



FINANCIAL STATEMENT January-December 2007

IMPROVED PROFITABILITY BUT DELAYED SALES GROWTH

REPORT PERIOD OCTOBER-DECEMBER 2007

- Net sales amounted to SEK 323.7 million (374.4 m)
- The operating profit was SEK 6.1 million (-17.1 m)
- The loss after tax was SEK 8.0 million (-19.2 m)
- EPS was SEK -0.86 (-2.26)

PERIOD JANUARY-DECEMBER 2007

- Net sales amounted to SEK 930.1 million (1,113.7 m)
- The operating loss was SEK 52.7 million (-134.9 m)
- The loss after tax was SEK 82.6 million (-158.6 m)
- EPS was SEK -8.88 (-25.08)

SIGNIFICANT EVENTS DURING AND AFTER THE REPORT PERIOD

- The Board proposes that no dividend be paid.
- In December BRIO signed an agreement with Kungsleden concerning the sale of two properties in Osby. The price was SEK 98 million, which after allocations to reserves is expected to boost profits by around SEK 75 million. In connection with the sale BRIO signed a 10-year rental agreement for the properties at market rates. The sale of the properties was completed in early February 2008.
- The BRIO 2008 action plan has exceeded expectations. Fixed costs in the current corporate structure have been cut by SEK 82 million, as opposed to the planned SEK 80 million, while tied-up capital has been reduced by SEK 194 million since 2004. However, weaker than expected sales meant that BRIO was unable to achieve positive cash flow in 2007, which had previously been forecast.
- Considering the uncertainty about when the major 2008 launch program will yield full financial impact, BRIO has decided not to forecast positive net profit for 2008, excluding capital gains from the sale of Group property.

This information is published by BRIO AB (publ) in accordance with Swedish law regarding the securities market and the law regarding trading in financial instruments.
The information was submitted for publication at 3 p.m. on 14 February.

CEO's STATEMENT

Dear shareholders,

It's time to summarize the final quarter of 2007 and close our accounts for the year as a whole. It's pleasing to confirm that the BRIO Group made positive progress, and that our major program of realignment measures is starting to produce the required results in a number of areas.

Unfortunately, sales growth has not matched expectations. This is partly because we have launched a limited number of new products during the year and as yet they have not compensated for the distribution agreements that ended in recent years. Furthermore, some of our new product projects have been delayed due to extended quality checks. Our aim is to always exceed the safety demands of consumers and the authorities, so it felt specially important to make extra checks in light of the market situation. Another reason why sales did not reach expected levels is that we have still not managed to establish ourselves among the really large customers in the US. Naturally, we will continue to work on the high-volume markets in 2008 in order to achieve success on the American market.

Our realignment process began in connection with the BRIO 2008 action plan, launched in 2005. The purpose was to improve the efficiency of our business, create growth by renewing the range, and improve profitability. Profitability has improved considerably during the period, even though there is some way to go before we reach a satisfactory level. Since 2004 we have cut costs by SEK 162 million. Profits have improved by SEK 82 million in the current business, before the cost increase for product development. During the same period, tied-up capital was cut by SEK 194 million, which can be compared with the established target of SEK 100 million set in the BRIO 2008 action plan. Structural changes accounted for SEK 108 million, while the organic contraction amounted to SEK 86 million.

The BRIO 2008 action plan was expected to produce positive cash flow in 2007. Even though cash flow improved, we did not fully succeed. This was partly due to higher inventories resulting from sales in December being lower than expected, and to a lower operating profit. Despite intensive efforts to reduce costs, the failure to increase sales produced a negative outcome. Overall, realignment activities have exceeded plans, but positive sales growth is somewhat delayed.

A series of new products will be launched on the market in 2008. This is when our intensive investment in product development in recent years will be visible. Over 70 new toys will be launched together with three new pram models and a completely new furniture concept. This is the largest launch of products developed by BRIO in the company's history.

2008 will be an important year for BRIO. It will be a new phase in our development when sales growth will drive improved profitability. It will entail continued hard work focused on comprehensive implementation of our new strategy.

Thomas Bräutigam
President and CEO, BRIO

GROUP PERFORMANCE DURING THE REPORTING PERIOD OCTOBER-DECEMBER 2007

SALES

Sales in Q4 reached SEK 323.7 million, which is a drop of SEK 50.7 million compared to the same period last year. Exchange rate fluctuations had a positive affect on sales of SEK 5.1 million (-12.8 m), mainly attributable to the Norwegian krona's weaker performance during the year.

SALES TREND FOR THE PERIOD

(SEK m)

Net sales OCT-DEC 2006	374.4
Changes relating to expired distribution agreement	-3.2
Other changes at BRIO	-10.1
Changes relating to Poland	-32.5
Other changes at Scanditoy	-4.9
Net sales OCT-DEC 2007	323.7

The gross margin improved from 35.1 per cent in Q4 last year to 44.1 per cent this quarter. The better gross margin is an effect of the expired distribution contracts being replaced with an increased share of sales of in-house developed products with higher margins. The gross profit amounts to SEK 142.8 million (131.5 m).

COSTS

The operation's sales, administration and development costs fell compared to last year and amounted to SEK 136.7 million (148.6 m). Adjusted for the divested business in Poland costs amounted to SEK 142.9 million for the same period last year. Development costs for the reporting period amounted to SEK 11.3 million (10.6 m).

OPERATING PROFIT

The operating profit was SEK 6.1 million (-17.1 m), which is an improvement of SEK 23.2 million.

LOSS AFTER FINANCIAL ITEMS

The Group's loss before tax amounted to SEK 4.3 million (-22.9 m) in Q4. Net financial items deteriorated to SEK -10.4 million (-5.8 m) compared with the same period last year, mainly due to currency translations.

The loss means a tax effect of SEK -3.7 million (3.7 m).

EARNINGS TREND PER QUARTER

(SEK m)

	OCT-DEC 07	JUL-SEP 07	APR-JUN 07	JAN-MAR 07	OCT-DEC 06
Net sales	323.7	222.7	202.6	181.1	374.4
Gross profit	142.8	99.5	81.8	75.4	131.5
Operating costs	-136.7	-97.9	-110.3	-107.3	-148.6
Operating profit/loss	6.1	1.6	-28.5	-31.9	-17.1
Net financial items	-10.4	-4.3	-4.8	-2.9	-5.8
Loss after financial items	-4.3	-2.7	-33.3	-34.8	-22.9
Earnings per share, SEK	-0.86	-0.26	-3.76	-4.00	-2.26

NET SALES

(SEK m)	Q4 -06	Q1 -07	Q2 -07	Q3 -07	Q4 -07
Quarter	374.4	181.1	202.6	222.7	323.7
12 months continuous	1,113.7	1,062.0	1,000.4	980.8	930.1

OPERATING PROFIT/LOSS

(SEK m)	Q4 -06	Q1 -07	Q2 -07	Q3 -07	Q4 -07
Quarter	-17.1	-31.9	-28.5	1.6	6.1
12 months continuous	-134.9	-126.4	-83.1	-75.9	-52.7

GROSS PROFIT AND OPERATING COSTS

(SEK m)	Q4 -06	Q1 -07	Q2 -07	Q3 -07	Q4 -07
Operating costs	-148.6	-107.3	-110.3	-97.9	-136.7
Gross profit	131.5	75.4	81.8	99.5	142.8

The tables have not been adjusted for items affecting comparability.

BUSINESS AREA AND MARKET PERFORMANCE DURING THE REPORTING PERIOD OCTOBER-DECEMBER 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)	OCT-DEC 07	JUL-SEP 07	APR-JUN 07	JAN-MAR 07	OCT-DEC 06
Nordic region	57.6	64.7	64.3	60.4	62.0
Other European countries	39.4	32.1	20.4	25.8	40.6
North America	1.3	2.0	3.2	4.6	4.3
Rest of the world	6.7	5.7	4.7	2.7	9.6
Total	105.0	104.5	92.6	93.5	116.5

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 Q4 on the Nordic market amounted to SEK 57.6 million (62.0 m). A lower level of discount sales in Q4 contributed to negative sales growth while helping to improve the gross margin. 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 Q4 in other European countries amounted to SEK 39.4 million (40.6 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 3.3 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 Q4 totaled SEK 1.3 million (4.3 m). The decline is mainly attributable to weak sales. Last year's sales were affected by a sales test at one of the major US retailers, which was not repeated in Q4 2007.

REST OF THE WORLD

BRIO sells primarily toys via its export department to over 30 countries. BRIO's single largest market outside Europe and North America is Japan. Sales consist primarily of BRIO brand toys. Sales in Q4 amounted to SEK 6.7 million (9.6 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)	OCT-DEC 07	JUL-SEP 07	APR-JUN 07	JAN-MAR 07	OCT-DEC 06
Nordic region	219.1	118.2	109.0	86.1	219.9
Other European countries *	0.0	0.0	0.5	0.6	36.6
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	219.1	118.2	109.5	86.7	256.5

* 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 91 (92) stores in Sweden and 145 (138) in Norway.

Sales on the Nordic market in Q4 amounted to SEK 219.1 million (219.9 m). Scanditroy's sales were virtually unchanged during the period compared with the same period last year. The gross margin was up by around 10 per cent, however, which despite somewhat higher indirect costs meant an improved operating profit of SEK 21.7 million (7.1 m) in the final quarter, compared to the same period in 2006.

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. Scanditroy solely concentrates on the Nordic market since BRIO sold its business activities in Poland in December 2006.

Sales in other European countries in Q4 amounted to SEK 0.0 million (36.6 m) and SEK 1.1 million (67.5 m) for the full year. 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 25.8 million (-37.6 m). Sales for the period totaled SEK 102.5 million (84.0 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 9.5 million (4.1 m). The parent company's net liquidity on 31 December 2007 was SEK 40.1 million, compared to SEK 24.1 million at the start of the year. The number of employees during the period was 96, 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

Intensive development of new toys, prams, child car seats and furniture is taking place at BRIO. A series of new products will be launched on the market in 2008. It will take further time before the long-term development of BRIO's offer makes a full financial breakthrough.

The "BRIO 2008" action plan is exceeding expectations. Fixed costs in the current corporate structure have been cut by SEK 82 million, as opposed to the planned SEK 80 million, while tied-up capital has been reduced by SEK 194 million since 2004. However, weaker than expected sales meant that BRIO was unable to achieve positive cash flow in 2007, which had previously been forecast. Considering the uncertainty about when the major 2008 launch program will yield full financial impact, BRIO has decided not to forecast positive net profit for 2008, excluding capital gains from the sale of Group property.

OTHER INFORMATION CONCERNING THE REPORT PERIOD OCTOBER DECEMBER 2007

FINANCIAL POSITION

The balance sheet total fell from SEK 739.7 million to SEK 696.4 million, compared to the same period last year.

The Group's liquid assets totaled SEK 74.8 million on 31 December 2007, compared to SEK 75.4 million on 31 December 2006. Net debt, excluding pension liabilities and financial leasing, was SEK 230.4 million compared to SEK 205.1 million last year, an increase of SEK 25.3 million.

The equity/assets ratio, including convertible loans, was 22.3 per cent, compared to 29.9 per cent for the same period last year and the majority share of shareholders' equity was SEK 94.1 million (165.1 m).

BRIO has a long-term agreement concerning bank credit. In addition to pledged securities through chattel mortgages and real estate mortgages, the company has also made undertakings concerning achievement of certain key indicators, so-called covenants. BRIO has informed the bank that it did not meet these commitments at the end of 2007, which did not result in cancellation of the credit agreement.

INVESTMENTS

Investments in tangible and intangible fixed assets in Q4 amounted to SEK 5.2 million (3.4 m). Investments are mainly attributable to business systems, development projects and production tools. Overall depreciation was SEK -3.4 million compared to SEK -5.1 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 401 in 2007, compared to 544 for the full-year 2006. The reduction of 143 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.

DIVIDEND

The Board proposes that no dividend be paid for the 2007 financial year.

ANNUAL GENERAL MEETING

The AGM will take place on Monday 12 May 2008 in Osby.

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 specialized retail, but also supermarkets and department stores. 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>
Annual report	April 2008
Q1 report	12 May 2008
Annual General Meeting	12 May 2008
Q2 report	23 July 2008

Osby, Sweden, 14 February 2008

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

	DEC 2007	DEC 2006
Return on capital employed, %	Neg	Neg
Return on shareholders' equity, %	Neg	Neg
Equity/assets ratio including shareholders' loan, %	22.3	29.9
Equity/assets ratio, %	13.7	22.5
No. of shares at the end of the period	9,333,332	9,333,332
No. of shares after dilution	9,555,332	9,555,332
Average number of shares during the financial year	9,333,332	6,533,333
Average number of shares after dilution	9,557,415	6,604,000
Shareholders' equity per share, SEK	10.25	17.69

INCOME STATEMENT IN SUMMARY - THE GROUP

AMOUNTS IN SEK m	OCT-DEC		JAN-DEC	
	2007	2006	2007	2006
Net sales	323.7	374.4	930.1	1,113.7
Cost of goods sold	-180.9	-242.9	-530.6	-731.0
Gross profit	142.8	131.5	399.5	382.7
Sales costs	-108.3	-118.0	-343.2	-422.6
Administrative costs	-29.0	-33.0	-105.5	-109.4
Development costs	-11.3	-10.6	-37.3	-29.5
Other operating income/expenses	11.9	13.0	33.8	43.9
Operating profit/loss	6.1	-17.1	-52.7	-134.9
Net financial items	-10.4	-5.8	-22.4	-22.9
Loss before tax	-4.3	-22.9	-75.1	-157.8
Tax	-3.7	3.7	-7.5	-0.8
Loss after tax	-8.0	-19.2	-82.6	-158.6
of which parent company's shareholders	-8.1	-19.3	-82.9	-158.9
of which minority share	0.1	0.1	0.3	0.3
Earnings per share before dilution (SEK)	-0.86	-2.26	-8.88	-25.08
Earnings per share after dilution (SEK)	-0.86	-2.26	-8.88	-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 of tangible and intangible fixed assets have been spread over the following items in the income statement:

AMOUNTS IN SEK m	OCT-DEC		JAN-DEC	
	2007	2006	2007	2006
Cost of goods sold	-1.0	-1.9	-6.3	-7.7
Sales costs	-0.3	-0.4	-1.1	-2.8
Administrative costs	-1.5	-2.5	-5.7	-7.3
Development costs	-0.6	-0.3	-1.7	-0.3
Total	-3.4	-5.1	-14.8	-18.1

BALANCE SHEET IN SUMMARY - THE GROUP

SEK m	07-12-31	06-12-31
ASSETS		
Goodwill	62.3	57.6
Other intangible assets	98.6	78.2
Tangible fixed assets	18.7	33.5
Financial fixed assets	42.2	61.5
Total fixed assets	221.8	230.8
Stock	210.4	188.2
Accounts receivable	140.6	206.5
Other receivables	44.8	38.8
Cash and bank balances	74.8	75.4
Total current assets	470.6	508.9
Tangible fixed assets held for sale	4.0	-
Total assets	696.4	739.7
SHAREHOLDERS' EQUITY AND LIABILITIES		
<i>Parent company's shareholders' share</i>		
Share capital	93.3	93.3
Other capital contribution	128.2	128.2
Provisions	77.6	65.7
Loss brought forward	-205.0	-122.1
Total	94.1	165.1
Minority shareholding	1.6	1.3
Total shareholders' equity	95.7	166.4
<i>Interest-bearing long-term liabilities</i>		
Pension provisions	67.8	69.4
Liabilities to credit institutions	10.8	12.8
Other long-term liabilities	59.6	57.8
<i>Non interest-bearing long-term liabilities</i>		
Deferred tax liabilities	18.2	15.8
Other provisions	10.8	5.4
<i>Current interest-bearing liabilities</i>		
Other current liabilities	234.8	209.9
<i>Current non interest-bearing liabilities</i>		
Other provisions	3.5	13.0
Other current liabilities	195.2	189.2
Total liabilities	600.7	573.3
Total shareholders' equity and liabilities	696.4	739.7

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

	Pertaining to the parent company's shareholders				Minority interest	Total shareholders' equity
	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			-10.7			-10.7
Translation difference for divested companies			-0.1			-0.1
New share issue	37.3	130.7				168.0
Issue costs		-2.5				-2.5
Premium paid for warrants				1.1		1.1
Dividend to minority shareholders					-0.1	-0.1
Profit/loss after tax				-158.9	0.3	-158.6
Closing balance on 31 December 2006	93.3	128.2	65.7	-122.1	1.3	166.4
Translation difference			11.9			11.9
Premium paid for warrants				0.0		0.0
Profit/loss after tax				-82.9	0.3	-82.6
Closing balance on 31 December 2007	93.3	128.2	77.6	-205.0	1.6	95.7

OTHER PROVISIONS - THE GROUP
(SEK m)

	Translation difference	Revaluation provision	Other provisions
Opening balance on 1 January 2006	59.0	17.5	76.5
Translation difference for the period	-10.7	-	-10.7
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	11.9	-	11.9
Closing balance on 31 December 2007	60.1	17.5	77.6

CASH FLOW STATEMENT - THE GROUP
(SEK m)

	JAN-DEC 07	JAN-DEC 06
Cash flow from current activities before changes in working capital	-91.7	-139.5
Changes in working capital	59.3	93.8
Cash flow from current activities	-32.4	-45.7
Cash flow from investment activities	6.3	-33.8
Cash flow from financing activities	23.7	68.4
Cash flow for the period	-2.4	-11.1
Liquid assets at the start of the period	75.4	88.2
Exchange rate difference in liquid assets	1.8	-1.7
Liquid assets at the end of the period	74.8	75.4

SHAREHOLDERS ON 31 DEC 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	97,901	12.96%	22.86%
Consepio	0	572,466	6.13%	1.16%
BRIO ABs Interest fund	266,000	64,000	3.54%	5.55%
BRIO ABs Personnell fund	236,000	0	2.53%	4.81%
Amagerbanken AS, Danmark	0	205,134	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%
Susanna Molander	0	77,200	0.83%	0.16%
Tomas Persson	0	70,000	0.75%	0.14%
Other shareholders	0	1,205,840	12.92%	2.46%
Total	4,416,666	4,916,666	100.00%	100.00%

INFORMATION BY BUSINESS AREA

(SEK m)	BRIO		SCANDITROY		JOINT RESOURCES		BRIO GROUP	
	2007	2006	2007	2006	2007	2006	2007	2006
Orders received	369.2	524.8	557.2	628.0	0.0	0.0	926.4	1,152.8
Sales	395.6	496.1	533.5	616.2	1.0	1.4	930.1	1,113.7
Internal sales	51.8	49.3	2.0	1.6	0.0	0.0	53.8	50.9
Operating loss	-30.4	-86.4	-1.3	-11.4	-21.0	-37.1	-52.7	-134.9
Investments	24.7	12.7	0.1	0.3	1.7	6.8	26.5	19.8
Depreciation	-8.3	-9.6	-0.3	-1.3	-6.2	-5.5	-14.8	-16.4
Write-downs	0.0	-1.7	0.0	0.0	0.0	0.0	0.0	-1.7
Total assets	315.1	332.1	380.9	269.9	0.4	137.7	696.4	739.7
Total liabilities	255.1	246.9	345.7	214.3	-0.1	112.1	600.7	573.3

SALES PER MARKET

(SEK m)	JAN-DEC	JAN-DEC
	2007	2006
Sweden	309.3	309.0
Nordic, except Sweden	472.2	518.4
Other European countries	117.7	204.4
North America	11.1	60.5
Rest of the world	19.8	21.4
Total	930.1	1,113.7

COMMENTS ON THE PERIOD JANUARY – DECEMBER 2007

SIGNIFICANT EVENTS IN AND AFTER JAN-DEC 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.zo.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.
- In December BRIO signed an agreement with Kungsleden concerning the sale of two properties in Osby. The price was SEK 98 million, which after allocations to reserves is expected to boost profits by around SEK 75 million. In connection with the sale BRIO entered into a 10-year rental agreement for the properties at market rates. The sale of the properties was completed in early February 2008.
- The BRIO 2008 action plan has exceeded expectations. Fixed costs in the current corporate structure have been cut by SEK 82 million, as opposed to the planned SEK 82 million, while tied-up capital has been reduced by SEK 194 million since 2004. However, weaker than expected sales meant that BRIO was unable to achieve positive cash flow in 2007, which had previously been forecast.
- Considering the uncertainty about when the major 2008 launch programme will yield full financial impact. BRIO has decided not to forecast positive net profit for 2008, excluding capital gains from the sale of Group property.

COMMENTS ON THE INCOME STATEMENT

Sales fell during the year by SEK 183.6 million to SEK 930.1 million (1,113.7 m). The reduction in sales is primarily due to the expired distribution contracts, but also to the sale of the business in Poland and structural changes in the US. Currency changes had a negative impact of SEK 0.8 million (-3.9 m) on sales. The gross profit increased by SEK 16.8 million to SEK 399.5 million (382.7 m), which represents an improvement in the coverage ratio of 8.6 percentage points to 42.9 per cent (34.3 per cent). The improved gross margin is an effect of the expired 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 43.3 million to SEK 696.4 million (739.7 m) compared to 31 December 2006. Intangible assets rose from SEK 135.8 million to SEK 160.9 million. The joint value of the Group’s tangible fixed assets fell by SEK 14.8 million to SEK 18.7 million (33.5 m). The decline is primarily due to the low rate of investment during the period. Financial fixed assets fell by SEK 15.0 million to SEK 42.2 million (57.2 m).

Current assets dropped by SEK 38.8 million to SEK 470.6 million (508.9 m). Stock climbed by SEK 22.2 million to SEK 210.4 million (188.2 m), which before allocations for obsolescence meant an increase of SEK 4.1 million. Accounts receivable dropped by SEK 65.9 million to SEK 140.6 million (206.5 m). Net debt, excluding pension liabilities and financial leasing totaled SEK 230.4 million, compared to SEK 205.1 million last year, an increase of SEK 25.3 million.

Shareholders’ equity fell by SEK 70.7 million compared with the year-end accounts for 2006. The loss for the year has impacted negatively on shareholders’ equity by SEK 82.6 million. The period’s currency difference in shareholders’ equity amounted to SEK 11.9 million and refers to the recalculation of foreign subsidiaries.

Interest-bearing long-term liabilities amounted to SEK 138.2 million compared to SEK 140.0 million on 31 December 2006. On 31 December 2007 this item consisted of the Group’s pension allocations, shareholders’ loans and a liability to a credit institution.

Other current non interest-bearing liabilities fell by SEK 3.5 million compared to 31 December 2006.

(SEK m)	JAN-DEC 07	JAN-DEC 06
Investments in intangible assets	20.3	12.9
Investments in tangible fixed assets	6.2	6.9
Total investments	26.5	19.8

Investments in tangible and intangible fixed assets for the January – December period amounted to SEK 26.5 million (19.8 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 business systems and development projects. Joint depreciation amounted to SEK –14.8 million compared to SEK –18.1 million for last year.

COMMENTS TO THE CASH FLOW STATEMENT

Cash flow for 2007 was SEK –2.4 million. Cash flow is affected by seasonal variations, which mainly characterized the toy industry and affected the earnings trend and tied up capital throughout the year.

SEASONAL VARIATIONS

The toy industry is characterized 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 2004-2007 period are as follows:

Q 1	Q 2	Q 3	Q 4
35%	23%	21%	21%

Quarterly sales for 2007 are as follows:

Q 1	Q 2	Q 3	Q 4
35%	24%	22%	19%

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	2

PARENT COMPANY'S DEVELOPMENT FOR THE OCTOBER-DECEMBER 2007 REPORT PERIOD

SALES

Sales in Q4 amounted to SEK 102.5 million, which is an increase of SEK 18.5 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 positively on sales revenues by SEK 0.4 million (-0.8 m).

The gross profit improved by SEK 4.4 million to SEK 47.0 million (42.6 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 with last year and amounted to SEK 62.5 million (37.7 m).

OPERATING LOSS

The operating loss was SEK 15.5 million (+4.9 m), which is a fall of SEK 20.4 million.

LOSS AFTER FINANCIAL ITEMS

The parent company made a loss before tax of SEK 25.8 million (-37.6 m) in Q4. Net financial items rose to SEK -9.6 million (-10.6 m) compared to last year.

The loss means a tax effect of SEK -2.7 million (-7.6 m).

EARNINGS TREND PER QUARTER (SEK m)

	OCT-DEC 07	JUL-SEP 07	APR-JUN 07	JAN-MAR 07	OCT-DEC 06
Net sales	102.5	111.0	86.2	89.2	84.0
Gross profit	47.0	47.7	34.6	32.6	42.7
Operating costs	-62.5	-42.2	-48.5	-55.7	-37.7
Operating profit/loss	-15.5	5.5	-13.9	-23.1	5.0
Net financial items	-9.6	-5.8	-3.9	-1.0	-10.6
Profit/loss from participations in Group companies	-2.0	-	4.7	-	-
Loss after financial items	-27.1	-0.3	-13.1	-24.1	-37.8

INCOME STATEMENT IN SUMMARY - PARENT COMPANY

AMOUNTS IN SEK m	OCT-DEC		JAN-DEC	
	2007	2006	2007	2006
Net sales	102.5	84.0	388.9	223.9
Cost of goods sold	-55.5	-41.4	-227.0	-120.0
Gross profit	47.0	42.6	161.9	103.9
Sales costs	-42.2	-28.5	-148.7	-108.3
Administrative costs	-20.4	-18.9	-69.3	-71.6
Development costs	-9.0	-7.3	-32.4	-18.3
Other operating income/expenses	9.1	17.0	41.5	45.1
Operating profit/loss	-15.5	4.9	-47.0	-49.2
Profit/loss from participations in Group companies	-2.0	-32.1	2.7	-28.9
Net financial items	-9.6	-10.6	-20.3	-20.9
Loss after financial items	-27.1	-37.8	-64.6	-99.0
Depreciation	1.3	0.2	1.3	0.2
Loss before tax	-25.8	-37.6	-63.3	-98.8
Tax	-2.7	-7.6	-3.2	-1.2
Loss after tax	-28.5	-45.2	-66.5	-100.0

BALANCE SHEET IN SUMMARY - PARENT COMPANY

SEK m	07-12-31	06-12-31
ASSETS		
<i>Fixed assets</i>		
Intangible fixed assets	36.0	14.5
Tangible fixed assets	10.1	22.1
Financial fixed assets	264.6	294.6
Total fixed assets	310.7	331.2
<i>Current receivables</i>		
Stock	85.1	41.9
Accounts receivable	53.1	59.9
Other receivables	151.6	109.0
Cash and bank balances	40.1	24.1
Total fixed assets	329.9	234.9
Total assets	640.6	566.1
SHAREHOLDERS' EQUITY AND LIABILITIES		
<i>Restricted shareholders' equity</i>		
Share capital	93.3	93.3
Revaluation reserve	44.0	44.0
Statutory reserve	11.2	11.2
Total restricted shareholders' equity	148.5	148.5
<i>Non-restricted shareholders' equity</i>		
Share premium reserve	128.1	128.1
Profit/loss brought forward	-98.5	5.7
Loss for the year	-66.5	-100.0
Total non-restricted shareholders' equity	-36.9	33.8
Total shareholders' equity	111.6	182.3
Additional depreciation	0.0	1.3
<i>Allocations</i>		
Pension allocations	56.9	60.5
Deferred tax liabilities	0.0	0.1
Other allocations	2.9	5.9
Total allocations	59.8	66.5
<i>Long-term liabilities</i>		
Liabilities to Group companies	23.2	26.8
Other liabilities	59.7	56.9
Total long-term liabilities	82.9	83.7
<i>Current liabilities</i>		
Bank overdraft facilities	101.6	101.0
Trade creditors	38.4	24.7
Liabilities to Group companies	101.3	20.8
Other liabilities	145.0	85.8
Total current liabilities	386.3	232.3
Total shareholders' equity and liabilities	640.6	566.1

COMMENTS ON THE FULL YEAR JANUARY – DECEMBER 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 and department stores. BRIO's business activities and profitability rely 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 to SEK 640.6 million compared to SEK 566.1 million at the same time last year.

The parent company's liquid assets on 31 December 2007 totaled SEK 40.1 million, compared to SEK 24.1 million on 31 December 2006.

The equity/assets ratio was 17.4 per cent, compared to 32.4 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-DEC 07	JAN-DEC 06
Investments in intangible assets	24.8	7.3
Investments in tangible fixed assets	4.5	3.3
Total investments	29.3	10.6

Investments in tangible and intangible fixed assets in 2007 amounted to SEK 29.3 million (10.6 m). The investments mainly refer to business systems, development projects and production tools. The joint depreciation amounted to SEK –8.8 million, compared to SEK –8.0 million in 2006.

STAFF

The average headcount for BRIO AB in 2007 was 89, 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 AAA9:5 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 400 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