



QUARTERLY REPORT April - June 2007

IMPROVED PROFITS THROUGH LOWER COSTS AND HIGHER MARGINS

REPORT PERIOD APRIL-JUNE 2007

- Net sales amounted to SEK 202.6 million (264.2 m)
- The operating loss was SEK 28.5 million (-71.8 m)
- The loss after tax was SEK 35.0 million (-80.3 m)
- EPS was SEK -3.76 (-14.36)

PERIOD JANUARY-JUNE 2007

- Net sales amounted to SEK 383.7 million (497.0 m)
- The operating loss was SEK 60.4 million (-112.2 m)
- The loss after tax was SEK 72.2 million (-127.3 m)
- EPS was SEK -7.76 (-22.75)

CEO's STATEMENT

Dear shareholders,

It is with great pleasure we report that profitability and margin trends continue to move in the right direction. Our operating profit/loss figures improved by SEK 43 million compared to the same quarter last year. The restructuring of our product range and the subsequent lower costs stemming from the "BRIO 2008" action plan are the primary reasons for the company's stronger margins. These favourable developments notwithstanding, BRIO has a way to go before profitability is at a competitive level. This means that the restructuring process which has marked BRIO over the past years will continue at undiminished capacity.

Although the worst is behind us, BRIO needs to increase its sales volumes to build a long-term, thriving company. To succeed, we must apply a goal-oriented approach to our attempts at identifying new sales channels while simultaneously continuing to renew our range. I am convinced that an attractive product portfolio in combination with a more channel-specific customer approach will generate higher sales volumes. However, it is essential to remember that financial effects will be somewhat delayed since it takes time for new products to establish themselves on the markets.

BRIO has begun to assume the position as one of the most prominent children's car seat players in the Nordic countries. As planned, the company launched three new children's car seats – Caro, Pilo and Primo – during the period. Our Prams segment also has a new addition; the new, lightweight pram Sing. In time, these new products will help compensate for last year's drop in volumes that arose when distribution contracts expired and major reductions were made in our product range. Our in-house designed products have a higher contribution margin ratio and thereby provide excellent conditions for us to further strengthen our gross earnings.

Sales for the BRIO business area are on par with the same period last year, taking into consideration one-off effects. There is however one significant difference. The new products answer for an increasingly greater share of the sales, which is very positive given the higher contribution margin ratio. During the implementation of the "BRIO 2008" action plan, we have managed to lower costs and concurrently free up resources for a resource and cost-consuming long-term product development venture. In line with BRIO's strategy, we will continue to develop an internationally viable range, not only within the toy segment but in respect to prams and baby furniture. We must have a more attractive, international range to ensure future growth and safeguard BRIO's market position.

Sales figures for the Scanditoy business area have developed as planned during the period. The backlog of orders for the autumn is ten per cent higher compared to last year, which also confirms that Scanditoy is moving in the right direction. The company will launch a series of new products during year, including new board games designed within the framework of the Alga brand.

The result of the past year's demanding restructuring process is now beginning to show in our figures. This has required not only a generous portion of patience from our shareholders and enormous dedication from our entire organisation, it has required time for our customers to adapt to what the "new BRIO" represents. It is therefore very satisfying to see positive financial effects, even if we do have a way to go before we reach satisfactory profitability.

Thomas Bräutigam
President and CEO, BRIO

GROUP PERFORMANCE DURING THE REPORTING PERIOD APRIL-JUNE 2007

SALES

Sales in Q2 reached SEK 202.5 million, which is a drop of SEK 61.6 million compared to the same period last year. Exchange rate fluctuations affected sales revenues negatively by SEK -6.3 million (5.9 m), primarily attributable to the weak Norwegian krona this year.

SALES TREND FOR THE PERIOD

(SEK m)

Net sales APRIL-JUNE 2006	264,2
Changes relating to expired distribution agreement	-19,3
Changes relating to North America	-16,5
Other changes at BRIO	-4,0
Changes relating to wholly-owned stores being reduced	-2,3
Changes relating to Poland	-11,7
Other changes at Scanditoy	-7,8
Net sales APR-JUNE 2007	-61,6

The gross profit rose by SEK 10.4 million to SEK 81.8 million (71.4) compared to the same period last year. Expired distribution contracts, implementation of the BRIO 2008 action plan and continuous launches of in-house manufactured products contributed to the higher gross profit.

COSTS

Operating sales, administration and development costs were lower than last year and amounted to SEK 110.3 million (143.2).

Costs diminished after the "BRIO 2008" action plan was completed during the first quarter. The measures of the plan, presented in October 2005, are expected to generate savings of around SEK 80 million, reaching full effect from 2007. The objective is to improve efficiency while increasing profitability in the company where some of the released resources will be reinvested to intensify new product development.

OPERATING LOSS

The operating loss was SEK 28.5 million (-71.8 m), which is an improvement of SEK 43.3 million.

LOSS AFTER FINANCIAL ITEMS

The Group's loss before tax for Q2 was SEK 33.3 million (-79.2 m). Net financial items, SEK -4.8 (-7.3 m) improved compared to the same period last year.

The loss means a tax effect of SEK -1.7 million (-1.1 m).

EARNINGS TREND PER QUARTER

(SEK m)

	APR-JUN 07	JAN-MAR 07	OCT-DEC 06	JUL-SEP 06	APR-JUN 06
Net sales	202,6	181,1	374,4	242,3	264,2
Gross profit	81,8	75,4	131,5	98,6	71,4
Operating costs	-110,3	-107,3	-148,6	-104,2	-143,2
Operating profit/loss	-28,5	-31,9	-17,1	-5,6	-71,8
Net financial items	-4,8	-2,9	-5,8	-6,5	-7,3
Profit/loss after financial items	-33,3	-34,8	-22,9	-12,1	-79,2
Earnings per share, SEK	-3,76	-4,00	-2,26	-2,16	-14,34

NET SALES

(SEK m)	Q2 -06	Q3 -06	Q4 -06	Q1 -07	Q2 -07
Quarter	264,2	242,3	374,4	181,1	202,6
12-months continuous	1 320,4	1 236,2	1 113,7	1 062,0	1 000,4

OPERATING PROFIT/LOSS

(SEK m)	Q2 -06	Q3 -06	Q4 -06	Q1 -07	Q2 -07
Quarter	-71,8	-5,6	-17,1	-31,9	-28,5
12 months continuous	-112,5	-117,8	-134,9	-126,4	-83,1

GROSS EARNINGS AND OPERATING COSTS

(SEK m)	Q2 -06	Q3 -06	Q4 -06	Q1 -07	Q2 -07
Operating costs	-143,2	-104,2	-148,6	-107,3	-110,3
Gross earnings	71,4	98,6	131,5	75,4	81,8

The tables have not been corrected for items affecting comparability.

BUSINESS AREA AND MARKET PERFORMANCE DURING THE REPORTING PERIOD APRIL – JUNE 2007

BRIO BUSINESS AREA

The BRIO business area includes the Group's product development, purchasing, manufacturing and sales of baby products and toys under the BRIO, Carena and SIMO brands. The BRIO business area includes sales companies for baby products in the Nordic region and Germany as well as sales units in the UK, Germany/Austria, France/Belgium and Japan. In addition sales are conducted by the US company K'NEX, BRIO's exclusive toy distributor on the North American market and also via the export department to markets where BRIO is not represented by its own sales companies.

NET SALES PER MARKET

(SEK m)	APR-JUN 07	JAN-MAR 07	OCT-DEC 06	JUL-SEP 06	APR-JUN 06
Nordic region	64,3	60,4	62,0	57,6	76,8
Other European countries	20,4	25,8	40,6	39,3	24,9
North America*	3,2	4,6	4,3	6,5	28,4
Rest of the world	4,7	2,7	9,6	5,7	2,7
Totalt	92,6	93,5	116,5	109,1	132,8

The sales decline in North America is due to the structural change that occurred with distribution being taken over by K'NEX. The change meant that the Group's own business was wound down. Further sales losses are due to the expiration of the distribution contract with Erector in December 2005.

NORDIC REGION

Sales in the Nordic region mainly consist of BRIO brand baby products and to a certain extent toys. Sales are made via independent retailers. The Nordic market is partly covered by sales companies selling baby products and partly through the distributor Scanditoy. BRIO's toy sales in the Nordic region are reported through the Scanditoy business area.

Sales in Q2 on the Nordic market amounted to SEK 64.3 million (76.8 m). The reduction is mainly a result of the distribution contract with Dorel, covering the "Maxi Cosi" and "Quinny" brands, ending in 2006. The expiration of the contract affected sales by about SEK 11 million.

New collections of prams and children's car seats will be launched continually throughout the spring. A new series of children's car seats have proven to be a complement to our existing collection.

OTHER EUROPEAN COUNTRIES

Sales in other European countries mainly consist of BRIO brand toys via independent retailers and supermarkets.

Sales in Q2 in other European countries amounted to SEK 20.4 million (24.9 m). The sales shortfall is mainly attributable to the expiration of the distribution contract for PlanToys in 2006, which affected sales by about SEK 4 million.

NORTH AMERICA

In 2006, BRIO signed a distribution contract with the US company K'NEX in 2006, by which K'NEX is BRIO's exclusive toy distributor in North America. BRIO Corp in the USA was wound down in conjunction with this event.

BRIO's sales in North America in Q2 totalled SEK 3.2 million (28.4 m). The sales shortfall in North America is attributable to structural changes that occurred in conjunction with distribution being taken over by K'NEX. Further sales shortfalls are attributable to the expiration of the distribution contract with Erector.

REST OF THE WORLD

BRIO's single largest market outside Europe and North America is Japan. BRIO exports toys to another fifty or so countries. Sales consist primarily of BRIO brand toys. Sales in Q2 amounted to SEK 4.7 million (2.7 m).

SCANDITROY BUSINESS AREA

Scanditroy is a toy distributor with business activities in the Nordic region and operates purchasing and sales of trend, licensed and branded toys. Scanditroy distributes BRIO's toys on the Nordic market. Scanditroy's business activities also include the development and sale of Alga's products. The business area is also responsible for running the BRIO Partner concept, which includes sales of toys to franchise stores in Norway and Sweden.

NET SALES PER MARKET

(SEK m)	APR-JUN 07	JAN-MAR 07	OCT-DEC 06	JUL-SEP 06	APR-JUN 06
Nordic region	109,0	86,1	219,9	121,9	118,6
Other European countries	0,5	0,6	36,6	11,4	12,7
North America	0,0	0,0	0,0	0,0	0,0
Rest of the world	0,0	0,0	0,0	0,0	0,0
Total	109,5	86,7	256,5	133,3	131,3

NORDIC REGION

Sales in the Nordic region consist of sales of BRIO and Alga brand toys, partly through sales of trend, license and branded toys via independent retailers, specialist retailers, convenience goods retailers and through the partner concept. The Partner concept includes 92 (92) stores in Sweden and 140 (138) in Norway.

Sales on the Nordic market during Q2 amounted to SEK 109.0 million (118.6 m). The three remaining wholly-owned stores were sold in September 2006, causing a drop in Q2 sales figures of SEK 2.3 million. Q2 sales were affected by a negative currency exchange effect of SEK 2.5 million compared to the same period in 2006.

Outstanding customer orders as per 30 June 2007 amounted to SEK 213 million compared to SEK 195 million for the same period last year. Sweden and Denmark answer for the greatest increase.

Operating losses improved as an effect of stronger gross margin and reductions in indirect costs compared to the same period last year.

OTHER EUROPEAN COUNTRIES

Sales in the rest of Europe previously consisted of wholesale sales in Poland and sales via two wholly-owned stores, also in Poland. Scanditroy solely concentrates on the Nordic market since BRIO sold its business activities in Poland in December 2006.

Sales in the rest of Europe in Q2 amounted to SEK 0.5 million (12.7 m). The sales shortfall is attributable to the sale of the Polish business activities in December 2006, which will mean an annual sales shortfall of around SEK 65 million.

PARENT COMPANY

The loss before tax for the period was SEK 13.1 million (-27.7 m). Sales for the period totalled SEK 86.2 million (34.2 m). Effective 1 January 2007, BRIO AB answers for the baby and pram segments in Sweden, Finland and Denmark (formerly run within the subsidiary European Nursery Group (ENG)), which explains the higher sales figures. Investments in tangible and intangible fixed assets amounted to SEK 6.2 million (0.9 m). The parent company's net liquidity on 30 June was SEK 11.5 million compared to SEK 24.1 million at the start of the year. The average number of employees for the period was 76, compared to 161 for the whole of last year. This marked reduction in employees stems from the fact that employees given notice in 2007 ended their employment during this period.

OUTLOOK

An intensive phase of product development is underway for new toys, prams, children's car seats and furniture. During the autumn of 2006 the first products based on BRIO's new strategy were launched and more will follow in 2007 and 2008. It will therefore take more time for the long-term development of BRIO's range to have a full financial impact.

The "BRIO 2008" action plan has been completed according to plan. Measures in the "BRIO 2008" action plan are expected to produce savings of around SEK 80 million with full effect from 2007 while reducing tied-up capital by SEK 100 million in 2007 compared to 2004 and adjusted for the current Group structure. As a result of the measures in the plan BRIO is expected to report positive cash flow from current activities in 2007. BRIO's ambition is to achieve net profits from 2008.

OTHER INFORMATION CONCERNING THE REPORT PERIOD APRIL – JUNE 2007

FINANCIAL POSITION

The balance sheet total fell from SEK 740.3 million to SEK 657.2 million, compared to the same period last year.

The Group's liquid assets totalled SEK 30.2 million on 30 June 2007 compared to SEK 38.8 million on 30 June 2006. Net debt, excluding pension liabilities and financial leasing, was SEK 280.4 million compared to SEK 339.0 million last year, a drop of SEK 58.6 million. The drop is mainly due to the new share issue carried out in 2006 and lower tied up capital, but the positive effective was counteracted by the reporting period's operating loss.

The equity/assets ratio, including convertible loans, was SEK 24.4 per cent compared to 5.25 per cent for the same period last year and the majority shareholding of shareholders' equity was SEK 100.4 million (37.7 m).

INVESTMENTS

Investments in tangible and intangible fixed assets in January to June amounted to SEK 7.0 million (0.1 m). Investments are mainly attributable to business systems, development projects and production tools. Overall depreciation was SEK -4.3 million compared to SEK -5.1 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 average headcount for the reporting period was 353, compared to 544 for the 2006 financial year. The reduction of 191 employees is mainly the result of the sale of business activities in Poland, the number of wholly-owned stores dropping, the shutting down of the production unit in Killeberg, Sweden and the divestment of our wholly-owned company in the US.

NOMINATIONS COMMITTEE

The nominations committee consists of Bengt Ivarsson (convener), Daniel Sachs and Ragnhild Wiborg and can be reached at: Nominations Committee, BRIO AB, Box 305, 201 23 Malmö, Sweden.

SIGNIFICANT RISKS AND UNCERTAINTY FACTORS

The toys and baby products markets is trend sensitive and highly competitive. In addition, the distribution channels for toys have swelled to include not only specialised retail but also supermarkets, department stores and gas stations. BRIO's business activities and profitability capacity relies on the company's ability to retain and enhance its position as a supplier of toys and baby products under different market conditions.

The toys and baby products market is affected by the general economic situation and its impact on demand and consumption.

FUTURE REPORTS

<u>Report</u>	<u>Publication</u>
Q3 report	29 October 2007
Financial statement	14 February 2008
Annual report	April 2008
Q1 report	12 May 2008
Annual General Meeting	12 May 2008

The Board of Directors and the President confirm that this interim report provides a fair account of the Company's and the Group's business activities, financial position and earnings, and also presents important risks and uncertainty factors that the Company and the companies included in the Group face.

Osby, Sweden 26 July 2007

Daniel Sachs
Chairman

Johan Hjertonsson
Board member

Dag Ivarsson
Board member

Benthe Klokkeholm
Board member

Karin O'Connor
Board member

Anders Hallberg
Employee representative

Torbjörn Nordh
Employee representative

Thomas Bräutigam
President and CEO

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

For further information, please contact
Thomas Bräutigam, President and CEO
thomas.brautigam@brio.net
Tel +46 479 190 00

KEY FIGURE, THE GROUP			
	JUN 2007	JUN 2006	DEC 2006
Return on capital employed, %	Neg	Neg	Neg
Return on shareholders' equity, %	Neg	Neg	Neg
Equity/assets ratio including shareholders' loan, %	24,4	5,25	29,9
Equity/assets ratio, %	15,5	5,25	22,5
Number of shares	9 333 332	5 600 000	9 333 332
Shareholders' equity per share, SEK	10,76	6,73	17,69
Investments in tangible and intangible fixed assets, SEK m	15,9	3,1	19,8

INCOME STATEMENT IN SUMMARY, THE GROUP

AMOUNTS IN SEK m	APR-JUN		JAN-JUN		JUL 2006-	Full year
	2007	2006	2007	2006	JUN 2007	
Net sales	202,6	264,2	383,7	497,0	1 000,4	1 113,7
Cost of goods sold	-120,8	-192,8	-226,5	-344,4	-613,1	-731,0
Gross profit	81,8	71,4	157,2	152,6	387,3	382,7
Sales costs	-82,6	-119,7	-164,0	-224,4	-362,2	-422,6
Administrative costs	-26,7	-25,8	-53,0	-48,4	-114,0	-109,4
Development costs	-9,0	-9,0	-17,6	-14,8	-32,3	-29,5
Other operating income/expenses	8,0	11,3	17,0	22,8	38,1	43,9
Operating loss	-28,5	-71,8	-60,4	-112,2	-83,1	-134,9
Net financial items	-4,8	-7,4	-7,7	-10,6	-20,0	-22,9
Loss before tax	-33,3	-79,2	-68,1	-122,8	-103,1	-157,8
Tax	-1,7	-1,1	-4,1	-4,5	-0,4	-0,8
Loss after tax	-35,0	-80,3	-72,2	-127,3	-103,5	-158,6
of which Parent Company's shareholders'	-35,1	-80,4	-72,4	-127,4	-103,9	-158,9
of which minority share	0,1	0,1	0,2	0,1	0,4	0,3
Earnings per share before dilution (SEK)	-3,76	-14,36	-7,76	-22,75	-14,32	-25,08
Earnings per share after dilution (SEK)	-3,76	-14,36	-7,76	-22,75	-14,32	-25,08

DEPRECIATION/AMORTISATION, THE GROUP

Depreciation/amortisation of intangible and tangible assets have been spread over the following items in the Income Statement.

AMOUNTS IN SEK m	APR-JUN		JAN-JUN		JAN-DEC
	2007	2006	2007	2006	2006
Cost of goods sold	-2,0	-1,7	-4,0	-2,8	-7,7
Sales costs	-0,3	-1,5	-0,6	-2,6	-2,8
Administrative costs	-1,6	-1,9	-3,0	-3,3	-7,3
Development costs	-0,4	0,0	-0,6	0,0	-0,3
Total	-4,3	-5,1	-8,2	-8,7	-18,1

BALANCE SHEET IN SUMMARY, THE GROUP

SEK m	30-06-07	30-06-06	31-12-06
ASSETS			
Intangible assets	154,5	135,6	135,8
Tangible assets	29,5	43,2	33,5
Financial assets	40,1	42,7	57,2
Total assets	224,1	221,5	226,5
Stock	206,9	231,8	188,2
Accounts receivable	145,5	198,9	206,5
Other receivables	50,5	49,3	43,1
Cash and bank balances	30,2	38,8	75,4
Total current assets	433,1	518,8	513,2
Total assets	657,2	740,3	739,7
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Parent company's shareholders' share</i>			
Share capital	93,3	56,0	93,3
Other capital contribution	128,1	0,0	128,1
Other provisions	73,4	73,4	65,8
Loss brought forward	-194,4	-91,7	-122,1
Total	100,4	37,7	165,1
Minority shareholdings	1,5	1,2	1,3
Total shareholders' equity	101,9	38,9	166,4
<i>Long-term liabilities and interest-bearing provisions</i>			
Pension provisions	72,5	67,6	69,4
Liabilities to credit institutions	11,5	0,0	12,8
Other long-term liabilities	58,2	0,0	57,8
<i>Long-term liabilities and non interest-bearing provisions</i>			
Deferred tax liabilities	17,5	16,7	15,8
Other provisions	3,7	2,1	5,4
<i>Current interest-bearing liabilities</i>			
Other current liabilities	240,9	377,2	209,9
<i>Current non interesting-bearing liabilities</i>			
Other provisions	9,3	53,3	13,0
Other current liabilities	141,7	184,5	189,2
Total liabilities	555,3	701,4	573,3
Total shareholders' equity and liabilities	657,2	740,3	739,7

		c ontributions				
Opening balance on 1 January 2006	56,0	0,0	76,5	35,7	1,1	169,3
Translation difference			-3,1			-3,1
Loss after tax				-127,4	0,1	-127,3
Closing balance on 30 June 2006	56,0	0,0	73,4	-91,7	1,2	38,9
New share issue	37,3	130,7				168,0
Issue costs		-2,5				-2,5
Translation difference			-7,5			-7,5
Translation difference for divided companies			-0,1			-0,1
Premium paid for warrants				1,1		1,1
Dividend to minority shareholders					-0,1	-0,1
Profit/loss after tax				-31,5	0,2	-31,3
Closing balance on 31 December 2006	93,3	128,1	65,8	-122,1	1,3	166,4
Translation difference			7,6			7,6
Premium paid for warrants				0,1		0,1
Profit/loss after tax				-72,4	0,2	-72,2
Closing balance on 30 June 2007	93,3	128,1	73,4	-194,4	1,5	101,9

**OTHER PROVISIONS, THE GROUP
(SEK m)**

	Translation difference	Revaluation provision *1)	Other provisions
Opening balance on 1 January 2006	59,0	17,5	76,5
Translation difference for the period	- 3,1	- -	3,1
Closing balance on 30 June 2006	55,9	17,5	73,4
Translation difference for the period	- 7,5	- -	7,5
Translation difference for divested companies	- 0,1	- -	0,1
Closing balance on 31 December 2006	48,3	17,5	65,8
Translation difference for the period	7,6	-	7,6
Closing balance 30 June 2007	55,9	17,5	73,4

*1) The opening valuation provision has been adjusted compared to the Annual Report 2005 when the revaluation of shares in subsidiaries was classified as profit brought forward.

**CASH FLOW STATEMENT, THE GROUP
(SEK m)**

	JAN-JUN 07	JAN-JUN 06	Full year 2006
Cash flow from current activities			
before changes in working capital	-68,9	-93,7	-139,5
Changes in working capital	15,3	58,3	93,8
Cash flow from current activities	-53,6	-35,4	-45,7
Cash flow from investment activities	-15,4	-6,3	-33,8
Cash flow from financing activities	23,8	-7,7	68,4
Cash flow for the period	-45,2	-49,4	-11,1
Liquid assets at the start of the period	75,4	88,2	88,2
Exchange rate difference in liquid assets	0,0	0,0	-1,7
Liquid assets at the end of the period	30,2	38,8	75,4

SHAREHOLDERS ON 30 JUNE 2007

	No. of A shares	No. of B shares	Holdings, %	Votes, %
Proventus Industrier AB and co	2 752 466	2 159 791	52,63%	60,48%
Dag Ivarsson and family	1 112 200	106 901	13,06%	22,88%
Fonden Pecunia	0	763 466	8,18%	1,56%
BRIO ABs Intressefond	266 000	64 000	3,54%	5,55%
BRIO ABs Personalsiftelse	236 000	0	2,53%	4,81%
Amagerbanken AS, Danmark	0	205 163	2,20%	0,42%
Bengt Ivarsson and family	50 000	50 000	1,07%	1,12%
Geveran Trading Co Ltd	0	100 000	1,07%	0,20%
Sverker Tufvesson	0	93 334	1,00%	0,19%
Tomas Persson	0	80 000	0,86%	0,16%
Nils Magnus Lilja	0	71 300	0,76%	0,15%
Other shareholders	0	1 222 711	13,09%	2,49%
Total	4 416 666	4 916 666	100,00%	100,00%

(SEK m)	JOINT							
	BRIO		SCANDITROY		RESOURCES		BRIO GROUP	
	2007	2006	2007	2006	2007	2006	2007	2006
Orders received	197,5	257,1	325,6	324,6	0,0	0,0	523,1	581,7
Sales	186,1	270,5	196,2	226,5	1,4	0,0	383,7	497,0
Internal sales	14,8	10,9	0,7	0,8	0,0	0,0	15,5	11,7
Operating loss	-29,3	-64,7	-24,4	-26,3	-6,7	-21,2	-60,4	-112,2
Investments	10,4	2,4	0,0	0,1	5,5	0,6	15,9	3,1
Depreciation	-4,5	-6,5	-0,1	-0,6	-3,6	-1,6	-8,2	-8,7
Write-downs	0,0	-1,7	0,0	0,0	0,0	0,0	0,0	-1,7
Total assets	304,7	332,6	232,1	280,2	120,4	127,5	657,2	740,3
Total liabilities	250,9	148,8	205,9	247,7	100,0	306,0	556,8	702,5

SALES PER MARKET

(SEK m)	JAN-JUN	
	2007	2006
Sweden	125,1	135,9
Nordic, except Sweden	196,0	228,7
Rest of Europe	47,4	76,5
North America	7,8	49,7
Rest of the world	7,4	6,2
Totalt	383,7	497,0

COMMENTS ON THE PERIOD JANUARY-JUNE 2007

SIGNIFICANT EVENTS IN JANUARY-JUNE JAN-JUN 2007

- All measures included in the "BRIO 2008" action plan have been carried out according to plan. The action plan has reduced costs in order free resources for product development ventures.
- An Extraordinary General Meeting held 30 January 2007 approved the transfer of BRIO's formerly wholly-owned Polish subsidiary to TM Invest Sp.zo.o.

COMMENTS ON THE INCOME STATEMENT

Sales fell during the first six months of the year by SEK 113.3 million to SEK 383.7 million (497.0 m). The reduction in sales is due primarily to the expiration of distribution contracts but also structural changes in the US. The changes in the US had a negative effect of SEK 41.9 million. Currency effects had an SEK 6.0 million (+16.3 m) negative impact on sales. The gross profit rose by SEK 4.6 million to SEK 157.2 million (152.6 m).

COMMENTS ON THE BALANCE SHEET

The balance sheet total dropped SEK 83.1 million to SEK 657.2 million (740.3 m) compared to 30 June 2006. Intangible assets rose from SEK 135.6 million to SEK 154.5 million. The collective value of the Group's tangible assets dropped SEK 13.7 million to SEK 29.5 million (43.2 m), due largely to a low investment rate during the period. The financial assets dropped SEK 2.6 million to SEK 40.1 million (42.7 m).

Current assets dropped SEK 85.7 million to SEK 433.1 (518.8 m). Stock fell SEK 24.9 million to SEK 206.9 m (231.8 m) and accounts receivable dropped SEK 53.4 million to SEK 145.5 million (198.9 m). Net debt excluding pension liabilities and financial leasing totalled SEK 280.4 million compared to SEK 339.0 million last year, a fall of SEK 58.6 million. The decrease is mainly due to the new share issue coupled with lower tied-up capital. This positive effect was partly countered by the operating loss for the reporting period.

Shareholders' equity fell SEK 64.5 million compared with year-end accounts. The year's loss has burdened shareholders' equity by SEK 72.2 million. The period's currency difference in shareholders' equity amounted to SEK 7.6 million and refers to the recalculation of foreign subsidiaries.

Interest-bearing long-term liabilities amounted to SEK 142.2 million compared to SEK 67.6 million on 30 June 2006. On 30 June 2007, this item consisted in part of the group's pension provisions and in part of a convertible loan. The Group also had a smaller liability to a credit institution.

Other non-interest bearing current liabilities decreased SEK 86.8 million compared to 30 June 2006.

COMMENTS TO THE CASH FLOW STATEMENT

The cash flow for the first six months of 2007 was negatively effected by SEK 45.2 million, which is mainly related to the Group's loss. The effect of the loss was somewhat alleviated by lower capital tied up.

SEASONAL VARIATION

The toy industry is characterised by major seasonal variations, where the majority of sales take place in the last few months of the year. The acquisition of ENG and higher investments in our baby range means less seasonal variation for BRIO. BRIO's total quarterly sales for the period 2003-2006 period are as follows:

Q1	Q2	Q3	Q4
21%	21%	23%	36%

Quarterly sales for 2006 are as follows:

Q1	Q2	Q3	Q4
21%	24%	22%	33%

SENSITIVITY ANALYSIS

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

Change to USD of +5%	Effect on results, SEK m
USD/SEK	-10
Change to EUR of +5%	
EUR/SEK	7

PARENT COMPANY DURING THE REPORTING PERIOD JANUARY-JUNE 2007

INCOME STATEMENT IN SUMMARY, PARENT COMPANY

AMOUNTS IN SEK m	JAN-JUN		JUL 2006-	Full year
	2007	2006	JUN 2007	2006
Net sales	175,4	72,1	327,2	223,9
Cost of goods sold	-108,2	-40,6	-187,6	-120,0
Gross profit	67,2	31,5	139,6	103,9
Sales costs	-68,4	-49,1	-127,6	-108,3
Administrative costs	-34,1	-38,4	-67,3	-71,6
Development costs	-16,3	-7,2	-27,4	-18,3
Other operating income/expenses	14,6	18,9	40,8	45,1
Operating loss	-37,0	-44,3	-41,9	-49,2
Profit/loss from participation in Group compar	4,7	3,2	-27,4	-28,9
Net financial items	-4,9	-5,5	-20,3	-20,9
Loss after financial items	-37,2	-46,6	-89,6	-99,0
Excess depreciation	0,0	0,0	0,2	0,2
Loss before tax	-37,2	-46,6	-89,4	-98,8
Tax	0,1	8,1	-9,2	-1,2
Loss after tax	-37,1	-38,5	-98,6	-100,0

BALANCE SHEET IN SUMMARY, PARENT COMPANY

SEK m	30-06-07	30-06-06	31-12-06
ASSETS			
<i>FIXED ASSETS</i>			
Intangible assets	27,3	10,8	14,5
Tangible assets	20,5	27,6	22,1
Financial assets	266,0	317,3	294,6
Total assets	313,8	355,7	331,2
<i>Current assets</i>			
Stock	87,9	50,2	41,9
Accounts receivable	51,0	34,9	59,9
Other receivables	185,3	124,3	109,0
Total current assets	324,2	209,4	210,8
Cash and bank balances	11,5	7,7	24,1
Total current assets	335,7	217,1	234,9
Total assets	649,5	572,8	566,1
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Restricted equity</i>			
Share capital	93,3	56,0	93,3
Revaluation reserve	44,0	44,0	44,0
Statutory reerve	11,2	11,2	11,2
Total restricted equity	148,5	111,2	148,5
<i>Unrestricted equity</i>			
Share premium reserve	128,1	0,0	128,1
Profit/loss brought forward	-94,2	12,4	5,7
Profit/loss for the eyar	-37,1	-38,5	-100,0
Total unrestricted equity	-3,2	-26,1	33,8
Total shareholders' equity	145,3	85,1	182,3
Excess depreciation	1,3	1,5	1,3
<i>Provisions</i>			
Pension provisions	60,4	58,4	60,5
Deferred tax liabilities	0,0	0,0	0,1
Other provisions	7,5	33,1	5,9
Total provisions	67,9	91,5	66,5
<i>Long-term liabilities</i>			
Liabilities, Group companies	22,7	22,9	26,8
Other liabilities	58,2	158,8	56,9
Total long-term liabilities	80,9	181,7	83,7
<i>Current liabilities</i>			
Overdraft facility	95,2	105,3	101,0
Accounts payable	28,1	28,3	24,7
Liabilities, Group companies	74,9	24,9	20,8
Other liabilities	155,9	54,5	85,8
Total current liabilities	354,1	213,0	232,3
Total shareholders' equity and liabilities	649,5	572,8	566,1

OTHER EVENTS

An Extraordinary General Meeting held 30 January 2007 approved the transfer of BRIO's formerly wholly-owned Polish subsidiary to TM Invest Sp.zo.o.

SIGNIFICANT CHANGES IN FIGURES

Coordination of the stock in BRIO AB related to ENG business activities resulted in a higher stock value compared to the turn of the year.

SIGNIFICANT RISKS AND UNCERTAINTY FACTORS

Much of the BRIO business area activities are conducted in the Parent company so the risks defined for the Group are also reflected in the Parent company. The toys and baby products markets is trend sensitive and highly competitive. In addition, the distribution channels for toys have swelled to include not only specialised retail but also supermarkets, department stores and gas stations. BRIO's business activities and profitability capacity relies on the company's ability to retain and enhance its position as a supplier of toys and baby products under different market conditions.

The toys and baby products market is affected by the general economic situation and its impact on demand and consumption.

FINANCIAL POSITION

The balance sheet total climbed from SEK 572.8 million to SEK 649.5 million compared to the same period last year.

The Parent company's liquid assets totalled SEK 11.5 million on 30 June 2007 compared to SEK 7.7 million on 30 June 2006.

The equity/assets ratio was 22.4 per cent compared to 14.9 per cent for the same period last year.

INVESTMENTS

Investments in tangible and intangible fixed assets in January to June amounted to SEK15.6 million (3.1 m).

Investments are mainly attributable to business systems, development projects and production tools. Overall depreciation was SEK -4.4 million compared to SEK -3.4 million for the same period last year.

STAFF

The average headcount for BRIO AB during the first six months of 2007 was 96, compared to 161 for the 2006 financial year. This marked reduction in employees stems from the fact that employees given notice in 2007 ended their employment during this period.

ACCOUNTING PRINCIPLES

General about applied accounting principles

The Group applies the EU endorsed IFRS standards, the Annual Accounts Act, the Swedish Financial Accounting Standards Council's recommendation RR30, Complementary Accounting Rules and consolidated quarterly reports are drawn up according to IAS 34, Interim Reports, which is in accordance with the demands of the Swedish Financial Accounting Standards Council's recommendation RR31, Consolidated Interim Reports. The accounting principles applied in this quarterly report are explained in note 1 of the Annual Report 2006, where it states that IFRS has been applied since 2005 and the effects this has on the BRIO Group. The new or revised IFRS standards or IFRIC interpretations applicable since 1 January 2007 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 the Parent company to apply the same accounting principles as the Group, namely IFRS to the extent permissible under RR32. The Parent company also conforms to the Annual Accounts Act in which the new rules in PRL9:5 require that the interim report is to contain information pertaining to the Parent company's accounts.

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 350 employees, is represented in over 50 countries and has been listed on the O-list of the Stockholm Stock Exchange since 1985.

BRIO AB
Box 305
SE-201 23 Malmö
Tel +46 479 190 00
Fax +46 479 147 24
info@brio.net
www.brio.net
Co. Reg. No. 556201-9686
BRIO is a public limited liability company