HASBRO INC
Form 10-Q
July 26, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 26, 2016

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 1-6682

HASBRO, INC.

(Exact name of registrant as specified in its charter)

Rhode Island	05-0155090
(State of Incorporation)	(I.R.S. Employer Identification No.)

1027 Newport Avenue, Pawtucket, Rhode Island 02861
(Address of Principal Executive Offices, Including Zip Code)

(401) 431-8697

(Registrant's Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [x] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [x]	Accelerated filer [ ]
Non-accelerated filer (Do not check if a smaller reporting company) [ ]	Smaller reporting Company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [x]

The number of shares of Common Stock, par value $.50 per share, outstanding as of July 18, 2016 was 125,407,912.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

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

		June 26, 2016	June 28, 2015	December 27, 2015
ASSETS				
Current assets				
Cash and cash equivalents	$	924,098	858,458	976,750
Accounts receivable, less allowance for doubtful accounts of $32,800, $16,300 and $14,900		703,821	709,437	1,217,850
Inventories		572,391	403,789	384,492
Prepaid expenses and other current assets		323,046	360,101	286,506
Total current assets		2,523,356	2,331,785	2,865,598
Property, plant and equipment, less accumulated depreciation of $375,300, $359,300 and $363,600		242,607	225,911	237,527
Other assets				
Goodwill		592,806	592,802	592,695
Other intangibles, net, accumulated amortization of $858,700, $823,800 and $841,300		263,425	298,231	280,807
Other		722,191	768,960	744,090
Total other assets		1,578,422	1,659,993	1,617,592
Total assets	$	4,344,385	4,217,689	4,720,717
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND SHAREHOLDERS' EQUITY				
Current liabilities				
Short-term borrowings	$	5,400	167,877	164,563
Accounts payable		214,243	185,631	241,210
Accrued liabilities		525,377	447,380	658,874
Total current liabilities		745,020	800,888	1,064,647
Long-term debt		1,547,753	1,546,477	1,547,115
Other liabilities		402,614	400,432	404,883
Total liabilities		2,695,387	2,747,797	3,016,645
Redeemable noncontrolling interests		36,465	41,387	40,170

Shareholders' equity			
Preference stock of $2.50 par value. Authorized 5,000,000 shares; none issued	-	-	-
Common stock of $.50 par value. Authorized 600,000,000 shares; issued 209,694,630 at June 26, 2016, June 28, 2015, and December 27, 2015	104,847	104,847	104,847
Additional paid-in capital	945,802	850,582	893,630
Retained earnings	3,825,289	3,583,803	3,852,321
Accumulated other comprehensive loss	(174,301)	(103,476)	(146,001)
Treasury stock, at cost; 84,241,018 shares at June 26, 2016; 84,781,723 shares at June 28, 2015; and 84,899,200 shares at December 27, 2015	(3,089,104)	(3,007,251)	(3,040,895)
Total shareholders' equity	1,612,533	1,428,505	1,663,902
Total liabilities, redeemable noncontrolling interests and shareholders' equity	$ 4,344,385	4,217,689	4,720,717

See accompanying condensed notes to consolidated financial statements.

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

	Quarter Ended		Six Months Ended	
	June 26, 2016	June 28, 2015	June 26, 2016	June 28, 2015
Net revenues	$ 878,945	797,658	1,710,125	1,511,158
Costs and expenses:				
Cost of sales	321,676	295,399	611,916	543,134
Royalties	69,408	57,069	139,377	116,158
Product development	63,671	57,609	120,835	109,506
Advertising	86,957	78,365	166,816	146,107
Amortization of intangibles	8,691	13,348	17,382	26,299
Program production cost amortization	5,033	7,220	11,219	18,316
Selling, distribution and administration	238,635	213,148	471,790	421,933
Total costs and expenses	794,071	722,158	1,539,335	1,381,453
Operating profit	84,874	75,500	170,790	129,705
Non-operating (income) expense:				
Interest expense	23,914	24,186	47,958	48,771
Interest income	(2,312)	(690)	(4,525)	(1,620)
Other (income) expense, net	(3,748)	(1,642)	1,124	(5,407)
Total non-operating expense, net	17,854	21,854	44,557	41,744
Earnings before income taxes	67,020	53,646	126,233	87,961
Income tax expense	17,601	13,364	29,843	21,858
Net earnings	49,419	40,282	96,390	66,103
Net loss attributable to noncontrolling interests	(2,687)	(1,527)	(4,467)	(2,373)
Net earnings attributable to Hasbro, Inc.	$ 52,106	41,809	100,857	68,476
Net earnings attributable to Hasbro, Inc. per common share:				
Basic	$ 0.42	0.33	0.80	0.55
Diluted	$ 0.41	0.33	0.79	0.54
Cash dividends declared per common share	$ 0.51	0.46	1.02	0.92

See accompanying condensed notes to consolidated financial statements.

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

	Quarter Ended		Six Months Ended	
	June 26, 2016	June 28, 2015	June 26, 2016	June 28, 2015
Net earnings	$ 49,419	40,282	96,390	66,103
Other comprehensive earnings (loss):				
Foreign currency translation adjustments	7,825	642	19,965	(46,669)
Net (losses) gains on cash flow hedging activities, net of tax	(8,258)	(9,672)	(24,044)	52,628
Unrealized holding (losses) gains on available-for-sale securities, net of tax	(327)	715	1,353	941
Reclassifications to earnings, net of tax:				
Net gains on cash flow hedging activities	(10,363)	(9,458)	(27,924)	(17,419)
Unrecognized pension and postretirement amounts	1,175	1,293	2,350	2,497
Total other comprehensive loss, net of tax	(9,948)	(16,480)	(28,300)	(8,022)
Comprehensive earnings	39,471	23,802	68,090	58,081
Comprehensive loss attributable to noncontrolling interests	(2,687)	(1,527)	(4,467)	(2,373)
Comprehensive earnings attributable to Hasbro, Inc.	$ 42,158	25,329	72,557	60,454

See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Thousands of Dollars)
(Unaudited)

	Six Months Ended June 26, 2016	Six Months Ended June 28, 2015
Cash flows from operating activities:		
Net earnings	$ 96,390	66,103
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation of plant and equipment	57,091	50,749
Amortization of intangibles	17,382	26,299
Program production cost amortization	11,219	18,316
Deferred income taxes	8,702	(5,234)
Stock-based compensation	25,577	21,714
Change in operating assets and liabilities:		
Decrease in accounts receivable	519,376	333,467
Increase in inventories	(185,048)	(100,563)
(Increase) decrease in prepaid expenses and other current assets	(60,483)	435
Program production costs	(25,387)	(21,557)
Decrease in accounts payable and accrued liabilities	(193,785)	(162,483)
Other	(2,193)	8,858
Net cash provided by operating activities	268,841	236,104
Cash flows from investing activities:		
Additions to property, plant and equipment	(66,390)	(67,709)
Other	20,431	8,706
Net cash utilized by investing activities	(45,959)	(59,003)
Cash flows from financing activities:		
Net repayments of other short-term borrowings	(159,136)	(84,420)
Purchases of common stock	(57,337)	(49,156)
Stock option transactions	36,388	34,297
Excess tax benefits from stock-based compensation	18,423	7,947
Dividends paid	(121,311)	(110,902)
Other	762	(81)
Net cash utilized by financing activities	(282,211)	(202,315)
Effect of exchange rate changes on cash	6,677	(9,495)
Decrease in cash and cash equivalents	(52,652)	(34,709)
Cash and cash equivalents at beginning of year	976,750	893,167
Cash and cash equivalents at end of period	$ 924,098	858,458
Supplemental information		
Cash paid during the period for:		
Interest	$ 43,682	43,977
Income taxes	$ 49,297	36,727

See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES

Condensed Notes to Consolidated Financial Statements

(Thousands of Dollars and Shares Except Per Share Data)

(Unaudited)

(1) Basis of Presentation

In the opinion of management, the accompanying unaudited interim financial statements contain all normal and recurring adjustments necessary to present fairly the financial position of Hasbro, Inc. and all majority-owned subsidiaries ("Hasbro" or the "Company") as of June 26, 2016 and June 28, 2015, and the results of its operations and cash flows for the periods then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Actual results could differ from those estimates.

The quarters ended June 26, 2016 and June 28, 2015 are each 13-week periods. The six-month periods ended June 26, 2016 and June 28, 2015 are each 26-week periods.

The results of operations for the quarter and six-month periods ended June 26, 2016 are not necessarily indicative of results to be expected for the full year, nor were those of the comparable 2015 periods representative of those actually experienced for the full year 2015.

These condensed consolidated financial statements have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in the consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. The Company filed audited consolidated financial statements for the fiscal year ended December 27, 2015 in its Annual Report on Form 10-K, which includes all such information and disclosures and, accordingly, should be read in conjunction with the financial information included herein.

The Company's accounting policies are the same as those described in Note 1 to the Company's consolidated financial statements in its Annual Report on Form 10-K for the fiscal year ended December 27, 2015.

(2) Earnings Per Share

Net earnings per share data for the quarters and six-month periods ended June 26, 2016 and June 28, 2015 were computed as follows:

		2016		2015	
Quarter		**Basic**	**Diluted**	**Basic**	**Diluted**
Net earnings attributable to Hasbro, Inc.	$	52,106	52,106	41,809	41,809
Average shares outstanding		125,475	125,475	125,093	125,093
Effect of dilutive securities:					
Options and other share-based awards		-	1,566	-	1,713
Equivalent Shares		125,475	127,041	125,093	126,806
Net earnings attributable to Hasbro, Inc. per common share	$	0.42	0.41	0.33	0.33

		2016		2015	
Six Months		**Basic**	**Diluted**	**Basic**	**Diluted**
Net earnings attributable to Hasbro, Inc.	$	100,857	100,857	68,476	68,476
Average shares outstanding		125,371	125,371	124,973	124,973
Effect of dilutive securities:					
Options and other share-based awards		-	1,624	-	1,601
Equivalent Shares		125,371	126,995	124,973	126,574
Net earnings attributable to Hasbro, Inc. per common share	$	0.80	0.79	0.55	0.54

For the quarter ended June 26, 2016, options and restricted stock units totaling 492 were excluded from the calculation of diluted earnings per share because to include them would have been antidilutive. No options and restricted stock units were excluded from the calculation of diluted earnings per share for the quarter ended June 28, 2015. For the six-month periods ended June 26, 2016 and June 28, 2015, options and restricted stock units totaling 492 and 391, respectively, were excluded from the calculation of diluted earnings per share because to include them would have been antidilutive.

(3) Other Comprehensive Earnings (Loss)

Components of other comprehensive earnings (loss) are presented within the consolidated statements of comprehensive earnings. The following table presents the related tax effects on changes in other comprehensive earnings (loss) for the quarter and six-month periods ended June 26, 2016 and June 28, 2015.

		Quarter Ended		Six Months Ended	
		June 26, 2016	**June 28, 2015**	**June 26, 2016**	**June 28, 2015**
Other comprehensive earnings (loss), tax effect:					
Tax benefit (expense) on cash flow hedging activities	$	4,747	853	8,003	(3,962)
Tax benefit (expense) on unrealized holding gains (losses)		185	(408)	(768)	(536)
Reclassifications to earnings, tax effect:					
Tax expense on cash flow hedging activities		1,069	708	2,818	1,050
Tax benefit on unrecognized pension and postretirement amounts reclassified to the consolidated statements of operations		(666)	(596)	(1,333)	(1,280)
Total tax effect on other comprehensive earnings (loss)	$	5,335	557	8,720	(4,728)

Changes in the components of accumulated other comprehensive loss for the six months ended June 26, 2016 and June 28, 2015 are as follows:

		Pension and Postretirement Amounts	Gains (Losses) on Derivative Instruments	Unrealized Holding Gains on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Earnings (Loss)
<u>2016</u>						
Balance at December 27, 2015	$	(102,931)	79,317	1,258	(123,645)	(146,001)
Current period other comprehensive earnings (loss)		2,350	(51,968)	1,353	19,965	(28,300)
Balance at June 26, 2016	$	(100,581)	27,349	2,611	(103,680)	(174,301)
<u>2015</u>						
Balance at December 27, 2014	$	(113,092)	43,689	1,900	(27,951)	(95,454)
Current period other comprehensive earnings (loss)		2,497	35,209	941	(46,669)	(8,022)
Balance at June 28, 2015	$	(110,595)	78,898	2,841	(74,620)	(103,476)

At June 26, 2016, the Company had remaining net deferred gains on foreign currency forward contracts, net of tax, of $46,138 in accumulated other comprehensive loss ("AOCE"). These instruments hedge payments related to inventory purchased in the second quarter of 2016 or forecasted to be purchased during the remainder of 2016 and, to a lesser extent, 2017 through 2020, intercompany expenses expected to be paid or received during 2016 and 2017, cash receipts for sales made at the end of the second quarter of 2016 or forecasted to be made in the remainder of 2016 and, to a lesser extent, 2017 through 2018. These amounts will be reclassified into the consolidated statements of operations upon the sale of the related inventory or recognition of the related sales or expenses.

In addition to foreign currency forward contracts, the Company entered into hedging contracts on future interest payments related to the long-term notes due 2021 and 2044. At the date of debt issuance in 2014, these contracts were terminated and the fair value on the date of settlement was deferred in AOCE and is being amortized to interest expense over the life of the related notes using the effective interest rate method. At June 26, 2016, deferred losses, net of tax of $18,789 related to these instruments remained in AOCE. For the quarters ended June 26, 2016 and June 28, 2015, previously deferred losses of $450 were reclassified from AOCE to net earnings. For the six month periods ended June 26, 2016 and June 28, 2015, previously deferred losses of $899 were reclassified from AOCE to net earnings.

Of the amount included in AOCE at June 26, 2016, the Company expects approximately $26,920 to be reclassified to the consolidated statements of operations within the next 12 months. However, the amount ultimately realized in earnings is dependent on the fair value of the hedging instruments on the settlement dates.

(4) Financial Instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, short-term borrowings, accounts payable and certain accrued liabilities. At June 26, 2016, June 28, 2015 and December 27, 2015, the carrying cost of these instruments approximated their fair value. The Company's financial instruments at June 26, 2016, June 28, 2015 and December 27, 2015 also include certain assets and liabilities measured at fair value (see Notes 6 and 8) as well as long-term borrowings. The carrying costs which are equal to the outstanding principal amounts, and fair values of the Company's long-term borrowings as of June 26, 2016, June 28, 2015 and December 27, 2015 are as follows:

	June 26, 2016		June 28, 2015		December 27, 2015	
	Carrying Cost	**Fair Value**	**Carrying Cost**	**Fair Value**	**Carrying Cost**	**Fair Value**
6.35% Notes Due 2040	$ 500,000	608,600	500,000	557,450	500,000	556,300
6.30% Notes Due 2017	350,000	370,125	350,000	382,235	350,000	374,045
5.10% Notes Due 2044	300,000	317,490	300,000	287,010	300,000	286,710
3.15% Notes Due 2021	300,000	308,640	300,000	301,800	300,000	300,060
6.60% Debentures Due 2028	109,895	133,006	109,895	121,115	109,895	121,269
Total long-term debt	$ 1,559,895	1,737,861	1,559,895	1,649,610	1,559,895	1,638,384
Less: Deferred debt expenses	12,142	-	13,418	-	12,780	-
Long-term debt	$ 1,547,753	1,737,861	1,546,477	1,649,610	1,547,115	1,638,384

The fair values of the Company's long-term debt are considered Level 3 fair values (see Note 6 for further discussion of the fair value hierarchy) and are measured using the discounted future cash flows method. In addition to the debt terms, the valuation methodology includes an assumption of a discount rate that approximates the current yield on a similar debt security. This assumption is considered an unobservable input in that it reflects the Company's own assumptions about the inputs that market participants would use in pricing the asset or liability. The Company believes that this is the best information available for use in the fair value measurement.

In April 2015, the FASB issued ASU No. 2015-03, Interest – Imputation of Interest (ASC 835-30), which simplifies the presentation of debt issuance costs. ASU 2015-03 requires debt issuance costs related to long-term debt to be presented in the balance sheet as a reduction to the carrying amount of the related debt liability, consistent with the presentation of discounts. The Company adopted ASU 2015-03 at December 27, 2015 and deferred debt costs are presented as a reduction of long-term debt. Debt issuance costs of $13,418 have been reclassified from other assets in the consolidated balance sheet for June 28, 2015, to reflect this change in accounting principle.

(5) <u>Income Taxes</u>

The Company and its subsidiaries file income tax returns in the United States and various state and international jurisdictions. In the normal course of business, the Company is regularly audited by U.S. federal, state and local and international tax authorities in various tax jurisdictions.

The Company is no longer subject to U.S. federal income tax examinations for years before 2013. With few exceptions, the Company is no longer subject to U.S., state or local and non-U.S. income tax examinations by tax authorities in its major jurisdictions for years before 2009. The Company is currently under income tax examination in several U.S., state and local and non-U.S. jurisdictions.

In November 2015, the FASB issued ASU 2015-17, *Income Taxes*, which simplifies the presentation of deferred income taxes by removing the requirement to bifurcate deferred income tax assets and liabilities between current and non-current. The Company adopted ASU 2015-17 as of December 27, 2015 and deferred income tax assets and liabilities are presented as non-current in the consolidated balance sheets. This adoption was applied retrospectively and $74,044 has been reclassified from prepaid expenses and other current assets to other assets and $5,015 has been reclassified from accrued liabilities to other liabilities in the consolidated balance sheet as of June 28, 2015.

(6) Fair Value of Financial Instruments

The Company measures certain financial instruments at fair value. The fair value hierarchy consists of three levels: Level 1 fair values are based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access; Level 2 fair values are those based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities; and Level 3 fair values are based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Accounting standards permit entities to measure many financial instruments and certain other items at fair value and establish presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar assets and liabilities. The Company has elected the fair value option for certain available-for-sale investments. At June 26, 2016, June 28, 2015 and December 27, 2015, these investments totaled $23,056, $32,766 and $22,539, respectively, and are included in prepaid expenses and other current assets in the consolidated balance sheets. The Company recorded net gains of $399 and $482 on these investments in other (income) expense, net for the quarter and six-months ended June 26, 2016, respectively, related to the change in fair value of such instruments. For the quarter and six-month periods ended June 28, 2015 the Company recorded net losses of $87 and $70, respectively, in other (income) expense, net, related to the change in fair value of such instruments.

At June 26, 2016, June 28, 2015 and December 27, 2015, the Company had the following assets and liabilities measured at fair value (excluding assets for which the fair value is measured using net asset value per share) in its consolidated balance sheets:

			Fair Value Measurements Using:		
		Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 26, 2016					
Assets:					
Available-for-sale securities	$	5,597	5,597	-	-
Derivatives		63,277	-	63,277	-
Total assets	$	68,874	5,597	63,277	-
Liabilities:					
Derivatives	$	13,148	-	13,148	-
Option agreement		27,560	-	-	27,560
Total liabilities	$	40,708	-	13,148	27,560
June 28, 2015					
Assets:					
Available-for-sale securities	$	5,959	5,959	-	-
Derivatives		105,906	-	105,906	-
Total assets	$	111,865	5,959	105,906	-
Liabilities:					
Derivatives	$	2,748	-	2,748	-
Option agreement		25,190	-	-	25,190
Total liabilities	$	27,938	-	2,748	25,190
December 27, 2015					
Assets:					
Available-for-sale securities	$	3,476	3,476	-	-
Derivatives		107,634	-	107,634	-
Total assets	$	111,110	3,476	107,634	-
Liabilities:					
Derivatives	$	1,240	-	1,240	-
Option agreement		28,360	-	-	28,360
Total Liabilities	$	29,600	-	1,240	28,360

Available-for-sale securities include equity securities of one company quoted on an active public market.

The Company's derivatives consist of foreign currency forward contracts. The Company used current forward rates of the respective foreign currencies to measure the fair value of these contracts. The option agreement included in other liabilities at June 26, 2016, June 28, 2015 and December 27, 2015, is valued using an option pricing model based on the fair value of the related investment. Inputs used in the option pricing model include the volatility and fair value of the underlying company which are considered unobservable inputs as they reflect the Company's own assumptions about the inputs that market participants would use in pricing the asset or liability. The Company believes that this is the best information available for use in the fair value measurement. There were no changes in these valuation techniques during the six-month period ended June 26, 2016.

The following is a reconciliation of the beginning and ending balances of the fair value measurements of the Company's financial instruments which use significant unobservable inputs (Level 3):

		2016	**2015**
Balance at beginning of year	$	(28,360)	(25,340)
Gain from change in fair value		800	150
Balance at end of second quarter	$	(27,560)	(25,190)

In addition to the above, the Company has three investments for which the fair value is measured using net asset value per share. At June 26, 2016, June 28, 2015 and December 27, 2015, these investments had fair values of $23,056, $32,766 and $22,539, respectively. Two of the investments have net asset values that are predominantly based on underlying investments which are traded on an active market and are redeemable within 45 days. The third investment invests in hedge funds which are generally redeemable on a quarterly basis with 30 – 90 days' notice.

(7) <u>Pension and Postretirement Benefits</u>

The components of the net periodic cost of the Company's defined benefit pension and other postretirement plans for the quarter and six-month periods ended June 26, 2016 and June 28, 2015 are as follows:

		Quarter Ended			
		Pension		**Postretirement**	
		June 26, 2016	**June 28, 2015**	**June 26, 2016**	**June 28, 2015**
Service cost	$	995	1,021	133	150
Interest cost		4,604	4,619	293	285
Expected return on assets		(5,504)	(5,497)	-	-
Net amortization and deferrals		2,132	2,207	-	(114)
Curtailment		-	138	-	-
Net periodic benefit cost	$	2,227	2,488	426	321

	Six Months Ended			
	Pension		Postretirement	
	June 26, 2016	June 28, 2015	June 26, 2016	June 28, 2015
Service cost	$ 1,993	2,032	265	300
Interest cost	9,210	9,224	587	570
Expected return on assets	(11,011)	(10,976)	-	-
Net amortization and deferrals	4,264	4,408	-	(228)
Curtailment	-	138	-	-
Net periodic benefit cost	$ 4,456	4,826	852	642

During the six months ended June 26, 2016, the Company made cash contributions to its defined benefit pension plans of approximately $750 in the aggregate. The Company expects to contribute approximately $2,750 during the remainder of fiscal 2016.

(8) Derivative Financial Instruments

Hasbro uses foreign currency forward contracts to mitigate the impact of currency rate fluctuations on firmly committed and projected future foreign currency transactions. These over-the-counter contracts, which hedge future currency requirements related to purchases of inventory, product sales and other cross-border transactions not denominated in the functional currency of the business unit, are primarily denominated in United States and Hong Kong dollars, and Euros. All contracts are entered into with a number of counterparties, all of which are major financial institutions. The Company believes that a default by a single counterparty would not have a material adverse effect on the financial condition of the Company. Hasbro does not enter into derivative financial instruments for speculative purposes.

Cash Flow Hedges

The Company uses foreign currency forward contracts to reduce the impact of currency rate fluctuations on firmly committed and projected future foreign currency transactions. All of the Company's designated foreign currency forward contracts are considered to be cash flow hedges. These instruments hedge a portion of the Company's currency requirements associated with anticipated inventory purchases, product sales and other cross-border transactions in 2016 through 2020.

At June 26, 2016, June 28, 2015 and December 27, 2015, the notional amounts and fair values of the Company's foreign currency forward contracts designated as cash flow hedging instruments were as follows:

		June 26, 2016		June 28, 2015		December 27, 2015	
Hedged transaction		**Notional Amount**	**Fair Value**	**Notional Amount**	**Fair Value**	**Notional Amount**	**Fair Value**
Inventory purchases	$	1,301,560	54,698	1,081,451	111,252	1,380,488	108,521
Sales		218,459	(2,792)	239,415	(7,659)	97,350	803
Royalties and Other		259,963	(2,810)	74,433	(971)	54,360	(1,886)
Total	$	1,779,982	49,096	1,395,299	102,622	1,532,198	107,438

The Company has a master agreement with each of its counterparties that allows for the netting of outstanding forward contracts. The fair values of the Company's foreign currency forward contracts designated as cash flow hedges are recorded in the consolidated balance sheets at June 26, 2016, June 28, 2015 and December 27, 2015 as follows:

		June 26, 2016	June 28, 2015	December 27, 2015
Prepaid expenses and other current assets				
Unrealized gains	$	49,195	63,740	78,910
Unrealized losses		(9,953)	(12,302)	(5,932)
Net unrealized gain	$	39,242	51,438	72,978
Other assets				
Unrealized gains	$	29,838	54,664	35,366
Unrealized losses		(6,836)	(732)	(710)
Net unrealized gains	$	23,002	53,932	34,656
Accrued liabilities				
Unrealized gains	$	1,660	4,349	-
Unrealized losses		(10,600)	(7,026)	-
Net unrealized loss	$	(8,940)	(2,677)	-
Other liabilities				
Unrealized gains	$	223	-	241
Unrealized losses		(4,431)	(71)	(437)
Net unrealized loss	$	(4,208)	(71)	(196)

Net gains (losses) on cash flow hedging activities have been reclassified from other comprehensive earnings (loss) to net earnings for the quarter and six-month periods ended June 26, 2016 and June 28, 2015 as follows:

	Quarter Ended		Six Months Ended	
	June 26, 2016	June 28, 2015	June 26, 2016	June 28, 2015
Statements of Operations Classification				
Cost of sales	$ 11,438	12,683	27,136	22,746
Sales	318	(2,645)	416	(3,999)
Other	(738)	12	(731)	55
Net realized gains	$ 11,018	10,050	26,821	18,802

In addition, gains of $863 and $4,820 were reclassified to earnings as a result of hedge ineffectiveness for the quarter and six-month periods ended June 26, 2016, respectively. Net gains of $567 were reclassified to earnings as a result of hedge ineffectiveness for the quarter and six-month periods ended June 28, 2015.

Undesignated Hedges

The Company also enters into foreign currency forward contracts to minimize the impact of changes in the fair value of intercompany loans due to foreign currency fluctuations. Due to the nature of the derivative contracts involved, the Company does not use hedge accounting for these contracts. At June 26, 2016, June 28, 2015 and December 27, 2015 the total notional amounts of the Company's undesignated derivative instruments were $105,569, $124,171 and $341,389, respectively.

At June 26, 2016, June 28, 2015 and December 27, 2015, the fair values of the Company's undesignated derivative financial instruments were recorded in the consolidated balance sheets as follows:

		June 26, 2016	June 28, 2015	December 27, 2015
Prepaid expenses and other current assets				
Unrealized gains	$	1,033	563	-
Unrealized losses		-	(27)	-
Net unrealized gain		1,033	536	-
Accrued liabilities				
Unrealized gains		-	-	416
Unrealized losses		-	-	(1,460)
Net unrealized loss		-	-	(1,044)
Total unrealized gain (loss), net	$	1,033	536	(1,044)

The Company recorded net gains of $5,079 and $8,334 on these instruments to other (income) expense, net for the quarter and six-month periods ended June 26, 2016, respectively, and $8,883 and $18,954 on these instruments to other (income) expense, net for the quarter and six-month periods ended June 28, 2015, respectively, relating to the change in fair value of such derivatives, substantially offsetting gains and losses from the change in fair value of intercompany loans to which the contracts relate.

For additional information related to the Company's derivative financial instruments see Notes 4 and 6.

(9) Segment Reporting

Hasbro is a worldwide leader in children's and family leisure time products and services with a broad portfolio of brands and entertainment properties spanning toys, games, licensed products ranging from traditional to high-tech and digital, and film and television entertainment. The Company's segments are (i) U.S. and Canada, (ii) International, (iii) Entertainment and Licensing, and (iv) Global Operations.

The U.S. and Canada segment includes the marketing and selling of action figures, arts and crafts and creative play products, electronic toys and related electronic interactive products, fashion and other dolls, infant products, play sets, preschool toys, plush products, sports action blasters and accessories, vehicles and toy-related specialty products, as well as traditional board games and puzzles, and trading card and role-playing games primarily within the United States and Canada. Within the International segment, the Company markets and sells both toy and game products in markets outside of the U.S. and Canada, primarily in the European, Asia Pacific, and Latin and South American regions. The Company's Entertainment and Licensing segment includes the Company's consumer products licensing, digital gaming, movie and television entertainment operations. The Global Operations segment is responsible for sourcing finished products for the Company's U.S. and Canada and International segments.

Segment performance is measured at the operating profit level. Included in Corporate and Eliminations are certain corporate expenses, including the elimination of intersegment transactions and certain assets benefiting more than one segment. Intersegment sales and transfers are reflected in management reports at amounts approximating cost. Certain shared costs, including global development and marketing expenses and corporate administration, are allocated to segments based upon expenses and foreign exchange rates fixed at the beginning of the year, with adjustments to actual expenses and foreign exchange rates included in Corporate and Eliminations. The accounting policies of the segments are the same as those referenced in note 1.

Results shown for the quarter and six months are not necessarily representative of those which may be expected for the full year 2016, nor were those of the comparable 2015 period representative of those actually experienced for the full year 2015. Similarly, such results are not necessarily those which would be achieved were each segment an unaffiliated business enterprise.

Information by segment and a reconciliation to reported amounts for the quarter and six-month periods ended June 26, 2016 and June 28, 2015 are as follows.

	Quarter Ended				
	June 26, 2016		June 28, 2015		
Net revenues		External	Affiliate	External	Affiliate
U.S. and Canada	$	425,899	1,552	385,183	1,718
International		401,129	261	362,760	(96)
Entertainment and Licensing		51,896	4,100	47,640	4,025
Global Operations (a)		21	372,058	2,075	350,864
Corporate and Eliminations		-	(377,971)	-	(356,511)
	$	878,945	-	797,658	-

	Six Months Ended				
	June 26, 2016		June 28, 2015		
Net revenues		External	Affiliate	External	Affiliate
U.S. and Canada	$	869,547	2,996	730,873	2,768
International		746,166	261	668,473	-
Entertainment and Licensing		94,391	8,801	108,271	7,434
Global Operations (a)		21	669,247	3,541	587,707
Corporate and Eliminations		-	(681,305)	-	(597,909)
	$	1,710,125	-	1,511,158	-

		Quarter Ended		Six Months Ended	
Operating profit (loss)		June 26, 2016	June 28, 2015	June 26, 2016	June 28, 2015
U.S. and Canada	$	57,953	47,147	136,288	88,570
International		29,654	25,361	32,507	27,264
Entertainment and Licensing		13,830	7,443	19,272	23,845
Global Operations (a)		(2,868)	2,019	576	(1,763)
Corporate and Eliminations (b)		(13,695)	(6,470)	(17,853)	(8,211)
	$	84,874	75,500	170,790	129,705

Total assets		June 26, 2016	June 28, 2015	December 27, 2015
U.S. and Canada	$	2,400,243	3,095,862	2,654,270
International		1,982,740	2,164,440	2,345,847
Entertainment and Licensing		524,962	675,082	567,753
Global Operations		2,401,676	2,334,761	2,410,142
Corporate and Eliminations (b)		(2,965,236)	(4,052,456)	(3,257,295)
	$	4,344,385	4,217,689	4,720,717

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

(b) Certain long-term assets, including property, plant and equipment, goodwill and other intangibles, which benefit multiple operating segments, are included in Corporate and Eliminations. Allocations of certain expenses related to these assets to the individual operating segments are done at the beginning of the year based on budgeted amounts. Any differences between actual and budgeted amounts are reflected in Corporate and Eliminations because allocations are translated from the US Dollar to local currency at budget rates when recorded, and Corporate and Eliminations also includes the elimination of inter-company balance sheet amounts.

The following table represents consolidated International segment net revenues by major geographic region for the quarter and six-month periods ended June 26, 2016 and June 28, 2015.

	Quarter Ended		Six Months Ended	
	June 26, 2016	June 28, 2015	June 26, 2016	June 28, 2015
Europe	$ 228,124	185,660	452,247	381,531
Latin America	97,368	98,368	152,964	155,976
Asia Pacific	75,637	78,732	140,955	130,966
Net revenues	$ 401,129	362,760	746,166	668,473

The following table presents consolidated net revenues by class of principal products for the quarter and six-month periods ended June 26, 2016 and June 28, 2015.

	Quarter Ended		Six Months Ended	
	June 26, 2016	June 28, 2015	June 26, 2016	June 28, 2015
Boys	$ 355,051	340,426	691,906	613,024
Games	227,703	211,629	458,845	447,278
Girls	172,326	127,489	337,679	244,616
Preschool	123,865	118,114	221,695	206,240
Net revenues	$ 878,945	797,658	1,710,125	1,511,158

(10) Subsequent Events

On July 13, 2016, the Company acquired Boulder Media (“Boulder”), an animation studio based in Dublin, Ireland. The consideration includes an initial cash payment of approximately $12.8 million and provisions for future earnout payments. In addition to working on a variety of animation projects for Hasbro Studios and Allspark Pictures, Boulder will continue to produce non-Hasbro animated content under the Boulder name and will be part of the Entertainment and Licensing operating segment.

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

This Quarterly Report on Form 10-Q, including the following section entitled Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements expressing management's current expectations, goals, objectives and similar matters. These forward-looking statements may include statements concerning the Company's product and entertainment plans, anticipated product and entertainment performance, business opportunities, plans and strategies, financial goals, cost savings and efficiency enhancing initiatives and expectations for achieving the Company's financial goals and other objectives. See Item 1A, in Part II of this report and Item 1A, in Part I of the Annual Report on Form 10-K for the year ended December 27, 2015, for a discussion of factors which may cause the Company's actual results or experience to differ materially from that anticipated in these forward-looking statements. The Company undertakes no obligation to revise the forward-looking statements in this report after the date of the filing. Unless otherwise specifically indicated, all dollar or share amounts herein are expressed in millions of dollars or shares, except for per share amounts.

EXECUTIVE SUMMARY

Hasbro, Inc. ("Hasbro" or the "Company") is a global company dedicated to *Creating the World's Best Play Experiences*. The Company strives to do this through deep consumer engagement and the application of consumer insights, the use of immersive storytelling to build brands, product innovation and development of global business reach. Hasbro applies these principles to leverage its beloved owned and controlled brands, including LITTLEST PET SHOP, MAGIC: THE GATHERING, MONOPOLY, MY LITTLE PONY, NERF, PLAY-DOH and TRANSFORMERS, as well as partner brands. From toys and games, to television programming, motion pictures, digital gaming and a comprehensive consumer product licensing program, Hasbro fulfills the fundamental need for play and connection for children and families around the world. The Company's wholly-owned Hasbro Studios creates entertainment brand-driven storytelling across mediums, including television, film and more.

Each of these elements is executed globally in alignment with Hasbro's strategic game plan, its brand blueprint. At the center of this blueprint, Hasbro re-imagines, re-invents and re-ignites its owned and controlled brands and imagines, invents and ignites new brands, through toy and game innovation, immersive entertainment offerings, including television programming and motion pictures, digital gaming and a broad range of licensed products. Hasbro generates revenue and earns cash by developing, marketing and selling products based on global brands in a broad variety of consumer goods categories including toy and game products and distribution of television programming based on the Company's properties, as well as through the out-licensing of rights for third parties to use its properties in connection with products, including digital media and games and lifestyle products. Hasbro also leverages its competencies to develop and market products based on well-known licensed brands, including, but not limited to, DISNEY PRINCESS and DISNEY’S FROZEN, DISNEY DESCENDANTS, MARVEL, SESAME STREET and STAR WARS. MARVEL and STAR WARS are owned by The Walt Disney Company.

The Company's business is separated into three principal business segments: U.S. and Canada, International and Entertainment and Licensing. The U.S. and Canada segment markets and sells both toy and game products primarily in the United States and Canada. The International segment consists of the Company's European, Asia Pacific and Latin and South American toy and game marketing and sales operations. The Company's Entertainment and Licensing segment includes the Company's consumer product licensing, digital licensing and gaming, and movie and television entertainment operations. In addition to these three primary segments, the Company's product sourcing operations are managed through its Global Operations segment.

Second quarter 2016 highlights:

· Second quarter net revenues grew 10% compared to the second quarter of 2015. Absent unfavorable foreign currency translation of approximately $17.7 million, net revenues in the second quarter of 2016 grew 12% compared to the second quarter of 2015.

· 2016 second quarter net revenues from the U.S. and Canada and International segments were up 11% in both cases as compared to the second quarter of 2015. Absent unfavorable foreign currency translation impact of $17.0 million, International segment net revenues in the second quarter of 2016 increased 15% compared to the second quarter of 2015. Entertainment and Licensing segment revenues increased 9% in the second quarter of 2016 compared to the same period in 2015.

· 2016 second quarter net revenues from the Girls category increased 35%, Games category revenues increased 8%, while the Boys and Preschool categories increased 4% and 5%, respectively, for the quarter. Franchise Brand revenues grew 3% and were up 5% absent the negative impact of foreign exchange, and Partner Brands grew 15% for the quarter.

· Operating profit improved 12% in the second quarter of 2016 compared to the second quarter of 2015 and net earnings increased 25% to $52.1 million compared to $41.8 million in the second quarter of 2015.

First half 2016 highlights:

· Net revenues increased 13% in first half of 2016 compared to the first half of 2015 and, absent unfavorable foreign currency translation of approximately $46.3 million, 2016 net revenues grew 16% compared to the first half of 2015.

· First half 2016 net revenues from the U.S. and Canada and International segments were up 19% and 12%, respectively, compared to the first half of 2015 whereas net revenues from the Entertainment and Licensing segment declined 13% compared to the first half of 2015.

· First half net revenues from the Girls category increased 38%, Games category revenues grew 3% and the Boys and Preschool categories grew 13% and 7%, respectively, in the first half of 2016 compared to 2015. Net revenues from Franchise Brands increased 2% and were up 5% absent the negative impact of foreign exchange while Partner Brands increased 38% in the first half.

· Operating profit grew 32% to $170.8 million in the first half of 2016 compared to $129.7 million in the first half of 2015.

In July 2016, the Company acquired Boulder Media (“Boulder”), an animation studio based in Dublin, Ireland. In addition to working on a variety of projects for Hasbro Studios and Allspark Pictures, Boulder plans to continue to produce non-Hasbro content under the Boulder name.

The Company is committed to returning excess cash to its shareholders through dividends and share repurchases. The Company seeks to return cash to its shareholders through the payment of quarterly dividends. Hasbro increased the quarterly dividend rate from $0.46 per share to $0.51 per share which was effective for the dividend paid in May 2016. In addition to the dividend, the Company returns cash through its share repurchase program. As part of this initiative, from 2005 to 2015, the Company's Board of Directors (the "Board") adopted eight successive share repurchase authorizations with a cumulative authorized repurchase amount of $3,825 million. The eighth authorization was approved in February 2015 for $500 million. During the first half of 2016, Hasbro repurchased approximately 0.7 million shares at a total cost of $57.8 million and an average price of $77.44 per share, respectively. At June 26, 2016, the Company had $421.5 million remaining under this authorization.

SUMMARY OF FINANCIAL PERFORMANCE

The components of the results of operations, stated as a percent of net revenues, are illustrated below for the quarter and six-month periods ended June 26, 2016 and June 28, 2015.

	Quarter Ended		Six Months Ended	
	June 26, 2016	June 28, 2015	June 26, 2016	June 28, 2015
Net revenues	100.0%	100.0%	100.0%	100.0%
Costs and expenses:				
Cost of sales	36.6	37.0	35.8	35.9
Royalties	7.9	7.2	8.2	7.7
Product development	7.2	7.2	7.1	7.2
Advertising	9.9	9.8	9.8	9.7
Amortization of intangibles	1.0	1.7	1.0	1.7
Program production cost amortization	0.6	0.9	0.7	1.2
Selling, distribution and administration	27.2	26.7	27.6	27.9
Operating profit	9.7	9.5	10.0	8.6
Interest expense	2.7	3.0	2.8	3.2
Interest income	(0.3)	(0.1)	(0.3)	(0.1)
Other (income) expense, net	(0.4)	(0.2)	0.1	(0.4)
Earnings before income taxes	7.6	6.7	7.4	5.8
Income tax expense	2.0	1.7	1.7	1.4
Net earnings	5.6	5.1	5.6	4.4
Net loss attributable to noncontrolling interests	(0.3)	(0.2)	(0.3)	(0.2)
Net earnings attributable to Hasbro, Inc.	5.9%	5.2%	5.9%	4.5%

RESULTS OF OPERATIONS – CONSOLIDATED

Second Quarter of 2016

The quarters ended June 26, 2016 and June 28, 2015 were each 13-week periods. Net earnings and net earnings attributable to Hasbro, Inc. increased to $49.4 million and $52.1 million, respectively, for the quarter ended June 26, 2016, from $40.3 million and $41.8 million, respectively, for the comparable period of 2015. Diluted earnings per share attributable to Hasbro, Inc. increased to $0.41 in the second quarter of 2016 from $0.33 in the second quarter of 2015.

Consolidated net revenues for the quarter ended June 26, 2016 increased approximately 10% compared to the quarter ended June 28, 2015 despite a negative impact from foreign currency translation of approximately $17.7 million as a result of the stronger U.S. dollar in 2016 compared to 2015. Absent the impact of foreign currency, consolidated net revenues grew 12% in the second quarter of 2016 compared to 2015. Overall, franchise brands increased 3% during the second quarter of 2016 compared to 2015. Absent the impact of foreign exchange, franchise brands grew 5% for the quarter. Higher net revenues from NERF and PLAY-DOH more than offset lower net revenues from TRANSFORMERS, and, to a lesser extent, lower net revenues from MAGIC: THE GATHERING, MONOPOLY, LITTLEST PET SHOP and MY LITTLE PONY. Partner Brands increased 15% during the second quarter due to continued demand for *STAR WARS: THE FORCE AWAKENS* products, DISNEY PRINCESS and DISNEY'S FROZEN products and the addition of YOKAI WATCH.

The following table presents net revenues by product category for the quarters ended June 26, 2016 and June 28, 2015.

		Quarter Ended	
	June 26, 2016	**June 28, 2015**	**% Change**
Boys	$ 355.1	340.4	4%
Games	227.7	211.6	8%
Girls	172.3	127.5	35%
Preschool	123.9	118.1	5%
Net revenues	$ 879.0	797.7	10%

BOYS: Net revenues in the boys' category increased 4% in 2016 compared to 2015. Higher net revenues from Franchise Brand NERF were partially offset by lower revenues from TRANSFORMERS. Higher net revenues from Partner Brand STAR WARS, which benefited from the December 2015 theatrical release *STAR WARS: THE FORCE AWAKENS,* and higher net revenues from Partner Brand YOKAI WATCH, were partially offset by lower second quarter 2016 net revenues from JURASSIC WORLD and MARVEL products.

GAMES: Net revenues from the games category increased approximately 8% in the second quarter of 2016 compared to the second quarter of 2015. Higher net revenues from PIE FACE as well as other games brands, particularly YAHTZEE, DUEL MASTERS, SIMON and BOP-IT, were partially offset by lower net revenues from franchise brands MAGIC: THE GATHERING and MONOPLY as well as certain other games brands, primarily JENGA.

GIRLS: Net revenues in the girls' category increased 35% in the second quarter of 2016 compared to 2015. The increase primarily resulted from higher net revenues from partner brands, including Hasbro's line of DISNEY PRINCESS and DISNEY'S FROZEN fashion and small dolls as well as DISNEY'S DESCENDANTS products. In addition, girls' revenues benefited from higher sales of BABY ALIVE products. These increases more than offset declines in FURBY products as well as Franchise Brands NERF, LITTLEST PET SHOP, MY LITTLE PONY and PLAY-DOH.

PRESCHOOL: Net revenues in the preschool category increased 5% in 2016 compared to 2015. Higher net revenues from PLAY-DOH and STAR WARS products were partially offset by lower net revenues from JURASSIC WORLD products and, to a lesser extent, MARVEL, PLAYSKOOL and SESAME STREET products.

Operating profit for the quarter ended June 26, 2016 increased 12% to $84.9 million, or 9.7% of net revenues, from $75.5 million, or 9.5% of net revenues, for the quarter ended June 28, 2015. Foreign currency translation did not have a significant impact on operating profit in the second quarter of 2016. Higher net revenues combined with lower intangible asset amortization and programming costs, partially offset by higher operating and royalty expenses, contributed to the growth in operating profit.

First Six Months of 2016

The six-month periods ended June 26, 2016 and June 28, 2015 were each 26-week periods. Net earnings and net earnings attributable to Hasbro, Inc. for the first six months of 2016 were $96.4 million and $100.9 million, respectively, compared to $66.1 million and $68.5 million, respectively, for the first six months of 2015. Diluted earnings per share attributable to Hasbro, Inc. increased to $0.79 in 2016 from $0.54 in 2015.

For the six months ended June 26, 2016, consolidated net revenues were $1,710.1 million compared to $1,511.2 million for the six months ended June 28, 2015 and were negatively impacted by foreign currency translation of approximately $46.3 million as a result of the stronger U.S. dollar in 2016 compared to 2015. Absent the impact of foreign currency, consolidated net revenues grew 16% in 2016 compared to 2015. During the first six months of 2016, franchise brand revenues grew 2%.

The following table presents net revenues by product category for the first six months of 2016 and 2015.

		Six Months Ended		
		June 26, 2016	**June 28, 2015**	**% Change**
Boys	$	691.9	613.0	13%
Games		458.8	447.3	3%
Girls		337.7	244.6	38%
Preschool		221.7	206.2	7%
Net revenues	$	1,710.1	1,511.2	13%

BOYS: Net revenues in boys' category increased 13% in the first six months of 2016 compared to 2015. Higher net revenues from Franchise Brand NERF and Partner Brand STAR WARS, more than offset lower net revenues from MARVEL, JURASSIC WORLD and TRANSFORMERS brands. In 2015, the MARVEL and JURASSIC WORLD brands were each supported by 2015 theatrical releases, *AVENGERS: AGE OF ULTRON* in May 2015 and *JURASSIC WORLD* in June 2015. During the first half of 2016 STAR WARS has been supported by the December 2015 theatrical release of *STAR WARS: THE FORCE AWAKENS* in addition to the animated television programming, *STAR WARS REBELS.* Lastly, NERF has continued to deliver strong growth and the addition of Partner Brand YOKAI WATCH products has also contributed to the increased revenues in the boys' category.

GAMES: Net revenues from the games category grew 3% in the first six months of 2016 compared to 2015. Higher net revenues from PIE FACE, YAHTZEE as well as DUEL MASTER games were offset by other games brands, including MAGIC: THE GATHERING, MONOPOLY, and certain other games brands. Net revenues from MAGIC:

THE GATHERING products are significantly driven by the timing of new releases. In the first half of 2016 planned set releases differed from 2015, resulting in uneven comparisons.

GIRLS: Net revenues in the girls' category increased 38% in the six months ended June 26, 2016 compared to the six months ended June 28, 2015, primarily related to Hasbro’s line of DISNEY PRINCESS and DISNEY’S FROZEN fashion and small dolls as well as higher revenues from DISNEY’S DESCENDANTS and BABY ALIVE products. These increases were partially offset by lower net revenues from NERF, FURBY, LITTLEST PET SHOP, and MY LITTLE PONY products.

PRESCHOOL: Net revenues from the preschool category grew 7% in the first six months of 2016 compared to 2015. Higher net revenues from PLAY-DOH and STAR WARS products were partially offset by lower net revenues from JURASSIC WORLD, TRANSFORMERS, MARVEL, SESAME STREET, and core PLAYSKOOL products.

Operating profit for the six months ended June 26, 2016 increased 32% to $170.8 million, or 10.0% of net revenues, from $129.7 million, or 8.6% of net revenues, for the six months ended June 28, 2015. Foreign currency translation did not have a significant impact on operating profit in the first half of 2016. Higher net revenues combined with lower intangible asset amortization and programming costs, partially offset by higher royalty and operating expenses, contributed to the growth in operating profit.

SEGMENT RESULTS

Most of the Company's revenues and operating profit are derived from its three principal business segments: the U.S. and Canada segment, the International segment and the Entertainment and Licensing segment. The results of these operations are discussed in detail below.

Second Quarter of 2016

The following table presents net external revenues and operating profit data for the Company's three principal segments for the quarters ended June 26, 2016 and June 28, 2015.

		Quarter Ended	
	June 26, 2016	**June 28, 2015**	**% Change**
Net Revenues			
U.S. and Canada segment	$ 425.9	385.2	11%
International segment	401.1	362.8	11%
Entertainment and Licensing segment	51.9	47.6	9%
Operating Profit			
U.S. and Canada segment	$ 58.0	47.1	23%
International segment	29.7	25.4	17%
Entertainment and Licensing segment	13.8	7.4	86%

U.S. and Canada Segment

The U.S. and Canada segment net revenues for the quarter ended June 26, 2016 increased 11% compared to 2015. Foreign currency translation did not have a significant impact on this segment's net revenues. In the second quarter of 2016, higher net revenues from the boys, girls and games categories more than offset lower net revenues from the preschool category.

The boys category benefited from higher net revenues from STAR WARS, NERF and SUPERSOAKER products which were partially offset by lower net revenues from JURASSIC WORLD, MARVEL and TRANSFORMERS products. Games category net revenues increased primarily related to higher net revenues from PIE FACE and DUEL MASTERS which were partially offset by lower net revenues from MAGIC: THE GATHERING and certain other game brands. In the girls' category higher net revenues primarily from the Company's DISNEY PRINCESS and DISNEY'S FROZEN fashion and small dolls as well as BABY ALIVE and EASY BAKE products, were partially offset by lower net revenues in Franchise Brands MY LITTLE PONY, NERF, LITTLEST PET SHOP, and PLAY-DOH. In the Preschool category higher net revenues from PLAY-DOH and STAR WARS products were more than offset by lower revenues from other Preschool brands products including JURASSIC WORLD and SESAME STREET.

U.S. and Canada segment operating profit for the quarter ended June 26, 2016 was $58.0 million, or 13.6% of net revenues, compared to $47.1 million, or 12.2% of segment net revenues, for the quarter ended June 28, 2015. Operating profit improved due to the impact of higher net revenues, partially offset by higher expense levels.

International Segment

International segment net revenues increased 11% to $401.1 million for the quarter ended June 26, 2016 from $362.8 million for the quarter ended June 28, 2015. International segment net revenues for the second quarter of 2016 included unfavorable foreign currency translation of approximately $17.0 million as a result of the stronger U.S. dollar in 2016 compared to 2015. Absent the impact of foreign currency translation, International segment net revenues increased approximately 15% in the second quarter 2016 compared to the second quarter of 2015. The following table presents net revenues by geographic region for the Company's International segment for the quarters ended June 26, 2016 and June 28, 2015.

		Quarter Ended		
		June 26, 2016	**June 28, 2015**	**% Change**
Europe	$	$228.1	$185.7	23%
Latin America		$97.4	$98.4	-1%
Asia Pacific		$75.6	$78.7	-4%
Net revenues	$	$401.1	$362.8	11%

Foreign currency translation negatively impacted the major geographic regions as follows: Europe - $2.1 million, Latin America - $12.2 million and Asia Pacific - $2.7 million. Absent foreign currency translation, the underlying business grew in Europe by 24%, Latin America by 11% while Asia Pacific was flat. Net revenues from emerging markets increased approximately 5% in the second quarter of 2016, and approximately 13% excluding the impact of unfavorable foreign exchange.

In the second quarter of 2016 the boys category benefitted from higher net revenues from Franchise Brand NERF and Partner Brands STAR WARS and YOKAI WATCH which more than offset lower net revenues from JURASSIC WORLD, MARVEL, and TRANSFORMERS products. Girls category net revenues increased primarily due to DISNEY PRINCESS and DISNEY’S FROZEN dolls, as well as MY LITTLE PONY, DISNEY’S DECENDANTS and BABY ALIVE brands, partially offset by lower net revenues from NERF, LITTLEST PET SHOP and FURBY. In the games category, higher net revenues from PIE FACE and MAGIC: THE GATHERING were more than offset by lower net revenues from other game brands, including MONOPOLY. In the preschool category higher net revenues from PLAY-DOH products more than offset lower net revenues from core PLAYSKOOL and JURASSIC WORLD products.

International segment operating profit increased 17% to $29.7 million, or 7.4% of net revenues, for the quarter ended June 26, 2016 from $25.4 million, or 7.0% of segment net revenues, for the quarter ended June 28, 2015. The increase in operating profit was primarily due to the increase in revenues discussed above, partially offset by higher expense levels.

Entertainment and Licensing Segment

Entertainment and Licensing segment net revenues for the quarter ended June 26, 2016 increased 9% to $51.9 million compared to $47.6 million for the quarter ended June 28, 2015. Digital gaming and consumer product licensing experienced revenue increases during the second quarter of 2016 compared to the same period in 2015.

Entertainment and Licensing segment operating profit increased to $13.8 million, or 26.6% of external net revenues, for the quarter ended June 26, 2016 from $7.4 million, or 15.6% of segment net revenues, for the quarter ended June 28, 2015. Overall, Entertainment and Licensing segment operating profit and operating profit margin increased primarily due to the increase in net revenues and lower intangible amortization and program production costs, partially offset by higher expenses associated with digital game launches by Backflip Studios.

Global Operations

Global Operations segment has an operating loss of $2.9 million for the quarter ended June 26, 2016 compared to an operating profit of $2.0 million for the quarter ended June 28, 2015 attributable to increased operating expenses in 2016.

Corporate and Eliminations

The operating loss in Corporate and eliminations totaled $13.7 million for the second quarter of 2016 compared to $6.5 million for the second quarter of 2015.

First Six Months of 2016

The following table presents net external revenues and operating profit data for the Company's three principal segments for each of the six months ended June 26, 2016 and June 28, 2015.

		Six Months Ended		
		June 26, 2016	**June 28, 2015**	**% Change**
Net Revenues				
U.S. and Canada segment	$	869.5	730.9	19%
International segment		746.2	668.5	12%
Entertainment and Licensing segment		94.4	108.3	-13%
Operating Profit				
U.S. and Canada segment	$	136.3	88.6	54%
International segment		32.5	27.3	19%
Entertainment and Licensing segment		19.3	23.8	-19%

U.S. and Canada Segment

The U.S. and Canada segment net revenues for the six months ended June 26, 2016 increased 19% compared to 2015. Foreign currency translation did not have a significant impact on segment net revenues. In the first six months of 2016, all four product categories experienced revenue growth.

In the boys category, higher net revenues from STAR WARS, NERF and YOKAI WATCH products were partially offset by lower net revenues from JURASSIC WORLD, MARVEL and TRANSFORMERS products. Growth in the games category primarily reflects higher net revenues from PIE FACE, DUEL MASTERS, SIMON and BOP-IT games. These increases were only partially offset by lower net revenues from MAGIC: THE GATHERING, JENGA and certain other games brands. In the girls' category higher net revenues primarily from the DISNEY PRINCESS and DISNEY’S FROZEN fashion and small dolls products as well as BABY ALIVE and EASY BAKE products, were partially offset by lower net revenues in Franchise Brands MY LITTLE PONY, NERF and PLAY-DOH. Segment net revenues from the preschool category increased in the first six months of 2016 compared to 2015, primarily from continued strength of PLAY-DOH as well as STAR WARS products. These higher net revenues were partially offset by lower never revenues from JURASSIC WORLD and core PLAYSKOOL products.

U.S. and Canada segment operating profit for the six months ended June 26, 2016 increased to $136.3 million, or 15.7% of net revenues, from $88.6 million, or 12.1% of segment net revenues, for the six months ended June 28, 2015. Higher operating profit reflects higher net revenues partially offset by higher expenses, primarily royalties, product development, selling, distribution and administration expenses.

International Segment

International segment net revenues increased 12% to $746.2 million for the six months ended June 26, 2016 from $668.5 million for the six months ended June 28, 2015. 2016 International segment net revenues include unfavorable foreign currency translation of approximately $43.7 million. Absent the impact of foreign currency translation, International segment net revenues grew 18% for the first six months of 2016. The following table presents net revenues by geographic region for the Company's International segment for the six-month periods ended June 26, 2016 and June 28, 2015.

		Six Months Ended		
		June 26, 2016	June 28, 2015	% Change
Europe	$	452.2	381.5	19%
Latin America		153.0	156.0	-2%
Asia Pacific		141.0	131.0	8%
Net revenues	$	746.2	668.5	12%

Foreign currency translation negatively impacted the major geographic regions as follows: Europe - $11.9 million, Latin America - $25.2 million and Asia Pacific - $6.6 million. Absent foreign currency translation, the underlying business grew across all major geographic regions, up 22% in Europe, 14% in Latin America and 13% in Asia Pacific. Net revenues in emerging markets were essentially flat in the first six months of 2016 compared to 2015; however, excluding the impact of unfavorable foreign exchange, increased approximately 10%.

In the first six months of 2016, higher net revenues from the boys, girls and preschool categories more than offset slightly lower net revenues from the games category. In the boys category, higher net revenues from Franchise Brand NERF and Partner Brand STAR WARS were partially offset by lower net revenues from JURASSIC WORLD, MARVEL and TRANSFORMERS products. In the games category, higher net revenues from PIE FACE and MAGIC: THE GATHERING were more than offset by lower net revenues from other game brands, primarily MONOPOLY. Girls category net revenues increased during the first half of 2016 compared to 2015 primarily due to strong sales of DISNEY PRINCESS and DISNEY'S FROZEN dolls, as well as MY LITTLE PONY, DISNEY DECENDANTS and BABY ALIVE brands. These increases were partially offset by lower net revenues from FURBY, NERF and LITTLEST PET SHOP. In the preschool category, higher net revenues from PLAY-DOH products in the first six months of 2016 compared to 2015 were only partially offset by lower net revenues from JURASSIC WORLD, MARVEL and core PLAYSKOOL products.

International segment operating profit increased to $32.5 million, or 4.4% of net revenues, for the six months ended June 26, 2016 from $27.3 million, or 4.1% of segment net revenues, for the six months ended June 28, 2015. The increase in operating profit is primarily due to the impact of higher net revenues partially offset by higher expense levels, primarily royalties and selling, distribution and administration expenses. Administration expense for the six months ended June 26, 2016 includes a $13.8 million bad debt provision.

Entertainment and Licensing Segment

Entertainment and Licensing segment net revenues for the six months ended June 26, 2016 decreased 13% to $94.4 million from $108.3 million for the six months ended June 28, 2015. Lower net revenues from entertainment and to a lesser extent, consumer product licensing, were only partially offset by an increase in digital gaming. Entertainment net revenues in 2015 included revenue from a multi-year streaming deal for Hasbro Studios television programming.

Entertainment and Licensing segment operating profit decreased to $19.3 million, or 20.4% of net revenues, for the six months ended June 26, 2016 from $23.8 million, or 22.0% of segment net revenues, for the six months ended June 28, 2015. Overall, Entertainment and Licensing segment operating profit and operating profit margin declined primarily due to lower revenues partially offset by a decrease in intangible amortization expense.

Global Operations

Global Operations segment operating profit of $0.6 million for the first half of 2016 compares to an operating loss of $1.8 million for the first half of 2015. The improvement is primarily due to lower operating expenses.

Corporate and Eliminations

Operating loss in Corporate and Eliminations for the first half of 2016 was $17.9 million, compared to an operating loss for the first half of 2015 of $8.2 million.

OPERATING COSTS AND EXPENSES

Second Quarter of 2016

The Company's costs and expenses, stated as percentages of net revenues, are illustrated below for the quarters ended June 26, 2016 and June 28, 2015.

	Quarter Ended	
	June 26, 2016	**June 28, 2015**
Cost of sales	36.6%	37.0%
Royalties	7.9	7.2
Product development	7.2	7.2
Advertising	9.9	9.8
Amortization of intangibles	1.0	1.7
Program production cost amortization	0.6	0.9
Selling, distribution and administration	27.2	26.7

Cost of sales increased 8.9% from $295.4 million, or 37.0% of net revenues, for the quarter ended June 28, 2015 to $321.7 million, or 36.6% of net revenues for the quarter ended June 26, 2016. Costs of sales increased in dollars primarily due to higher net revenues compared to the second quarter of 2015. As a percent of net revenues, the decrease reflects a combination of a more favorable product and revenue mix. This more favorable mix in part reflects higher net revenues from royalty-bearing products, specifically those related to the STAR WARS brand which generally carry higher pricing and, therefore, have a lower cost of sales as a percentage of net revenues, as well as higher Entertainment and Licensing segment net revenues.

Royalty expense for the quarter ended June 26, 2016 was $69.4 million, or 7.9% of net revenues, compared to $57.1 million, or 7.2% of net revenues, for the quarter ended June 28, 2015. Fluctuations in royalty expense are generally related to the volume of entertainment-driven products sold in a given period, especially if there is a major motion picture release. Growth in net revenues from partner brands, particularly related to STAR WARS, and DISNEY PRINCESS and DISNEY'S FROZEN products, generated higher royalty expense in dollars and higher as a percentage of net revenues during the second quarter of 2016 compared to the same period in 2015.

Product development expense for the quarter ended June 26, 2016 was $63.7 million, or 7.2% of net revenues, compared to $57.6 million, or 7.2% of net revenues, for the quarter ended June 28, 2015. Higher product development expense, in dollars, primarily reflects the Company's continued investment in innovation across our brand portfolio in both Franchise and Partner brands.

Advertising expense for the quarter ended June 26, 2016 was $87.0 million, or 9.9% of revenues, compared to $78.4 million, or 9.8% of net revenues, for the quarter ended June 28, 2015. In dollars, the increase primarily reflects growth in revenue. Advertising expense was consistent as a percentage of net revenues.

Amortization of intangibles was $8.7 million, or 1.0% of net revenues for the quarter ended June 26, 2016 compared to $13.3 million, or 1.7% of net revenues, for the quarter ended June 28, 2015. The decrease is primarily due to certain digital gaming assets which became fully amortized as of the end of the second quarter of 2015.

Program production cost amortization decreased to $5.0 million or 0.6% of net revenues, for the quarter ended June 26, 2016 from $7.2 million, or 0.9% of net revenues, for the quarter ended June 28, 2015. Program production costs are capitalized as incurred and amortized using the individual-film-forecast method. The decrease in the second quarter of 2016 primarily reflects a decrease in television programming being amortized in 2016.

For the quarter ended June 26, 2016, the Company's selling, distribution and administration expenses increased to $238.6 million, or 27.2% of net revenues, from $213.1 million, or 26.7% of net revenues, for the quarter ended June 28, 2015. These higher costs reflect increases in marketing and sales, administration, and distribution costs in the second quarter of 2016 compared to 2015. Foreign exchange resulted in a decrease of approximately $8.3 million. Increases in administration and marketing and sales included increased compensation, including stock compensation, higher depreciation and continued investments in our brands. The increase in distribution costs during the second quarter of 2016 is primarily due to higher sales volume and inventory levels.

First Six Months of 2016

The Company's costs and expenses, stated as percentages of net revenues, are illustrated below for the six-month periods ended June 26, 2016 and June 28, 2015.

	Six Months Ended	
	June 26, 2016	**June 28, 2015**
Cost of sales	35.8%	35.9%
Royalties	8.2	7.7
Product development	7.1	7.2
Advertising	9.8	9.7
Amortization of intangibles	1.0	1.7
Program production cost amortization	0.7	1.2
Selling, distribution and administration	27.6	27.9

Cost of sales for the six months ended June 26, 2016 increased to $611.9 million, or 35.8% of net revenues, from $543.1 million, or 35.9% of net revenues, for the six months ended June 28, 2015. Costs of sales increased in dollars primarily due to higher net revenues compared to the first six months of 2015. As a percent of net revenues, the relatively flat costs of sales reflects a combination of a more favorable product mix offset by the impact of lower entertainment and licensing revenues during the first half of 2016. This more favorable product mix in part reflects higher net revenues from royalty-bearing products, specifically those related to the STAR WARS brand which generally carry higher pricing and, therefore, have a lower cost of sales as a percentage of net revenues.

Royalty expense for the six months ended June 26, 2016 was $139.4 million, or 8.2% of net revenues, compared to $116.2 million, or 7.7% of net revenues, for the six months ended June 28, 2015. Fluctuations in royalty expense are generally related to the volume of entertainment-driven products sold in a given period, especially if there is a major motion picture release. Growth in net revenues from partner brands, particularly related to STAR WARS, and DISNEY PRINCESS and DISNEY'S FROZEN products, generated higher royalty expense in dollars and higher as a percentage of net revenues during the first half of 2016 compared to the same period in 2015.

Product development expense for the six months ended June 26, 2016 increased to $120.8 million, or 7.1% of net revenues, from $109.5 million, or 7.2% of net revenues for the six months ended June 28, 2015. Higher product development expense, in dollars, primarily reflects the Company's continued investment in innovation and anticipated growth across our brand portfolio in both Franchise and Partner brands.

Advertising expense for the six months ended June 26, 2016 was $166.8 million, or 9.8% of net revenues, compared to $146.1 million, or 9.7% of net revenues, for the six months ended June 28, 2015. In dollars, the increase primarily reflects growth in revenue. Advertising expense was consistent as a percentage of net revenues.

Amortization of intangibles was $17.4 million, or 1.0% of net revenues, for the six months ended June 26, 2016 compared to $26.3 million, or 1.7% of net revenues, in the first six months of 2015. The decrease reflects amortization related to certain assets, primarily relates to certain digital gaming rights, which became fully amortized during the first half of 2015.

Program production cost amortization decreased in the first six months of 2016 to $11.2 million, or 0.7% of net revenues, from $18.3 million, or 1.2% of net revenues, in the first six months of 2015. Program production costs are capitalized as incurred and amortized using the individual-film-forecast method. The decrease is primarily due to a lower number of television programs being amortized during 2016. In addition, higher revenues in 2015 primarily due to the multi-year digital distribution agreement contributed to a higher expense level in 2015.

For the six months ended June 26, 2016, the Company's selling, distribution and administration expenses increased to $471.8 million, or 27.6% of net revenues, from $421.9 million, or 27.9% of net revenues, for the six months ended June 28, 2015. These higher costs include growth in marketing and sales, administration, and distribution costs. Foreign exchange resulted in a decrease of approximately $16 million. Higher marketing and sales and administration costs include increased compensation, stock compensation, higher depreciation expense, and continued investments in our brands. The increase in distribution costs during the first half of 2016 is primarily due to higher sales volume and inventory levels.

NON-OPERATING (INCOME) EXPENSE

Interest expense for the second quarter and first six months of 2016 totaled $23.9 million and $48.0 million, respectively, compared to $24.2 million and $48.8 million for the comparable and respective periods of 2015.

Interest income was $2.3 million and $4.5 million for the second quarter and first six months of 2016, respectively, compared to $0.7 million and $1.6 million in the second quarter and first six months of 2015. Higher invested cash balances and higher average interest rates in 2016 compared to 2015 contributed to the increase.

Other income, net of $3.7 million for the quarter ended June 26, 2016, compared to other income, net of $1.6 million for the quarter ended June 28, 2015. Other expense, net of $1.1 million for the six month period ended June 26, 2016, compared to other income, net of $5.4 million for same period in 2015. The increase in the second quarter is primarily due to gains related to the sale of an investment. In the first six months, foreign currency losses were partially offset by higher earnings from Discovery Family Channel and second quarter investment gains.

INCOME TAXES

Income taxes totaled $17.6 million on pre-tax earnings of $67.0 million in the second quarter of 2016 compared to income taxes of $13.4 million on pre-tax earnings of $53.7 million in the second quarter of 2015. For the six month period, income taxes totaled $29.8 million on pre-tax earnings of $126.2 million in 2016 compared to income taxes of $21.9 million on pre-tax earnings of $88.0 million in 2015. Both periods, as well as the full year 2015, were impacted by certain discrete tax events including the accrual of potential interest and penalties on certain tax positions. During the first six months of 2016, favorable discrete tax adjustments were a net benefit of $3.1 million compared to a net benefit of $2.0 million in the first six months of 2015. The favorable discrete tax adjustment for the first six months of 2016 includes benefits related to expiration of statutes of limitation for certain tax positions. Absent discrete items, the adjusted tax rate for the first six months of 2016 and 2015 were 26.1% and 27.1%, respectively. The adjusted rate of 26.1% for the six months ended June 26, 2016 is comparable to the full year 2015 adjusted rate of 26.4%.

OTHER INFORMATION

Historically, the Company's revenue pattern has shown the second half of the year to be more significant to its overall business than the first half. The Company expects that this concentration will continue, particularly as more of its business has shifted to larger customers with order patterns concentrated in the second half of the year. The concentration of sales in the second half of the year increases the risk of (a) underproduction of popular items, (b) overproduction of less popular items, and (c) failure to achieve compressed shipping schedules.

The toy and game business is characterized by customer order patterns which vary from year to year largely because of differences each year in the degree of consumer acceptance of product lines, product availability, marketing strategies and inventory policies of retailers, the dates of theatrical releases of major motion pictures for which the Company has product licenses, and changes in overall economic conditions. As a result, comparisons of the Company's unshipped orders on any date with those at the same date in a prior year are not necessarily indicative of the Company's expected sales for that year. Moreover, quick response inventory management practices result in fewer orders being placed significantly in advance of shipment and more orders being placed for immediate delivery. Although the Company may receive orders from customers in advance, it is a general industry practice that these orders are subject to amendment or cancellation by customers prior to shipment and, as such, the Company does not believe that these unshipped orders, at any given date, are indicative of future sales.

In May 2014, the Financial Accounting Standards Board ("FASB"), in cooperation with the International Accounting Standards Board ("IASB"), issued ASU No. 2014-09, *Revenue from Contracts with Customers (ASC 606)*. This ASU supersedes the revenue recognition requirements in Accounting Standards Codification 605 – *Revenue Recognition* and most industry-specific guidance throughout the Codification. This new guidance provides a five-step model for analyzing contracts and transactions to determine when, how and if revenue is recognized. Revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This ASU is now effective for fiscal years beginning after December 15, 2017, and for interim periods within those fiscal years, and may be adopted early but not before December 15, 2016. The Company is evaluating the requirements of ASU 2014-09 and its potential impact on the Company's financial statements and does not presently believe the adoption of this new standard will have a material impact on the Company’s results or financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842) (ASU 2016-02)*, which will require lessees to recognize a right-of-use asset and a lease liability for virtually all of their leases. The liability will be based on the present value of lease payments and the asset will be based on the liability. For income statement purposes, a dual model was retained requiring leases to be either classified as operating or finance. Operating leases will result in straight-line expense while finance leases will result in a front-loaded expense pattern. Additional quantitative and qualitative disclosures will be required. ASU 2016-02 is required for public companies for fiscal years beginning after December 15, 2018 and must be adopted using a modified retrospective transition. The Company is evaluating the requirements of ASU 2016-02 and its potential impact on the Company's financial statements.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which amends ASC Topic 718, Compensation – Stock Compensation. The ASU includes provisions intended to simplify various aspects related to how share-based payments are accounted for and presented in the financial statements including (1) a requirement to record all of the tax effects related to share-based payments at settlement (or expiration) through the income statement; (2) a requirement that all tax-related cash flows resulting from share-based payments be reported as operating activities on the statement of cash flows; (3) the removal of the requirement to withhold shares upon settlement of an award at the minimum statutory withholding requirement; (4) a requirement that all cash payments made to taxing authorities on the employees' behalf for withheld shares shall be presented as financing activities in the statements of cash flows; (5) entities will be permitted to make an accounting policy election for the impact of forfeitures on the recognition of expense for share-based payment awards choosing either to estimate forfeitures as required today or recognize forfeitures as they occur. ASU 2016-09 is effective for public companies for annual reporting periods beginning after December 15, 2016, and interim periods within that reporting period. Early adoption will be permitted in any interim or annual period, with any adjustments reflected as of the beginning of the year of adoption. The Company is evaluating the requirements of ASU 2016-09 and its potential impact on the Company's financial statements.

In July 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory* ("ASU 2015-11), which replaces the concept of market price with the single measurement of net realizable value. ASU 2015-11 is effective for public companies for fiscal years beginning after December 15, 2016 and interim periods within fiscal years beginning after December 15, 2017. The Company has evaluated the requirements of ASU 2015-11 and does not presently believe that the adoption of the new standard will have a material impact on the Company's results or financial statements.

LIQUIDITY AND CAPITAL RESOURCES

The Company has historically generated a significant amount of cash from operations. In 2015 the Company funded its operations and liquidity needs primarily through cash flows from operations, and, when needed, using borrowings under its available lines of credit and commercial paper program.

During the first six months of 2016, the Company continued to fund its working capital needs primarily through cash flows from operations and, when needed, lines of credit and commercial paper. The Company believes that the funds available to it, including cash expected to be generated from operations and funds available through its available lines of credit and commercial paper program, are adequate to meet its working capital needs for the remainder of 2016. However, unexpected events or circumstances such as material operating losses or increased capital or other expenditures may reduce or eliminate the availability of external financial resources. In addition, significant disruptions to credit markets may also reduce or eliminate the availability of external financial resources. Although management believes the risk of nonperformance by the counterparties to the Company's financial facilities is not significant, in times of severe economic downturn in the credit markets it is possible that one or more sources of external financing may be unable or unwilling to provide funding to the Company.

As of June 26, 2016 the Company's cash and cash equivalents totaled $924.1 million, substantially all of which is held outside of the United States. Deferred income taxes have not been provided on the majority of undistributed earnings of international subsidiaries as such earnings are indefinitely reinvested by the Company. Accordingly, such international cash balances are not available to fund cash requirements in the United States unless the Company changes its reinvestment policy. The Company currently has sufficient sources of cash in the United States to fund cash requirements without the need to repatriate any funds. If the Company changes its policy of permanently reinvesting international earnings, it would be required to accrue for any additional income taxes representing the difference between the tax rates in the United States and the applicable tax jurisdiction of the international subsidiaries. If the Company repatriated the funds from its international subsidiaries, it would then be required to pay the additional U.S. income tax. The majority of the Company's cash and cash equivalents held outside of the United States as of June 26, 2016 are denominated in the U.S. dollar.

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

At June 26, 2016, cash and cash equivalents, net of short-term borrowings, increased to $918.7 million from $690.6 million at June 28, 2015. Net cash provided by operating activities in the first six months of 2016 was $268.8 million compared to $236.1 million in the first six months of 2015. On a trailing twelve month basis, the Company generated $585.2 million in operating cash flows as of the end of the second quarter of 2016 compared to $581.2 million as of the end of the second quarter of 2015 and $552.4 million for the fiscal year ended December 27, 2015.

Accounts receivable remained consistent with the prior year at $703.8 million at June 26, 2016 compared to $709.4 million at June 28, 2015 and includes a decrease of approximately $24.6 million due to a stronger U.S. dollar at June 26, 2016 compared to June 28, 2015. Absent the impact of foreign currency translation, accounts receivable increased approximately 3% reflecting the aforementioned 12% revenue growth, absent foreign exchange translation, in the second quarter of 2016 compared to 2015. Days sales outstanding decreased from 80 days at June 28, 2015 to 72 days at June 26, 2016, primarily due to the timing of sales and collections.

Inventories increased 42% to $572.4 million at June 26, 2016 from $403.8 million at June 28, 2015. The inventory balance at June 26, 2016 includes a decrease of approximately $24.4 million resulting from a stronger U.S. dollar. Absent the impact of foreign currency translation, inventories increased approximately 48% in support of 2016 initiatives and anticipated growth in the business, including new brands such as DISNEY PRINCESS and DISNEY’S FROZEN, YOKAI WATCH and other brands delivering high growth such as STAR WARS, NERF and PLAY-DOH.

Prepaid expenses and other current assets decreased 10% to $323.0 million at June 26, 2016 from $360.1 million at June 28, 2015. The majority of decrease is due to lower prepaid royalties as well as a decrease in the value of foreign exchange contracts at 2016 compared to 2015. These decreases were partially offset by higher balances related to income taxes at June 26, 2016.

Other assets decreased approximately 6% to $722.2 million at June 26, 2016 from $769.0 million at June 28, 2015. Other assets at June 28, 2015 included $26.4 million of assets held for sale related to the Company’s manufacturing operations which were sold in August 2015. Absent this amount, the decrease was primarily related to a lower value of long-term foreign exchange contracts as well as lower long-term royalty advances. These were partially offset by an increase due to a long-term note receivable related to the sale of the Company’s manufacturing operations in August 2015.

Accounts payable and accrued liabilities increased 17% to $739.6 million at June 26, 2016 from $633.0 million at June 28, 2015. The increase was primarily due to higher accrued royalties at June 26, 2016 due to lower advances. Also contributing to the increase was higher accounts payables, accrued advertising, accrued dividends and value of foreign exchange contracts.

Goodwill and other intangible assets, net decreased to $856.2 million at June 26, 2016 from $891.0 million at June 28, 2015. The decrease was due to amortization of intangible assets over the last twelve months.

Other liabilities increased 1% to $402.6 million at June 26, 2016 from $400.4 million at June 28, 2015. The increase in 2016 compared to 2015 reflects higher uncertain tax positions partially offset by lower pension liabilities, primarily due to changes in actuarial assumptions, including higher discount rates.

Net cash utilized by investing activities was $46.0 million in the first six months of 2016 compared to $59.0 million in the first six months of 2015. Additions to property, plant and equipment were $66.4 million in the first six months of 2016 compared to $67.7 million in the first six months of 2015. 2015 investing activity also includes a $3 million capital contribution to a 50% joint venture with Guangdong Alpha Animation and Culture Co., Ltd.

Net cash utilized by financing activities was $282.2 million in the first six months of 2016 compared to $202.3 million in the first six months of 2015. Cash payments related to purchases of the Company's common stock were $57.3 million in the first six months of 2016 compared to $49.2 million in the first six months of 2015. At June 26, 2016, the Company had $421.5 million remaining available under its current share repurchase authorization approved by the Board of Directors. Dividends paid in the first six months of 2016 totaled $121.3 million compared to $110.9 million in the first six months of 2015. Repayments of short-term borrowings were $159.1 million in the first six months of 2016 compared to $84.4 million in the first six months of 2015.

The Company has an agreement with a group of banks for a commercial paper program (the "Program"). Under the Program, at the request of the Company and subject to market conditions, the banks may either purchase from the Company, or arrange for the sale by the Company, of unsecured commercial paper notes. Under the Program the Company may issue notes from time to time up to an aggregate principal amount outstanding at any given time of $700 million. The maturities of these notes will vary but may not exceed 397 days. The notes will be sold under customary terms in the commercial paper market and will be issued at a discount or par, or alternatively, will be sold at par and will bear varying interest rates based on a fixed or floating rate basis. The interest rates will vary based on market conditions and the ratings assigned to the notes by the credit rating agencies at the time of issuance. Subject to market conditions, the Company intends to utilize the Program as its primary short-term borrowing facility and does not intend to sell unsecured commercial paper notes in excess of the available amount under the revolving credit agreement, discussed below. If, for any reason, the Company is unable to access the commercial paper market, the Company intends to use the revolving credit agreement to meet the Company's short-term liquidity needs. At June 26, 2016 the Company had no borrowings outstanding related to the Program.

The Company has a revolving credit agreement (the "Agreement"), which provides it with a $700 million committed borrowing facility. The Agreement contains certain financial covenants setting forth leverage and coverage requirements, and certain other limitations typical of an investment grade facility, including with respect to liens, mergers and incurrence of indebtedness. The Company was in compliance with all covenants as of and for the quarter ended June 26, 2016. The Company had no borrowings outstanding under its committed revolving credit facility at June 26, 2016. However, the Company had letters of credit outstanding under this facility as of June 26, 2016 of approximately $0.8 million. Amounts available and unused under the committed line, less outstanding balances under the commercial paper program, as of June 26, 2016 were approximately $699.2 million. The Company also has other uncommitted lines from various banks, of which approximately $44.3 million was utilized at June 26, 2016, of which $38.9 million represents outstanding letters of credit and $5.4 million represents outstanding borrowings.

The Company has principal amounts of long-term debt at June 26, 2016 of $1,559.9 million due at varying times from 2017 through 2044. The Company also had letters of credit of approximately $38.9 million and purchase commitments of approximately $541.6 million outstanding at June 26, 2016.

Other contractual obligations and commercial commitments, as detailed in the Company's Annual Report on Form 10-K for the year ended December 27, 2015, did not materially change outside of payments made in the normal course of business and as otherwise set forth in this report. The table of contractual obligations and commercial commitments, as detailed in the Company's Annual Report on Form 10-K for the year ended December 27, 2015, does not include certain tax liabilities recorded related to uncertain tax positions. These liabilities were $72.8 million at June 26, 2016, and are included as a component of other liabilities in the accompanying consolidated balance sheets.

The Company believes that cash from operations, and, if necessary, its committed line of credit and other borrowing facilities, will allow the Company to meet these and other obligations listed.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

The Company prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. As such, management is required to make certain estimates, judgments and assumptions that it believes are reasonable based on the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the periods presented. The significant accounting policies which management believes are the most critical to aid in fully understanding and evaluating the Company's reported financial results include sales allowances, program production costs, recoverability of goodwill and intangible assets, recoverability of royalty advances and commitments, pension costs and obligations and income taxes. These critical accounting policies are the same as those detailed in the Annual Report on Form 10-K for the year ended December 27, 2015.

The Company has $119.1 million of goodwill related to its acquisition of Backflip Studios, as more fully described in the Company’s 2015 Annual Report on Form 10-K. The underlying cash flows supporting the goodwill are based on long-term financial projections for revenues and profitability growth which includes anticipated game releases in 2016. During the second quarter of 2016, Backflip Studios released TRANSFORMERS: EARTH WARS, the first of its major title releases for 2016. Early results for this game have been positive. However, should future results for this title and/or the other anticipated 2016 game releases not achieve our projected targets, including, without limitation, due to delays in release dates, the Company may be required to perform a goodwill impairment test during the third quarter and may be required to recognize an impairment charge during 2016.

FINANCIAL RISK MANAGEMENT

The Company is exposed to market risks attributable to fluctuations in foreign currency exchange rates, primarily as the result of sourcing products priced in U.S. dollars, Hong Kong dollars and Euros while marketing those products in more than twenty currencies. Results of operations may be affected primarily by changes in the value of the U.S. dollar, Hong Kong dollar, Euro, British pound sterling, Swiss franc, Canadian dollar, Brazilian real, Russian ruble and Mexican peso and, to a lesser extent, other currencies in European, Latin American and Asia Pacific countries.

To manage this exposure, the Company has hedged a portion of its forecasted foreign currency transactions for fiscal years 2015 through 2020 using foreign exchange forward contracts. The Company is also exposed to foreign currency risk with respect to its net cash and cash equivalents or short-term borrowing positions in currencies other than the U.S. dollar. The Company believes, however, that the on-going risk on the net exposure should not be material to its financial condition. In addition, the Company's revenues and costs have been, and will likely continue to be, affected by changes in foreign currency rates. A significant change in foreign exchange rates can materially impact the Company's revenues and earnings due to translation of foreign-denominated revenues and expenses. The Company does not hedge against translation impacts of foreign exchange. From time to time, affiliates of the Company may make or receive intercompany loans in currencies other than their functional currency. The Company manages this exposure at the time the loan is made by using foreign exchange contracts. Other than as set forth above, the Company does not hedge foreign currency exposures.

The Company reflects all forward contracts at their fair value as an asset or liability on the consolidated balance sheets. The Company does not speculate in foreign currency exchange contracts. At June 26, 2016, these contracts had net unrealized gains of $50.1 million, of which $40.2 million are recorded in prepaid expenses and other current assets, $23.0 million are recorded in other assets, $8.9 million are recorded in accrued liabilities and $4.2 million are recorded in other liabilities. Included in accumulated other comprehensive loss at June 26, 2016 are deferred gains, net of tax, of $46.1 million, related to these derivatives.

At June 26, 2016, the Company had fixed rate long-term debt of $1,559.9 million. Of this long-term debt, $600 million represents the aggregate issuance of long-term debt in May 2014 which consisted of $300 million of 3.15% Notes Due 2021 and $300 million of 5.10% Notes Due 2044. The Company had forward-starting interest rate swap agreements with a total notional value of $500 million related to the May 2014 issuance which hedged the anticipated underlying U.S. Treasury interest rate. These interest rate swaps were matched with this debt issuance and were designated and effective as hedges of the change in future interest payments. At the date of debt issuance, the Company terminated these interest rate swap agreements and their fair value was recorded in accumulated other comprehensive loss and is being amortized through the consolidated statements of operations using an effective interest rate method over the life of the related debt. Included in accumulated other comprehensive loss at June 26, 2016 are deferred losses, net of tax, of $18.8 million related to these derivatives.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Item 4. Controls and Procedures.

The Company maintains disclosure controls and procedures, as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 26, 2016. Based on the evaluation of these disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective.

There were no changes in the Company's internal control over financial reporting, as defined in Rule 13a-15(f) promulgated under the Exchange Act, during the quarter ended June 26, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is currently party to certain legal proceedings, none of which it believes to be material to its business or financial condition.

Item 1A. Risk Factors.

This Quarterly Report on Form 10-Q contains "forward-looking statements," within the meaning of the Private Securities Litigation Reform Act of 1995, concerning management's expectations, goals, objectives, and similar matters. These forward-looking statements may include statements concerning the Company's product and entertainment plans, anticipated product and entertainment performance, business opportunities and strategies, financial and business goals, expectations for achieving the Company's financial and business goals, cost savings and efficiency enhancing initiatives and other objectives and anticipated uses of cash and may be identified by the use of forward-looking words or phrases such as "anticipate," "believe," "could," "expect," "intend," "look forward," "may," "planned," "potential," "should," "will," and "would" or any variations of words with similar meanings. These forward-looking statements are inherently subject to known and unknown risks and uncertainties.

The Company's actual results or experience may differ materially from those expected or anticipated in the forward-looking statements. The Company has included, under Item 1A. of its Annual Report on Form 10-K, for the year ended December 27, 2015 (the "Annual Report"), a discussion of factors which may impact these forward-looking statements. In furtherance, and not in limitation, of the more detailed discussion set forth in the Annual Report, specific factors that might cause such a difference include, but are not limited to:

· the Company's ability to successfully re-imagine, re-invent and re-ignite its existing brands, products and product lines, including through the use of immersive entertainment experiences, to maintain and further their success;

· the Company's ability to successfully design, develop, produce, introduce, market and sell innovative new brands, products and product lines which achieve and sustain interest from retailers and consumers and keep pace with changes in consumer preferences and lifestyles;

· the Company's ability to offer products that (i) expand consumer demand for its product offerings and do not significantly compete with the Company's other existing product offerings and (ii) consumers want to purchase and select over competitors' products;

· the Company's ability to source and ship products in a timely and cost-effective manner and customers' and consumers' acceptance and purchase of those products in quantities and at prices that will be sufficient to profitably recover the Company's costs for developing, marketing and selling those products;

· recessions, other economic downturns or challenging economic conditions affecting the Company's markets which can negatively impact the financial health of the Company's retail customers and consumers, and which can result in lower employment levels, lower consumer disposable income and spending, including lower spending on purchases of the Company's products;

· potential difficulties or delays the Company may experience in implementing its cost savings and efficiency enhancing initiatives or the realization of fewer benefits than are expected from such initiatives;

· currency fluctuations, including movements in foreign exchange rates, which can lower the Company's net revenues and earnings, and significantly impact the Company's costs;

· other economic and public health conditions or regulatory changes in the markets in which the Company and its customers and suppliers operate, which could create delays or increase the Company's costs, such as higher commodity prices, labor costs or higher transportation costs or outbreaks of diseases;

· delays, increased costs or difficulties associated with the development and offering of our or our partners' planned digital applications or media initiatives based on the Company's brands;

· the concentration of the Company's retail customers, potentially increasing the negative impact to the Company of difficulties experienced by any of the Company's retail customers or changes in their purchasing or selling patterns;

· the Company's ability to generate sales during the fourth quarter, particularly during the relatively brief holiday shopping season, which is the period in which the Company derives a substantial portion of its revenues and earnings;

· the inventory policies of the Company's retail customers, including the retailers' potential decisions to lower their inventories, even if it results in lost sales, as well as the concentration of the Company's revenues in the second half and fourth quarter of the year, which coupled with reliance by retailers on quick response inventory management techniques, increases the risk of underproduction of popular items, overproduction of less popular items and failure to achieve compressed shipping schedules;

· work stoppages or disruptions which may impact the Company's ability to manufacture or deliver products in a timely and cost-effective manner;

· concentration of manufacturing of the substantial majority of the Company's products by third party vendors in the People's Republic of China and the associated impact to the Company of social, economic or public health conditions and other factors affecting China, the movement of people and products into and out of China, the cost of producing products in China and the cost of exporting them to the Company's other markets or affecting the exchange rates for the Chinese Renminbi, including, without limitation, the impact of tariffs or other trade restrictions being imposed upon goods manufactured in China;

· consumer interest in and acceptance of the Discovery Family channel, the Company's cable television joint venture with Discovery Communications, the programming appearing on Discovery Family, products related to Discovery Family's programming, and other factors impacting the financial performance of the Discovery Family channel;

· consumer interest in and acceptance of programming and entertainment created by Hasbro Studios and/or our other entertainment partners, as well as products related to such programming and entertainment;

· the ability to develop and distribute compelling entertainment, including television, motion pictures and digital content, based on our brands, in a timely and financially profitable manner, and the success of that entertainment in driving consumer interest in and engagement with our brands;

· the ability of the Company to hire and retain key officers and employees who are critical to the Company's success;

· the costs of complying with product safety and consumer protection requirements worldwide, including the risk that greater regulation in the future may increase such costs, may require changes in the Company's products and/or may impact the Company's ability to sell some products in particular markets in the absence of making changes to such products;

· the risk that one of the Company's third-party manufacturers will not comply with applicable labor, consumer protection, product safety or other laws or regulations, or with aspects of the Company's Global Business Ethics Principles, and that such noncompliance will not be promptly detected, either of which could cause damage to the Company's reputation, harm sales of its products, result in product recalls and potentially create other liabilities for the Company;

· an adverse change in purchasing policies or promotional programs or the bankruptcy or other economic difficulties or lack of success of one or more of the Company's significant retailers comprising its relatively concentrated retail customer base, which could negatively impact the Company's revenues or bad debt exposure;

· the risk that the market appeal of the Company's licensed products will be less than expected or that sales revenue generated by these products will be insufficient to cover the minimum guaranteed royalties or other commitments;

· the risk the Company will lose rights to a significant licensed property or properties, which will harm the Company's revenues and earnings;

· the risk that the Company may face product recalls or product liability suits relating to products it manufactures or distributes which may have significant direct costs to the Company and which may also harm the reputation of the Company and its products, potentially harming future product sales;

· the impact of competition on revenues, margins and other aspects of the Company's business, including the ability to offer Company products which consumers choose to buy instead of competitor products, the ability to secure, maintain and renew popular licenses and the ability to attract and retain employees;

· the risk that anticipated benefits of acquisitions may not occur or be delayed or reduced in their realization;

· the Company's ability to obtain and enforce intellectual property rights both in the United States and other worldwide territories;

· the risk that any litigation or arbitration disputes or government and regulatory investigations could entail significant resources and expense and result in significant fines or other harm to the Company's business or reputation;

· the Company's ability to maintain or obtain external financing on terms acceptable to it in order to meet working capital needs;

· the risk that one or more of the counterparties to the Company's financing arrangements may experience financial difficulties or otherwise be unable or unwilling to allow the Company to access financing under such arrangements;

· the Company's ability to generate sufficient available cash flow to service its outstanding debt;

· restrictions that the Company is subject to under its credit agreement;

· unforeseen circumstances, such as severe softness in or collapse of the retail environment that may result in a significant decline in revenues and operating results of the Company, thereby causing the Company to be in non-compliance with its debt covenants and the Company being unable to utilize borrowings under its revolving credit facility, a circumstance likely to occur when operating shortfalls would result in the Company being in the greatest need of such supplementary borrowings;

· market conditions, third party actions or approvals, the impact of competition and other factors that could delay or increase the cost of implementation of the Company's programs, or alter the Company's actions and reduce actual results;

· the risk that the Company may be subject to governmental penalties, fines, sanctions or additional taxes for failure to comply with applicable laws or regulations in any of the markets in which it operates, or that governmental regulations or requirements will require changes in the manner in which the company does business and/or increase the costs of doing business;

· failure to operate our information systems and implement new technology effectively, as well as maintain the systems and processes designed to protect our electronic data;

· the risk that the Company's reported goodwill may become impaired, requiring the Company to take a charge against its income; or

· other risks and uncertainties as are or may be detailed from time to time in the Company's public announcements and filings with the SEC, such as filings on Forms 8-K, 10-Q and 10-K.

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

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

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

Period	(a) Total Number of Shares (or Units) Purchased		(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs		(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
April 2016						
3/28/16 – 4/24/16	195,300	$	79.62	195,300	$	427,914,513
May 2016						
4/25/16 – 5/29/16	132,700	$	84.46	64,111	$	422,486,559
June 2016						
5/30/16 – 6/26/16	11,200	$	84.12	11,200	$	421,544,425
Total	339,200	$	81.66	270,611	$	443,463,712

In February 2015, the Company announced that its Board of Directors authorized the repurchase of an additional $500 million in common stock. Purchases of the Company's common stock may be made from time to time, subject to market conditions. These shares may be repurchased in the open market or through privately negotiated transactions. The Company has no obligation to repurchase shares under this authorization, and the timing, actual number, and value of the shares that are repurchased will depend on a number of factors, including the price of the Company's stock. The Company may suspend or discontinue the program at any time and there is no expiration date.

In May 2016 the Company repurchased 68,589 shares upon the exercise of a stock option, which were delivered by the award recipient as a payment of the exercise price. These shares were repurchased at the market price on the date of the exercise of the stock option.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

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

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

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

3.4 Amended and Restated Bylaws of the Company, as amended. (Incorporated by reference to Exhibit 3(d) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, File No. 1-6682.)

3.5 Amendment to Amended and Restated Bylaws of the Company, as amended. (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated August 6, 2014, File No. 1-6682.)

3.6 Amendment to Amended and Restated Bylaws of the Company, as amended. (Incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K dated October 5, 2015, File No. 1-6682.)

3.7 Amendment to Amended and Restated Bylaws of the Company, as amended. (Incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K dated December 10, 2015, File No. 1-6682.)

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

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

4.1 Indenture, dated as of July 17, 1998, by and between the Company and The Bank of New York Mellon Trust Company, N.A. as successor Trustee to Citibank, N.A. as Trustee. (Incorporated by reference to Exhibit 4.1 to the

Company's Current Report on Form 8-K dated July 14, 1998, File No. 1-6682.)

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

4.3 First Supplemental Indenture, dated as of September 17, 2007, between the Company and The Bank of New York Mellon Trust Company, N.A. as successor Trustee to the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed September 17, 2007, File No. 1-6682.)

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4.5 Third Supplemental Indenture, dated as of March 11, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. as successor Trustee to the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed March 11, 2010, File No. 1-6682.)

4.6 Fourth Supplemental Indenture, dated May 13, 2014, between the Company and The Bank of New York Mellon Trust Company, N.A. as successor Trustee to the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed May 13, 2014, file No. 1-6682.)

10.1 Hasbro, Inc. Performance Rewards Program.

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

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101.INS XBRL Instance Document

101.SCH Taxonomy Extension Schema Document

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101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Furnished herewith.

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: July 26, 2016	By: /s/ Deborah Thomas Deborah Thomas
	Executive Vice President and Chief Financial Officer (Duly Authorized Officer and Principal Financial Officer)

Exhibit Index

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