



QUARTERLY REPORT

July - September 2007

BUSINESS CONTINUING TO DEVELOP IN A POSITIVE DIRECTION

REPORT PERIOD JULY-SEPTEMBER 2007

- Net sales amounted to SEK 222.7 million (242.3 m)
- The operating profit was SEK 1.6 million (-5.6 m)
- The loss after tax was SEK 2.4 million (-12.1 m)
- EPS was SEK -0.26 (-2.18)

PERIOD JANUARY-SEPTEMBER 2007

- Net sales amounted to SEK 606.4 million (739.3 m)
- The operating loss was SEK 58.8 million (-117.8 m)
- The loss after tax was SEK 74.6 million (-139.4 m)
- EPS was SEK -8.01 (-24.93)

SIGNIFICANT EVENTS DURING AND AFTER THE REPORT PERIOD

- BRIO signed a three-year licensing agreement after the report period with Walt Disney Corporation for the rights to the Mickey Club House and Tigger & Friends for wooden toys, mainly in Europe. The first products will be launched after the summer 2008.

This is the type of information that BRIO AB (publ) is obligated to disclose in accordance with the Swedish Securities Exchange and Clearing Operations Act and/or the Financial Instruments Trading Act. The information was submitted for publication at 15.00 on October 29th 2007.

CEO's STATEMENT

Dear shareholders,

BRIO is continuing to develop positively and we receive daily confirmation that our customers appreciate the new strategy, the new graphic profile and the new products. Results improved by SEK 7 million last quarter compared to the third quarter last year, because margins were bolstered and costs have continued to fall. Parallel to this we have conducted a thorough realignment process and invested in product development. Sales for the quarter were SEK 19.6 million lower than last year because of the sale of the Polish subsidiary and the completed distribution contracts. Overall, Brio is reporting stable growth.

Christmas sales lie ahead and it's pleasing that our toys in the BRIO business area are continuing to show good growth.

The Scanditoy business area has many exciting, new products for Christmas, including the re-launch of the Power Rangers and new DVD games from Alga. In accordance with the "BRIO 2008" action plan the number of releases of in-house developed products will increase next year. This means that in 2008 we will see the results of the product development we've invested in over the past two years, which is expected to positively affect sales growth.

A significant amount of the global toy market consists of licensed products for well-known toy categories. BRIO currently holds the lead position for wooden toys and it's therefore exciting to be able to add to our portfolio with a European licensing agreement with Disney. We are really looking forward to the new collaboration where we can combine strength to our brand and our distribution network in Europe with Disney's strength as a commercial partner.

From a geographical aspect we are mainly expecting growth potential in the US. The US market is heavily consolidated with Wal-Mart, Target and Toy's R' Us, which represent 60 per cent of sales. A trial of BRIO's new range will be sold at Toy's R' Us in the autumn. If results are positive it will provide BRIO with a stronger base in the US in 2008.

There is a lot of activity in BRIO Partner. Apart from a new organisation a new store concept and new commercial contract has been presented for Partner stores in Q3. Proposals have received positive feedback and implementation is expected at the start of 2008.

Finally I'd like to talk about something that's affected the entire toy industry throughout the autumn, namely the fact that a number of our competitors have discovered lead in their toys produced in China. Though it's a tragic occurrence for all involved, it means a number of positive consequences for our industry. The Chinese production is expected to have tougher regulations with increased demands and tighter checks. Quality and safety have always been key cornerstones of BRIO's business, which has made us feel secure when talking about this subject. We will obviously continue our intense work in securing the highest possible quality – both now and in the future.

Thomas Bräutigam
President and CEO, BRIO

GROUP PERFORMANCE DURING THE REPORTING PERIOD JULY-SEPTEMBER 2007

SALES

Sales in Q3 reached SEK 222.7 million, which is a drop of SEK 19.6 million compared to the same period last year. Exchange rate fluctuations had a positive affect on sales of SEK 0.1 million (-7.4 m), mainly attributable to the Norwegian krona's weaker performance this year.

SALES TREND FOR THE PERIOD

(SEK m)

Net sales JUL-SEP 2006	242,3
Changes relating to expired distribution agreement	-4,8
Other changes at BRIO	0,3
Changes relating to wholly-owned stores being reduced	-3,5
Changes relating to Poland	-11,4
Other changes at Scanditoy	-0,2
Net sales JUL-SEP 2007	222,7

The gross margin improved from 40.7 per cent in Q3 last year to 44.7 per cent this quarter. The better gross margin is an affect of the completed distribution contracts, the introduction of the "BRIO 2008" action plan and the continual launch of in-house developed products. The gross profit amounts to SEK 99.5 million (98.6 m).

COSTS

The operation's sales, administration and development costs fell compared to last year and amounted to SEK 97.9 million (104.2 m). Adjusted for the divested business in Poland costs amounted to SEK 100.1 million for the same period last year. Development costs for the reporting period amounted to SEK 8.4 million (4.1 m).

OPERATING PROFIT

The operating profit was SEK 1.6 million (-5.6 m), which is an improvement of SEK 7.2 million.

LOSS AFTER FINANCIAL ITEMS

The Group's loss before tax amounted to SEK 2.7 million (-12.1 m) in Q3. Net financial items improved to SEK -4.3 million (-6.5 m) compared to the same period last year.

The loss means a tax effect of SEK 0.3 million (0.0 m).

RESULTATUTVECKLING PER KVARTAL

(Mkr)	JUL-SEP 07	APR-JUN 07	JAN-MAR 07	OKT-DEC 06	JUL-SEP 06
Nettoomsättning	222,7	202,6	181,1	374,4	242,3
Bruttoresultat	99,5	81,8	75,4	131,5	98,6
Rörelsekostnader	-97,9	-110,3	-107,3	-148,6	-104,2
Rörelseresultat	1,6	-28,5	-31,9	-17,1	-5,6
Finansnetto	-4,3	-4,8	-2,9	-5,8	-6,5
Resultat efter finansiella poster	-2,7	-33,3	-34,8	-22,9	-12,1
Resultat per aktie, kr	-0,26	-3,76	-4,00	-2,26	-2,18

NET SALES**(SEK m)**

	Q3 -06	Q4 -06	Q1 -07	Q2 -07	Q3 -07
Quarter	242,3	374,4	181,1	202,6	222,7
12 months continuous	1 236,2	1 113,7	1 062,0	1 000,4	980,8

OPERATING PROFIT/LOSS**(SEK m)**

	Q3 -06	Q4 -06	Q1 -07	Q2 -07	Q3 -07
Quarter	-5,6	-17,1	-31,9	-28,5	1,6
12 months continuous	-117,8	-134,9	-126,4	-83,1	-75,9

GROSS PROFIT AND OPERATING COSTS**(SEK m)**

	Q3 -06	Q4 -06	Q1 -07	Q2 -07	Q3 -07
Operating costs	-104,2	-148,6	-107,3	-110,3	-97,9
Gross profit	98,6	131,5	75,4	81,8	99,5

The tables have not been adjusted for items affecting comparability.

BUSINESS AREA AND MARKET PERFORMANCE DURING THE REPORTING PERIOD JULY – SEPTEMBER 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)	JUL-SEP 07	APR-JUN 07	JAN-MAR 07	OCT-DEC 06	JUL-SEP 06
Nordic region	64,7	64,3	60,4	62,0	57,6
Other European countries	32,1	20,4	25,8	40,6	39,3
North America	2,0	3,2	4,6	4,3	6,5
Rest of the world	5,7	4,7	2,7	9,6	5,7
Total	104,5	92,6	93,5	116,5	109,1

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 Q3 on the Nordic market amounted to SEK 64.7 million (57.6 m). The launch of a new series of child safety seats has complemented the existing product range and contributed positively to the sales growth.

OTHER EUROPEAN COUNTRIES

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

Sales in Q3 in other European countries amounted to SEK 32.1 million (39.3 m). The sales shortfall is mainly attributable to the conclusion of the distribution contracts for Plantoy in 2006, which negatively impacted sales by around SEK 5 million.

NORTH AMERICA

BRIO signed a distribution contract in 2006 with the US company K'NEX, making K'NEX BRIO's exclusive toy distributor in North America. BRIO Corp in the US was wound down in conjunction with this happening.

BRIO's sales in North America in Q3 totalled SEK 2.0 million (6.5 m). The decline is mainly attributable to the sales trials at Target last year not being repeated in the same period this year.

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 Q3 amounted to SEK 5.7 million (5.7 m).

SCANDITORY BUSINESS AREA

Scanditoy is a toy distributor with business activities in the Nordic region and operates purchasing and sales of trend, licensed and branded toys. Scanditoy distributes BRIO's toys on the Nordic market. Scanditoy'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)	JUL-SEP 07	APR-JUN 07	JAN-MAR 07	OKT-DEC 06	JUL-SEP 06
Nordic region	118,2	109,0	86,1	219,9	121,9
Other European countries *	0,0	0,5	0,6	36,6	11,4
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	118,2	109,5	86,7	256,5	133,3

* The drop in sales in Other European countries is wholly attributed by the divested Polish business.

NORDIC REGION

Sales in the Nordic region consist of sales of BRIO and Alga brand toys, partly through sales of trend, licensed 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 in Q3 amounted to SEK 118.2 million (121,9 m). The three remaining wholly-owned stores were sold in September 2006, causing a drop in sales in Q3 of SEK 3.5 million. Q3 2007 sales were also affected by a negative currency exchange rate effect of SEK 1.6 million compared to the same period in 2006.

Outstanding customer orders as per September 2007 amounted to SEK 174 million compared to SEK 160 million for the same period last year. The gross margin was 2 percentage points higher than last year. It's mainly the regional markets of Sweden, Denmark and Norway that are responsible for the increase.

The gross margin in Q3 waned somewhat compared to last year, mainly due to the fact that a greater percentage of discontinued products were sold during the period as part of the long-term aim of reducing tied up capital. Overall, the operating profit was somewhat lower than last year and amounted to SEK 1.2 million (2.8 m).

OTHER EUROPEAN COUNTRIES

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

Sales in other European countries in Q3 amounted to SEK 0.0 million (11.4 m) and SEK 0.9 million (30.9 m) for the January – September period. The sales shortfall is attributable to the sale of the Polish business activities in December 2006, which will mean an annual sales shortfall of SEK 65 million.

PARENT COMPANY

The loss before tax for the period was SEK 0.3 million (-14.7 m). Sales for the period totalled SEK 111.0 million (67.8 m). The sales increase was mainly attributable to BRIO AB, from 1 January 2007, being responsible for the baby and pram/pushchair segments in Sweden, Finland and Denmark, which were previously run by the European Nursery Group (ENG). Investments in tangible and intangible fixed assets amounted to SEK 4.2 million (2.5 m). The parent company's net liquidity on 30 September 2007 was SEK 20.5 million, compared to SEK 24.1 million at the start of the year. The average number of employees for the period was 77, compared to 161 for the whole of last year. This marked reduction 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 carried out according to plan. The actions are expected to provide savings of around SEK 80 million per year, with full effect from 2007, and a drop in tied up capital of SEK 100 million in 2007, compared with the level in 2004 and adjusted for the current Group structure. As a result of the actions that the plan involves, BRIO is expecting to report a positive cash flow from current activities in 2007. In addition, BRIO aims to report a net profit from 2008.

OTHER INFORMATION CONCERNING THE REPORT PERIOD JULY - SEPTEMBER 2007

FINANCIAL POSITION

The balance sheet total fell from SEK 843.4 million to SEK 776.1 million, compared to the same period last year.

The Group's liquid assets totalled SEK 32.4 million on 30 September 2007, compared to SEK 47.8 million on 30 September 2006. Net debt, excluding pension liabilities and financial leasing, was SEK 321.1 million compared to SEK 244.0 million last year, an increase of SEK 77.1 million.

The equity/assets ratio, including convertible loans, was 20.9 per cent, compared to 29.0 per cent for the same period last year and the majority share of shareholders' equity was SEK 101.9 million (187.2 m).

INVESTMENTS

Investments in tangible and intangible fixed assets in July to September amounted to SEK 5.4 million (4.3 m). Investments are mainly attributable to business systems, development projects and production tools. Overall depreciation was SEK 3.2 million compared to SEK 4.3 million for the same period last year.

CURRENCY EFFECTS

The key foreign currencies for BRIO are USD, EUR and NOK. Foreign 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 BRIO Group was 353 compared to 544 for the full-year 2006. 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 are 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 petrol 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>Time of publication</u>
Financial statement	14 February 2008
Annual report April 2008	
Q1 report	12 May 2008
Annual General Meeting	12 May 2008

Osby, Sweden, 29 October 2007

Thomas Bräutigam
President and CEO

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

KEY FIGURES, THE GROUP

	SEP 2007	SEP 2006	DEC 2006
Return on capital employed, %	Neg	Neg	Neg
Return on shareholders' equity, %	Neg	Neg	Neg
Equity/assets ratio including shareholders' loan, %	20,9	29,0	29,9
Equity/assets ratio, %	13,3	22,4	22,5
No. of shares at the end of the period	9 333 332	5 600 000	9 333 332
No. of shares after dilution	9 570 332	5 812 000	9 545 332
Average number of shares during the financial year	9 333 332	5 600 000	6 533 333
Average number of shares after dilution	9 556 443	5 623 556	6 604 000
Average number of shares during the quarter	9 333 332	5 600 000	-
Average number of shares during the quarter after dilution	9 570 332	5 670 667	-
Shareholders' equity per share, SEK	10,92	33,43	17,69

INCOME STATEMENT IN SUMMARY - THE GROUP

AMOUNTS IN SEK m	JUL-SEP		JAN-SEP		OCT 2006- SEP 2007	Full year 2006
	2007	2006	2007	2006		
Net sales	222,7	242,3	606,4	739,3	980,8	1 113,7
Cost of goods sold	-123,2	-143,7	-349,7	-488,1	-592,6	-731,0
Gross profit	99,5	98,6	256,7	251,2	388,2	382,7
Sales costs	-70,9	-80,2	-234,9	-304,6	-352,9	-422,6
Administrative costs	-23,5	-28,0	-76,5	-76,4	-109,5	-109,4
Development costs	-8,4	-4,1	-26,0	-18,9	-36,6	-29,5
Other operating income/expenses	4,9	8,1	21,9	30,9	34,9	43,9
Operating profit/loss	1,6	-5,6	-58,8	-117,8	-75,9	-134,9
Net financial items	-4,3	-6,5	-12,0	-17,1	-17,8	-22,9
Loss before tax	-2,7	-12,1	-70,8	-134,9	-93,7	-157,8
Tax	0,3	0,0	-3,8	-4,5	-0,1	-0,8
Loss after tax	-2,4	-12,1	-74,6	-139,4	-93,8	-158,6
of which parent company's shareholders	-2,4	-12,2	-74,8	-139,6	-94,1	-158,9
of which minority share	0,0	0,1	0,2	0,2	0,3	0,3
Earnings per share before dilution (SEK)	-0,26	-2,18	-8,01	-24,93	-10,08	-25,08
Earnings per share after dilution (SEK)	-0,26	-2,18	-8,01	-24,93	-10,08	-25,08

The comparable figures in the income statement are made up of the entire Group's income statement, i.e. including the divested business in Poland as this divestment isn't considered to make up a significant part of the Group's results for 2006.

DEPRECIATION/AMORTISATION - THE GROUP

Depreciation/amortisation of tangible and intangible fixed assets have been spread over the following items in the income statement:

AMOUNTS IN SEK m	JUL-SEP		JAN-SEP		JAN-DEC
	2007	2006	2007	2006	2006
Cost of goods sold	-1,3	-3,0	-5,3	-5,8	-7,7
Sales costs	-0,2	0,2	-0,8	-2,4	-2,8
Administrative costs	-1,2	-1,5	-4,2	-4,8	-7,3
Development costs	-0,5	0,0	-1,1	0,0	-0,3
Total	-3,2	-4,3	-11,4	-13,0	-18,1

BALANCE SHEET IN SUMMARY - THE GROUP
SEK m

	07-09-30	06-09-30	06-12-31
ASSETS			
Goodwill	62,6	59,1	57,6
Other intangible assets	97,5	75,0	78,2
Tangible fixed assets	24,4	41,6	33,5
Financial fixed assets	41,0	42,6	57,2
Total fixed assets	225,5	218,3	226,5
Stock	264,4	288,0	188,2
Accounts receivable	202,6	237,0	206,5
Other receivables	51,2	52,3	43,1
Cash and bank balances	32,4	47,8	75,4
Total current assets	550,6	625,1	513,2
Total assets	776,1	843,4	739,7
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Parent company's shareholders' share</i>			
Share capital	93,3	56,0	93,3
Other capital contribution	128,2	165,5	128,2
Provisions	77,2	68,5	65,7
Loss brought forward	-196,8	-102,8	-122,1
Total	101,9	187,2	165,1
Minority shareholding	1,7	1,3	1,3
Total shareholders' equity	103,6	188,5	166,4
<i>Interest-bearing long-term liabilities</i>			
Pension provisions	73,9	67,3	69,4
Liabilities to credit institutions	11,5	0,0	12,8
Other long-term liabilities	58,7	69,9	57,8
<i>Non interest-bearing long-term liabilities</i>			
Deferred tax liabilities	18,6	16,2	15,8
Other provisions	6,1	2,1	5,4
<i>Current interest-bearing liabilities</i>			
Other current liabilities	283,4	222,1	209,9
<i>Current non interest-bearing liabilities</i>			
Other provisions	14,3	39,4	13,0
Other current liabilities	206,0	237,9	189,2
Total liabilities	672,5	654,9	573,3
Total shareholders' equity and liabilities	776,1	843,4	739,7

CHANGES IN TOTAL SHAREHOLDERS' EQUITY - THE GROUP
(SEK m)

	Pertaining to the parent company's shareholders				Minority interest	Total shareholders
	Share capital	Other capital contribution	Provisions	Profit brought forward		
Opening balance on 1 January 2006	56,0	0,0	76,5	35,7	1,1	169,3
Translation difference			-8,0			-8,0
New share issue		168,0				168,0
Issue costs		-2,5				-2,5
Premium paid for warrants				1,1		1,1
Profit/loss after tax				-139,6	0,2	-139,4
Closing balance on 30 September 2006	56,0	165,5	68,5	-102,8	1,3	188,5
Translation difference			-2,7			-2,7
Translation difference for divested companies			-0,1			-0,1
New share issue	37,3	-37,3				0,0
Dividend to minority shareholders					-0,1	-0,1
Profit/loss after tax				-19,3	0,1	-19,2
Closing balance on 31 December 2006	93,3	128,2	65,7	-122,1	1,3	166,4
Translation difference			11,5		0,2	11,7
Premium paid for warrants				0,1		0,1
Profit/loss after tax				-74,8	0,2	-74,6
Closing balance on 30 September 2007	93,3	128,2	77,2	-196,8	1,7	103,6

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	- 8,0	- -	8,0
Closing balance on 30 September 2006	51,0	17,5	68,5
Translation difference for the period	- 2,7	- -	2,7
Translation difference for divested companies	- 0,1	- -	0,1
Closing balance on 31 December 2006	48,2	17,5	65,7
Translation difference for the period	11,5	-	11,5
Closing balance on 30 September 2007	59,7	17,5	77,2

*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-SEP 07	JAN-SEP 06	FULL-YEAR 2006
Cash flow from current activities			
before changes in working capital	-64,4	-129,7	-139,5
Changes in working capital	-22,4	23,2	93,8
Cash flow from current activities	-86,8	-106,5	-45,7
Cash flow from investment activities	-19,3	-9,8	-33,8
Cash flow from financing activities	63,1	77,7	68,4
Cash flow for the period	-43,0	-38,6	-11,1
Liquid assets at the start of the period	75,4	88,2	88,2
Exchange rate difference in liquid assets	0,0	-1,8	-1,7
Liquid assets at the end of the period	32,4	47,8	75,4

SHAREHOLDERS ON 30 SEP 2007

	No. of A shares	No. of B shares	Shareholding, %	Votes, %
Proventus Invest AB	2 752 466	2 380 791	55,00%	60,93%
Dag Ivarsson and family	1 112 200	106 901	13,06%	22,88%
Consepio	0	521 066	5,58%	1,06%
BRIO ABs Intressefond	266 000	64 000	3,54%	5,55%
BRIO ABs Personalstiftelse	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 Thufvesson	0	93 334	1,00%	0,19%
Tomas Persson	0	80 000	0,86%	0,16%
Magnus Lilja	0	70 400	0,75%	0,14%
Other shareholders	0	1 245 011	13,34%	2,54%
Total	4 416 666	4 916 666	100,00%	100,00%

INFORMATION BY BUSINESS AREA

(SEK m)	BRIO		SCANDITORY		JOINT RESOURCES		BRIO GROUP	
	2007	2006	2007	2006	2007	2006	2007	2006
Orders received	290,1	354,9	403,9	452,9	0,0	0,0	694,0	807,8
Sales	290,6	379,5	314,4	359,8	1,4	0,0	606,4	739,3
Internal sales	36,9	28,4	1,2	1,2	0,0	0,0	38,1	29,6
Operating loss	-20,9	-65,3	-23,1	-21,6	-14,8	-30,9	-58,8	-117,8
Investments	21,4	8,6	0,1	0,2	0,0	1,2	21,5	10,0
Depreciation	-6,1	-9,8	-0,2	-0,9	-5,1	-2,3	-11,4	-13,0
Write-downs	0,0	-1,7	0,0	0,0	0,0	0,0	0,0	-1,7
Total assets	353,8	356,2	422,3	382,0	0,0	105,2	776,1	843,4
Total liabilities	268,6	187,2	403,9	344,8	0,0	122,9	672,5	654,9

SALES PER MARKET

(SEK m)	JAN-SEP 2007	JAN-SEP 2006
Sweden	196,5	197,6
Nordic, except Sweden	308,7	346,5
Other European countries	78,3	127,2
North America	9,8	56,2
Rest of the world	13,1	11,8
Total	606,4	739,3

COMMENTS ON THE PERIOD JANUARY – SEPTEMBER 2007

SIGNIFICANT EVENTS IN AND AFTER JAN-SEP 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 to free-up resources for product development.
- An Extraordinary General Meeting held on 30 January 2007 approved the transfer of BRIO’s formerly wholly-owned Polish subsidiary to TM Invest Sp. z o.o.
- BRIO signed a three-year licensing agreement after the report period with Walt Disney Corporation for the rights to Mickey Club House and Tigger & Friends for wooden toys, mainly in Europe. The first products will be launched after the summer 2008.

COMMENTS ON THE INCOME STATEMENT

Sales fell during the first nine months of the year by SEK 132.9 million to SEK 606.4 million (739.3 m). The reduction in sales is primarily due to the completed distribution contracts, but also to structural changes in the US. The changes in the US had a negative impact of SEK 41.9 million. Currency changes had a negative impact of SEK 6.0 million (16.3 m) on sales. The gross profit increased by SEK 5.5 million to SEK 256.7 million (251.2 m). The improved gross margin is an effect of the completed distribution contracts, the implementation of the “BRIO 2008” action plan and the ongoing launch of in-house developed products with increased margins.

COMMENTS ON THE BALANCE SHEET

The balance sheet total dropped by SEK 67.3 million to SEK 776.1 million (843.4 m) compared to 30 September 2006. Intangible assets rose from SEK 134.1 million to SEK 160.1 million. The joint value of the Group’s tangible fixed assets fell by SEK 17.2 million to SEK 24.4 million (41.6 m). The decline is primarily due to the low rate of investment during the period. Financial fixed assets fell by SEK 1.6 million to SEK 41.0 million (42.6 m).

Current assets dropped by SEK 74.5 million to SEK 550.6 million (625.1 m). Stock fell by SEK 23.6 million to SEK 264.4 million (288.0 m) and accounts receivable dropped by SEK 34.4 million to SEK 202.6 million (237.0 m). Net debt, excluding pension liabilities and financial leasing totalled SEK 321.1 million, compared to SEK 244.0 million last year, an increase of SEK 77.1 million.

Shareholders’ equity fell by SEK 62.8 million compared with the year-end accounts. The loss for the year has impacted negatively on shareholders’ equity by SEK 74.6 million. The period’s currency difference in shareholders’ equity amounted to SEK 11.7 million and refers to the recalculation of foreign subsidiaries.

Interest-bearing long-term liabilities amounted to SEK 144.1 million compared to SEK 137.2 million on 30 September 2006. On 30 September 2007 this item consisted of the Group’s pension allocations and shareholders’ loans. There was also a minor liability to a credit institution.

Other current non interest-bearing liabilities fell by SEK 57.0 compared to 30 September 2006.

INVESTMENTS - THE GROUP

(SEK m)	JAN-SEP 07	JAN-SEP 06	FULL-YEAR 2006
Invests in intangible assets	17,2	6,4	12,9
Investments in tangible fixed assets	4,3	3,6	6,9
Total investments	21,5	10,0	19,8

Investments in tangible and intangible fixed assets for the January – September period amounted to SEK 21.5 million (10.0 m). Investments refer primarily to business systems, development projects and production tools. The dramatic rise in the rate of investment for intangible assets is primarily due to investments in IT systems and product development. Joint depreciation amounted to SEK 11.4 million compared to SEK 13.0 million for the same period last year.

COMMENTS TO THE CASH FLOW STATEMENT

Cash flow for the first nine months of 2007 was impacted negatively, amounting to SEK 43.0 million. Cash flow is affected by seasonal variations, which mainly characterised the toy industry and affected the earnings trend and tied up capital throughout the year. This is also seen in the cash flow for the period and relates to the Group’s loss.

SEASONAL VARIATIONS

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 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'S DEVELOPMENT FOR THE JULY-SEPTEMBER 2007 REPORT PERIOD

SALES

Sales in Q3 amounted to SEK 110.0 million, which is an increase of SEK 43.2 million compared to the same period last year. The increase is mainly attributable to BRIO AB being responsible for the baby and pram/pushchair business in Sweden, Finland and Denmark, from 1 January 2007, which was previously run by the European Nursery Group (ENG) subsidiary. Currency exchange rates impacted negatively on sales revenues by SEK 0.3 million (-0.5 m).

The gross profit improved by SEK 18.0 million to SEK 47.7 million (29.7 m) compared to the same period last year. The increase is an effect of the implemented changes in the baby and pram/pushchair business and the improved gross margin.

COSTS

The business' sales, administration and development costs increased compared to last year and amounted to SEK 42.2 million (39.6 m).

OPERATING PROFIT

The operating profit was SEK 5.5 million (-9.9 m), which is an improvement of SEK 15.4 million.

LOSS AFTER FINANCIAL ITEMS

The parent company made a loss before tax of SEK 0.3 million (-14.7 m) in Q3. Net financial items fell to SEK -5.8 million (-4.8 m) compared to last year.

The loss means a tax effect of SEK -0.6 million (-1.7 m).

EARNINGS TREND PER QUARTER

(SEK m)	JUL-SEP 07	APR-JUN 07	JAN-MAR 07	OCT-DEC 06	JUL-SEP 06
Net sales	111,0	86,2	89,2	84,0	67,8
Gross profit	47,7	33,3	32,6	42,7	29,7
Operating costs	-42,2	-48,5	-55,7	-37,7	-39,6
Operating profit/loss	5,5	-15,2	-23,1	5,0	-9,9
Net financial items	-5,8	-3,9	-1,0	-10,6	-4,8
Loss after financial items	-0,3	-14,4	-24,1	-37,7	-14,7

INCOME STATEMENT IN SUMMARY - PARENT COMPANY

AMOUNTS IN SEK m

	JUL-SEP		JAN-SEP		OCT 2006- SEP 2007	Full-year 2006
	2007	2006	2007	2006		
Net sales	111,0	67,8	286,4	139,9	370,4	223,9
Cost of goods sold	-63,3	-38,1	-171,5	-78,7	-212,8	-120,0
Gross profit	47,7	29,7	114,9	61,2	157,6	103,9
Sales costs	-38,1	-30,7	-106,5	-79,8	-135,0	-108,3
Administrative costs	-14,8	-14,3	-48,9	-52,7	-67,8	-71,6
Development costs	-7,1	-3,8	-23,4	-11,0	-30,7	-18,3
Other operating income/expenses	17,8	9,2	32,4	28,1	49,4	45,1
Operating profit/loss	5,5	-9,9	-31,5	-54,2	-26,5	-49,2
Profit/loss from participations in Group companies	0,0	0,0	4,7	3,2	-27,4	-28,9
Net financial items	-5,8	-4,8	-10,7	-10,3	-21,3	-20,9
Loss after financial items	-0,3	-14,7	-37,5	-61,3	-75,2	-99,0
Depreciation	0,0	0,0	0,0	0,0	0,2	0,2
Loss before tax	-0,3	-14,7	-37,5	-61,3	-75,0	-98,8
Tax	-0,6	-1,7	-0,5	6,4	-8,1	-1,2
Loss after tax	-0,9	-16,4	-38,0	-54,9	-83,1	-100,0

BALANCE SHEET IN SUMMARY - PARENT COMPANY

SEK m

	07-09-30	06-09-30	06-12-31
ASSETS			
<i>Fixed assets</i>			
Intangible fixed assets	29,6	12,0	14,5
Tangible fixed assets	15,7	26,8	22,1
Financial fixed assets	265,3	329,2	294,6
Total fixed assets	310,6	368,0	331,2
<i>Current receivables</i>			
Stock	95,6	54,8	41,9
Accounts receivable	63,6	55,3	59,9
Other receivables	204,8	159,9	109,0
Total current receivables	364,0	270,0	210,8
Cash and bank balances	20,5	11,6	24,1
Total fixed assets	384,5	281,6	234,9
Total assets	695,1	649,6	566,1
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Restricted shareholders' equity</i>			
Share capital	93,3	93,3	93,3
Revaluation reserve	44,0	44,0	44,0
Statutory reserve	11,2	11,2	11,2
Total restricted shareholders' equity	148,5	148,5	148,5
<i>Non-restricted shareholders' equity</i>			
Share premium reserve	128,1	128,1	128,1
Profit/loss brought forward	-94,2	13,6	5,7
Loss for the year	-38,0	-54,9	-100,0
Total non-restricted shareholders' equity	-4,1	86,8	33,8
Total shareholders' equity	144,4	235,3	182,3
Additional depreciation	1,3	1,5	1,3
<i>Allocations</i>			
Pension allocations	62,5	59,0	60,5
Deferred tax liabilities	0,0	0,0	0,1
Other allocations	3,5	25,9	5,9
Total allocations	66,0	84,9	66,5
<i>Long-term liabilities</i>			
Liabilities to Group companies	22,6	29,1	26,8
Other liabilities	59,0	141,1	56,9
Total long-term liabilities	81,6	170,2	83,7
<i>Current liabilities</i>			
Bank overdraft facilities	119,4	46,6	101,0
Trade creditors	42,4	37,6	24,7
Liabilities to Group companies	81,1	22,7	20,8
Other liabilities	158,9	50,8	85,8
Total current liabilities	401,8	157,7	232,3
Total shareholders' equity and liabilities	695,1	649,6	566,1

COMMENTS ON THE PERIOD JANUARY – SEPTEMBER 2007

OTHER EVENTS

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

SIGNIFICANT MONETARY CHANGES

The coordination of stock at BRIO AB for the ENG business brought about an increased stock value compared to the start of the year.

SIGNIFICANT RISKS AND UNCERTAINTY FACTORS

Much of the BRIO business area is run by the parent company, which is why the risks defined for the Group are also reflected in the parent company. The toys and baby product market is trend-sensitive and highly competitive. In addition, distribution channels for toys have been expanded to include not only specialist retailers, but also supermarkets, department stores and petrol stations. BRIO's business activities and profitability relies on the company's ability to retain and enhance its position as a supplier of toys and baby products under changing market conditions. The toys and baby products market is affected by changes to the general economic climate and its impact on demand and consumer spending.

FINANCIAL POSITION

The balance sheet total climbed from SEK 649.6 million to SEK 695.1 million compared to the same period last year.

The parent company's liquid assets on 30 September 2007 totalled SEK 20.5 million, compared to SEK 11.6 million on 30 September 2006.

The equity/assets ratio was 20.8 per cent, compared to 36.2 per cent for the same period last year. The drop is mainly attributable to the loss for the year, but also to the higher balance sheet total.

INVESTMENTS - PARENT COMPANY (SEK m)

	JAN-SEP 07	JAN-SEP 06	FULL YEAR2006
Investments in intangible assets	16,6	3,6	7,3
Investments in tangible fixed assets	3,2	2,9	3,3
Total investments	19,8	6,5	10,6

Investments in tangible and intangible fixed assets for the January – September period amounted to SEK 19.8 million (6.5 m). The investments mainly refer to business systems, development projects and production tools. The joint depreciation amounted to SEK -6.6 million, compared to SEK -5.1 million for the same period last year.

STAFF

The average headcount for BRIO AB for the first nine months of 2007 was 96, compared to 161 for the 2006 financial year. This marked reduction 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 ÅRL9:5 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 OMX Nordic Exchange Stockholm since 1985.

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BRIO is a public limited liability company