RAVENSBURGER IN 2018

2018 was an eventful year for Ravensburger. Alongside our day-to-day business, we worked intensively on our organisation and structure and got our new corporate structure off the ground. As a result of this process, Ravensburger is switching from a divisional organisation to a functional one. We are reorganising our sales, marketing, supply chain and other functions across all brands and products.

The driver of this reorganisation is the ongoing change in consumer behaviour and the impact this is having on our markets and the retail landscape. Given the growing complexity and internationalisation of our Group, the adjustment to our structure also represents the next logical step in setting up the company's successful future. For our employees, it provides both affirmation and inspiration for their work with our products. “Playful development” is a phrase that defines our responsibility and describes the benefit we seek to achieve with our products. “Playful development” is the promise we make to our consumers. For our employees, it provides both affirmation and inspiration for their work with a focus on quality and a sense of purpose. On the following pages, we would like to introduce the key aspects of our guiding principle in more detail. The article is accompanied by images that invite you to discover and develop through play. We hope you enjoy reading this publication.

The Managing Board

REPORT OF THE MANAGING BOARD
“Playful development” has been the guiding principle of the Ravensburger Group since 2013. It defines the framework that guides our actions. To put it in more detail: The Ravensburger Group provides meaningful products for playful development.

This principle is no coincidence. It builds on the aspiration that the publishing house adopted for its products shortly after it was founded: “They provide excellent entertainment, promote a wide range of knowledge and encourage a sense of the practical.”

Taken further, “playful development” reflects the overarching responsibility of the Ravensburger Group.

We have evolved since 1883. In the last five years in particular, the Ravensburger Group has become more international and more digital. It has acquired a number of companies, operates in more global markets and deals with consumers who are more informed and more connected.

This makes it all the more important for us to have a clear, memorable and unique positioning. A positioning that is rooted in our own history, that provides orientation for the present and that shows the way to the future. A guiding principle that applies to all of the brands and companies in our group.

After all, taking social responsibility and making a promise to educate in an increasingly complex world requires a credible and clear message. “Playful development” describes who we are and the benefit we seek to achieve with our products.

On the following pages, we will look at what lies behind our principle. With scientific methods* and the fun of playful discovery.

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*The games and books were tested with students in their fifth semester as part of the “Applied Communications Research” teaching project in February and March 2019. Institution: Centre for Empirical Communications Research (ZEK), Baden-Württemberg Cooperative State University (DHBW) Ravensburg. Director: Prof. Simon Ottler.
How is playful development expressed?

In the progress made by a child from their first day of life, in shining eyes, a smile, a sudden moment of discovery, getting lost in a picture book, working out how the pieces of a puzzle fit together, finding memory® pairs, constructing tracks with Rush-hour, finding a logical way out of a rush-hour traffic jam. What it always involves is imperceptible learning with enjoyment, excitement and fun.

How can playful development be visualised?

Instead of showing people engaging in these activities, we used scientific methods to research what actually happens when children play, read, do puzzles and solve tasks. For example, we used eye tracking to see how the user’s eyes glide over a hidden-object book to find a certain motif. The results show how attentively and intensively the person was searching. The bigger the circles, the longer the time spent looking at one spot. This way, the test becomes a visualisation of deep immersion, searching and ultimately finding – in other words: playful development. Other methods and games came to similarly informative results – measured in terms of facial expressions, pulse rates, skin conductance or using picture scales.

Turning test results into unusual pictures

Depending on the method used, the results were presented as curves, diagrams, heat maps, coded facial expressions or quotes. Combining seriousness and fun, we then playfully crafted these into collages showing the precise results as well as illustrative elements. Each of the images invites the reader to playfully decode it. The caption shows the product, the test method and the name and age of the test subject. The words “Greta, 13 years old” conjure up an image of a girl sitting on the floor, lost in a hidden-object book.

EACH OF THE IMAGES INVITES THE READER TO PLAYFULLY DECODE IT

<table>
<thead>
<tr>
<th>Method</th>
<th>EYE TRACKING GLASSES*</th>
<th>Visual attention – the order and duration of the test subject’s fixation on individual elements – was studied by recording eye movements using eye tracking glasses.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Book</td>
<td>WHERE’S THE Wookiee?</td>
<td>The data shows how involved Greta was and how attentively and intensively she looked for the wookiee. Incidentally, she found it after almost 180 fixations.</td>
</tr>
<tr>
<td>Read by</td>
<td>Greta</td>
<td>13 YEARS OLD</td>
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From the early days to the guiding principle of the Ravensburger Group

Duality with a long tradition

Going against the established attitude of strictly separating learning from fun, Otto Maier wanted his products to be both educational and entertaining. He believed that learning should not be strict, but should instead take a lighter, more playful form. In his publishing intentions, Otto Maier repeatedly applied the ideals of progressive education and used them in his advertising. An advert about “favourite games for young and old alike”, published in 1907, says: “These games are an ideal combination of seriousness and fun, entertainment and instruction, with the educational core of each game uniting with heart, mind and humour to provide a wealth of enjoyable ideas and recreation. ‘Ravensburger Games’ are devised on the basis of educational principles and perfectly adapted to the youthful mind and understanding. They provide excellent entertainment, promote a wide range of knowledge and encourage a sense of daily life.”

In other words: the heart, fun, playfulness and entertainment on the one hand, and the head, seriousness, the mind, learning and education on the other. This duality has extended through time and continues to guide Ravensburger’s actions today. The combination of entertainment and learning, the training of both the heart and the mind, has often been described as the founding idea behind Ravensburger. As the corporate principles that have been applied since 1985 put it: “Our contribution to society is creating meaning through entertainment and education.”

A FOUNDING IDEAL THAT EXTENDS THROUGH TIME

“With head, heart and hand”: The famous motto of the progressive education of the 19th century guided the young company founder Otto Maier and paved the way for the publishing house he registered in 1883. The aim of his products was to combine “fun and seriousness”. 136 years and many thousands of games and books later, the guiding principle of the Ravensburger Group – “playful development” – represents the logical progression of the founder’s ideals.

Method: BIOFEEDBACK: SKIN CONDUCTANCE1 Measurement data for skin conductance was collected using a biofeedback device and an electrode sensor attached to the index finger.

Game: ANIMAL CHILDREN MEMORY The skin conductance measurements showed that Sophie’s level of activation increased continuously while playing. Moderate activation is seen as a favourable condition for learning performance and memory, i.e. playful learning.

Played by: SOPHIE | 6 YEARS OLD

TIME IN MINUTES

SKIN CONDUCTANCE

“SOPHIE, THIS IS YOUR CHANCE!”

ACTIVATION!
“Playful development”: The old duality in a new form

The guiding principle of “playful development” expresses Ravensburger’s commitment not only to entertain, but also to encourage people to further themselves — right from their very first day of life. We take a closer look at the terms “development” and “playful” to see what this entails.

What is “development”? 

Psychologists and educators define “development” as a change of continuous creation and development — a dynamic process. When it comes to this definition in particular, the guiding principle is in line with the times, as it perfectly reflects the importance of the learning that is both required by and helping to shape today’s knowledge society in an increasingly complex world.

What is meant by “playful”? 

It is more than just the adjective belonging to “play” and “playing”. We understand “playful” to mean free, creative, proactive, relaxed, carefree, informal, casual, learning new things with ease and imagination.

The logical combination: “Playful development”

Looking at the individual components of the guiding principle shows that the terms have not only grown together, but have effectively merged. “Playful” and “development” relate to each other and confer meaning on one another: “Development” expresses the aim and the purpose, while “playful” defines how this development should take place.

The result is the guiding principle of “playful development”, a contemporary reformulation of Ravensburger’s founding ideal: to combine entertainment and education. After all, accompanying and supporting a person’s development playfully means more than “just” providing learning content and fun.

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Ravensburger brands and their contribution to the guiding principle

Originating from Ravensburger’s founding ideal, “playful development” now serves as an umbrella term and a guiding principle for the entire group. The company’s logo embodies this aspiration and reflects the diversity of the brands through the squares and their colours. Any new company or brand that might be included needs to live up to this aspiration.

To date, companies have been acquired depending on whether their values and products are a good fit for ours. Today, the group comprises Ravensburger with its blue triangle, Brio and ThinkFun, Wonder Forge, Alga, F.X. Schmid and Carlit. They all bring their own identity, products and values and make their own specific contribution to the shared guiding principle.

The special characteristics of the individual brands illustrate the diversity behind the phrase “playful development”.

TODAY, THE GROUP COMPRISES RAVENSBURGER, Brio, THINKFUN AND SEVERAL NATIONAL BRANDS

Method | SAM | SELF-ASSESSMENT MANIKIN®
Game | Labyrinth Junior + Mai & Mau: Extreme
Played by | Lina | 6 YEARS OLD

Affective reactions can be measured using self-assessment. Using SAM, a child-oriented collection technique in the form of pictograms, the dimensions of pleasure, arousal and dominance were collected without the need for words.

A before-and-after comparison shows that excitement rose by two points during the game.
Ravensburger:
Enjoyment, education, togetherness

Originating from the publishing house founded by Otto Maier, Ravensburger has been represented by the blue triangle since 1974. It is a mark of quality for Ravensburger games, puzzles, books and activity products and stands for high-quality content and materials.

The core values of “enjoyment, education and togetherness” are reflected in all Ravensburger products to a greater or lesser extent. Children’s games focus on fun and excitement, but playing them also teaches children how to think ahead, how to follow rules, and how to win and how to lose. Picture books teach seeing, understanding and speaking. Learning games instil the skills that children of today need, while a wide range of materials encourage them to learn playfully with all of their senses. Ravensburger children’s books address the topics that matter to the respective age group and help them in their personal development. Activity products and puzzles encourage concentration, imagination and the joy of doing it yourself. Togetherness describes the creative cooperation that occurs when children and families sit together at the table and share their enthusiasm, play, laugh and talk, and win and lose together – learning from and with each other with every move.

ACTIVITY PRODUCTS AND PUZZLES ENCOURAGE CONCENTRATION, IMAGINATION AND THE JOY OF DOING IT YOURSELF

Method
REMOTE EYE TRACKING

The eye movements of the test subject were recorded using a camera inconspicuously integrated into a computer.

Puzzle
HOLIDAY DREAMS, ONLINE VERSION

A result of two parts: The child was intuitive and tried to finish the puzzle without assistance, while the adult played with purpose – and was quicker. But playing is about more than just efficiency. Intuitive, playful problem-solving, including unexpected detours, are beneficial and bring learning to life in a pleasant way.

Played by
JONAS | 11 YEARS OLD
JULIA | 43 YEARS OLD

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Played by
JONAS | 11 YEARS OLD
JULIA | 43 YEARS OLD
Part of the Ravensburger Group since 2015, the mission of the Swedish toy manufacturer is “creating happy childhood memories”. The core brand values are enjoyment and trust. Its classic wooden train set, which now forms part of BRIO World, is a perfect example of “playful development”.

Launched in the mid-1950s and continuously expanded ever since, BRIO World’s clear and simple design opens up endless opportunities for play. Put the rails together, add a locomotive, attach some carriages and let the journey of your imagination begin. An extensive range of accompanying toys like bridges, buildings, vehicles and action figures allow entire worlds to be created and stories and adventures to be played out within them. In this way, BRIO World is an example of a free and open play concept that is particularly good at encouraging concentration, coordination and creativity. And it is in line with the times: The innovative use of combined materials means the play value is continuously enhanced, ensuring that the brand remains as relevant as it has always been. By using new technologies like RFID (radio-frequency identification) in Smart Tech, BRIO offers additional learning and entertainment functions – for even more enjoyable play.

Emotions were measured through automatic gesture recognition; figures in percent.

The clear result: Happiness is the biggest fish in the pond.
ThinkFun: Exercise your brain

The US company ThinkFun develops brain-teasers and logic games with a high fun factor. It has been part of the Ravensburger Group since 2017. Its name reflects its brand essence: “It’s fun to think!” It focuses on logical strategic thinking. Its core values are: “The fun of the challenge, persistence that pays off, authenticity and originality.” Since it was founded in 1985, ThinkFun’s mission has been “to translate the brilliant ideas of mathematicians, engineers, and inventors into simple toys that can be appreciated by boys and girls around the world.” ThinkFun wants to inspire young people to use logical thinking playfully in order to benefit their learning. “Ignite Your Mind!” is the challenge it lays down. This contribution to “playful development” is perfectly illustrated by its most famous product brand: The objective of Rush Hour® is to get a car out of a traffic jam. With 40 tricky tasks, this can only be achieved with strategic thinking, which the game trains simply, playfully and almost incidentally logical.

**STRATEGIC THINKING IS TRAINED SIMPLY, PLAYFULLY AND ALMOST INCIDENTALLY, LOGICAL!**

Method
EYE TRACKING

Game
RUSH HOUR FROM THINKFUN

Played by
AMELIE | 13 YEARS OLD

The heat maps created by eye movements visualise the focus of the test subject’s attention: the longer the fixation on an area, the more intensive the red colouring. The intention of the game evidently hit home, as the solution was worked on with extreme concentration. The test subject’s eyes and thoughts were focused on the middle of the game and the exit on the right.
1 **FACIAL TEXTURE AND EXPRESSION INTENSITY CHART**
Movements in the human face (raising the eyebrows, wrinkling the nose, turning down the corners of the mouth, etc.) are indicative of certain emotions. A piece of software calculates emotional facial expressions by modelling an artificial facial texture, allowing the identification of six basic emotions and a neutral condition. An expression intensity card shows the degree of intensity with which the basic emotions are expressed.

2 **EYE TRACKING GLASSES**
Visual attention can be recorded using eye tracking. Recording eye movements helps to show which elements of a game are perceived for how long and in what order. Eye tracking glasses allow maximum freedom of movement, making them ideally suited for researching tactile games. **REMOTE EYE TRACKING** is used to record eye movements using a camera inconspicuously integrated into a computer. Eye tracking uses the corneal reflex method, with the reflection of an infra-red light source on the cornea and its position relative to the pupil forming the basis for calculating eye movements.

3 **SKIN CONDUCTANCE**
A biofeedback device is used to collect data such as pulse rate and skin conductance. An electrode sensor is attached to the index finger. On activation, the skin’s conductance increases as a result of perspiration, meaning its electrical resistance decreases. The electrical conductance of the skin is considered to be a secure indicator of activation.

4 **VALENCE CURVE**
A form of presenting facial coding. The difference between positive and negative emotions is determined using valence, which provides information on the intensity and direction of emotions. This allows the way in which a game is experienced to be measured. In a frame-by-frame analysis, the intensity of each emotion is expressed in the form of a value between 0 (emotion not present on the face) to 1 (emotion fully present). Whether positive or negative, this illustrates the difference between the enjoyment displayed and the maximum expression of the negative emotions of sorrow, anger, fear and disgust.

5 **SELF ASSESSMENT MANIKIN (SAM)**
Affective reactions – and hence feelings, emotions and moods – can also be measured using self-assessment. **Self-Assessment Manikin (SAM)** is an image scale used to record the dimensions of pleasure, arousal and dominance without the need for words. SAM consists of three rows of highly schematic pictures of a person, each of which records one of the three dimensions on a five-tier scale.

6 **FACIAL CODING**
A procedure for describing emotions through the automatic recognition of facial expressions. The test subject’s face is filmed while they play and is then analysed using software. Among other things, this allows the six basic emotions defined by anthropologist and psychologist Paul Ekman to be determined: happiness, sadness, fear, anger, disgust, surprise, as well as a neutral condition.

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Overview of Ravensburger AG and Group

The Ravensburger Group is a leading European manufacturer of puzzles, games and activity products, and a leading publisher of children’s and youth books. The Group has subsidiaries in the major European markets such as Austria, and Switzerland, as well as in the United States, Japan, and France, the United Kingdom, Italy, Spain, Belgium, the Netherlands, and the Czech Republic.

Ravensburger AG is the management holding of the Ravensburger Group. Various functions of the Group are handled centrally by the departments of Ravensburger AG. This applies in particular to the functions of Central Marketing, Communication, Human Resources, Finance, Group Controlling, IT, Legal and Corporate Development as well as Digital and Innovation.

In addition to performing its holding function, Ravensburger AG grants the Group company licenses to use the Ravensburger brand, and coordinates the group-wide risk management system. Furthermore, Ravensburger AG leases land and buildings in Ravensburg to its operating subsidiaries.

The operating business of the Ravensburger Group is handled by Ravensburger AG’s subsidiaries. The Group operates in three divisions: the Toys division, the Children’s and Youth Book division, and the Leisure and Promotion Service division.

Development and Innovation

As in most consumer goods markets, new products and innovations are extremely important in the toys and children’s and youth books areas. This is why especially brand manufacturers like Ravensburger must continuously develop and market innovations to ensure sustained success.

In light of this, the Ravensburger Group invests € 30 million to € 40 million every year in the development of new product offerings and concepts. Each year, it launches many more than 1,000 new products. They account for one quarter of the Group’s sales.

Ravensburger draws on both external and internal sources for new product development. Increasingly, internal resources are established and used to transfer products and innovative ideas into concepts and prototypes even more quickly. To achieve this, Ravensburger implements agile innovation methods such as design thinking or lean startup in all divisions. Furthermore, the company maintains a large network of external partners and service providers for concept development, design, and technical implementation in order to develop new products and concepts to market maturity.

Economic Report

Market Development

Looking at the key European markets for games and toys in 2018 shows a very varied picture. While the German market grew by 2.1 %, Europe’s most important markets declined (France -5.1 %, UK -12.2 %, Italy -10.0 % and Spain -5.4 %). In total, this negative development of Europe’s five largest markets for games and toys came to a share of -5.3 % (source: NPD EPoS Panels). Among the reasons was a consolidation of the European retail landscape, which also resulted in the insolvency of a number of major toy retail chains.

Ravensburger was the only producer in the Top 10 which achieved clear growth in sales from retailers to end customers, at +4.9 %. This also boosted its market share. In contrast, the industry’s Top 5 suffered a loss of retailer-to-customer sales shares — in some cases double digit (source: NPD EPoS Panels).

The book market in Germany was up slightly on previous year by +0.5 %. Particularly positive was the development of the children’s and youth book market, which grew by +4.4 %. Contrary to the negative trend on the overall book markets in Austria (-9.9 %) and Switzerland (-5.8 %), the children’s and youth book market was able to develop positively there as well (Austria +4.4 %, Switzerland +1.4 %). Against this background, the Children’s and Youth Book division developed very satisfactorily and slightly increased its market share.

Development of Business

Under these conditions, the Ravensburger Group was able to increase net revenue to € 491.5 million, which was 4.3 % up on previous year. After adjustment for exchange-rate effects, sales even increased by 4.9 %. ThinkFun was acquired in 2017. In 2018, the first full year it was consolidated in the Group. As a result, business abroad grew more strongly, at 4.6 %, than domestically, at 4.0 %.

The consolidated net income of the Group was € 31.5 million, which was above previous year (€ 23.7 million). The Toys division accounted for a share in overall revenue of 85.1 %, the Children’s and Youth Book division was responsible for a share of 14.0 %, and the smallest division, Leisure and Promotion service, contributed 4.2 % (all figures prior to consolidation).

In 2018, the Toys division generated a net revenue of € 418.3 million, with € 341.7 million made in Germany (+7.3 % on previous year) and € 276.5 million abroad (+4.0 %). Therefore, in Germany the division succeeded in achieving growth above market level, following a stagnation in 2017. Particularly striking on the foreign markets was the growth of the subsidiaries on the US market. This reached +28.9 % (+26.2 % after adjustment for exchange-rate...
In 2018, the Ravensburger Group achieved a positive business performance with increases in sales and improvements in EBIT as well as Group earnings. Net revenue in fiscal year 2018 grew by €4.3 % to €522.0 million, €22.0 million above previous year (€500.0 million). This reduction is attributable to a major project in 2017, which could not be offset in the current fiscal year. However, sales in the individual categories developed satisfactorily.

Situation of the Ravensburger Group

In the reporting year, the Leisure and Promotion Service division decreased by -4.7 %, achieving a consolidated net revenue of €16.7 million. This reduction is attributable to a major project in 2017, which could not be offset in the current fiscal year. However, sales in the individual categories developed satisfactorily.

With a 7.8 % sales increase on previous year, the Children’s and Youth Book division developed extremely well. In Germany, it slightly increased its market share to 10.1 %, putting it in second place. In Austria and Switzerland, the division is the market leader.

FINANCIAL STATEMENTS
Fixed financial assets increased on balance by € 2.7 million to € 210.7 million. The shares in affiliates were posted as an increase in value. Set against this are repayments of long-term Group-internal loans.

Receivables from affiliates increased by € 18.4 million to € 52.8 million due to higher receivables from the German subsidiaries. Tax provisions were lower due to an additional tax payment made in 2018 for the year 2016. Other provisions increased, especially due to the formation of a reorganisation provision.

The changes in other assets and other liabilities are mainly attributable to tax deferrals at the end of the year.

Overall Statement by the Managing Board on the Economic Situation 2018

The Group achieved the sales forecast made in previous year. The result exceeded the forecast. This is in particular due to better operating performances, especially in the Games and Toys division. In the reporting year, Ravensburger implemented an extensive realignment of the Ravensburger Group which was a major reason for the operating profit. The Group achieved the sales forecast made in previous year. The result exceeded the forecast. This is in particular due to better operating performances, especially in the Games and Toys division. In the reporting year, Ravensburger implemented an extensive realignment of the Ravensburger Group which was a major reason for the operating profit.

The changes in the international retail landscape lead to increasing market pressure especially on brick-and-mortar retailers. This means that market is expected to continue to be stable or to decline slightly in fiscal year 2019.

Assuming weaker overall economic growth compared to previous years, the Managing Board expects the toys and children’s and youth books markets to continue to be stable or to decline slightly in fiscal year 2019. The changes in the international retail landscape lead to increasing market pressure especially on brick-and-mortar retailers. This means that market is expected to continue to be stable or to decline slightly in fiscal year 2019.

Forecast Report

The environment in which entrepreneurial activity takes place is characterized by the interplay of risks and opportunities. The responsible management of risks is a basic prerequisite for sustainable business success. Risks can arise not only from internal processes and activities, but also in and from partners in external business relations.

The task of the internal control system is to ensure compliance with all legal requirements, internal regulations and instructions, and to prevent losses due to fraud. The procedural regulations, instructions and guidelines are systematically documented and made readily available online. Compliance with statutory provisions as well as company rules is regularly reviewed, partly through the company’s own investigations and partly by contracting external consultancy firms.

The task of the risk management system is to identify all operating risks at an early stage in order to avert potential losses for the Group and reduce risks to the Group’s ability to continue as a going concern by means of appropriate measures. This makes it possible to identify risks in good time, analyze them, and take countermeasures. The company is willing to take manageable risks that do not outweigh the expected benefits of the respective business activity.

In addition to regular risk assessments and audits, the risk management system is based on systematic analyses of consumer behavior, distribution channels, product development and marketing, as well as their probability of occurrence.

Opportunities and Risk Report

Risk Management and Internal Control System

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Significant Opportunities and Risks

The following significant risks for Ravensburger were identified within the scope of risk reporting:

Sales Markets

The risk management system of the sales markets is based on systematic analyses of consumer behavior, distribution channels, product development and marketing, as well as their probability of occurrence.

Procurement Markets

Currency fluctuations are a major risk in procurments. Especially the procurement of production materials, semi-finished and finished goods in China results in a negative net exposure (dollar short) compared to the US dollar. In the past fiscal year, this amounted to more than 20 million US dollars. Furthermore, the production site in Policka provides sales incentives and improved services as well as increased cluster risks. Ravensburger is working proactively to manage these risks. The development of innovative and attractive products, sales often tailored to the retail landscape, a model for international price harmonization, development of the necessary know-how for online trading, and modern, highly efficient produc-

Further high wage increases had a negative impact on costs at the main production location Policka. To ensure the availability of human resources on the tight Czech employment market, initiatives to hire Bulgarian temporary workers (especially in the peak season) were implemented. There are plans to recruit employees from Ukraine in 2019.
Raw materials prices rose only slightly in 2018. In the paper/pasteboard segment, price increases from 2017 were compensated. Cost optimizations by qualification and use of new, alternative suppliers were systematically continued in 2018. To ensure raw materials availability, Ravensburger continues to search for and qualify alternatives for critical suppliers and critical segments. Professional purchasing, avoiding dependence on individual suppliers, thinking in terms of technical alternatives (cost engineering), and considering creative sourcing regions remain the prerequisites for successful risk management in the procurement markets. The percentage of production handled in-house in the Toys division is relatively high by industry standards. This and an independent quality assurance organization minimize product quality risks and enable a rapid response to market changes.

Suppliers to the children’s and youth book market are under increasing economic pressure due to the overall downturn. This is reflected in rising procurement prices. Furthermore, the high dependence on one logistics service provider in Germany represents a risk.

Logistics costs are increasing area-wide, also due to growing online trade. This has a strong effect particularly on the Toys division. Increasing logistics costs must be expected here.

Contingency actions for the risk of a “hard Brexit” involved adaption progress and longer lead times for A-products for the coming years. Modern technology and regular maintenance as well as constant investments in replacements and rationalization protect the locations as far as possible against natural hazards. Insurance cover is provided by a modern insurance policy. Ravensburger runs its own logistics operations in the UK. This supports the offsetting of supply bottlenecks that may occur due to a “hard Brexit”.

Information Technology

Protection against a breakdown of the entire Supply Chain or other important company departments due to an IT failure is provided by the use of virtual servers, file systems mirrored on hardware, and standardized security tools. A strongly standardized IT infrastructure supports operating business, which is changing through digitalization as well as partly through international legal regulations. Software and hardware in the entire Group are selected, developed and administered largely centrally.

Internal IT experts work on constant optimization and strategic ongoing development of processes. They also ensure that the IT infrastructure is up to date. If required, external and sometimes international consultants support Ravensburger’s own experts. Particularly important for the Ravensburger IT department are secure digitalization of processes, speed and quality in change projects, and the use of internal and external data to evaluate information in the form of smart data. Permanent benchmarking ensures high quality and performance of in-house IT at usual market costs for the hardware and software used. External audits of IT security as well as IT authorization and data security systems ensure organizational and process-related as well as software currentness, quality, and sustainability.

The EU General Data Protection Regulation provides the legal framework for this and defines the interface between data protection and IT data security. The IT and above all Legal department, with its internal Data Protection Officer, are responsible for data protection and IT compliance. Professional external consultants ensure implementation of and compliance with the EU General Data Protection Regulation in the company.

Financial Risks

Financial risks are managed by the Central Treasury and Accounts Receivable Management departments. This primarily involves centrally analyzing, evaluating, and hedging liquidity, currency, investment, credit, and insurance risks. Derivative financial instruments are used solely to hedge operative underlying transactions. Currency risks are hedged on a rolling basis using forward exchange contracts descending to 36 months. These forward exchange contracts are only concluded with banks which have a first-class credit rating in order to rule out a counterparty risk. Risks of non-payment are normally and as far as possible covered by insurance policies. In 2018, Ravensburger changed its main trade credit insurer. Exchange rate risks are systematically hedged. To optimize controlling of the Group’s liquidity, this is managed centrally in a cash pool at Ravensburger AG. If short-term liquidity surpluses are invested, only investments with excellent credit ratings are used. Long-term liquidity surpluses are administered in a special fund in order to ensure professional management of the investments.

Product Safety

Product safety is a top priority for Ravensburger. That is why all products are tested by renowned, independent testing organizations as well as in Ravensburger’s own laboratories.

To manage any consumer recall campaigns, Ravensburger has assigned a specially trained crisis team and a crisis room. The room can be equipped with phones and laptops within a few hours to create a call center. A charge-free callback number for consumers has been set up.

The Ravensburger laboratory passed its annual audit by TÜV Rheinland and DEKRA once again in 2018. Furthermore, a project to upgrade the laboratory to the latest safety and technology standards was launched in 2017 and completed in 2018.

Constant changes in legislation in Europe and the USA have led to further restrictions and supplements. Ravensburger’s pro-active approach meets its products usually comply with new standards even before they come into force. Ever stricter regulation of chemical substances continues to present challenges for the Supply Chain department and takes up resources. Under their own management, the subsidiaries Ravensburger North America, Inc., ThinkFun, Inc. and BRIO AB, which each have their own Supply Chain department, adhere to the strict guidelines and regulations of the laws that apply to them.

Overall Risks and Opportunities

The Ravensburger Group has all the systems and internal regulations required to identify and manage major risks relevant to the Group. The costs of the risk management system are commensurate with this.

Both, the development and launch of new products and product categories and the geographical expansion of sales activities can open up growth opportunities. They can also help to minimize im- pacts on the Ravensburger Group from an impending slowdown in activity.
# Ravensburger AG, Ravensburg
## Group Balance Sheet as of December 31, 2018

### A. Fixed assets
1. **Intangible assets**
   - Purchased software, licenses and similar rights
     - 2018: €31,694,776.28
     - 2017: €35,017
2. **Goodwill**
     - 2018: €16,688,522.00
     - 2017: €21,360
3. **Property, plant and equipment**
   - Land and buildings
     - 2018: €37,766,360.01
     - 2017: €38,586
   - Plant and machinery
     - 2018: €18,257,806.27
     - 2017: €15,436
   - Other equipment, furniture and fixtures
     - 2018: €25,455,615.65
     - 2017: €19,588
4. **Prepayments and assets under construction**
     - 2018: €765,150.36
     - 2017: €1,380
5. **Financial assets**
   - Shares in affiliates
     - 2018: €25,436.84
     - 2017: €26
   - **Equity investments**
     - 2018: €5,672,393.82
     - 2017: €5,672
   - Securities classified as fixed assets
     - 2018: €69,987,912.45
     - 2017: €68,988
6. **Other assets**
     - 2018: €82,244,832.29
     - 2017: €78,090

### B. Current assets
1. **Inventories**
   - Raw materials, consumables and supplies
     - 2018: €13,785,027.91
     - 2017: €12,942
   - Work in progress
     - 2018: €7,712,789.35
     - 2017: €6,966
2. **Receivables and other assets**
   - Trade receivables
     - 2018: €183,582,618.27
     - 2017: €168,247
   - Other assets
     - 2018: €14,131,925.96
     - 2017: €16,396
3. **Cash on hand and bank balances**
     - 2018: €52,400,855.21
     - 2017: €47,315

### C. Prepaid expenses
- 2018: €1,757,382.00
- 2017: €1,549

### EQUITY AND LIABILITIES

### A. Equity
1. **Subscribed capital**
   - 2018: €12,480,000.00
   - 2017: €12,480
2. **Capital reserves**
   - 2018: €39,050,000.00
   - 2017: €39,050
3. **Other revenue reserves**
   - 2018: €230,736,177.04
   - 2017: €216,592
4. **Currency translation differences**
   - 2018: €4,280,800.45
   - 2017: €3,950
5. **Net income of the Group**
   - 2018: €31,457,458.68
   - 2017: €23,744

### B. Provisions
1. **Pension provisions**
   - 2018: €30,033,391.73
   - 2017: €28,334
2. **Tax provisions**
   - 2018: €763,132.86
   - 2017: €3,498
3. **Other provisions**
   - 2018: €67,276,166.11
   - 2017: €59,325

### C. Liabilities
1. **Bank loans and overdrafts**
   - 2018: €44,006,785.00
   - 2017: €47,067
2. **Prepayments received on account of orders**
   - 2018: €779,366.07
   - 2017: €763
3. **Trade payables**
   - 2018: €34,742,354.09
   - 2017: €33,181
4. **Payables to affiliates**
   - 2018: €7,561,209.24
   - 2017: €8,031
5. **Other liabilities**
   - 2018: €10,313,972.83
   - 2017: €14,622

### D. Deferred income
- 2018: €1,060,267.38
- 2017: €1,090

### E. Deferred tax liabilities
- 2018: €7,487,418.28
- 2017: €8,246

### Financial Statements

### Equity and Liabilities

### Financial Statements
Ravensburger AG, Ravensburg
Group Income Statement for 2018

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>€</td>
<td>€</td>
</tr>
<tr>
<td><strong>1. Net revenue</strong></td>
<td>491,456,215.58</td>
</tr>
<tr>
<td><strong>2. Decrease (previous year: increase) in finished goods and work in progress</strong></td>
<td>-141,777.91</td>
</tr>
<tr>
<td><strong>3. Other own work capitalized</strong></td>
<td>950,409.39</td>
</tr>
<tr>
<td><strong>4. Other operating income</strong></td>
<td>313,913.60</td>
</tr>
<tr>
<td><strong>5. Cost of materials</strong></td>
<td>418,795,259.66</td>
</tr>
<tr>
<td>a) Costs of raw materials, consumables and supplies and of purchased merchandise</td>
<td>114,146,275.54</td>
</tr>
<tr>
<td>b) Costs of purchased services</td>
<td>10,858,829.24</td>
</tr>
<tr>
<td><strong>6. Personnel expenses</strong></td>
<td>154,204,204.76</td>
</tr>
<tr>
<td>a) Wages and salaries</td>
<td>344,491,754.06</td>
</tr>
<tr>
<td>b) Social security</td>
<td>13,237,247.74</td>
</tr>
<tr>
<td>c) Pension costs and other benefit costs</td>
<td>125,756,068.32</td>
</tr>
<tr>
<td><strong>7. Amortization, depreciation and write-downs of intangible assets and property, plant and equipment</strong></td>
<td>16,950,656.44</td>
</tr>
<tr>
<td><strong>8. Other operating expenses</strong></td>
<td>162,956,188.99</td>
</tr>
<tr>
<td><strong>9. Income from other securities and loans of the fixed financial assets including gains on disposal and income from write-ups</strong></td>
<td>329,912,723.95</td>
</tr>
<tr>
<td><strong>10. Other revenue and similar income</strong></td>
<td>45,628,030.95</td>
</tr>
<tr>
<td><strong>11. Interest and similar expenses</strong></td>
<td>1,000,000.00</td>
</tr>
<tr>
<td><strong>12. Income taxes</strong></td>
<td>11,609,135.63</td>
</tr>
<tr>
<td><strong>13. Net income after taxes</strong></td>
<td>32,120,501.29</td>
</tr>
<tr>
<td><strong>14. Other taxes</strong></td>
<td>663,042.61</td>
</tr>
</tbody>
</table>
## Multi-Year Overview of the Ravensburger AG Consolidated Group

<table>
<thead>
<tr>
<th>Year</th>
<th>Net revenue</th>
<th>Results from ordinary activities (%)</th>
<th>Net income for the year (%)</th>
<th>Cash flow (%)</th>
<th>Balance sheet total</th>
<th>Shareholders’ equity (%)</th>
<th>Number of employees</th>
<th>Investment in property, plant and equipment</th>
<th>Depreciation of property, plant and equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>293,255</td>
<td>15.2%</td>
<td>11.6%</td>
<td>130,827</td>
<td>261,877</td>
<td>61.8%</td>
<td>1,405</td>
<td>5,108</td>
<td>5,060</td>
</tr>
<tr>
<td>2010</td>
<td>311,660</td>
<td>14.7%</td>
<td>13.4%</td>
<td>289,928</td>
<td>143,849</td>
<td>63.4%</td>
<td>1,471</td>
<td>11,300</td>
<td>5,476</td>
</tr>
<tr>
<td>2011</td>
<td>319,521</td>
<td>10.0%</td>
<td>11.4%</td>
<td>299,143</td>
<td>183,689</td>
<td>64.8%</td>
<td>1,640</td>
<td>8,000</td>
<td>6,309</td>
</tr>
<tr>
<td>2012</td>
<td>329,873</td>
<td>12.8%</td>
<td>12.6%</td>
<td>352,834</td>
<td>213,823</td>
<td>66.8%</td>
<td>1,667</td>
<td>3,700</td>
<td>9,007</td>
</tr>
<tr>
<td>2013</td>
<td>358,676</td>
<td>14.2%</td>
<td>12.6%</td>
<td>353,025</td>
<td>230,111</td>
<td>68.8%</td>
<td>1,719</td>
<td>8,942</td>
<td>6,811</td>
</tr>
<tr>
<td>2014</td>
<td>373,153</td>
<td>14.4%</td>
<td>12.6%</td>
<td>384,965</td>
<td>255,357</td>
<td>65.3%</td>
<td>1,838</td>
<td>15,083</td>
<td>6,811</td>
</tr>
<tr>
<td>2015</td>
<td>443,998</td>
<td>12.2%</td>
<td>12.6%</td>
<td>407,657</td>
<td>270,950</td>
<td>66.3%</td>
<td>2,007</td>
<td>22,001</td>
<td>6,792</td>
</tr>
<tr>
<td>2016</td>
<td>473,544</td>
<td>12.1%</td>
<td>9.3%</td>
<td>461,910</td>
<td>287,991</td>
<td>62.3%</td>
<td>2,109</td>
<td>6,581</td>
<td>9,140</td>
</tr>
<tr>
<td>2017</td>
<td>471,059</td>
<td>11.7%</td>
<td>9.0%</td>
<td>449,973</td>
<td>295,816</td>
<td>59.2%</td>
<td>2,133</td>
<td>6,792</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>491,456</td>
<td>12.0%</td>
<td>9.2%</td>
<td>522,029</td>
<td>318,004</td>
<td>60.8%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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* Group proportion of net income
** Operating cash flow without working capital and provisions until 2014 established in accordance with DR 2 (German Accounting Standards No. 2) from 2015 on established in accordance with DR 21 (German Accounting Standards No. 21)
*** Number of employees in full-time equivalents