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HASBRO INC
Form 11-K
June 15, 2007

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 11-K

(MARK ONE)

\X\ ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006.

OR

\ \ TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

COMMISSION FILE NUMBER 1-6682

A. FULL TITLE OF THE PLAN AND ADDRESS OF THE PLAN, IF DIFFERENT
FROM THAT OF ISSUER NAMED BELOW:

HASBRO, INC. RETIREMENT SAVINGS PLAN

B. NAME OF ISSUER OF THE SECURITIES HELD PURSUANT TO THE PLAN AND
THE ADDRESS OF ITS PRINCIPAL EXECUTIVE OFFICE:

HASBRO, INC.
1027 NEWPORT AVENUE
PAWTUCKET, RI 02862-1059

REQUIRED INFORMATION

I. FINANCIAL STATEMENTS

The following Plan financial statements and schedule prepared in accordance
with the financial reporting requirements of the Employee Retirement Income
Security Act of 1974 are filed herewith, as permitted by Item 4 of Form 11-K:

Report of Independent Registered Public Accounting Firm
Statements of Net Assets Available for Plan Benefits as of
December 31, 2006 and 2005
Statements of Changes in Net Assets Available for Plan Benefits for
the years ended December 31, 2006 and 2005
Notes to Financial Statements

Supplemental Schedule:

Schedule H, Line 4i - Schedule of Assets (Held at End of Year)

Other schedules are omitted as the required information is not applicable.

II. EXHIBITS

23 Consent of Independent Registered Public Accounting Firm

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Committee appointed by the Board of Directors of Hasbro, Inc. to administer the Plan has duly caused this Annual Report on Form 11-K to be signed on its behalf by the undersigned hereunto duly authorized.

Date: June 15, 2007

/s/ David D.R. Hargreaves

David D. R. Hargreaves
Executive Vice President,
Finance and Global Operations
and Chief Financial Officer of
Hasbro, Inc.

Report of Independent Registered Public Accounting Firm

The Plan Administrator

Hasbro, Inc. Retirement Savings Plan:

We have audited the accompanying statements of net assets available for plan benefits of the Hasbro, Inc. Retirement Savings Plan (the Plan) as of December 31, 2006 and 2005, and the related statements of changes in net assets available for plan benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of the Plan as of December 31, 2006 and 2005, and the changes in net assets available for plan benefits for the years ended December 31, 2006 and 2005, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule H, Line 4i - Schedule of Assets (Held at End of Year) as of December 31, 2006 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under

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the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As further described in Note 2, during 2006 the Plan adopted Financial Accounting Standards Board Staff Position AAG INV-1 and Statement of Position 94-4-1, Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans.

/s/ KPMG LLP

Providence, Rhode Island
June 12, 2007

HASBRO, INC. RETIREMENT SAVINGS PLAN

Statements of Net Assets Available for Plan Benefits

December 31, 2006 and 2005

	2006	2005
	----	----
Assets:		
Cash	\$ 176,492	112,433
Investments, at fair value	296,264,214	269,927,132
	-----	-----
Total investments and cash (note 3)	296,440,706	270,039,565
	-----	-----
Receivables:		
Loans to participants	4,982,777	4,732,045
Investment income	700	352
	-----	-----
Total receivables	4,983,477	4,732,397
	-----	-----
Net assets, reflecting investments at fair value	301,424,183	274,711,962
	-----	-----
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	484,389	442,469
	-----	-----
Net assets available for plan benefits	\$301,908,572	275,214,431
	=====	=====

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See accompanying notes to financial statements.

HASBRO, INC. RETIREMENT SAVINGS PLAN

Statements of Changes in Net Assets Available for Plan Benefits

Years ended December 31, 2006 and 2005

	2006 -----	2005 -----
Additions to net assets attributed to:		
Investment income:		
Net appreciation in fair value of investments	\$ 22,490,999	11,581,666
Dividends and interest	11,585,443	7,071,726
	-----	-----
Total investment income (note 3)	34,076,442	18,653,392
	-----	-----
Contributions:		
Rollovers	1,171,478	736,349
Employee contributions	13,715,951	12,458,209
Employer matching contributions	8,560,970	7,806,244
	-----	-----
Total contributions	23,448,399	21,000,802
	-----	-----
Total additions	57,524,841	39,654,194
	-----	-----
Deductions from net assets attributed to:		
Termination, withdrawal and retirement payments directly to participants	30,747,710	26,279,705
Administrative expenses	82,990	109,931
	-----	-----
Total deductions	30,830,700	26,389,636
	-----	-----
Net increase	26,694,141	13,264,558
Net assets available for plan benefits:		
Beginning of year	275,214,431	261,949,873
	-----	-----
End of year	\$ 301,908,572	275,214,431
	=====	=====

See accompanying notes to financial statements.

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HASBRO, INC. RETIREMENT SAVINGS PLAN

Notes to Financial Statements

December 31, 2006 and 2005

(1) Description of Plan

The following brief description of the Hasbro, Inc. Retirement Savings Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

(a) General

The Plan is a defined contribution plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and is available to substantially all domestic employees of Hasbro, Inc. and certain subsidiaries (collectively the Company or Plan Administrator). Participation in the Plan is voluntary and eligibility provisions apply.

(b) Contributions

Eligible employees could contribute up to 50% of their eligible pay, limited to an annual maximum of \$15,000 and \$14,000, respectively, in 2006 and 2005. Contributions may be limited to less than the maximum percentage of eligible pay to enable the Company to meet IRS discrimination regulations. The Company makes a matching contribution, except for Milton Bradley union employees, of 200% of the first 2% of the participants' eligible pay that they contribute per pay period, plus a 50% match of the next 4% of participants' eligible pay that they contribute per pay period up to a maximum matching contribution of 6% of a participant's eligible pay per pay period. For Milton Bradley union employees, from January 1, 2005 to February 6, 2005, the Company made a 25% matching contribution, up to a matching of 6% of a participant's eligible pay per pay period. For the remainder of 2005 and during 2006, the Company's matching contribution was 30%, up to a maximum matching of 6% of a participant's eligible pay per pay period.

All eligible employees at least age 50 by the end of the calendar year are permitted to make additional pre-tax deferrals over and above the otherwise applicable limits. These additional deferrals are called "catch-up contributions." The Company does not make a matching contribution. Catch-up contributions may be made up to an additional \$5,000 for 2006 and \$4,000 for 2005.

(c) Benefits

All participants currently employed by the Company own, or are vested in, 100% of the total value of their plan account, including the Company's 401(k) matching contribution to the Plan, except for Milton Bradley union employees who become 100% vested in Company contributions on January 1 following the completion of one year of service. Subsequent to December 31, 2006, the vesting provisions

HASBRO, INC. RETIREMENT SAVINGS PLAN

Notes to Financial Statements

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December 31, 2006 and 2005

related to Milton Bradley union employees were modified resulting in immediate vesting of Company contributions effective February 5, 2007. A participant's entire vested account will be paid upon retirement, disability, or termination of employment. The account balance will be paid to a beneficiary upon death of the participant.

Participants in the Plan have the option of receiving their account either in a lump sum or in periodic installments. Participants, except for terminated participants, may also make in-service withdrawals from their Pre-Tax Savings Contribution Account in the event of a demonstrated severe financial hardship as defined by the IRS Safe Harbor rules. Participants who have reached age 59 1/2 may make in-service withdrawals from their vested accounts in the Plan for any reason.

(d) Participant Loans

The maximum loan available to each participant is the lesser of (1) \$50,000 reduced by the highest outstanding loan balance due from the participant during the preceding twelve months, or (2) 50% of the participant's vested account balance, reduced by the current outstanding loan balance due from the participant. The minimum loan amount available to participants is \$500. Each loan shall bear a fixed interest rate on the 1st day of the month (for each month) at prime as published in the Wall Street Journal on the prior day. Repayment of the loan must be made over a period not to exceed five years, unless it is for the purchase of a primary residence, then the loan period cannot exceed ten years.

(2) Summary of Accounting Policies

(a) Basis of Accounting

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan Administrator to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates. The accompanying financial statements are presented on the accrual basis of accounting. Benefits payable at year end are not accrued for as they are considered to be a component of the net assets available for plan benefits.

HASBRO, INC. RETIREMENT SAVINGS PLAN

Notes to Financial Statements

December 31, 2006 and 2005

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(b) Investments

On December 29, 2005, the Financial Accounting Standards Board (FASB) issued Financial Accounting Standards Board Staff Position (FSP) AAG INV-1 and Statement of Position 94-4-1, Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Audit Guide and Defined-Contribution Health and Welfare and Pension Plans (the "FSP"). The FSP provides a definition of fully benefit-responsive investment contracts and guidance on financial statement presentation and disclosure of fully benefit-responsive investment contracts.

The Plan has adopted the FSP for the year ended December 31, 2006 and has retroactively restated the December 31, 2005 presentation of investments in the accompanying statements of Net Assets Available for Plan Benefits as required by the transition provisions of the FSP. One of the investment options offered by the Plan, the Stable Asset Fund for Employee Benefit Plans, is a common collective trust that is fully invested in contracts deemed to be fully benefit-responsive within the meaning of the FSP. The FSP requires that this investment be reported at fair value. However, contract value is the relevant measure to the Plan because it is the amount that is available for Plan benefits. Accordingly, investments as reflected in the Statements of Net Assets Available for Plan Benefits state the Stable Asset Fund for Employee Benefit Plans at its fair value, with a corresponding adjustment to reflect the investment at contract value. The adoption of the FSP had no impact on net assets available for plan benefit or changes in net assets available for plan benefit.

Investments are stated at fair value. Company stock held in the Hasbro Stock Fund is valued at the composite closing price on the New York Stock Exchange. The fair value of other investments is determined daily by Fidelity Management Trust Company (the Trustee) on a per share basis using security prices quoted on national exchanges.

Participant notes receivable are valued at cost, which approximates fair value.

HASBRO, INC. RETIREMENT SAVINGS PLAN

Notes to Financial Statements

December 31, 2006 and 2005

Security transactions received prior to 4:00 pm Eastern time by the Trustee are recognized on that business day. Transactions received after 4:00 pm Eastern time are valued as of the next business day. Interest income is recorded on the accrual basis and dividend income is recorded on the ex-dividend date.

Net appreciation in the fair value of investments includes both realized and unrealized gains and losses.

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(c) Contributions

Contributions from employees are accounted for when deducted from employees' wages. The Company's matching contributions are accrued at the time the employee's contributions are deducted. For years ended December 31, 2006 and 2005, employer and employee contributions for the last pay period of the year were paid to the Plan prior to the Plan's year end.

(d) Payments of Benefits

Benefits are recorded when paid.

(e) Administrative Expenses

The Plan bears all costs and general expenses incurred with regard to investment consulting, audit, legal and communication fees, other professional fees, independent fund managers and the purchase and sale of investments. Other costs of administration are paid for by the Plan Administrator.

3) Investment Information

Participants may elect to have their accounts invested in one or more of the investment funds offered by the Plan. Investment funds offered by the Plan include the following nationally traded mutual funds: the Fidelity Equity Income Fund, the Fidelity Growth Company Fund, the Fidelity Freedom 2000 Fund, Fidelity Freedom 2010 Fund, the Fidelity Freedom 2020 Fund, the Fidelity Freedom 2030 Fund, the Fidelity Freedom 2040 Fund, the Fidelity Freedom Income Fund, the PIMCO Total Return Fund, the Spartan US Equity Index Fund, and the Fidelity Diversified International Fund. The following investment options were added as of July 1, 2005: Vanguard Small-Cap Index Fund, Vanguard Mid-Cap Index Fund, and Standish Mellon High Yield Bond Fund. The Fidelity Magellan Fund and Dreyfus Emerging Leaders Fund investment options were eliminated effective October 31, 2005.

HASBRO, INC. RETIREMENT SAVINGS PLAN

Notes to Financial Statements

December 31, 2006 and 2005

Participants can elect to invest up to 25% of their contributions in the Hasbro Stock Fund which is a unitized stock fund that invests in the stock of Hasbro, Inc. and other short term investments designed to allow participants to buy and sell without the usual trade settlement period for individual stock transactions. Ownership is measured in units of the fund instead of shares of stock. In addition, participants cannot elect to reallocate their investment funds that would result in 25% or more of their account invested in the Hasbro Stock Fund. The fair value of the cash and investments of the Hasbro Stock Fund was \$2,957,782 as of December 31, 2006 and \$1,995,740 as of December 31, 2005.

Participants may also elect to invest their funds in the Stable Asset Fund for Employee Benefit Plans. This fund is managed by Columbia Management Advisors, LLC. and invests in fixed income contracts. In the Statements of Net Assets Available for Plan Benefits, the Plan is required to reflect

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this investment at fair value, with a corresponding adjustment to contract value (see Note 2(b)). The fair value of this fund as of December 31, 2006 and 2005 was \$47,616,514 and \$50,853,890, respectively. The contract value of the fund as of December 31, 2006 and 2005, which is a component of net assets available for plan benefits, totaled \$48,100,903 and \$51,296,359, respectively. This fund yielded approximately 4.59% and 4.20% for 2006 and 2005, respectively.

The following table represents the carrying value of investments, which were 5% or more of the Plan's net assets as of December 31, 2006:

Spartan US Equity Index Fund	\$50,777,082
Stable Asset Fund for Employee Benefit Plans	48,100,903
Fidelity Growth Company Fund	45,876,056
Fidelity Equity Income Fund	41,877,454
Fidelity Diversified International Fund	32,639,330

During 2006 and 2005, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$22,490,999 and \$11,581,666, respectively, as follows:

	Year Ended December 31,	
	2006	2005
	-----	-----
Shares in Registered Investment Companies	\$ 21,719,327	11,473,994
Hasbro, Inc. Common Stock Fund	771,672	107,672
	-----	-----
	\$ 22,490,999	11,581,666
	=====	=====

HASBRO, INC. RETIREMENT SAVINGS PLAN

Notes to Financial Statements

December 31, 2006 and 2005

(4) Related Party Transactions

Certain Plan investments are shares of mutual funds managed by Fidelity Management and Research Company, an affiliate of the Trustee, and, therefore, qualify as party-in-interest transactions. Additionally, the Plan holds investments in shares of Hasbro, Inc. common stock. The Plan had 102,040 and 93,308 shares of common stock valued at \$2,780,590 and \$1,882,955, respectively, as of December 31, 2006 and 2005. These transactions qualify as exempt party-in-interest transactions.

(5) Plan Termination

Upon termination of the Plan and trust, each Participant shall be entitled to receive the vested amount standing to the credit of their account as of the final valuation date. The Trustee shall make payments of such amounts as directed by the Plan Administrator.

Although the Company has not expressed any intent to do so, it reserves the right to terminate the Plan at any time subject to ERISA provisions.

(6) Risks and Uncertainties

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The Plan provides for investments in various funds, which invest in equity and debt securities and other investments. Such investments are exposed to risks and uncertainties, such as interest rate risk, credit risk, economic and political risks, regulatory changes, and foreign currency risk. In addition, participants may elect to invest up to 25% of their contributions in the Hasbro Stock Fund. The underlying performance of this fund is dependent upon the performance of the Company and the market's evaluation of such performance. The Plan's exposure to a concentration of credit risk is subject to the Plan's investment funds selected by participants. These risks and uncertainties could impact participants' account balances and the amounts reported in the financial statements.

(7) Federal Income Taxes

The Internal Revenue Service issued a determination letter on January 21, 2003, which stated that the Plan and its underlying trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC), and therefore, are exempt from federal income taxes.

HASBRO, INC. RETIREMENT SAVINGS PLAN

Schedule H, Line 4i - Schedule of Assets (Held at End of Year)

Year ended December 31, 2006

Issuer -----	Investment Description -----	Current Value -----
Stable Asset Fund for Employee Benefit Plans***	4,810,090 shares in common/collective trusts	\$ 48,100,903 **
Spartan US Equity Index Fund	1,011,899 shares in registered investment company	50,777,082 **
Fidelity Growth Company Fund*	658,099 shares in registered investment company	45,876,056 **
Fidelity Equity Income Fund*	715,243 shares in registered investment company	41,877,454 **
Fidelity Diversified International Fund*	833,338 shares in registered investment company	32,639,330 **
Fidelity Freedom 2010 Fund*	918,322 shares in registered investment company	13,425,864
PIMCO Total Return Fund	1,023,082 shares in registered investment company	10,619,590
Vanguard Small-Cap Index Fund	412,126 shares in registered investment company	13,455,900
Vanguard Mid-Cap Index Fund	122,407 shares in registered investment company	10,983,601

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Fidelity Freedom 2020 Fund*	692,299 shares in registered Investment company	10,751,409
Fidelity Freedom 2030 Fund*	482,035 shares in registered investment company	7,727,027
Hasbro Stock Fund *	102,040 shares of Hasbro, Inc. common stock	2,780,590
	Cash	176,492
Fidelity Freedom 2040 Fund*	305,746 shares in registered investment company	2,898,470
Standish Mellon High Yield Bond	184,412 shares in registered investment company	2,961,664
Fidelity Freedom 2000 Fund*	66,983 shares in registered investment company	834,611
Fidelity Freedom Income Fund*	90,039 shares in registered investment company	1,039,052

Investments and Cash		\$ 296,925,095
		=====
Loans to Participants*	Interest rate 4.0% to 8.5%	\$ 4,982,777

*Party-in-interest

**Represents greater than 5% of Plan assets at December 31, 2006.

*** Represents the contract value. The fair value of this investment as of December 31, 2006 was \$47,616,514.

See accompanying report of independent registered public accounting firm.