HASBRO INC
Form 424B2
May 08, 2009

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The information in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(2)
Registration Statement No. 333-145947

SUBJECT TO COMPLETION, DATED MAY 8, 2009

Preliminary Prospectus Supplement
May , 2009
(To Prospectus dated September 10, 2007)

$

Hasbro, Inc.

% Notes due

We will pay interest on the notes on and of each year, beginning , 2009. The notes will mature on , . We may adjust the interest rate on the notes under the circumstance described in this prospectus supplement under Description of the Notes Interest Rate Adjustment. We may redeem the notes in whole or in part at any time at the applicable redemption prices set forth under Description of the Notes Optional Redemption. If we experience a change of control repurchase event, we may be required to offer to purchase the notes from holders.

The notes will be senior unsecured obligations of our company and will rank equally in right of payment with all of our other senior unsecured indebtedness from time to time outstanding. The notes will be issued only in registered form in denominations of $2,000 and integral multiples of $1,000.

Investing in the notes involves risks that are described under Risk Factors beginning on page S-9.

	Per Note	Total
Public offering price(1)	%	$
Underwriting discount	%	$
Proceeds, before expenses, to us(1)	%	$

(1) Plus accrued interest, if any, from May , 2009.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the notes or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The notes will be ready for delivery in book-entry form only through The Depository Trust Company for the accounts of its participants, including Clearstream and the Euroclear System, on or about May , 2009.

Joint Book-Running Managers

Banc of America Securities LLC	**RBS**

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which contains the terms of this offering of notes. The second part is the prospectus dated September 10, 2007, which is part of our Registration Statement on Form S-3.

This prospectus supplement may add to, update or change the information in the accompanying prospectus. If information in this prospectus supplement is inconsistent with information in the accompanying prospectus, this prospectus supplement will apply and will supersede that information in the accompanying prospectus.

It is important for you to read and consider all information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus in making your investment decision. You should also read and consider the information in the documents to which we have referred you in Where You Can Find More Information in the accompanying prospectus.

No person is authorized to give any information or to make any representations other than those contained or incorporated by reference in this prospectus supplement or the accompanying prospectus and, if given or made, such information or representations must not be relied upon as having been authorized. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities described in this prospectus supplement or an offer to sell or the solicitation of an offer to buy such securities in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this prospectus supplement and the accompanying prospectus, nor any sale made hereunder, shall under any circumstances create any implication that there has been no change in our affairs since the date of this prospectus supplement, or that the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus is correct as of any time subsequent to the date of such information.

The distribution of this prospectus supplement and the accompanying prospectus and the offering of the notes in certain jurisdictions may be restricted by law. This prospectus supplement and the accompanying prospectus do not constitute an offer, or an invitation on our behalf or the underwriters or any of them, to subscribe to or purchase any of the notes, and may not be used for or in connection with an offer or solicitation by anyone, in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. See Underwriting.

In this prospectus supplement and the accompanying prospectus, unless otherwise stated, references to we, us and our refer to Hasbro, Inc. and its subsidiaries.

Capitalized names of brands and products are service marks, trademarks or trade names of Hasbro, Inc. or other persons.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents incorporated herein by reference contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may relate to such matters as our anticipated financial performance or business prospects in future periods, expected technological and product developments, the expected timing of new product introductions or our expectations concerning the future acceptance of products by customers, the timing of entertainment releases, marketing and promotional efforts, research and development activities, liquidity, potential acquisitions or investments we may make (including the planned closing of, and the future expectations for, the joint venture with Discovery Communications, LLC, or Discovery, described in this prospectus supplement and our filings with the Securities and Exchange Commission, or the SEC), and similar matters. Forward-looking statements are inherently subject to risks and uncertainties. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. These statements may be identified by the use of forward-looking words or phrases such as anticipate, believe, could, expect, intend, looking forward, may, planned, potential, should, w variations of words with similar meanings. We note that a variety of factors could cause our actual results and experience to differ materially from the anticipated results or other expectations expressed or anticipated in our forward-looking statements. The factors listed in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference, as well as in our other filings with the SEC, such as on Forms 8-K, 10-Q and 10-K, are illustrative and other risks and uncertainties may arise as are or may be detailed from time to time in our public announcements and in our filings with the SEC. Our forward-looking statements speak only as of the dates on which they are made and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of the statement. If we do update or correct one or more of these statements, investors and others should not conclude that we will make additional updates or corrections. For a further description of these risks, see Risk Factors below.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information about us and this offering. It may not contain all of the information that is important to you in deciding whether to purchase the notes. We encourage you to read the entire prospectus supplement, the accompanying prospectus and the documents that we have filed with the SEC that are incorporated by reference prior to deciding whether to purchase the notes.

Hasbro, Inc.

We are a worldwide leader in children s and family leisure time and entertainment products and services, including the design, manufacture and marketing of games and toys. Internationally and in the United States, our widely recognized core brands such as PLAYSKOOL, TRANSFORMERS, MY LITTLE PONY, LITTLEST PET SHOP, TONKA, G.I. JOE, SUPER SOAKER, MILTON BRADLEY, PARKER BROTHERS, TIGER and WIZARDS OF THE COAST provide what we believe are the highest quality play experiences in the world. Our offerings encompass a broad variety of games, including traditional board, card, hand-held electronic, trading card, role-playing and DVD games, as well as electronic learning aids and puzzles. Toy offerings include boys action figures, vehicles and playsets, girls toys, electronic toys, plush products, preschool toys and infant products, electronic interactive products, creative play and toy related specialty products. In addition, we license certain of our trademarks, characters and other property rights to third parties for use in connection with digital gaming, consumer promotions, and for the sale of non-competing toys and games and non-toy products.

Organizationally, our principal segments are (i) U.S. and Canada and (ii) International. Both of these segments engage in the marketing and selling of various toy and game products as listed above. Our toy, game and puzzle products are developed by a global development group. We also have a global marketing function which establishes brand direction and assists the segments in establishing certain local marketing programs. The costs of these groups are allocated to the principal segments. Our U.S. and Canada segment covers the United States and Canada while the International segment is primarily comprised of Europe, the Asia Pacific region and Latin and South America (including Mexico).

In addition, our Global Operations segment is responsible for arranging product manufacturing and sourcing for the U.S. and Canada and International segments and our Other segment out-licenses our intellectual property to third parties on a worldwide basis, including licensing of the Company s intellectual property for use in digital games.

A key element of our business strategy has been and continues to be to expand the reach of our brands and drive our revenues through both the use of entertainment and the extension of our brands into additional consumer platforms, beyond traditional toys and games. As examples of the use of entertainment to drive our brands, the TRANSFORMERS motion picture was released in 2007. In 2009 we anticipate the theatrical releases of both TRANSFORMERS: REVENGE OF THE FALLEN and G.I. JOE: RISE OF COBRA. We are also party to a six-year strategic relationship with Universal Pictures to produce at least four motion pictures based on certain of our core brands. As part of our effort to expand our brands into additional platforms, in 2007 we entered a multi-year strategic agreement with Electronic Arts, or EA, which gives EA the exclusive, worldwide rights, subject to existing limitations on our rights and certain other exclusions, to create digital games for all major platforms, based on a broad spectrum of our intellectual property.

Another medium we have identified to expand the reach of our brands is television. In furtherance of this, we entered into agreements with Discovery on April 29, 2009 to participate in a 50/50 joint venture dedicated to children s and family entertainment and educational programming. We have agreed to pay a purchase price of $300 million for our

50% interest in the joint venture. The joint venture will own the Discovery Kids network in the United States, and will also hold the existing Discovery Kids programming library in the United States. We may also be required to fund the joint venture s future cash flow needs, on a pro-rata basis with Discovery, up to an aggregate of $15 million in additional funding from us. This venture will program and operate a television network, which will initially be operated as Discovery Kids until the launch of a rebranded channel. The rebranded network is currently expected to debut in late 2010 (subsequent to which Discovery will retain the Discovery Kids brand) and to feature significant quantities of new programming that will be created based upon our intellectual property. We expect our ability to create this programming to continue to increase as we develop the resources to produce significant quantities of new programming. The joint venture will also participate in merchandising opportunities associated with on-air content. We will be paid a license fee for programming submissions accepted by the network which are based on our intellectual property (with guaranteed acceptance by the joint venture of specified amounts of our programming). The joint venture will have an exclusive license to telecast any programming it licenses from us in the United States, generally for a term of five years. We will pay the network a royalty on our net sales of merchandise based on programming appearing on the network, as well as a royalty on licensing revenues received by us for television show-based merchandise. We have guaranteed the payment of $125 million in royalties to the joint venture. The closing of the joint venture transaction is subject to customary closing conditions, including required antitrust clearance, and there can be no guarantee that the joint venture will in fact be consummated.

U.S. and Canada

The U.S. and Canada segment s strategy is based on growing its core brands through innovation and reinvention, introducing new initiatives driven by consumer and marketplace insights and leveraging opportunistic toy and game lines and licenses. This strategy includes increasing visibility of the Company s core brands through entertainment, such as motion pictures, television and publishing. Major 2008 brands and products included STAR WARS, TRANSFORMERS, LITTLEST PET SHOP, NERF, PLAYSKOOL, MARVEL products, MONOPOLY, FURREAL FRIENDS, MAGIC: THE GATHERING, and BABY ALIVE. In the U.S. and Canada segment, our products are organized into the following categories: (i) games and puzzles; (ii) boys toys; (iii) girls toys; (iv) preschool toys; (v) tween toys; and (vi) other.

Our games and puzzles category includes several well known brands, including MILTON BRADLEY, PARKER BROTHERS, TRIVIAL PURSUIT, CRANIUM, AVALON HILL and WIZARDS OF THE COAST. These brand portfolios consist of a broad assortment of games for children, tweens, families and adults. Core game brands include MONOPOLY, BATTLESHIP, GAME OF LIFE, SCRABBLE, CHUTES AND LADDERS, CANDY LAND, TROUBLE, MOUSETRAP, OPERATION, HUNGRY HUNGRY HIPPOS, CONNECT FOUR, TWISTER, YAHTZEE, CRANIUM, JENGA, SIMON, CLUE, SORRY!, RISK, BOGGLE, TRIVIAL PURSUIT and GUESS WHO?, as well as a line of puzzles for children and adults, including the BIG BEN and CROXLEY lines of puzzles. WIZARDS OF THE COAST offers trading card and role-playing games, including MAGIC: THE GATHERING and DUNGEONS & DRAGONS. We seek to keep our core brands relevant through sustained marketing programs as well as by offering consumers new ways to experience these brands. In 2008, we acquired Cranium, Inc., which resulted in an extension of our core brand portfolio of games. The Cranium brand includes a range of products targeted to kids, families and adults. In addition, we hope to increase the reach of our brands through our strategic alliance with EA, which expands our brands to a variety of new digital platforms.

Our boys toys include a wide range of core brands such as G.I. JOE and TRANSFORMERS action figures and accessories as well as entertainment-based licensed products based on popular movie, television and comic book characters, such as STAR WARS and MARVEL toys and accessories. In the action figure area, a key part of our strategy focuses on the importance of reinforcing the storyline associated with these products through the use of media-based entertainment. In 2008, sales in our boys toys category also benefited from major motion picture releases of IRONMAN, THE INCREDIBLE HULK, and INDIANA JONES AND THE KINGDOM OF THE CRYSTAL SKULL. In addition, STAR WARS, SPIDER-MAN and TRANSFORMERS products are being supported by animated television series. In 2009, the major motion pictures G.I. JOE: THE RISE OF COBRA and TRANSFORMERS: REVENGE OF THE FALLEN are expected to be released based on our G.I. JOE and TRANSFORMERS brands. In addition, the Company expects product revenues from the 2009 release of the motion picture, X-MEN ORIGINS: WOLVERINE, based on the MARVEL character. In addition to marketing and developing action figures for traditional play, the Company also develops and markets products designed for collectors, which has been a key component of the success of the STAR WARS brand.

In our girls toys category, we seek to provide a traditional and wholesome play experience. Girls toys include LITTLEST PET SHOP, MY LITTLE PONY, FURREAL FRIENDS and BABY ALIVE brands. In 2009, we will seek to continue to grow and refresh the LITTLEST PET SHOP brand through the introduction

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of new characters. In addition, in 2009, we plan to expand our presence in this category by introducing a full line of STRAWBERRY SHORTCAKE toys.

Our preschool toys category encompasses a range of products for infants and preschoolers in the various stages of development. Our preschool products include a portfolio of core brands marketed primarily under the PLAYSKOOL trademark. The PLAYSKOOL line includes such well-known products as MR. POTATO HEAD, WEEBLES, SIT N SPIN and GLOWORM, along with a successful line of infant toys including STEP START WALK N RIDE, 2-IN-1 TUMMY TIME GYM and BUSY BALL POPPER. Through our AGES & STAGES system, we seek to provide consumer friendly information that assists parents in understanding the developmental milestones their children will encounter as well as the role each PLAYSKOOL product can play in helping children to achieve these developmental milestones. In addition, our preschool category also includes the TONKA line of trucks and interactive toys and the PLAY-DOH brand.

Over the last several years our tweens toys category generally marketed products under the TIGER and NERF brands and sought to target those children who have outgrown traditional toys. The age group targeted by this category was generally 8 to 12 years old. The major tweens toys product lines in 2008 were NERF and I-DOG. In recent years, we have used our consumer insights and electronic innovation to develop a strong line of products focusing on this target audience; however, as consumer electronics have become more affordable to this age group, this category has become less relevant. As a result, we have seen a reduction in demand for many tween electronic products as the target consumers have increasingly embraced adult consumer electronics. We also have not achieved the profit margins on many of the tween electronic products which we considered necessary. For that reason, starting in 2009 we will no longer have a tweens product category. However, we do plan to continue to opportunistically offer electronic products which we believe can be successful items. Going forward, those items will be offered under either our boys or girls categories. For example, starting in 2009, I-DOG will be managed under the girls toys category. In addition, our NERF and SUPER SOAKER products have been highly successful and starting in 2009 will be managed as part of the boys toys category.

International

In addition to our business in the United States and Canada, our International segment sells a representative range of the toy and game products marketed in the U.S. and Canada segment as discussed above, together with some items that are sold only internationally. These products are sold directly to retailers and wholesalers in most countries in Europe, Asia Pacific and Latin and South America and through distributors in those countries where we have no presence. The products sold internationally are managed under the same categories as in the U.S. and Canada. The major geographic regions included in the International segment are Europe, Asia Pacific and Latin and South America, including Mexico. In addition to growing core brands and leveraging opportunistic toy lines and licenses, we seek to grow our international business by continuing to expand into Eastern Europe and emerging markets in Asia and Latin and South America. In 2008, we expanded our operations in Brazil, China, Russia, the Czech Republic and Korea. Key international brands for 2008 included LITTLEST PET SHOP, PLAYSKOOL, TRANSFORMERS, STAR WARS, MONOPOLY, MY LITTLE PONY and MARVEL.

Other Segments

In our Global Operations segment, we manufacture and source production of substantially all of our toy and game products. The Company owns and operates manufacturing facilities in East Longmeadow, Massachusetts and Waterford, Ireland. Sourcing of our other production is done through unrelated manufacturers in various Far East countries, principally China, using a Hong Kong based wholly-owned subsidiary operation for quality control and order coordination purposes.

Through our Other segment we generate revenue through the out-licensing worldwide of certain of our intellectual properties to third parties for promotional and merchandising uses in businesses which do not compete directly with our own product offerings. During 2008, our Other segment out-licensed our brands primarily in apparel, publishing, home goods and electronics, and certain brands in the digital area. One of the primary goals of this segment is to further expand our brands into the digital world through strategic licenses. As an example, we

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have a long-term strategic licensing alliance with EA, which provides EA with the exclusive worldwide rights to create digital games for all major platforms, including mobile phones, personal computers, and game consoles such as XBOX, PLAYSTATION and WII, based on most of our toy and game intellectual properties. The first games generated under this strategic alliance were introduced in 2008, with a full line expected in 2009. In 2009, the Company expects its licensing revenues to be positively impacted by the major motion picture releases of G.I. JOE: RISE OF COBRA and TRANSFORMERS: REVENGE OF THE FALLEN. Commencing in the second quarter of 2009, we plan to add our television operations, comprised of the joint venture with Discovery and our own programming studio operations, to the Other segment, and rename it the Entertainment and Licensing Segment.

Corporate Information

Hasbro, Inc. is a Rhode Island corporation organized on January 8, 1926. Our principal executive offices are located at 1027 Newport Avenue, Pawtucket, Rhode Island 02862 and our telephone number is (401) 431-8697.

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The Offering

Issuer	Hasbro, Inc.
Securities Offered	$ % Notes due
Maturity	The notes will mature on , .
Interest	Interest on the notes will accrue from May , 2009. Interest on the notes will be payable semi-annually in arrears at the rates set forth on the cover page of this prospectus supplement on and of each year, commencing , 2009.
Interest Rate Adjustment	If the rating on the notes from Moody s Investors Service, Inc., which we refer to as Moody s, Standard & Poor s Ratings Services, a division of The McGraw-Hill Companies, Inc., which we refer to as S&P, or Fitch Ratings, which we refer to as Fitch, is a rating set forth in the immediately following table, the per annum interest rate on the notes will increase from that set forth on the cover page of this prospectus supplement by the percentage set forth opposite that rating:

Rating Levels	**Moody s**	**Rating Agency S&P**	**Fitch**	**Percentage**
1	Ba1	BB+	BB+	0.25%
2	Ba2	BB	BB	0.50%
3	Ba3	BB−	BB−	0.75%
4	B1 or below	B+ or below	B+ or below	1.00%

If any of Moody s, S&P or Fitch subsequently increases its rating with respect to the notes to any of the threshold ratings set forth above, the per annum interest rate on such notes will be decreased such that the per annum interest rate equals the interest rate set forth on the cover page of this prospectus supplement plus the percentages applicable to the lowest two ratings levels of Moody s, S&P and Fitch in effect immediately following the increase. In determining the increase or decrease, if any, the percentage applicable to the lowest two ratings levels of Moody s, S&P and Fitch shall be used. Each adjustment required by any decrease or increase in a rating set forth above, whether occasioned by the action of Moody s, S&P or Fitch, shall be made independent of any and all other adjustments. In no event shall (1) the per annum interest rate on the notes be reduced below the interest rate set forth on the cover page of this prospectus supplement, and (2) the total increase in the per annum interest rate on the notes exceed 2.00% above the interest rate set forth on the cover page of this prospectus supplement.

If any two of Moody s, S&P or Fitch ceases to provide a rating of the notes, any subsequent increase or decrease in the interest rate of the notes necessitated by a reduction or increase in the rating by the agency continuing to provide the rating shall be twice the percentage set forth in the applicable table above.

No adjustments in the interest rate of the notes shall be made solely as a result of Moody s, S&P or Fitch ceasing to provide a rating. If

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	all of Moody s, S&P and Fitch cease to provide a rating of the notes, the interest rate on the notes will increase to, or remain at, as the case may be, 2.00% above the interest rate payable on the notes on the date of their issuance. Any interest rate increase or decrease described above will take effect from the first day of the interest period during which a rating change requires an adjustment in the interest rate. The interest rate on the notes will permanently cease to be subject to any adjustment described above (notwithstanding any subsequent decrease in the ratings by either or both rating agencies) if the notes become rated A3, A- or A- or higher by any two of Moody s, S&P and Fitch, respectively (or one of these ratings if only rated by one rating agency), with a stable or positive outlook by both such rating agencies.
Optional Redemption	We may redeem the notes at our option, at any time in whole or from time to time in part, at a redemption price equal to the greater of: 100% of the principal amount of the notes being redeemed; and the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued as of the date of redemption), discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined in Description of the Notes Optional Redemption), plus basis points. We will also pay the accrued and unpaid interest on the notes to the redemption date.
Repurchase at the Option of Holders Upon a Change of Control Repurchase Event	If we experience a Change of Control Repurchase Event (as defined in Description of the Notes Repurchase upon Change of Control Repurchase Event), we will be required, unless we have exercised our right to redeem the notes, to offer to purchase the notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest.
Ranking	The notes will be our senior unsecured obligations and will rank equal in right of payment to our other senior unsecured debt from time to time outstanding. At March 29, 2009, we had approximately $755.4 million in principal amount of short- and long-term indebtedness outstanding on a consolidated basis, of which $10.7 million of subsidiary indebtedness would be structurally senior to the notes.
Use of Proceeds	We currently intend to use up to $300 million of the net proceeds from the sale of the notes to pay the purchase price for our 50% interest in the joint venture with Discovery and up to $15 million to fund the joint venture s future cash flow needs. The remainder of the net proceeds may be used for general corporate and working capital purposes, which may include

repayment of debt, repurchase

	of shares of our common stock, capital expenditures and acquisitions. See Use of Proceeds.
Additional Issues	We may from time to time, without notice to or the consent of the holders of the notes, create and issue additional debt securities having the same terms (except for the issue date, the public offering price and the first interest payment date) and ranking equally and ratably with the notes offered hereby in all respects.
Denomination and Form	We will issue the notes in the form of one or more fully registered global notes registered in the name of the nominee of The Depository Trust Company, or DTC. Beneficial interests in the notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Clearstream Banking, société anonyme and Euroclear Bank S.A./N.V., as operator of the Euroclear System, will hold interests on behalf of their participants through their respective U.S. depositaries, which in turn will hold such interests in accounts as participants of DTC. Except in the limited circumstances described in this prospectus supplement, owners of beneficial interests in the notes will not be entitled to have notes registered in their names, will not receive or be entitled to receive notes in definitive form and will not be considered holders of notes under the indenture. The notes will be issued only in denominations of $2,000 and integral multiples of $1,000 in excess thereof.
Risk Factors	Investing in the notes involves risks. See Risk Factors for a description of certain risks you should particularly consider before investing in the notes.
Trustee	The Bank of Nova Scotia Trust Company of New York
Governing Law	New York

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Summary Financial Information

The following table sets forth our summary consolidated financial information at and for the periods presented. Our fiscal year ends on the last Sunday in December. The fiscal year ended December 31, 2006 was a fifty-three week period while the other fiscal years presented below were fifty-two week periods. The fiscal year-end financial information has been derived from our audited financial statements. The interim consolidated financial information has been derived from our unaudited consolidated financial statements and include, in the opinion of our management, all normal and recurring adjustments necessary for a fair presentation of the financial information. The results for the three-month periods do not necessarily indicate the results to be expected for the full year. You should read the following information in conjunction with our consolidated financial statements and related notes and the other financial and statistical information that we include or incorporate by reference in this prospectus supplement and the accompanying prospectus.

	Three Months Ended		Fiscal Year Ended in December				
	March 29, 2009	March 30, 2008	2008	2007	2006	2005	2004
	(unaudited)						
			(in thousands)				
Statement of Operations Data:							
Net revenues	$ 621,340	$ 704,220	$ 4,021,520	$ 3,837,557	$ 3,151,481	$ 3,087,627	$ 2,997,510
Cost of sales	244,753	271,161	1,692,728	1,576,621	1,303,885	1,286,271	1,251,657
Gross profit	376,587	433,059	2,328,792	2,260,936	1,847,596	1,801,356	1,745,853
Total operating expenses	335,370	371,806	1,834,496	1,741,586	1,471,233	1,490,835	1,452,841
Operating profit	41,217	61,253	494,296	519,350	376,363	310,521	293,012
Total non-operating expense (income), net	12,630	5,583	53,241	56,968	34,889	(392)	32,924
Earnings before income taxes	28,587	55,670	441,055	462,382	341,474	310,913	260,088
Income taxes	8,857	18,200	134,289	129,379	111,419	98,838	64,111
Net earnings	$ 19,730	$ 37,470	$ 306,766	$ 333,003	$ 230,055	$ 212,075	$ 195,977
Balance Sheet Data (end of period):							
Property, plant and equipment,	$ 217,919	$ 201,682	$ 211,707	$ 187,960	$ 181,726	$ 164,045	$ 206,934

net							
Total assets	2,927,822	3,126,479	3,168,797	3,237,063	3,096,905	3,301,143	3,240,660
Total long-term debt	709,723	845,034	709,723	845,071	494,917	528,389	626,822
Total shareholders equity	1,380,855	1,266,711	1,390,786	1,385,092	1,537,890	1,723,476	1,639,724

RISK FACTORS

You should carefully consider the following risk factors as well as the information included or incorporated by reference into this prospectus supplement and the accompanying prospectus before making an investment decision. The following is not intended as, and should not be construed as, an exhaustive list of relevant risk factors. There may be other risks that a prospective investor should consider that are relevant to its own particular circumstances or generally.

Risks Related to Our Business

The volatility of consumer preferences, combined with the high level of competition and low barriers to entry in the family entertainment industry, make it difficult to maintain the success of existing products and product lines or introduce successful new products. In addition, an inability to develop and introduce planned new products and product lines in a timely and cost-effective manner may damage our business.

The family entertainment business is a fashion industry. Our success is critically dependent upon the consumer appeal of our products, principally games and toys. Our failure to successfully anticipate, identify and react to children s interests and the current preferences in family entertainment could significantly lower sales of our products and harm our sales and profitability.

A decline in the popularity of our existing products and product lines, or the failure of our new products and product lines to achieve and sustain market acceptance with retailers and consumers, could significantly lower our revenues and operating margins, which would in turn harm our profitability, business and financial condition. In our industry, it is important to identify and offer what are considered to be the hot toys and games on children s wish lists . Our continued success will depend on our ability to develop, market and sell popular toys and games and license our brands for products which are sought after by both children and their parents. We seek to achieve and maintain market popularity for our products through the redesign and extension of our existing family entertainment properties in ways we believe will capture evolving consumer interest and imagination and remain relevant in today s world, and by developing, introducing and gaining customer interest for new family entertainment products. This process involves anticipating and extending successful play patterns and identifying entertainment concepts and properties that appeal to children s imaginations. However, consumer preferences with respect to family entertainment are continuously changing and are difficult to anticipate. Evolving consumer tastes, coupled with an ever changing pipeline of entertainment properties and products which compete for consumer interest and acceptance, creates an environment in which products can be extremely popular during a certain period in time but then rapidly be replaced in consumers minds with other properties. As a result, individual family entertainment products and properties often have short consumer life cycles.

Not only must we address rapidly changing consumer tastes and interests but we face competitors who are also constantly monitoring consumer tastes, seeking ideas which will appeal to consumers and introducing new products that compete with our products for consumer purchasing. In addition to existing competitors, the barriers to entry for new participants in the family entertainment industry are low. New participants with a popular product idea or entertainment property can gain access to consumers and become a significant source of competition for our products. In some cases our competitors products may achieve greater market acceptance than our products and potentially reduce demand for our products.

The challenge of developing and offering products that are sought after by children is compounded by the trend of children getting older younger . By this we mean that children are losing interest in traditional toys and games at younger ages and, as a result, at younger and younger ages, our products compete with the offerings of video game suppliers, consumer electronics companies and other businesses outside of the traditional toy and game industry.

There is no guarantee that:

Any of our current products or product lines will continue to be popular;

Any property for which we have a significant license will achieve or sustain popularity;

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Any new products or product lines we introduce will be considered interesting to consumers and achieve an adequate market acceptance;

Any new product s life cycle will be sufficient to permit us to profitably recover development, manufacturing, marketing, royalties (including royalty advances and guarantees) and other costs of producing, marketing and selling the product; or

We will be able to manufacture, source and ship new or continuing products in a timely and cost-effective basis to meet constantly changing consumer demands, a risk that is heightened by our customers compressed shipping schedules and the seasonality of our business.

In developing new products and product lines, we have anticipated dates for the associated product introductions. When we state that we will introduce, or anticipate introducing, a particular product or product line at a certain time in the future those expectations are based on completing the associated development and implementation work in accordance with our currently anticipated development schedule. Unforeseen delays or difficulties in the development process, or significant increases in the planned cost of development, may cause the introduction date for products to be later than anticipated or, in some situations, may cause a product introduction to be discontinued.

Similarly, the success of our products is often dependent on the timelines and effectiveness of related advertising and media efforts. Television programming, movie and DVD releases, comic book releases, and other media efforts are often critical in generating interest in our products. Not only our efforts, but the efforts of third parties, heavily impact the launch dates and success of these media efforts. When we say that products or brands will be supported by certain media releases, those statements are based on our current plans and expectations. Unforeseen factors may delay these media releases or even lead to their cancellation. Any delay or cancellation of planned product development work, introductions, or media support may decrease the number of products we sell and harm our business.

Economic downturns which negatively impact the retail and credit markets, or which otherwise damage the financial health of our retail customers and consumers, can harm our business and financial performance.

The success of our family entertainment products and our financial performance is dependent on consumer purchases of our products. Consumers may not purchase our products because the products do not capture consumer interest and imagination, or because competitor family entertainment offerings are deemed more attractive. But consumer spending on our products can also be harmed by factors that negatively impact consumers budgets generally, and which are not due to our product offerings.

Recessions and other economic downturns, or disruptions in credit markets, in the markets in which we operate can result in lower levels of economic activity, lower employment levels, less consumer disposable income, and lower consumer confidence. Any of these factors can reduce the amount which consumers spend on the purchase of our products. This in turn can reduce our revenues and harm our financial performance.

In addition to experiencing potentially lower revenues from our products during times of economic difficulty, in an effort to maintain sales during such times we may need to reduce the price of our products, increase our promotional spending, or take other steps to encourage retailer and consumer purchase of our products. Those steps may lower our net revenues, decrease our operating margins, increase our costs and/or lower our profitability.

Other economic and public health conditions in the markets in which we operate, including rising commodity and fuel prices, higher labor costs, increased transportation costs, outbreaks of SARS or other diseases, or third party conduct could negatively impact our ability to produce and ship our products, and lower our revenues, margins and

profitability.

Various economic and public health conditions can impact our ability to manufacture and deliver products in a timely and cost-effective manner, or can otherwise have a significant negative impact on our business.

Significant increases in the costs of other products which are require