

A WORLD OF HUGS

2007 ANNUAL REPORT



FINANCIAL HIGHLIGHTS

Dollars in thousands, except per share and per gross square foot data

Fiscal year ⁽¹⁾	2007	2006	2005
Revenues:			
Net retail sales	\$ 468,168	\$ 432,572	\$ 358,901
Franchise fees	\$ 3,577	\$ 3,521	\$ 1,976
Licensing revenue	\$ 2,616	\$ 979	\$ 932
Total revenues	\$ 474,361	\$ 437,072	\$ 361,809
Net income	\$ 22,509	\$ 29,490	\$ 27,314
Earnings per common share:			
Basic	\$ 1.11	\$ 1.46	\$ 1.38
Diluted	\$ 1.10	\$ 1.44	\$ 1.35
Other financial and store data:⁽²⁾			
Gross margin (dollars) ⁽³⁾	\$ 209,090	\$ 205,063	\$ 178,528
Gross margin (percent) ⁽³⁾	44.7%	47.4%	49.7%
Number of company-owned stores at end of period	321	271	200
Average net retail sales per store	\$ 1,576	\$ 1,761	\$ 1,864
Net retail sales per gross square foot	\$ 516	\$ 573	\$ 615

(1) Our fiscal year consists of 52 or 53 weeks; it ends on the Saturday nearest Dec. 31 in each year. Fiscal years 2007, 2006 and 2005 were 52 weeks each.

(2) For descriptions of this financial and store data, please see the fiscal 2007 annual report on Form 10-K.

(3) Gross margin represents net retail sales less cost of merchandise sold. Gross margin percentage represents gross margin divided by net retail sales.

COMPANY PROFILE

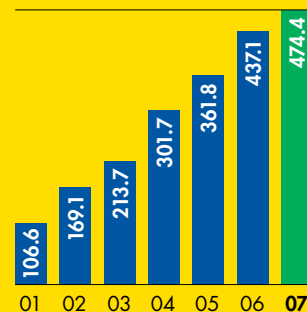
Founded in 1997 in St. Louis, Build-A-Bear Workshop, Inc., is the leading and only global company that offers an interactive make-your-own stuffed animal retail-entertainment experience. The company or its franchisees currently operate more than 370 Build-A-Bear Workshop stores worldwide, including company-owned stores in the United States, Puerto Rico, Canada, the United Kingdom, Ireland, and France, and franchise stores in Europe, Asia, Australia and Africa. In December 2007, Build-A-Bear Workshop extended its in-store interactive experience online with the launch of its virtual world at buildabearville.com.™

Build-A-Bear Workshop (NYSE: BBW) posted total revenue of \$474 million in fiscal 2007. For more information, call 888.560.BEAR (2327) or visit the company's award-winning Web sites at www.buildabear.com and www.friends2Bmade.com.



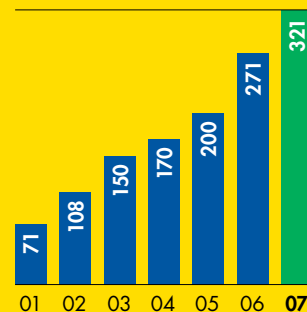
TOTAL REVENUE

(dollars in millions)



NUMBER OF COMPANY-OWNED STORES

(at end of period)



LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS,

Build-A-Bear Workshop® is a company with heart — starting with our Guests and their furry friends, who are at the heart of everything we do. That special relationship was clear as we celebrated our 10th birthday together in 2007. The past year was challenging for our company and as we move into 2008, we face an economic environment that is difficult industrywide, but especially for companies that offer highly discretionary retail products like our own. However, we are approaching our future with confidence and optimism.

In 2007, we delivered our 10th consecutive year of total revenue growth. Although our net income declined in 2007, we see continuing strength in our store economic model and our core Build-A-Bear Workshop brand as well as our ongoing investment in infrastructure and brand-building initiatives. In 2008, we will execute strategic plans for attracting new Guests and retaining existing Guests to improve our comparable-store sales performance and we will continue to focus on delivering a “wow” experience for each and every Guest who comes into a store or in contact with our brand. In addition, we intend to repurchase up to \$50 million of our common stock under an expanded share repurchase authorization.

Despite the challenges of 2007, we made several brand and operational advancements that are important to our long-term strategy, which will position us to maximize our growth opportunities when the business climate improves.

- Our European operations had strong growth in sales and delivered operating income of \$700,000 in 2007, compared with a loss of \$1.5 million in 2006. In addition to our company-owned stores in the United Kingdom and Ireland, we opened our first three stores in France.
- Building on our strategy of taking our brand wherever families go to have fun, we launched an updated interactive Web site, buildabearville.com.™ Our investment in Build-A-Bearville™ recognizes the powerful emerging trend of kids’ interactive play online. Over 2 million online characters were created in Build-A-Bearville within its first three months of going live.
- We now have more than 5 million members in our Stuff Fur Stuff® club loyalty program, which is our key Guest retention program and communication platform. We expanded the program to Canada in late 2007 and plan to extend it to the United Kingdom in the second half of 2008.
- We continue to leverage our company-owned distribution center near Columbus, Ohio. We moved our Web fulfillment operations into the facility in the spring of 2007. We also modified our distribution methods and store delivery systems to maximize a centralized inventory and to enhance supply chain visibility.
- Our international franchisees ended the year with 53 stores in 15 countries. We also signed one new franchise agreement covering five additional countries, positioning us for further international growth.





THE HEART OF OUR COMPANY

Our store experience is still the heart of our concept bonding the new furry friend with its owner. The stuffed animal making process is symbolized by our distinctive brand: Choose Me, Hear Me, Stuff Me, Stitch Me, Fluff Me, Dress Me, Name Me, Take Me Home®. During our trademarked heart ceremony, our Guests make a wish on a heart that is put inside the animal, forming a friendship that will last forever.



COMMUNICATING THE BRAND EXPERIENCE

Our “Dream It, Create It” themed television campaign communicated several of our brand promises: We give kids the tools to be creative, the freedom to make choices, and the encouragement to exercise a lively imagination. This TV campaign was integrated with an interactive microsite and online social media initiatives.

OUR 2007 FINANCIAL RESULTS

Total revenues for the year 2007 were \$474 million, an increase of 9 percent over the prior year. Net retail sales increased 8 percent, to \$468 million. Earnings per share for the year were \$1.10, compared with \$1.44 in 2006. After investing \$37 million in infrastructure, including opening 50 new company-owned stores in North America and Europe, we ended the year debt-free, and with cash of \$66 million.

OUR STORE MODEL IS THE HEART OF OUR BUSINESS

Our unique interactive entertainment business model has now proved its resilience under all economic conditions. Despite a retail environment that grew more difficult as the year went on, our stores yielded positive profit and impressive cash flow. Our sales productivity per square foot continues to be above the industry average. We have strong product, marketing, and Guest communication programs in place to enable us to take full advantage of the anticipated recovery in the economy.

CONNECTING AND RECONNECTING

While we believe our full market potential remains for at least 350 stores in North America and more than 120 stores in our European operations, our plans for 2008 include slowing down our store growth to about 25 new stores, which will allow us to invest in our long-term brand value

by enhancing our online world, buildabearville.com.™ In addition to leveraging Build-A-Bearville™ to bring traffic to our stores, our ongoing marketing and merchandise plans balance initiatives to attract new Guests and retain existing Guests. We know we need to get more from our marketing investment; in 2008 we will be reallocating marketing dollars to test how shifting our investment can better achieve our goals. Our store experience is highly sensory, and we want our TV, radio, and online advertising media to communicate that hands-on experience. Our brand has always reflected what is relevant in our Guests’ lives. For example, there was no hotter ticket in 2007 than a Hannah Montana concert and Build-A-Bear Workshop® was right there awarding tickets to sweepstakes winners across the country and offering Hannah Montana fashions for furry friends.



OUR GUESTS ARE LOYAL

We stay connected to our Guests through our Stuff Fur Stuff club loyalty program, which now boasts more than 5 million members.

In this economic environment, we may see short-term pressure on our results as we build to critical mass with buildabearville.com.™ However, we believe that our 2008 plan carefully balances long-term goals with near-term business challenges.

MORE PLACES FOR FUN

Our retail-entertainment concept is unique in that it can operate within many family-friendly settings: from make-your-own Major League Baseball® mascot in-stadium locations, Build-A-Dino® stores and within select Rainforest Café® restaurants, to more than 370 Build-A-Bear Workshop® stores worldwide, we truly are the leader in interactive retail-entertainment.

Through our relationship with Ridemakerz, LLC, we are now bringing our industry expertise, as well as our financial and human capital, to the new Ridemakerz® concept that invites kids to customize their own model cars. Besides traditional malls, we believe this boy-centric concept can be successful in non-mall locations. It has received significant interest from

consumer product companies, including car manufacturers who want to reach the youth demographic. Stores already offer models of the Ford Mustang GT, the Dodge Challenger Hemi, the Toyota Scion, and the Mini Cooper.

NEW FRIENDS EVERYWHERE, EVERY DAY

Our Guests respond to product newness so we stay on the cutting edge of furry fashion and cultural trends. Throughout 2007, we added to our already strong merchandise lineup. If a trend is hot for kids, it's hot for bears too — and we have it.

In honor of our 10th birthday, we launched a successful line of Collectibear® friends, our A Friend Fur All Seasons series. To capitalize on the enthusiasm of our collectors, we will offer more collectible products in 2008 under a new theme. We also brought back one of our most popular holiday animals, Rudolph the Red-Nosed Reindeer®, and for the first time he brought his special friend, Clarice, for a successful debut launch.

MORE PLACES FOR FUN

Build-A-Bear Workshop stores can be found wherever families go to have fun! We bring the fun of making your own furry friend to a zoo, a science center, and ballparks, engaging our brand with new and existing Guests.



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FURBULOUS FASHIONS

In addition to the hottest concert ticket in town, we offered our Guest the opportunity to dress their furry friends in the hottest Disney star styles — right down to Hannah Montana's blond wig. We also offered High School Musical and Cheetah Girls fashions. We will continue to capitalize on these and other hot tween brands.



BEARY SPECIAL FRIENDS

Our furry friends can dress in the hottest fashions from Limited Too, wear SKECHERS® shoes, talk on play camera phones, and listen to their Paw Tracks players. But the heart of the friendship remains the same — they are protectors, confidantes, faithful companions, and all-round furry best friends.





BUILDABEARVILLE.COM™

Our investment in Build-A-Bearville™ reflects our ongoing commitment to building the entertainment side of our company. The trend in online play is just emerging and our virtual world gives us a strong platform for future growth.



A WHOLE NEW WORLD — BUILDABEARVILLE.COM™

Now Guests can bring their furry friend to life online for FREE; plus each animal comes with Bear Bills™ — the in-world currency — an extra room, and themed décor for their Cub Condo,® where the virtual furry friend and online character live together. There's also an exclusive reward when the Guest completes an animal adventure.

OUR NEW WORLD STUFFED WITH FUN

Since the beginning, our stores have always provided a safe place where our Guests can express their creativity and use their imagination. We bring those same qualities that Guests value and trust to our new virtual world. Our completely branded online experience at buildabearville.com™ lets kids nurture relationships with their furry friends and real-life friends too.

Adding the online world connection to our real-world store experience is a natural progression. It's like a "gift with purchase" for each new furry friend. After leaving the store, Guests can bring their furry friends to life online for free. Each animal comes with exclusive virtual items. In addition, every Guest who makes a real-world clothing or accessory purchase gets access to the virtual Bear Boutique online. And Stuff Fur Stuff® members receive 100 virtual Bear Bills to spend in the virtual world for every dollar spent in the store.

The response from our Guests has been resoundingly positive. We believe that we can leverage buildabearville.com to bring traffic to our stores. With over 60 million stuffed animals sold, we are uniquely positioned to succeed in this space as the only virtual world that can capitalize on its own real-world locations.

EMPOWERING KIDS TO MAKE A DIFFERENCE

At Build-A-Bear Workshop®, we live by the teddy bear philosophy of being good people and good bears. Throughout our 10 years, we have always given our Guests a voice to support causes that are important to them. In 2007, in honor of our birthday, we involved our Guests in even more ways. Together, we built 10 playgrounds in North America, donated 300,000 trees to the Arbor Day Foundation through our Friendship Forest, and honored 10 amazing Huggable Heroes® for doing great work in their communities.



CYBEAR™ FRIENDS

Furry friends are busy in CyBEAR space. They are challenged with educational quests and adventures, learn about being responsible citizens, and have good real-world behaviors reinforced, all in a beary fun way.



OUR MANAGEMENT TEAM

Maxine Clark, founder, Chairman, and Chief Executive Bear (front).
From left to right Dave Finnegan, Chief Information Bear; Tina Klocke, Chief Financial Bear, Treasurer, and Secretary;
Teresa Kroll, Chief Marketing Bear; and Scott Seay, President and Chief Operating Bear.

BUILDING FOR THE FUTURE

We recognize that we can improve our comparable store sales and have several initiatives specifically directed at improving our sales trends in 2008 as well as refocusing our efforts on building our brand, enhancing our products and experiences, driving efficiencies from our logistics and supply chain, and maintaining tight expense control — all while investing in our future. We have confidence in the broad appeal of our unique entertainment-based concept and in our business strategies. We believe our superior store economic model, strong cash flow, and flexible capital structure will deliver long-term sales and earnings growth as we move into our second decade.

MAKING A DIFFERENCE

Guests, associates and the community work together to build an entire playground in one day!



In another sign of confidence in our future, our board of directors increased our share repurchase program from \$25 million to \$50 million. This increased authorization was announced in March 2008 after an analysis of a broad range of strategic alternatives. We intend to use this program to return excess cash to our shareholders. During 2007 we repurchased 176,500 shares of common stock for \$4.7 million.

A BRAND WITH STAYING POWER

Our Guest experience, the brand connection that occurs when our Guests and our associates interact in our stores, remains the heart of our concept. I thank you all — especially our associates, leadership team, and board of directors — for your dedication and hard work. In 10 short years, we have become the world’s leading interactive retail-entertainment brand. The spirit and commitment of our associates, business partners, and — most of all — our Guests give me the confidence that we will continue to redefine retail for years to come.

Bearly best regards,

Founder, Chairman, and Chief Executive Bear
March 28, 2008

BOARD OF DIRECTORS

Maxine Clark

Founder, Chairman, and
Chief Executive Bear
Build-A-Bear Workshop, Inc.

Barney Ebsworth*

Founder and CEO
Windsor, Inc. (a corporation that
provides financing for venture capital,
real estate, and other investments)

Mary Lou Fiala^(1, 2)

President and
Chief Operating Officer
Regency Centers Corporation
(a real estate investment trust
specializing in the ownership and
operation of grocery-anchored
shopping centers)

James Gould^(2, 3)

Managing General Partner
The Walnut Group
(a group of affiliated venture
capital funds)

Louis Mucci^(1, 3)

Retired Partner
PricewaterhouseCoopers LLP

Coleman Peterson^(2, 3)

President and CEO
Hollis Enterprises LLC
(a human resources consulting firm)
Former Executive Vice President
of People
Wal-Mart Stores, Inc.

William Reisler^(1, 2)

Co-Founder, Managing Partner
Kansas City Equity Partners
(a private equity firm)

Joan Ryan^(1, 3)

Retired Senior Vice President
Walt Disney Theme Parks
and Resorts

Board Committees:

- (1) Audit Committee
- (2) Compensation Committee
- (3) Governance Committee

* Board Member Emeritus as
of the 2006 Annual Meeting

SENIOR MANAGEMENT

Maxine Clark

Founder, Chairman,
and Chief Executive Bear

Scott Seay

President and
Chief Operating Bear

Dave Finnegan

Chief Information Bear

Tina Klocke

Chief Financial Bear,
Treasurer and Secretary

Teresa Kroll

Chief Marketing Bear

MANAGING DIRECTORS

Paul Bondonis

Managing Director,
Stores — Central Region

Phil Deiter

Managing Director,
Workshop Experience

Darlene Elder

Managing Director,
Bear and Human Resources

Jeff Fullmer

Managing Director,
Bear Logistics and Planning

Scott Gower

Managing Director,
Stores — East Region

Dorrie Krueger

Managing Director,
Strategic Bear Planning

Rick Levine

Managing Director,
Stores — West Region

Roger Parry

Managing Director,
UK Trading

Nancy Schwartz

Managing Director,
Bear Marketing

Mark Shurtleff

Managing Director,
Beartroller

Shari Stout

Managing Director,
Bear Stuff Development

SHAREHOLDER INFORMATION

Build-A-Bear Workshop® World Bearquarters

1954 Innerbelt Business Center Drive
St. Louis, Mo. 63114-5760
888.560.2327
314.423.8000
Fax: 314.423.8188
Web: www.buildabear.com

Transfer Agent and Registrar

BNY Mellon Shareowner Services
480 Washington Boulevard 27th Floor
Jersey City, NJ 07310-1900
888.667.7679
www.bnymellon.com/shareowner/isd

Auditors

KPMG LLP
St. Louis, Mo.

Counsel

Bryan Cave LLP
St. Louis, Mo.

Form 10-K

The Build-A-Bear Workshop Form 10-K may be requested by a letter to the Investor Relations department at the World Bearquarters, by a phone call to the Investor Relations department at 314.423.8000 x5353 or by an e-mail to invest@buildabear.com.

Comprehensive financial information for Build-A-Bear Workshop is also available at the company's investor relations
Web site: <http://ir.buildabear.com>.

Annual Meeting

The annual meeting of shareholders will be held at 10:00 a.m. St. Louis time (CDT) on Thursday, May 8, 2008, at the Saint Louis Science Center, May Hall, 5050 Oakland Avenue, St. Louis, Missouri 63110. A formal notice of the meeting and a proxy statement will be sent to each shareholder.

BBW LISTED NYSE

Build-A-Bear Workshop common stock is traded on the New York Stock Exchange. Our symbol is BBW.

As of March 28, 2008, there were approximately 12,000 shareholders. That number is based on the actual number of holders of record and an estimated number of beneficial holders of the company's common stock.

Certifications

The most recent certifications by our Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 are filed as exhibits to our Form 10-K. We have also filed with the New York Stock Exchange the most recent Annual CEO Certification, as required by the New York Stock Exchange.



Build-A-Bear Workshop, Inc.
1954 Innerbelt Business Center Drive
St. Louis, MO 63114
www.buildabear.com
buildabearville.com[™]