

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the period ended June 26, 1994

Commission file number 1-6682

HASBRO, INC.

(Name of Registrant)

Rhode Island

05-0155090

(State of Incorporation)

(I.R.S. Employer Identification No.)

1027 Newport Avenue, Pawtucket, Rhode Island 02861

(Principal Executive Offices)

(401) 431-8697

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

Yes X or No
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The number of shares of Common Stock, par value \$.50 per share, outstanding as of July 29, 1994 was 87,745,672.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

(Thousands of Dollars Except Share Data)
(Unaudited)

Assets	Jun. 26, 1994	Jun. 27, 1993	Dec. 26, 1993
	-----	-----	-----
Current assets			
Cash and cash equivalents	\$ 46,427	16,611	186,254
Accounts receivable, less allowance for doubtful accounts of \$53,500, \$55,900 and \$54,200	635,893	647,899	720,442
Inventories:			
Finished products	271,620	227,028	183,899

Work in process	22,549	37,904	22,486
Raw materials	44,275	50,093	43,682
	-----	-----	-----
Total inventories	338,444	315,025	250,067
Deferred income taxes	89,356	78,104	78,413
Prepaid expenses	63,719	63,158	65,959
	-----	-----	-----
Total current assets	1,173,839	1,120,797	1,301,135
Property, plant and equipment, net	292,794	253,899	279,803
	-----	-----	-----
Other assets			
Cost in excess of acquired net assets, less accumulated amortization of \$75,461, \$60,301 and \$68,122	469,384	484,487	475,607
Other intangibles, less accumulated amortization of \$94,803, \$75,189 and \$85,290	175,793	196,121	185,953
Other	55,332	22,213	50,520
	-----	-----	-----
Total other assets	700,509	702,821	712,080
	-----	-----	-----
Total assets	\$2,167,142	2,077,517	2,293,018
	=====	=====	=====

HASBRO, INC. AND SUBSIDIARIES
Consolidated Balance Sheets, Continued

(Thousands of Dollars Except Share Data)
(Unaudited)

	Jun. 26, 1994	Jun. 27, 1993	Dec. 26, 1993
	-----	-----	-----
Liabilities and Shareholders' Equity			
Current liabilities			
Short-term borrowings	\$ 129,488	207,068	62,242
Current installments of long-term debt	3,214	657	3,236
Trade payables	105,249	100,472	170,309
Accrued liabilities	297,094	288,854	420,476
Income taxes	67,425	67,205	92,051
	-----	-----	-----
Total current liabilities	602,470	664,256	748,314
Long-term debt, excluding current installments	200,458	205,736	200,510
Deferred liabilities	70,946	69,878	67,511
	-----	-----	-----
Total liabilities	873,874	939,870	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 88,081,902, 87,464,265 and 87,795,251	44,041	43,732	43,898
Additional paid-in capital	292,455	292,542	296,823
Retained earnings	932,690	785,230	920,956
Cumulative translation adjustments	27,933	16,143	15,006
Treasury stock, at cost, 134,400 shares in 1994	(3,851)	-	-
	-----	-----	-----
Total shareholders' equity	1,293,268	1,137,647	1,276,683
	-----	-----	-----
Total liabilities and shareholders' equity	\$2,167,142	2,077,517	2,293,018
	=====	=====	=====

See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Earnings

(Thousands of Dollars Except Share Data)
(Unaudited)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	Jun. 26, 1994	Jun. 27, 1993	Jun. 26, 1994	Jun. 27, 1993
Net revenues	\$444,324	515,551	933,457	1,002,587
Cost of sales	203,178	221,520	411,378	429,541
Gross profit	241,146	294,031	522,079	573,046
Expenses				
Amortization	8,805	8,717	17,598	17,376
Royalties, research and development	55,102	55,880	105,422	103,283
Advertising	60,428	67,775	124,987	135,612
Selling, distribution and administrative	109,980	113,807	220,270	223,366
Total expenses	234,315	246,179	468,277	479,637
Operating profit	6,831	47,852	53,802	93,409
Nonoperating (income) expense				
Interest expense	4,609	6,133	10,045	10,548
Other (income), net	(435)	(2,072)	(2,343)	(3,801)
Total nonoperating expense	4,174	4,061	7,702	6,747
Earnings before income taxes and cumulative effect of change in accounting principles	2,657	43,791	46,100	86,662
Income taxes	1,023	16,641	17,749	32,932
Net earnings before cumulative effect of change in accounting principles	1,634	27,150	28,351	53,730
Cumulative effect of change in accounting principles	-	-	(4,282)	-
Net earnings	\$ 1,634	27,150	24,069	53,730
Per common share				
Net earnings before cumulative effect of change in accounting principles	\$.02	.30	.32	.60
Net earnings	\$.02	.30	.27	.60
Cash dividends declared	\$.07	.06	.14	.12

See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Twenty-Six Weeks Ended June 26, 1994 and June 27, 1993

(Thousands of Dollars)

(Unaudited)

	1994	1993
	----	----
Cash flows from operating activities		
Net earnings	\$ 24,069	53,730
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization of plant and equipment	35,529	32,421
Other amortization	17,598	17,376
Deferred income taxes	(13,241)	(1,660)
Change in current assets and liabilities (other than cash and cash equivalents):		
(Increase) decrease in accounts receivable	90,098	(12,760)
(Increase) in inventories	(82,645)	(96,808)
(Increase) decrease in prepaid expenses	3,193	(5,419)
(Decrease) in trade payables and accrued liabilities	(219,678)	(170,165)
Other	1,475	(1,118)
	-----	-----
Net cash utilized by operating activities	(143,602)	(184,403)
	-----	-----
Cash flows from investing activities		
Additions to property, plant and equipment	(45,825)	(39,529)
Purchase of marketable securities	-	(141,411)
Proceeds from sale of marketable securities	-	141,839
Acquisitions, net of cash acquired	-	(6,023)
Other	1,114	3,526
	-----	-----
Net cash utilized by investing activities	(44,711)	(41,598)
	-----	-----
Cash flows from financing activities		
Net proceeds of short-term borrowings	63,944	133,870
Repayment of long-term debt	(74)	(11,617)
Stock option and warrant transactions	(4,225)	5,208
Purchase of common stock	(3,851)	-
Dividends paid	(11,434)	(9,607)
	-----	-----
Net cash provided by financing activities	44,360	117,854
	-----	-----
Effect of exchange rate changes on cash	4,126	(1,195)
	-----	-----
Decrease in cash and cash equivalents	(139,827)	(109,342)
Cash and cash equivalents at beginning of year	186,254	125,953
	-----	-----
Cash and cash equivalents at end of period	\$ 46,427	16,611
	=====	=====
Supplemental information		
Cash paid during the period for:		
Interest	\$ 10,958	12,525
Income taxes	\$ 43,361	48,085

See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Condensed Notes to Consolidated Financial Statements

(Thousands of Dollars)
(Unaudited)

(1) In the opinion of management and subject to year-end audit, the accompanying unaudited interim financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position of the Company as of June 26, 1994 and June 27, 1993, and the results of operations and cash flows for the periods then ended.

The results of operations for the twenty-six week period ended June 26, 1994, are not necessarily indicative of results to be expected for the full year.

(2) 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.

For each of the reported periods the difference between primary and fully diluted earnings per share was not significant.

HASBRO, INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial
Condition and Results of Operations

(Thousands of dollars)

NET REVENUES

Net revenues for the second quarter and six months of 1994 were \$444,324 and \$933,457, compared to the \$515,551 and \$1,002,587 reported for the same periods of 1993. During the quarter, the Company's international revenues were essentially flat while its domestic revenues decreased approximately 20%. Domestically, data received from several larger customers indicates that consumer purchases of the Company's products through the end of June have increased over 1993 levels. With many retailers moving toward more sophisticated inventory management techniques, however, this increase has not yet resulted in a higher level of replacement orders. Additionally, a comparison with 1993 is adversely impacted by the fact that revenues during the second quarter of 1993 were at record levels, in part due to the introduction of certain Jurassic Park(TM) and Barney(R) products in mid-quarter, while 1994 introductions are on a more traditional time-line of late second quarter or early third quarter. Internationally, many of the Company's units were able to exceed last year's amounts in their local currencies although this growth was largely offset by the adverse effect of changed foreign currency translation rates. Although the dollar has recently weakened against certain currencies, for the quarter as a whole it was stronger than in the comparable period of 1993. For the three months, the adverse effect of changed foreign currency translation rates approximated \$8,000.

COST OF SALES

The gross profit margin, expressed as a percentage of net revenues, for the quarter decreased to 54.3% from the 1993 level of 57.0% and for the six months to 55.9% from 57.2%. This deterioration is largely attributable to the effect of the decreased domestic sales volumes as well as a less favorable mix of products sold.

EXPENSES

Royalties, research and development expenses for the second quarter and six months increased as a percentage of revenues and, for the six months, in amount from 1993 levels. The royalty component decreased in both categories, reflecting both the effect of reduced revenues and rates on certain 1993 products which carried higher than traditional royalty rates. Research and development was \$32,959 and \$61,462 for the second quarter and six months of 1994 compared to \$27,113 and \$54,101 in the same periods of 1993. These increases were largely attributable to the Company's domestic units whose development efforts have been expanded.

HASBRO, INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial
Condition and Results of Operations, Continued

(Thousands of dollars)

The current quarter advertising decreased approximately \$7,300 from the

comparable 1993 level while for the six months it decreased approximately \$10,600. As a percentage of net revenues, for the quarter it increased to 13.6% from 13.1% in the same period last year and for the six months it decreased to 13.4% from 13.5% a year ago. The reduction in amounts reflect the reduced revenues while the increased percentage during the quarter is largely the result of higher spending to establish selected core brands in certain international markets.

Both the second quarter and six months selling, distribution and administrative expenses show decreases from the respective 1993 amounts, while increasing as a percentage of net revenues. The decreases in amount are partially the result of lower distribution costs resulting from the lower revenues, while the increases in percentage are reflective of the fact that most other expenses in this category are relatively fixed.

NONOPERATING (INCOME) EXPENSE

Interest expense decreased from 1993 levels in both the second quarter and the six months. This decrease reflects the Company's lower borrowing requirements, partially offset by slightly higher interest rates. The major component of other income continues to be income from temporary investments. Also included are various other items, none of which are material, of both income and expense.

INCOME TAXES

Income tax expense, as a percentage of pretax earnings, was 38.5% for both the second quarter and six months of 1994, compared with 38.0% in both periods of 1993. This increase primarily results from the third quarter 1993 increase in the U. S. federal income tax rate from 34% to 35%.

OTHER INFORMATION

The business of the Company is characterized by customer order patterns which vary from year to year largely because of differences in the degree of consumer acceptance of a product line, product availability, marketing strategies and inventory levels of retailers and differences in overall economic conditions. Also, more retailers are using quick response inventory management practices which results in fewer orders being placed in advance of shipment and more orders, when placed, for immediate delivery. As a result, comparisons of unshipped orders on any date in a given year with those at the same date in a prior year are not necessarily indicative of sales for the entire year. In addition, it is a general industry practice that orders are subject to amendment or cancellation by customers prior to shipment. The Company's unshipped orders were approximately \$850,000 at July 24, 1994 compared to \$950,000 at July 25, 1993. During the past several years the Company has experienced a shift in its revenue pattern wherein 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 expects that this trend will continue.

HASBRO, INC. AND SUBSIDIARIES

Management's Discussion and Analysis of Financial
Condition and Results of Operations, Continued

(Thousands of dollars)

LIQUIDITY AND CAPITAL RESOURCES

Several of the major balance sheet categories, including cash and cash equivalents, accounts receivable, inventories and short-term borrowings, fluctuate significantly from quarter to quarter. This reflects the seasonality of the Company's business coupled with certain customer incentives, mainly in the form of extended payment terms. Generally, accounts receivable, inventories and short-term debt are lower at the end of December and March than at the end of the other quarters while cash and related amounts are higher. As a result, management believes that a comparison to the comparable period in the prior year is generally more meaningful than a comparison to the prior year-end.

Cash and cash equivalents were above their 1993 level which is the result of the timing of cash receipts and their currency. The Company attempts to keep

its cash at the lowest level possible whenever it has short-term borrowings. At times, however, the cash available and the borrowing requirement may be in different countries and currencies which may make it impractical to substitute one for the other. Receivables were less than at the same time in 1993 reflecting the Company's reduced revenues, partially offset by a change in sales mix with a larger percentage being made to customers with extended payment terms. Inventories were modestly above the level of a year ago as the Company continues to commit to production at levels sufficient to support its anticipated second half revenues.

Short-term borrowings, at \$129,488 were approximately \$77,600 less than last year, reflecting both the Company's decreased activity and the funds generated from operations within the most recent twelve months. Other current liabilities increased marginally, primarily due to timing differences on payments. 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, thus making it necessary for the Company to borrow significant amounts pending collection of these receivables. At June 26, 1994, the Company had committed unsecured lines of credit totaling approximately \$450,000 available to it. It also had available uncommitted lines exceeding \$900,000. The Company believes that these amounts are adequate for its needs. Of these available lines, approximately \$150,000 was in use at June 26, 1994.

RECENT DEVELOPMENTS

On June 22, 1994, the Company announced that the Executive Committee of its Board of Directors authorized the repurchase of up to five million shares of common stock from time to time in the open market or otherwise. This authorization is in addition to the 2,445,300 shares of common stock that the Company is authorized to repurchase pursuant to prior authorization by the Board. Shares repurchased will be used for general corporate purposes including funding of the Company's existing stock option plans.

HASBRO, INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial
Condition and Results of Operations, Continued

(Thousands of dollars)

On July 12, 1994, the Company's outstanding warrants, which were issued in connection with the purchase of assets from Coleco Industries, Inc. in 1989, expired and prior to this date most had been exercised. Under terms of the warrants, upon exercise the Company had the option of either issuing shares of its stock or paying the exercising warrant holder an equivalent amount in cash. For all but a small number of warrants exercised prior to mid-1993, the Company elected to pay the equivalent cash amounts, approximating \$16,000, rather than diluting its equity.

On July 18, 1994, in response to a public offer to acquire shares in J.W. Spear & Sons PLC at a price of 11.50 pounds sterling per share, the Company tendered all of its approximately 1,400,000 shares. These shares were purchased by the Company in 1990 at a cost of approximately \$9,000.

On July 29, 1994, the Company exchanged its investment in approximately 1,500,000 shares of Virgin Interactive Entertainment Plc (VIE) for approximately 1,300,000 shares of Blockbuster Entertainment Corporation (Blockbuster). The Company acquired the VIE shares in September 1993 at a cost of approximately \$25,000 while the value of the Blockbuster shares on July 29, 1994 was approximately \$34,000.

PART II. Other Information

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities.

None.

Item 3. Defaults Upon Senior Securities.

None.

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

At the Company's Annual Meeting of Shareholders held on May 11, 1994, the Company's Shareholders, by a vote of 75,077,738 for, 2,419,162 against, 431,516 abstentions and no broker nonvotes, approved the Stock Option Plan for Non-employee Directors of the Company.

They also, by a vote of 68,186,493 for, 9,252,726 against, 489,197 abstentions and no broker nonvotes, approved the Senior Management Annual Performance Plan for the Company.

In addition, the Company's Shareholders reelected the following persons to the Board of Directors of the Company: Alan G. Hassenfeld (77,265,949 votes for, 662,367 votes withheld); George R. Ditomassi, Jr. (77,422,923 votes for, 505,393 votes withheld); Harold P. Gordon (76,401,225 votes for, 1,527,091 votes withheld); Alex Grass (77,414,385 votes for, 513,931 votes withheld); and Preston Robert Tisch (74,237,060 votes for, 3,691,256 votes withheld). There were no votes against any nominee and no broker nonvotes.

Finally, the Company's Shareholders ratified the selection of KPMG Peat Marwick as the independent public accountants for the Company for the 1994 fiscal year by a vote of 77,558,979 for, 28,733 against, 340,704 abstentions and no broker nonvotes.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

11.1 Computation of Earnings Per Common Share - Twenty-Six Weeks Ended June 26, 1994 and June 27, 1993.

11.2 Computation of Earnings Per Common Share - Thirteen Weeks Ended June 26, 1994 and June 27, 1993.

12 Computation of Ratio of Earnings to Fixed Charges - Twenty-Six Weeks Ended June 26, 1994.

(b) Reports on Form 8-K

A current Report on Form 8-K dated June 16, 1994 was filed by the Company and included the Press Release dated June 16, 1994 announcing the Company's revenue and earnings expectations for the second quarter and full year 1994.

A current Report on Form 8-K dated July 14, 1994 was filed by the Company and included the Press Release dated July 14, 1994 announcing the Company's results for the current quarter. Consolidated Statements of Earnings (without notes) for the quarters ended June 26, 1994 and June 27, 1993 and Consolidated Condensed Balance Sheets (without notes) as of said dates were also filed.

SIGNATURES

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

HASBRO, INC.

(Registrant)

Date: August 4, 1994

By: /s/ John T. O'Neill

John T. O'Neill
Executive Vice President and
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

HASBRO, INC. AND SUBSIDIARIES
Quarterly Report on Form 10-Q
For the Period Ended June 26, 1994

Exhibit Index

Exhibit No.	Exhibits
- - - - -	-----
11.1	Statement re computation of per share earnings - twenty-six weeks ended June 26, 1994 and June 27, 1993
11.2	Statement re computation of per share earnings - thirteen weeks ended June 26, 1994 and June 27, 1993
12	Statement re computation of ratios

EXHIBIT 11.1

HASBRO, INC. AND SUBSIDIARIES
 Computation of Earnings Per Common Share
 Twenty-Six Weeks Ended June 26, 1994 and June 27, 1993

(Thousands of Dollars and Shares Except Per Share Data)

	1994		1993	
	----- Primary -----	Fully Diluted -----	----- Primary -----	Fully Diluted -----
Net earnings before cumulative effect of change in accounting principles	\$28,351	28,351	53,730	53,730
Interest and amortization on 6% convertible notes, net of taxes	-	-(a)	-	2,929
Net earnings before cumulative effect of change in accounting principles applicable to common shares	28,351	28,351	53,730	56,659
Cumulative effect of change in accounting principles	(4,282)	(4,282)	-	-
Net earnings applicable to common shares	\$24,069 =====	24,069 =====	53,730 =====	56,659 =====
Weighted average number of shares outstanding: (b)				
Outstanding at beginning of period	87,795	87,795	87,176	87,176
Actual exercise of stock options and warrants	168	168	156	156
Assumed exercise of stock options and warrants	2,008	2,008	2,451	2,790
Assumed conversion of 6% convertible notes	-	-(a)	-	5,114
Purchase of common stock	(3)	(3)	-	-
Total	89,968 =====	89,968 =====	89,783 =====	95,236 =====
Per common share:				
Earnings before cumulative effect of change in accounting principles	\$.32	.32	.60	.59
Cumulative effect of change in accounting principles	(.05)	(.05)	-	-
Net earnings	\$.27 =====	.27 =====	.60 =====	.59 =====

(a) The effect of these notes in 1994 is antidilutive and as such is not included.

(b) Computation to arrive at the average number is a weighted average computation.

EXHIBIT 11.2

HASBRO, INC. AND SUBSIDIARIES
 Computation of Earnings Per Common Share
 Thirteen Weeks Ended June 26, 1994 and June 27, 1993

(Thousands of Dollars and Shares Except Per Share Data)

	1994		1993	
	Primary	Fully Diluted	Primary	Fully Diluted
Net earnings before cumulative effect of change in accounting principles	\$ 1,634	1,634	27,150	27,150
Interest and amortization on 6% convertible notes, net of taxes	-	-(a)	-	1,464
Net earnings before cumulative effect of change in accounting principles applicable to common shares	1,634	1,634	27,150	28,614
Cumulative effect of change in accounting principles	-	-	-	-
Net earnings applicable to common shares	\$ 1,634	1,634	27,150	28,614
	=====	=====	=====	=====
Weighted average number of shares outstanding: (b)				
Outstanding at beginning of period	87,981	87,981	87,307	87,307
Actual exercise of stock options and warrants	63	63	89	89
Assumed exercise of stock options and warrants	1,798	1,798	2,530	2,791
Assumed conversion of 6% convertible notes	-	-(a)	-	5,114
Purchase of common stock	(6)	(6)	-	-
Total	89,836	89,836	89,926	95,301
	=====	=====	=====	=====
Per common share:				
Earnings before cumulative effect of change in accounting principles	\$.02	.02	.30	.30
Cumulative effect of change in accounting principles	-	-	-	-
Net earnings	\$.02	.02	.30	.30
	=====	=====	=====	=====

(a) The effect of these notes in 1994 is antidilutive and as such is not included.

(b) Computation to arrive at the average number is a weighted average computation.

HASBRO, INC. AND SUBSIDIARIES
 Computation of Ratio of Earnings to Fixed Charges
 Twenty-Six Weeks and Thirteen Weeks Ended June 26, 1994

(Thousands of Dollars)

	Twenty-Six Weeks -----	Thirteen Weeks -----
Earnings available for fixed charges:		
Net earnings	\$24,069	1,634
Add:		
Cumulative effect of change in accounting principles	4,282	-
Fixed charges	16,622	7,948
Income taxes	17,749	1,023
	-----	-----
Total	\$62,722	10,605
	=====	=====
 Fixed Charges:		
Interest on long-term debt	\$ 5,849	2,946
Other interest charges	4,196	1,663
Amortization of debt expense	193	96
Rental expense representative of interest factor	6,384	3,243
	-----	-----
Total	\$16,622	7,948
	=====	=====
 Ratio of earnings to fixed charges	3.77	1.33
	=====	=====