HASBRO INC
Form 10-Q
November 04, 2015
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

(Mark One)

R QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 27, 2015
¨ 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 R 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 R 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 R	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 R

The number of shares of Common Stock, par value $.50 per share, outstanding as of October 19, 2015 was 124,623,554.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	September 27, 2015	September 28, 2014	December 28, 2014
ASSETS			
Current assets			
Cash and cash equivalents	$551,292	452,184	893,167
Accounts receivable, less allowance for doubtful accounts of $16,200, $21,100 and $15,900	1,390,274	1,314,022	1,094,673
Inventories	447,090	499,150	339,572
Prepaid expenses and other current assets	389,460	380,833	391,688
Total current assets	2,778,116	2,646,189	2,719,100
Property, plant and equipment, less accumulated depreciation of $358,100, $513,700 and $508,600	219,656	228,019	237,489
Other assets			
Goodwill	592,781	593,719	593,438
Other intangibles, net, accumulated amortization of $832,900, $782,900 and $797,500	289,200	337,894	324,528
Other	700,493	702,981	657,587
Total other assets	1,582,474	1,634,594	1,575,553
Total assets	$4,580,246	4,508,802	4,532,142

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

LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND SHAREHOLDERS' EQUITY	September 27, 2015	September 28, 2014	December 28, 2014
Current liabilities			
Short-term borrowings	$113,970	78,023	252,481
Accounts payable	282,772	284,023	212,549
Accrued liabilities	653,754	651,982	609,904
Total current liabilities	1,050,496	1,014,028	1,074,934
Long-term debt	1,559,895	1,559,895	1,559,895
Other liabilities	385,845	392,366	388,919
Total liabilities	2,996,236	2,966,289	3,023,748
Redeemable noncontrolling interests	41,173	43,949	42,730
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	104,847	104,847	104,847
Additional paid-in capital	863,543	786,329	806,265
Retained earnings	3,733,995	3,513,546	3,630,072
Accumulated other comprehensive loss	(126,185)	(36,805)	(95,454)
Treasury stock, at cost; 84,987,076 shares at September 27, 2015; 83,535,298 shares at September 28, 2014; and 85,168,478 shares at December 28, 2014	(3,033,363)	(2,869,353)	(2,980,066)
Total shareholders' equity	1,542,837	1,498,564	1,465,664
Total liabilities, redeemable noncontrolling interests and shareholders' equity	$4,580,246	4,508,802	4,532,142

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		Nine Months Ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Net revenues	$1,470,997	1,469,899	2,982,155	2,978,614
Costs and expenses:				
Cost of sales	579,149	602,766	1,122,283	1,181,647
Royalties	113,950	94,352	230,108	214,466
Product development	64,793	58,220	174,299	157,184
Advertising	142,029	147,492	288,136	296,444
Amortization of intangibles	9,031	12,809	35,330	38,103
Program production cost amortization	11,496	24,374	29,812	35,742
Selling, distribution and administration	247,022	244,072	668,955	643,202
Total costs and expenses	1,167,470	1,184,085	2,548,923	2,566,788
Operating profit	303,527	285,814	433,232	411,826
Non-operating (income) expense:				
Interest expense	24,045	24,710	72,816	69,940
Interest income	(672)	(745)	(2,292)	(3,236)
Other (income) expense, net	(4,463)	17,795	(9,870)	10,556
Total non-operating expense, net	18,910	41,760	60,654	77,260
Earnings before income taxes	284,617	244,054	372,578	334,566
Income tax expense	78,242	63,899	100,100	90,077
Net earnings	206,375	180,155	272,478	244,489
Net loss attributable to noncontrolling interests	(1,224)	(302)	(3,597)	(1,530)
Net earnings attributable to Hasbro, Inc.	$207,599	180,457	276,075	246,019
Net earnings attributable to Hasbro, Inc. per common share:				
Basic	$1.66	1.42	2.21	1.90
Diluted	$1.64	1.40	2.18	1.88
Cash dividends declared per common share	$0.46	0.43	1.38	1.29

See accompanying condensed notes to consolidated financial statements.

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

	Quarter Ended		Nine Months Ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Net earnings	$206,375	180,155	272,478	244,489
Other comprehensive earnings (loss):				
Foreign currency translation adjustments	(39,086)	(35,682)	(85,755)	(31,640)
Net gains on cash flow hedging activities, net of tax	25,948	44,368	78,576	16,528
Unrealized holding (losses) gains on available-for-sale securities, net of tax	(1,231)	(143)	(290)	3,382
Changes in unrecognized pension and postretirement amounts, net of tax	5,194	-	5,194	-
Reclassifications to earnings, net of tax:				
Net (gains) losses on cash flow hedging activities	(12,698)	5,886	(30,117)	7,410
Amortization of unrecognized pension and postretirement amounts	(836)	550	1,661	1,650
Total other comprehensive earnings (loss), net of tax	(22,709)	14,979	(30,731)	(2,670)
Comprehensive earnings	183,666	195,134	241,747	241,819
Comprehensive loss attributable to noncontrolling interests	(1,224)	(302)	(3,597)	(1,530)
Comprehensive earnings attributable to Hasbro, Inc.	$184,890	195,436	245,344	243,349

See accompanying condensed notes to consolidated financial statements.

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

	Nine Months Ended	
	September 27, 2015	September 28, 2014
Cash flows from operating activities:		
Net earnings	$272,478	244,489
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation of plant and equipment	86,393	82,536
Amortization of intangibles	35,330	38,103
Program production cost amortization	29,812	35,742
Deferred income taxes	(10,236)	(38,930)
Stock-based compensation	33,073	26,869
Change in operating assets and liabilities:		
Increase in accounts receivable	(382,573)	(274,182)
Increase in inventories	(156,221)	(172,496)
Decrease in prepaid expenses and other current assets	39,521	37,037
Program production costs	(28,222)	(26,393)
Increase in accounts payable and accrued liabilities	165,632	51,305
Other	(15,429)	22,746
Net cash provided by operating activities	69,558	26,826
Cash flows from investing activities:		
Additions to property, plant and equipment	(97,873)	(78,255)
Cash proceeds from dispositions	18,632	64,400
Other	20,447	4,009
Net cash utilized by investing activities	(58,794)	(9,846)
Cash flows from financing activities:		
Net proceeds from borrowings with maturity greater than three months	-	559,986
Repayments of borrowings with maturity greater than three months	-	(425,000)
Net (repayments of) proceeds from other short-term borrowings	(138,101)	71,172
Purchases of common stock	(74,110)	(338,184)
Stock option transactions	33,929	43,447
Excess tax benefits from stock-based compensation	9,804	8,507
Dividends paid	(168,393)	(162,789)
Other	928	-
Net cash utilized by financing activities	(335,943)	(242,861)
Effect of exchange rate changes on cash	(16,696)	(4,384)
Decrease in cash and cash equivalents	(341,875)	(230,265)
Cash and cash equivalents at beginning of year	893,167	682,449
Cash and cash equivalents at end of period	$551,292	452,184
Supplemental information		
Cash paid during the period for:		
Interest	$78,056	80,384
Income taxes	$80,833	65,286

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 September 27, 2015 and September 28, 2014, 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 September 27, 2015 and September 28, 2014 are each 13-week periods. The nine-month periods ended September 27, 2015 and September 28, 2014 are each 39-week periods.

The results of operations for the quarter and nine-month periods ended September 27, 2015 are not necessarily indicative of results to be expected for the full year, nor were those of the comparable 2014 periods representative of those actually experienced for the full year 2014.

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 28, 2014 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 28, 2014.

(2) Earnings Per Share

Net earnings per share data for the quarter and nine-month periods ended September 27, 2015 and September 28, 2014 were computed as follows:

	2015		2014	
Quarter	Basic	Diluted	Basic	Diluted
Net earnings attributable to Hasbro, Inc.	$207,599	207,599	180,457	180,457
Average shares outstanding	125,100	125,100	127,293	127,293
Effect of dilutive securities:				
Options and other share-based awards	-	1,817	-	1,410
Equivalent Shares	125,100	126,917	127,293	128,703
Net earnings attributable to Hasbro, Inc. per common share	$1.66	1.64	1.42	1.40

	2015		2014	

Nine Months	Basic	Diluted	Basic	Diluted
Net earnings attributable to Hasbro, Inc.	$276,075	276,075	246,019	246,019
Average shares outstanding	125,016	125,016	129,302	129,302
Effect of dilutive securities:				
Options and other share-based awards	-	1,673	-	1,487
Equivalent Shares	125,016	126,689	129,302	130,789
Net earnings attributable to Hasbro, Inc. per common share	$2.21	2.18	1.90	1.88

For the quarter ended September 27, 2015, no options or restricted stock units were excluded from the calculation of diluted earnings per share as none were antidilutive. For the quarter ended September 28, 2014, options and restricted stock units totaling 675 were excluded from the calculation of diluted earnings per share because to include them would have been antidilutive. For the nine-month periods ended September 27, 2015 and September 28, 2014, options and restricted stock units totaling 261 and 675, 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 nine-month periods ended September 27, 2015 and September 28, 2014.

	Quarter Ended		Nine Months Ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Other comprehensive earnings (loss), tax effect:				
Tax benefit (expense) on cash flow hedging activities	$(7,400)	(2,924)	(11,362)	11,987
Tax benefit (expense) on unrealized holding (losses) gains	700	80	164	(1,919)
Tax expense on changes in unrecognized pension and postretirement amounts	(660)	-	(660)	-
Reclassifications to earnings, tax effect:				
Tax expense (benefit) on cash flow hedging activities	1,487	(2,129)	2,537	(2,471)
Tax expense (benefit) on amortization of unrecognized pension and postretirement amounts	338	(312)	(942)	(936)
Total tax effect on other comprehensive earnings (loss)	$(5,535)	(5,285)	(10,263)	6,661

Changes in the components of accumulated other comprehensive loss for the nine months ended September 27, 2015 and September 28, 2014 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 Loss
2015					

Balance at Dec. 28, 2014	$ (113,092)	43,689	1,900	(27,951)	(95,454)
Current period other comprehensive earnings (loss)	6,855	48,459	(290)	(85,755)	(30,731)
Balance at September 27, 2015	$ (106,237)	92,148	1,610	(113,706)	(126,185)
2014					
Balance at Dec. 29, 2013	$ (64,841)	(7,313)	-	38,019	(34,135)
Current period other comprehensive earnings (loss)	1,650	23,938	3,382	(31,640)	(2,670)
Balance at September 28, 2014	$ (63,191)	16,625	3,382	6,379	(36,805)

At September 27, 2015, the Company had remaining net deferred gains on foreign currency forward contracts, net of tax, of $111,798 in accumulated other comprehensive loss ("AOCE"). These instruments hedge payments related to inventory purchased in the third quarter of 2015 or forecasted to be purchased during the remainder of 2015 and, to a lesser extent, 2016 through 2020, intercompany expenses expected to be paid or received during 2015 and 2016, cash receipts for sales made at the end of the third quarter of 2015 or forecasted to be made in the remainder of 2015 and, to a lesser extent, 2016 through 2017. 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, 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 September 27, 2015, deferred losses, net of tax, of $19,650 related to these instruments remained in AOCE. For the quarter and nine months ended September 27, 2015, losses of $450 and $1,349, respectively, were reclassified from AOCE to net earnings. For the quarter and nine months ended September 28, 2014, losses of $450 and $707, respectively, were reclassified from AOCE to net earnings.

Of the amount included in AOCE at September 27, 2015, the Company expects approximately $64,807 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 September 27, 2015, September 28, 2014 and December 28, 2014, the carrying cost of these instruments approximated their fair value. The Company's financial instruments at September 27, 2015, September 28, 2014 and December 28, 2014 also include certain assets and liabilities measured at fair value (see Notes 6 and 8) as well as long-term borrowings. The carrying costs of the long-term borrowings are equal to the outstanding principal amounts, and fair values of the Company's long-term borrowings as of September 27, 2015, September 28, 2014 and December 28, 2014 are as follows:

	September 27, 2015		September 28, 2014		December 28, 2014	
	Carrying Cost	Fair Value	Carrying Cost	Fair Value	Carrying Cost	Fair Value
6.35% Notes Due 2040	$ 500,000	563,400	500,000	602,050	500,000	617,700
6.30% Notes Due 2017	350,000	379,925	350,000	392,595	350,000	387,660
5.10% Notes Due 2044	300,000	291,900	300,000	310,500	300,000	316,980
3.15% Notes Due 2021	300,000	303,990	300,000	302,130	300,000	302,700
6.60% Debentures Due 2028	109,895	123,225	109,895	125,764	109,895	128,698
Total long-term debt	$ 1,559,895	1,662,440	1,559,895	1,733,039	1,559,895	1,753,738

In May 2014, the Company issued $600,000 in long-term debt consisting of $300,000 of 3.15% Notes Due in 2021 and $300,000 of 5.10% Notes Due in 2044 (collectively, the "Notes"). The Company may redeem the Notes at its option at the greater of the principal amount of the Notes or the present value of the remaining scheduled payments discounted using the effective interest rate on applicable U.S. Treasury bills at the time of repurchase.

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.

(5) Income Taxes

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.

(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 September 27, 2015, September 28, 2014 and December 28, 2014, these investments totaled $22,834, $24,292 and $23,560, respectively, and are included in prepaid expenses and other current assets in the consolidated balance sheets. The Company recorded net losses of $176 and $246 on these investments in other (income) expense, net for the quarter and nine-months ended September 27, 2015, respectively, related to the change in fair value of such instruments. For the quarter and nine-month periods ended September 28, 2014 the Company recorded net gains and interest income of $247 and $2,487, respectively, in other (income) expense, net, related to the change in fair value of such instruments.
At September 27, 2015, September 28, 2014 and December 28, 2014, the Company had the following assets and liabilities measured at fair value in its consolidated balance sheets:

		Fair Value Measurements Using:		
	Fair Value	Quoted Prices in	Significant Other Observable	Significant Unobservable Inputs

		Active Markets for Identical Assets (Level 1)	Inputs (Level 2)	(Level 3)
September 27, 2015				
Assets:				
Available-for-sale securities	$26,863	4,029	11,664	11,170
Derivatives	119,123	-	119,123	-
Total assets	$145,986	4,029	130,787	11,170
Liabilities:				
Derivatives	$605	-	605	-
Option agreement	24,780	-	-	24,780
Total liabilities	$25,385	-	605	24,780
September 28, 2014				
Assets:				
Available-for-sale securities	$31,097	6,805	18,632	5,660
Derivatives	41,475	-	41,475	-
Total assets	$72,572	6,805	60,107	5,660
Liabilities:				
Derivatives	$3,426	-	3,426	-
Option agreement	25,590	-	-	25,590
Total Liabilities	$29,016	-	3,426	25,590
December 28, 2014				
Assets:				
Available-for-sale securities	$28,042	4,482	17,773	5,787
Derivatives	69,148	-	69,148	-
Total assets	$97,190	4,482	86,921	5,787
Liabilities:				
Derivatives	$2,591	-	2,591	-
Option agreement	25,340	-	-	25,340
Total Liabilities	$27,931	-	2,591	25,340

Available-for-sale securities include equity securities of one company quoted on an active public market as well as certain investments valued at net asset values quoted on private markets that are not active. These net asset values are predominantly based on underlying investments which are traded on an active market; investments are redeemable within 45 days. The Company also holds an available-for-sale investment which invests in hedge funds and contains financial instruments that are valued using certain estimates which are considered unobservable in that they reflect the investment manager's own assumptions about the inputs that market participants would use in pricing the asset or liability. The Company believes that these estimates are the best information available for use in the fair value of this investment.

The Company's derivatives consist primarily of foreign currency forward contracts. The Company uses current forward rates of the respective foreign currencies to measure the fair value of these contracts. The option agreement

included in other liabilities at September 27, 2015, September 28, 2014 and December 28, 2014, 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 first nine months of 2015.
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):

	2015	2014
Balance at beginning of year	$(19,553)	5,484
Purchases	5,000	-
Issuance of option agreement	-	(25,590)
Gain from change in fair value	943	176
Balance at end of third quarter	$(13,610)	(19,930)

(7) Pension and Postretirement Benefits

The components of the net periodic cost of the Company's defined benefit pension and other postretirement plans for the quarter and nine-month periods ended September 27, 2015 and September 28, 2014 are as follows:

	Quarter Ended			
	Pension		Postretirement	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Service cost	$1,006	921	150	137
Interest cost	4,603	4,953	285	332
Expected return on assets	(5,476)	(5,469)	-	-
Net amortization and deferrals	2,202	1,210	(114)	(114)
Curtailment	643	-	(3,842)	-
Net periodic benefit cost	$2,978	1,615	(3,521)	355

	Nine Months Ended			
	Pension		Postretirement	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Service cost	$3,038	2,861	450	412
Interest cost	13,827	15,064	855	997
Expected return on assets	(16,452)	(16,587)	-	-
Net amortization and deferrals	6,610	3,713	(341)	(341)
Curtailment	781	-	(3,842)	-
Net periodic benefit cost	$7,804	5,051	(2,878)	1,068

During the first nine months of fiscal 2015, the Company made cash contributions to its defined benefit pension plans of approximately $10,760 in the aggregate. The Company expects to contribute approximately $3,240 during the remainder of fiscal 2015.

(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 2015 through 2020.

At September 27, 2015, September 28, 2014 and December 28, 2014, the notional amounts and fair values of the Company's foreign currency forward contracts designated as cash flow hedging instruments were as follows:

	September 27, 2015		September 28, 2014		December 28, 2014	
Hedged transaction	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value
Inventory purchases	$1,122,827	124,422	716,028	45,501	863,232	69,049
Sales	213,841	(3,352)	195,364	(6,484)	139,946	829
Other	57,360	(2,512)	29,242	(1,992)	51,213	(1,008)
Total	$1,394,028	118,558	940,634	37,025	1,054,391	68,870

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 September 27, 2015, September 28, 2014 and December 28, 2014 as follows:

	September 27, 2015	September 28, 2014	December 28, 2014
Prepaid expenses and other current assets			
Unrealized gains	$ 81,718	24,242	46,594
Unrealized losses	(9,717)	(6,356)	(11,508)
Net unrealized gain	$ 72,001	17,886	35,086
Other assets			
Unrealized gains	$ 48,111	23,127	34,234
Unrealized losses	(989)	(964)	(172)
Net unrealized gains	$ 47,122	22,163	34,062
Accrued liabilities			
Unrealized gains	$ 62	2,519	447
Unrealized losses	(566)	(5,539)	(725)
Net unrealized loss	$ (504)	(3,020)	(278)

Other liabilities			
Unrealized gains	$ -	22	-
Unrealized losses	(61)	(26)	-
Net unrealized loss	$ (61)	(4)	-

Net gains (losses) on cash flow hedging activities have been reclassified from other comprehensive earnings (loss) to net earnings for the quarter and nine-month periods ended September 27, 2015 and September 28, 2014 as follows:

	Quarter Ended		Nine Months Ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Statements of Operations Classification				
Cost of sales	$ 19,244	(3,165)	41,990	(3,363)
Sales	(4,507)	(3,477)	(8,506)	(4,340)
Other	(377)	(923)	(322)	(1,533)
Net realized gains (losses)	$ 14,360	(7,565)	33,162	(9,236)

In addition, gains of $275 and $842, respectively, were reclassified to earnings as a result of hedge ineffectiveness for the quarter and nine-month periods ended September 27, 2015, and net gains of $62 were reclassified to earnings as a result of hedge ineffectiveness for the nine-month periods ended September 28, 2014.

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 September 27, 2015, September 28, 2014 and December 28, 2014 the total notional amounts of the Company's undesignated derivative instruments were $263,247, $413,065 and $294,571, respectively.

At September 27, 2015, September 28, 2014 and December 28, 2014, the fair values of the Company's undesignated derivative financial instruments were recorded in the consolidated balance sheets as follows:

	September 27, 2015	September 28, 2014	December 28, 2014
Prepaid expenses and other current assets			
Unrealized gains	$ 93	4,876	-
Unrealized losses	-	(3,450)	-
Net unrealized gain	93	1,426	-
Accrued liabilities			
Unrealized gains	360	-	1,733
Unrealized losses	(493)	-	(4,046)
Net unrealized loss	(133)	-	(2,313)

Other liabilities			
Unrealized gains	-	303	-
Unrealized losses	-	(705)	-
Net unrealized loss	-	(402)	-
Total unrealized gain (loss), net	$ (40)	1,024	(2,313)

The Company recorded net gains of $21,070 and $40,024 on these instruments to other (income) expense, net for the quarter and nine-month periods ended September 27, 2015, respectively, and net losses of $20,050 and $19,988 on these instruments to other (income) expense, net for the quarter and nine-month periods ended September 28, 2014, 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) Sale of Manufacturing Operations

On August 30, 2015, the Company completed the sale of its manufacturing operations to Cartamundi Group ("Cartamundi") for approximately $54,400, approximately $18,600 of which was received on the date of sale with the remainder to be paid in 5 annual installments. Under the terms of the purchase and sale agreement, Cartamundi acquired the inventory and property, plant and equipment related to manufacturing operations in East Longmeadow, MA and the common stock of the Company's manufacturing subsidiary in Waterford, Ireland. Inclusive of this transaction and other related costs, the Company recognized a gain of $6,832 on the sale recorded in other (income) expense, net in the consolidated statements of operations. These operations were a component of the Company's Global Operations segment.

In connection with this transaction, the Company also entered into a manufacturing services agreement under which Cartamundi will provide manufacturing services over a 5-year term. In connection with this agreement, the Company has agreed to minimum purchase commitments from Cartamundi over the term of the agreement. The Company and Cartamundi are also party to a warehousing agreement under which the Company leases designated warehouse space at the East Longmeadow, MA location, as well as a transition services agreement related to certain administrative functions each party is providing each other during a defined transition period. In connection with this transaction, the Company froze the benefits of one of its funded defined benefit pension plans covering union employees. In connection with these actions, the Company recognized a net curtailment benefit of $3,061 related to net prior service credits in the related defined benefit pension and post-retirement plans. This benefit is recorded in selling, distribution and administration expenses in the consolidated statements of operations. The Company has retained the frozen defined benefit pension plans related to its' former employees of its East Longmeadow, MA and Waterford, Ireland businesses.

(10) 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 lifestyle licensing, digital gaming, movie and television entertainment operations. The Global Operations segment is responsible for manufacturing and sourcing finished products for the Company's U.S. and Canada and International segments. In fiscal September 2015, the company sold its remaining manufacturing operations and henceforth the Global Operations segment will only be responsible for sourcing product from third parties.

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 nine months are not necessarily representative of those which may be expected for the full year 2015, nor were those of the comparable 2014 period representative of those actually experienced for the full year 2014. 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 nine-month periods ended September 27, 2015 and September 28, 2014 are as follows.

	Quarter Ended			
	September 27, 2015		September 28, 2014	
Net revenues	External	Affiliate	External	Affiliate
U.S. and Canada	$803,824	1,352	764,268	2,388
International	612,645	8	649,284	78
Entertainment and Licensing	52,139	7,604	53,378	7,362
Global Operations (a)	2,389	595,476	2,969	593,435
Corporate and Eliminations	-	(604,440)	-	(603,263)
	$1,470,997	-	1,469,899	-

	Nine Months Ended			
	September 27, 2015		September 28, 2014	
Net revenues	External	Affiliate	External	Affiliate
U.S. and Canada	$1,534,697	4,120	1,484,968	5,065
International	1,281,118	8	1,351,608	170
Entertainment and Licensing	160,410	15,038	135,915	14,100
Global Operations (a)	5,930	1,183,183	6,123	1,200,303
Corporate and Eliminations	-	(1,202,349)	-	(1,219,638)
	$2,982,155	-	2,978,614	-

	Quarter Ended		Nine Months Ended	
Operating profit (loss)	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
U.S. and Canada	$187,052	169,850	275,622	252,541
International	114,206	116,451	141,470	148,097
Entertainment and Licensing	16,245	493	40,090	21,120
Global Operations (a)	13,805	15,704	12,042	15,770

Corporate and Eliminations (b)	(27,781)	(16,684)	(35,992)	(25,702)
	$303,527	285,814	433,232	411,826

Total assets	September 27, 2015	September 28, 2014	December 28, 2014
U.S. and Canada	$3,569,803	3,380,207	3,663,497
International	2,486,589	2,394,325	2,422,046
Entertainment and Licensing	727,002	754,575	783,878
Global Operations	2,431,866	2,293,319	2,433,888
Corporate and Eliminations (b)	(4,635,014)	(4,313,624)	(4,771,167)
	$4,580,246	4,508,802	4,532,142

(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 nine-month periods ended September 27, 2015 and September 28, 2014.

	Quarter Ended		Nine Months Ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Europe	$389,024	403,602	770,555	827,412
Latin America	141,901	163,163	297,877	313,466
Asia Pacific	81,720	82,519	212,686	210,730
Net revenues	$612,645	649,284	1,281,118	1,351,608

The following table presents consolidated net revenues by class of principal products for the quarter and nine-month periods ended September 27, 2015 and September 28, 2014.

	Quarter Ended		Nine Months Ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Boys	$593,094	478,509	1,206,118	1,062,082
Games	363,470	395,221	810,748	841,449
Girls	294,785	407,718	539,401	710,235
Preschool	219,648	188,451	425,888	364,848
Net revenues	$1,470,997	1,469,899	2,982,155	2,978,614

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 28, 2014, 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 thousands 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 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, and a broad range of licensed products. Utilizing consumer engagement and insights coupled with immersive storytelling and product innovation, Hasbro generates revenue and earns cash by developing, marketing and selling 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'S DESCENDANTS, JURASSIC WORLD, MARVEL, SESAME STREET and STAR WARS. DISNEY'S DESCENDANTS 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 lifestyle licensing, digital licensing and gaming, and movie and television entertainment operations. In addition to these three primary segments, the Company's global development, marketing, and product sourcing operations are managed through its Global Operations segment.

Third quarter 2015 highlights:

- Third quarter 2015 net revenues of $1,470,997 were consistent with third quarter 2014 net revenues of $1,469,899. Absent unfavorable foreign currency translation of approximately $132,400, net revenues in the third quarter of 2015 grew 9% compared to the third quarter of 2014.
- 2015 third quarter net revenues from Franchise Brands decreased 4%; growth from MONOPOLY, NERF and PLAY-DOH was more than offset by declines from MAGIC: THE GATHERING, MY LITTLE PONY and TRANSFORMERS. Excluding unfavorable foreign currency translation, Franchise Brands grew 4% for the quarter.
- Growth from the Boys and Preschool categories in the third quarter of 2015 was wholly offset by declines in the Games and Girls categories. Absent unfavorable foreign currency translation, growth in Boys and Preschool was

only partially offset by declines in the Girls category while the Games category was flat in 2015 compared to 2014.

- Third quarter 2015 net revenues from the U.S. and Canada segment were up 5% compared to the third quarter of 2014 while net revenues from the International and Entertainment and Licensing segments declined approximately 6% and 2%, respectively. Absent unfavorable foreign currency translation of approximately $126,200, 2015 International segment net revenues increased 14%.
- Operating profit improved 6% in the third quarter of 2015 compared to the third quarter of 2014 and was up 18% absent unfavorable foreign currency translation of approximately $33,200.
- The Company finalized the sale of its manufacturing operations to Cartamundi Group which resulted in a total pre-tax benefit of $9,893.

First nine months 2015 highlights:

- Net revenues for the first nine months of 2015 of $2,982,155 were consistent with net revenues of $2,978,614 in the first nine months of 2014. Absent unfavorable foreign currency translation of approximately $266,400, net revenues in the first nine months of 2015 grew 9% compared to the first nine months of 2014.
- First nine months 2015 net revenues from Franchise Brands decreased slightly compared to 2014; growth from MONOPOLY, NERF and PLAY-DOH was more than offset by expected declines from TRANSFORMERS following last year's motion picture release and MY LITTLE PONY. Excluding unfavorable foreign currency translation, Franchise Brands increased 8% during the first nine months of 2015.
- Growth in the Boys and Preschool categories was offset by declines in the Girls and Games categories. Absent unfavorable foreign currency translation, growth in the Boys, Games and Preschool categories was only partially offset by declines in the girls category.
- Year-to-date 2015 net revenues from the U.S. and Canada and Entertainment and Licensing segments were up 3% and 18%, respectively whereas net revenues from the International segment were down 5%, compared to the first nine months of 2014. Absent unfavorable foreign currency translation of approximately $257,300, year-to-date 2015 International segment net revenues grew 14%.
- Operating profit grew 5% in the first nine months of 2015 compared to the first nine months of 2014 and was up 20% absent unfavorable foreign currency translation of approximately $62,100.

In line with our commitment to return excess cash to shareholders, Hasbro increased the quarterly dividend rate from $0.43 per share to $0.46 per share which was effective for the dividend paid in May 2015. During the first nine months of 2015, Hasbro repurchased approximately 1,085 shares at a total cost of $72,823 and an average price of $67.07 per share, respectively.

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 nine-month periods ended September 27, 2015 and September 28, 2014.

	Quarter Ended		Nine Months Ended	
	Sept. 27, 2015	Sept. 28, 2014	Sept. 27, 2015	Sept. 28, 2014
Net revenues	100.0%	100.0%	100.0%	100.0%
Costs and expenses:				
Cost of sales	39.4	41.0	37.6	39.7
Royalties	7.7	6.4	7.7	7.2
Product development	4.4	4.0	5.8	5.3
Advertising	9.7	10.0	9.7	10.0
Amortization of intangibles	0.6	0.9	1.2	1.3
Program production cost amortization	0.8	1.7	1.0	1.2
Selling, distribution and administration	16.8	16.6	22.4	21.6
Operating profit	20.6	19.4	14.5	13.8
Interest expense	1.6	1.7	2.4	2.3
Interest income	(0.0)	(0.0)	(0.1)	(0.1)
Other (income) expense, net	(0.3)	1.2	(0.3)	0.3
Earnings before income taxes	19.3	16.6	12.5	11.2
Income tax expense	5.3	4.3	3.4	3.0
Net earnings	14.0	12.3	9.1	8.2
Net loss attributable to noncontrolling interests	(0.1)	(0.0)	(0.1)	(0.1)
Net earnings attributable to Hasbro, Inc.	14.1%	12.3%	9.3%	8.3%

RESULTS OF OPERATIONS – CONSOLIDATED

Third Quarter of 2015
The quarters ended September 27, 2015 and September 28, 2014 were each 13-week periods. Net earnings and net earnings attributable to Hasbro, Inc. increased to $206,375 and $207,599, respectively, for the quarter ended September 27, 2015, from $180,155 and $180,457, respectively, for the comparable period of 2014. Diluted earnings per share attributable to Hasbro, Inc. increased to $1.64 in the third quarter of 2015 from $1.40 in the third quarter of 2014. Third quarter 2015 net earnings included a favorable adjustment, net of tax, of $7,050, or $0.06 per diluted share, related to the sale of the Company's manufacturing operations whereas third quarter 2014 net earnings included unfavorable adjustments, net of tax, of $7,379, or $0.06 per diluted share, related to the restructuring of the Company's equity interest in Discovery Family Channel.

Consolidated net revenues for the quarter ended September 27, 2015 were consistent with the quarter ended September 28, 2014 at $1,470,997 compared to $1,469,899 and were negatively impacted by foreign currency translation of approximately $132,400 as a result of the stronger U.S. dollar in 2015 compared to 2014. Absent the impact of foreign currency, consolidated net revenues increased 9% in the third quarter of 2015 compared to 2014. Higher net revenues from MONOPOLY, NERF and PLAY-DOH were more than offset by lower net revenues from TRANSFORMERS, which faced challenging comparisons to the third quarter of 2014 due to the June 2014 theatrical release of TRANSFORMERS: AGE OF EXTINCTION, and, to a lesser extent, lower net revenues from LITTLEST PET SHOP, MAGIC: THE GATHERING and MY LITTLE PONY. As a result, Franchise Brands decreased 4% during the third quarter of 2015 compared to 2014. Partner Brands increased in the third quarter of 2015 compared to

2014 primarily related to STAR WARS, as well as DISNEY'S DESCENDANTS, JURASSIC WORLD and MARVEL.
The follow table presents net revenues by product category for the quarters ended September 27, 2015 and September 28, 2014.

	Quarter Ended			
	Sept. 27, 2015	Sept. 28, 2014	% Change	
Boys	$593,094	478,509	24	%
Games	363,470	395,221	-8	%
Girls	294,785	407,718	-28	%
Preschool	219,648	188,451	17	%
Net revenues	$1,470,997	1,469,899		

BOYS: Net revenues in the boys' category increased 24% in 2015 compared to 2014 and benefited from a strong entertainment line-up. Higher net revenues from Partner Brands, specifically JURASSIC WORLD and STAR WARS, more than offset lower net revenues from the TRANSFORMERS brand, which benefited from the June 2014 theatrical release. Franchise Brand NERF also contributed to quarter-over-quarter category growth.

GAMES: Net revenues from the games category decreased 8% in the third quarter of 2015 compared to the third quarter of 2014. During the third quarter of 2015, the Company began shipping PLAYMATION MARVEL'S AVENGERS product line. Higher net revenues from Partner Brand MARVEL, specifically PLAYMATION, and Franchise Brand MONOPOLY were more than offset by lower net revenues from Franchise Brand MAGIC: THE GATHERING and other game brands.

GIRLS: Net revenues in the girls' category decreased 28% in 2015 compared to 2014 primarily due to expected declines from FURBY products. Lower net revenues from FURREAL FRIENDS, LITTLEST PET SHOP, MY LITTLE PONY and NERF brands also contributed to the decline. These lower net revenues were partially offset by increases from PLAY-DOH DOHVINCI products and the 2015 launch of the DISNEY'S DESCENDANTS product line.

PRESCHOOL: Net revenues in the preschool category increased 17% in 2015 compared to 2014. Higher net revenues from PLAY-DOH products as well as higher sales of entertainment-backed product lines, primarily PLAYSKOOL HEROES STAR WARS GALACTIC HEROES and JURASSIC WORLD, as well as the introduction of PLAYSKOOL FRIENDS MY LITTLE PONY were slightly offset by lower net revenues from core PLAYSKOOL products.

Operating profit for the quarter ended September 27, 2015 increased 6% to $303,527, or 20.6% of net revenues, from $285,814, or 19.4% of net revenues, for the quarter ended September 28, 2014. Third quarter 2015 operating profit includes unfavorable foreign currency translation of approximately $33,200. Furthermore, 2015 operating profit includes a benefit of approximately $3,100 related to the sale of the Company's manufacturing operations whereas 2014 operating profit includes a benefit of approximately $1,300 related to the restructuring of the Company's joint venture television network. Improved operating profit reflects higher net revenues as well as lower amortization of both intangibles and television programming, partially offset by higher selling, distribution and administration and product development expenses. Improved operating profit margin reflects better leverage of expenses on higher net revenues.

First Nine Months of 2015
The nine-month periods ended September 27, 2015 and September 28, 2014 were each 39-week periods. Net earnings and net earnings attributable to Hasbro, Inc. for the first nine months of 2015 were $272,478 and $276,075, respectively, compared to $244,489 and $246,019, respectively, for the first nine months of 2014. Diluted earnings per

share attributable to Hasbro, Inc. increased to $2.18 in 2015 from $1.88 in 2014. Net revenues in the first nine months of 2015 included a favorable adjustment, net of tax, of $7,050, or $0.06 per diluted share, related to the sale of the Company's manufacturing operations whereas net earnings in the first nine months of 2014 included unfavorable adjustments, net of tax, of $7,379, or $0.06 per diluted share, related to the restructuring of the Company's equity interest in Discovery Family Channel.

For the nine months ended September 27, 2015, consolidated net revenues were $2,982,155 compared to $2,978,614 for the nine months ended September 28, 2014. Absent negative foreign currency translation of approximately $266,400 as a result of the stronger U.S. dollar in 2015 compared to 2014, net revenues in the first nine months increased 9% compared to 2014. During the first nine months of 2015, Franchise Brand revenues decreased slightly compared to 2014.

The following table presents net revenues by product category for the first nine months of 2015 and 2014.

	Nine Months Ended			
	Sept. 27, 2015	Sept. 28, 2014	% Change	
Boys	$1,206,118	1,062,082	14	%
Games	810,748	841,449	-4	%
Girls	539,401	710,235	-24	%
Preschool	425,888	364,848	17	%
Net revenues	$2,982,155	2,978,614		

BOYS: Net revenues in boys' category increased 14% in the first nine months of 2015 compared to 2014 and benefitted from a strong entertainment line-up. Higher net revenues from Franchise Brand NERF continued to contribute to boys category growth. Lower net revenues from the TRANSFORMERS brand, which benefited last year from the June 2014 theatrical release, were more than offset by higher net revenues from Partner Brands, specifically JURASSIC WORLD, MARVEL and STAR WARS. The MARVEL and JURASSIC WORLD brands were each supported by second quarter 2015 theatrical releases, AVENGERS: AGE OF ULTRON in May 2015 and JURASSIC WORLD in June 2015. The STAR WARS brand is supported by animated television programming, STAR WARS REBELS, and benefited from initial shipments during the third quarter 2015 related to the highly anticipated theatrical release of STAR WARS: THE FORCE AWAKENS in December 2015.

GAMES: Net revenues from the games category were down 4% in the first nine months of 2015 compared to 2014. During the third quarter of 2015, the Company began shipping the PLAYMATION MARVEL's AVENGERS product line. Higher net revenues from Partner Brand MARVEL and Franchise Brand MONOPOLY were more than offset by lower net revenues from Franchise Brand MAGIC: THE GATHERING as well as other various games brands.

GIRLS: Net revenues in the girls' category decreased 24% in the nine months ended September 27, 2015 compared to the nine months ended September 27, 2014. Led by lower net revenues from the FURBY brand, lower net revenues from FURREAL FRIENDS, LITTLEST PET SHOP, MY LITTLE PONY and NERF REBELLE also contributed to the category's decline. These declines were slightly offset by higher net revenues from PLAY-DOH DOHVINCI as well as the introduction of the Company's all new DISNEY'S DESCENDANTS product line.

PRESCHOOL: Net revenues from the preschool category grew 17% in the first nine months of 2015 compared to 2014. Higher net revenues from PLAY-DOH and PLAYSKOOL HEROES STAR WARS GALACTIC HEROES as well as sales of product related to the June 2015 theatrical release of JURASSIC WORLD were slightly offset by lower net revenues from core PLAYSKOOL. During the third quarter of 2015, the Company also introduced a new MY LITTLE PONY product line to the preschool category, PLAYSKOOL FRIENDS MY LITTLE PONY.

Operating profit for the nine months ended September 27, 2015 increased 5% to $433,232, or 14.5% of net revenues, from $411,826, or 13.8% of net revenues, for the nine months ended September 28, 2014. 2015 operating profit includes negative foreign currency translation of approximately $62,100. Furthermore, 2015 operating profit includes a benefit of approximately $3,100 related to the sale of the Company's manufacturing operations whereas 2014 operating profit includes a benefit of approximately $1,300 related to the restructuring of the Company's investment in its joint venture television network. Higher net revenues combined with favorable product mix and lower amortization of both intangibles and television programming contributed to growth in operating profit. These improvements were partially offset by higher selling, distribution and administration and product development expenses.

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.

Third Quarter of 2015

The following table presents net external revenues and operating profit data for the Company's three principal segments for the quarters ended September 27, 2015 and September 28, 2014.

	Quarter Ended		
	Sept. 27, 2015	Sept. 28, 2014	% Change
Net Revenues			
U.S. and Canada segment	$803,824	764,268	5 %
International segment	612,645	649,284	-6 %
Entertainment and Licensing segment	52,139	53,378	-2 %
Operating Profit			
U.S. and Canada segment	$187,052	169,850	10 %
International segment	114,206	116,451	-2 %
Entertainment and Licensing segment	16,245	493	NM

NM – not meaningful

U.S. and Canada Segment

The U.S. and Canada segment net revenues for the quarter ended September 27, 2015 increased 5% compared to 2014. Absent unfavorable foreign currency translation of approximately $5,400, U.S. and Canada segment net revenues increased 6% compared to 2014. In the third quarter of 2015, higher net revenues from the boys and preschool categories were partially offset by lower net revenues from the games and girls categories.

The boys category benefited from higher net revenues from JURASSIC WORLD, NERF and STAR WARS products which were partially offset by lower net revenues from TRANSFORMERS products. Games category net revenues declined on lower net revenues from MAGIC: THE GATHERING products. This decline was partially offset by higher net revenues from MARVEL products, specifically PLAYMATION. The girls' category declined primarily due to lower net revenues from NERF REBELLE and FURREAL FRIENDS products and, to a lesser extent, FURBY and MY LITTLE PONY products. Partially offsetting the declines were higher net revenues from the introduction of DISNEY'S DESCENDANTS products. Net revenues from the preschool category benefited from the June 2015 theatrical release of JURASSIC WORLD, the 2015 introduction of PLAYSKOOL FRIENDS MY LITTLE PONY products, the highly anticipated release of the latest STAR WARS installment, STAR WARS: THE FORCE AWAKENS and continued strength of the Company's Franchise Brand, PLAY-DOH. These increases were only partially offset by lower net revenues from TRANSFORMERS and core PLAYSKOOL products.

U.S. and Canada segment operating profit for the quarter ended September 27, 2015 was $187,052, or 23.3% of net revenues, compared to $169,850, or 22.2% of segment net revenues, for the quarter ended September 28, 2014. Operating profit and operating profit margin was favorably impacted by higher net revenues, partially offset by higher expense levels.

International Segment

International segment net revenues decreased 6% to $612,645 for the quarter ended September 27, 2015 from $649,284 for the quarter September 28, 2014. International segment net revenues for the third quarter of 2015 included unfavorable foreign currency translation of approximately $126,700 as a result of the stronger U.S. dollar in 2015 compared to 2014. Absent the impact of foreign currency translation, International segment net revenues increased approximately 14% in the third quarter 2015 compared to the third quarter of 2014. The following table presents net revenues by geographic region for the Company's International segment for the quarters ended September 27, 2015 and September 28, 2014.

	Quarter Ended			
	Sept. 27, 2015	Sept. 28, 2014	% Change	
Europe	$389,024	403,602	-4	%
Latin America	141,901	163,163	-13	%
Asia Pacific	81,720	82,519	-1	%
Net revenues	$612,645	649,284		

Foreign currency translation negatively impacted the major geographic regions as follows: Europe - $74,400, Latin America - $44,200 and Asia Pacific - $8,100. Absent foreign currency translation, the underlying business grew across all major geographic regions, up 15% in Europe, 14% in Latin America and 9% in Asia Pacific. Net revenues in emerging markets decreased 15% in the third quarter of 2015 compared to 2014; however, excluding the impact of unfavorable foreign exchange, these net revenues increased approximately 12%.

In the third quarter of 2015, higher net revenues from the boys and preschool categories were more than offset by lower net revenues from the games and girls categories. In the boys' category higher net revenues from Partner Brands JURASSIC WORLD and STAR WARS as well as higher net revenues from Franchise Brand NERF were partially offset by lower net revenues from TRANSFORMERS and, to a lesser extent, MARVEL products. In the games category, higher net revenues from Franchise Brand MONOPOLY were more than offset by lower net revenues from other game brands. Lower girls category net revenues from FURBY products in the third quarter of 2015 compared to 2014 as well as lower net revenues from LITTLEST PET SHOP, MY LITTLE PONY and NERF REBELLE were only partially offset by higher net revenues from PLAY-DOH DOHVINCI products and the 2015 introduction of DISNEY'S DESCENDANTS products. In the preschool category higher net revenues from PLAY-DOH, JURASSIC WORLD, MY LITTLE PONY and STAR WARS products were partially offset by lower net revenues from core PLAYSKOOL and TONKA products.

International segment operating profit decreased 2% to $114,206, or 18.6% of net revenues, for the quarter ended September 27, 2015 from $116,451, or 17.9% of segment net revenues, for the quarter ended September 28, 2014. Improved operating profit margin primarily reflects lower operating expenses. For the third quarter of 2015, International segment operating profit included unfavorable foreign currency translation of approximately $18,800; absent this foreign currency translation, operating profit increased approximately 14%.

Entertainment and Licensing Segment

Entertainment and Licensing segment net revenues for the quarter ended September 27, 2015 were $52,139 compared to $53,378 for the quarter ended September 28, 2014. Lower net revenues from lifestyle licensing, which benefited from the second quarter release of TRANSFORMERS: AGE OF EXTINCTION in 2014, more than offset higher net revenues from digital gaming and entertainment.

Entertainment and Licensing segment operating profit increased to $16,245, or 31.2% of net revenues, for the quarter ended September 27, 2015 from $493, or 0.9% of segment net revenues, for the quarter ended September 28, 2014. Overall, Entertainment and Licensing segment operating profit and operating profit margin improved primarily on lower amortization of intangibles and program production cost amortization. Lower amortization of intangibles was due to digital gaming rights reacquired in 2005 and 2007 which became fully amortized in the second quarter of 2015 whereas lower program production cost amortization reflects a higher level of programming write downs occurring in the third quarter of 2014.

Global Operations

Global Operations segment operating profit decreased from $15,704 for the quarter ended September 28, 2014 to $13,805 for the quarter ended September 27, 2015.

Corporate and Eliminations

The operating loss in Corporate and eliminations totaled $27,781 for the third quarter of 2015 compared to $16,684 for the third quarter of 2014.

First Nine Months of 2015

The following table presents net external revenues and operating profit data for the Company's three principal segments for each of the nine months ended September 27, 2015 and September 28, 2014.

	Nine Months Ended			
	Sept. 27, 2015	Sept. 28, 2014	% Change	
Net Revenues				
U.S. and Canada segment	$1,534,697	1,484,968	3	%
International segment	1,281,118	1,351,608	-5	%
Entertainment and Licensing segment	160,410	135,915	18	%
Operating Profit				
U.S. and Canada segment	$275,622	252,541	9	%
International segment	141,470	148,097	-4	%
Entertainment and Licensing segment	40,090	21,120	90	%

U.S. and Canada Segment

The U.S. and Canada segment net revenues for the nine months ended September 27, 2015 increased 3% compared to 2014. Foreign currency translation negatively impacted segment net revenues for approximately $8,400; absent this currency translation, U.S. and Canada segment net revenues grew 4%. In the first nine months of 2015, higher net revenues from the boys and preschool categories were partially offset by lower net revenues from the games and girls categories.

The boys category grew in the first nine months of 2015 compared to 2014. Higher net revenues from JURASSIC WORLD, MARVEL, NERF and STAR WARS products were partially offset by lower net revenues from TRANSFORMERS products. Higher net revenues from the games category reflect the introduction of PLAYMATION MARVEL'S AVENGERS as well as higher net revenues from RUBIKS and TROUBLE, partially offset by lower net revenues from other games brands. In the girls' category, lower net revenues from FURBY, FURREAL FRIENDS, EASY BAKE, MY LITTLE PONY and NERF REBELLE products were partially offset by higher net revenues from LITTLEST PET SHOP, PLAY-DOH DOHVINCI and DISNEY'S DESCENDANTS products. Segment net revenues from the preschool category increased in the first nine months of 2015 compared to 2014, benefiting from continued strength of the Company's Franchise Brand, PLAY-DOH as well as JURASSIC

WORLD, the introduction of an all new STAR WARS product line ahead of the December 2015 movie release, STAR WARS: THE FORCE AWAKENS and, to a lesser extent, the introduction of PLAYSKOOL FRIENDS MY LITTLE PONY products. These higher net revenues were partially offset by lower net revenues from core PLAYSKOOL, SESAME STREET and TRANSFORMERS RESCUE BOT products.

U.S. and Canada segment operating profit for the nine months ended September 27, 2015 increased to $275,622, or 18.0% of net revenues, from $252,541, or 17.0% of segment net revenues, for the nine months ended September 28, 2014. Higher operating profit and operating profit margin reflects higher net revenues and favorable product mix partially offset by higher expenses, primarily advertising and selling, distribution and administration expenses.

International Segment

International segment net revenues decreased 5% to $1,281,118 for the nine months ended September 27, 2015 from $1,351,608 for the nine months ended September 28, 2014. 2015 International segment net revenues include unfavorable foreign currency translation of approximately $257,300. Absent the impact of foreign currency translation, International segment net revenues grew 14% for the first nine months of 2015. The following table presents net revenues by geographic region for the Company's International segment for the nine-month periods ended September 27, 2015 and September 28, 2014.

	Nine Months Ended			
	Sept. 27, 2015	Sept. 28, 2014	% Change	
Europe	$770,555	827,412	-7	%
Latin America	297,877	313,466	-5	%
Asia Pacific	212,686	210,730	1	%
Net revenues	$1,281,118	1,351,608		

Foreign currency translation negatively impacted the major geographic regions as follows: Europe - $167,900, Latin America - $73,100 and Asia Pacific - $16,300. Absent foreign currency translation, the underlying business grew across all major geographic regions, up 13% in Europe, 18% in Latin America and 9% in Asia Pacific. Net revenues in emerging markets, decreased 9% in the first nine months of 2015 compared to 2014; however, excluding the impact of unfavorable foreign exchange, these net revenues increased 14%.

In the first nine months of 2015, higher net revenues from the boys and preschool categories were more than offset by lower net revenues from the games and girls categories. In the boys' category, higher net revenues from Partner Brands JURASSIC WORLD, MARVEL and STAR WARS as well as higher net revenues from Franchise Brand NERF were partially offset by lower net revenues from TRANSFORMERS products. In the games category, higher net revenues from Franchise Brand MONOPOLY were more than offset by lower net revenues from other game brands, primarily JENGA, MAGIC: THE GATHERING and ANGRY BIRDS STAR WARS. Net revenues from the girls' category declined from 2014 to 2015, primarily reflecting lower net revenues from FURBY products as well as lower net revenues from MY LITTLE PONY, LITTLEST PET SHOP and NERF which were partially offset by higher net revenues from PLAY-DOH DOHVINCI and DISNEY'S DESCENDANTS products. In the preschool category, higher net revenues from PLAY-DOH, MY LITTLE PONY and JURASSIC WORLD products in the first nine months of 2015 compared to 2014 were only partially offset by lower net revenues from core PLAYSKOOL products.

International segment operating profit decreased 4% to $141,470, or 11.0% of net revenues, for the nine months ended September 27, 2015 from $148,097, or 11.0% of segment net revenues, for the nine months ended September 28, 2014. In the first nine months of 2015, International segment operating profit included unfavorable foreign currency translation of approximately $26,500; absent this foreign currency translation, International segment operating profit increased 13% reflecting those higher net revenues, excluding foreign exchange translation, discussed above.

Entertainment and Licensing Segment

Entertainment and Licensing segment net revenues for the nine months ended September 27, 2015 increased 18% to $160,410 from $135,915 for the nine months ended September 28, 2014. Higher entertainment revenues related to a multi-year digital distribution agreement for Hasbro Studios programming along with higher lifestyle licensing revenues were the primary drivers of the segment's increased net revenues.

Entertainment and Licensing segment operating profit increased to $40,090, or 25.0% of net revenues, for the nine months ended September 27, 2015 from $21,120, or 15.5% of segment net revenues, for the nine months ended September 28, 2014. Improved Entertainment and Licensing segment operating profit in the first nine months of 2015 reflects favorable revenue mix and the impact of lower amortization of intangibles and program product cost amortization.

Global Operations

Global Operations segment operating profit of $12,042 for the first nine months of 2015 compared to operating profit of $15,770 for the first nine months of 2014.

Corporate and Eliminations

Operating loss in Corporate and Eliminations for the first nine months of 2015 was $35,992 compared to an operating loss of $25,702 for the first nine months of 2014.

OPERATING COSTS AND EXPENSES

Third Quarter of 2015

The Company's costs and expenses, stated as percentages of net revenues, are illustrated below for the quarters ended September 27, 2015 and September 28, 2014.

	Quarter Ended	
	Sept. 27, 2015	Sept. 28, 2014
Cost of sales	39.4%	41.0 %
Royalties	7.7	6.4
Product development	4.4	4.0
Advertising	9.7	10.0
Amortization of intangibles	0.6	0.9
Program production cost amortization	0.8	1.7
Selling, distribution and administration	16.8	16.6

Cost of sales decreased 4% from $602,766, or 41.0% of net revenues, for the quarter ended September 28, 2014 to $579,149, or 39.4% of net revenues for the quarter ended September 27, 2015. The reduction in costs of sales primarily reflects favorable product mix. Foreign exchange hedges related to product purchases and pricing increases helped to offset the impact of foreign currency fluctuations. This more favorable product mix reflects higher net revenues from royalty-bearing products, specifically those related to the JURASSIC WORLD, MARVEL and STAR WARS brands, which generally carry higher pricing and, therefore, have a lower cost of sales as a percentage of net revenues.

Royalty expense for the quarter ended September 27, 2015 was $113,950, or 7.7% of net revenues, compared to $94,352, or 6.4% of net revenues, for the quarter ended September 28, 2014. 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. Higher royalty expense in the third quarter of 2015 compared to 2014 reflects higher net sales of MARVEL, JURASSIC WORLD and STAR WARS products partially offset by lower net sales of royalty-bearing

TRANSFORMERS products in 2015 compared to 2014.

Product development expense for the quarter ended September 27, 2015 was $64,793, or 4.4% of net revenues, compared to $58,220, or 4.0% of net revenues, for the quarter ended September 28, 2014. Higher product development expense, in dollars and as a percentage of net revenues, primarily reflects costs associated with development of the DISNEY PRINCESS and FROZEN product lines under the license agreement with The Walt Disney Company. The Company will continue to incur these development costs in 2015 in advance of commencement of the licensing period and product shipments for 2016.

Advertising expense for the quarter ended September 27, 2015 was $142,029, or 9.7% of net revenues, compared to $147,492, or 10.0% of net revenues, for the quarter ended September 28, 2014. The quarter-over-quarter decrease in advertising expense reflects favorable foreign currency translation and higher sales of Partner Brands which do not require the same level of investment in advertising as Company owned or controlled brands.

Amortization of intangibles for the quarter ended September 27, 2015 was $9,031, or 0.6% of net revenues, compared to $12,809, or 0.9% of net revenues, for the quarter ended September 28, 2014. Higher amortization expense in 2014 compared to 2015 reflects amortization of digital gaming rights reacquired in 2005 and 2007 which became fully amortized in the second quarter of 2015.

Program production cost amortization decreased to $11,496, or 0.8% of net revenues, for the quarter ended September 27, 2015 from $24,374, or 1.7% of net revenues, for the quarter ended September 28, 2014. Program production costs are capitalized as incurred and amortized using the individual-film-forecast method. 2014 program production cost amortization included a higher level of accelerated amortization of certain programming resulting from revised estimates of future revenues.

For the quarter ended September 27, 2015, the Company's selling, distribution and administration expenses increased to $247,022, or 16.8% of net revenues, from $244,072, or 16.6% of net revenues, for the quarter ended September 28, 2014. Selling, distribution and administration expenses for the third quarter of 2015 include a benefit of approximately $3,100 related to the sale of the Company's manufacturing operations. Increased selling, distribution and administration expenses primarily reflect higher administration expense. Foreign exchange resulted in a decrease of $21,300; absent foreign exchange, selling, distribution and administration expenses increased 10% in 2015 compared to 2014 primarily due to higher administration and marketing and sales as well as higher distribution costs. Excluding the impact of foreign exchange, increased 2015 expenses are primarily the result of higher performance-based stock compensation, continued investment in MAGIC: THE GATHERING, depreciation expense and other general cost increases, such as salaries and wages. Higher distribution costs reflect increased net revenues for the third quarter of 2015, excluding the impact of foreign exchange.

First Nine Months of 2015

The Company's costs and expenses, stated as percentages of net revenues, are illustrated below for the nine-month periods ended September 27, 2015 and September 28, 2014.

	Nine Months Ended	
	Sept. 27, 2015	Sept. 28, 2014
Cost of sales	37.6%	39.7 %
Royalties	7.7	7.2
Product development	5.8	5.3
Advertising	9.7	10.0
Amortization of intangibles	1.2	1.3

Program production cost amortization	1.0	1.2
Selling, distribution and administration	22.4	21.6

Cost of sales for the nine months ended September 27, 2015 decreased to $1,122,283, or 37.6% of net revenues, from $1,181,647, or 39.7% of net revenues, for the nine months ended September 28, 2014. Lower cost of sales on higher net revenues primarily reflects more favorable product and revenue mix in the first nine months of 2015 compared to 2014. This more favorable product mix reflects higher net revenues from royalty-bearing products, specifically those related to the JURASSIC WORLD, MARVEL and STAR WARS brands, which generally carry higher pricing and, therefore, have a lower cost of sales as a percentage of net revenues. Furthermore, Entertainment and Licensing segment net revenues, which also have lower cost of sales, were 5.4% of net revenues in the first nine months of 2015 compared to 4.6% of net revenues in the first nine months of 2014. Lastly, foreign exchange hedges related to product purchases and pricing increases helped to offset the impact of foreign currency fluctuations.

Royalty expense for the nine months ended September 27, 2015 was $230,108, or 7.7% of net revenues, compared to $214,466, or 7.2% of net revenues, for the nine months ended September 28, 2014. 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. Higher royalty expense in the first nine months of 2015 compared to 2014 reflects higher net sales of MARVEL, JURASSIC WORLD and STAR WARS products partially offset by lower net sales of royalty-bearing TRANSFORMERS products in 2015 compared to 2014.

Product development expense for the nine months ended September 27, 2015 increased to $174,299, or 5.8% of net revenues, from $157,184, or 5.3% of net revenues for the nine months ended September 28, 2014. Higher product development expense, in dollars and as a percentage of net revenues, primarily reflects costs associated with development of the DISNEY PRINCESS and FROZEN product lines under the license agreement with The Walt Disney Company. The Company will continue to incur these development costs in 2015 in advance of commencement of the licensing period and product shipments for 2016.

Advertising expense for the nine months ended September 27, 2015 was $288,136, or 9.7% of net revenues, compared to $296,444, or 10.0% of net revenues, for the nine months ended September 28, 2014. The reduction in advertising expense as a percent of net revenues primarily reflects the mix of revenues, including the increase in the Entertainment and Licensing segment, as well as the royalty-bearing product mix discussed above. Entertainment-backed product lines generally require less in advertising by the Company.

Amortization of intangibles was $35,330, or 1.2% of net revenues, for the nine months ended September 27, 2015 compared to $38,103, or 1.3% of net revenues, in 2014. Higher amortization expense in 2014 compared to 2015 reflects amortization of digital gaming rights reacquired in 2005 and 2007 which became fully amortized in the second quarter of 2015.

Program production cost amortization decreased in the first nine months of 2015 to $29,812, or 1.0% of net revenues, from $35,742, or 1.2% of net revenues, in the first nine months of 2014. Program production costs are capitalized as incurred and amortized using the individual-film-forecast method. 2014 program production cost amortization included a higher level of accelerated amortization of certain programming resulting from revised estimates of future revenues.

For the nine months ended September 27, 2015, the Company's selling, distribution and administration expenses increased to $668,955, or 22.4% of net revenues, from $643,202, or 21.6% of net revenues, for the nine months ended September 28, 2014, primarily related to higher administration expenses. Foreign exchange resulted in a decrease of $50,200; absent foreign exchange, selling, distribution and administration expenses increased 12% in 2015 compared to 2014, primarily due to higher administration, marketing and sales and distribution costs. Excluding the impact of foreign exchange, higher 2015 administration and sales and marketing expenses are primarily the result of higher performance-based stock compensation, investments in the MAGIC: THE GATHERING brand, depreciation expense and other general cost increases, such as salaries and wages. Higher distribution costs reflect increased net revenues for the first nine months of 2015, excluding the impact of foreign exchange.

NON-OPERATING (INCOME) EXPENSE

Interest expense for the third quarter and first nine months of 2015 totaled $24,045 and $72,816, respectively, compared to $24,710 and $69,940 for the comparable and respective periods of 2014. Increased interest expense in the year-to-date period reflects favorable interest rate swap agreements that were in place during the first half of 2014.

Interest income of $672 and $2,292 in the third quarter and first nine months of 2015, respectively, compared to $745 and $3,236 in the third quarter and first nine months of 2014. Higher average cash balances in 2015 compared to 2014 were more than offset by lower average interest rates, particularly in international jurisdictions.

Other income, net of $(4,463) and $(9,870) for the quarter and nine months ended September 27, 2015, respectively, compared to other expense, net of $17,795 and $10,556 for the quarter and nine months ended September 28, 2014. Both the third quarter and first nine months of 2015 include a net gain of $6,832 related to the sale of the Company's manufacturing operations. Furthermore, both the third quarter and first nine months of 2014 include a net loss of $12,894 related to the restructuring of the Company's investment in Discovery Family Channel. Absent these items, other (income) expense, net of $2,370 and $(3,037) in the third quarter and first nine months of 2015, respectively, compared to $4,901 and $(2,338) in the third quarter and first nine months of 2014, respectively. In the quarter, favorable other (income) expense, net reflects improved earnings from Discovery Family Channel in 2015 compared to 2014. In the first nine months of 2015, improved earnings from Discovery Family Channel in 2015 were offset by higher foreign exchange losses in 2015 compared to 2014.

INCOME TAXES

Income taxes totaled $78,242 on pre-tax earnings of $284,617 in the third quarter of 2015 compared to income taxes of $63,899 on pre-tax earnings of $244,054 in the third quarter of 2014. For the nine month period, income taxes totaled $100,100 on pre-tax earnings of $372,578 in 2015 compared to income taxes of $90,077 on pre-tax earnings of $334,566 in 2014. Both periods, as well as the full year 2014, were impacted by certain discrete tax events including the accrual of potential interest and penalties on certain tax positions. During the first nine months of 2015, favorable discrete tax adjustments were a net benefit of $2,024 compared to a net benefit of $2,532 in the first nine months of 2014. The favorable discrete tax adjustment for the first nine months of 2015 includes benefits related to expiration of statutes for certain tax positions and the filing of 2012 and 2013 amended tax returns. Absent discrete items, the adjusted tax rate for the first nine months of 2015 and 2014 were 27.2% and 27.8%, respectively. The adjusted rate of 27.2% for the nine months ended September 27, 2015 is comparable to the full year 2014 adjusted rate 26.5%.

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.

On July 14, 2015, the Company announced its intent to sell its manufacturing operations in East Longmeadow, Massachusetts and Waterford, Ireland to the Cartamundi Group ("Cartamundi"). On August 30, 2015, the Company and Cartamundi consummated this transaction. See Note 9 to the financial statements.

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.

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. ASU 2015-03 is effective for fiscal years beginning after December 15, 2015, and for interim periods within those fiscal years, and is eligible for early adoption. The Company presently records deferred debt costs in other assets in the consolidated balance sheet. At September 27, 2015, deferred debt costs related to long-term debt totaled $13,099. Upon adoption, these deferred debt costs will be presented as a reduction of long-term debt.

LIQUIDITY AND CAPITAL RESOURCES

The Company has historically generated a significant amount of cash from operations. In 2014 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 nine months of 2015, 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 2015. 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 September 27, 2015 the Company's cash and cash equivalents totaled $551,292, 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 indefinitely 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 September 27, 2015 is 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 September 27, 2015, cash and cash equivalents, net of short-term borrowings, increased to $437,322 from $374,161 at September 28, 2014. Net cash provided by operating activities in the first nine months of 2015 was $69,558 compared to $26,826 in the first nine months of 2014. Lower net cash provided by operating activities in 2014 reflects a payment of $58,040 resulting from the settlement of an arbitration award. On a trailing twelve month basis, the Company generated $497,143 in operating cash flows as of September 27, 2015 compared to $380,641 as of September 28, 2014 and $454,411 for the fiscal year ended December 28, 2014.

Accounts receivable increased 6% to $1,390,274 at September 27, 2015 from $1,314,022 at September 28, 2014 and includes a decrease of approximately $167,800 due to a stronger U.S. dollar at September 27, 2015 compared to September 28, 2014. Absent the impact of foreign currency translation, accounts receivable increased approximately 19% reflecting the aforementioned 9% revenue growth, absent foreign exchange translation, in the third quarter of 2015 compared to 2014. Days sales outstanding increased to 85 days at September 27, 2015 from 80 days at September 28, 2014. The increase was primarily due to increased revenues in international markets which have longer payment terms, as well as timing of collections related to the Company's direct import shipments.

Inventories decreased 10% to $447,090 at September 27, 2015 from $499,150 at September 28, 2014. The inventory balance at September 27, 2015 includes a decrease of approximately $69,800 resulting from a stronger U.S. dollar. Furthermore, during the third quarter of 2015, the Company finalized the sale of its manufacturing operations in East Longmeadow, MA and Waterford, Ireland, resulting in lower inventory levels. Excluding these items, inventories increased approximately 7%, primarily due to a higher inventory balance in the International segment compared to 2014.

Prepaid expenses and other current assets increased 2% to $389,460 at September 27, 2015 from $380,833 at September 28, 2014. Absent negative foreign currency translation of approximately $24,600, prepaid expenses and other current assets increased approximately 9% compared to September 28, 2014. This increase primarily reflects amounts due from Cartamundi related to the sale of the Company's manufacturing operations as well as more favorable foreign exchange contracts due to a stronger U.S. dollar in 2015 compared to 2014, and higher income tax receivables. These higher balances were partially offset by lower royalty advances and non-income based taxes, primarily value added taxes.

Accounts payable and accrued liabilities were consistent quarter-over-quarter at $936,526 at September 27, 2015 and $936,005 at September 28, 2014. This reflects higher deferred income taxes resulting from those favorable foreign exchange contracts described above wholly offset by lower accrued severance and foreign exchange contracts.

Goodwill and other intangible assets, net decreased to $881,981 at September 27, 2015 from $931,613 at September 28, 2014. The decrease was due to amortization of intangible assets over the last twelve months.

Other assets decreased slightly to $700,493 at September 27, 2015 from $702,981 at September 28, 2014. Absent negative foreign currency translation of approximately $9,700, other assets increased approximately 1% from September 28, 2014. This increase primarily reflects amounts due from Cartamundi related to the sale of the Company's manufacturing operations, more favorable foreign exchange contracts, continued investment in television and movie production and higher deferred tax assets. These increases were partially offset by capital distributions from the Company's television network joint venture in the first nine months of 2015 as well as lower long-term royalty advances.

Other liabilities decreased 2% to $385,845 at September 27, 2015 from $392,366 at September 28, 2014, reflecting lower accruals for uncertain income tax positions, reflecting the settlement of tax exams primarily related to Mexico. This decrease was partially offset by higher pension liabilities, primarily due to changes in actuarial assumptions, including a lower discount rate and updated mortality tables.

Net cash utilized by investing activities was $58,794 in the first nine months of 2015 compared to $9,846 in the first nine months of 2014. Additions to property, plant and equipment were $97,873 in 2015 compared to $78,255 in 2014. Increased capital expenditures reflect the Company's investment in tooling and information systems. 2015 net cash utilized by investing activities also includes cash proceeds of $18,632 related to the sale of the Company's manufacturing operations and $20,700 in capital and tax distributions from Discovery Family Channel. These proceeds were partially offset by a $3,000 capital contribution to a 50% joint venture with Guangdong Alpha Animation and Culture Co., Ltd. 2014 net cash utilized by investing activities included proceeds of $64,400 from the partial sale of equity interest in the television joint venture, Discovery Family Channel.

Net cash utilized by financing activities was $335,943 in the first nine months of 2015 compared to $242,861 in the first nine months of 2014. Cash payments related to purchases of the Company's common stock were $74,110 in the first nine months of 2015 compared to $338,184 in the first nine months of 2014. At September 27, 2015, the Company had $491,350 remaining available under its current share repurchase authorization approved by the Board of Directors. Dividends paid in the first nine months of 2015 totaled $168,393 compared to $162,789 in the first nine months of 2014. Repayments of short-term borrowings totaling $138,101 in the first nine months of 2015 compared to proceeds from short-term borrowings of $71,172 in the first nine months of 2014. The 2014 net cash utilized by financing activities also reflects net proceeds of $559,986 from the issuance of $600,000 in long-term notes in May 2014; these net proceeds include a payment of $33,306 for the termination of forward-starting interest rate swap contracts associated with this expected issuance of debt as well as $6,708 in debt issuance costs. The majority of the proceeds from this issuance were used to repay $425,000 of long-term notes due May 2014.

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 $700,000. 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 September 27, 2015 the Company had approximately $106,000 in borrowings outstanding related to the Program.

The Company has a revolving credit agreement (the "Agreement"), which provides it with a $700,000 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 September 27, 2015. The Company had no borrowings outstanding under its committed revolving credit facility at September 27, 2015. However, the Company had letters of credit outstanding under this facility as of September 27, 2015 of approximately $900. Amounts available and unused under the committed line as of September 27, 2015 were approximately $593,100. The Company also has other uncommitted lines from various banks, of which approximately $27,700 was utilized at September 27, 2015. Of the amount utilized under the uncommitted lines, approximately $8,000 and $19,700 represent outstanding borrowings and letters of credit, respectively.

The Company has principal amounts of long-term debt at September 27, 2015 of $1,559,895 due at varying times from 2017 through 2044. The Company also had letters of credit and other similar instruments of approximately $29,500 and purchase commitments of approximately $918,713 over the next five years outstanding at September 27, 2015.

Other contractual obligations and commercial commitments, as detailed in the Company's Annual Report on Form 10-K for the year ended December 28, 2014, 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 28, 2014, does not include certain tax liabilities recorded related to uncertain tax positions. These liabilities were $57,191 at September 27, 2015, 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 28, 2014.

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 September 27, 2015, these contracts had net unrealized gains of $118,518, of which $72,095 are recorded in prepaid expenses and other current assets, $47,122 are recorded in other assets, $638 are recorded in accrued liabilities and $61 are recorded in other liabilities. Included in accumulated other comprehensive loss at September 27, 2015 are deferred gains, net of tax, of $111,798, related to these derivatives.

At September 27, 2015, the Company had fixed rate long-term debt of $1,559,895. Of this long-term debt, $600,000 represents the aggregate issuance of long-term debt in May 2014 which consisted of $300,000 of 3.15% Notes Due 2021 and $300,000 of 5.10% Notes Due 2044. The Company had forward-starting interest rate swap agreements with a total notional value of $500,000 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 September 27, 2015 are deferred losses, net of tax, of $19,650 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 September 27, 2015. 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 September 27, 2015 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 28, 2014 (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 manufacture, 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 Discovery Family, 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 and potentially create liability 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;
- 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
July 2015				
6/29/15 – 7/26/15	10,177	$ 74.97	10,177	$516,577,305
August 2015				
7/27/15 – 8/30/15	206,400	$ 77.35	206,400	$500,613,038
September 2015				
8/31/15 – 9/27/15	121,500	$ 76.24	121,500	$491,349,997
Total	338,077	$ 76.88	338,077	$491,349,997

On February 9, 2015, the Company announced that its Board of Directors authorized the repurchase of $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.

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.)
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3.7	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.)
3.8	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.

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101.SCH	Taxonomy Extension Schema Document
101.SCH	Taxonomy Extension Schema Document
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: November 4, 2015 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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