



AT THE COMPANY

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FOR IMMEDIATE RELEASE

**RUSS BERRIE AND COMPANY, INC. REPORTS
FOURTH QUARTER AND FULL YEAR 2006 RESULTS**

Oakland, N.J. — April 2, 2007 — Russ Berrie and Company, Inc. (NYSE: RUS) today reported results for the fourth quarter and full year ended December 31, 2006. The Company reported consolidated net income of \$1.3 million, or \$0.06 per diluted share, for the fourth quarter and a consolidated net loss of \$(9.4) million, or \$(0.45) per diluted share, for the full year 2006, which represents an improvement of \$19.9 million and \$25.7 million for the quarter and the full year, respectively, as compared to the prior year periods.

Andy Gatto, President and Chief Executive Officer, commented, “We are very pleased with our fourth quarter and full year results, which reflect the enormous progress we made in executing our strategic and operational initiatives in both of our business segments. These results demonstrate the success of our ongoing strategy to focus on growing our infant and juvenile segment while improving and streamlining our gift segment.”

Mr. Gatto continued, “In our gift segment, we substantially completed an aggressive restructuring program that has enabled us to reduce global gift operating expenses by approximately \$25 million on an annualized basis since the end of 2005. We have now moved beyond restructuring activities and are focused on growth through innovative product development, as evidenced by the fact that 70% of our 2007 product line consists of new product introductions. To date, trade reaction to our new line has been outstanding. We are also very pleased with the strong growth delivered by our infant and juvenile segment, which we achieved through aggressive product development, expansive retail shelf presence, and increased distribution for our Sassy™ and Kids Line™ brands.”

Fourth Quarter Results

Consolidated net sales for the fourth quarter of 2006 were \$73.9 million compared to \$74.1 million for the fourth quarter of 2005.

Net sales for the Company’s infant and juvenile segment grew 19.0% to \$38.8 million compared to \$32.6 million in the comparable 2005 quarter, driven by double-digit sales increases at both Sassy and Kids Line. Net sales for the Company’s gift segment decreased 15.4% to \$35.1 million for the quarter compared to \$41.5 million for the fourth quarter of 2005. This decline is due primarily to the streamlining of the gift segment’s operations pursuant to the Company’s Profit Improvement Program (PIP), which included: the termination during 2006 of direct sales forces in certain European countries;

the elimination of certain sales executive positions and approximately 30% of the Company's worldwide gift sales force during 2006; and a product line rationalization intended to focus the Company on those product categories in which it maintains an authoritative presence.

Consolidated selling, general, and administrative expenses for the three months ended December 31, 2006 decreased to \$25.3 million, or 34.2% of net sales, from \$32.6 million, or 44.1% of net sales, in the fourth quarter of 2005, primarily as a result of restructuring-related expense reductions in the gift segment, which were partially offset by a \$1.9 million increase in SG&A expense in the infant and juvenile segment to support growth initiatives. Included in SG&A for the fourth quarter of 2006 are restructuring charges in the gift segment of \$0.5 million, primarily related to severance costs. Restructuring charges of approximately \$1.8 million were included in the fourth quarter of 2005.

Consolidated operating income (loss) for the three months ended December 31, 2006 was \$4.2 million of income as compared to an operating loss of \$(9.2) million for the corresponding period in 2005. Included in the fourth quarter of 2006 is a special charge of \$0.8 million, recorded in cost of goods sold, related to future royalty guarantees. The fourth quarter of 2005 included special charges of \$4.2 million related to an inventory write-down and \$2.3 million related to future royalty guarantees, each of which was recorded in cost of goods sold.

The Company reported consolidated net income of \$1.3 million, or \$0.06 per diluted share, in the fourth quarter of 2006 as compared to a net loss of \$(18.6) million, or \$(0.89) per diluted share, in the same quarter of the prior year.

Full Year Results

Consolidated net sales for the full year ended December 31, 2006 increased 1.7% to \$294.8 million compared to \$290.0 million in the year ended December 31, 2005. Net sales for the infant and juvenile segment increased 11.8% to \$147.1 million for fiscal 2006 compared to \$131.5 million for fiscal 2005. Net sales for the Company's gift segment decreased 6.8% to \$147.7 million for fiscal 2006 compared to \$158.5 million for fiscal 2005. The decrease in gift segment revenues are the result of the same factors described above in the "Fourth Quarter Results" section.

Consolidated selling, general, and administrative expenses decreased to \$112.0 million, or 38.0% of net sales, for the twelve months ended December 31, 2006 from \$124.3 million, or 42.9% of net sales, during fiscal 2005. This decrease reflects a \$16.7 million reduction in gift segment operating expenses related to restructuring activities, partially offset by increased expenses to support growth in the infant and juvenile segment. Included in gift segment expenses for the twelve months ended December 31, 2006 were \$8.0 million of special charges, including \$4.2 million of restructuring charges related to severance costs, \$2.5 million of PIP consulting fees and \$1.3 million related to the relocation of the U.K. distribution facility. Restructuring charges of \$3.1 million are included in the corresponding period of 2005.

Consolidated operating income for 2006 was \$6.1 million compared to an operating loss of \$(8.0) million for fiscal 2005. The improvement was driven by a substantial decrease in SG&A expenses in the gift segment resulting from the Company's 2006 restructuring efforts, as well as strong performance in the infant and juvenile segment.

The Company reduced its consolidated net loss to \$(9.4) million, or \$(0.45) per diluted share, for fiscal 2006 compared to a net loss of \$(35.1) million, or \$(1.69) per diluted share, for 2005. This \$25.7 million improvement in net loss in 2006 partially reflects the substantial reduction in SG&A expenses noted above, as well as a decrease in interest expense of \$5.1 million resulting from lower write-offs of deferred financing costs and lower levels of outstanding debt compared to 2005.

As of December 31, 2006, the Company's consolidated debt outstanding was approximately \$54.3 million, as compared to approximately \$76.5 million at the end of 2005, which reflects the substantial cash flow generated by the infant and juvenile segment and utilized to reduce debt.

Mr. Gatto concluded, "In 2006, we achieved a solid operating profit, decreased our operating expenses by nearly 10%, and reduced our debt by approximately 29%. By almost any measure, our business is in a significantly stronger position today than it was one year ago. We remain committed to delivering the level of quality, design and value for our product portfolio that has resonated strongly with our retail customers and consumers. At the same time, we will continue to carefully monitor expenses while implementing other strategic initiatives to help us attain our goals. We are confident that Russ Berrie is well-positioned for further growth and success in the coming year."

Conference Call Information

The conference call, which will be held at 10:00 a.m. ET today, may be accessed by dialing (877) 715-5318 from within the United States or (973) 582-2852 from international locations, access code 8546238. Additionally, a webcast of the call can be accessed at <http://www.russberrie.com/investorrelations/> or at www.earnings.com. For those unable to listen to the live call, a replay will be available through April 9, 2007, by dialing (877) 519-4471 or (973) 341-3080. The required pass code for the replay is 8546238. In addition, the webcast of the call will be archived online shortly after the conference call for 90 days.

Corporate Governance and Available Information

The Company makes available a wide variety of information free of charge on its website at www.russberrie.com. The Company's filings with the United States Securities and Exchange Commission (the "SEC"), including our recently filed Annual Reports on Form 10-K, are available on the Company's website as soon as reasonably practicable after the reports are electronically filed with the SEC. Mailed copies of our complete audited financial statements for fiscal 2006 can be obtained free of charge by writing to the Company at Russ Berrie and Company, Inc., 111 Bauer Drive, Oakland, NJ 07436, Attention: Chief Financial Officer.

About Russ Berrie and Company, Inc.

Russ Berrie and Company, Inc., a leader in the infant and juvenile and gift industries, and its wholly-owned subsidiaries, designs, develops, and distributes 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)

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Russ Berrie and Company, Inc.
Consolidated Statement of Operations
(Dollars in Thousands, Except Per Share Data)
(Unaudited)

| | Three Months Ended | | Twelve Months Ended | |
|--|---------------------------|--------------------|----------------------------|--------------------|
| | December 31, | | December 31, | |
| | 2006 | 2005 | 2006 | 2005 |
| Net Sales | \$ 73,889 | \$ 74,064 | \$ 294,769 | \$ 290,031 |
| Cost of Sales | <u>44,405</u> | <u>50,579</u> | <u>176,666</u> | <u>173,712</u> |
| Gross Profit | 29,484 | 23,485 | 118,103 | 116,319 |
| Selling, general and administrative expenses | <u>25,254</u> | <u>32,647</u> | <u>111,961</u> | <u>124,308</u> |
| Operating Income (Loss) | 4,230 | (9,162) | 6,142 | (7,989) |
| Other (expense), net | <u>(1,478)</u> | <u>(1,895)</u> | <u>(9,780)</u> | <u>(14,925)</u> |
| Income (Loss) Before Income Tax Provision | 2,752 | (11,057) | (3,638) | (22,914) |
| Income Tax Provision | <u>1,477</u> | <u>7,552</u> | <u>5,798</u> | <u>12,185</u> |
| Net Income (Loss) | <u>\$ 1,275</u> | <u>\$ (18,609)</u> | <u>\$ (9,436)</u> | <u>\$ (35,099)</u> |
| Net income (loss) per share | | | | |
| Basic | <u>\$ 0.06</u> | <u>\$ (0.89)</u> | <u>\$ (0.45)</u> | <u>\$ (1.69)</u> |
| Diluted | <u>\$ 0.06</u> | <u>\$ (0.89)</u> | <u>\$ (0.45)</u> | <u>\$ (1.69)</u> |
| Weighted average shares: | | | | |
| Basic | 20,963,000 | 20,825,000 | 20,876,000 | 20,825,000 |
| Diluted | 21,147,445 | 20,825,000 | 20,876,000 | 20,825,000 |

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

| | <u>December 31,</u> <u>2006</u> | <u>December 31,</u> <u>2005</u> |
|--|------------------------------------|------------------------------------|
| Cash and cash equivalents | \$ 11,526 | \$ 28,667 |
| Accounts receivable, net | 55,976 | 53,189 |
| Inventories, net | 48,026 | 55,871 |
| Other current assets | 16,556 | 16,904 |
| Long-term assets | <u>171,683</u> | <u>174,330</u> |
| Total assets | <u>\$ 303,767</u> | <u>\$ 328,961</u> |
| Short-term debt | \$ 30,832 | \$ 34,524 |
| Other current liabilities | 55,380 | 48,596 |
| Long-term liabilities | <u>26,891</u> | <u>51,987</u> |
| Total liabilities | <u>113,103</u> | <u>135,107</u> |
| Shareholders' equity | <u>190,664</u> | <u>193,854</u> |
| Total liabilities and shareholders' equity | <u>\$ 303,767</u> | <u>\$ 328,961</u> |