

Ravensburger ▲

2006 Annual Report of the
Ravensburger AG Group



RAVENSBURGER MOMENTS

Enjoyment, Education, Togetherness

Playing is more than just passing the time.
Reading is more than just acquiring information.
Enjoyment is more than just having fun.
Education is more than just gaining knowledge.
Being together is better than being alone.

Enjoyment, education and togetherness –
we believe in these values.
With passion and intellect.

So that children and adults
constantly

Discover what is really important.



Comparative of the Ravensburger AG Consolidated Group

| | 1996 T€ | 1997 T€ | 1998 T€ | 1999 T€ | 2000 T€ | 2001 T€ | 2002 T€ | 2003* T€ | 2004* T€ | 2005* T€ | 2006 T€ |
|--|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|--------------------|--------------------|--------------------|-------------------|
| Sales without consolidated sales RTV Family Entertainment AG | 241,672 | 248,983 | 295,610 | 301,804 | 284,375 | 288,328 | 254,444 | 266,972 258,343 | 286,575 280,536 | 287,671 283,770 | 281,505 |
| Results from ordinary activities as a percentage of sales | 11,210 4.6 % | 10,987 4.4 % | 2,977 1.0 % | 3,083 1.0 % | -5,216 -1.8 % | 7,952 2.8 % | 23,234 9.1 % | 27,562 10.3 % | 32,173 11.2 % | 40,885 14.2 % | 45,623 16.2 % |
| Net income/(loss) for the year after tax margin as a percentage of sales | 5,358 2.2 % | 7,984 3.2 % | 1,714 0.6 % | -3,809 -1.3 % | -14,498 -5.1 % | 5,424 1.9 % | 9,589 3.8 % | 14,884 5.6 % | 26,271 9.2 % | 29,075 10.1 % | 30,883 11.0 % |
| Cash flow** as a percentage of sales | 18,547 7.7 % | 23,215 9.3 % | 18,323 6.2 % | 12,579 4.2 % | 12,118 4.3 % | 17,900 6.2 % | 39,100 15.4 % | 28,900 10.8 % | 36,700 12.8 % | 40,200 14.0 % | 41,400 14.7 % |
| Balance sheet total | 180,581 | 193,949 | 273,026 | 236,542 | 245,946 | 226,070 | 198,257 | 256,736 | 265,001 | 234,654 | 237,055 |
| Shareholder's equity as a percentage of balance sheet total | 46,944 26.0 % | 55,285 28.5 % | 53,899 19.7 % | 47,703 20.2 % | 25,673 10.4 % | 31,805 14.1 % | 34,422 17.4 % | 57,753 22.5 % | 83,237 31.4 % | 97,845 41.7 % | 121,244 51.1 % |
| Number of employees (year-end) | 1,823 | 1,730 | 2,012 | 2,020 | 1,834 | 1,700 | 1,409 | 1,396 | 1,448 | 1,438 | 1,407 |
| Investments in tangible fixed assets | 9,637 | 17,046 | 24,641 | 8,980 | 8,580 | 3,334 | 2,763 | 1,952 | 4,739 | 7,891 | 3,282 |
| Depreciation of tangible fixed assets | 11,241 | 11,436 | 15,321 | 14,995 | 11,846 | 15,877 | 8,048 | 7,203 | 6,137 | 6,211 | 6,889 |
| <p>* 2003–2005 consolidated financial participations RTV Family Entertainment AG included ** Operating cash flow without working capital and accruals established from 2000 in accordance with DRS 2 (German Accounting Standards No. 2)</p> | | | | | | | | | | | |

Annual Report

Supervisory Board

Dr Klaus P. Bleyer

Lindau
Chairman

Dorothee Hess-Maier

Ravensburg
Vice-Chairwoman

Otto Julius Maier

Ravensburg

Rolf Allmendinger

Geislingen/Steige

Dr Manfred Antoni

Weinheim

Dr Wolfram Freudenberg

Stuttgart

Managing Board

Karsten Schmidt

Ravensburg
Spokesman

Frank Mallet

Ravensburg

2006. The Ravensburger year in overview

4

Ravensburger Moments

6

Financial Statements

Annual Report

38

Balance Sheet

46

Income Statement

48

2006. The Ravensburger year in overview

2006 was once again an economically advantageous year. With consolidated sales of € 281.5 million, revenues lie slightly below the level of € 283.8 million attained the previous year (comparable basis of consolidation); however, last year's turnover encompassed € 5.6 million in merchandise which is no longer being accounted for in 2006. Adjustment for this effect results in a sales increase of 1.1%. As this sales growth was obtained in declining markets, we have been able to improve our market position across all segments and in virtually every country in which we are represented. Fortunately, last year's unusually good result level could be sustained.

The Games, Puzzles and Arts/Crafts division attained sales of € 229.5 million in 2006, as compared to € 233.5 million the previous year. The effect for the Group as described above, regarding the disclosure of merchandise, concerns this division exclusively. This results in year-on-year growth of 0.7%. Sales development in the German-speaking region was stable. This is to be evaluated positively, as the German toy market in particular suffered from a weak, belated Christmas season and shrank by 1.8%. We attained increased sales in foreign markets, particularly in Spain, the USA and Great Britain. Another pleasing development is that exports have had double digit growth rates for the second time in a row.

The Children's and Youth Books division improved sales by 1.4% to € 47.6 million, thereby increasing for the sixth time in a row. This should be regarded as a success, as the children's and youth book market declined by 8.0% overall in 2006 due to a lack of bestsellers. The "Wieso? Weshalb? Warum?®" range performed in a particularly distinguished manner, with further growth and a market share of 54.2% in the specialised children's books category, as did the narrative children's and youth books series, with a sales increase of 25.7%.

Ravensburger Spieleland pushed turnover from € 5.4 million to € 5.6 million, with attendance rising from 310,000 to 330,000 (+ 6.5%) – a pleasing result in view of the rainy 2006 season. The new main attraction, alpine rafting, proved to be a real crowd puller. The settlement reached in December 2005 between REAL Fonds GmbH & Co. Freizeitpark KG and Ravensburger went into effect in April 2006. The assumption by REAL Fonds shareholders amounted to 98.9%; the comparison sum corresponded to 40.7% of the capital that flowed to Ravensburger Spieleland. Our event agency, Ravensburger Leisure & Promotion Service Division GmbH, obtained a turnover of € 2.1 million in 2006.

During the 2006 financial year, we were able to develop our market position substantially. This is backed up by commercial panels, which measure retail sales to consumers and cover between 50% and 70% of the market. Thus with a 6.6% market share, Ravensburger is ranked fourth on the German toy market, gaining 0.5 market share percentage points. In the games segment, we are ranked second with an 18.4% market share. We are the market leader in the puzzles segment with a 76.7% market share and a 27.1% market share in the arts/crafts segment. In the baby toy segment, Ravensburger holds a market share of 6.5% and is already ranked fourth, just three years after launching the product brand "ministeps®". After joining the experiment market segment only in 2006, Ravensburger is already ranked third with a market share of 7.1%. In particular, with the successful launch of our small toy range "Minis®", we recorded the highest volume growth of all manufacturers on the German toy market in 2006. In the children's and youth book market, we are once again market leader in Germany, with a 10.4% market share and an increase of 1.6 percentage points as compared to last year.

The Games, Puzzles and Arts/Crafts division was likewise able to increase its market shares in a nearly consistent manner across Europe. In Great Britain consumer sales rose by 11.6%, in Spain by 20.1% and in Italy by 10.3%.

Over the course of centralisation of logistics for the Games, Puzzles and Arts/Crafts division in Europe, the warehouse in Méru, France, was closed in 2006. Similar to the strategy carried out in Holland and Belgium the previous year, now France will also be supplied by an external logistics service provider with headquarters in 's-Heerenberg, Netherlands.

In 2006, our market strategy was once again successful. Thus our product brands exhibited above-average development in terms of sales and profitability and already bring in nearly two-thirds of the overall turnover. Important momentum was achieved by launching new segments and product brands. With "Science X", we launched the experiment segment, and with "Minis®", the segment for small, low-price presents. With "Piraten auf Schatzjagd", Ravensburger opened up a new category in the role-playing games segment, or more precisely, the segment for rule-based role-playing games. Further strategic steps mark the relaunch of our educational games with the range "Spielend Neues Lernen", as well as the expansion of our successful product line

"Wieso? Weshalb? Warum?®" with the "www aktiv" range. As for the umbrella brand, in the context of the new brand identity, claims were established for all segments and backed up by market research studies. A film that visualises our brand philosophy, as well as an internal brand competition (in which groups from different departments present their view of the core values) contributed to the consolidation of the brand understanding.

Our outlook for the new financial year is cautiously optimistic. Reasons for this caution include declining markets as well as the already high level of our market positions. We are optimistic due to the 2007 range, which has found positive resonance on retail markets. We expect particular momentum from the new product brand "Paper Creation®" in the arts/crafts segment, from "Micro Puzzle" and "Family Puzzle" in the 2-D puzzle segment, as well as from a number of new products in the 3-D puzzle segment, including new forms such as Easter eggs, hearts and pyramids, as well as a Ravensburger advent calendar which is being introduced for the first time. A considerable amount of attention was gained at the Nuremberg Toy Fair by "Spiel & Vergnügen", the new game series for people over 50, with which Ravensburger is taking a more differentiated approach to its adult target audience. With the new book series "Expedition Wissen", we have launched a new

range of specialised books, which reflects the changed perceptive attitudes of the target group.

At this point, we would like to thank all the employees of the Ravensburger Group, whose commitment, enthusiasm and creativity have not only enabled but also decisively shaped the success of our enterprise, the reputation of the brand and the satisfaction of our customers and business partners.

We would expressly like to thank the employees on the works council, who have lobbied for the interests of the staff in a highly constructive and fair manner. Additionally, we would especially like to thank our retail partners for their excellent collaboration and their commitment to Ravensburger.

Beyond its reporting obligation, this year's annual report has been designed to make the Ravensburger brand more experiential. Under the slogan "Ravensburger Moments", an image sequence outlines the feelings, experiences and discoveries that our games, books and recreational offers bring to people's lives. We also focus on the values for which our brand stands: enjoyment, education and togetherness.

Managing Board

RAVENSBURGER MOMENTS

Often, it is small moments
that reveal larger things.
Precious instants,
condensing what is really important:

The joy arising from an event.
Astonishment at a realisation.
The happiness of common experience.

The ways in which Ravensburger games, books and recreational activities move hearts – this is what we would like to show on the following pages. Enjoy learning more about our brand philosophy in images.





What has mummy brought home for me?



Children love surprises. Parents love to feel appreciation for them

The small toy range "Minis" offers plenty of surprises to children aged five to nine for playing, performing magic and doing crafts. Launched in the spring of 2006 as a novelty item, "Minis" were one of the most successful products in Germany.



The most loving way of assuming responsibility

A range of volumes for small hands and big eyes.
This is how the love of books begins

Ravensburger cardboard picture books offer a variety of formats and topics that are lots of fun for children and parents: simple colours and clear forms for the littlest ones, sturdy books with playful effects for larger ones.





Winning is nice! But it's even nicer when everyone plays together



Finding time for children brings loads of treasures to light

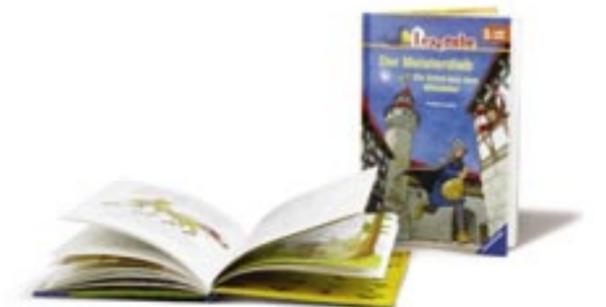
"The aMAZEing Labyrinth" is one of the most popular family adult games in Europe. It has been on the market for 20 years and is available in different versions – the classic version, the "Disney Labyrinth", the "Junior Labyrinth", as well as "Labyrinth – The Treasure Hunt" and "Labyrinth – The Card Game".

Forgetting the rest of the world and discovering,
page by page, how words can become adventures



Learning to read is child's play. With dolphins and detectives, ponies and pirates

"Leserabe", the book series for beginning readers, offers three stages of suitable reading for those taking their first steps in understanding books. Redesigned in 2004, these titles, featuring the reading raven mascot, have been among the Ravensburger success stories.





Children want to play, children should learn.
The two can be easily combined

The educational game series “Spielend Neues Lernen”, was developed with educators and brought onto the market at the beginning of 2006. Under the slogan “Strengthening strengths”, it ties in with children’s natural curiosity, inspires the enjoyment of knowledge and promotes independent, individualised learning.



It’s amazing how today’s children learn



Making waves with knowledge



Discovering how things function: water, air and more

“Science X” experiment boxes help children aged eight and older to understand scientific connections. With exciting experiments on the topics of mechanics, acoustics, optics, electricity and biology. The series was successfully launched in 2006.

Daddy's forgotten where
the frog is again



Remember, discover, experience.
The memory game that children
often win

"memory®" is Ravensburger's most
successful game and with more than
50 million copies sold, a global classic.
Over the past years, the range for
very small children and for adults has
been extended.



Bringing small talents to shine



Making painting fun. And opening up a fascinating new world

“Painting by Numbers®” stimulates the joy in using colours and paint brush, promotes pride in a completed work and encourages children to paint freely. With the promise “Everyone can paint” and a large selection of subjects, the series inspires both children and adults.



Being there when needed



Babies need warmth and security from mummy and daddy. And cuddly toys

The baby and infant series “ministeps®” offers a unique variety of high-quality toys and books for each stage of development from 0–36 months. Especially for the first six months, with soft and cuddly play books and animals.





In the end, laughing wins

Children like entertaining games that can get pretty lively. With fun and excitement right up to the very end

Entertaining children's games such as "Kiki Ricky" offer fun and excitement, require luck and skill, and bring children together. Action-packed, three-dimensional games have been particularly successful over the last few years.





You're never too small for amazement

Children ask thousands of questions and want to know everything. About animals and plants, about castles and excavators

The Ravensburger children's specialised book series "Wieso? Weshalb? Warum?®" offers answers that are suitable for children. The series, which began in 1998, now includes about 40 titles and is among the most successful specialised book series in Germany for kids aged three onwards.





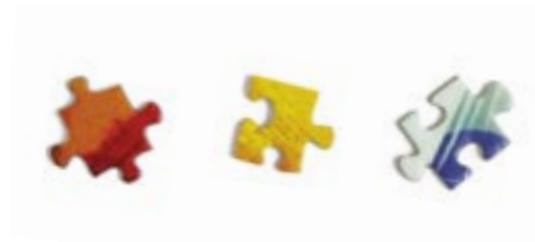
It's nice to know you're not alone.
Especially when the topics become more adult



Reading material for youngsters aged twelve and above.
Enthralling and romantic, instructive and entertaining

Ravensburger youth books look into subjects that interest the age group: self-discovery and first love, society and history, suspense and fantasy. In the form of novels, stories and specialised books. For boys and girls.

Sometimes, you just need an island
all to yourself



Discover how things fit together

Ravensburger puzzles stand for tradition and the widest range of puzzle images, for highest quality and precise fitting accuracy. Ravensburger, the market leader in Europe, offers puzzles for children and adults, in 2-D and in 3-D.



When a beautiful day draws to a close, it's time to look forward to the next all over again



Popular excursion destination for families, with games, high-speed action and fun

The recreational park Ravensburger Spieliland offers over 50 attractions in a lovingly landscaped park. Children aged two and older, young people and adults will all find loads of fun, action and games to take part in here.



Financial statements

Annual Report of the Ravensburger AG Group

Business development and situation in 2006

The general business environment for the Ravensburger Group in the fiscal year 2006 was characterised by a slight decline in our sales markets in Europe and the USA and a further concentration of the trading landscape. Under these prevailing conditions, the Ravensburger Group was able to exploit the strengths of its products in terms of content, quality and service and hold its market position in the year covered by the report and in some sectors even improve it. The business stability and financial soundness of the Group are backed up by another slight increase in the annual result of the Group, which is however also influenced by special and one-off effects.

Overview of Ravensburger AG and Group

Ravensburger AG is the managing holding company of the Ravensburger group of companies. The operative business of the Ravensburger Group is conducted by the subsidiaries of the Ravensburger AG, which are organised into three business divisions. Ravensburger AG is linked to the main operative subsidiaries in Germany via profit transfer agreements.

Various, largely commercial, functions of the German subsidiaries are performed centrally by specialised divisions of Ravensburger AG. This applies to the functions of finance, central controllership, central marketing, press, human resources, IT and legal issues.

In addition to the holding function, Ravensburger AG (RAG) also leases the land and buildings in Ravensburg to the operative subsidiaries and licenses the use of the Ravensburger brand to the companies of the Group.

In the context of its treasury function, RAG is also responsible for central currency management for the whole Ravensburger Group. It handles and bundles the exchange rate risks of the subsidiaries arising from internal goods and service transactions by means of foreign currency invoicing to the subsidiaries. In addition, the subsidiaries can place their remaining external currency risks with RAG via foreign currency forward exchange transactions and thus cover them. The central treasury of RAG reduces the foreign currency risks occurring in the Group where possible in the context of cash management by netting and guards residual risks against exchange rate fluctuations where required by foreign currency forward exchange transactions. This is based on the new treasury directive of the Ravensburger Group introduced in 2004.

Finally, RAG controls and coordinates the Group-wide risk management system. The risks from all corporate divisions are regularly recorded and analysed via quarterly risk centre reports. Deviations are continually analysed via annual plans, monthly and quarterly reports with forecasts to the end of the year and business reviews and the necessary measures are taken.

Business development of operative divisions

Games, Puzzles and Arts/Crafts division

The German toy market in particular suffered from another late start to the Christmas season in 2006 due to the very hot autumn which was completely concentrated on the last week before Christmas. According to independent surveys, the market lost 1.8 % in turnover. In this environment, the Games, Puzzles and Arts/Crafts division was able to hold its ground and was above the average turnover development of the market in all its product groups (source: NPD-Handelspanel). Its market share of the whole toy market in Germany increased from 6.1 % to 6.6 %.

The Games, Puzzles and Arts/Crafts division now achieves 60 % of its turnover abroad. Here, the European markets put together witnessed a very stable development. The strongest growth in markets, with + 5 % in each case, occurred in Great Britain and in Spain. Due to the successful introduction of the new “puzzleball®” in Great Britain and entry into the Spanish toy market, the Games, Puzzles and Arts/Crafts division was even able to increase its turnover in these growth markets by between 10 and 20 % and thus achieved its targets.

Nevertheless, the overall sales revenues of the Games, Puzzles and Arts/Crafts division decreased from € 233.5 million in the previous year to € 229.5 million. However, this decrease is due on balance to the changed contractual and accounting circumstances of certain transactions. Whereas these transactions were reported in the previous year's turnover as sales revenues of € 5.6 million, as of 2006 they will only be reported as commission revenues of € 0.2 million. Adjusted by this effect, turnover of the business division was slightly above the level of the previous year.

In detail, products from all publishing groups, the further development of the product brands and a wide range of licences contributed to this:

- In the course of in-licensing at the 2006 World Cup and the associated product developments, the “puzzleball®” achieved another increase in turnover.
- In the Games division, the completely new range of learning games launched in 2006 had a very positive effect on turnover in Germany. In addition, the new 3-D action game “Chuck-It Chicken” and the newly designed XXL adventure games with “Pirates on the High Seas” contributed to the growth. In the Games sector, the product brand “The aMAZEing Labyrinth” was successful throughout Europe with the 20th anniversary edition, as was the family game “Make'N'Break”. However, total turnover in the games segment decreased slightly.

- In the Arts/Crafts division, the relaunch of the classic “Painting by Numbers” successfully carried out in 2005 was responsible for further growth in the year covered by the report. The introduction of the new product range “Science X” science experiment kits began with a turnover of more than € 1 million.
- The small games range “Ravensburger Minis®” introduced in 2006 also achieved respectable market success of over € 1 million turnover and was the third most successful product in the German toy market in August 2006.
- In the “ministeps®” product segment, the business division achieved an increase in turnover of 3 %. In Germany, the growth rate of this product range was even 12 % and is therefore the 4th most successful brand for young children.

On the process side, logistics was further optimised in the business year 2006. The warehouse of the French subsidiary, managed independently up until 2005, was closed in 2006. With this measure it was possible to considerably reduce stocks of the business division whilst maintaining the traditionally high level of deliverability.

Customers in France have since been supplied by a service provider who had already taken over supplies to the Dutch and Belgian markets the previous year.

Children's and Youth Books division

In 2006 the German book market achieved overall results just below those of the previous year. The most successful categories were non-fiction, school books and audiobooks. Compared with the previous year's large number of best-sellers, the children's and youth book segment experienced a decline of approx. 8 %. Nevertheless, the Ravensburger book-publishing company was able to increase its turnover for the fifth year running and therefore further increase its market leadership in the German children's and youth book market.

As in the previous year, the success came from many product segments. These included net revenue growth (without deliveries to subsidiaries) of the Ravensburger "ministeps®" range for young children with + 10 %, picture books with + 5 %, children's non-fiction with + 11 % and paperbacks with + 9 %. Special mention should be made of children's and youth fiction with an increase in turnover of + 26 %. Another pleasing development was the sustained growth of the "Wieso? Weshalb? Warum?" series, which was the most successful non-fiction series for nursery and pre-school children in the non-fiction picture book category with a market share of over 50 % (source: MediaControl). Finally, the Ravensburger book-publishing company was able to achieve remarkable sales success with a range of topical products for the 2006 World Cup in Germany.

Leisure and Promotion Service division

Ravensburger Spieleland AG

With a total of 330,000 visitors in Spieleland, an increase of 6.5 % compared to the previous year 2006 was achieved. In particular, a considerable increase in the number of season tickets sold and the associated increase in numbers of repeat visits is the reason for the overall higher numbers of visitors to the park. However, a cool and rainy August, the main season in Spieleland, prevented a corresponding increase in the number of one-time visitors. With approx.

252,000 visitors paying for admission (season ticket holders are only counted once), numbers in the 2006 season were even slightly lower than the previous year (- 0.5 %).

At € 5.6 million, turnover for the past year was 2.5 % above that of the previous year. The main reasons for this were entrance fee increases by an average of € 1 gross for single tickets and – despite the already high level of the previous year – a further increase in additional revenue from catering (+ 9.5 %) and shop/merchandising (+ 3.2 %).

In the middle of last year, the "Minimundus Modellschau Bodensee" leisure park, only opened in 2005 next door to Spieleland, regrettably filed for bankruptcy and closed at the end of October. Due to this development, both the sale of combination tickets in the two parks and turnover with Minimundus from the sale of car park tickets decreased compared to the previous year (- 19.6 %).

The dormant partnership with REAL Fonds GmbH & Co. Freizeitpark KG, Herrsching, (REAL Fonds KG) was terminated on the basis of a conciliation agreement of 21./30.12.2005 which came into legal effect in April 2006. Ravensburger AG is therefore now also economically the sole proprietor of Ravensburger Spieleland AG.

Ravensburger Leisure & Promotion Service Division GmbH

The company operates as a service provider for business customers in the business sectors of fixed and mobile brands, children's corners and events. With tours of shopping centres, town festivals and consumer trade fairs as well as the design and implementation of various children's corners, turnover of € 2.1 million was achieved in the past year.

Situation of the Ravensburger AG Group

Income situation

In the fiscal year 2006, the Ravensburger Group generated consolidated turnover of € 281.5 million (thereof 51 % abroad). The decrease compared to the previous year € 287.7 million) is on balance due to non-operative special effects. Whereas € 5.6 million of the previous year's turnover was reported as sales revenue from business transactions, as of 2006 these business transactions will only be reported as commission revenue due to changed contractual and accounting circumstances. In addition, in the previous year the consolidated sales revenues of € 3.9 million from the financial investment in RTV Family Entertainment AG, which was sold and deconsolidated in autumn 2005 (now Your Family Entertainment AG, Munich), had to be reported. Once the sales revenues of the previous year are adjusted by these two effects, (corresponds to € 278.5 million for 2005), the resulting increase in turnover in the operative business of the Ravensburger Group amounts to 1.1 %. This increase is primarily attributable to the improved sales revenues of the Games, Puzzles and Arts/Crafts and Children's and Youth Books divisions.

Miscellaneous operating revenues increased compared with the previous year by € 2.7 million, which was mainly attributable to the dissolution of accruals not required to the full extent (connected, among other things, with the closure of the warehouse location).

On the expenditure side, there were considerable cost savings in several areas, but also some disproportionately high cost increases.

Material costs decreased, for example, partly due to changed handling of business transactions. A reduction in depreciation on property, plant and equipment and intangible assets as well as lower costs for maintenance measures lead to a further reduction in expenditure.

On the other hand, royalties increased due to a continued increase in turnover with licence products (in particular for the 2006 World Cup), and expenditure for communications, mainly due to specific investments to increase turnover and market shares in individual European markets strategically defined as growth regions.

On balance, however, these cost increases were more than compensated for by the above-mentioned savings and increased revenues, so that EBIT increased by € 4.2 million to € 44.3 million compared with the previous year.

The financial result increased by € 0.5 million to € 1.3 million. This was mainly due to higher revenues from a new asset management system introduced in the year covered by the report, reduction in interest expenditure as a result of full repayment of remaining shareholder loans and no longer included interest expenditure of the former financial investment in RTV Family Entertainment AG.

The result of ordinary activities therefore increased to € 45.6 million (previous year € 40.9 million).

The extraordinary result of the Group also increased by € 1.7 million. It was encumbered in the previous year by the formation of an anticipated loss accrual in connection with the conciliation negotiations with REAL Fonds KG, the dormant partner of Ravensburger Spieleland AG. Settlement was reached in the year covered by the report.

Tax expenditure of the Ravensburger Group in the past year of € 14.4 million was considerably higher than the previous year (€ 9.8 million). The increase mainly resulted from the losses carried forward from earlier years which reduced tax in the previous year, from back taxes as a result of the external tax inspection of the German companies completed in the year under report and from the change in deferred taxes.

On balance, the Ravensburger Group was nevertheless able to achieve another slight increase in its consolidated annual result after tax compared to the already very good result of the previous year. The Group annual net profit of € 30.9 million was € 1.8 million above the previous year (€ 29.1 million), which corresponds to a return on sales of 11.0 % after tax (previous year 10.1 %).

Assets

At € 237.1 million, the Group's total assets as of 31 December 2006 are approximately the same as the previous year (€ 234.7 million). There were only individual differences within the balance sheet structure.

Non-current assets increased overall by € 14.1 million to € 64.2 million. Due to lower investments in relation to depreciations in 2006, property, plant and equipment increased by € 3.5 million. Whereas investments in property, plant and equipment of € 3.3 million were considerably lower than the previous year (€ 7.9 million) (large advance payments for projects in 2006 were already capitalised in the previous year), depreciations on property, plant and equipment of € 6.9 million were made in the period covered by the report.

In the year covered by the report, a new, earnings-optimised asset management system was introduced for part of the liquidity of the Ravensburger Group, which in agreement with the Supervisory Board foresees a longer-term investment of funds in fixed interest securities and partly also in shares. To this end, two banks were entrusted with the external asset management of the funds in accordance with a risk-limiting investment directive. With the outsourced liquidity, the pension plans and similar commitments of the Ravensburger Group are to be safeguarded in the long term. By reporting the pension bonds held in the context of asset management under financial assets, the latter increased to € 17.4 million.

At the same time, with the shares held in the context of asset management, bonds of € 9.6 million are reported for the first time in current assets.

Capital tied up in operative current assets (inventories and accounts receivable) remained more or less constant in the year covered by the report. It was possible to reduce inventories in particular in the Games, Puzzles and Arts/Crafts division as a result of a further centralisation of stocks by € 4.4 million. Trade accounts receivable, on the other hand, increased at the accounting date by € 4.9 million as a result of another late start of the Christmas business season.

Liquidity/cash flow

The cash flow from current business activities of the Ravensburger AG Group in the year covered by the report was € 24.9 million and was therefore € 13.4 million above the level of the previous year (€ 11.5 million) at the accounting date. The main factor of influence here was the € 10.1 million lower capital drain from the change in working capital.

Cash and cash equivalents decreased by the end of 2006 to € 50.6 million compared with € 72.7 million in the previous year. This was due to the outsourcing of free liquidity to an external asset management system as described above and repayment of the last tranche of the shareholder loans granted several years ago.

The Ravensburger Group has no liabilities to banks as at the end of the year.

Financing structure

The Ravensburger Group was able to increase its shareholders' equity from € 97.8 million to € 121 million in the past fiscal year. This is attributable to the Group's net annual income of € 30.9 million, reduced by dividend payments made. The shareholders' equity ratio therefore increased to 51.1 % (previous year 41.7 %).

Pension accruals increased in 2006 by € 1.5 million. An amount of € 0.2 million is deducted from this figure for the ongoing increase in the Group's pension plans and similar commitments. A further € 1.3 million was accrued due to a change in the valuation of pension plans and similar commitments. In view of the significant fall in average interest rates on long-term investments in the capital market in recent years, the calculation of pension accruals will be based on a further reduced interest rate of 4.5 % p.a. as of the reporting period 2006 (an initial adjustment to 5.0 % was already carried out in the previous year).

Tax accruals increased in 2006 to € 10.7 million (previous year € 4.4 million). This was due to lower tax prepayments throughout the year compared with the expected tax burden and back taxes of € 2.9 million as a result of the external tax inspection of the German companies carried out in the year covered by the report.

Miscellaneous accruals decreased in the past fiscal year by € 15.3 million. The accruals recorded in the previous years for various risks were either used up in 2006 (for example in connection with the closure of the logistics location or the settlement with REAL Fonds KG) or were able to be dissolved at a profit without the need for new accruals of the same amount.

The reduction in accounts payable is mainly attributable to the repayment of shareholder loans already described.

A total of 1,407 employees (previous year 1,438) were employed by the Ravensburger Group at the end of the fiscal year 2006 (excluding seasonal staff of Ravensburger Spielplatz AG and Ravensburger Leisure & Promotion Service Division GmbH). Numbers were reduced mainly in the Games, Puzzles and Arts/Crafts division, mainly due to closure of the warehouse in France.

Outlook for the beginning of the fiscal year 2007

Games, Puzzles and Arts/Crafts division

The strategic realignment of the business division begun in 2003 and developed further in 2006. It should be further implemented in 2007. The main measures concern:

- Further investments in improving the market position in the individual countries.
- Establishment of pan-European product markets under the Ravensburger® label.
- Establishment of international standard processes in the area of sales promotion.
- Implementation of an innovation process in the area of product development.
- Further expansion of the production factory premises in the Czech Republic.

The new products presented at the Nuremberg toy fair at the beginning of 2007, especially the patented product "Paper Creation®" in the Arts/Crafts division, were very well received by the trade. Together with the extensive backlist, this offers a solid basis for continued satisfactory development in turnover and result in 2007.

The main risks facing the division's future business development are posed by a continuing decline in birth rates and the increasing concentration of trade as a result of the dwindling specialist retail base which is so important for us. This brings with it the risk of customer losses and decreased margins.

Children's and Youth Books division

Whereas the Ravensburger book-publishing company was able to achieve a considerable increase in market share in the previous year – against the general market trend in children's and youth books – we are only expecting a slight increase in 2007.

This is due to the competitive products announced for the second half of 2007 in the children's and youth fiction segment.

Nevertheless, the Ravensburger book-publishing company considers itself well equipped to successfully defend its market leadership. With a high quality product range and a leading position in many product areas, we have a stable starting position.

The main focus in the range and marketing for 2007 is on the following:

- Further main titles will be published in the children's and youth fiction series.
- With the "Reading Foundation", a nationwide reading promotion campaign will be carried out in approx. 6,000 primary school classes for the successful Ravensburger first reader series "Leserabe".
- With a new children's non-fiction series "Expedition Wissen" and the launch of the school learning series "Lerndetektive", the book-publishing company presents further new products for specific target groups.

The risks facing business development are the continuing concentration of trade and the resulting reduction in the number of small and medium-sized bookshops along with declining birth rates. Despite these prevailing conditions, we expect at least stable business development this year.

Leisure and Promotion Service division

For Ravensburger Spieleland AG, expansion investments are also planned for the 2007 season. With additional measures in sales, marketing and public relations, the degree of awareness of Spieleland is to be increased and the catchment area of visitors extended.

For the 2007 season we expect visitor numbers to be slightly above those of the previous year. The closing days first introduced in 2006 will be retained in 2007. This enables additional use of the park for incentive and marketing events of institutional customers.

The general risk for the future business development of Spieleland is the general inclement weather risk.

Ravensburger Leisure & Promotion Service Division GmbH will continue to hold the popular tour events in 2007. With the creation of individual concepts for children's corners, fixed and mobile brands, new growth potential is to be generated.

Ravensburger Group

In summary, the Managing Board of Ravensburger AG anticipates an essentially stable business development for the fiscal year 2007. Difficult external conditions in terms of the market environment will be balanced by the good positioning and quality of our Ravensburger products and brands, together with the creativity and commitment of our staff.

However, the Group annual net profit in the past year has reached an extraordinarily high level, which was not solely due to the operative business development but also to some positive special effects. We do not assume that this very good result of the previous year will be repeated. However, we naturally aim to maintain the operative level attained and increase it if possible.

We are not aware of significant events after the accounting date.

Ravensburg, March 2007

Managing Board

Consolidated Balance Sheet of Ravensburger AG Group, Ravensburg, Balance Sheet as of December 31, 2006

| ASSETS | € | € | € | T€ | LIABILITIES AND SHAREHOLDERS EQUITY | € | € | T€ |
|---|---------------|----------------|---|------------|--|----------------|---|------------|
| | | | | 31.12.2005 | | | | 31.12.2005 |
| A FIXED ASSETS | | | | | A EQUITY | | | |
| <i>I. Intangible Assets</i> | | | | | <i>I. Subscribed Capital</i> | 12,480,000.00 | | 12,480 |
| Film rights, software, licences and similar rights | 328,655.98 | | | 635 | | | | |
| <i>II. Tangible Assets</i> | | | | | <i>II. Capital Reserves</i> | 39,050,000.00 | | 39,050 |
| 1. Land and buildings | 32,550,948.91 | | | 35,455 | | | | |
| 2. Technical equipment and machinery | 3,638,798.03 | | | 2,003 | <i>III. Earning Reserves</i> | 20,193,724.24 | | 7,537 |
| 3. Other equipment, factory and office equipment | 8,263,525.82 | | | 7,852 | | | | |
| 4. Payments on account and assets under construction | 55,468.91 | | | 2,693 | <i>IV. Retained Earnings</i> | 49,520,429.04 | | 38,779 |
| | 44,508,741.67 | | | 48,003 | | 121,244,153.28 | | 97,846 |
| <i>III. Financial Assets</i> | | | | | B ACCRUALS | | | |
| 1. Shares in affiliated enterprises | 1,432,452.51 | | | 882 | 1. Accruals for pensions | 25,026,256.17 | | 23,488 |
| 2. Participations in affiliates | 510,981.05 | | | 501 | 2. Tax accruals | 10,729,062.56 | | 4,386 |
| 3. Participations | 15,291.45 | | | 46 | 3. Other accruals | 32,645,542.26 | | 47,964 |
| 4. Long-term investments | 17,390,313.64 | | | 24 | | 68,400,860.99 | | 75,838 |
| | 19,349,038.65 | | | 1,453 | C LIABILITIES | | | |
| | | 64,186,436.30 | | 50,091 | 1. Liabilities due to loans made by partners | 0.00 | | 9,746 |
| B CURRENT ASSETS | | | | | 2. Payments received on account of orders | 547,539.10 | | 52 |
| <i>I. Inventories</i> | | | | | 3. Trade accounts payable | 24,055,688.20 | | 29,495 |
| 1. Raw materials and supplies | 5,022,309.10 | | | 6,108 | 4. Liabilities due to affiliated companies | 16,550,704.02 | | 12,912 |
| 2. Work in process | 3,283,210.43 | | | 2,550 | 5. Other liabilities | 6,248,381.91 | | 8,758 |
| 3. Finished goods and merchandise | 13,100,106.16 | | | 17,051 | | 47,402,313.23 | | 60,963 |
| 4. Payments on account | 545,677.87 | | | 694 | D DEFERRED INCOME | 7,785.50 | | 7 |
| | 21,951,303.56 | | | 26,403 | | | | |
| <i>II. Receivables and Other Assets</i> | | | | | | | | |
| 1. Trade account receivables | 79,838,343.89 | | | 74,914 | | | | |
| 2. Receivables due from affiliated enterprises | 1,101,882.16 | | | 1,097 | | | | |
| 3. Receivables due from enterprises in which participations are held | 258,714.61 | | | 410 | | | | |
| 4. Other assets | 7,769,873.79 | | | 5,751 | | | | |
| | 88,968,814.45 | | | 82,172 | | | | |
| <i>III. Securities</i> | | | | | | | | |
| Other securities | 9,648,524.57 | | | 0 | | | | |
| <i>IV. Cash on Hand, Central Bank Balances and Bank Balances</i> | | | | | | | | |
| | 50,546,419.31 | | | 72,673 | | | | |
| | | 171,115,061.89 | | 181,248 | | | | |
| C PREPAID EXPENSES | | 662,056.58 | | 454 | | | | |
| D DEFERRED TAXES | | 1,091,558.23 | | 2,861 | | | | |
| | | 237,055,113.00 | | 234,654 | | 237,055,113.00 | | 234,654 |

Consolidated Income Statement of Ravensburger AG Group, Ravensburg, for the Period January 1, 2006 through December 31, 2006

| | € | € | 2005 T€ |
|---|----------------|----------------|------------|
| 1. Sales | 281,505,306.45 | | 287,672 |
| 2. Decrease in finished goods, inventories and work in progress | -1,403,962.60 | | -941 |
| 3. Other operating income | 15,173,754.59 | | 12,523 |
| | | 295,275,098.44 | 299,254 |
| 4. Cost of materials | | | |
| a) Cost of raw materials, consumables and supplies and of purchased merchandise | 71,901,995.01 | | 77,112 |
| b) Cost of purchased services | 10,855,878.02 | | 12,165 |
| | | 82,757,873.03 | 89,277 |
| | | 212,517,225.41 | 209,977 |
| 5. Personnel expenses | | | |
| a) Wages and salaries | 51,305,837.55 | | 52,075 |
| b) Social security and employee benefits | 10,359,997.94 | | 10,735 |
| c) Other operating expenses | 3,666,171.18 | | 4,087 |
| | | 65,332,006.67 | |
| 6. Depreciation of intangible fixed assets and tangible assets | 6,854,547.39 | | 8,753 |
| 7. Other operating assets | 96,034,357.87 | | 94,184 |
| | | 168,220,911.93 | |
| | | 44,296,313.48 | 40,143 |
| 8. Income from profit and loss absorption/ transfer agreement | 10,614.42 | | 0 |
| 9. Income from participations | 750,000.00 | | 800 |
| 10. Income from associated enterprises | 17,559.17 | | 70 |
| 11. Income from other investment | 365,076.76 | | 52 |
| 12. Other interest and similar income | 1,638,554.10 | | 1,389 |
| | | 2,781,804.45 | |
| 13. Write downs of financial assets | 156,577.89 | | 12 |
| 14. Interest and similar expenses | 1,299,012.48 | | 1,557 |
| | | 1,455,590.37 | |
| | | 1,326,214.08 | 742 |
| 15. Results from ordinary operation | | 45,622,527.56 | 40,885 |
| 16. Extraordinary results | | -347,271.49 | -1,990 |
| 17. Taxes on income | 13,665,108.34 | | 9,162 |
| 18. Other taxes | 733,803.75 | | 658 |
| 19. Income or expense tax of allocation group relief | 7,077.00 | | 0 |
| | | 14,391,835.09 | 9,820 |
| 20. Consolidated net income for the year | | 30,883,420.98 | 29,075 |
| 21. Portion of net loss attributable to minority interests | | 0.00 | 17 |
| 22. Portion of net income Group share | | 30,883,420.98 | 29,092 |
| 23. Transfer from capital reserves | | 31,579,215.73 | 26,102 |
| 24. Transfer to capital reserves | | 0.00 | -1,975 |
| 25. Transfer to profit reserves | | -12,942,207.67 | -14,440 |
| 26. Retained earnings | | 49,520,429.04 | 38,779 |

Organigram of the Ravensburger AG Group



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