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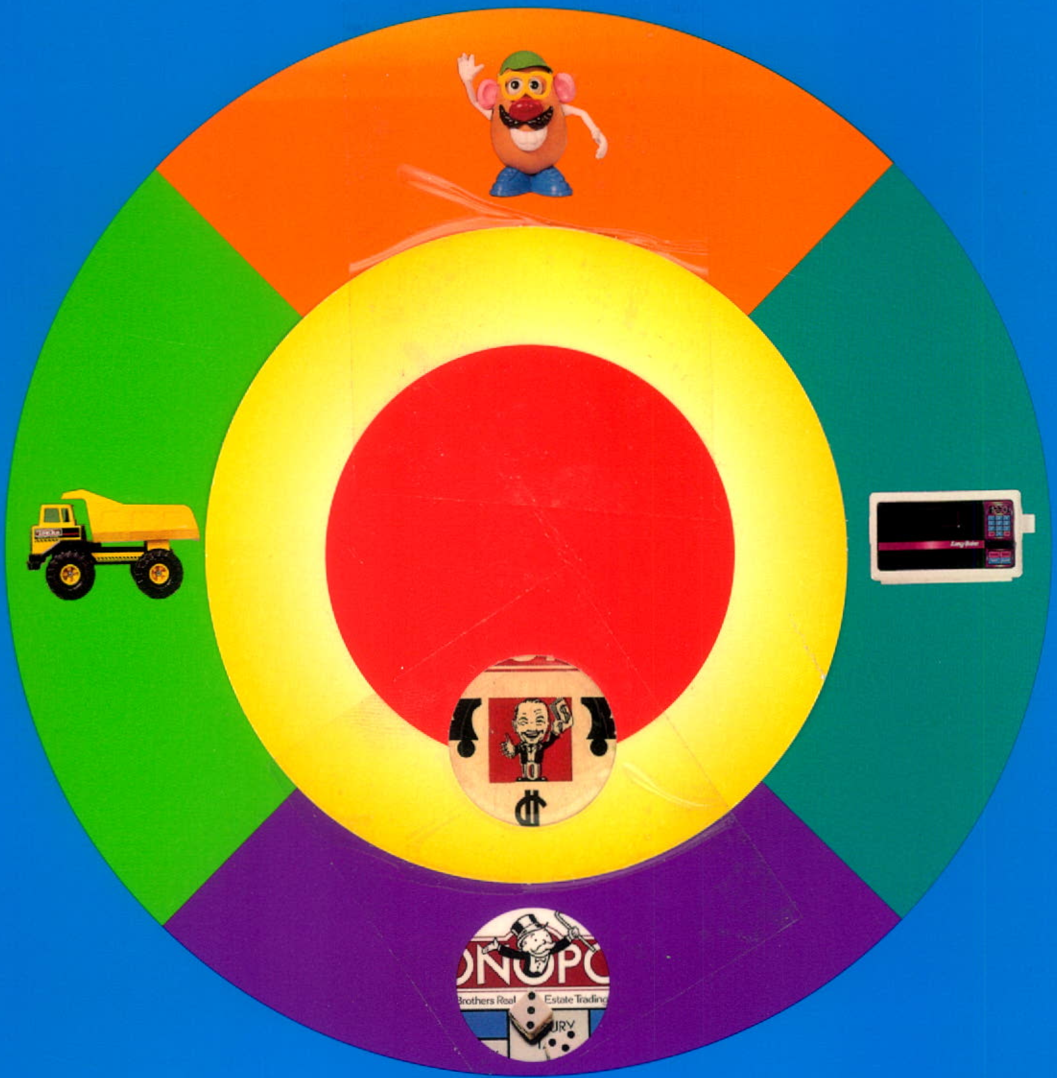

GENERATION TO GENERATION

HASBRO, INC. 1994 ANNUAL REPORT

COMPANY PROFILE

HASBRO, INC. IS A WORLDWIDE LEADER IN THE DESIGN, MANUFACTURE AND MARKETING OF TOYS, GAMES, PUZZLES AND INFANT CARE PRODUCTS. BOTH INTERNATIONALLY AND DOMESTICALLY ITS PLAYSKOOL, KENNER, TONKA, MILTON BRADLEY AND PARKER BROTHERS 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, BATMAN, THE GAME OF LIFE, SCRABBLE, AND MONOPOLY, TO NAME A FEW.

ABOUT THE COVER

TAKE A SPIN DOWN MEMORY LANE WITH SOME OF HASBRO'S CLASSIC TOYS AND GAMES THAT WILL CONTINUE TO BE ENJOYED FOR GENERATIONS TO COME.

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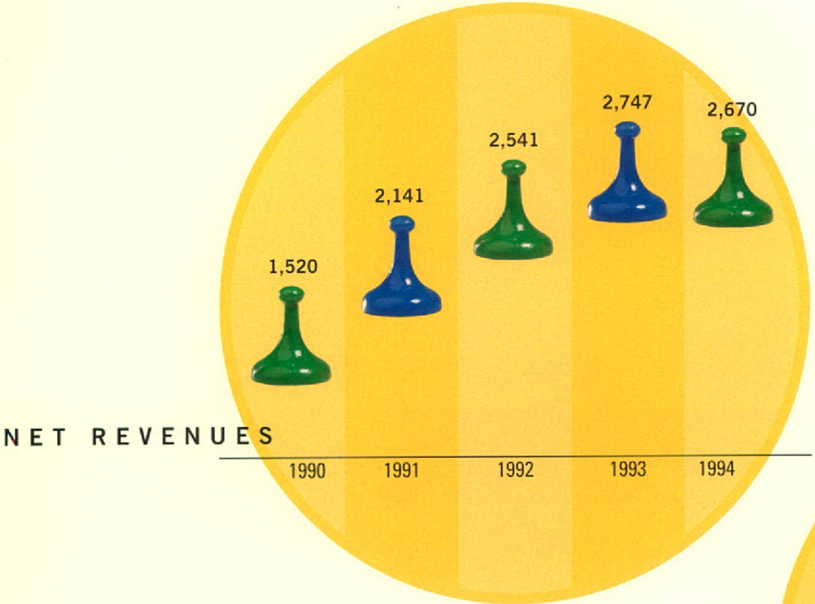
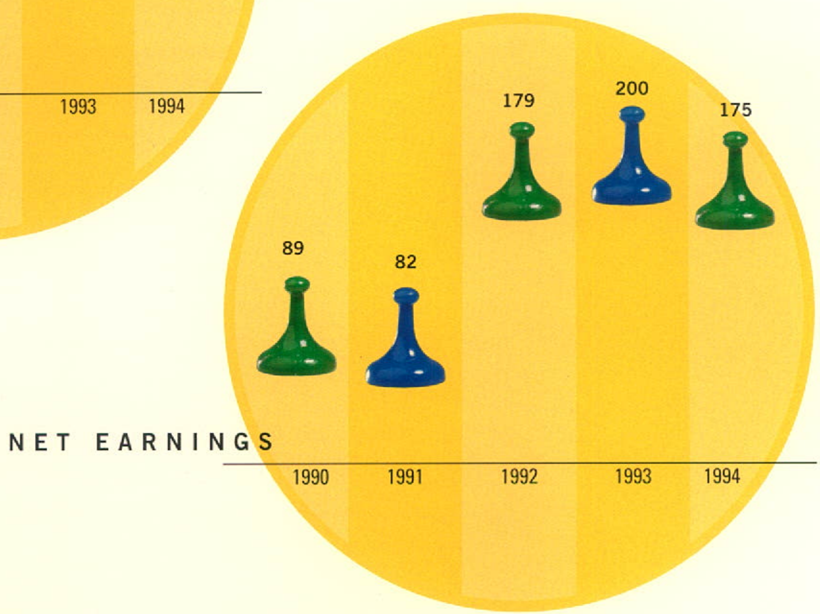
(Thousands of Dollars and Shares Except Per Share Data)	1994	1993	1992	1991	1990
FOR THE YEAR					
Net revenues	$2,670,262	2,747,176	2,541,055	2,141,096	1,520,032
Operating profit	$ 295,677	351,188	324,538	237,373	160,292
Earnings before income taxes and cumulative effect of change in accounting principles	$ 291,569	325,210	292,376	145,551	152,448
Earnings before cumulative effect of change in accounting principles	$ 179,315	200,004	179,164	81,654	89,182
Net earnings (1)	$ 175,033	200,004	179,164	81,654	89,182
Cash provided by operating activities	$ 283,785	217,237	229,810	120,054	161,636
Cash utilized by investing activities	$ 244,178	126,001	93,994	404,400	41,630
Weighted average number of common shares outstanding	89,331	90,031	89,086	86,983	87,119
PER COMMON SHARE					
Earnings before cumulative effect of change in accounting principles	$ 2.01	2.22	2.01	.94	1.02
Net earnings (1)	$ 1.96	2.22	2.01	.94	1.02
Cash dividends declared (2)	$ .28	.24	.20	.16	.13
Shareholders' equity	$ 15.94	14.54	12.68	11.08	10.24
AT YEAR END					
Shareholders' equity	$1,395,417	1,276,683	1,105,621	955,269	867,827
Total assets	$2,378,375	2,293,018	2,082,766	1,950,127	1,284,765
Long-term debt	$ 150,000	200,510	206,189	380,304	56,912
Debt to capitalization ratio	.14	.17	.20	.30	.09
Return on average common shareholders' equity	13.1%	16.8%	17.4%	9.0%	10.7%





(1) 1991 includes the effect of a nonrecurring charge of $59,000, relating to the restructuring of operations in conjunction with the Tonka acquisition, which negatively impacted net earnings by approximately $41,000, or $.47 per share.

(2) On February 17, 1995, the Company announced a 14% increase in its dividend to an annual rate of $.32. The first quarterly dividend at the increased rate will be paid on May 19, 1995 to shareholders of record on May 5, 1995.

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

To Our SHAREHOLDERS

A few years ago, I never thought I would be disappointed producing $175 million in earnings. But, then again, you and I have now become accustomed to seeing significant growth year after year.

On the plus side, 1994 was still our second best year ever in terms of revenues and earnings. For the seventh consecutive year, we reported record fourth quarter net revenues and earnings. For the year, net revenues were $2.670 billion compared to the $2.747 billion reported in 1993. Absent the effect of a first quarter accounting change, full year earnings were $179,315,000 or $2.01 per share, compared to the $200,004,000, or $2.22 per share reported a year ago. In 1994, net earnings were $175,033,000, or $1.96 per share.

Hasbro remains an exceedingly strong company with an enviable balance sheet, a strong debt to capitalization ratio and the ability to generate a tremendous amount of cash. Even more encouraging, we completed a major restructuring during the year that will help us grow in the future. We believe this restructuring will pay dividends not only in 1995, but for years to come, as we become more responsive to our customers' needs through better service. All this, while creating a dynamic and creative environment for our employees, where the end result will be better product brought to market quicker and with a greater rate of success. Truly, we are excited!

During 1994, we also made a number of investment decisions that I believe will pay dividends in the future. When six million warrants matured and were exercised, we made the strategic decision to pay $16 million in cash to warrantholders instead of diluting equity through the issuance of additional shares. Also, since we clearly believe that our shares remain undervalued, we spent more than $26 million to repurchase our shares on the open market and have the authorization to acquire an additional 6.5 million shares. We were also able to redeem $50 million in long-term debt before its maturity, to take advantage of interest rate differentials.

Ricochet™

On the acquisition front, we added two gems to our stellar lineup with the addition of Waddington Games, a leading British game company, and certain game and puzzle assets of Western Publishing. We also invested in and entered into a joint venture with Connector Set Limited Partnership to market their exciting K'NEX® building toy concept internationally.

Our expansion into new international markets — like the Scandinavian countries where we began operating our own companies at the beginning of 1995 — new operations in Central Europe and our presence in the Far East, will all add to our growth this year and beyond.

Our growth will also come from entering new and exciting product areas like educational computer software, with a new line of Playskool interactive products, and the world of remote control vehicles, where in 1994 we had the number one product in the category with Ricochet.™

Two investments made in the '90s brought us sizable returns. We realized a pretax gain in excess of $20 million when we liquidated our investments in J.W. Spear & Sons, PLC and Virgin Interactive Entertainment, plc.

Despite these positive events, there were two big reasons why our growth slowed in 1994 and both were dinosaur related. We saw a dramatic fall off in sales of both Jurassic Park™ and Barney,™ where combined, we lost some $170 million in revenue. However, Barney remains popular with children, and with the program rolling out internationally, we expect Barney products to be in our line for years to come.

If you took out our "dinosaur" numbers, our business for the year was up almost 4% worldwide. Not bad, and with nothing of the magnitude of Barney and Jurassic Park going away in 1995, and a solid lineup of new products, we are looking forward to growth in 1995 and beyond.

Still today, no one in the children's entertainment business has the library of products that we have. Our core brands, which make up more than three-quarters of our revenues, and our related products consist of the very best names in the industry.

Our Games Group remains an incredible asset for our entire organization. Milton Bradley® and Parker Brothers® enjoy a strong presence in the game aisles at stores throughout the world, and both companies finished the year extremely well. Milton Bradley did it again with its eleventh consecutive year of record sales. Its vast game chest is anchored by classics like Scrabble® and Candy Land,® which celebrated its 45th birthday. At the same time, new entries like Gator Golf,® Beautiful Beads,® Magic Works® and Puzz 3-D™ were well received.

Milton Bradley is ready to add more smiles in 1995 with the introduction of Chicken Limbo™ and Channel Surfing.™ We have signed an agreement to become the official game company for the World POG Federation.™ Refreshed versions of Pictionary® and Girl Talk® will help out as well in 1995.

At Parker Brothers, Elefun™ was the new hot product of the year. With the addition of Balderdash,® Hi! Ho! Cherry-O® and Outburst,® acquired from Western Publishing, and a variety of popular licensed puzzles, Parker Brothers will add to its strong library of classics. A rejuvenated Risk® doubled its U.S. sales in 1994 and Bottle Topps® had a great first year. In 1995, many new titles are already getting high marks from our retailers.

A focal point of the game world in 1995 will be the 60th birthday celebration of Monopoly,® the world's most popular board game. A special limited edition version of the game is sure to be a sellout.

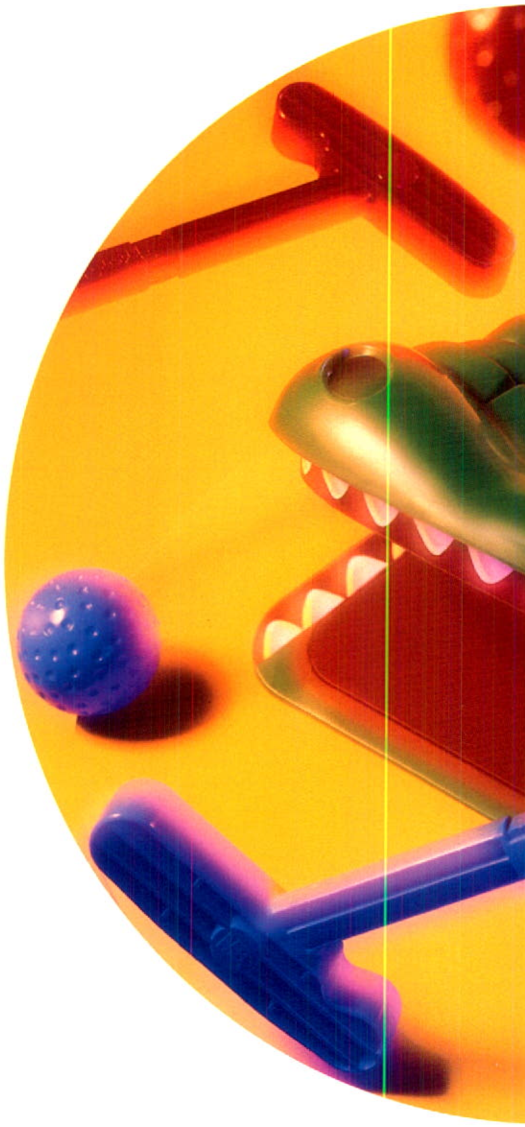
The creation of the Hasbro Games Group will allow both Milton Bradley and Parker Brothers to remain separate and distinct entities, while allowing us to combine certain functions in an effort to manage our growing game business even more effectively.

The quest for growth also spurred us to complete a reorganization of our domestic toy group. This new concept revolves around two themes — category and account management. We created the Hasbro Toy Group and merged all of our domestic promotional toy, activity and preschool business into this new group.

In the promotional area, the Kenner brand of Batman® action figures did very well, considering that there was no movie in 1994. In fact, Batman was the number-two action figure in its category, and with the "Batman Forever" movie eagerly anticipated this summer, the Caped Crusader™ should push figure and accessory sales up again this year.

We also began to ship Saban's VR Troopers™ in the fourth quarter of 1994. With strong TV ratings and great test results, VR Troopers are primed for 1995. The same can be said for Gargoyles, Disney's new animated series, and Scholastic's The Magic School Bus.™ Of course, we can't forget that our perennial all-American hero G.I. Joe® celebrated 30 years of "retail combat" in 1994. Here's to another 30, Joe!

Littlest Pet Shop® and Baby All Gone® continued to



Gator Golf®

win raves from girls, and the Easy-Bake Oven® had sales that were the best in its 31-year history. We're also expecting Bride Surprise™ and Baby Buddies™ to be strong additions to the Kenner brand this year.

After 25 years, Nerf® is anything but soft; it is growing stronger and adding many new products to a category it clearly dominates. In 1994 Ballzooka™ added firepower, while in 1995 the Lava Blast™ Liquidator® Bat is sure to hit a home run.

We continued to blaze the path in the activity-toy category. Treasure Rocks® and the Fantastic Sticker Maker™ were solid additions in 1994. In 1995, the Power Spark™ Welder will give kids the satisfaction of creating real customized projects.

The rich heritage of Tonka® was expanded to the youngest hands in 1994 with the playful Soft Walkin' Wheels.™ In 1995, the brand's lead item, the Tonka Farm Playset, will transport kids into fun barnyard settings.

Once again, Playskool® proved that fun and innovation equal success. We're especially proud of our 1-2-3 High Chair,™ which received the Consumer Products Safety Commission Chairman's Commendation for Significant Contributions to Product Safety. It symbolizes our commitment to building the best and safest products for children. In 1995, we will build on the winning strategy for our 1-2-3 family of products. These multi-staged products grow with a child, and the 1-2-3 Swing and 1-2-3 Baseball show promise to be winners this year.

In 1995 we are aiming toward big sophomore years from the award winning Magic Smoking Grill™ and Cool Tools.™ Capitalizing on the success of the Playskool Dollhouse, we will introduce our exciting Playskool Playstore in the summer of 1995.

Playskool will also enter a new business with the introduction of a line of children's educational and entertaining computer software. This CD-ROM based, interactive software will use some of our classic properties, including Mr. Potato Head,® Tonka,® Alphie® and Candy Land,® to drive this exciting concept. What makes this business

Littlest Pet Shop®
Easy-Bake® Oven
Soft Walkin' Wheels™ Fire Truck
Cool Tools™
Nerf® Ballzooka™

intriguing and gives us great hope for the coming years is that this software extends rather than duplicates the toy experience.

As a result of an exciting licensing agreement, both the Hasbro Games and Toy Groups will be introducing product under the Nickelodeon banner. We look forward to many years of growth both in the U.S. and worldwide from our line of "irreverent" Nickelodeon products.

The most recent addition to the Hasbro family occured in February 1995 when we acquired the Super Soaker™ line of products and certain other assets from the Larami group of companies. This move brings to us another core franchise in an area in which we were not previously represented.

Our international growth is fueled by core brands like Sindy,® by joint ventures like our relationship with K'NEX and by acquisitions like Waddington Games.

Hasbro's sun was particularly bright internationally in 1994 as we grew our business more than 10%. In Europe, Hasbro had good growth in Italy, Spain, England and France. We launched K'NEX in England during the fourth quarter and the product sold out completely; we'll introduce K'NEX to Spain, France, Portugal and Germany in 1995. We began our own operation in Israel during 1994 and will establish a marketing company in Poland this year.

Our European realignment last year allowed us to focus on our core brands and we are seeing this strategy pay off, as Sindy® and Action Man® continue to grow strongly, and Batman is a huge success. In fact, Batman was the leading European action figure in 1994.

China, Taiwan and Hong Kong showed growth for Hasbro in the Far East, as did Singapore and Malaysia. We recently re-evaluated our structure in Japan, and are confident about the long term prospects for this important market.

In Latin America — where our operations are strong — the devaluation of the Mexican peso at the very end of the year eroded much of our earnings there. In spite of their volatile currency and a weakening economy we have an excellent management team in place in Mexico and look forward to growth in the future.

Despite all the talk of progress, the global economy is still a concern. So, too, are rising material costs. However, due to better utilization of our manufacturing facilities, lowering of overhead and shifting of production, we are able to offset many of these costs so that price increases have been minimal. Long term, the international picture looks bright.

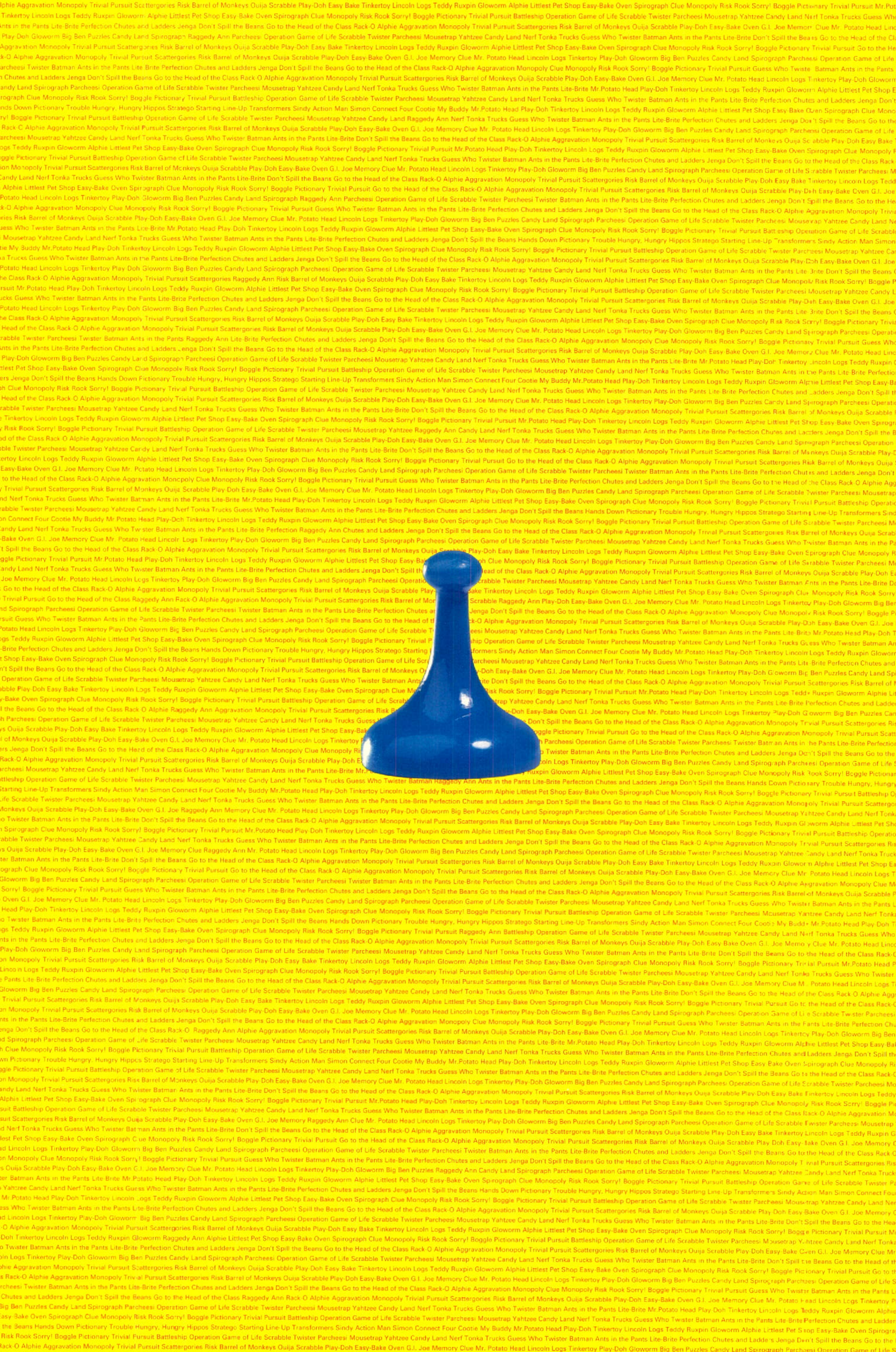
Hasbro classics like Mr. Potato Head appeal to all generations. Just ask Hasbro Chairman and CEO Alan G. Hassenfeld and 10 year old Joey Draper.

The success of a corporation is not measured only by its stellar line-up of products and financial performance — it must also recognize and be involved in the vital issues of the time. The ten years of work by the Hasbro Children's Foundation represents the company's commitment to children — the constituency most responsible for our prosperity. Not unlike the "brighter" future of the children we have helped through the Foundation, so too will Hasbro's future be brighter because of the positive steps we took in 1994.

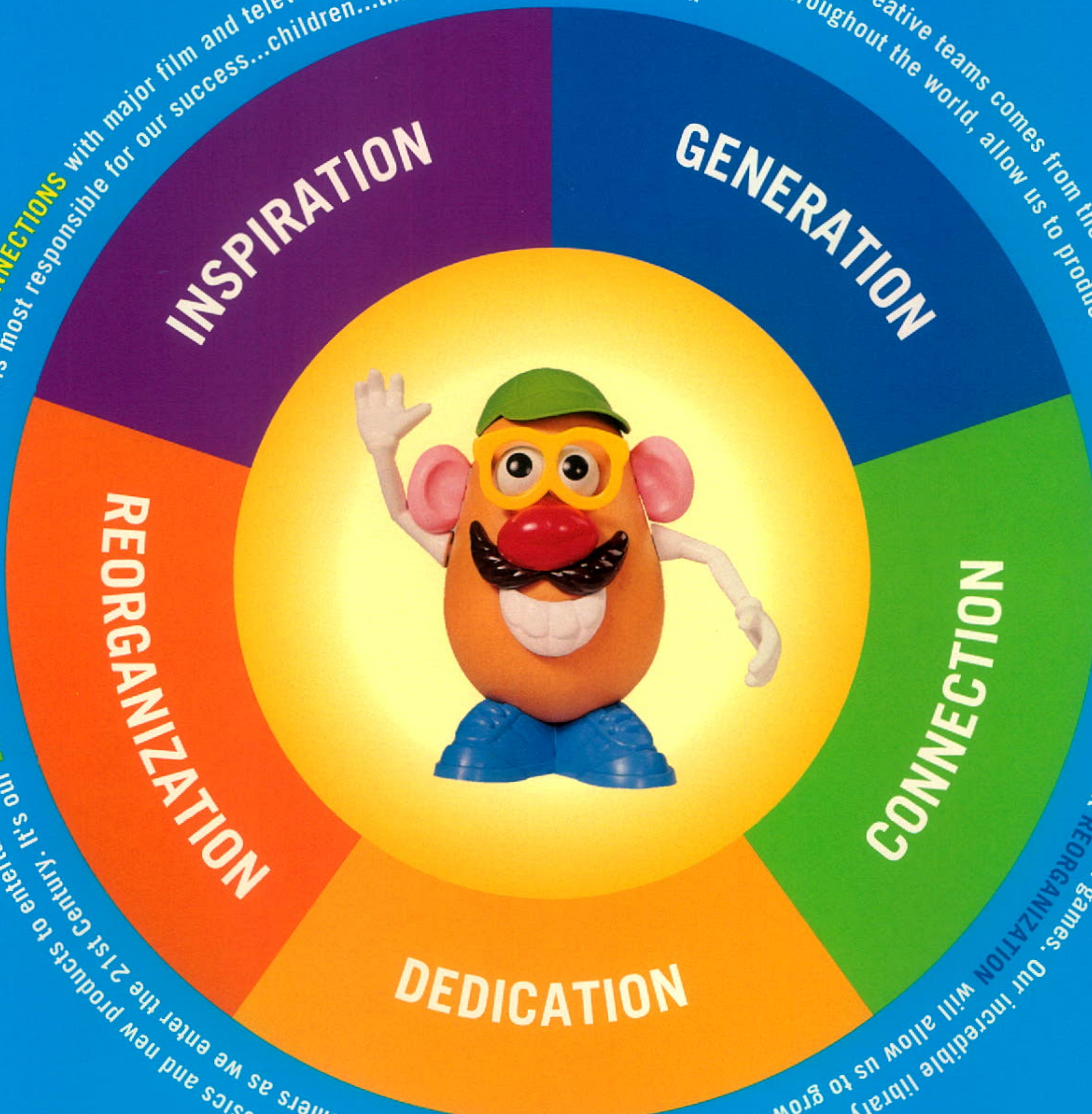
We are looking to the future — alert to the challenges and opportunities from a position of financial strength — and are making the changes and investments to provide for our long term growth and profitability.

Alan G. Hassenfeld

Alan G. Hassenfeld
Chairman and Chief Executive Officer



The INSPIRATION for our creative teams comes from the smiles of the children and adults who enjoy our toys and games. Our incredible library of products spans the GENERATIONS, with popular classics and new products to entertain both the young and the young at heart. Our CONNECTIONS with major film and television partners in Hollywood, New York and throughout the world, allow us to produce the items that kids want most. Our recent REORGANIZATION will allow us to grow and find ways to better serve our customers as we enter the 21st Century. It's our DEDICATION to the audience that is most responsible for our success...children...that drives us to be the best.

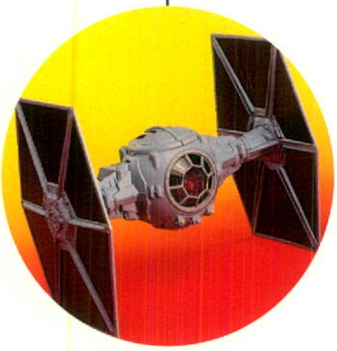


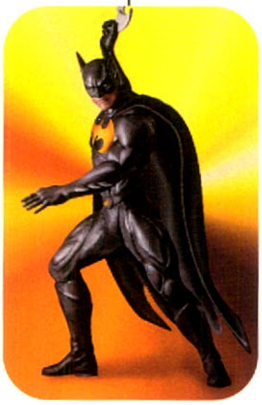

a Smile is all the INS


PIRATION we need.


CANDY LAND
SORRY!
TINKERTOY
Twister
OPERATION

Generation to Generation





C O N N E

When it comes to attracting the hottest properties in the world and forging partnerships with the top talent in children's entertainment, Hasbro has always had the right CONNECTIONS.

In fact, Hasbro's connections to the creative communities in Hollywood, New York and throughout the world have allowed us to produce some of the most exciting and best-selling entertainment-based toys and games.

Today our connections are stronger than ever, and for good reason. We are sought out by the studios and blue chip companies because of the creativity of our teams and strong track record of past successes like our work with Amblin' and MCA/Universal on Jurassic Park™ and Twentieth Century Fox with Aliens.™

In 1995, our strong connections are more apparent than ever. We are thrilled that we will once again bring the latest Warner Bros. Batman® movie blockbuster into toyland with

Scholastic's The Magic School Bus™

THE MASK
FROM ZERO TO HERO

CTW
SESAME STREET

OFFICIAL LICENSED PRODUCT
NHL
PRODUIT LICENCIE OFFICIEL

CTIONS

our extensive Batman® Forever line of action figures and vehicles. And when Disney was looking for the company to bring their Gargoyles to life, they came to us. The result is an incredible product with just the right edge.

There's much more, including action figure lines based on New Line Cinema's hit, The Mask,™ and Paramount's Congo™; and exciting newly-sculpted figures and vehicles based on Lucasfilm's Star Wars® which returns to the market in 1995 better than ever.

In addition, our commitment to the Lyons Group's Barney™ remains strong and our new product offerings are sure to delight the preschool set.

We will also introduce our whimsical line of Nickelodeon-branded products and a series of playsets, figures and accessories from Scholastic's The Magic School Bus.™

As you can plainly see, year after year, our connections only get better.

The Lyons Group's Barney™

Saban's VR Troopers™


Secondary Market Research
Category teams
A
team player
Activities
Design
Integrity
E
B
B
Reorganization
L
Games
C
Large Dolls
team facilitator
Infant/Preschool
D
X
K
New Ventures Category

We have been successful over the years because of our ability to grow. Our rapid growth during the '80s and early '90s has put Hasbro in an industry leadership position which we cannot—and will not—relinquish in the years ahead.

Recognizing that past performance is no guarantee of perpetual success, we looked inward and formed an organization that is **CREATIVE, FLEXIBLE, FAST and CUSTOMER DRIVEN.** Today's competitive environment requires even the strongest to become stronger. We are confident that our reorganization will help provide for a prosperous future for employees and shareholders.

Team Tonka is accelerating down the road of success.

Both the Hasbro Toy Group and Hasbro Games Group are positioned today to achieve their goals of bringing better product to market faster, to provide superior service to our customers, and to enhance our responsiveness to consumer demand.

We know our new organization will be effective not because a textbook tells us so, but because of our success internationally. We reorganized our operations in Europe over a year ago, and the benefits—and performance—speak for themselves.

Reorganization is more than a management consultant's buzzword. It's good business, and it positions Hasbro to grow at a strong rate into the 21st century.

HASBRO CHILDREN'S FOUNDATION

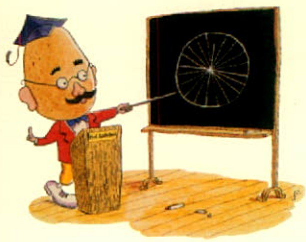
TEN years of Dedication

cooperation collaboration

For the past 10 years the Hasbro Children's Foundation has followed a simple mission—to fund the most promising programs across the nation that help improve the quality of life for children; and to build a new network of support thereby creating a true community of caring for the coming generation.

The Foundation funds direct-service programs that cover a wide range of critical issues related to children and families, including homelessness, education, healthcare and disabilities. During our first decade, we made 445 grants totalling more than $20 million and reached children and families in 44 states.

We are proud of the Foundation's accomplishments to date, understanding that our mission of improving the quality of life for children and families has only just begun.



EDUCATION *The Children's Aid Society, New York, New York*

Together, the New York City Board of Education and the Children's Aid Society, developed two comprehensive community schools for children and their families in a disadvantaged area in New York City. Hasbro Children's Foundation helped fund a medical and dental clinic at one of the community schools. Recently a grant was made to help children in this community beginning at birth.

DAYCARE *Child Care Connection, North Lauderdale, Florida*

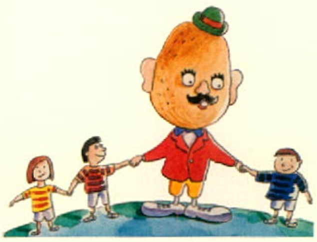
Child Care Connection provides assistance and guidance for thousands of Broward families in need of child care, family counseling, parent training, food and clothes. Hasbro Children's Foundation funded a special mobile "play van" that CCC was able to spring into action to provide emergency care for children after the devastating Hurricane Andrew.

ABUSE / NEGLECT *The C. Henry Kempe National Center for the Prevention and Treatment of Child Abuse and Neglect, Denver, Colorado*

The Kempe Center is a catalyst for the development of clinically based programs in preventing and treating child abuse. Hasbro Children's Foundation helped support the implementation of a recovery program for children and parents after abuse.

HEALTH *National Community AIDS Partnership, Washington, D.C.*

NCAP is a collaboration of grantors dedicated to supporting prevention, education and direct services in the fight against AIDS. Hasbro Children's Foundation funded their first national effort in supporting pediatric programs for children with HIV/AIDS.



COLLABORATION

The Hasbro Children's Foundation is especially proud of its role as a leader in forging partnerships. The Foundation's commitment to collaborative efforts with public-private agencies, organizations and foundations has produced several exciting programs to better the lives of children. In Rhode Island, as an example, the Foundation has successfully spearheaded the following programs with its partners:

HCF PARTNERS	PROGRAM
Tufts University Center for Hunger, Poverty and Nutrition Policy; The City of Central Falls; RI Department of Education; US Department of Agriculture	Nutrition Programs (0 to 12 years old)
Allan Feinstein Foundation; Local RI School Districts	Home Instruction Program for Preschool Youngsters (4 to 5 years old)
Riordan Foundation; RI Board of Education; Local RI School Districts	Writing to Read (5 to 6 years old)

HIGHLIGHTING TEN YEARS OF GRANTS

- Atlanta Children's Shelter, Atlanta, GA
- Boys' Harbor, New York, NY
- Carlsbad Child Development Center, Carlsbad, NM
- Children's Place, West Palm Beach, FL
- Children's Service Society of Wisconsin, West Allis, WI
- Fort Worth Library Family Literacy Program, Fort Worth, TX
- East Tennessee Rehabilitation Center, Knoxville, TN
- Homeless Children's Foundation, Salt Lake City, UT
- Minneapolis Crisis Nursery, Minneapolis, MN
- Waldo County Preschool Services, Belfast, ME
- Association for Retarded Citizens, Redford, MI
- Arkansas Children's Hospital, Little Rock, AR
- The Carolina Literacy Center, Chapel Hill, NC
- Pediatric & Family Medical Center, Los Angeles, CA
- For Love of Children, Washington, D.C.
- Family Resources, Davenport, IA
- Chicago Lighthouse for the Blind, Chicago, IL
- Court Appointed Special Advocate, Great Bend, KS
- Whitley County Community Center for Children, Williamsburg, KY
- Puppet Therapy Institute, Wareham, MA
- Coalition for Homeless Children & Families, Baltimore, MD
- Hollandale School District, Hollandale, MS
- Western Montana Comprehensive Center, Missoula, MT
- Family Friends, Omaha, NB
- Agency for Developmental Services, Merrimack, NH
- Michael's Indian Services, Portland, OR
- Penn School for the Deaf, Philadelphia, PA
- St. Joseph's Indian School, Chamberland, SD
- An Achievable Dream, Newport News, VA
- Foodworks, Montpelier, VT
- Forty-Fifth Street Community Health Clinic, Seattle, WA
- Caring Hands, Oak Hill, WV
- Mother Seton Housing, Casper, WY
- Family Support Network, St. Louis, MO
- Sahuaro Girl Scout Council, Tucson, AZ
- Volunteers in Medicine, Hilton Head, SC
- Neighborhood House Association, Plainfield, NJ
- The Greeley Transitional House, Greeley, CO
- Haitian Health Foundation, Haiti
- Children in Placement, Hartford,CT
- Children's Hospital, Columbus,OH
- Indian Nations Council, Tulsa,OK
- University of Alabama Therapeutic Mobile Van, Birmingham, AL
- Programa de Educacion Comunal de Entrega y Servicio, Puerto Rico
- The International Center for the Enhancement of Learning Potential, Israel
- Burundi University Program for the Hearing Impaired, Burundi

Celebration

Ten years of leadership, partnership and shared dreams were celebrated last November 15 by the Hasbro Children's Foundation and its guests at New York City's Union League Club. Our celebration of a decade of dedication to children also served to challenge our guests. By the end of the evening, guests of the Hasbro Children's Foundation had been touched by the accomplishments of the past and motivated by the need to do more in the future. The evening's honored guests — ABC News and Peter Jennings — were presented with awards for setting a standard in broadcast journalism on issues relating to children and the family. Mr. Jennings was thanked for using his leadership role in the media to keep the spotlight squarely focused on the critical issues facing children and their families. He truly understands that 'children can't wait while we debate.'

Peter Jennings, anchor and senior editor, ABC's "World News Tonight" is presented with his award by Ellie Block (left), Chairman of the Hasbro Children's Foundation, and Eve Weiss, Executive Director.

The Hasbro Children's Foundation "family"— our Board of Directors, our grantees and our partners — share a common goal. In truth, it is more than a goal...it is a dream. We dream that all children should have an opportunity to be children without having to suffer the pain of hunger or the indignity of homelessness. We dream about better schools and better daycare. We dare to dream these dreams because children are our future.

our Vision

A dream is a wonderful starting point for our ambitious agenda. However, dreams must be converted into action, and the Hasbro Children's Foundation and its partners have had a successful start in helping better the lives of children and their families.

As we look forward, our experience tells us that anything can be if we work together building partnerships and collaborations — laddering programs — building a whole world — not just pieces of it. It means working together as never before — agency to agency and foundation to foundation — with local, city, state and federal governments. And, we need the news media to lead the way, focusing the spotlight not only on the problems but on the successful solutions as well.

We urge our colleagues to join us. If change is to be accomplished — and it can be — partnerships between agencies, between the public and the private sector and with the media are essential.

FINANCIAL SECTION

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31 Consolidated Statements of Shareholders' Equity

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45 Five-Year Summary

Summary

A percentage analysis of results of operations follows:

	1994	1993	1992
Net revenues	100.0%	100.0%	100.0%
Cost of sales	43.5	43.0	43.1
Gross profit	56.5	57.0	56.9
Amortization	1.4	1.3	1.3
Royalties, research and development	10.2	10.2	9.8
Advertising	14.9	14.0	14.8
Selling, distribution and administration	18.5	18.1	18.2
Restructuring	.5	.6	–
Interest expense	1.1	1.1	1.4
Other income, net	(1.0)	(.1)	(.1)
Earnings before income taxes and cumulative effect of change in accounting principles	10.9	11.8	11.5
Income taxes	4.2	4.5	4.5
Earnings before cumulative effect of change in accounting principles	6.7	7.3	7.0
Cumulative effect of change in accounting principles	(.1)	–	–
Net earnings	6.6%	7.3%	7.0%

(Thousands of Dollars Except Share Data)

Results of Operations

Net revenues for 1994 were $2,670,262 compared to $2,747,176 and $2,541,055 for 1993 and 1992, respectively. Decreased consumer demand for two lines of licensed products, Barney™ and Jurassic Park,™ which provided approximately $220,000 of revenues during 1993, was a major contributor to the decrease, with these items contributing less than $50,000 of revenues in 1994. Domestically, the games group, helped by the products acquired from Western Publishing, enjoyed another year of record revenues. New products, including Elefun™ and Gator Golf® received very favorable consumer acceptance, while the classics, such as Monopoly® and Scrabble® again demonstrated their staying power. Within the toy group, boy's toys were led by the continued strength of the Batman® action figures and the new Ricochet™ remote-controlled vehicle. In the girl's/activity area, the Fantastic Sticker Maker™ enjoyed a successful first year while the Littlest Pet Shop® items continued to be strong and the redesigned Easy Bake® Oven was well accepted. In the infant and preschool arena, Playskool's In-Line Skates had a good second year and its new 4-in-1 Busy® Center was very well received. The Company's growth in the international marketplace approximated 10% in 1994 following a marginal decrease experienced in 1993. European growth was led by the U.K., France, Italy and Spain while elsewhere Mexico was the most significant, in local currency up more than 60%. During 1994, changed foreign currency rates had a positive impact of approximately $19,000 while in 1993 they negatively affected revenues by approximately $107,000.

The Company's gross profit margin decreased marginally to 56.5% from 57.0% in 1993 and 56.9% in 1992. The decrease in 1994 results from a combination of factors including increased tooling charges and a lower volume of promotional products.

Amortization expense, which includes amortization of both intellectual property rights and cost in excess of net assets acquired, of $36,903 compares with $35,366 in 1993 and $33,528 in 1992. These increases were attributable to the acquisitions during 1994 and 1993.

Expenditures for royalties, research and development decreased to $273,039 from $280,571 in 1993 while in 1992, they were $249,851. Included in these amounts are expenditures for research and development of $135,406 in 1994, $125,566 in 1993 and $109,655 in 1992. As percentages of net revenues, research and development was 5.1% in 1994, 4.6% in 1993 and 4.3% in 1992. The increased percentages in both 1994 and 1993 were largely attributable to the Company's efforts to remain competitive in a changing technological environment. The decreased royalties in 1994, both in amount and as a percentage of net revenues, were primarily attributable to the reduced revenues from promotional products, which generally have higher royalty rates. The 1993 increase over 1992 was largely due to the higher revenues from those same products.

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 domestic manufacturing facilities. To provide for these and other immaterial restructuring costs, the Company recorded a $12,500 pretax charge during the third quarter. In January 1994, the Company announced the planned closure of its Netherlands manufacturing facility. During the fourth quarter of 1993, the Company recorded a $15,500 charge related to this planned closure and other non-recurring reorganization expenses classified as restructuring charges. Both amounts include facility costs, severance and other related costs.

Interest expense was $30,789 during 1994 compared to $29,814 during 1993 and $35,891 in 1992. The increase during the current year reflected the effect of increased interest rates partially offset by the availability of funds generated from operations during 1993. The decrease in 1993 from 1992 was largely reflective of the lower average borrowings outstanding and the lower interest rates experienced during 1993.

Other income of $26,681 in 1994 compares with $3,836 and $3,729 in 1993 and 1992, respectively. During 1994, the Company liquidated its investment in J.W. Spear & Sons PLC (Spear) and sold its investment in Virgin Interactive Entertainment plc (Virgin). The gains on these two transactions were the primary cause of the change from 1993.

Income tax expense as a percentage of pretax earnings in 1994 remained constant at 38.5% after decreasing from 38.7% in 1992. The 1993 decrease was primarily attributable to two factors; an increase resulting from the U.S. federal rate changing from 34% to 35%, partially offset by the impact of this change on domestic net deferred tax assets, and a decrease resulting from lower effective state tax rates.

Liquidity and Capital Resources

The Company continued to have a strong and highly liquid balance sheet with cash and cash equivalents of $137,028 at December 25, 1994. Cash and cash equivalents were $186,254 and $125,953 at December 26, 1993 and December 27, 1992, respectively.

During 1994, the Company generated $283,785 of net cash from its operating activities compared with $217,237 in 1993 and $229,810 in 1992. Included in this amount in 1994 was $13,176 from changes in operating assets and liabilities, primarily inventories, reflecting the Company's efforts to more closely coordinate supply and demand. In both 1993 and 1992 the change in operating assets and liabilities was negative, largely due to increased levels of fourth quarter sales in those years, significant portions of which did not become due until after the end of the Company's fiscal year.

Cash flows from investing activities were a net use of funds during all three reported years; $244,178, $126,001 and $93,994 in 1994, 1993 and 1992, 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, 43% in 1994, 44% in 1993 and 36% in 1992 were for purchases of tools, dies and molds related to the Company's products. During those same three years, depreciation and amortization expenses were $85,368, $65,282 and $62,087, respectively. 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 $177,379 and made several other investments. During 1993 and 1992, the Company made several small acquisitions and investments, none of which were material. The $59,322 of proceeds from sale of investments in 1994 relates to the Spear and Virgin 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 1995, 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 3, 1995, the Company's unused committed and uncommitted lines of credit, including a $440,000 revolving credit agreement, were in excess of $1,000,000.

During the three reported years, the Company's activities resulted in the utilization of funds from financing activities. 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 due in 1995. 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 on the open market and approximately $16,000 in payments to exercising warrantholders in lieu of issuing shares of common stock. The $11,705 and $161,413 repayment of long-term debt in 1993 and 1992, respectively, was primarily related to debt acquired in the 1991 acquisition of Tonka Corporation.

During August 1990, the Board of Directors authorized a program to purchase up to 4,500,000 shares of the Company's common stock. On June 22, 1994, the Executive Committee of the Board of Directors authorized the purchase of up to an additional 5,000,000 shares. Through the end of 1994, 6,564,100 shares remained under these authorizations. The shares acquired under these programs are being issued upon the exercise of stock options.

Foreign Currency Activity

The Company manages its foreign exchange exposure in various ways including forward exchange contracts, agreements with vendors for rate protection 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 not more than twelve months. At both December 25, 1994 and December 26, 1993, 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.

Cumulative translation adjustments decreased to $14,526 at December 25, 1994 from $15,006 at December 26, 1993. This decrease was principally due to the relationship of the U.S. dollar relative to currencies in foreign countries in which the Company operates.

The Economy and Inflation

The Company continued to experience a difficult economic environment throughout much of the world during 1994. The principal market for the Company's products is the retail sector where certain customers have experienced economic difficulty. The Company closely monitors the credit worthiness of its customers and adjusts credit policies and limits as it deems appropriate.

The effect of inflation on the Company's operations during 1994 was not significant and the Company will continue its policy of monitoring costs and adjusting prices accordingly.

Other Information

As previously discussed, during both 1994 and 1993, the Company incurred certain restructuring costs. The 1994 actions, when completed in the first quarter of 1995, will have resulted in the termination of approximately 600 employees, of which approximately 100 were management positions. The closure of the Company's Netherlands manufacturing facility, which was the major portion of the 1993 charge, originally planned for the second quarter of 1994 was delayed due to the time necessary to comply with local requirements. When completed, again in the first quarter of 1995, this will have resulted in the severance of approximately 200 additional employees. The Company expects to experience the financial benefits from these actions beginning in 1995.

During 1994, the Company continued to experience a gradual shift in its revenue pattern so that the second half of the year has grown in significance to its overall business and within that half the fourth quarter has become more prominent. The Company believes that this trend will continue in 1995.

As discussed here a year ago, the Company was engaged in legal action against CBS Inc. (CBS) to recover all costs associated with the environmental clean-up of the Company's former manufacturing facility in Lancaster, Pennsylvania. On August 10, 1994, the U.S. District Court for the Eastern District of Pennsylvania entered judgment in favor of the Company, awarding the Company all of its past and future costs associated with such environmental remediation. The Company and CBS subsequently negotiated and concluded a resolution of the matter involving CBS' waiver of its rights to appeal the judgment, a payment by CBS to the Company on account of costs to date associated with environmental remediation together with interest and certain litigation costs, CBS' undertaking responsibility for future remediation of the site, the termination by the Pennsylvania Department of Environmental Resources of the consent order directing the Company to undertake such responsibility and the Company's agreement to sell the site to CBS on or before April 15, 1995. 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.

On February 17, 1995, the Company announced a 14% increase in its quarterly cash dividend from that previously in effect. The first dividend at the increased rate of $.08 per share is payable on May 19, 1995 to shareholders of record on May 5, 1995.

On February 23, 1995, the Company announced that it had acquired the Super Soaker™ line of products and certain other assets from the Larami Group of companies. This acquisition brings to the Company a core franchise in an area in which it had not previously been represented.

CONSOLIDATED STATEMENTS OF EARNINGS

Fiscal Years Ended in December (Thousands of Dollars Except Share Data)	1994	1993	1992
Net revenues	$2,670,262	2,747,176	2,541,055
Cost of sales	1,161,479	1,182,567	1,094,031
Gross profit	1,508,783	1,564,609	1,447,024
Expenses			
Amortization	36,903	35,366	33,528
Royalties, research and development	273,039	280,571	249,851
Advertising	397,094	383,918	377,219
Selling, distribution and administration	493,570	498,066	461,888
Restructuring charges	12,500	15,500	–
Total expenses	1,213,106	1,213,421	1,122,486
Operating profit	295,677	351,188	324,538
Nonoperating (income) expense			
Interest expense	30,789	29,814	35,891
Other (income), net	(26,681)	(3,836)	(3,729)
Total nonoperating expense	4,108	25,978	32,162
Earnings before income taxes and cumulative effect of change in accounting principles	291,569	325,210	292,376
Income taxes	112,254	125,206	113,212
Earnings before cumulative effect of change in accounting principles	179,315	200,004	179,164
Cumulative effect of change in accounting principles	(4,282)	–	–
Net earnings	$ 175,033	200,004	179,164
Per common share			
Earnings before cumulative effect of change in accounting principles	$ 2.01	2.22	2.01
Net earnings	$ 1.96	2.22	2.01
Cash dividends declared	$ .28	.24	.20

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

December 25, 1994 and December 26, 1993 (Thousands of Dollars Except Share Data)	1994	1993
Assets		
Current assets		
Cash and cash equivalents	$ 137,028	186,254
Accounts receivable, less allowance for doubtful accounts of $51,000 in 1994 and $54,200 in 1993	717,890	720,442
Inventories	244,407	250,067
Prepaid expenses and other current assets	153,138	144,372
Total current assets	1,252,463	1,301,135
Property, plant and equipment, net	308,879	279,803
Other assets		
Cost in excess of acquired net assets, less accumulated amortization of $82,949 in 1994 and $68,122 in 1993	479,960	475,607
Other intangibles, less accumulated amortization of $58,178 in 1994 and $85,290 in 1993	295,333	185,953
Other	41,740	50,520
Total other assets	817,033	712,080
Total assets	$2,378,375	2,293,018

	1994	1993
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term borrowings	$ 81,805	62,242
Trade payables	165,378	173,545
Accrued liabilities	417,763	420,476
Income taxes	98,786	92,051
Total current liabilities	763,732	748,314
Long-term debt, excluding current installments	150,000	200,510
Deferred liabilities	69,226	67,511
Total liabilities	982,958	1,016,335
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 88,085,802 shares in 1994 and 87,795,251 shares in 1993	44,043	43,898
Additional paid-in capital	282,151	296,823
Retained earnings	1,071,416	920,956
Cumulative translation adjustments	14,526	15,006
Treasury stock, at cost, 557,455 shares in 1994	(16,719)	–
Total shareholders' equity	1,395,417	1,276,683
Total liabilities and shareholders' equity	$2,378,375	2,293,018

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal Years Ended in December (Thousands of Dollars)	1994	1993	1992
Cash flows from operating activities			
Net earnings	$175,033	200,004	179,164
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization of plant and equipment	85,368	65,282	62,087
Other amortization	36,903	35,366	33,528
Deferred income taxes	(1,245)	2,281	2,228
Gain on investments	(25,284)	–	–
Change in operating assets and liabilities (other than cash and cash equivalents):			
(Increase) decrease in accounts receivable	9,871	(90,833)	(132,935)
(Increase) decrease in inventories	28,678	(34,088)	(15,182)
(Increase) decrease in prepaid expenses and other current assets	(3,142)	(8,434)	9,555
(Decrease) increase in trade payables and accrued liabilities	(22,231)	52,761	94,820
Other	(166)	(5,102)	(3,455)
Net cash provided by operating activities	283,785	217,237	229,810
Cash flows from investing activities			
Additions to property, plant and equipment	(110,944)	(99,792)	(90,431)
Investments and acquisitions, net of cash acquired	(192,379)	(32,171)	(13,516)
Purchase of marketable securities	–	(141,411)	(144,000)
Sale of investments	59,322	141,839	144,000
Other	(177)	5,534	9,953
Net cash utilized by investing activities	(244,178)	(126,001)	(93,994)
Cash flows from financing activities			
Net (payments) proceeds of short-term borrowing	18,938	(9,054)	38,397
Repayment of long-term debt	(53,736)	(11,705)	(161,413)
Purchase of common stock	(26,140)	–	–
Stock option and warrant transactions	(5,106)	9,655	16,305
Dividends paid	(23,711)	(20,125)	(16,476)
Net cash utilized by financing activities	(89,755)	(31,229)	(123,187)
Effect of exchange rate changes on cash	922	294	(7,290)
Increase (decrease) in cash and cash equivalents	(49,226)	60,301	5,339
Cash and cash equivalents at beginning of year	186,254	125,953	120,614
Cash and cash equivalents at end of year	$137,028	186,254	125,953
Supplemental information			
Cash paid during the year for			
Interest	$ 33,471	31,842	41,665
Income taxes	$ 99,601	107,716	83,160

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Fiscal Years Ended in December (Thousands of Dollars)	1994	1993	1992
Common stock			
Balance at beginning of year	$ 43,898	43,588	43,397
Stock option and warrant transactions	145	310	191
Balance at end of year	44,043	43,898	43,588
Additional paid-in capital			
Balance at beginning of year	296,823	287,478	276,725
Stock option and warrant transactions	(14,672)	9,345	10,753
Balance at end of year	282,151	296,823	287,478
Retained earnings			
Balance at beginning of year	920,956	741,987	580,211
Net earnings	175,033	200,004	179,164
Dividends declared	(24,573)	(21,035)	(17,388)
Balance at end of year	1,071,416	920,956	741,987
Cumulative translation adjustments			
Balance at beginning of year	15,006	32,568	60,297
Equity adjustments from foreign currency translation	(480)	(17,562)	(27,729)
Balance at end of year	14,526	15,006	32,568
Treasury stock			
Balance at beginning of year	–	–	(5,361)
Purchases	(26,140)	–	–
Stock option and warrant transactions	9,421	–	5,361
Balance at end of year	(16,719)	–	–
Total shareholders' equity	$1,395,417	1,276,683	1,105,621

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 (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.

Fiscal Year
The Company's fiscal year ends on the last Sunday in December. Each of the three fiscal years reported are 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.

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

Cost in Excess of Net Assets Acquired and Other Intangibles
The Company continually monitors its cost in excess of net assets acquired (goodwill) and its other intangibles to determine whether any impairment of these assets has occurred. In making such determination with respect to goodwill, the Company evaluates the performance, on an undiscounted basis, of the underlying businesses which gave rise to such amount. With respect to other intangibles, which include the cost of license agreements, trademarks and copyrights and cost in excess of net assets acquired through the purchase of product rights and licenses, the Company bases its determination on the performance, on an undiscounted basis, of the related products or product lines. Approximately 75% of the Company's goodwill and other intangibles result from the 1984 acquisition of Milton Bradley Company, including its Playskool and international subsidiaries, and the 1991 acquisition of Tonka Corporation, including its Kenner, Parker Brothers and international units. The assets acquired in these transactions continue to contribute a significant portion of the Company's net revenues and earnings. A further 19% is attributable to the Company's two acquisitions during 1994 (see note 2).

Substantially all costs in excess of net assets (goodwill) of subsidiaries acquired are being amortized on the straight-line method over forty years.

Other intangibles, which include the cost of license agreements, trademarks and copyrights and cost in excess of net assets acquired through the purchase of product rights and licenses, are being amortized over five to twenty-five years using the straight-line method.

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
The Company 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 foreign 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. Gains or losses resulting from foreign currency transactions are included in earnings currently, while those resulting from translation of financial statements are shown as a separate component of shareholders' equity.

Pension Plans, Postretirement and Postemployment Benefits
The Company, except for certain foreign 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.

The Company has a contributory postretirement health and life insurance plan covering substantially all employees who retire under any of the Company's domestic 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. At the beginning of 1994, the Company adopted Statement of Financial Accounting Standards No. 112, Employers' Accounting for Postemployment Benefits (SFAS 112) and at the beginning of 1992, adopted Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions (SFAS 106). Both SFAS 112 and SFAS 106 require that the cost of such benefits be accrued over the employee service period, a change from the Company's prior practice of recording those costs when incurred.

Research and Development
Research and product development costs for 1994, 1993 and 1992 were $135,406, $125,566 and $109,655, respectively.

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

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 were assumed to be exercised at the beginning of the period or at issuance, if later. The assumed proceeds were then used to purchase common stock at the average market price during the period.

The weighted average number of shares outstanding used in the computation of earnings per common share was 89,330,752, 90,030,568 and 89,085,751 in 1994, 1993 and 1992, respectively.

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

(2) Acquisitions and Investments

On August 4, 1994, the Company purchased certain game and puzzle assets of Western Publishing Company, Inc. and on November 30, 1994 purchased the Games Division of John Waddington PLC. The total consideration for these purchases is estimated by the Company to be $177,379. Accounting for these acquisitions using the purchase method, the Company allocated the purchase price based on estimates of fair market value which included $28,890 of net tangible assets, $132,022 of product rights and licenses and $16,467 of cost in excess of net assets acquired.

During the third quarter of 1994, the Company liquidated its minority investments in J.W. Spear & Sons PLC and Virgin Interactive Entertainment plc, acquired in 1990 and 1993, respectively. While these investments had initially been made for the long-term, the 1994 disposition of their interests by the majority shareholders of each entity resulted in the Company's decision to do likewise.

(3) Inventories

	1994	1993
Finished products	$181,202	183,899
Work in process	19,342	22,486
Raw materials	43,863	43,682
	$244,407	250,067

(4) Property, Plant and Equipment

	1994	1993
Land and Improvements	$ 15,655	12,010
Buildings and improvements	206,523	188,713
Machinery and equipment	209,794	173,050
	431,972	373,773
Less accumulated depreciation	163,358	133,182
	268,614	240,591
Tools, dies and molds, less accumulated amortization	40,265	39,212
	$308,879	279,803

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

(5) Short-Term Borrowings

The Company has available unsecured committed and uncommitted lines of credit from various banks approximating $450,000 and $900,000, respectively. All of the short-term borrowings outstanding at the end of 1994 and 1993 represent bank borrowings of foreign units made under these lines of credit at weighted average interest rates of 9.6% and 9.0%, respectively. The Company'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 credit worthiness. 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

	1994	1993
Royalties	$ 76,602	83,820
Advertising	119,334	116,243
Payroll and management incentives	30,880	37,438
Other	190,947	182,975
	$417,763	420,476

(7) Long-Term Debt

	1994	1993
6% Convertible Subordinated Notes Due 1998. Interest is paid semi-annually. (a)	$150,000	150,000
Subordinated variable rate notes due 1995. (b)	–	50,000
Other (excluding current installments).	–	510
	$150,000	200,510

(a) These notes are convertible into common stock at a conversion price of $29.33 per share and are redeemable, at a premium, by the Company.

(b) These notes were redeemed on September 22, 1994.

Current installments aggregated $3,236 at December 26, 1993 and were included in trade payables. All of the long-term debt outstanding at December 25, 1994 matures in 1998.

(8) Income Taxes

Income taxes attributable to earnings before income taxes are:

	1994	1993	1992
Current			
Federal	$ 60,539	81,770	64,825
Foreign	42,543	28,614	33,147
State and local	10,417	12,541	13,012
	113,499	122,925	110,984
Deferred			
Federal	1,924	315	2,612
Foreign	(3,349)	1,817	(663)
State and local	180	149	279
	(1,245)	2,281	2,228
	$112,254	125,206	113,212

The cumulative effect of the change in accounting principles resulting from the adoption of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, increased 1992 net earnings by $12,349.

Certain tax benefits are not reflected in income taxes on the Consolidated Statements of Earnings. Such benefits of $9,800 in 1994, $6,299 in 1993 and $12,583 in 1992, relate primarily to stock options and cumulative effect of changes in accounting principles.

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

	1994	1993	1992
Statutory income tax rate	35.0%	35.0%	34.0%
State and local income taxes, net of federal income tax effect	2.4	2.6	3.0
Amortization of goodwill	1.6	1.4	1.4
Foreign earnings taxed at rates other than the United States statutory rate	(.7)	–	(.6)
Other, net	.2	(.5)	.9
	38.5%	38.5%	38.7%

The components of earnings before income taxes are as follows:

	1994	1993	1992
Domestic	$177,672	243,820	190,268
Foreign	113,897	81,390	102,108
	$291,569	325,210	292,376

The components of deferred income tax expense arise from various temporary differences and relate to items included in the statements of earnings. During 1993, domestic deferred tax assets and liabilities were adjusted for the effect of legislation enacted that year increasing the United States federal tax rate from 34% to 35%. The adjustment decreased the 1993 deferred tax expense by $1,266.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 25, 1994 and December 26, 1993 are:

	1994	1993
Deferred tax assets:		
Accounts receivable	$ 27,782	30,049
Inventories	12,600	12,090
Net operating loss and other loss carryovers	16,923	11,073
Operating expenses	33,948	32,393
Postretirement benefits	11,487	8,675
Other	41,223	39,554
Total gross deferred tax assets	143,963	133,834
Valuation allowance	(11,829)	(10,376)
Net deferred tax assets	132,134	123,458
Deferred tax liabilities:		
Property rights and property, plant and equipment	64,743	68,614
Other	7,786	6,468
Total gross deferred tax liabilities	72,529	75,082
Net deferred income taxes	$ 59,605	48,376

The Company has a valuation allowance for deferred tax assets at December 25, 1994 of $11,829, which is an increase of $1,453 from the $10,376 at December 26, 1993. These allowances pertain to certain foreign 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 $11,829.

Based on the Company's history of taxable income and the anticipation of sufficient taxable income in years when the temporary differences are expected to become tax deductions, the Company believes that it will realize the benefit of the deferred tax assets, net of the existing valuation allowance. More than 70% of the deferred tax assets are expected to be realized during the next two years.

Deferred income taxes of $83,730 and $78,413 at the end of 1994 and 1993, respectively, are included as a component of prepaid expenses and other current assets.

The cumulative amounts of undistributed earnings of the Company's foreign subsidiaries held for reinvestment amounted to approximately $289,000 and $271,000 at December 25, 1994 and December 26, 1993, respectively.

(9) Capital Stock

Preference Share Purchase Rights

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

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

Common Stock
In August 1990, the Board authorized the purchase of up to 4,500,000 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 5,000,000 shares. At December 25, 1994, a balance of 6,564,100 shares remained under these authorizations.

(10) Employee Stock Options and Warrants

The Company has a Non-Qualified Stock Option Plan, an Incentive Stock Option Plan, a 1992 Stock Incentive Plan and a Stock Option Plan for Non-Employee Directors (the plans).

The Company has reserved 7,105,011 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 beginning one year after grant. 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 may 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.

On July 12, 1994, the Company's outstanding warrants expired. The Company elected to pay exercising warrantholders in cash rather than issue shares of its stock.

The changes in outstanding options and warrants for the three years ended December 25, 1994 follow:

	Shares (In Thousands)	Exercise Price Per Share
Outstanding at December 29, 1991	4,944	$ 1.48 – $53.88
Granted	1,333	25.00 – 31.88
Exercised	(1,012)	1.48 – 25.00
Expired and canceled	(61)	7.58 – 53.88
Outstanding at December 27, 1992	5,204	7.58 – 43.49
Granted	2,712	31.62 – 37.44
Exercised	(730)	7.58 – 31.62
Expired and canceled	(63)	10.25 – 38.29
Outstanding at December 26, 1993	7,123	7.58 – 43.49
Granted	1,246	29.56 – 36.58
Exercised	(1,994)	7.58 – 31.88
Expired and canceled	(505)	10.25 – 38.29
Outstanding at December 25, 1994	5,870	$ 7.58 – $43.49

The number of shares exercisable at the end of 1994, 1993 and 1992 were 2,176,568, 2,919,654 and 2,831,801, respectively. The prices at which these shares may be exercised are those shown for outstanding options and warrants in the preceding table.

(11) Pension, Postretirement and Postemployment Benefits

Pension Benefits
The Company's net pension and profit sharing cost for 1994, 1993 and 1992 was approximately $12,500, $12,900 and $11,400, respectively.

Domestic Plans
Substantially all of the Company's domestic employees are members of one of three non-contributory defined benefit plans. In addition, the Company has a supplementary unfunded pension plan providing benefits otherwise due employees under the benefit formula but which are in excess of those permitted for such plan under the Internal Revenue Code. Benefits under the major plan, covering non-union employees, are based primarily on salary and years of service. Benefits under plans covering members of collective bargaining units are based primarily on fixed amounts for specified years of service. The Company also has an unfunded plan covering those members of its Board who are not covered by employee plans. Benefits for this plan are based on the annual retainer paid to Board members.

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

	1994	1993	1992
Benefits earned during the year	$ 7,029	5,630	5,248
Interest cost on projected benefits	8,219	7,243	5,438
Actual return on plan assets	(521)	(10,834)	(5,183)
Net amortization and deferral	(8,429)	3,190	(1,099)
	$ 6,298	5,229	4,404

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

	1994		1993	
	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	$ 76,761	4,626	14,144	58,581
Nonvested benefits	1,403	719	409	1,447
Accumulated benefit obligation	78,164	5,345	14,553	60,028
Effect of assumed increase in compensation level	21,937	6,024	–	30,301
Projected benefit obligation	100,101	11,369	14,553	90,329
Net assets available for benefits	108,990	630	23,159	80,413
Plan assets in excess of (less than) projected benefits	$ 8,889	(10,739)	8,606	(9,916)
Consisting of:				
Unrecognized net asset	$ 2,059	–	782	1,618
Unrecognized prior service cost	(897)	(4,850)	(841)	(2,204)
Unrecognized net gain (loss)	8,313	(425)	5,864	2,146
Prepaid (accrued) pension recognized in the balance sheet	(586)	(5,464)	2,801	(11,476)
	$ 8,889	(10,739)	8,606	(9,916)

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 8.5% for 1994, 7.2% for 1993 and 8% for 1992, assumed long-term rates of compensation increase of 5% for 1994 and 1993 and 5.5% for 1992 and an assumed long-term rate of return on plan assets of 9% for all years.

The Company also has a profit sharing plan covering substantially all of its domestic non-union employees. The plan provides for an annual discretionary contribution by the Company which for 1994, 1993 and 1992 was approximately $5,100, $6,100 and $5,400, respectively.

Foreign Plans
Pension coverage for employees of the Company's foreign subsidiaries is provided, through separate plans, to the extent deemed appropriate. These plans were neither significant individually nor in the aggregate.

Postretirement Benefits
The Company provides certain postretirement health care and life insurance benefits to eligible domestic 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 cumulative effect of the change in accounting principles resulting from the adoption of SFAS 106 reduced 1992 earnings by $19,457 ($12,135 after tax).

The accumulated benefit obligation relating to this plan at December 25, 1994 and December 26, 1993 consists of:

	1994	1993
Retired employees	$16,148	16,265
Fully eligible active employees	1,267	1,329
Other active employees	7,086	5,898
	$24,501	23,492

The net periodic postretirement benefit cost included the following components:

	1994	1993	1992
Benefits earned during the period	$ 403	338	290
Interest cost on projected benefits	1,709	1,783	1,640
	2,112	2,121	1,930
Recognition of transition obligation	–	–	19,457
	$ 2,112	2,121	21,387

For measuring the expected postretirement benefit obligation, a 9.2%, 10.4% and 12.0% annual rate of increase in the per capita cost of covered health care benefits was assumed for 1994, 1993 and 1992, respectively. These rates were further assumed to decrease gradually to 6%, 5% and 6%, respectively, in 2012 and remain level thereafter. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 8.5% in 1994, 7.2% in 1993 and 8.0% in 1992.

If the health care cost trend rate were increased one percentage point in each year, the accumulated postretirement benefit obligation at December 25, 1994 would have increased by approximately 11% and the aggregate of the benefits earned during the period and the interest cost would have each increased by approximately 12%.

Postemployment Benefits

The Company 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 the Company's employ under terms of its long-term disability plan.

The Company adopted the provisions of SFAS 112 as of the beginning of 1994. SFAS 112 requires that the cost of certain postemployment benefits be accrued over the employee service period which is 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, has been recorded as the cumulative effect of a change in accounting principles. Other than this, the adoption of SFAS 112 has neither had a significant effect on the Company's earnings or its financial condition nor is it expected to in the future.

(12) Leases

The Company 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 1994, 1993 and 1992 amounted to $39,186, $37,917 and $34,609, respectively.

Minimum rentals, net of minimum sublease income which is not material, under long-term operating leases for the five years subsequent to 1994 and in the aggregate are as follows:

1995	$ 30,695
1996	21,762
1997	17,697
1998	14,621
1999	12,061
Later years	66,792
	$163,628

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 1994.

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

(13) Restructuring

During the fourth quarter of 1993, the Company recorded a restructuring charge of $15,500, primarily related to the closure of its manufacturing facility in The Netherlands. This closure was initially planned for the second quarter of 1994, however, the actions necessary to comply with local regulations relating to such closure took longer than anticipated and the closure will not be completed until the first quarter of 1995. As a result, the major portion of the liability established for this action remains to be paid.

During the third quarter of 1994, the Company recorded a restructuring charge of $12,500, primarily related to the reorganization of its Domestic Toy Group and the consolidation of its domestic manufacturing operations. While these actions have been substantially completed, due to timing of the pay-outs, a majority of the liability remains to be paid.

(14) Financial Instruments

The Company'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 25, 1994, the carrying value of these instruments approximated their fair value based on current market prices and rates and there were no material unrealized gains or losses on foreign currency forward exchange contracts.

As estimates of the fair values of financial instruments are subjective and involve uncertainties and judgments, they cannot be determined with precision. Any changes in assumptions would affect these estimates.

The Company's policy is not to enter into derivative financial instruments for speculative purposes. It does enter 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.

(15) Commitments and Contingencies

The Company had unused open letters of credit of approximately $15,000 and $19,000 at December 25, 1994 and December 26, 1993, respectively.

The Company had the equivalent of approximately $80,000 and $65,000 of forward exchange contracts outstanding at December 25, 1994 and December 26, 1993, respectively. Such contracts have been determined to be hedges of foreign currency commitments and as such any gain or loss has been deferred and will be included in the measurement of the related transaction. The aggregate amount of gains and losses resulting from foreign currency transactions was not material.

The Company is involved in various claims and legal actions 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

The Company 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.

Information about the Company'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 1994 follows. The Company's primary operations in areas outside of the United States include Europe, Canada, Mexico, Australia and New Zealand and Hong Kong. As the foreign areas have similar business environments and the Company's operations in those areas are similar, they are presented as one category.

	1994	1993	1992
Net revenues:			
United States	$1,530,928	1,670,272	1,506,522
Foreign	1,139,334	1,076,904	1,034,533
	$2,670,262	2,747,176	2,541,055
Operating profit:			
United States	$ 169,782	242,038	193,466
Foreign	125,895	109,150	131,072
	$ 295,677	351,188	324,538
Identifiable assets:			
United States	$1,612,982	1,540,887	1,451,951
Foreign	765,393	752,131	630,815
	$2,378,375	2,293,018	2,082,766

Other Information

The Company markets its products primarily to customers in the retail sector. Although the Company closely monitors the credit worthiness 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 21% and 12%, respectively, of consolidated net revenues during 1994, 20% and 11%, respectively, in 1993 and 17% and 9%, respectively, in 1992.

(17) Quarterly Financial Data (Unaudited)

	Quarter				Full
	First	Second	Third	Fourth	Year
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 changes 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	$ .30	.02	.85	.86	2.01
Earnings	$ .25	.02	.85	.86	1.96
Market price					
High	$ 36⅝	36⅛	32⅛	33½	36⅝
Low	$ 33⅜	28⅛	28⅛	27⅞	27⅞
Cash dividends declared	$ .07	.07	.07	.07	.28

	Quarter				Full
	First	Second	Third	Fourth	Year
1993					
Net revenues	$487,036	515,551	812,393	932,196	2,747,176
Gross profit	$279,015	294,031	461,329	530,234	1,564,609
Earnings before income taxes	$ 42,871	43,791	122,865	115,683(b)	325,210
Net earnings	$ 26,580	27,150	75,548	70,726	200,004
Per common share					
Earnings	$ .30	.30	.84	.78	2.22
Market price					
High	$ 34⅞	38⅜	39⅝	40⅛	40⅛
Low	$ 28⅛	29⅞	34	35⅛	28⅛
Cash dividends declared	$ .06	.06	.06	.06	.24

	Quarter				Full
	First	Second	Third	Fourth	Year
1992					
Net revenues	$452,569	485,958	771,192	831,336	2,541,055
Gross profit	$256,609	276,545	437,373	476,497	1,447,024
Earnings before income taxes	$ 38,552	37,540	111,415	104,869	292,376
Net earnings	$ 23,408	22,712	67,406	65,638	179,164
Per common share					
Earnings	$ .26	.26	.75	.73	2.01
Market price					
High	$ 28¼	29¾	34⅜	35⅞	35⅞
Low	$ 23¾	23⅛	26½	31½	23⅛
Cash dividends declared	$ .05	.05	.05	.05	.20

(a) Includes the effect of a nonrecurring charge of $12,500 relating to restructuring of operations. (See note 13)

(b) Includes the effect of a nonrecurring charge of $15,500 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 25, 1994 and December 26, 1993 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 25, 1994. 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 at December 25, 1994 and December 26, 1993 and the results of their operations and their cash flows for each of the fiscal years in the three-year period ended December 25, 1994 in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

Providence, Rhode Island
February 8, 1995

FIVE-YEAR SUMMARY SELECTED FINANCIAL INFORMATION

(Thousands of Dollars Except Share Data)	1994	1993	1992	1991 (1)	1990
Operating information					
Net revenues	$2,670,262	2,747,176	2,541,055	2,141,096	1,520,032
Cost of sales	$1,161,479	1,182,567	1,094,031	967,359	697,817
Amortization	$ 36,903	35,366	33,528	29,330	20,523
Royalties, research and development	$ 273,039	280,571	249,851	192,451	131,307
Advertising	$ 397,094	383,918	377,219	325,282	208,342
Selling, distribution and administration	$ 493,570	498,066	461,888	389,301	301,751
Restructuring	$ 12,500	15,500	–	59,000	–
Nonoperating expense	$ 4,108	25,978	32,162	32,822	7,844
Earnings before income taxes and cumulative effect of change in accounting principles	$ 291,569	325,210	292,376	145,551	152,448
Earnings before cumulative effect of change in accounting principles	$ 179,315	200,004	179,164	81,654	89,182
Net earnings	$ 175,033	200,004	179,164	81,654	89,182
Common share data					
Price at year end	$ 28⅞	36¼	32⅞	25⅝	10¼
Earnings per share before cumulative effect of change in accounting principles	$ 2.01	2.22	2.01	.94	1.02
Earnings per share	$ 1.96	2.22	2.01	.94	1.02
Book value per share	$ 15.94	14.54	12.68	11.08	10.24
Price/earnings ratio	14.73	16.33	16.36	27.26	10.05
Price/book value ratio	1.81	2.49	2.59	2.31	1.00
Statistics and ratios					
Gross profit margin	56.5%	57.0%	56.9%	54.8%	54.1%
Operating profit margin	11.1%	12.8%	12.8%	11.1%	10.5%
Net profit margin	6.6%	7.3%	7.0%	3.8%	5.9%
Effective tax rate	38.5%	38.5%	38.7%	43.9%	41.5%
Long-term debt to capitalization	9.7%	13.6%	15.7%	28.5%	6.2%
Return on average assets	7.4%	8.9%	8.4%	4.7%	7.2%
Ratio of earnings to fixed charges (2)	7.58	8.59	7.08	3.76	7.58
Supplementary data					
Capital expenditures	$ 110,944	99,792	90,431	56,004	36,168
Depreciation and amortization	$ 122,271	100,648	95,615	81,854	60,257
Property, plant and equipment, net	$ 308,879	279,803	251,340	225,192	169,189
Cash dividends declared	$ 24,573	21,035	17,388	13,734	11,447
Number of employees	12,500	12,500	11,000	10,500	7,700

(1) Includes the operations of Tonka Corporation since May 7, 1991 which accounted for $486,000 of net revenues.

(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

Barry J. Alperin
Vice Chairman

Alan R. Batkin
Vice Chairman
Kissinger Associates

George R. Ditomassi, Jr.
Chief Operating Officer
Games and International

Harold P. Gordon
Vice Chairman

Alex Grass
Chairman of the
Executive Committee
Rite Aid Corporation

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

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

Norma T. Pace
Senior Economic Advisor
WEFA Group

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
Chief Operating Officer
Domestic Toy Operations

EXECUTIVE OFFICERS

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

Barry J. Alperin
Vice Chairman

Harold P. Gordon
Vice Chairman

George R. Ditomassi, Jr.
Chief Operating Officer
Games and International

Alfred J. Verrecchia
Chief Operating Officer
Domestic Toy Operations

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

Norman C. Walker
Executive Vice President
President, International

Dan D. Owen
President, Hasbro Toy Group

E. David Wilson
President, Hasbro Games Group

Richard B. Holt
Senior Vice President
and Controller

Donald M. Robbins
Senior Vice President/
General Counsel
and Corporate Secretary

Phillip H. Waldoks
Senior Vice President
Corporate Legal Affairs

Russell L. Denton
Vice President and Treasurer

SHAREHOLDER INFORMATION

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 10, 1995 at:

Hasbro's Showroom and Office
32 West 23rd Street
New York, New York 10010

SHAREHOLDERS

As of March 3, 1995, there were approximately 5,000 shareholders of record of the Company's Common Stock.

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 should contact:

First National Bank of Boston
Shareholder Services
P.O. Box 644
Boston, Massachusetts
02102-0644
(617) 575-2900 or
(800) 442-2001

INVESTOR INFORMATION

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

Investor Relations
200 Narragansett Park Drive
P.O. Box 200
Pawtucket, Rhode Island
02862-0200
(401) 431-8697

FORM 10-K

The Company'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:

Donald M. Robbins,
Senior Vice President/
General Counsel and
Corporate Secretary
1027 Newport Avenue
P.O. Box 1059
Pawtucket, Rhode Island
02862-1059

HASBRO

HASBRO, INC. 1027 NEWPORT AVENUE, PAWTUCKET, RHODE ISLAND 02862-1059