt to capitalization ratio	.14	.15	.14	.17	.20

NET REVENUES



CASH PROVIDED BY OPERATING ACTIVITIES



(1) In 1994, also before cumulative effect of change in accounting principles.

(2) In 1994, earnings before cumulative effect of change in accounting principles and earnings per share before cumulative effect of change in accounting principles were $179,315 and $1.34, respectively.

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

(4) EBITDA (earnings before interest, taxes, depreciation and amortization) represents operating profit plus discontinued development project and restructuring charges and depreciation and all amortization. EBITDA is not adjusted for all noncash expenses or for working capital, capital expenditures or other investment requirements and accordingly is not necessarily indicative of amounts that may be available for discretionary uses. Thus, EBITDA should not be considered in isolation or as a substitute for net earnings or cash provided by operating activities, each prepared in accordance with generally accepted accounting principles, when measuring Hasbro's profitability or liquidity as more fully discussed in Management's Review.

(5) On February 20, 1997, the Company announced a 20% increase in its dividend to an annual rate of $.32. The first quarterly dividend at the increased rate will be paid on May 15, 1997 to shareholders of record on May 1, 1997.

(6) Amounts shown on charts are in millions of dollars.

To our shareholders

What a difference a year makes!

One year ago we said we would do everything possible to deliver an increase in our earnings per share of 15%. We did. One year ago we said that we would make changes to our organization so that we would be better positioned to answer the challenges of an ever changing retail environment. We did. One year ago we said that we were going to aggressively buy back our shares. We did.

Yes, 1996 was a good year for us, and 1997 ushers in a hungrier and more driven Hasbro.

Our senior management team is deeper and more focused. Our brands are strong and growing. Our organization is evolving into a global marketing powerhouse. And, we are getting back to delivering the kind of results that please all of Hasbro's shareholders.

Before I share with you our strategic path and optimism for Hasbro's near- and long-term future, we are very pleased to report our strong 1996 results, including the company's best fourth quarter ever. For the full year, revenues exceeded $3 billion ($3.002 billion) for the first time in the company's history, an increase of 5% from the $2.858 billion in 1995. Net earnings for the year were $199,912,000, or $1.52 per share, up 15% from the $1.32 per share, or $174,729,000 of a year ago, absent the impact of the 1995 second quarter $31,100,000 pretax charge related to a discontinued development project. The reported 1995 full year earnings were $155,571,000, or $1.18 per share.

I am pleased with our 1996 results and the earnings that we were able to deliver, despite a difficult year outside of the United States.

As you can see, throughout this report we are using a puzzle theme. Not only have we been manufacturing and marketing puzzles for over 110 years – but more importantly, the puzzle pieces of Hasbro itself are coming together, putting us in a position to

grow our business at a faster and more profitable rate than in recent years. I want you to know the process that we have embarked upon to make the pieces fit securely in the years ahead, so that all of our shareholders can understand and benefit from the end result: a crystal clear image of one of the world's finest children's consumer products companies.

Certainly, our financial picture has many of the pieces in place. Our balance sheet remains strong and gives us a great deal of flexibility. In 1997 we will continue to make sure it works – not only to support our businesses, but to enhance shareholder value as well.

Another key piece of the puzzle is to focus Hasbro on becoming a more global entity. To that end, we brought on Adam Klein in July to help us better define that strategy.

There are so many well-fitting pieces in our puzzle, and many of those – the successes of '96 – will build powerfully into 1997. In 1996, Hasbro's traditional areas of strength – boys and games – continued to excel. In the boys arena, both Star Wars™ and Batman™ proved that they are enduring mega-brands that perform even in a year with limited entertainment support. Imagine how excited we are about the prospects for each of these brands this year, with the re-release of the Star Wars™ trilogy, and the June release of Warner Bros.' "Batman™ and Robin™." Add the second installment of Jurassic Park™: "The Lost World" – to this potent boys mix, and our prospects for this category are exciting.

Looking at Playskool, we believe that this highly regarded, global children's brand had pieces which did not fit, thus preventing it from reaching its potential. However, I am convinced that we have now found the right pieces. We head into 1997 with a new management team, fewer product offerings, a greater emphasis on innovation and profitability, a new advertising campaign, a dedicated Playskool sales

force, and the introduction of a line of toys with Microban® antibacterial protection.

Girls toys enjoyed some success in 1996, especially in the large doll category, where we had the top United States seller in Baby Go Bye Bye™. In 1997, our aim is to consolidate our leadership position in large dolls, grow our girls business with strong licensed offerings and expand outside the traditional girls toy market with innovative product.

In the activities area, our classic brand Play-Doh® celebrated its 40th birthday in style, ringing up a 50% market share in the U.S. compound category. We are excited about Play-Doh's 1997 offerings and look forward to continued growth in the activities category.

In the games arena – another Hasbro powerhouse category where the pieces are in place – our sterling Milton Bradley and Parker Brothers franchises continue to grow in a category that is far from mature. Our ability to grow here involves a proven three-pronged strategy: **1) leverage and revitalize our classic brands,** as we have done with Monopoly®. The Monopoly brand's business is up 50% globally since our major marketing initiatives began two years ago; **2) segment demographically,** as we have done very effectively by targeting age groups – particularly preschoolers and adults – that are least impacted by video; **3) enter new categories,** such as our successful foray into hand-held games in '96. Hasbro's growth in this category is still in the infancy stage.

We continually look to open up new worlds of play patterns and audiences. One of our businesses that is doing just that is Hasbro Interactive (HI). HI was on target in its first full year of establishing itself as a blue-chip brand name in the high-growth interactive industry. In 1996, we shipped thirteen interactive games, and seven of them exceeded 100,000 units in sales. For 1997, we expect to

double our CD-ROM business, with accelerated sales for our '96 hits, combined with the projected popularity of eight new titles.

On-line game play is another potential high-growth area, and again, HI is gearing up to be a leader. That's why we are so excited about our recently announced relationship with Microsoft. This relationship will enable everyone who owns a PC to play the games they know and love on the easy-to-use Microsoft® Internet Gaming Zone. The only catch is that each player has to own our CD-ROM titles in order to play. Great news for game players around the world, indeed, and great news for Hasbro and Microsoft.

The pieces of the puzzle are coming together for a successful 1997 and beyond. As a matter of fact, our 1998 product line is fast taking shape and we have many key initiatives already in place.

Hasbro has the brands and the will to succeed. Today, we are developing a strategic path that will allow us to leverage these brands globally, giving us greater opportunity for profitable growth. This strategic blueprint, highlighted by our evolving, globally-oriented organization and strong financial position, gives us enormous flexibility and strength for the future.

As you can see, there is nothing puzzling about our optimism for what lies ahead, and we look forward to sharing our future successes with all of our shareholders well into the next millennium.

Alan G. Hassenfeld
Chairman and Chief Executive Officer

globalfocus

We believe that the difference between the winners and losers of tomorrow will be the companies that have strong global businesses. Hasbro's new organization is designed to leverage its incredible portfolio of classic brands globally, regionally and locally. There is an increased emphasis on global brand marketing and product development, along with coordinated regional and local marketing and sales activity. Today, we span 102 countries, and 40 percent of our sales come from outside the U.S. We must think of and position ourselves as a global corporation that plays consistently around the world.

Some of our global brands include (clockwise from top left): Beast Wars™ Transformers™, Cluedo® and Play-Doh®. Additional information can be found on the World Wide Web at www.hasbro.com

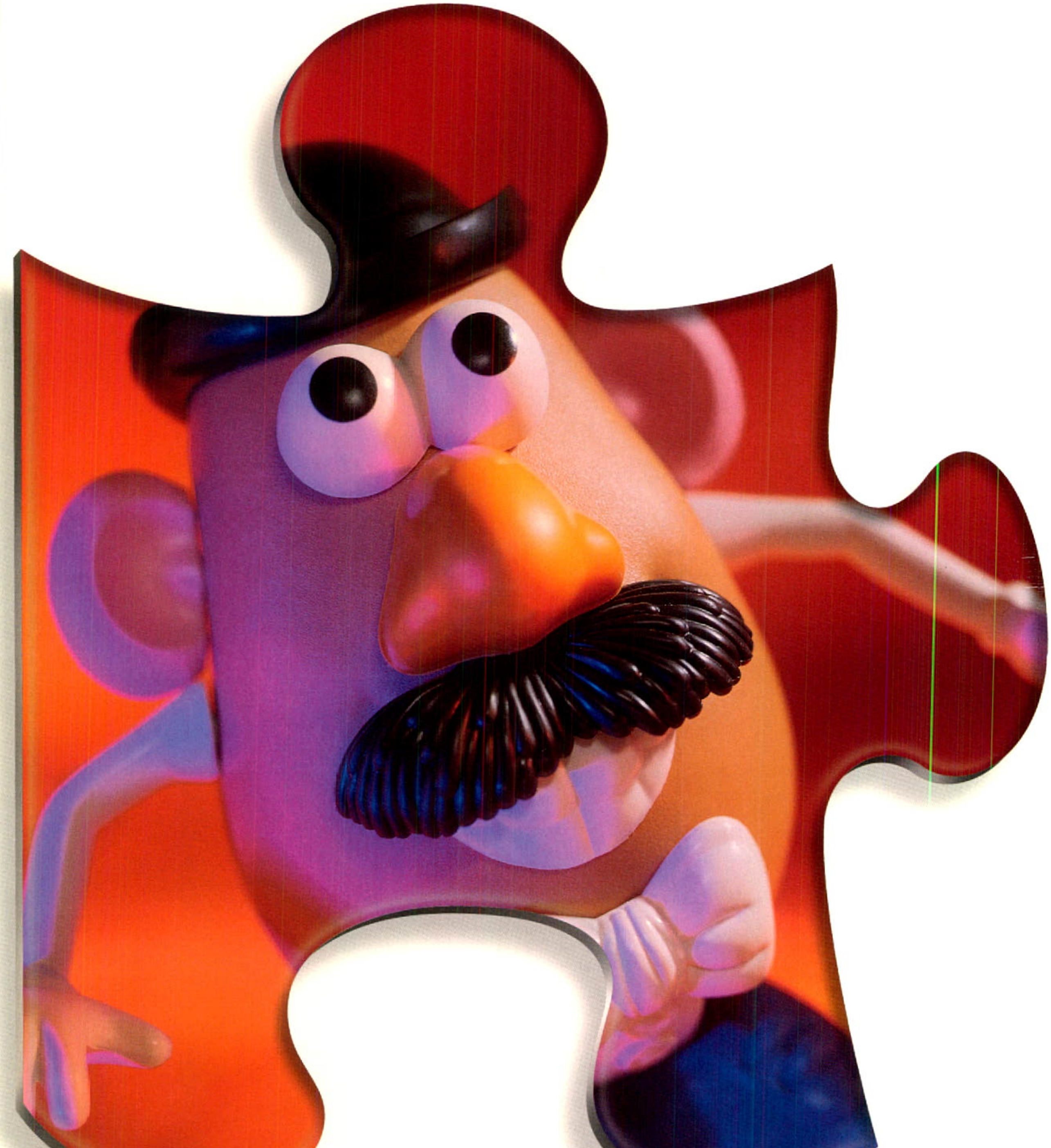
financialstrength

Hasbro is and has been a very profitable company, and we will look to make our strong, prudently managed balance sheet work harder for everyone in 1997. This financial strength provides us with additional flexibility going forward, and our recent agreement in principle to acquire the assets of Cap Toys, Inc. and Oddzon Products, Inc., demonstrates our willingness and ability to be acquisitive. Our financial strength also permitted us to spend more than $110 million buying back some 4.6 million shares of stock between November of 1995 and January of 1997. We still have authorization to buy back an additional 5.2 million shares and we intend to continue this program. Recently, we took several additional initiatives as part of our ongoing plan to provide value to our shareholders, including: a three-for-two stock split; a 20% increase in our cash dividend effective in May; and the establishment of a dividend re-investment and cash stock purchase program.

From board games to the latest CD-ROM technology, Hasbro's got it all. (Top to bottom) The Game of Life®, Star Wars™ Collector Series Darth Vader; Puzz 3D™ Taj Mahal; Battleship® CD-ROM.

powerfulbrands

We couldn't be prouder -- or more fortunate -- in having the greatest library of brands in the business. Milton Bradley®...Parker Brothers®...Playskool®...Monopoly®...Trivial Pursuit®...Mr. Potato Head®...Tonka®...Play-Doh®. Of course, what's nice about our library is that the toy and game contents can be "checked out" 24 hours a day, 365 days a year by children around the globe. We believe that all of our core brands have strong growth potential, and our new globally-focused organization is being equipped with the appropriate tools to turn this potential into reality.



creative minds

Hasbro is stocked with creative people. From R&D to sales, and everything in between, we pride ourselves in being a fun and innovative company dedicated to making the best toys and games in the business. At the same time, Hasbro's management team is focused on ensuring that our creative energy is strategically directed by building the right organization, led by the right people. We aim to benefit Hasbro's shareholders through this combination of creativity and business acumen.

(From top to bottom) Our award winning Star Wars™ brand team; technology helps make "Tonka® Tough"; the "experts" review our toys at Hasbro's Funlab; always creating new ways to play, like Chicken Croquet™.

optimism,
putting the pieces in place.
SPIROGRAPH
GO

FINANCIAL SECTION

MANAGEMENT'S REVIEW

Summary

A percentage analysis of results of operations follows:

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

Results of Operations

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

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

The Company's gross profit margin decreased to 55.7% from 56.7% in 1995 which had improved slightly from 56.5% in 1994. The change in 1996 results from a combination of factors including a greater volume of products sold at less than normal margins, higher tooling costs, unfavorable foreign exchange rates, increased unabsorbed overheads in the Company's European manufacturing facilities resulting from reduced production levels, all partially offset by reduced raw material commodity costs, specifically paper board and plastic resin.

Amortization expense, which includes amortization of both property rights and cost in excess of net assets acquired, of $40,064 compares with $38,471 in 1995 and $36,903 in 1994. These increases were attributable to the acquisitions during the respective years.

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

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

During 1996, selling, distribution and administration costs decreased to 18.8% of revenues from 19.4% in 1995 and 18.5% in 1994. The 1996 percentage reflects a return to a level more closely approximating that experienced in years prior to 1995. The increase in 1995 resulted from investment spending in certain newly organized and acquired operations, an overall rise in the Company's costs associated with distributing its products and the impact of general increases in expense levels, including costs associated with the 53rd week of operations included in that fiscal year.

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

During 1994, the Company completed a restructuring of its Domestic Toy Group, merging its Hasbro Toy, Playskool, Playskool Baby, Kenner and Kid Dimension units into one organization, the Hasbro Toy Group, and also announced a consolidation of its United States manufacturing facilities. To provide for these and other immaterial restructuring costs, the Company recorded a $12,500 pretax charge during the third quarter of that year. This amount included facility costs, severance and other related costs.

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

Other income of $6,091 in 1996 compares with $16,566 and $26,681 in 1995 and 1994, respectively. The decrease of approximately $10,000 in 1996 is largely the result of decreased earnings from available funds. These funds, principally in the international units, are invested on a short-term basis locally. During 1994, the Company disposed of its minority investments in J.W. Spear & Sons PLC and Virgin Interactive Entertainment plc, realizing an aggregate pretax gain of approximately $23,000.

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

Liquidity and Capital Resources

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

Hasbro generated in excess of $225,000 of net cash from its operating activities in each of 1996, 1995 and 1994. Included in the 1996 amount was a net utilization of $52,347 for changes in operating assets and liabilities. Contributing to this utilization were accounts receivable, which were approximately 2% greater than in 1995. This reflects the approximate $83,000 increase in fourth quarter sales, much of which, under Hasbro's normal trading terms, becomes due after the end of the Company's fiscal year, partially reduced by the non-recourse sale of certain receivables totaling $65,000. Inventories decreased by more than 13% in the current year, also impacted by the higher level of fourth quarter shipments. Also utilizing funds were prepaid expenses and other current assets, which increased and accounts payable and accrued liabilities, which decreased. Both of these changes were largely due to the timing of certain payments. During 1995 operating assets and liabilities utilized $67,117, primarily in accounts receivable and inventories. Receivables were approximately 10% greater in 1995 than in 1994, reflecting both the increased level of fourth quarter sales and the impact of new operations. Inventories, up more than 25%, also reflected the impact of new operations and expanded product lines as well as a planned increase to allow faster and more complete shipment of customer orders. Partially offsetting these utilizations was the increase in trade payables and other accrued liabilities which reflected the increased and expanded levels of operations. The net change in operating assets and liabilities provided a relatively small amount of cash to the Company in 1994.

Cash flows from investing activities were a net utilization of funds during all three reported years; $127,286, $209,331 and $244,178 in 1996, 1995 and 1994, respectively. During each of the three years, the Company expended an average of approximately $100,000 in additions to its property, plant and equipment. Of these amounts, 57% in 1996, 56% in 1995 and 43% in 1994 were for purchases of tools, dies and molds related to the Company's products. During those three years, depreciation and amortization expenses were $98,201, $91,437 and $85,368, respectively. During 1996, Hasbro made several small acquisitions and investments, none of which were significant. In 1995 the Company purchased certain products, primarily the Super Soaker™ line, and other assets from the Larami group of companies for $88,135 and made several other smaller investments. During 1994, the Company purchased certain game and puzzle assets of Western Publishing Company, Inc. and the Games Division of John Waddington PLC for an aggregate purchase price of $176,194 and made several other investments. The $59,322 of proceeds from sale of investments in 1994 relates to the transactions previously discussed.

As part of the traditional marketing strategies of the toy industry, many sales made early in the year are not due for payment until the fourth quarter or early in the first quarter of the subsequent year, thus making it necessary for the Company to borrow significant amounts pending these collections. During the year the Company borrowed through the issuance of commercial paper and short-term lines of credit to fund its seasonal working capital requirements in excess of funds available from operations. During 1997, the Company expects to fund these needs in a similar manner and believes that the funds available to it are adequate to meet its needs. At March 2, 1997, the Company's unused committed and uncommitted lines of credit, including a $440,000 revolving credit agreement, were in excess of $1,100,000.

During 1996 and 1994, net financing activities utilized approximately $90,000 of Hasbro's funds, while in 1995 it provided a small amount. Throughout 1996, the Company met its seasonal working capital requirements through short-term borrowings, as in prior years. During the year, the Company also repurchased in excess of $80,000 of its common stock in the open market. In 1994, the Company repaid more than $53,000 of long-term debt, including the early redemption of its $50,000 subordinated variable rate notes. Several equity transactions also required the utilization of funds during 1994. These included the repurchase of more than $26,000 of the Company's common stock in the open market and approximately $16,000 in payments to exercising warrantholders in lieu of issuing shares of common stock.

Under prior authorizations of the Board of Directors (the Board) and the Executive Committee of the Board, the Company repurchased 3,415,800 shares of its common stock during 1996 and may repurchase up to an additional 5,685,750 shares (both amounts expressed in post-split shares). The Company anticipates that it will continue such purchases in the future when it deems conditions to be favorable. The shares acquired under these programs are being used for corporate purposes including issuance upon the exercise of stock options.

Foreign Currency Activity

The Company manages its foreign exchange exposure in various ways including forward exchange contracts and the netting of foreign exchange exposure. In addition, where possible, the Company minimizes its foreign asset exposure by borrowing in foreign currencies. Its policy is not to enter into derivative financial instruments for speculative purposes. It does, however, enter into certain foreign currency forward exchange contracts to protect itself from adverse currency rate fluctuations on identifiable foreign currency commitments, primarily for future purchases of inventory. Such contracts are denominated in currencies of major industrial countries and entered into with creditworthy banks for terms of less than twelve months. At both December 29, 1996 and December 31, 1995, outstanding contracts related to purchases of either U.S. dollars or Hong Kong dollars. The Company does not anticipate any material adverse impact on its results of operations or financial position from these contracts.

The Economy and Inflation

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

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

Other Information

The Company's revenue pattern continues to show the second half of the year more significant to its overall business and within that half, the fourth quarter most prominent. The Company believes that this will continue in 1997.

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

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

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

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

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

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

See accompanying notes to consolidated financial statements.

December 29, 1996 and December 31, 1995 (Thousands of Dollars Except Share Data)	1996	1995
Assets		
Current assets		
Cash and cash equivalents	$ 218,971	161,030
Accounts receivable, less allowance for doubtful accounts of $46,600 in 1996 and $48,800 in 1995	807,149	791,111
Inventories	273,247	315,620
Prepaid expenses and other current assets	187,222	157,737
Total current assets	1,486,589	1,425,498
Property, plant and equipment, net	313,545	313,240
Other assets		
Cost in excess of acquired net assets, less accumulated amortization of $115,312 in 1996 and $99,404 in 1995	460,467	473,388
Other intangibles, less accumulated amortization of $102,387 in 1996 and $79,648 in 1995	364,987	343,624
Other	75,921	60,638
Total other assets	901,375	877,650
Total assets	$2,701,509	2,616,388

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

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal Years Ended in December (Thousands of Dollars)	1996	1995	1994
Cash flows from operating activities			
Net earnings	**$199,912**	155,571	175,033
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization of plant and equipment	**98,201**	91,437	85,368
Other amortization	**40,064**	38,471	36,903
Deferred income taxes	**(8,120)**	(9,149)	(1,245)
Gain on investments	**(18)**	(474)	(25,284)
Discontinued development cost	**–**	13,256	–
Change in operating assets and liabilities (other than cash and cash equivalents):			
(Increase) decrease in accounts receivable	**(22,418)**	(66,658)	9,871
Decrease (increase) in inventories	**42,959**	(64,686)	28,678
(Increase) in prepaid expenses and other current assets	**(37,036)**	(1,633)	(3,142)
(Decrease) increase in trade payables and other current liabilities	**(35,852)**	65,860	(22,231)
Other	**2,301**	5,405	(166)
Net cash provided by operating activities	**279,993**	227,400	283,785
Cash flows from investing activities			
Additions to property, plant and equipment	**(101,946)**	(100,639)	(110,944)
Investments and acquisitions, net of cash acquired	**(33,027)**	(117,406)	(192,379)
Sale of investments	**318**	1,715	59,322
Other	**7,369**	6,999	(177)
Net cash utilized by investing activities	**(127,286)**	(209,331)	(244,178)
Cash flows from financing activities			
Proceeds from borrowings with original maturities of more than three months	**265,017**	433,646	–
Repayments of borrowings with original maturities of more than three months	**(255,636)**	(416,515)	(53,736)
Net (payments) proceeds of other short-term borrowings	**(6,116)**	20,997	18,938
Purchase of common stock	**(83,657)**	(15,228)	(26,140)
Stock option and warrant transactions	**17,745**	6,664	(5,106)
Dividends paid	**(32,959)**	(27,190)	(23,711)
Net cash (utilized) provided by financing activities	**(95,606)**	2,374	(89,755)
Effect of exchange rate changes on cash	**840**	3,559	922
Increase (decrease) in cash and cash equivalents	**57,941**	24,002	(49,226)
Cash and cash equivalents at beginning of year	**161,030**	137,028	186,254
Cash and cash equivalents at end of year	**$218,971**	161,030	137,028
Supplemental information			
Cash paid during the year for			
Interest	**$ 29,430**	39,050	33,471
Income taxes	**$ 92,670**	81,179	99,601

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

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

See accompanying notes to consolidated financial statements.

(Thousands of Dollars Except Share Data)

(1) Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Hasbro, Inc. and all significant majority-owned subsidiaries (Hasbro or the Company). Investments in affiliates representing 20% to 50% ownership interest are accounted for using the equity method. All significant intercompany balances and transactions have been eliminated.

Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Actual results could differ from those estimates.

Fiscal Year

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

Cash and Cash Equivalents

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

Inventories

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

Long-Lived Assets

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

Cost in Excess of Net Assets Acquired and Other Intangibles

Approximately 90% of Hasbro's goodwill results from the 1984 acquisition of Milton Bradley Company (Milton Bradley), including its Playskool and international units, and the 1991 acquisition of Tonka Corporation (Tonka), including its Kenner, Parker Brothers and international units, and is being amortized on the straight-line method over forty years.

Substantially all of the other intangibles consist of the cost of acquired product rights. These rights, which were valued at their acquisition based on the anticipated future cash flows from the underlying product lines, are being amortized over five to twenty-five years using the straight-line method. In establishing the value of such rights, the Company considers, but does not individually value, existing copyrights, trademarks, patents, license agreements and other product-related rights. Approximately 34% of these other intangibles relate to the acquisition of Milton Bradley and Tonka and an additional 49% relates to Hasbro's acquisitions during 1995 and 1994. (See note 2)

Depreciation and Amortization

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

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

Income Taxes

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

Foreign Currency Translation

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

Pension Plans, Postretirement and Postemployment Benefits

Hasbro, except for certain international subsidiaries, has pension plans covering substantially all of its full-time employees. Pension expense is based on actuarial computations of current and future benefits. The Company's policy is to fund amounts which are required by applicable regulations and which are tax deductible. The estimated amounts of future payments to be made under other retirement programs are being accrued currently over the period of active employment and are also included in pension expense.

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

Research and Development

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

Advertising

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

Risk Management Contracts

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

Earnings Per Common Share

Earnings per common share are based on the weighted average number of shares of common stock and dilutive common stock equivalents outstanding during each period. Common stock equivalents include stock options and warrants for the period prior to their exercise. Under the treasury stock method, the unexercised options and warrants are assumed to be exercised at the beginning of the period or at issuance, if later. The assumed proceeds are then used to purchase common stock at the average market price during the period.

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

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

(2) Acquisitions

During February 1995, Hasbro purchased certain products and other assets from the Larami group of companies for $88,135. Accounting for this acquisition using the purchase method, the Company allocated the purchase price based on estimates of fair market value which included $9,053 of net tangible assets, $76,100 of product rights and $2,982 of goodwill.

(3) Inventories

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

(4) Property, Plant and Equipment

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

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

(5) Short-Term Borrowings

Hasbro has available unsecured committed and uncommitted lines of credit from various banks approximating $550,000 and $790,000, respectively. Substantially all of the short-term borrowings outstanding at the end of 1996 and 1995 represent bank borrowings related to international units made under these lines of credit. The weighted average interest rates of the outstanding borrowings were 5.0% and 6.2%, respectively. Hasbro's working capital needs were fulfilled by borrowing under these lines of credit and through the issuance of commercial paper, both of which were on terms and at interest rates generally extended to companies of comparable creditworthiness. Included as part of the committed line is $440,000 available from a revolving credit agreement. This agreement contains certain restrictive covenants with which the Company is in compliance. Compensating balances and facility fees were not material.

(6) Accrued Liabilities

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

(7) Long-Term Debt

Long-term debt of $149,382 and $149,991 at December 29, 1996 and December 31, 1995, respectively, consists of Hasbro's 6% Convertible Subordinated Notes Due 1998. These notes are convertible into common stock at a conversion price of $19.55 per share, are redeemable, at a premium, by the Company and interest on them is paid semi-annually.

(8) Income Taxes

Income taxes attributable to earnings before income taxes are:

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

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

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

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

The components of earnings before income taxes are as follows:

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

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

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

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

Hasbro has a valuation allowance for deferred tax assets at December 29, 1996 of $7,724, which is a decrease of $8,145 from the $15,869 at December 31, 1995. Such decrease relates primarily to the current and expected future utilization of certain international tax losses from prior years. The remaining allowance pertains to other international operating loss carryforwards, some of which have no expiration and others that will expire beginning in 1997. If fully realized, future income tax expense will be reduced by $7,724.

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

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

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

(9) Capital Stock

Preference Share Purchase Rights

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

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

Common Stock

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

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

In August 1990, the Board authorized the purchase of up to 6,750,000 shares of the Company's common stock and in June 1994, the Executive Committee of the Board authorized the purchase of up to an additional 7,500,000 shares. At December 29, 1996, a balance of 5,685,750 shares remained under these authorizations.

(10) Employee Stock Options and Warrants

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

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

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

Hasbro has reserved 14,955,055 shares of its common stock for issuance upon exercise of options granted or to be granted under the plans. These options generally vest in equal annual amounts over three to five years. The plans provide that options be granted at exercise prices not less than market value on the date the option is granted and options are adjusted for such changes as stock splits and stock dividends. No options are exercisable for periods of more than ten years after date of grant. Although certain of the plans permit the granting of awards in the form of stock options, stock appreciation rights, stock awards and cash awards, to date, only stock options have been granted.

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

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

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

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

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

(11) Pension, Postretirement and Postemployment Benefits

Pension Benefits

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

United States Plans

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

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

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

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

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

The assets of the funded plans are managed by investment advisors and consist primarily of pooled indexed and actively managed bond and stock funds. The projected benefits have been determined using assumed discount rates of 7.75% for 1996, 7.25% for 1995 and 8.5% for 1994 and, for all years, an assumed long-term rate of compensation increase of 5% and an assumed long-term rate of return on plan assets of 9%.

Hasbro also has a profit sharing plan covering substantially all of its United States non-union employees. The plan provides for an annual discretionary contribution by the Company which for 1996, 1995 and 1994 was approximately $5,000, $4,800 and $5,100, respectively.

International Plans

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

Postretirement Benefits

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

The accumulated benefit obligation relating to this plan at December 29, 1996 and December 31, 1995 consists of:

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

The net periodic postretirement benefit cost included the following components:

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

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

If the health care cost trend rate were increased one percentage point in each year, the accumulated postretirement benefit obligation at December 31, 1996 would have increased by approximately 10% and the aggregate of the benefits earned during the period and the interest cost would have each increased by approximately 11%.

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

At the beginning of 1994, Hasbro adopted Statement of Financial Accounting Standards No. 112 (SFAS 112). SFAS 112 requires that the cost of certain postemployment benefits be accrued over the employee service period which was a change from the Company's prior practice of recording such benefits when incurred. The effect of initially applying SFAS 112, net of a deferred tax benefit of $2,513, was recorded as the cumulative effect of change in accounting principles.

(12) Leases

Hasbro occupies certain manufacturing facilities and sales offices and uses certain equipment under various operating lease arrangements. The rent expense under such arrangements, net of sublease income which is not material, for 1996, 1995 and 1994 amounted to $46,092, $43,486 and $39,186, respectively.

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

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

All leases expire prior to 2014. Real estate taxes, insurance and maintenance expenses are generally obligations of the Company. It is expected that in the normal course of business, leases that expire will be renewed or replaced by leases on other properties; thus, it is anticipated that future minimum lease commitments will not be less than the amounts shown for 1996.

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

(13) Discontinued Development Project and Restructuring Charges

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

During the third quarter of 1994, Hasbro recorded a restructuring charge of $12,500, primarily related to the reorganization of its Domestic Toy Group and the consolidation of its United States manufacturing operations. Substantially all of the liabilities established for these actions, which included provisions for severance payments, outplacement services and the continuation of certain fringe benefits, primarily medical and dental, have been paid.

(14) Financial Instruments

Hasbro's financial instruments include cash and cash equivalents, accounts receivable, short- and long-term borrowings, accounts payable, accrued liabilities and foreign currency forward exchange contracts. At December 29, 1996, the carrying value of these instruments approximated their fair value based on current market prices and rates. As estimates of these fair values are subjective and involve uncertainties and judgments, they cannot be determined with precision. Any changes in assumptions would affect these estimates.

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

(15) Commitments and Contingencies

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

Hasbro had the equivalent of approximately $35,000 and $42,000 of forward exchange contracts outstanding at December 29, 1996 and December 31, 1995, respectively. These contracts have been entered into to hedge firm commitments for the purchase of products, principally from the Far East. Gains and losses deferred under hedge accounting provisions are subsequently included in the measurement of the related foreign currency transaction. The aggregate amount of gains and losses resulting from foreign currency transactions was not material.

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

(16) Segment Reporting

Industry and Geographic Information

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

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

Information about Hasbro's operations in different geographic areas, determined by the location of the subsidiary or unit, for each of the fiscal years in the three-year period ended December 1996 follows. Hasbro's primary operations in areas outside of the United States include Western Europe, Canada, Mexico, Australia and New Zealand and Hong Kong. As the international areas have similar business environments and the Company's operations in those areas are similar, they are presented as one category.

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

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

Other Information

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

Sales to the Company's two largest customers, Toys R Us, Inc. and Wal-Mart Stores, Inc., amounted to 22% and 13%, respectively, of consolidated net revenues during 1996 and 21% and 12%, respectively, during each of 1995 and 1994.

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

(17) Quarterly Financial Data (Unaudited)

	Quarter				Full
	First	Second	Third	Fourth	Year
1996					
Net revenues	**$538,685**	**511,609**	**845,148**	**1,106,928**	**3,002,370**
Gross profit	**$300,914**	**277,425**	**472,875**	**622,259**	**1,673,473**
Earnings before income taxes	**$ 39,109**	**9,143**	**104,934**	**153,707**	**306,893**
Net earnings	**$ 24,365**	**5,986**	**70,469**	**99,092**	**199,912**
Per common share					
Earnings	**$ .18**	**.05**	**.54**	**.75**	**1.52**
Market price					
High	**$ 31 1/4**	**25 3/4**	**25 1/2**	**29 3/8**	**31 1/4**
Low	**$ 19 1/4**	**23 1/2**	**21 1/4**	**24 5/8**	**19 1/4**
Cash dividends declared	**$ .07**	**.07**	**.07**	**.07**	**.27**
1995					
Net revenues	$526,503	481,854	826,165	1,023,688	2,858,210
Gross profit	$293,931	267,769	465,313	594,000	1,621,013
Earnings (loss) before income taxes	$ 35,257	(24,217)(a)	103,370	138,140	252,550
Net earnings (loss)	$ 21,683	(14,893)	63,572	85,209	155,571
Per common share					
Earnings (loss)	$ .16	(.11)	.48	.64	1.18
Market price					
High	$ 22 1/2	23 1/2	22 1/4	21 3/4	23 1/2
Low	$ 18 7/8	20 7/8	19 3/4	19	18 7/8
Cash dividends declared	$ .05	.05	.05	.05	.21
1994					
Net revenues	$489,133	444,324	796,222	940,583	2,670,262
Gross profit	$280,933	241,146	444,093	542,611	1,508,783
Earnings before income taxes and cumulative effect of change in accounting principles	$ 43,443	2,657	122,196(a)	123,273	291,569
Net earnings	$ 22,435	1,634	75,151	75,813	175,033
Per common share					
Earnings before cumulative effect of change in accounting principles	$ .20	.01	.56	.57	1.34
Earnings	$ .17	.01	.56	.57	1.31
Market price					
High	$ 24 3/8	24	21 3/8	22 1/4	24 3/8
Low	$ 22 1/4	18 3/4	18 3/4	18 1/2	18 1/2
Cash dividends declared	$ .05	.05	.05	.05	.19

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hasbro, Inc.:

We have audited the accompanying consolidated balance sheets of Hasbro, Inc. and subsidiaries as of December 29, 1996 and December 31, 1995 and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the fiscal years in the three-year period ended December 29, 1996. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hasbro, Inc. and subsidiaries as of December 29, 1996 and December 31, 1995 and the results of their operations and their cash flows for each of the fiscal years in the three-year period ended December 29, 1996 in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

Providence, Rhode Island
February 5, 1997

(Thousands of Dollars Except Share Data)	1996	1995	1994	1993	1992
Operating information					
Net revenues	**$3,002,370**	2,858,210	2,670,262	2,747,176	2,541,055
Cost of sales	**$1,328,897**	1,237,197	1,161,479	1,182,567	1,094,031
Amortization	**$ 40,064**	38,471	36,903	35,366	33,528
Royalties, research and development	**$ 319,494**	304,704	273,039	280,571	249,851
Advertising	**$ 418,003**	417,886	397,094	383,918	377,219
Selling, distribution and administration	**$ 563,645**	555,280	493,570	498,066	461,888
Discontinued development project and restructuring charges	**$ –**	31,100	12,500	15,500	–
Nonoperating expense	**$ 25,374**	21,022	4,108	25,978	32,162
Earnings before income taxes and cumulative effect of change in accounting principles	**$ 306,893**	252,550	291,569	325,210	292,376
Earnings before cumulative effect of change in accounting principles	**$ 199,912**	155,571	179,315	200,004	179,164
Net earnings	**$ 199,912**	155,571	175,033	200,004	179,164
Common share data (1)					
Price at year end	**$ 25½**	20⅝	19¼	24⅛	21⅞
Earnings per share before cumulative effect of change in accounting principles	**$ 1.52**	1.18	1.34	1.48	1.34
Earnings per share	**$ 1.52**	1.18	1.31	1.48	1.34
Book value per share	**$ 12.82**	11.64	10.63	9.69	8.46
Price/earnings ratio	**16.78**	17.48	14.69	16.30	16.32
Price/book value ratio	**1.99**	1.77	1.81	2.49	2.59
Statistics and ratios					
Gross profit margin	**55.7%**	56.7%	56.5%	57.0%	56.9%
Operating profit margin	**11.1%**	9.6%	11.1%	12.8%	12.8%
Net profit margin	**6.7%**	5.4%	6.6%	7.3%	7.0%
Effective tax rate	**34.9%**	38.4%	38.5%	38.5%	38.7%
Long-term debt to capitalization	**8.3%**	9.0%	9.7%	13.6%	15.7%
Return on average assets	**7.4%**	6.0%	7.4%	8.9%	8.4%
Ratio of earnings to fixed charges (2)	**7.51**	5.82	7.58	8.59	7.08
Supplementary data					
Capital expenditures	**$ 101,946**	100,639	110,944	99,792	90,431
Depreciation and all amortization	**$ 138,265**	129,908	122,271	100,648	95,615
Property, plant and equipment, net	**$ 313,545**	313,240	308,879	279,803	251,340
Cash dividends declared	**$ 34,559**	28,050	24,573	21,035	17,388
Number of employees	**13,000**	13,000	12,500	12,500	11,000

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

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

DIRECTORS

Alan G. Hassenfeld
Chairman of the Board
and Chief Executive Officer

Alan R. Batkin
Vice Chairman
Kissinger Associates

George R. Ditomassi, Jr.
Executive Vice President
President, Global Innovation

Harold P. Gordon
Vice Chairman

Alex Grass
Chairman of the
Executive Committee
Rite Aid Corporation

Sylvia Hassenfeld
Former Chairman of the Board
American Jewish Joint
Distribution Committee, Inc.

Marie-Josee Kravis
Senior Fellow
The Hudson Institute Inc.

Claudine B. Malone
President
Financial and Management
Consulting, Inc.

Morris W. Offit
Chairman of the Board
and Chief Executive Officer
Offitbank

Norma T. Pace
President
Paper Analytics Associates

E. John Rosenwald, Jr.
Vice Chairman
The Bear Stearns Companies, Inc.

Carl Spielvogel
Chairman of the Board and Chief
Executive Officer
United Auto Group, Inc.

Henry Taub
Honorary Chairman of the Board
Automatic Data Processing
Company, Inc.

Preston Robert Tisch
Co-Chairman and Co-Chief
Executive Officer
Loews Corporation

Alfred J. Verrecchia
Executive Vice President
President, Global Operations

Paul Wolfowitz
Dean
School of Advanced
International Studies
Johns Hopkins University

EXECUTIVE OFFICERS

Alan G. Hassenfeld
Chairman of the Board
and Chief Executive Officer

Harold P. Gordon
Vice Chairman

George R. Ditomassi, Jr.
Executive Vice President
President, Global Innovation

Adam Klein
Executive Vice President
Global Strategy
and Development

John T. O'Neill
Executive Vice President
Chief Financial Officer

Alfred J. Verrecchia
Executive Vice President
President, Global Operations

Virginia H. Kent
President
Brands and Product Development

E. David Wilson
President, Hasbro Americas

Dan D. Owen
President, Hasbro USA

Richard B. Holt
Senior Vice President
and Controller

Cynthia S. Reed
Senior Vice President
and General Counsel

Phillip H. Waldoks
Senior Vice President
Corporate Legal Affairs
and Secretary

Russell L. Denton
Vice President and Treasurer

STOCK EXCHANGE INFORMATION

The Common Stock of Hasbro, Inc. is listed on the American Stock Exchange and the London Stock Exchange under the symbol HAS.

ANNUAL MEETING

The annual meeting of shareholders will be held at 10:00 A.M. on Wednesday, May 14, 1997 at:

Hasbro's Corporate Office
1027 Newport Avenue
Pawtucket, Rhode Island 02862

DIVIDEND REINVESTMENT AND CASH STOCK PURCHASE PROGRAM

Under this plan, Hasbro shareholders may reinvest their dividends or make optional cash payments toward the purchase of additional shares of common stock. Shareholders wishing information about this plan should contact the Transfer Agent and Registrar.

TRANSFER AGENT AND REGISTRAR

Shareholders who wish to change the name or address on their record of stock ownership, report lost certificates, consolidate accounts or make other inquires relating to stock certificates or the Dividend Reinvestment and Cash Stock Purchase program should contact:

First National Bank of Boston
c/o Boston EquiServe, L.P.
Shareholder Services
P.O. Box 644
Boston, Massachusetts
02102-0644
(617) 575-3400 or
(800) 733-5001

SHAREHOLDERS

As of February 28, 1997, there were approximately 4,200 shareholders of record of the Company's Common Stock.

INVESTOR INFORMATION

Securities analysts, investors and others who wish information about Hasbro are invited to contact:

Investor Relations
1027 Newport Avenue
P.O. Box 1059
Pawtucket, Rhode Island
02862-1059
(401) 431-8697

FORM 10-K

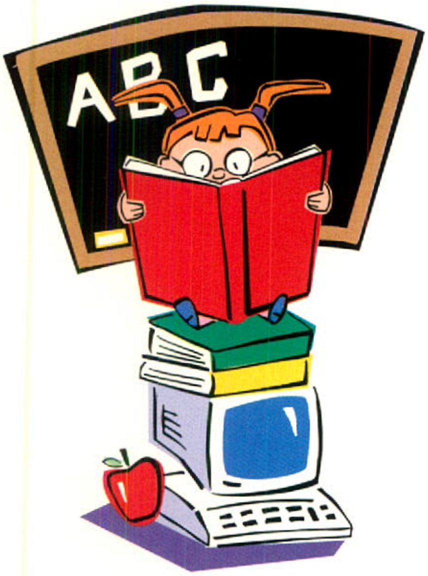
Hasbro's annual report on Form 10-K to the Securities and Exchange Commission provides certain additional information. Shareholders may obtain a copy without charge by contacting:

Cynthia S. Reed
Senior Vice President and
General Counsel
1027 Newport Avenue
P.O. Box 1059
Pawtucket, Rhode Island
02862-1059

HASBRO CHILDREN'S FOUNDATION

Expanding Children's Programs Community by Community

The Hasbro Children's Foundation is dedicated to supporting the start-up, development and/or expansion of direct service programs that improve the quality of life for disadvantaged children, from birth through age twelve, their families, and their communities in the areas of health, education and societal needs. In addition, the Foundation funds fully accessible play spaces for children.



Education

Very Special Arts
Boston, Massachusetts

The Circle of Support project is a school and family focused early literacy intervention program. Support was provided for a collaborative effort between the John P. Holland School, Very Special Arts Massachusetts and four social service agencies to add an arts component.

Lekotek of Georgia
Atlanta, Georgia

Funds were provided for Compuplay, an educational program that uses specially adapted computers and software for children with disabilities.

Health

Big Apple Circus Clown Care Unit
New York, New York

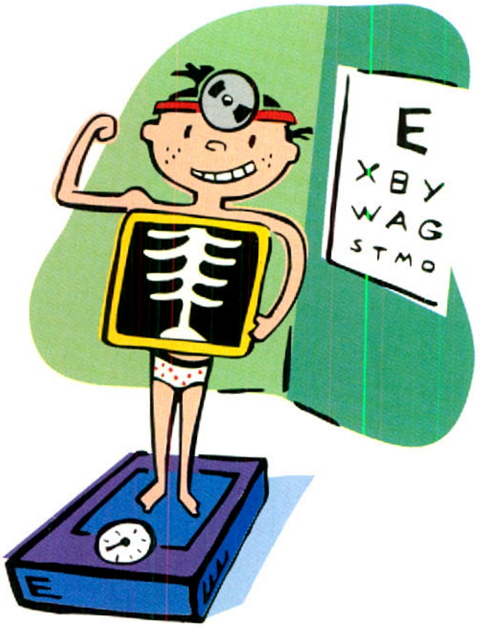
Funds were awarded to help expand the Clown Care Unit to pediatric hospitals throughout the country at a rate of two to three new cities a year.

Pacific Oaks College
Pasadena, California

Funds enabled the Therapeutic Intervention Project, a long-term, neighborhood based service for children exposed to violence and other forms of trauma, to deliver services via mobile van to schools throughout Compton, a neighborhood in Los Angeles.

Rise 'n Shine
Seattle, Washington

Support was given to the Love a Child program which matches a specially trained adult friend with a child who has a parent with HIV/AIDS and/or is inflicted with the disease.



Playspaces

Association to Benefit Children
New York, New York

Hasbro Children's Foundation funded a playground for Cassidy's Place, a residence that serves economically disadvantaged children with life-threatening diseases.

East Harlem Block Schools
New York, New York

Support went to a children's community garden that will be the prototype for a network of gardens in East Harlem. The garden will be a vehicle for children, siblings, parents and seniors to work together to better the community.

Family Support

Libraries for the Future
New York, New York

Libraries for the Future and Middle Country Public Library (Centereach, Long Island) will use funds to create a "Family Place" in each of four public libraries located in at-risk neighborhoods in four states.

Children's Institute International
Los Angeles, California

Funds went to establish "Grandma's House," a neighborhood community center designed to provide peer support and community linkage to grandparents and other care givers who are rearing children.

Early Childhood Leadership Initiative
Boston, Massachusetts

Support was given to this project, initiated by the Early Childhood Funders Collaborative, an eight foundation consortium, to be implemented by Wheelock College, to improve the training and credentialling of directors of early childhood centers.

Lutheran Social Services of Illinois
Des Plaines, Illinois

The Family Play Project was funded to assist parents in learning to play with their children at the eight child care centers of Lutheran Social Services of Illinois.

Para Los Niños
Los Angeles, California

Funding was provided to the Crisis Nursery Project at Para Los Niños which provides respite care for children at risk of abuse and neglect.

Parent Leadership Training Institute
Connecticut Commission on Children
Hartford, Connecticut

Funds will be used to help expand the Parent Leadership Training Institute to 10 cities and to Head Start programs in Connecticut. The Parent Leadership Training Institute integrates child development and leadership skills into a curriculum that helps to empower parents to speak out on behalf of their children.

Homelessness

Homes for the Homeless
New York, New York

Funds were granted for the Together in Learning Family Literacy Program to expand to ten shelters and transition housing organizations working with homeless families throughout the United States.

New Futures
Huntsville, Alabama

In partnership with The Better Homes Fund, support was provided for the New Futures KIDSTART program, a case management program for homeless preschoolers and their families.

The Homeless Children's Foundation
Salt Lake City, Utah

Funds were provided to the Homeless Children's Foundation which provides a safe, stable nurturing environment for homeless children through their day care center, Our House.

Expanding Children's Programs Community by Community

Center on Hunger, Poverty and Nutrition Policy
Tufts University

The Center works collaboratively with communities in the following 19 states and the District of Columbia to expand nutrition programs to feed hungry, often malnourished children; to teach parents how to maximize what they have; and to provide additional services for high risk children in Alabama, Arizona, California, District of Columbia, Florida, Illinois, Kentucky, Massachusetts, Maine, Michigan, Minnesota, Mississippi, Nebraska, New York, Ohio, Oregon, Rhode Island, Texas, Wisconsin and West Virginia.

HIPPY (Home Instruction Program for Preschool Youngsters)

HIPPY'S home literacy program teaches parents to teach their children, empowering and bonding two generations together through programs in Alabama, Alaska, Arkansas, California, Colorado, Connecticut, District of Columbia, Florida, Georgia, Hawaii, Illinois, Indiana, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Nevada, New Jersey, New York, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Tennessee and Texas.

Avance

Avance is a comprehensive family support program focusing on the Hispanic community with Texas-based sites in Dallas, Corpus Christi, El Paso, Houston, Loredo, Rio Grande Valley and San Antonio, as well as Kansas City, Kansas. New potential sites will be in Austin and Del Rio-Eagle Pass.

Other programs that we are excited to be involved with, that are now expanding across the nation, include:

Libraries of the Future

Vermont, Maryland, Rhode Island and Connecticut.

Big Apple Circus Clown Care Unit

New York, Massachusetts and Washington D.C.

Audrey Cohen College Schools Project

Arizona, California, Florida, Mississippi, New York and Tennessee.

Lekotek-Compuplay

Georgia, Illinois, Iowa, Kansas, Louisiana, Michigan, Missouri and Virginia.

The Children's Aid Society

New York, Minnesota, Washington D.C., Utah, California.

Imagine, for a moment, how the world looks to a child whose life is in pieces due to poverty, disability or illness. It is this image that has inspired the Hasbro Children's Foundation over the past twelve years to find a way to help the children, their families and their communities to pick up the pieces and create lives for themselves that include joy, health and a sense of well-being.

By identifying and supporting the development and expansion of innovative programs across the country that improve the quality of life for disadvantaged children, we attempt to fit together the essential pieces of the puzzle - education, family support, health, shelter, food and play - community by community.

These are some of the programs we funded in 1996, some of the pieces of the puzzle we helped to put in place. We hope that they will ensure that today's children and children of the future have the opportunity to grow and thrive.

Ellen Block
Chairman, Hasbro Children's Foundation

HASBRO

Hasbro, Inc. 1027 Newport Avenue, Pawtucket, Rhode Island 02862-1059

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