



**AT THE COMPANY**

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**AT FINANCIAL DYNAMICS**

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**FOR IMMEDIATE RELEASE**

**RUSS BERRIE AND COMPANY, INC. REPORTS SECOND QUARTER RESULTS**

**Oakland, N.J. — August 10, 2006** — Russ Berrie and Company, Inc. (NYSE: RUS) today reported results for the second quarter ended June 30, 2006.

**Second Quarter Results**

Consolidated net sales for the second quarter of 2006 increased 6.0% to \$65.7 million compared to \$62.0 million for the second quarter last year, reflecting growth in both the infant and juvenile and gift business segments.

Net sales for the Company's infant and juvenile segment increased 9.9% to \$36.5 million compared to \$33.2 million in the comparable period last year. Net sales for the Company's gift segment increased 1.3% to \$29.2 million for the quarter versus \$28.8 million for the same period last year. The increase was attributable to improved product content and availability compared to the prior year.

Consolidated gross profit was \$25.9 million, or 39.4% of net sales, in the second quarter of 2006 compared to \$25.0 million, or 40.3% of net sales, in the second quarter of 2005. The decline in the gross profit percentage was primarily due to competitive pricing pressure and sales channel mix in the gift segment, as well as inventory close-outs of product lines discontinued pursuant to the Company's product line rationalization.

Consolidated selling, general, and administrative expenses decreased to \$27.3 million, or 41.5% of net sales, from \$29.2 million, or 47.1% of net sales, in the second quarter of 2005. This decrease was primarily attributable to expense reductions in the gift segment as a result of the Company's restructuring initiatives. These savings were partially offset by a \$0.3 million increase in selling, general and administrative expenses in the infant and juvenile segment related to the growth of Kids Line. Included in the gift segment selling, general and administrative expenses in the second quarter of 2006 were \$1.0 million of costs associated with restructuring activities in the Company's US and European gift divisions and \$1.2 million in consulting costs incurred in connection with the development of the Company's Profit Improvement Program.

The Company reported a consolidated net loss of \$6.0 million, or \$0.29 per diluted share, for the second quarter of 2006 compared to a net loss of \$6.2 million, or \$0.30 per diluted share, in the second quarter of 2005.

Mr. Andy Gatto, President and Chief Executive Officer, commented, "We are pleased to have maintained the positive momentum we generated in the first quarter. In addition to reporting top line improvements in both of our segments, we continued to make progress with product development, marketing and restructuring initiatives and recognized expense savings in our gift business. Our infant and juvenile segment remained strong, with our new product programs driving sales during the quarter. There are still many opportunities for us to improve our gift business and to continue to grow our overall business."

Mr. Gatto concluded, "We are encouraged by our progress and look to build on that success during the balance of the year. Our strategy of creating a balanced business portfolio is clearly evident in the relatively equal revenue contributions that each of our two business segments contributed in the first half of 2006. We are proud of our improvements to date and are confident that our operations and long-term shareholder value will be enhanced as we continue to strengthen our business model."

### **Six Months Results**

Consolidated net sales for the six months ended June 30, 2006 increased 7.8% to \$143.0 million compared to \$132.8 million in the first half of last year, with sales growth generated by both the infant and juvenile and gift business segments.

Net sales for the infant and juvenile segment for the six-month period increased 11.8% to \$73.9 million compared to \$66.1 million for the same period in 2005. Net sales for the Company's gift segment increased 3.8% to \$69.2 million for the six months ended June 30, 2006 compared to \$66.7 million for the same period last year.

Consolidated gross profit was \$57.7 million, or 40.3% of net sales, for the six-month period compared to \$56.4 million, or 42.5% of sales, in the same period in 2005.

Consolidated selling, general, and administrative expenses decreased to \$59.0 million, or 41.3% of net sales, for the six months ended June 30, 2006 from \$59.9 million, or 45.1% of net sales, in the same period last year. Included in the gift segment selling, general and administrative expenses for the six-month period in 2006 were \$3.7 million of costs associated with restructuring activities in the Company's US and European gift divisions and \$2.5 million in consulting costs incurred in connection with the development of the Company's Profit Improvement Program.

The Company reported a consolidated net loss of \$11.0 million, or \$0.53 per diluted share, for the six-months ended June 30, 2006 compared to a net loss of \$7.9 million, or \$0.38 per diluted share, last year.

### **Conference Call Information**

Management will hold a conference call Thursday, August 10, 2006 at 10:00 a.m. ET to discuss its financial results. Individuals wishing to participate in the conference call should dial (800) 938-0653 or (973) 935-2408, access code 7717742. For interested individuals unable to join the call, a replay will be available through August 17, 2006 by dialing (877) 519-4471 or (973) 341-3080. The required pass code for the replay is 7717742. Interested parties are also invited to listen to the call live over the Internet at <http://www.russberrie.com/investorrelations/>.

Russ Berrie and Company, Inc., a leader in the infant and juvenile and gift industries, and its wholly-owned subsidiaries design, develop, and distribute a variety of innovative gift, infant and juvenile products to specialty and mass market retailers worldwide. Known for its teddy bears and other plush animals, the Company's gift and infant and juvenile lines are comprised of a diverse range of everyday, seasonal, and occasion-themed products that help people celebrate the milestones in their lives. Founded

in 1963 by the late Russell Berrie from a rented garage in New Jersey, today the Company operates offices, showrooms, and distribution centers all over the world and trades on the NYSE under the symbol RUS.

*Note: This press release contains certain forward-looking statements. Additional written and oral forward-looking statements may be made by the Company from time to time in Securities and Exchange Commission (SEC) filings and otherwise. The Private Securities Litigation Reform Act of 1995 provides a safe-harbor for forward-looking statements. These statements may be identified by the use of forward-looking words or phrases including, but not limited to, “anticipate”, “believe”, “expect”, “project”, “intend”, “may”, “planned”, “potential”, “should”, “will” or “would”. The Company cautions readers that results predicted by forward-looking statements, including, without limitation, those relating to the Company’s future business prospects, revenues, working capital, liquidity, capital needs, interest costs and income are subject to certain risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements. Specific risks and uncertainties include, but are not limited to those set forth under Item 1A, “Risk Factors”, of the Company’s most recent Annual Report on Form 10-K filed with the SEC. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.*

*(Tables to Follow)*

**Russ Berrie and Company, Inc.**  
**Financial Summary**  
(Dollars in Thousands, Except Per Share Data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Net Sales	\$ 65,689	\$ 62,019	\$ 143,049	\$ 132,759
Cost of Sales	39,815	36,997	85,353	76,341
<b>Gross Profit</b>	25,874	25,022	57,696	56,418
Selling, general and administrative Expenses	27,275	29,182	59,030	59,867
<b>Operating Loss</b>	(1,401)	(4,160)	(1,334)	(3,449)
Other expense	(1,565)	(8,171)	(6,891)	(11,622)
<b>Loss before income tax</b>	(2,966)	(12,331)	(8,225)	(15,071)
Income tax expense/(benefit)	3,009	(6,169)	2,742	(7,187)
<b>Net loss</b>	<u>\$ (5,975)</u>	<u>\$ (6,162)</u>	<u>\$ (10,967)</u>	<u>\$ (7,884)</u>
<b>Net loss per share</b>				
Basic	<u>\$ (0.29)</u>	<u>\$ (0.30)</u>	<u>\$ (0.53)</u>	<u>\$ (0.38)</u>
Diluted	<u>\$ (0.29)</u>	<u>\$ (0.30)</u>	<u>\$ (0.53)</u>	<u>\$ (0.38)</u>
<b>Weighted average shares:</b>				
Basic	20,840,000	20,824,000	20,838,000	20,824,000
Diluted	20,840,000	20,824,000	20,838,000	20,824,000

**Russ Berrie and Company, Inc.**  
**Selected Balance Sheet Data**  
(Dollars in Thousands)

	<u>June 30, 2006</u>	<u>December 31, 2005</u>	<u>June 30, 2005</u>
Cash, cash equivalents, marketable securities and other investments	\$ 10,333	\$ 28,667	\$ 15,498
Accounts receivable - net	50,575	53,189	54,945
Inventories - net	50,565	55,871	50,099
Other current assets	16,896	17,405	20,427
Property, plant and equipment and other assets	173,684	174,330	191,308
Total assets	<u>\$ 302,053</u>	<u>\$ 329,462</u>	<u>\$ 332,277</u>
Current portion of long-term and short-term debt	\$ 19,229	\$ 34,524	\$ 16,400
Other current liabilities	37,323	49,097	43,876
Deferred income taxes	9,438	6,358	-
Long-term debt excluding current portion	48,000	41,993	50,400
Other long-term liabilities	<u>3,680</u>	<u>3,636</u>	<u>-</u>
Total liabilities	<u>117,670</u>	<u>135,608</u>	<u>110,676</u>
Shareholders' equity	<u>184,383</u>	<u>193,854</u>	<u>221,601</u>
Total liabilities and shareholders' equity	<u>\$ 302,053</u>	<u>\$ 329,462</u>	<u>\$ 332,277</u>

\*December 31, 2005 and June 30, 2005 balances have been reclassified to conform to the June 30, 2006 presentation.

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