

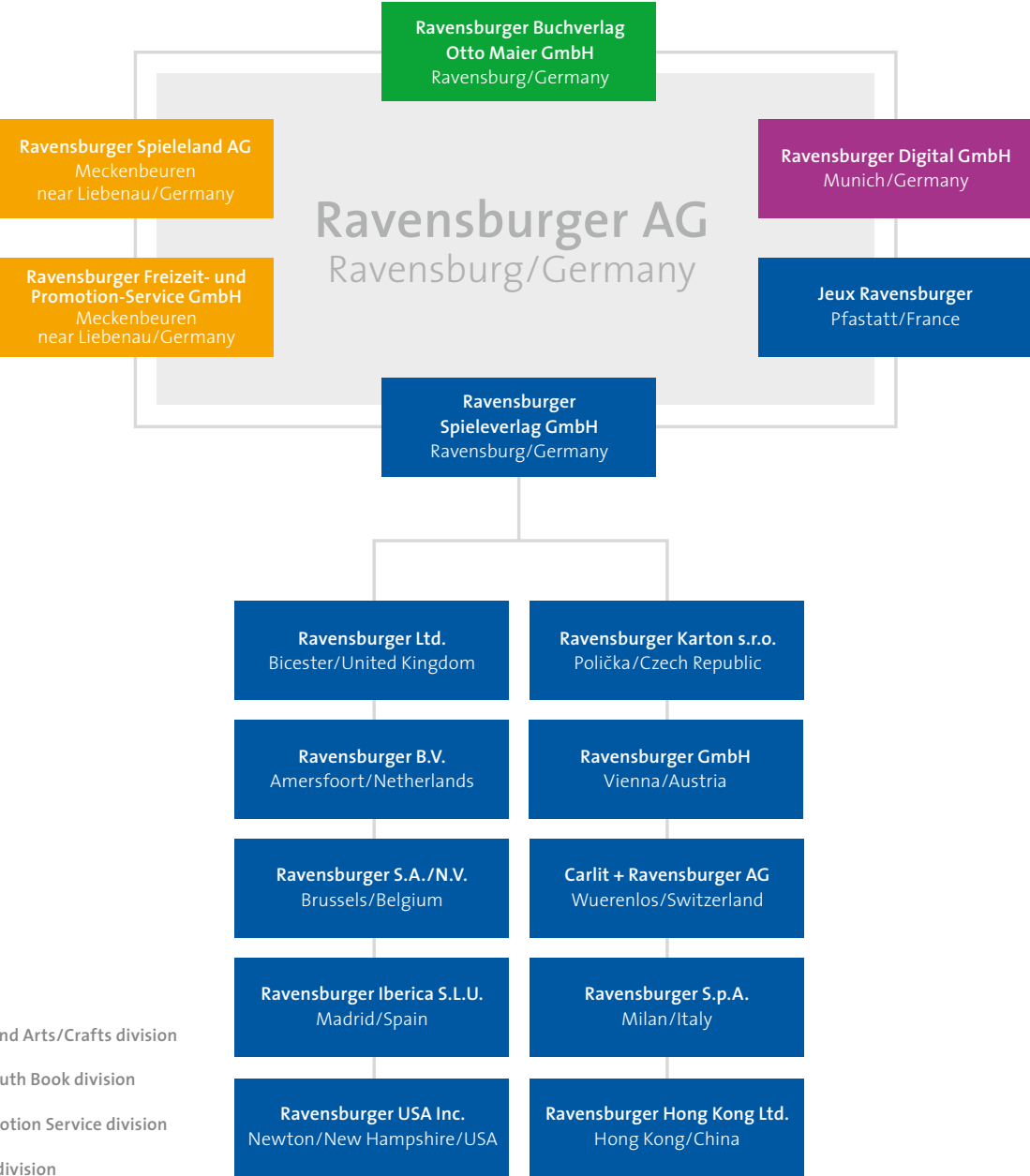


Annual Report 2011
of the Ravensburger AG Group



A RAVENSBURGER DAY

Organigram of the Ravensburger AG Group



- Divisions:
- Games, Puzzles and Arts/Crafts division
 - Children's and Youth Book division
 - Leisure and Promotion Service division
 - Digital Products division



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THE RAVENSBURGER YEAR 2011

In the last fiscal year, in a difficult market environment for Ravensburger, Ravensburger Group's sales increased slightly by 2.5 % to € 319.5 million. All divisions of the Group contributed to this increase.

The Ravensburger Games, Puzzles and Arts/Crafts division increased its sales by 1.5 % to € 248.7 million. This increase is primarily due to the learning system "tiptoi®", which, as a real innovation in the toy market, convinced both retail and consumers. However, the division achieved sales growth with other products as well, such as the series of experiments "ScienceX®".

The growth took place in a difficult environment. After the market for traditional games and 2D puzzles was stable in the European G5 countries* for several years, it declined by 5 % in 2011. Trend items of various suppliers reduced consumers' purchasing power from the standard categories. Moreover, unusually warm weather in spring and autumn made the sale of indoor products such as games and puzzles difficult. Demand for Ravensburger games and 2D puzzles developed in a

similar manner to the market and fell by 6 %. However, this was preceded by the bestseller year 2010 with a growth of more than 6 % in Ravensburger games, which, in Germany, was mainly due to the game of the TV show "Schlag den Raab".

Business with Ravensburger 3D puzzles declined by 17.9 %. However, the introduction of a new 3D puzzle series for children in autumn 2010 had led to a confusing range of products. Nevertheless, we are optimistic for the further development. For one thing, the range of 3D puzzles was completely revised for 2012. Also, the new 3D buildings sold so well since their market launch in Germany in autumn 2011 that retail sales with our 3D puzzles rose by 5 %.

The positive overall development of the Games, Puzzles and Arts/Crafts division varied between Germany and abroad. In Germany, thanks to the successful audio-digital learning system "tiptoi®", Ravensburger products achieved a clear year-on-year sales increase of 7.9 % to € 114.2 million. Conversely, abroad, after growth of 10.3 % in the previous year, sales de-

clined by 3.4 % to € 134.5 million – until now "tiptoi®" has only been available in the German-speaking area.

Last year, while the children's and youth book market in Germany grew slightly by 1.5 %, the Ravensburger Children's and Youth Book division increased its sales by 6.8 % to € 70.1 million. This positive development was partially due to the new book series "Friendz", which takes up topics of successful children's magazines. "tiptoi®", which is sold both in the book trade and in the toy trade, also made a significant contribution to the sales growth here.

With more than 1.6 million sold products, the audio-digital learning system "tiptoi®" was the Ravensburger bestseller 2011 in the German-speaking area. Including the market launch in the fourth quarter of 2010, "tiptoi®" products were sold more than 2.1 million times. The appeal of the learning system lies in the combination of books, games or puzzles with interactively operating electronics.

In contrast to games and puzzles, Ravensburger Spieleland benefited from the unusually warm weather in spring and

autumn. Visitors to the leisure park were up by 20,000 from the previous year. Thus, last season, visitor numbers increased to 318,486. Sales increased by 13.4 % to € 7.6 million.

The Ravensburger Group's sales growth of 2.5 % to € 319.5 million is compared with a decline of 30.0 %, or € 10.6 million in net income to € 24.7 million. This is particularly due to an increase in sales of products with a high-priced material component as well as cost increases. The latter are due to higher purchase prices as well as insourcing of production and logistics activities. Advertising expenses also increased, especially abroad.

In times in which consumers are putting an increasing amount of thought into purchase decisions, sustainability is becoming ever more important as a distinguishing factor for companies. In the year under review, in order to analyse the perception of Ravensburger with regard to sustainability, we carried out a consumer survey in Germany together with the market research agency "facit research". Here, sustainability was examined in four dimensions: ecological, economic, social as well as sustainable attitude. The results affirm us in our values and the continuous efforts concerning content-related and material product quality as well as corporate and social responsibility. Ravensburger is evaluated as the most sustain-

able of the brands studied in the German toy industry. By far the most important 'driver of sustainability' is our product quality. Ravensburger stands for well thought out, intelligent and timeless ideas and concepts for play. The products are fun and are innovative, sturdy and durable. Our commitment to the location of Germany, social aspects such as promotion of the development of children, employees and the community as well as the mediation between generations receive very good assessments. The company is seen as a fair employer and business partner and is considered credible, honest, authentic and stable. We are pleased about the good reputation we have in the market and understand it as our duty to fulfil the high expectations on a long-term basis. This is not possible without the great commitment of our employees. We would like to express our appreciation and gratitude to them, the members of the Works Council and our commercial partners for their contribution to a successful fiscal year 2011.

The sustainability study has shown once more that Ravensburger and its customers are far more connected than a business relationship. Common values: high product quality, both in terms of content and materially, as well as thinking and action beyond the day at hand are of equal importance to both parties. For this reason, the family-owned company

Ravensburger and its customers can really be considered a "family of values". Against this backdrop, we would like to invite you to observe a Ravensburger day on the following pages. From early in the morning to late in the evening. A Ravensburger day in a double sense: alternating between the company and the families that experience the entire value of our products and services. Beyond the day at hand.

The Managing Board

* Germany, France, UK, Italy, Spain.

A RAVENSBURGER DAY

6:45 am

A morning is more
than a beginning



Every thought and action set in motion here is part of a bigger picture. Every moment of the day is linked to our history, characterised by our values and future-oriented. With this awareness, we work to ensure that children and adults discover what is really important.

6:53 am
Small steps
into the world get
a little bigger every day

The toddler series “ministeps®” is a joint journey of discovery for mother and child that leads further into life step by step. Carefully tailored to the child’s development. Thus, neither too much nor too little is demanded of the child. Rather, there is a great deal of fun in learning.



The “Softwürfel Lustige Fingerspiele” is full of excitement. It incites the child to roll it and crawl after it, grab it and feel it and thus promotes fine motor skill development, coordination and perception. Rhymes and children’s songs together with easily remembered finger games help children to differentiate between sounds, support comprehension and retention.

7:22 am
We keep our
eyes on every
little pixel

With on-site high-speed printing machines and a great deal of experience and care, we print the images that Ravensburger puzzle fans love so much. The amazing result is one of the reasons why so many of our puzzles often decorate the walls at home, lovingly framed.

We use exclusive line-embossed paper, which minimizes reflections on the puzzle. The cardboard was developed exclusively for us. The alignment and length of the cellulose fibres are optimally tailored for puzzles. And, of course, our cardboard is environmentally friendly.

9:15 am
Early learning
is a colourful world



With the “Junior Mandala-Designer®”, children’s creative abilities come full circle. The Mandala principle arouses curiosity and awakens creativity and playfully promotes the development of concentration and fine motor skills.

10:07 am
Play is a
wonderful
work

A foundation of Ravensburger's high product quality is our on-site development. The majority of games and books are original concepts – created by our own editorial team and carefully implemented with renowned authors and illustrators.

"Tom und Tina – Die geheimnisvolle Maske" is the first interactive audio and play adventure from "tiptoi®". Clear design standards for the "tiptoi®" series, numerous test rounds in the editorial department with the target group ensure that everything is correct when the new product goes into production.

10:19 am

The world can wait

What many people appreciate most about puzzles are the challenges of concentration and relaxation and they enjoy each quiet “click” when once again one piece fits to another.

Ravensburger puzzles are the No. 1 in Europe. There are puzzles for children and adults, from the trendy design in 2D to the buildings in 3D. In a unique variety of images, shapes, designs and sizes.

10:47 am It is the testing lab's turn

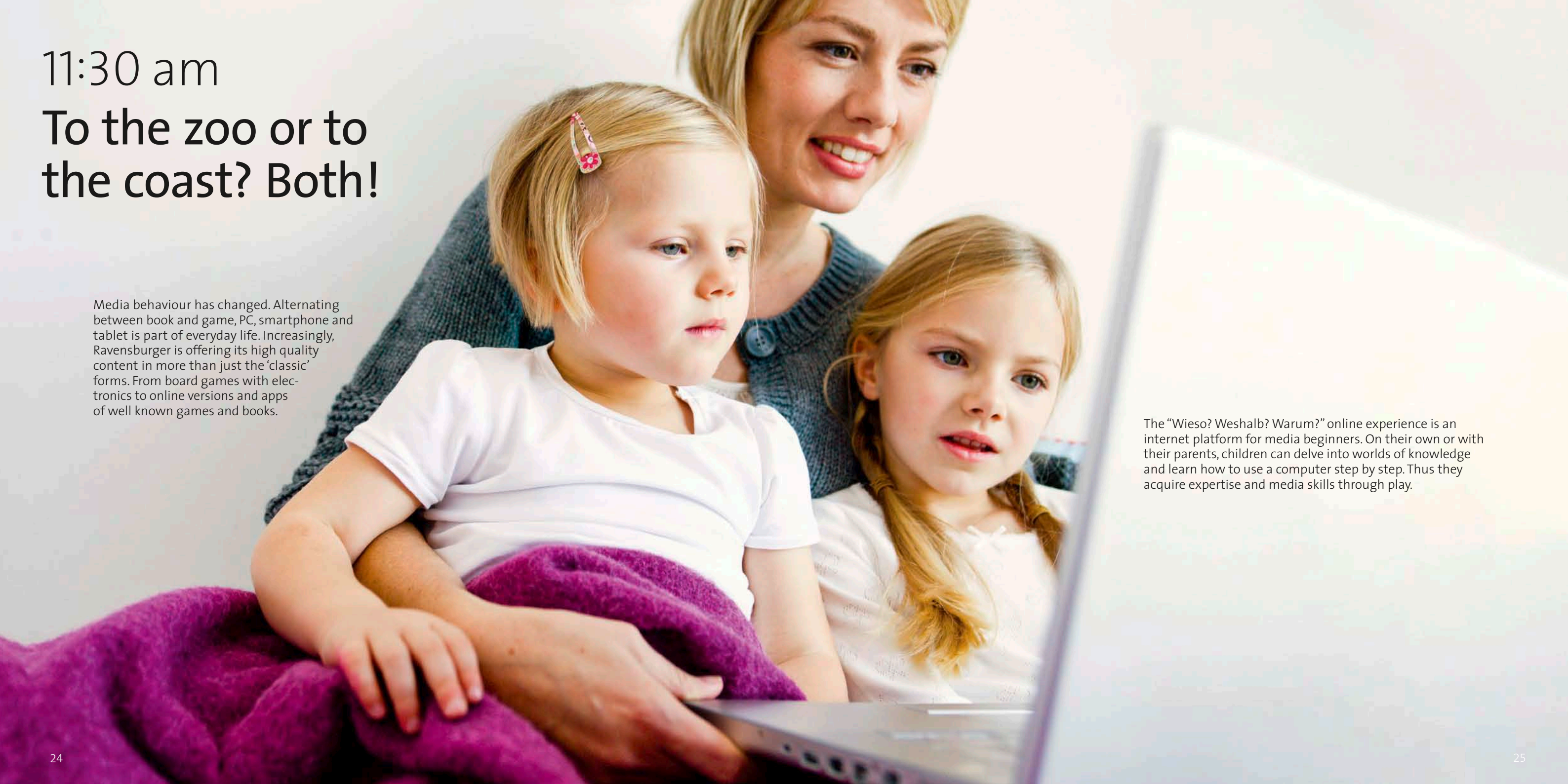
Small children pull and yank toys and put everything into their mouth. We only use materials that are 100% safe and in many areas we test more vigorously than legally prescribed. For example, in the stretch test we exceed the legal standard by 10%. And that is why our products are especially durable and long-lasting.



11:30 am

To the zoo or to the coast? Both!

Media behaviour has changed. Alternating between book and game, PC, smartphone and tablet is part of everyday life. Increasingly, Ravensburger is offering its high quality content in more than just the 'classic' forms. From board games with electronics to online versions and apps of well known games and books.



The “Wieso? Weshalb? Warum?” online experience is an internet platform for media beginners. On their own or with their parents, children can delve into worlds of knowledge and learn how to use a computer step by step. Thus they acquire expertise and media skills through play.

11:45 am
We handle things
with great care

Unusual for the toy industry, at Ravensburger we produce most of our own products. In state-of-the-art facilities, with permanent quality controls and above all with high quality awareness and a high sense of responsibility on the part of the employees. To the very last detail.



The children's special interest book range "Wieso? Weshalb? Warum?" has long been a Ravensburger classic. With more than 20 million copies sold and with constant rave reviews from mothers. The formula is as simple as it is complex: children's questions answered in a precise, children-friendly way. For example, if the topic is food.

12:06 pm
Is there any more
alphabet soup?

With a history of more than 125 years, Ravensburger stands for continuity, stable values and binding principles. These include our corporate culture of self-assured modesty, specialist and human ability as a foundation of cooperation as well as fairness and mutual appreciation. Joy is also here, as can be seen.

12:23 pm
There is much to discuss.
As in every family

12:55 pm
I will read
to daddy tonight.
No, I will!

Witches ride on brooms? That was yesterday. Now there is the state-of-the-art super machines! Only Lina and Leonie do not have one yet. And the big witch race is soon! A hurly-burly story for witches and wizards from 8 years. And maybe for dads.

“Leserabe” is based on a three-stage reading model: the books tell easily understandable stories and are optimally tailored to the respective stage in text and style. Fun in reading is the first step towards reading ability, a key qualification for success at school and a child’s further career.

1:21 pm

How our customer service dries children's tears

If a puzzle piece or game instructions has been lost or something has been broken: we help where we can – with advice, replacement pieces or repairs. Because our products should please all round. Our customer service can be reached by telephone, internet, fax or post. For minor and major inquiries.

2:03 pm

Only real flying is better

Little high flyers can really hit the ground running at the Ravensburger Spieleland leisure park. For example, at the memory® flight, in the Fix & Foxi toboggan run or at alpine rafting.


In the Ravensburger Spieleland leisure park, Ravensburger content and the values of the brand were implemented in leisure facilities. The park is a genuine excursion destination for families that, with more than 50 attractions, has something for children from the age of two, adolescents and adults.



The packaging design does an important piece of brand management. The packaging must convey a harmonious impression of the game in question and signalise the quality of the overall product through the design quality. And thus really make you want to play.

3:52 pm

The finishing touch
to the first impression



Playing brings families together and connects generations. Here, children and adults meet at eye level, and the joint experience connects far beyond the end of a game.

“Labyrinth” is one of the most popular family games in Europe – a Ravensburger classic available in many versions. As a board game, with electronics and digital, in licensed and junior editions or as a card game. Which proves that the game idea fascinates again and again.

5:44 pm
Playing connects.
For hours.
And many rounds

6:03 pm

A new puzzle is ready. For Facebook

In order to take advantage of the opportunities of digital media, the subsidiary Ravensburger Digital develops online games and apps for mobile devices in Munich.



In December 2011, we launched “Puzzle Adventures”. The game on Facebook brings speed, competition and excitement to the search for pieces. And it is a hit from the start. A few weeks after the launch, several hundred thousand users have registered.

6:55 pm

'Tis early practice only
makes the reader

From simple pictures to comic strips, from the first words to whole sentences: we have the right picture book for every stage of development. Greatly loved by children of 18 months and over is, for example, "Paulchen räumt auf". The loving texts and illustrations of the hard-working little bear encourage participation.



7:34 pm

Three amazing hands-on colleagues



The robots pick up the game and puzzle boxes and pile them exactly according to a prescribed pattern on the pallet. After the complete pallet has been welded, the process continues in the state-of-the-art high-bay warehouse, which allows the fastest possible delivery of large and small numbers of items.



Of course, we also have something for young adults: games full of fun and action that challenge the mind and skill: "Tohuwabohu" or "Bühne frei" from the "party games" series, for example. Or exciting party hits such as "Schlag den Raab", the game of the TV show, and the classic "Nobody is perfect".

8:15 pm
How the evening
plays out

9:41 pm We deliver hot off the press

A great advantage of the production and logistics location in Ravensburg is the geographical proximity to our markets. From here, we deliver quickly and flexibly to our customers in Germany, Austria, Italy, Spain and since May 2011 also in France, Holland and Belgium. In 2011, 38 million items were delivered.



A Ravensburger day leaves its mark
beyond today. Since 1883

GROUP MANAGEMENT REPORT OF RAVENSBURGER AG

OVERVIEW OF RAVENSBURGER AG AND THE GROUP

Ravensburger AG is the management holding of the Ravensburger Group. Various functions of the Group and its German subsidiaries are handled centrally by Ravensburger AG. This applies in particular to the following functions: central marketing, public relations, human resources, financing, treasury, central controlling, IT and legal issues.

In addition to performing its holding function, Ravensburger AG grants the companies of the Group licenses to use the Ravensburger brand, and coordinates the group-wide risk management system. Finally, 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 four divisions: the Games, Puzzles and Arts/Crafts division, the Children's and Youth Book division, the Leisure and Promotion Service division, and the Digital Products division.

The Games, Puzzles and Arts/Crafts division develops, produces and markets its products internationally, with a focus on Europe. The Group has its own sales companies in the major European markets such as France, the United Kingdom, Italy, Spain, Bene-

lux, Austria and Switzerland, as well as in the United States. Smaller markets are developed through export business. The products are produced mainly (85 %) at the Group's own plants in Germany and the Czech Republic.

The Children's and Youth Book division focuses on the German-speaking markets, and publishes and markets picture books, children's non-fiction books, and fictional children's and youth books.

The Leisure and Promotion Service division targets children and parents via Ravensburger Spieleland, and offers a wide range of attractions suitable for children. In addition to operating the Ravensburger Museum and managing the Ravensburger outlet store, the division continues to offer promotions and events as services for other brand-name companies.

The Digital Products division develops products based on Ravensburger game concepts for all major digital media and gaming platforms. Moreover, it designs new product ideas in line with the brand and the content it represents. This includes online and browser games as well as mobile applications.

Employees as Success Factor

Apprenticeship at Ravensburger

In the past fiscal year, there were 43 apprentices with training agreements in eleven different careers in Ravensburg; there were 27 apprentices in commercial, nine in commercial-technical, and seven in logistics careers. Thirteen of these apprentices started their vocational training with Ravensburger in fall 2011, while eight were taken on as employees after completing their apprenticeships.

Furthermore, 20 students were employed as part of an academic course combining study and work experience in cooperation with the "Duale Hochschule (University of Cooperation Education) Baden-Württemberg Ravensburg". Five of these students began their studies in 2011. We also offered five students attractive positions within the Ravensburger Group in fall of 2011.

International Competencies

To actively promote the international training of our cooperative university students, we send three or four of them to our subsidiary Ravensburger USA Inc. each year. The period abroad calls for the ability to act independently and fosters linguistic, intercultural and specialist skills.

Our employees' international expertise and foreign language skills are continuously developed through in-house training courses in English and French. In addition, our employees gain a deep understanding of various cultures and languages through individual training measures and language study trips.

Development of Management

The quality of our management is a key factor in the success of our Company. In 2011, 19 managers took part in the management development program, 31 % of them women. Participants in this program receive training in team and leadership skills,

entrepreneurial thinking and labor law. Moreover, there is a series of requirements-based individual training courses for our managers on topics such as managing annual performance reviews, dealing with the situation as a manager following promotion from colleague to supervisor, leading project teams, management in conflict situations and so on. Tailored individual coaching from external management coaches rounds out our offering in the area of management development.

"Förderkreis" (Management Training Program)

Within the scope of the Ravensburger "Förderkreis", selected candidates attend six practice-oriented seminar modules over a period of 18 months. The focus is on communicating key competencies. In addition, work on a challenging operational project provides the high potentials in the Ravensburger Group with training for complex project management functions. Eleven young employees were admitted to the advancement group this year.

Trainees

Within the scope of our 24-month post-graduate trainee program, we offer university and college graduates systematic, practice-oriented professional training with targeted on-the-job training. On April 1, 2011, six new trainees started their careers in the areas of organization/information systems, purchasing, process engineering/production, product management, and sales and marketing. They have enhanced their professional and soft skills and advanced their personal development through selected specialist seminars and workshops.

Interns

Over a period of 18 months, our interns are prepared for future editing jobs by means of comprehensive on-the-job training and a specially developed training program. In 2011, we trained 15 interns for Ravensburger Buchverlag and Spielverlag in the editing departments.

Ravensburger “TOPP” Qualification Program

A 24-month training program comprising 15 extensive training modules has been established specifically for Ravensburger editors. Creative/design expertise, soft skills and entrepreneurial know-how are taught on the basis of a specially developed skills module. So far, 38 editors from all areas have participated in the “TOPP” program.

Family and Career

Women accounted for 55 % of the total workforce in the past fiscal year. Ravensburger’s goal is to leverage opportunities available within the Company to make it easier to reconcile the demands of family and career. At Ravensburger, this includes not only making working hours more flexible, but also offering various measures specially designed to promote the interplay of employees’ private and professional lives. In addition to family-friendly general conditions and ancillary offerings, supervisors within the Company play a key role. Employees and managers can approach each other openly, actively address their needs in a spirit of partnership, and work together to find solutions that are both family-friendly and in line with the Company’s requirements.

At the end of the year, another female manager joined the executive boards of the Company.

Research, Development and Innovation

Every year, the Ravensburger Group invests several millions in research and development of new product offerings and concepts. Some 2,600 new products appear annually, with which the Ravensburger Group generates approximately 30 % of its sales.

Ravensburger regards the development of these new products as an open process and collaborates closely with authors, illustrators and designers from all over the world.

Since 2008, the Games, Puzzles and Arts/Crafts division has been operating a general innovation management system, designed in collaboration with an institute of the University of St. Gallen, in the areas of product development and supply chain. In a multi-stage model, customer requirements are examined, trends reviewed to determine their relevance for Ravensburger, areas of action specified, and ideas generated and developed into concepts. To this end, the Group works with a growing network of external partners from research institutes, technology companies, innovation agencies and inventors.

Within the scope of these research activities, Ravensburger has, among other things, made use of OID technology and implemented this in the successful “tiptoi®” product series, and developed a new production process for the Ravensburger 3D puzzle product series.

Last but not least, Ravensburger has a dedicated division that ensures the Company’s content and product offerings are also available on digital platforms. We offer products in this area on all three standards for mobile end devices as well as online, including on social networks.

SITUATION AND DEVELOPMENT OF BUSINESS 2011

In the past fiscal year, the development of our main categories puzzles and games became slightly negative. Christmas business, which is very important for Ravensburger, did not live up to expectations.

On average, the US dollar depreciated by 4.9 % for the year, while the Swiss franc appreciated by 10.7 % on average.

Under these conditions, the Ravensburger Group was able to increase sales by 2.5 % to € 319.5 million. At € 24.7 million, net income, fell considerably short of the prior year (€ 35.3 million) also due to the impact of special items and one-off expenditures.

Business Development of the Operating Divisions

Games, Puzzles and Arts/Crafts Division

With a few exceptions, the European markets for games and toys developed positively in 2011. Only the Italian and Spanish markets for games and toys saw negative development.

In Germany, the division’s largest single market, the market for games and toys grew by 7 % in the past year, in France by 5 % and in the United Kingdom by 3 %. However, the development of the market for Ravensburger’s core categories of games and puzzles declined significantly in almost all European countries, in some cases even in the double-digit range.

Against the background of this difficult market development, the sales of the Ravensburger Games, Puzzles and Arts/Crafts division increased by 1.5 % to € 248.7 million.

At € 114.2 million, sales in Germany were up 7.9 % on the prior-year level (€ 105.8 million). Particularly noteworthy is the success of the “tiptoi®” audio-digital learning system.

Some 54 % of sales were generated abroad. The sales of these markets in euro, with the exception of the USA, was down on the prior-year figure; sales in local currency in the USA increased by over 5 %. Export business stabilized at € 18.0 million at the high level of the prior year (€ 18.2 million).

The games and puzzles categories were the main reason for the

fall in sales abroad. These important categories of the international market for games and toys saw a decline of just under 5 % in the five largest European markets for games and toys in 2011. Ravensburger was also affected by this development.

In the games segment, gross sales decreased by 7.0 %. Both children’s games (hybrid, 3D action and educational games) and family and adult games declined.

In the puzzles segment, gross sales of the Group decreased by 6.7 % in 2011. With a 3.2 % drop in sales compared to the prior year, 2D puzzles still performed well in the declining market; 3D puzzles, however, lost almost 18 %, with the decrease in gross sales of the previous puzzleball® line being offset by a very promising market launch of 3D building puzzles in Germany, Austria and Switzerland.

The gross sales of the arts/crafts segment performed well, with an increase of 1.4 % on the prior year. Sales of Ravensburger’s experiment boxes even increased by almost 200 % thanks to successful market launches in France and Italy.

The success of the “tiptoi®” audio-digital learning system, which was launched in Germany, Austria and Switzerland in 2010, continued unabated in 2011. Gross sales increased by over 200 % to € 22.0 million, and more than one million products were sold.

In 2010 and 2011, new production technology based on digital printing and injection molding was implemented in Europe and a segment that was previously manufactured externally in China was successfully produced in-house.

From May 2011, logistics for our subsidiaries in France, Netherlands and Belgium was successfully integrated into central logistics in Ravensburg.

Children's and Youth Book Division

The German book market saw a slight decline of 1.8 % in 2011. The book markets in Austria (-3.0 %) and Switzerland (-7.4 %) were also down on the prior-year level.

In 2011 as a whole, the "children's and youth book" merchandise group was the only merchandise group that was up on the prior year (+1.5 %). It is also notable that retail bookselling continued to lose market shares to e-commerce in 2011.

With an increase of 6.8 % in 2011, the Children's and Youth Book division saw substantial growth and achieved sales of € 70.1 million. The newly introduced "Friendz" imprint and the development of the "tiptoi®" audio-digital learning system, in the second year since its market launch, were particularly successful. Both these areas decisively influenced the positive development of the Children's and Youth Book division.

In children's non-fiction, the "Zauberklang" series fell considerably short of expectations.

The fictional children's and youth book and paperback areas depend on a great extent on individual titles and how well established they are on the market. In 2011, there were only a few successes here, and as a result these areas saw a decrease in sales.

Leisure and Promotion Service Division

Ravensburger Spieleland AG

There were 318,486 visitors to the Ravensburger Spieleland theme park in 2011, an increase of 6.8 %. The total of 17,343 season tickets sold shows that the theme park is also a great attraction for guests from the surrounding area and repeat visitors.

As a result, there was a favorable development in sales to € 7.6 million (+13.4 % compared to the prior year).

In addition to the increased number of visitors, the significantly higher sales per capita from the secondary restaurant and shop businesses contributed to the sales increase.

Ravensburger Freizeit- und Promotion-Service GmbH

Ravensburger event agency, which operates as a service provider for business customers in the areas of stationary and mobile brand worlds, children's worlds and events, and operates the Ravensburger Museum, generated sales of € 1.2 million from all its activities in the past fiscal year, a 23.4 % increase on the prior year.

There were a total of 26,417 visitors to the Ravensburger Museum in the fiscal year 2011. The museum shop exclusively sells products from the regular Ravensburger product range of Spielev Verlag and Buchverlag.

Digital Products Division

In its second full fiscal year, the Digital Products division further expanded its business activities by introducing new products. In the area of online games, three new offerings were established in the market and other product developments initiated. In the final quarter, two new games offerings based on the online social network Facebook were successfully launched on the market.

In the mobile applications segment, the focus remained on the iPhone and iTunes platforms. The existing product portfolio was expanded through the addition of new products that were marketed very successfully.

Thanks to the growth in both the online and mobile areas, total sales of € 0.8 million were generated (+176.6 % compared to the prior year).

Situation of the Ravensburger AG Group

Income Situation

The Ravensburger Group generated consolidated sales across all its divisions of € 319.5 million in 2011 (+2.5 %).

Other operating income came to € 6.6 million, € 2.4 million down on the prior year, due to the lower exchange rate gains and accounting gains on the disposal of assets, among other reasons.

Operating expenses increased by 6.8 % to € 297.4 million.

The cost of materials increased by 10.5 % to € 105.2 million. This is due not only to increased volume, but also to increases in the price of raw materials (cardboard) and the price of merchandise from the Far East. Personnel expenses climbed to € 75.0 million. The increase is primarily due to the rise in the average number of employees, which rose by 169 full-time equivalents, as well as an increase in wages and salaries. This was countered by the insurance for post-employment benefits taken out in 2010, which had led to one-off expenses in the prior year. Depreciation of property, plant and equipment increased by € 1.4 million to € 6.7 million, partly as a result of investments in innovative technology and digital products. Other operating expenses increased by € 3.8 million to € 110.5 million. This was primarily due to sales-volume-related selling expenses and advertising expenses.

At € 1.3 million, the financial result was at prior-year level.

The result from ordinary activities came to € 31.9 million, € 14.0 million lower than the prior-year figure.

The Group's extraordinary result of € -0.5 million was at the prior-year level.

Tax expense decreased by € 3.5 million compared to the prior year in line with the reduced earnings before tax and a slightly better tax rate.

On balance, the net profit for the year after taxes of € 24.7 million was down € 10.6 million on the prior year.

Net Assets

At € 299.1 million, the Group's total assets as of 31 December 2011 were € 9.2 million up on the prior year (€ 289.9 million). This is primarily due to investments in property, plant and equipment, as well as the increase of capital tied up in current assets used in operations.

On balance, fixed assets rose by € 25.8 million to € 124.0 million. At € 8.0 million, investments in fixed assets were down on the prior year (€ 11.3 million) and higher than depreciation of property, plant and equipment (€ 6.3 million). Property, plant and equipment therefore increased, taking into consideration exchange rates, by € 1.5 million.

Due to the contribution of assets from asset management and short-term securities to two special funds which are reported under fixed financial assets, increased by € 24.7 million to € 71.0 million in the reporting year 2011.

Current assets decreased during the same period by € 16.9 million to € 173.3 million. There are two contradictory developments in this context:

On the one hand, the portion of shares and short-term bonds held in current assets within the scope of asset management was contributed in full to the special funds. The securities item under current assets therefore decreased by € 21.9 million. In addition, free liquidity decreased by € 3.5 million.

By contrast, inventories increased by € 3.8 million as of the balance sheet date. This is due not only to ensuring the delivery readiness and increased cost of materials, but also to non-achievement of planned sales in Christmas business.

Trade receivables increased by € 2.2 million. As the year-on-year sales increase of around 40 % related to the months of November and December, the resulting receivables were largely not yet due as of the balance sheet date.

Liquidity/Cash Flow

The cash flow from ordinary business operations of the Ravensburger Group was € 21.9 million in the reporting year, € 3.5 million below the prior-year figure (€ 25.4 million) as of the balance sheet date. A major reason for the decrease in the cash flow from operating activities was the lower net income for the year compared to the prior year, and the associated reduction in the cash flow from ordinary business activities. Capital of € 8.6 million was tied up in net current assets and provisions required for business operations as of the balance sheet date. This is counterbalanced by funds of € 5.8 million released from depreciation and other non-cash income and expenses.

Cash flow from investing activities amounted to € -10.4 million. In addition to the above-mentioned capital expenditures on property, plant and equipment of € 8.0 million, this is attributable to the medium- and long-term investment of part of the available cash in securities classified as fixed assets.

At € 14.4 million, the dividend distribution was at the prior-year level.

Cash and cash equivalents therefore decreased, taking exchange rate differences into account, by a total of € 3.5 million. The Ravensburger Group does not record any liabilities to banks as of year-end.

Financing Structure

The equity of the Ravensburger Group increased in the past year from € 183.7 million to € 194.0 million. This is due to the net income of the Group of € 24.7 million, less the dividend distribution of € 14.4 million. This resulted in an equity ratio of 64.9 % (prior year: 63.4 %).

At € 24.2 million, the pension provisions were at the prior-year level.

At € 1.2 million, the tax provisions were slightly below the prior-year figure (€ 1.4 million). Other provisions decreased by € 1.2 million in the past fiscal year. This is attributable in particular to the reversal of provisions for legal disputes and lower bonus provisions. By contrast, provisions for returned goods and other provisions increased in parallel to the increase in sales.

Trade payables fell by € 1.9 million to € 26.6 million as of the balance sheet date. At € 7.6 million, liabilities to Ravensburger Holding GmbH & Co. KG were € 0.6 million below the prior-year figure (€ 8.2 million). This liability was paid out in full at the beginning of 2012.

During fiscal year 2011, there was an average of 1,640 full-time equivalents in the Ravensburger Group (prior year: 1,471).

Subsequent Events

There were no events of significance after the balance sheet date.

Opportunities and Risk Report

Risk Management and Internal Control System

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

The task of the internal control system is to ensure compliance with all legal requirements, internal regulations and instructions, and to prevent loss due to fraud. The procedural regulations, instructions and guidelines are systematically set out and largely available online. We regularly review compliance with our rules, partly through our 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 preclude risks to the Group's ability to continue as a going concern by means of appropriate measures. This enables us to identify risks in good time, analyze them and take countermeasures. We are willing to take manageable risks that do not outweigh the expected benefits of the respective business activity.

In addition to regular risk inventories and special projects, the risk management system is based on ongoing reporting of monthly key figures and analysis of deviations from the budget and comparative periods.

Significant Opportunities and Risks

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

Risks in Sales and Procurement Markets

The risk management system of the sales markets is based on systematic analyses of consumer behavior, the sales channels and the retail environment. Market opportunities are identified and developed using the systems that are in place.

The digitization of products and sales channels continues. As we have long recognized this trend and positioned ourselves accordingly, we consider it likely to be an opportunity for the Group.

Concentration in the retail environment continues. This is associated with greater pressure on trade terms and services required, as well as with increased cluster risks. Ravensburger masters these risks through the development of innovative and attractive products, good sales work and modern, highly efficient production and logistics.

Despite the demographic change in our core countries, our sales markets are not declining, though they are demonstrating structural shifts to which we have successfully adapted through changes in the structure of our offering.

The risks of the procurement markets are characterized by a trend toward rising raw materials prices and intense competitive pressure on our suppliers. Professional purchasing, avoiding dependence on individual suppliers, and thinking in terms of technical alternatives are the preconditions for successful risk management in the procurement markets. The high percentage of production handled in-house (85 %) in the Games, Puzzles and Arts/Crafts division compared to the rest of the industry, and an independent quality assurance organization minimize risks due to product quality problems and offer the opportunity to respond rapidly and flexibly to market changes.

Location Risks

The Games, Puzzles and Arts/Crafts division produces 85 % of its products itself at the Ravensburg and Policka (Czech Republic) production facilities. For cost and efficiency reasons, shipments for the division were combined at the main location in Ravensburg during the year. The Children's and Youth Book division has been outsourcing its supply chain to a service provider for some time now. Modern technology and regular maintenance protect the locations against natural hazards. Insurance cover is provided by a modern insurance policy.

IT Risks

The operating business of the Ravensburger Group essentially depends on functioning information technology. IT operations are based on standard software from major vendors. Development of the applications is mainly handled by internal experts, who may be supported by external consultants, if necessary.

Risks of unauthorized data access and misuse of data, but also of data loss are controlled by means of software-based measures and organizational measures. An internal data protection organization is responsible for data protection.

Financial Risks

Financial risks are managed by central treasury and accounts receivable management. This primarily involves centrally analyzing, evaluating and hedging liquidity risks, currency risks, credit risks and insurance risks.

Risks of default are normally covered by insurance policies. Exchange rate risks are hedged. Derivative financial instruments are used solely to hedge operative underlying transactions. Currency risks are hedged on a rolling basis using forward exchange contracts.

To optimize management of the Group's liquidity, this is managed centrally in a cash pool at Ravensburger AG. If short-term surplus funds are invested, only investments with excellent credit ratings are used. Long-term surplus funds were contributed to special funds in 2011 in order to ensure professional management of the investments.

Overall Risk

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

OUTLOOK AT THE BEGINNING OF FISCAL YEAR 2012

In 2012, investments in innovative products and technologies within the scope of innovation management will remain a focus.

The new products and relaunches developed in the Games, Puzzles and Arts/Crafts division for 2012 were warmly received by the retail trade, above all the newly launched 3D puzzles in the form of buildings, which were launched in Germany in fall of 2011. The retail trade also had a very positive opinion of the new "augmented reality puzzles". "tiptoï®" will remain a further success factor in 2012.

In the Children's and Youth Books division, we expect not only "tiptoï®" but also "Friendz", in cooperation with the Kids and Concept company, to continue to develop positively.

In the fiscal year 2012, Ravensburger Spieleland AG and Ravensburger Freizeit- und Promotion-Service GmbH will merge and will trade as Ravensburger Freizeit und Promotion GmbH.

In 2012, the business activities of the Digital Products division will continue to focus on the two product segments online and social games, and mobile applications.

Assuming stable overall economic development, for 2012 and 2013 we expect the markets relevant to Ravensburger, including the games and children's and youth book market, to continue to decline slightly. Assuming that we continue successfully positioning new product concepts in existing and new segments, we expect a slight rise in sales in the coming two years, while earnings are expected to be at least constant. Earnings can also be influenced by increasing concentration in the retail landscape, further increases in raw materials prices and the currency risks of the Ravensburger Group that have to be hedged centrally.

Ravensburg, March 9, 2012

The Managing Board

Ravensburger AG Group, Ravensburg
Balance sheet as of December 31, 2011

ASSETS	€	€	T€
			Dec. 31, 2010
A FIXED ASSETS			
<i>I. Intangible assets</i>			
1. Purchased film rights, software, licenses and similar rights	1,145,760.59		1,492
2. Prepayments	77,443.33		101
	<u>1,223,203.92</u>		<u>1,593</u>
<i>II. Property, plant and equipment</i>			
1. Land and buildings	28,750,320.99		30,024
2. Plant and machinery	10,069,567.84		4,592
3. Other equipment, furniture and fixtures	12,491,186.22		13,016
4. Prepayments and assets under construction	184,927.47		2,350
	<u>51,496,002.52</u>		<u>49,982</u>
<i>III. Financial assets</i>			
1. Shares in affiliates	303,837.28		304
2. Equity investments	15,289.00		15
3. Securities classified as fixed assets	70,999,915.74		46,324
	<u>71,319,042.02</u>		<u>46,643</u>
	124,038,248.46		98,218
B CURRENT ASSETS			
<i>I. Inventories</i>			
1. Raw materials, consumables and supplies	7,745,601.85		7,916
2. Work in progress	3,611,477.14		2,875
3. Finished goods and merchandise	20,752,258.22		17,870
4. Prepayments	687,082.97		378
	<u>32,796,420.18</u>		<u>29,039</u>
<i>II. Receivables and other assets</i>			
1. Trade receivables	84,599,437.27		82,344
2. Receivables from affiliates	494,933.99		405
3. Other assets	11,479,781.64		9,138
	<u>96,574,152.90</u>		<u>91,887</u>
<i>III. Securities</i>			
Other securities	0.00		21,899
<i>IV. Cash on hand, central bank balances and bank balances</i>			
	<u>43,946,369.26</u>		<u>47,435</u>
	173,316,942.34		190,260
C PREPAID EXPENSES		693,493.62	927
D DEFERRED TAXES		1,094,583.75	523
	299,143,268.17		289,928

EQUITY AND LIABILITIES	€	€	T€
			Dec. 31, 2010
A EQUITY			
<i>I. Subscribed capital</i>	12,480,000.00		12,480
<i>II. Capital reserves</i>	39,050,000.00		39,050
<i>III. Other revenue reserves</i>	59,927,295.26		53,466
<i>IV. Currency translation differences</i>	2,576,302.16		2,606
<i>V. Net retained profit</i>	79,884,877.45		76,087
	193,918,474.87		183,689
B PROVISIONS			
1. Pension provisions	24,232,807.52		24,313
2. Tax provisions	1,230,794.43		1,450
3. Other provisions	37,250,402.67		38,513
	62,714,004.62		64,276
C LIABILITIES			
1. Prepayments received on account of orders	64,699.73		19
2. Trade payables	26,604,624.25		28,461
3. Payable to affiliates	7,773,179.32		8,384
4. Other liabilities	7,610,358.97		5,017
	42,052,859.27		41,881
D DEFERRED INCOME		457,929.41	82
	299,143,268.17		289,928

Ravensburger AG Group, Ravensburg
Income statement for fiscal year 2011

	€	€	2010 T€
1. Sales	319,520,518.61		311,660
2. Increase in finished goods and work in process	1,578,908.89		2,028
3. Other own work capitalized	293,036.00		349
4. Other operating income	6,658,904.24		9,025
		328,051,367.74	323,062
5. Cost of materials			
a) Cost of raw materials, consumables and supplies and of purchased merchandise	91,544,501.35		83,455
b) Cost of purchased services	13,690,322.81		11,716
		105,234,824.16	95,171
		222,816,543.58	227,891
6. Personnel expenses			
a) Wage and salaries	62,129,409.09		57,914
b) Social security	11,983,012.94		10,976
c) Pension costs and other benefit costs	863,936.19		2,407
	74,976,358.22		
7. Amortization, depreciation and write-downs of intangible assets and property, plant and equipment	6,655,853.71		5,298
8. Other operating expenses	110,562,903.16		106,680
		192,195,115.09	
		30,621,428.49	44,616
9. Income from other securities and long-term loans including gains on disposal and income from write-ups	3,260,372.73		2,340
10. Other interest and similar income	723,124.35		661
	3,983,497.08		
11. Write-downs of financial assets and securities classified as current assets including losses on disposal	1,143,624.43		247
12. Interest and similar expenses	1,548,191.12		1,442
	2,691,815.55		
		1,291,681.53	1,312
13. Result from ordinary activities		31,913,110.02	45,928
14. Extraordinary income	0.00		388
15. Extraordinary expenses	455,468.00		833
16. Extraordinary result		-455,468.00	-445
17. Income taxes	6,325,667.47		9,682
18. Other taxes	472,750.78		551
		6,798,418.25	10,233
19. Net income of the Group		24,659,223.77	35,250
20. Profit carryforward from the prior year		61,687,380.53	47,835
21. Allocations to revenue reserves		6,461,726.85	6,998
22. Net retained profit		79,884,877.45	76,087

Supervisory Board

Dr. Klaus P. Bleyer
Lindau
Chairman

Dorothee Hess-Maier, Ravensburg
Ravensburg
Vice-Chairwoman

Rolf Allmendinger
Geislingen

Dr. Wolfram Freudenberg
Stuttgart

Carel Halff
Augsburg

Dr. Dieter Kurz
Lindau

Managing Board

Karsten Schmidt
Ravensburg
Chairman

Clemens Maier
Bregenz/Austria

Jörg-Viggo Müller
Reutlingen

Multi-Year Overview of the Ravensburger AG Consolidated Group

	2001 T€	2002 T€	2003* T€	2004* T€	2005* T€	2006 T€	2007 T€	2008 T€	2009 T€	2010 T€	2011 T€
Sales without consolidated sales RTV Family Entertainment AG	288,328	254,444	266,972 258,343	286,575 280,536	287,671 283,770	281,505	285,761	287,768	293,255	311,660	319,521
Results from ordinary activities as a percentage of sales	7,952 2.8 %	23,234 9.1 %	27,562 10.3 %	32,173 11.2 %	40,885 14.2 %	45,623 16.2 %	39,993 14.0 %	33,575 11.7 %	44,662 15.2 %	45,928 14.7 %	31,913 10.0 %
Net income for the year after tax margin as a percentage of sales	5,424 1.9 %	9,589 3.8 %	14,884 5.6 %	26,271 9.2 %	29,075 10.1 %	30,883 11.0 %	25,838 9.0 %	24,318 8.5 %	34,027 11.6 %	35,250 11.3 %	24,659 7.7 %
Cash flow** as a percentage of sales	17,900 6.2 %	39,100 15.4 %	28,900 10.8 %	36,700 12.8 %	40,200 14.0 %	41,400 14.7 %	32,237 11.3 %	30,967 10.8 %	38,247 13.0 %	39,817 12.8 %	31,168 9.8 %
Balance sheet total	226,070	198,257	256,736	265,001	234,654	237,055	257,758	239,099	261,877	289,928	299,143
Shareholder's equity as a percentage of balance sheet total	31,805 14.1 %	34,422 17.4 %	57,753 22.5 %	83,237 31.4 %	97,845 41.7 %	121,244 51.1 %	131,704 51.1 %	142,400 59.6 %	161,897 61.8 %	183,689 63.4 %	193,918 64.8 %
Number of employees (year-end)***	1,727	1,440	1,377	1,448	1,333	1,310	1,356	1,383	1,405	1,471	1,640
Investments in property, plant and equipment	3,334	2,763	1,952	4,739	7,891	3,282	5,812	4,515	5,108	11,300	8,003
Depreciation of property, plant and equipment	15,877	8,048	7,203	6,137	6,211	6,889	6,444	5,278	5,060	5,476	6,309
<p>* 2003–2005 consolidated financial participations RTV Family Entertainment AG included ** Operating cash flow without working capital and provisions established in accordance with DRS 2 (German Accounting Standards No. 2) *** from 2005 in full-time equivalents (previously: in headcounts)</p>											

2011 Annual Report
Ravensburger AG Group
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