



QUARTERLY REPORT

April -June 2006

WEAK SALES, ADDITIONAL ONE-OFF ITEMS AND REFINANCING

- Rationalization measures progress according to plan but profits are weighed by weaker sales
- Continued restructuring in line with the new strategy to generate growth in future
- BRIO's Board proposes capital injection of SEK 224 million to assure a satisfactory equity/assets ratio and sufficient financing to carry out the new strategy (see separate press release)
- BRIO's Boards adjusts forecast

REPORTING PERIOD APRIL-JUNE 2006

- Net sales were SEK 264.2 million (294.0 m)
- Operating loss was SEK 71.8 million (-25.9 m)
- Operating loss adjusted for one-off items was SEK 35.4 million
- Loss after tax was SEK 80.3 million (-36.1 m)
- EPS was SEK -14.34 (-6.45)

PERIOD JANUARY-JUNE 2006

- Net sales reached SEK 497.0 million (531.9 m)
- Operating loss was SEK 112.2 million (-61.8 m)
- Operating loss adjusted for one-off items was SEK -75.8 million
- Loss after tax was SEK 127.3 million (-76.8 m)
- EPS was SEK -22.73 (-13.73)

OTHER EVENTS DURING THE PERIOD

- The cost-saving scheme and capital rationalization scheme launched in October 2005 under the name BRIO 2008 are progressing according to plan. Due however to a weaker than expected sales trend, earnings have not improved at the rate previously predicted.
- The second quarter is burdened with one-off items totaling SEK 23 million in obsolescence write-downs after further adjustments to our product range. Additionally, there are one-off items totaling SEK 13 million, of which most stems from the liquidation of business activities in the USA.
- The Board announces an extraordinary general meeting for August 16, 2006 and proposes that the company carries out refinancing measures to assure that BRIO has a satisfactory equity/assets ratio and sufficiently sound financial platform to complete the changes warranted by the new strategy. The Board's proposal means an injection of SEK 224 million before issue costs and amortization of the SEK 44 million acquisition financing arranged in 2005 in connection with the acquisition of the remaining 50 percent of European Nursery Group (ENG). Refinancing entails a new share issue and the issue of a debenture loan. A long-term financing agreement has also been made with BRIO's creditors.
- Cost-saving measures and the ongoing capital rationalization plan within the framework of the BRIO 2008 action plan are proceeding according to plan. However, due to a weaker than expected sales trend, BRIO retracts its previous forecast that "substantially lower costs are expected to generate better earnings throughout 2006".

Measures included in the BRIO 2008 action plan are expected to generate savings of about SEK 80 million per year reaching full effect as of 2007, and a SEK 100 million reduction in tied-up capital tied up to 2007 compared with 2004's level and adjusted for present-day Group structure. As a consequence of the scheme's various measures, BRIO is expected to show a positive cash flow from current business activities in 2007.

CEO'S STATEMENT

BRIO is currently undergoing a demanding conversion process, which has become more intense the past year. Our evolution from a production and trade driven company to a more innovative and consumer-oriented company takes time and patience along with a long-term perspective. The strategic adjustments underway are based on extensive analysis of both internal and external factors, and include both structural and organizational changes as well as more aggressive focus on product development.

The market is somewhat sluggish pending the release of our new BRIO products in the stores this autumn. Sales have dropped within both BRIO's classic range and the wholesale segment Scanditoy during the first six months. The contribution margin ratio has also been weak for both units. One reason for this includes the changes and 30% cutback in BRIO's range that entailed selling out discontinued articles. The purpose is to make room for the new products while simultaneously lowering the capital tied up, resulting in obsolescence write-downs of SEK 23 million. Scanditoy's results have been negatively affected during the period by an unfortunate product mix. An action plan is underway to reinforce Scanditoy's product range and improve efficiency.

Our BRIO 2008 action plan was launched in October 2005. The plan includes a cost-saving scheme and a capital rationalization scheme. Both are progressing according to plan, but since sales have been weaker than expected, we are not seeing improvements at the rate earlier predicted.

To cultivate growth and profitability, BRIO's product range is being broadened and renewed with products adapted to the target group of parents to children up to the age of five. Intense product development activities are in motion for both new toys, prams, children's car seats and furniture. The

first products based on this strategy are scheduled for launch this autumn, which will be followed-up with more product launches throughout 2007 and 2008. This will mark the large-scale new product launches on the market. The time span of taking a product from the drawing table to the store shelf is seldom shorter than 18 months. Consequently, it will take more time before our intensified product development activities have full impact on our earnings and can produce visible, positive financial effects.

The Board announces an extraordinary general meeting and proposes that BRIO carry out a re-financing to secure an injection of SEK 224 million, excluding financing costs. Our ambition is to assure that BRIO has a satisfactory equity/assets ratio and sufficiently sound financial base to complete the changes of the new strategy. Additionally, BRIO needs to continue to strengthen and intensify its product development activities and secure the financial space to exploit the business opportunities on the market in order to become a profitable, more successful company in the long term.

Although we still have a way to go before our conversion is complete and BRIO has achieved a satisfactory profitability, we have a solid foundation on which to build. BRIO is already one of the most popular brands in Sweden and abroad, which in itself creates great potential. The ultimate challenge lies in creating new, attractive products that can live up to the high demands that the market has on us.

Despite the short-term difficulties we face, our shareholders can rest assured that I, alongside every BRIO employee will do everything possible to make this conversion process a success.

Thomas Bräutigam
CEO of BRIO

GROUP PERFORMANCE DURING THE REPORTING PERIOD APRIL-JUNE 2006

SALES

Sales in Q2 reached SEK 264.2 million, a fall of SEK 29.8 million compared with the same period last year. This decline is in part attributable to the reduction in the number of wholly-owned stores, which had a negative impact of SEK 9.2 million on the second quarter's sales figures. Furthermore, sales were also negatively affected by the somewhat stagnant market pending the launch of new products during this year's third quarter. Sales were also negatively affected by the 30 percent cutback in our current product range in order to make room for the new products, which resulted in closeouts of discontinued articles.

Currency effects had an SEK 5.9 million (3.1 m) impact on sales.

The gross profit fell by SEK 42.0 million to SEK 71.4 million (113.4 m) compared with the same period last year. The gross profit is burdened by obsolescence write-downs amounting to SEK 23 million as well as SEK 13 million ascribed to divestments in conjunction with the changes in the USA. Moreover, margins for the second quarter were negatively affected by the closeouts of discontinued articles prescribed by the capital rationalization project.

COSTS

Operating sales, administration and development costs are on par with the same quarter last year and reached

SEK -143.2 million (-139.3 m). Compared with the same period last year, product development and marketing costs have been brought forward in time to prepare for the autumn's launches.

The measures in the BRIO 2008 action plan are expected to generate savings of about SEK 80 million, reaching full effect as of 2007. The objective is to improve the company's profitability and free resources to intensify product development activities. Furthermore, the company's ambition is to up until 2007 reduce the capital tied up by SEK 100 million compared with 2004 and adjusted for the current Group structure.

OPERATING PROFIT/LOSS

The operating loss was SEK 71.8 million (-25.9 m), entailing a decline of SEK 45.9 million. The operating loss includes SEK 34.1 million in one-off costs.

PROFIT/LOSS AFTER FINANCIAL ITEMS

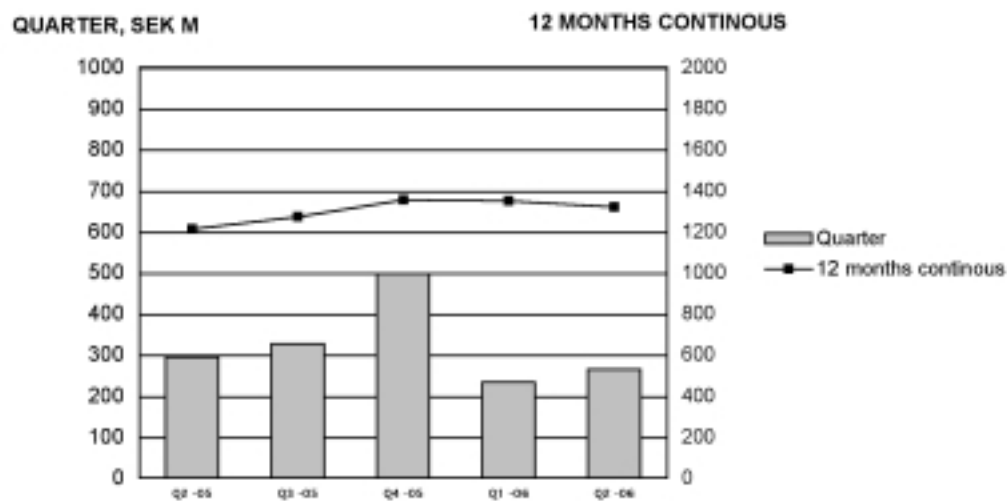
The Group's loss before tax for Q2 was SEK 79.2 million (-33.2 m). Net financial items, SEK -7.3 million (-7.3 m) are on par with the same period last year.

The loss means a tax effect of SEK -1.1 million (-2.9 m).

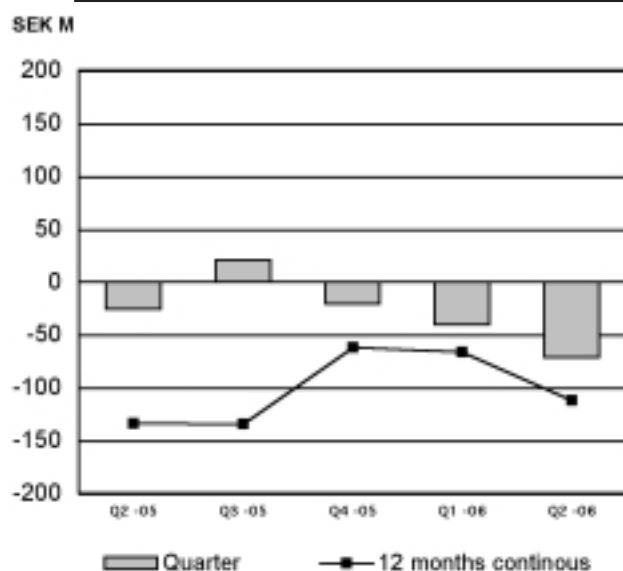
EARNING TREND PER QUARTER

SEK M	APR-JUN 06	JAN-MAR 06	OCT-DEC 05	JUL-SEP 05	APR-JUN 05
Net sales	264.2	232.8	496.9	326.5	294.0
Gross profit	71.4	81.2	191.0	127.6	113.4
Operating costs	-143.2	-121.6	-211.8	-107.1	-139.3
Operating profit/loss	-71.8	-40.4	-20.8	20.5	-25.9
Net financial items	-7.3	-3.2	1.4	-5.4	-7.3
Profit/loss after financial items	-79.2	-43.6	-19.4	15.1	-33.2
Earnings per share, SEK	-14.34	-8.39	-2.2	2.21	-6.45

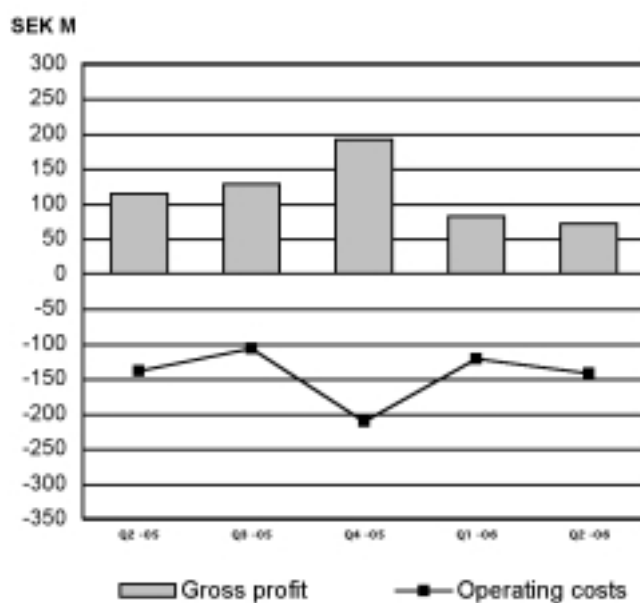
NET SALES



OPERATING PROFIT/LOSS



GROSS PROFIT AND OPERATING COSTS



The tables and charts have not been corrected for one-off items.

BUSINESS AREA AND MARKET PERFORMANCE DURING THE REPORTING PERIOD APRIL-JUNE 2006

BRIO BUSINESS AREA

The BRIO business area is responsible for the Group's product development, purchasing, manufacturing, and sales of toys and children's products under the BRIO, Alga and SIMO brand names. The BRIO business area includes the acquired sales companies for toys and baby products in the Nordic Region and Germany as well as sales units in the UK, Germany/Austria, France/Belgium and Japan. In addition, the export department handles sales to markets where BRIO is not represented by its own sales firms.

NORDIC REGION

Sales in the Nordic countries consist mainly of BRIO-brand baby products and to a certain extent, toys. Sales are conducted via independent distributors. The Nordic market is covered by sales companies that sell baby products and Scanditoy business area. BRIO's toy sales in the Nordic countries are reported in the Scanditoy business area.

Second quarter sales on the Nordic market amounted to SEK 76.8 million (87.0 m). After a strong first quarter, customer's purchases have been adapted during the second quarter. Sales figures for the first six month coincide with expectations.

OTHER EUROPEAN COUNTRIES

Sales in the rest of Europe consist mainly of BRIO-brand toys sold via independent distributors and supermarkets.

Second quarter sales in the rest of Europe amounted to SEK 24.9 million (35.8 m). A major restructuring of our product range will take place during the third quarter which has lead the market to stagnate somewhat.

NORTH AMERICA

On March 13, 2006, BRIO signed a distribution agreement with K'NEX of the USA that makes K'NEX BRIO's exclusive distributor of toys in North America as of June 1. BRIO Corp in the US was shut down in conjunction with this, resulting in a negative impact on earnings during the quarter. K'NEX' primary sales channels are distributors and supermarkets.

BRIO stopped selling Erector's products in the USA at the turn of the year, entailing a loss of about SEK 40 million per year in sales. Margins were negatively affected by the closeout of Erector's products during the reporting period.

BRIO's sales in North America in Q2 totaled SEK 28.4 million (20.7 m). The increase is ascribed to the sale of stocks in conjunction with the termination of the previously mentioned distribution agreement, which had a negative effect on the Group's margins.

REST OF THE WORLD

Japan is BRIO's single largest market outside Europe and North America. BRIO exports toys to another fifty or so countries. Sales consist exclusively of BRIO-brand toys and reached SEK 2.8 million (5.6 m) during the quarter.

NET SALES PER MARKET

SEK M	APR-JUN 06	JAN-MAR 06	OCT-DEC 05	JUL-SEP 05	APR-JUN 05
Nordic Region	76.8	80.8	76.6	75.7	87.0
Other European countries	24.9	32.1	74.9	43.4	35.8
North America	28.4	21.3	42.8	31.1	20.7
Rest of the world	2.8	3.4	4.1	5.8	5.6
Total	132.9	137.6	198.4	156.0	149.1

SCANDIToy BUSINESS AREA

Scanditoy is a wholesale toy business with activities in the Nordic countries and Poland and is responsible for purchasing and sales of trend, licensed and branded toys. Scanditoy distributes BRIO and Alga-brand toys and games in the Nordic countries and Poland. The business area also runs the BRIO Partner concept that includes sales of toys to wholly-owned stores in the franchise system in Norway and Sweden.

NORDIC COUNTRIES

Sales in the Nordic countries comprise sales of BRIO and Alga-brand toys and wholesale sales via independent distributors, the Partner concept and three wholly-owned stores. The Partner concept consists of 92 (97) stores in Sweden and 138 (138) in Norway.

Second quarter sales on the Nordic market reached SEK 118.6 million (130.0 m).

The drop in sales is partly due to the reduction of wholly-owned stores, from six to three, compared with last year. This resulted in a SEK 7.3 million decline in sales.

The rest of the decline, SEK 4.1 million, stems from the Finnish market and is ascribed to falling trend toy sales, compared with the same period last year.

A substantial reduction in our product range is part of the capital rationalization plan launched in conjunction with BRIO 2008. This work is proceeding as planned but means that earnings will be affected in the short term as margins shrink due to closeouts of discontinued articles.

OTHER EUROPEAN COUNTRIES

Sales in the rest of Europe consist of wholesale sales in Poland and sales via two wholly-owned stores (four last year), also in Poland.

Second quarter sales amounted to SEK 12.7 million (13.5 m). The decline in sales comes from our divestment of two wholly-owned stores in Poland.

PARENT COMPANY

Loss before tax for the period was SEK 27.7 million (-28.4 m). Sales for the period totaled SEK 34.2 million (137.8 m), a decline mainly ascribed to the transfer of Scanditoy from BRIO AB to its own legal unit within the Group as of January 1, 2006. Investments in tangible fixed assets amounted to SEK 0.2 million (0.2 m). The parent company's net liquidity was SEK 7.7 million on June 30, 2006 as compared with SEK 18.8 million at the start of the year. The company has 122 employees at the end of the period, compared with 179 employees at the start of the year. Also this reduction is mainly ascribed to the transfer of Scanditoy from BRIO AB to its own legal unit within the Group as of January 1, 2006.

NET SALES PER MARKET

SEK M	APR-JUN 06	JAN-MAR 06	OCT-DEC 05	JUL-SEP 05	APR-JUN 05
Nordic Region	118.6	88.4	263.5	157.2	130.0
Other European countries	12.7	6.8	33.8	13.7	13.5
North America	0.0	0.0	0.0	0.0	0.0
Rest of the world	0.0	0.0	-0.7	0.0	1.0
Total	131.3	95.2	296.6	170.9	144.5

OUTLOOK

Intense product development activities are in motion for not only new toys but also prams, children's car seats and furniture. The first products based on BRIO's new strategy are scheduled for launch this autumn, which will be followed-up with more product launches throughout 2007 and 2008. It will however take more time before the long-term development of BRIO's range has full financial effect.

Cost-saving measures and the ongoing capital rationalization plan within the framework of the BRIO 2008 action plan are proceeding according to plan. However, due to a weaker than expected sales trend,

BRIO retracts its previous forecast that "substantially lower costs are expected to generate better earnings throughout 2006".

Measures included in the BRIO 2008 action plan are expected to generate savings of about SEK 80 million per year reaching full effect as of 2007, and a SEK 100 million reduction in tied-up capital tied up to 2007 compared with 2004's level and adjusted for present-day Group structure. As a consequence of the scheme's various measures, BRIO is expected to show a positive cash flow from current business activities in 2007.

OTHER INFORMATION CONCERNING THE PERIOD APRIL-JUNE 2006

FINANCIAL POSITION

The balance sheet fell compared with the same period last year from SEK 879.4 million to SEK 740.3 million.

Group liquid assets totaled SEK 38.8 million compared with SEK 44.8 million on June 30, 2005. Net debt, excluding pension liabilities and financial leasing, was SEK 339.0 million, compared with SEK 313.0 million, an increase of SEK 26.0 million. This is mainly due to the operating loss, which was simultaneously countered by a reduced capital tied-up in stock.

The equity/assets ratio was 5.1 percent compared with 19.1 percent during the same period last year. Majority share of shareholders' equity was SEK 37.7 million (168.4 m). The proposed refinancing will be carried out to restore the equity/assets ratio to a satisfactory level, among other reasons.

INVESTMENTS

Investments in fixed assets in Q2 amounted to SEK 0.8 million (1.7 m). Investments mainly concern business systems and production tools. The overall depreciation was SEK 5.1 million, compared with SEK 5.3 million for the same period last year.

CURRENCY EFFECTS

The key currencies for BRIO are USD, EUR and NOK. Currencies are first matched against each other for inward and outward flows, and then net exposure is hedged in accordance with the Group's financial policy.

STAFF

The headcount for the BRIO group on June 30, 2006 was 521 (663). The reduction of 142 employees is a result of

the reduction in wholly-owned stores and the shutdown of production facilities in Killeberg, Sweden. In addition, the partnership with the distributor, K'NEX of the US resulted in the divestment of our wholly-owned company in the US.

A resolution was adopted at the Annual General Meeting held in May to issue subscription option to individuals in BRIO's management. Every member of BRIO's management has expressed their intent to subscribe for the fully allocated quota.

FUTURE REPORTS

Report	Publication
Q3	October 26, 2006
2006 Financial Statement	February 2007
2006 Annual Report	April 2007

Osby, Sweden July 27, 2006

Thomas Bräutigam
President and CEO

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This report has not been subject to review by the company's auditors.

KEY FIGURES

	JUNE 2006	JUNE 2005	DEC 2005
Return to capital employed, %	Neg	Neg	Neg
Return on shareholders' capital, %	Neg	Neg	Neg
Equity/assets ratio, %	5.1	19.1	17.6
Numbers of shares	5,600,000	5,600,000	5,600,000
Shareholders' equity per share, SEK	6.73	30.07	30.04
Investments in tangible fixed assets, SEK m	2.2	4.6	5.2

INCOME STATEMENT IN SUMMARY

AMOUNTS IN SEK M	2006	APR-JUN 2005	2006	JAN-JUN 2005	JUL 2005 - JUN 2006	WHOLE YEAR 2005
Net sales	264.2	294.0	497.0	531.9	1,320.4	1,355.3
Cost of goods sold	-192.8	-180.6	-344.4	-318.4	-849.2	-823.2
Gross profit	71.4	113.4	152.6	213.5	471.2	532.1
Sales costs	-119.7	-109.7	-224.4	-217.4	-515.1	-508.1
Administrative costs	-25.8	-29.7	-48.4	-63.9	-103.2	-118.7
Development expenditure	-9.0	-8.6	-14.8	-13.1	-23.7	-22.0
Other operating income/expenses	11.3	8.7	22.8	19.1	58.3	54.6
Operating profit/loss	-71.8	-25.9	-112.2	-61.8	-112.5	-62.1
Shares in associated companies' result	-0.1	0.0	-0.1	0.0	0.0	0.0
Net financial items	-7.3	-7.3	-10.5	-11.7	-14.5	-15.7
Profit/loss before tax	-79.2	-33.2	-122.8	-73.5	-127.0	-77.8
Tax	-1.1	-2.9	-4.5	-3.3	0.1	1.3
Profit/loss after tax	-80.3	-36.1	-127.3	-76.8	-126.9	-76.5
of which parent company's shareholders share	-80.4	-36.1	-127.4	-76.8	-127.3	-76.7
of which minority share	0.1	0.0	0.1	0.0	0.4	0.2
Earnings per share before dilution (SEK)	-14.34	-6.45	-22.73	-13.73	-22.66	-13.66
Earnings per share after dilution (SEK)	-14.34	-6.45	-22.73	-13.73	-22.66	-13.66

DEPRECIATION/AMORTISATION

Depreciation and amortisation of tangible and intangible fixed assets has been distributed over the following items in the income statement

AMOUNTS IN SEK M	2006	APR-JUN 2005	2006	JAN-JUN 2005	JAN-DEC 2005
Cost of goods sold	-1.7	-1.9	-2.8	-3.8	-10.7
Sales costs	-1.5	-1.3	-2.6	-2.5	-3.5
Administrative costs	-1.9	-2.1	-3.3	-4.5	-7.1
Development costs	0.0	0.0	0.0	0.0	-0.1
Total	-5.1	-5.3	-8.7	-10.8	-21.4

BALANCE SHEET IN SUMMARY

AMOUNTS IN SEK M	30/6/06	30/6/05	31/12/05
Assets			
Intangible assets	135.6	129.7	136.5
Tangible fixed assets	43.2	60.2	50.1
Financial fixed assets	42.7	25.8	43.8
Total fixed assets	221.5	215.7	230.4
Stock	231.8	328.7	282.1
Accounts receivable	198.9	230.8	297.1
Other receivables	49.3	59.4	58.8
Cash and bank balance	38.8	44.8	88.2
Total current assets	518.8	663.7	726.2
Total assets	740.3	879.4	956.6
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Parent company's shareholders' share</i>			
Share capital	56.0	56.0	56.0
Other provisions	117.4	120.7	120.5
Profit/loss brought forward	-135.7	-8.3	-8.3
Total	37.7	168.4	168.2
Minority shareholdings	1.2	1.3	1.1
Total shareholders' equity	38.9	169.7	169.3
<i>Long-term liabilities and interest-bearing provisions</i>			
Pension provisions	67.6	65.9	66.9
Other long-term liabilities	0.0	0.0	41.0
<i>Long-term liabilities and non interest-bearing provisions</i>			
Deferred tax liability	16.7	0.5	20.9
Other provisions	2.1	2.5	12.3
<i>Current liabilities and interest-bearing provisions</i>			
Other current liabilities	377.2	358.4	348.2
<i>Short-term liabilities and non interest-bearing provisions</i>			
Other provisions	53.3	42.3	51.0
Other current liabilities	184.5	240.1	247.0
Total liabilities and provisions	701.4	709.7	787.3
Total shareholders' equity and liabilities	740.3	879.4	956.6

CHANGES IN SHAREHOLDER'S EQUITY

SEK M	REFERS TO PARENT COMPANY'S SHAREHOLDERS			MINORITY SHAREHOLDING'S	TOTAL SHAREHOLDERS' EQUITY
	SHARE CAPITAL	OTHER PROVISIONS	PROFIT BROUGHT FORWARD		
Opening balance on January 1, 2005	56.0	91.7	68.5	0.0	216.2
Effect of company acquisition	-	17.5	-	-	17.5
Translation difference	-	11.5	-	-	11.5
Acquired minority holdings	-	-	-	1.3	1.3
Profit/loss after tax	-	-	-76.8	-	-76.8
Closing balance on June 30, 2005	56.0	120.7	-8.3	1.3	169.7
Translation difference	-	0.1	-	-	0.1
Translation difference concerning sold-off companies	-	-0.3	-	-	-0.3
Dividend to minority	-	-	-	-0.4	-0.4
Profit/loss after tax	-	-	0.0	0.2	0.2
Closing balance on December 31, 2005	56.0	120.5	-8.3	1.1	169.3
Revaluation provisions	-	-	-	-	0.0
Translation difference	-	-3.1	-	-	-3.1
Acquired minority holdings	-	-	-	-	0.0
Dividend to minority	-	-	-	-	0.0
Profit/loss after tax	-	-	-127.4	0.1	-127.3
Closing balance on June 30, 2006	56.0	117.4	-135.7	1.2	38.9

OTHER RESERVES

SEK M	TRANSLATION DIFFERENCE	REVALUATION PROVISIONS ¹⁾	OTHER RESERVES
Opening balance January 1, 2005	47.7	44.0	91.7
Translation difference for the period	11.5	-	11.5
Translation difference concerning sold-off companies	-	-	0.0
Effect of company acquisition ¹⁾	-	17.5	17.5
Closing balance June 30, 2005	59.2	61.5	120.7
Translation difference for the period	0.1	-	0.1
Translation difference concerning sold-off companies	-0.3	-	-0.3
Closing balance December 31, 2005	59.0	61.5	120.5
Translation difference for the period	-3.1	-	-3.1
Translation difference concerning sold-off companies	-	-	0.0
Closing balance June 30, 2006	55.9	61.5	117.4

¹⁾ Effect of the transition from associated company to Group company for European Nursery Group AS.

²⁾ Opening revaluation provisions refer to shares in subsidiaries on the closing date, December 31, 2003.

CASH FLOW STATEMENT

SEK M	JAN-JUN 06	JAN-JUN 05	JAN-DEC 2005
Cash flow from current activities			
before changes in working capital	-93.7	-63.3	-33.2
Changes in working capital	58.3	-30.1	-37.9
Cash flow from current activities	-35.4	-93.4	-71.1
Cash flow from investment activities	-6.3	-80.9	-85.6
Cash flow from financial activities ¹⁾	-7.7	118.4	141.0
Cash flow for the period	-49.4	-55.9	-15.7
Liquid assets at the start of the period	88.2	96.4	96.4
Exchange rate difference in liquid assets	0.0	4.3	7.5
Liquid assets at the end of the period	38.8	44.8	88.2

¹⁾ Cash flow from investment activities in the previous year amounted to SEK -85.6 million. Of this sum, SEK -80.7 million was for the acquisition of European Nursery Group, ENG.

SHAREHOLDERS AS ON 30/6/2006

	NO OF A SHARES	NO OF B SHARES	HOLDING, %	VOTING RIGHTS, %
Proventus Industrier AB and companies	1,200,000	518,811	30.69	42.51
Dag Ivarsson and family	708,852	282,699	17.71	25.03
Bengt Ivarsson and family	399,148	214,728	10.96	14.28
Fonden Pecunia	0	445,600	7.96	1.51
BRIO AB's Associated Fund	200,000	112,000	5.57	7.17
Odin Norden, Oslo	0	270,690	4.83	0.92
BRIO AB's Staff Fund	142,000	2,000	2.57	4.83
Tomas Persson	0	108,800	1.94	0.37
Geveran Trading Co Ltd	0	100,000	1.79	0.34
Second AP Fund	0	98,057	1.75	0.33
Other shareholders	0	796,615	14.22	2.70
Total	2,650,000	2,950,000	100.00	100.00

No major changes have taken place during 2006 concerning the largest shareholders.

INFORMATION PER BUSINESS AREA

SEK M	BRIO		SCANDITON		JOINT RESOURCES		BRIO GROUP	
	2006	2005	2006	2005	2006	2005	2006	2005
Orders received	257.1	285.2	324.6	373.7	0.0	0.0	581.7	658.9
Sales	270.5	273.5	226.5	257.8	0.0	0.6	497.0	531.9
Operation profit/loss	-64.7	-28.9	-26.3	-17.4	-21.2	-15.5	-112.2	-61.8
Investments	1.2	3.3	0.1	0.3	0.9	1.0	2.2	4.6
Depreciation/amortisation	-6.5	-7.1	-0.6	-1.9	-1.6	-1.8	-8.7	-10.8
Stocks	122.9	201.3	108.9	114.1	0.0	13.3	231.8	328.7
Accounts receivable	99.5	116.7	99.4	114.0	0.0	0.1	198.9	230.8
Accounts payable, trade	-53.4	-45.8	-45.2	-34.8	0.0	-19.5	-98.6	-100.1

SALES PER MARKET

SEK M	JAN-JUN 06	JAN-JUN 05
Sweden	135.9	145.8
Nordic region, except Sweden	228.7	249.8
Other European countries	76.5	88.2
North America	49.7	37.7
Rest of the world	6.2	10.4
Total	497.0	531.9

COMMENTS ON THE PERIOD JANUARY – JUNE 2006

SIGNIFICANT EVENTS DURING THE SIX-MONTH PERIOD

- On March 13, 2006, BRIO signed a distribution agreement with K'NEX of the USA that makes K'NEX BRIO's exclusive distributor of toys in North America. This is a long-term contract which took effect June 1, 2006. The company's wholly-owned company, BRIO Corp in the US was shut down in conjunction with this agreement.
- Notice was given to 15 storage handling employees on May 2, 2006, compelled by lower volumes and more streamlined procedures. ENG's warehousing was outsourced during the quarter.
- The cost-saving scheme and capital rationalization scheme launched in October 2005 under the name BRIO 2008 are progressing according to plan. Due however to a weaker than expected sales trend, earnings have not improved at the rate previously predicted.
- The second quarter is burdened with one-off items totaling SEK 23 million in obsolescence write-downs after further adjustments to our product range. Additionally, there are one-off items totaling SEK 13 million, of which most stems from the liquidation of business activities in the USA.
- The Board announces an extraordinary general meeting for August 16, 2006 and proposes that the company carries out refinancing measures to assure that BRIO has a satisfactory equity/assets ratio and sufficiently sound financial platform to complete the changes warranted by the new strategy. The Board's proposal means an injection of SEK 224 million before issue costs and amortization of the SEK 44 million acquisition financing arranged in 2005 in connection with the acquisition of the remaining 50 percent of European Nursery Group (ENG). Refinancing entails a new share issue and the issue of a debenture loan. An long-term financing agreement has also been made with BRIO's creditors.
- Cost-saving measures and the ongoing capital rationalization plan within the framework of the BRIO 2008 action plan are proceeding according to plan. However, due to a weaker than expected sales trend, BRIO retracts its previous forecast that "substantially

lower costs are expected to generate better earnings throughout 2006". Measures included in the BRIO 2008 action plan are expected to generate savings of about SEK 80 million per year reaching full effect as of 2007, and a SEK 100 million reduction in tied-up capital tied up to 2007 compared with 2004's level and adjusted for present-day Group structure. As a consequence of the scheme's various measures, BRIO is expected to show a positive cash flow from current business activities in 2007.

COMMENTS TO THE INCOME STATEMENT

Sales dropped during the year by SEK 34.9 million to SEK 497.0 million (531.9 m). This decline is largely attributable to the reduction in the number of wholly-owned stores, which had a negative impact of SEK 19.8 million. Currency effects had an SEK 16.3 million (4.1 m) impact on sales income. Gross profit fell by SEK 60.9 million to SEK 152.6 million (213.5 m).

The operating loss for the first six months 2006 was SEK 112.2 million (-61.8 m). Other operating income/expenses for the first six months 2006 was SEK 22.8 million compared with SEK 19.1 million last year. Depreciation of tangible and intangible assets totaled SEK -8.7 million (-10.8 m).

COMMENTS TO THE BALANCE SHEET

The balance sheet total dropped SEK 139.1 million to SEK 740.3 million (879.4 m) compared with June 30, 2005. Intangible assets increased from SEK 129.7 million to SEK 135.6 million. This increase is primarily attributed to investments in product development and certain business systems. The collective value of the Group's tangible assets dropped SEK 17.0 million to SEK 43.2 million (60.2 m), due largely to a low investment rate during the period. The financial assets rose SEK 16.9 million to SEK 42.7 million (25.8 m).

Current assets dropped SEK 144.9 million to SEK 518.8 million (663.7 m). Stock dropped SEK 96.9 million to SEK 231.8 million (328.7 m) and accounts receivable dropped SEK 31.9 million to SEK 198.9 million (230.8 m). Net debt excluding pension liabilities and financial leasing totaled SEK 339.0 million compared with SEK 313.0 million, an increase of SEK 26.0 million. This increase in net debt is mainly due to the operating loss, which was simultaneously countered by a reduced capital tied-up in stock.

Shareholders' equity dropped SEK 130.5 million compared with year-end accounts. The year's loss has

burdened shareholders' equity SEK 127.3 million. The acquisition of ENG instigated a revaluation reserve, which generated an SEK 17.5 million increase in shareholders' equity as per December 31, 2005. The period's currency difference in shareholders' equity amounts to SEK -3.1 million and refers mainly to the translation of the acquisition of ENG which was conducted in NOK.

Interest-bearing long-term liabilities and provisions amounted to SEK 67.6 million compared with SEK 65.9 million on June 30, 2005. This item consisted exclusively of the Group's pension provisions. Other long-term liabilities amounting to SEK 0.0 million (0.0) have been reclassified as of December 31, 2005 as other current liabilities because no loan has a duration above three months. The item has been recalculated as per June 30, 2005 in accordance with reclassification. The restructuring reserve related to the cost-saving scheme decreased from SEK 63.3 million at the turn of the year to SEK 53.3 million as per June 30, 2006. The reserve has so far been used for redundancy payments.

Other non-interest bearing current liabilities decreased SEK 62.5 million since the turn of the year.

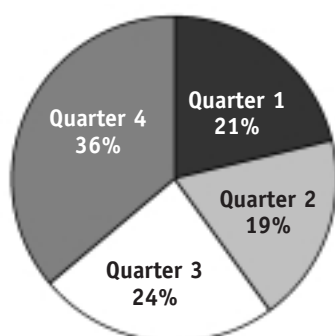
COMMENTS TO THE CASH FLOW STATEMENT

The positive impact of SEK 58.3 million on cash flow as per June 30, 2006 is related to the change in operating capital which is the result of lower tied-up capital.

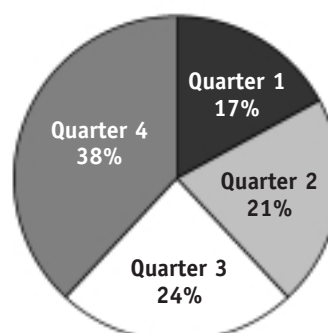
SEASONAL VARIATION

The toy sector is characterized by significant seasonal variations with the most prominent portion of sales taking place during the final months of the year. For BRIO, the acquisition of ENG means less seasonal variation.

BRIO's total sales during the period 2002-2005 distributed quarterly as follows:



During 2005 BRIO's total sales distributed quarterly as follows:



SENSITIVITY ANALYSIS

The table below provides an approximation of the net effects of changes in exchange rates on BRIO's results for 2006.

CHANGE IN USD +5%	EFFECT ON EARNINGT, SEK M
USD/SEK	-12
CHANGE IN EUR +5%	
EUR/SEK	9

ACCOUNTING PRINCIPLES

General about applied accounting principles

The Group complies with the EU-endorsed IFRS standards, the Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendation RR 30, Complementary Accounting Rules. The Group's interim report is drawn up according to IAS 34, Interim Reports, which is in accordance with the demands of the Swedish Financial Accounting Standards Council's recommendation RR 31, Consolidated Interim Reports. The accounting principles set out in this interim report are the same as in Note 1 of the 2005 Annual Report. Note 1 explains that IFRS has been applied from 2005 and what effects this will have for the BRIO Group. The new or revised IFRS standards or IFRIC interpretations applicable from January 1, 2006 have not had any significant impact on the Group's income statement or balance sheets.

Information about the Parent company

The Parent company applies recommendation RR 32, Accounting for Legal Entities, which requires that the Parent company applies the same accounting principles as the Group, namely IFRS to the extent permissible under RR 32.

BRIO is a Swedish company that develops and sells toys, prams, children's car seats and children's furniture. The company was formed in 1884 and is today an international Group with the BRIO, SIMO and Alga brands. The Group also includes Scanditoy, an extensive toy wholesale business in the Nordic region. The company has about 520 employees, is represented in over 50 countries and has been listed on the O-list of the Stockholm Stock Exchange since 1985.

