



## QUARTERLY REPORT July – September 2010

### REPORTING PERIOD JULY – SEPTEMBER 2010

- Income amounted to SEK 239.5 million (234.2 m)
- The operating loss was SEK 21.0 million (-8.6 m)
- Adjusted for restructuring costs the operating loss was SEK 21.0 million (-8.6 m)
- The loss for the period was SEK 24.2 million (-17.2 m)
- EPS before dilution was SEK -0.16 (-0.11)
- EPS after dilution was SEK -0.16 (-0.11)
- Cash flow from current business was SEK -32.4 million (-18.3 m)

### PERIOD JANUARY – SEPTEMBER 2010

- Income amounted to SEK 611.2 million (646.8 m)
- The operating loss was SEK 62.9 million (-139.0 m)
- Adjusted for restructuring costs the operating loss was SEK 60.5 million (-114.6 m)
- The loss for the period was SEK 65.1 million (-156.7 m)
- EPS before dilution was SEK -0.43 (-2.15)
- EPS after dilution was SEK -0.42 (-2.13)
- Cash flow from current business was SEK -110.6 million (-118.4 m)

### SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

- Unrealised market value effects as a result of the revaluation of BRIO's hedging of currency negatively impacted the reporting period's operating profit/loss by SEK 22.2 million. Providing that currency rate relationships don't change significantly gross earnings will be positively affected over the next nine-month period.
- To meet the short-term impact on cash flow of strong seasonal variations in the business, and secure the right conditions for building a liquidity reserve during the autumn high season, credit facilities were temporarily extended.

### SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- There have been no significant events after the end of the reporting period.

### CEO's COMMENTS

"We still face major challenges within logistics and goods flow, including delayed deliveries of baby products and consolidation of toy stocks, and we must emphasize that we are currently in a phase of comprehensive changes that will take time to implement. Meanwhile we are seeing continuing positive development. During Q3 the Group increased sales by 6.3 per cent when adjusted for completed restructuring, and our gross margin climbed by 2.0 percentage points compared with the same quarter last year. The toys division has shown specially good progress with a sales increase of a full 12 per cent, primarily driven by new efforts focused on BRIO's wooden train products and Alga's products."

Andreas Sbrodiglia  
President and CEO, BRIO

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## **GROUP PERFORMANCE OVER THE REPORTING PERIOD JULY – SEPTEMBER 2010**

### **OUTLOOK**

The change process at BRIO will now continue by focusing on measures to boost liquidity, control costs and improve gross margins, with priority given to profits and liquidity ahead of sales growth. The Board expects the operating profit to significantly improve for the full year 2010 compared with 2009.

### **SALES AND GROSS PROFIT**

Group income amounted to SEK 239.5 million (234.2 m) during the reporting period. The same period last year included sales in restructured activities of SEK 8.8 million. Adjusted for this, sales rose by SEK 14.1 million.

The sales trend for the BRIO Toy division is positive, with growth of SEK 19.1 million compared with the comparable reporting period last year, due to higher sales of BRIO branded toys, Alga products and other products in the range. The BRIO Baby division reported sales for the period in line with the same period last year.

The gross profit rose by SEK 6.7 million to SEK 93.8 million (87.1 m) compared with the same period last year. The gross margin improved from 37.2 per cent in Q3 2009 to 39.2 per cent for the same period in 2010.

During the reporting period major changes have occurred in exchange rates. The Swedish currency, SEK, has strengthened against currencies such as EUR, NOK and the USD that are important for the business. Furthermore, the US dollar has weakened against the Euro during the reporting period. The Group buys a large share of its goods in USD, which means that gross earnings over the long-term are boosted by a weaker USD.

During the reporting period pressure remained on political leaders in China to adapt the Chinese currency. At present it is difficult to assess how currency changes will affect raw material costs in China and thus the net effect of adjustments to the Chinese currency on BRIO's future purchasing prices and gross margin. BRIO aims to secure fixed purchasing prices over each sales cycle, partly to safeguard gross earnings for each period but also to secure time to adapt to major changes in purchasing prices.

### **COSTS**

The Group's operating costs rose by SEK 19.0 million to SEK 114.8 million (95.8 m) during the reporting period compared to the same period last year. During the reporting period operating costs were negatively affected by currency effects of SEK 22.2 million, while currency effects for the same period last year had a negative effect of SEK 6.1 million. The major currency effects primarily relate to an unrealised effect of re-assessed currency futures. During the report period SEK strengthened against NOK and USD. The strengthening of SEK means that the unrealised market valuation effects resulting from BRIO's currency hedges, amounting to SEK 14.3 million reported at the end of Q2, have now been switched to unrealised effects of SEK -8.3 million. The re-assessment impacts on the reporting period but the currency effects, primarily in USD, providing that currency rate relationships don't change significantly, gross earnings will be positively affected over the next nine-month period.

When currency and translation effects are excluded, costs rose by SEK 2.6 million over the reporting period. The rise in costs was mainly due to the inclusion in the corresponding period last year of other operating income from restructuring in Finland that were not repeated during the reporting period. The management team continues to reduce costs and restructuring costs of SEK 11 million are therefore expected during the final quarter of 2010.

### **OPERATING PROFIT/LOSS**

The operating loss was SEK 21.0 million (-8.6 m) during the reporting period, which is a fall of SEK 12.4 million compared with the same period last year. Adjusted for the unrealised re-assessment effects in BRIO's currency hedges, the operating profit was SEK 1.2 million (-3.5 m).

## CASH FLOW

For the fourth consecutive quarter the Group is reporting positive cash flow from current business activities over a rolling 12-month period, from SEK 6.9 million for the full-year 2009 to SEK 14.7 million at the end of the past 12 months. This positive trend is the result of the rationalization scheme carried out in order to cut costs and minimize tied-up working capital.

As in previous years, cash flow at the end of the third quarter was strongly affected by the high season the business is currently operating in, which results in major fluctuations in tied-up capital and cash flow. Considerable purchases were made in August and September ahead of the Christmas season.

## PROFIT/LOSS AFTER FINANCIAL ITEMS

The Group's loss before tax was SEK 24.2 million (-16.3 m) for the reporting period. Net financial items improved by SEK 4.5 million from SEK -7.7 million to SEK -3.2 million, mainly due to currency translations.

### Earnings trend per quarter

(SEK m)	JUL- SEP 10	APR- JUN 10	JAN-MAR 10	OCT- DEC 09	JUL- SEP 09
Income	239.5	182.7	189.0	304.2	234.2
Income – 12 months continuous	915.4	910.1	936.5	951.0	950.5
Gross profit	93.8	68.5	74.1	122.4	87.1
Operating costs	-114.8	-79.1	-105.3	-105.7	-95.8
Operating profit/loss	-21.0	-10.7	-31.2	16.7	-8.6
Operating profit/loss – 12 months continuous	-46.1	-33.8	-95.7	-122.3	-197.6
Net financial items	-3.2	2.1	-0.6	0.4	-7.7
Profit/loss before tax	-24.2	-8.6	-31.8	17.1	-16.3
EPS before and after dilution, SEK	-0.16	-0.06	-0.21	0.10	-0.11

## PERFORMANCE BY DIVISION DURING THE REPORTING PERIOD JULY – SEPTEMBER 2010

The Group is divided into two divisions: BRIO Toy and BRIO Baby. The franchise business BRIO Lekehuset Partner is an independent subsidiary of the Group.

### BRIO TOY DIVISION

The BRIO Toy division includes the Group's toy range, i.e. product development, purchasing and sales of toys under the BRIO and Alga brands and distribution through Scanditoy with purchasing and sales of trend, license and branded toys. BRIO Toy aims at creating sales growth and a good return through a broad range of strong brands and licensed products, a large customer focus and broad market channels.

#### Income per market

(SEK m)	JUL-SEP 10	APR-JUN 10	JAN-MAR 10	OCT-DEC 09	JUL-SEP 09
Nordic region	147.8	105.9	101.2	195.1	129.4
Other European countries	26.5	11.7	17.8	35.5	25.7
Rest of the world	2.4	2.6	3.2	4.7	2.5
Total	176.7	120.2	122.2	235.3	157.6

Total sales for the division climbed by 12.1 per cent during the period to reach SEK 176.7 million (157.6 m), mainly attributable to higher sales of BRIO and Alga products.

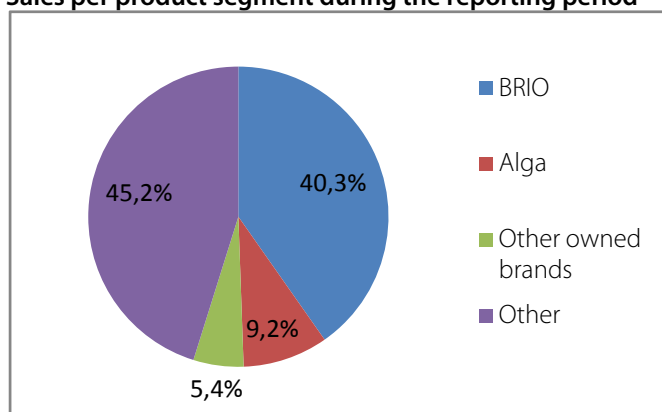
Sales in the Nordic region consist of BRIO and Alga brand toys, and the sales of trend, licenses and branded toys via independent retailers, retail chains and convenience stores. Sales in the Nordic region amounted to SEK 147.8 million (129.4 m) during the reporting period. The launch of new products in BRIO's classic wooden railway range has made a positive impact and accounted for around SEK 6.0 million of the sales increase. Alga also reported positive sales trends with sales up by SEK 4.0 million. The remainder of the sales increase, SEK 8.4 million, was divided across the entire range.

Sales in other European countries consist of BRIO brand toys via independent retailers and supermarkets, via subsidiaries in Germany and France and via distributors in other countries. Sales in other European countries amounted to SEK 26.5 million (25.7 m) during the reporting period.

Sales outside Europe refer to Japan and other exports outside Europe. These sales mainly consist of BRIO brand toys. Sales fell by SEK 0.1 million compared with last year and amounted to SEK 2.4 million (2.5 m) during the reporting period.

Sales of BRIO brand products amounted to SEK 71.1 million (64.8 m), equivalent to 40.3 per cent (41.1) of the division's net sales during the reporting period. BRIO's new wooden railway set, Rail & Road, was selected as Toy of the Year in Finland in August.

#### Sales per product segment during the reporting period



## BRIO BABY DIVISION

The BRIO Baby division covers the Group's product development, purchasing, manufacturing and sales of baby items, mainly prams, children's car seats and children's furniture, through own brands BRIO, Carena and Simo. Export sales of BRIO brand toys to distributors and markets outside BRIO's own subsidiaries are also reported by the division. All production is located in China with the exception of in-house manufacturing of prams and children's car seats in Hungary.

BRIO Baby focuses on parents-to-be and parents of children aged 0-3 years. The division aims at creating growth and profitability by strengthening its market positions in the Nordic region and Northern Europe, extending distribution and expanding on selected markets.

### Income per market

(SEK m)	JUL-SEP 10	APR-JUN 10	JAN-MAR 10	OCT-DEC 09	JUL-SEP 09
Nordic region	47.3	48.3	50.3	40.9	46.0
Other European countries	11.2	8.1	5.6	14.3	12.7
Rest of the world	0.8	1.0	0.2	0.4	1.0
Total	59.4	57.4	56.1	55.6	59.7

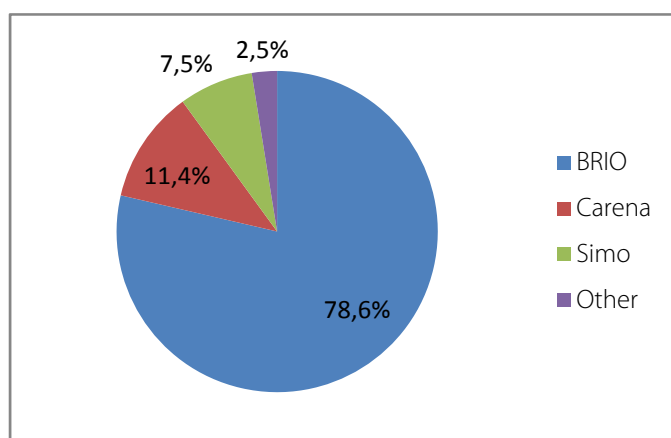
Total sales for the division during the reporting period amounted to SEK 59.4 million (59.7 m), which was in line with the same period last year. The business continues to be affected by instability in product flows, especially for prams. Despite this, sales of prams reached a level comparable to the previous year. Sales of pram accessories and furniture showed a weak trend in the period, although this was compensated by higher sales of child car seats.

In September a new pram range was launched under the BRIO brand with new technical features and colour choices.

Sales in other European countries amounted to SEK 11.2 million (12.7 m) for the reporting period. The main reason for the fall in sales was instability in goods flows which impacted negatively on sales of prams.

Sales of BRIO brand products amounted to SEK 46.7 million (46.5 m), corresponding to 78.6 (77.9) per cent of the division's total income during the reporting period.

### Sales per product segment during the reporting period



**BRIO LEKEHUSET PARTNER FRANCHISE BUSINESS**

The BRIO Lekehuset Partner franchise business is run by an independent subsidiary. With its 117 member stores, owned by the franchise members, BRIO Lekehuset Partner is Norway's biggest retail chain for toys with sales accounting for about one third of the Norwegian market. The BRIO Lekehuset Partner chain's management team coordinates and runs marketing, purchasing and range planning for the franchisees.

Franchise income

(SEK m)	JUL-SEP 10	APR-JUN 10	JAN-MAR 10	OCT-DEC 09	JUL-SEP 09
Norway	2.7	2.9	2.9	2.7	2.3

Franchise income is based on franchisees' income.

## **OTHER INFORMATION CONCERNING THE REPORTING PERIOD JULY – SEPTEMBER 2010**

### **FINANCIAL POSITION**

The balance sheet total rose from SEK 721.8 million to SEK 729.4 million, compared to the same period last year.

For the fourth consecutive quarter the Group is reporting positive cash flow from current business activities over a rolling 12-month period, from SEK 6.9 million for the full-year 2009 to SEK 14.7 million at the end of the past 12 months. This positive trend is the result of the rationalization scheme carried out to cut costs and minimize tied-up working capital.

The business is characterised by major seasonal fluctuations, primarily in the BRIO Toy division. At the end of the third quarter the business was operating in its high season, which results in major fluctuations in tied-up capital and cash flow. With large inflows of goods in the period August to October and a high portion of sales in the September to November period, the imbalance has a big effect on tied-up capital and cash flow during the period.

The Group's liquid assets totalled SEK 77.7 million on 30 September 2010, compared with SEK 111.6 million on 31 December 2009. Net debt was SEK 123.0 million, compared with SEK 159.3 million at the same time last year, which is a drop of SEK 36.3 million.

During the reporting period BRIO's market-listed convertible loan fell due for payment. The loan was repaid to all lenders, except for BRIO's main owner, Proventus. Proventus converted its part of the convertible loan of around SEK 54.4 million to a subordinated loan to BRIO. The new loan will carry a 9 per cent annual interest rate, equivalent to the interest paid on the subordinated loan with unconditional rights for BRIO to make premature payments of all or parts of the loan. The new loan is due for payment on 22 September 2011.

BRIO signed a new credit agreement in 2009 with its main creditor. According to the credit agreement the credit framework amounts to SEK 266.5 million, of which some will be utilized for letters of credit, guarantees, leasing and derivative products, and SEK 75.0 million represents a framework for seasonal invoice borrowing. The credit has been raised as an overdraft facility and is reported under current liabilities. BRIO pledged a property mortgage and shares in a subsidiary as security. BRIO is also committed to achieving specific key indicators as part of a covenant, which means that the Group's sales must reach at least SEK 700 million, calculated over the past 12 months with six-monthly reconciliation.

To safeguard conditions for establishing a liquidity reserve during the autumn high season the aforementioned credit facility was temporarily expanded. This was achieved partly by increasing the scope within existing borrowing on invoicing, which was temporarily increased by SEK 10 million and which is fully guaranteed by the principal owner, and partly through bridge financing for payment of the convertible loan signed by parties other than the principal owner. Bridge financing via Erik Penser Bankaktiebolag amounts to SEK 16 million and runs to 3 December with interest at 7.2 per cent and an administration fee of SEK 0.5 million. In addition to these measures, an interest respite period has been established with the main creditors and Proventus, the principal owner, which means that interest due in the second half of the year shall be payable at the end of the year.

On 30 September 2010, BRIO's current interest-bearing liabilities amounted to SEK 200.7 million. In addition, BRIO has pension provisions of SEK 69.6 million. The Group's equity/assets ratio on 30 September 2010 was 15.6 per cent (24.7). The majority share of shareholders' equity was SEK 114.1 million (176.3 m). There have been no minority interests since 31 March.

### **INVESTMENTS**

Investments in tangible and intangible fixed assets for the quarter amounted to SEK 1.6 million (2.4 m).

Investments are mainly attributable to product development. Overall depreciation and impairment was SEK -4.5 million compared with SEK -4.8 for the same period last year.

## CURRENCY EFFECTS

The strengthening of SEK against, among other currencies, NOK and USD during the reporting period has meant a major negative impact of SEK 22.2 million on operating profit/loss mainly attributable to an unrealised effect resulting from re-assessed currency future contracts. During January-September the unrealised effect resulting from re-assessed currency future contracts amounted to SEK -8.3 million while these effects amounted to SEK 14.3 million for the period January-June. Re-assessment negatively effects the reporting period, but currency effects mainly in USD, providing that currency rate relationships don't change significantly, gross earnings will be positively affected over the next nine-month period.

Currency risks partly arise due to profits and net investment in foreign subsidiaries and due to flow exposure as a result of commercial flows (mainly in USD for outflow and NOK and EUR for inflow). Invoicing to foreign subsidiaries is in the local currency. Invoicing to other foreign customers mainly takes place in the customers' currency. BRIO's finance policy states that commercial flows must be forward covered. Hedging should take place for between 50 and 80 per cent of future flows in a concurrent nine-month period. BRIO has hedged net exposure in EUR and NOK against USD. Hedged volumes at the end of the reporting period are presented in the following table.

Currency pair	Forward covered inflow	Forward covered outflow	Average hedged rate	Unrealized revaluation effect Q3	Rate on 30/9/2010	Rate on 30/6/2010
EUR/USD	EUR 11m	USD 14.3m	1.299	SEK -4.7m	1.364	1.228
NOK/USD	NOK 39.5m	USD 6.2m	0.156	SEK -3.6m	0.171	0.166

## SIGNIFICANT RISKS AND UNCERTAINTY FACTORS

BRIO's activities are seasonal and affected considerably by sales in the Christmas period. A large portion of earnings is generated therefore in the final months of the year.

We refer to the currency effects above for currency risks.

BRIO's purchases are strongly dependent on the Chinese manufacturing industry. If significant political changes occur that influence BRIO's ability to purchase goods at established prices, it can have negative consequences on BRIO's earnings capability.

The future development of the business climate is difficult to predict. Reporting of certain items in the balance sheet is based on estimates and predictions and is therefore uncertain. Against the background of BRIO's restructuring work and the prevailing market situation this applies specifically to values of goodwill, brands and deferred tax liabilities.

It cannot be ruled out that the company will be unable to generate sufficient profit to finance future activities and must therefore seek further external capital. There is no guarantee that the company will be able to raise capital when it needs to and that the terms for future financing are acceptable for the company and its owners. For a full description of the Group's risk management, please refer to the 2009 Annual Report.

The long-term financing of the Group will be reviewed in 2011 as the credit agreements with the company's principal creditors mature at the end of 2011 and the credit agreement with the company's principal owner, Proventus, matures in September 2011.



## PARENT COMPANY

BRIO AB supplies resources to other Group companies in the form of IT, Finance, HR and logistics. The parent company is also the invoicing unit for Germany, France and with regard to BRIO Baby also for Sweden, Denmark, Finland and Export.

Sales for the reporting period amounted to SEK 103.3 million (94.9 m). The loss before tax for the reporting period was SEK 17.3 million (-18.2 m). Investments in tangible and intangible fixed assets amounted to SEK 1.6 million (2.3 m). The parent company's liquid funds on 30 September 2010 were SEK 22.6 million compared to SEK 38.5 million at the start of the year.

The average number of employees in the parent company during the period was 49, compared to an average of 94 for the full year in 2009. The major change is due to restructuring within the Group, which has resulted in staff from the parent company joining subsidiaries.

During the year the parent company acquired shares in Lekehuset Partner AS from the subsidiary, Toy Republic AB, for around SEK 30 million, which explains the increase in financial assets and most of the rise in internal Group debt.

## STAFF

During the reporting period the BRIO Group had a headcount of 285, compared to an average of 348 for the full year in 2009. The reduction is due to implementation of the rationalizing scheme.

## NOMINATIONS COMMITTEE

BRIO'S nominations committee consists of: Bengt Ivarsson, the Ivarsson family representative and convener, Daniel Sachs, representing Proventus Invest AB, and Mats Jacobsson representing Mats and Margareta Jacobsson. The nominations committee can be contacted via: Nominations Committee, BRIO AB, Box 305, 201 23 Malmö, Sweden.

## LIQUIDITY GUARANTEE

BRIO has signed a liquidity guarantee agreement for BRIO's class C and class D preference shares and ordinary class B shares, which are all quoted on the NGM Equity index. The agreement safeguards a minimum level of liquidity in share trading and secures a specific spread between bid and offer rates.

## Key indicators – The Group

	30 Sep 2010	30 Sep 2009	31 Dec 2009
Return on capital employed for the quarter, %	Neg	Neg	9.3
Return on shareholders' equity for the quarter, %	Neg	Neg	8.6
Return on capital employed for the year, %	Neg	Neg	Neg
Return on shareholders' equity for the year, %	Neg	Neg	Neg
Equity/assets ratio, %	15.6	24.7	32.0
Equity/assets ratio, incl. subordinated loans, %	n/a	33.8	42.9
No. of shares at the end of the period	152 885 018	152 885 018	152 885 018
No. of shares at the end of the period after dilution	153 922 055	154 134 055	154 197 055
Average number of shares during the period	152 885 018	152 885 018	152 885 018
Average number of shares during the period after dilution	153 922 055	154 134 055	154 197 055

### Income statement in summary – The Group

(SEK m)	JUL-SEP		JAN-SEP		OCT 2009 -SEP 2010	Full year 2009
	2010	2009	2010	2009		
Income	239.5	234.2	611.2	646.8	915.4	951.0
Cost of goods sold	-145.7	-147.1	-374.9	-425.4	-556.6	-607.1
Gross profit	93.8	87.1	236.3	221.4	358.8	343.9
Sales costs	-72.9	-65.6	-229.4	-237.5	-315.9	-324.0
Administrative costs	-28.8	-32.0	-91.7	-112.7	-126.0	-147.0
Development costs	-2.9	-3.1	-8.8	-11.3	-12.4	-14.9
Other income/expenses	12.1	9.9	38.7	8.1	47.2	16.6
Other net profit/loss	-22.3	-5.1	-8.0	-7.0	2.0	3.0
Operating loss	-21.0	-8.6	-62.9	-139.0	-46.2	-122.3
Net financial items	-3.2	-7.7	-1.7	-15.1	-1.3	-14.7
Loss before tax	-24.2	-16.3	-64.6	-154.2	-47.4	-137.0
Income tax	-0.1	-0.9	-0.5	-2.5	-1.6	-3.6
Loss for the period	-24.2	-17.2	-65.1	-156.7	-49.0	-140.6
Of which parent company's shareholders' share	-24.2	-17.4	-65.2	-157.0	-49.1	-140.9
Of which minority share	-0.0	0.2	0.1	0.3	0.1	0.3
Earnings per share before dilution, SEK	-0.16	-0.11	-0.43	-2.15	-0.32	-1.51
Earnings per share after dilution, SEK	-0.16	-0.11	-0.42	-2.13	-0.32	-1.51

### Statement of comprehensive income – The Group

(SEK m)	JUL-SEP		JAN-SEP		OCT 2009 -SEP 2010	Full year 2009
	2010	2009	2010	2009		
Results for the period	-24.2	-17.2	-65.1	-156.7	-49.0	-140.6
Comprehensive income - other						
Translation differences for the period	-2.7	3.5	-13.3	15.5	-13.2	15.7
Comprehensive income for the period - other	-2.7	3.5	-13.3	15.5	-13.2	15.7
Comprehensive income for the period - total	-26.9	-13.7	-78.4	-141.1	-62.2	-124.9
Of which parent company's shareholders' share	-26.9	-14.0	-78.5	-141.5	-62.2	-125.4
Of which minority share	-	0.3	0.1	0.4	0.0	0.5

### Depreciation/impairment – The Group

(SEK m)	JUL-SEP		JAN-SEP		Full year 2009
	2010	2009	2010	2009	
Cost of goods sold	-2.6	-2.6	-7.7	-7.4	-11.8
Sales costs	-0.4	-0.4	-1.1	-1.3	-2.0
Administrative costs	-1.5	-1.7	-4.5	-5.1	-6.4
Development costs	-0.0	-0.0	-0.1	-0.0	-0.1
Total	-4.5	-4.8	-13.4	-13.9	-20.3

### Balance sheet in summary – The Group

(SEK m)	10-09-30	09-09-30	09-12-31
<b>ASSETS</b>			
Intangible assets	147.5	159.0	161.0
Tangible fixed assets	13.4	17.9	17.9
Other fixed assets	21.0	24.4	22.9
Total fixed assets	181.9	201.3	201.7
Stock	244.6	238.8	151.1
Accounts receivable	202.7	202.1	113.4
Other receivables	22.4	31.4	31.1
Derivative instruments	-	-	0.2
Liquid assets	77.7	48.2	111.6
Total current assets	547.4	520.5	407.4
Total assets	729.4	721.8	609.1
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Parent company's shareholders' share			
Share capital	336.3	336.3	336.3
Other capital contribution	-	149.5	149.5
Provisions	66.2	79.5	79.5
Loss brought forward	-288.5	-389.0	-372.9
Total	114.1	176.3	192.4
Minority shareholding	-	2.0	2.1
Total shareholders' equity	114.1	178.3	194.6
Interest-bearing long-term liabilities			
Other long-term liabilities	0.0	0.0	0.0
Total	0.0	0.0	0.0
Non interest-bearing long-term liabilities			
Deferred tax liabilities	16.7	17.4	18.0
Pension provisions	68.1	66.0	66.9
Other provisions	9.9	19.5	17.8
Total	94.8	102.9	102.8
Current interest-bearing liabilities			
Bank overdraft facilities	143.3	109.3	50.6
Liabilities to parent company	57.4	-	-
Other current liabilities	-	98.2	66.6
Total	200.7	207.5	117.2
Non interest-bearing current liabilities			
Provisions	16.7	23.7	21.6
Accounts payable - trade	153.3	112.7	88.7
Other current liabilities	141.4	86.2	83.5
Derivative instruments	8.4	10.5	0.6
Total	319.8	233.1	194.6
Total liabilities	615.3	543.5	414.6
Total shareholders' equity and liabilities	729.4	721.8	609.1

### Changes in shareholders' equity – The Group

(SEK m)	Attributable to parent company's shareholders				Minority interest	Total equity
	Share capital	Other capital contribution	Provisions	Loss brought forward		
Opening balance on 1 Jan 2009	93.3	128.1	64.0	-280.5	1.6	6.5
Overall result for the period - total			15.5	-157.0	0.4	-141.1
Reduction in share capital	-72.8	24.3		48.5		0.0
New share issue	315.8	-2.9				312.9
Transactions with owner - total	243.0	21.4		48.5		312.9
Closing balance on 30 Sep 2009	336.3	149.5	79.5	-389.0	2.0	178.3
Overall result for the period - total				16.1	0.1	16.2
Opening balance on 1 Jan 2010	336.3	149.5	79.5	-372.9	2.1	194.6
Conversion as decided by the AGM		-149.5		149.5		-
Overall result for the period - total			-13.4	-65.1	0.1	-78.4
Subsidiaries sold					-2.2	-2.2
Transactions with owner - total					-2.2	-2.2
Closing balance on 30 Sep 2010	336.3	-	66.2	-288.5	-	114.1

### Changes to provisions – The Group

(SEK m)	Translation difference	Revaluation provision	Total provisions
Opening balance on 1 Jan 2009	46.5	17.5	64.0
Translation difference for the period	15.5	-	15.5
Closing balance on 30 Sep 2009	62.0	17.5	79.5
Translation difference for the period	-	-	-
Opening balance on 1 Jan 2010	62.0	17.5	79.5
Translation difference for the period	-13.4	-	-13.4
Closing balance on 30 Sep 2010	48.6	17.5	66.2

### Contingent assets and liabilities

No significant changes have occurred to the Group's or parent company's contingent assets and liabilities since the end of the last financial year.

### Transactions with related parties

No transactions with related parties that are important for understanding the changes to the Group's financial position and development have taken place since the end of the last financial year apart from the previously mentioned handling of the subordinated loan from Proventus.

### Cash flow statement – The Group

(SEK m)	JAN-SEP		OCT 2009- SEP 2010	Full year
	2010	2009		2009
Cash flow from current activities before changes in working capital	-75.2	-123.1	-57.6	-105.5
Changes in working capital	-35.4	4.7	72.3	112.4
Cash flow from current activities	-110.6	-118.4	14.7	6.9
Cash flow from investment activities	-4.6	-7.8	-8.1	-11.3
Cash flow from financing activities	84.0	114.1	24.2	54.3
Cash flow for the period	-31.2	-12.0	30.8	49.9
Liquid assets at the start of the period	111.6	60.1	48.0	60.1
Exchange rate difference in liquid assets	-2.7	0.0	-1.1	1.6
Liquid assets at the end of the period	77.7	48.2	77.7	111.6

### Income statement in summary – Parent company

(SEK m)	JUL-SEP		JAN-SEP		OCT 09 -SEP 10	Full year
	2010	2009	2010	2009		2009
Net sales	103.3	94.9	252.8	265.0	357.6	369.8
Cost of goods sold	-70.9	-65.8	-170.4	-180.8	-239.8	-250.2
Gross profit	32.4	29.1	82.4	84.2	117.9	119.7
Sales costs	-31.2	-32.1	-89.3	-103.3	-126.7	-140.7
Administrative costs	-19.9	-18.3	-66.1	-63.0	-88.6	-85.5
Development costs	-0.6	-2.8	-6.5	-10.5	-11.3	-15.3
Other operating income/expenses	12.8	12.0	39.6	21.9	37.3	19.6
Operating loss	-6.4	-12.1	-39.9	-70.8	-71.4	-102.3
Profit/loss from participations in Group companies	-	-	-	-	2.7	2.7
Net financial items - other	-10.9	-6.1	-14.6	-19.9	-12.9	-18.2
Loss before tax	-17.3	-18.2	-54.4	-90.6	-81.6	-117.7
Tax on period's profit/loss	-	-	-	-	-	-
Loss for the period	-17.3	-18.2	-54.4	-90.6	-81.6	-117.7

**Balance sheet in summary – Parent company**

(SEK m)	30/09/10	30/09/09	31/12/09
<b>ASSETS</b>			
Fixed assets			
Intangible fixed assets	27.2	33.3	31.1
Tangible fixed assets	7.6	9.8	9.5
Receivables from Group companies	34.1	80.9	42.1
Other financial fixed assets	374.0	266.7	343.7
Total fixed assets	442.9	390.7	426.4
Current assets			
Stock	104.6	94.0	68.4
Accounts receivable	56.8	61.0	50.8
Receivables from Group companies	97.8	167.7	52.1
Other receivables	11.7	14.8	15.0
Liquid assets	22.6	13.7	38.5
Total current assets	293.5	351.2	224.8
Total assets	736.4	741.9	651.3
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Restricted shareholders' equity			
Share capital	336.3	336.3	336.3
Revaluation reserve	34.0	34.0	34.0
Statutory reserve	11.2	11.2	11.2
Total restricted shareholders' equity	381.5	381.5	381.5
Loss brought forward			
Non-restricted funds	-	149.6	149.5
Loss brought forward	-96.4	-128.2	-128.2
Loss for the period	-54.4	-90.6	-117.7
Total loss brought forward	-150.8	-69.2	-96.2
Total shareholders' equity	230.7	312.3	285.2
Interest-bearing long-term liabilities			
Liabilities to Group companies	0.1	0.6	0.1
Total	0.1	0.6	0.1
Non interest-bearing long-term liabilities			
Pension provisions	54.5	54.0	54.0
Total	54.5	54.0	54.0
Current interest-bearing liabilities			
Bank overdraft facilities	142.9	107.9	49.0
Liabilities to parent company	56.1	-	-
Other interest-bearing liabilities	-	65.7	66.6
Total	198.9	173.6	115.6
Non interest-bearing current liabilities			
Other provisions	6.8	9.3	8.2
Accounts payable - trade	54.7	36.1	36.3
Liabilities to Group companies	172.6	123.7	121.7
Other non interest-bearing liabilities	18.1	32.3	30.2
Total	252.2	201.4	196.4
Total shareholders' equity and liabilities	736.4	741.9	651.3

### Shareholders on 30 September 2010

	NO. OF A SHARES	NO. OF B SHARES	NO. OF C SHARES	NO. OF D SHARES	SHARE-HOLDING %	VOTES %
Proventus Invest AB	2 752 466	2 405 725	40 974 582	90 634 603	89.46	87.41
BRIO ABs Personalstiftelse		236 000		2 800 000	1.99	0.50
Dag Ivarsson and family	1 112 200	34 501	41 500	24 900	0.79	1.91
Mats Jacobsson and family		60 000	600 000	300 000	0.63	1.05
Olle Lindhe System AB			258 100	520 525	0.51	0.51
Tor Diderholm		85 111	402 055	249 033	0.48	0.72
Susanna Molander			463 200	231 600	0.45	0.80
BRIO's Group management			447 373	90 000	0.35	0.75
BRIO ABs Intressefond		10 000	220 000	90 000	0.21	0.38
Other shareholders	50 000	2 745 829	3 101 350	1 944 365	5.13	5.97
Total	3 914 666	5 577 166	46 508 160	96 885 026	100.00	100.00

BRIO's share capital comprises four classes of shares: A and B are ordinary shares, while C and D shares are preference shares. Preference shares entail different rights to the dividend and other rights to a share in the company's capital upon dissolution, compared with ordinary shares.

C shares give preference rights in dividends and dissolution with annual upward adjustment of 25 per cent of SEK 2.20 and give entitlement, as with A shares, to ten votes per share. D shares give preference rights in dividends and dissolution with upward adjustment of 7 per cent of SEK 2.20 and give entitlement, as with B shares, to one vote per share.

In the event of a dividend being paid the dividend will be as follows:

(i) Class C: Class C preference shares will be entitled to an (a) annual dividend per share equivalent to twenty five (25) per cent of SEK 2.20 and (b) accumulated from year to year but as yet unpaid dividends index-linked by twenty five (25) per cent, whereby (a) and (b) together are known as Class C preference dividends. Class C preference shares also entitle the holder to preferential rights for Class C preference dividend payments before payments of dividends for other shares issued by the company. The index-linking concerning dividends unpaid for some years will be calculated on a daily basis from 26 May each relevant year until payment is made. In addition to Class C preference dividends, Class C preference shares will entitle the holder to dividends according to item (iv) below.

(ii) Class D: Class D preference shares will be entitled to an (a) annual dividend per share equivalent to seven (7) per cent of SEK 2.20 and (b) accumulated from year to year accumulated but as yet unpaid dividend index-linked by seven (7) per cent, whereby (a) and (b) together are known as Class D preference dividends. Class D preference shares also entitle the holder to preferential rights for Class D preference dividend payments before payments of dividends to other shares issued by the company, but not before class C preference shares have received payment for Class C preference dividends. The index-linking concerning dividends unpaid for some years will be calculated on a daily basis from 26 May each relevant year until payment is made. Class D preference shares will not entitle the holder to further dividends from the company or value in excess of the Class D preference dividend besides what was paid for the share upon subscription. This means that in the event of a redemption of the company's Class D preference shares the redemption sum will be limited to the equivalent Class D preference dividend besides what was paid for the share upon subscription.

(iii) Ordinary shares: Ordinary shares will be entitled to a dividend equivalent to the amount per share given in total to Class C preference shares according to item (i) above. In case the company's distributable earnings for a specific financial year are not sufficient for full payment of the dividend for ordinary shares in accordance

herewith, the ordinary shares' right to the shortfall of the dividend will be accumulated, whereby the dividend for the following financial year's Class C shares and Class D shares respectively will have the preferential right to payment of the Class C and D preference dividends respectively ahead of payment of dividends for ordinary shares.

(iv) In the event of remaining assets with reference to dividends for a specific financial year according to item (i), (ii) and (iii), the dividend for the actual financial year will be paid according to the price per share of all ordinary shares and Class C preference shares respectively.

The share capital on 30 September 2010 remained unchanged at SEK 336 347 039.60 and the total number of shares was also unchanged at 152 885 018, of which 3 914 666 are Class A shares, 5 577 166 Class B shares, 46 508 160 preference Class C shares and 96 885 026 preference class D shares. The total number of votes was 606 690 452.

**Distribution of share capital on 30 September 2010**

Class of shares	No. of shares	Votes per share	No. of votes
Ordinary A shares	3 914 666	10	39 146 660
Ordinary B shares	5 577 166	1	5 577 166
Preference C shares	46 508 160	10	465 081 600
Preference D shares	96 885 026	1	96 885 026
Total	152 885 018		606 690 452



### Information by segment

Since 1 January 2009, the Group has been divided into two divisions, BRIO Toy and BRIO Baby, and the subsidiary BRIO Lekehuset Partner. The following is a summary of segment information for the first nine months of the year.

(SEK m)	BRIO Toy		BRIO Baby		BRIO Lekehuset Partner		Joint resources		Eliminations		Total BRIO	
	10	09	10	09	10	09	10	09	10	09	10	09
External income	419	405	173	193	9	7	11	42	-	-	611	647
Internal income	-	-	17	23	-	-	83	93	-100	-116	-	-
Operating profit/loss	-14	-66	-5	-16	2	-3	-46	-54	-	-	-63	-139
Net financial items	-	-	-	-	-	-	-2	-15	-	-	-2	-15
Profit/loss before tax	-14	-66	-5	-16	2	-3	-48	-70	-	-	-65	-154
Total assets	504	475	208	212	10	9	7	26	-	-	729	722

Joint resources refer to IT, Finance, HR and Logistics. Minor adjustments have been made to BRIO's segment division, mainly relating to restructuring in progress and for developing BRIO Toy and BRIO Baby from divested business activities.

### Sales per market

(SEK m)	JAN-SEP 10	JAN-SEP 09
Nordic region	520.5	545.3
Other European countries	79.6	89.6
Rest of the world	11.1	11.9
Total	611.2	646.8

## 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. Differences in the product mix mean that margins during the first and second quarters are normally lower than the margins in the third and final quarters. BRIO's total quarterly sales for the 2005-2009 periods are as follows:

Q1	Q2	Q3	Q4
20 %	22 %	24 %	34 %

Quarterly sales for 2009 were as follows:

Q1	Q2	Q3	Q4
21 %	22 %	25 %	32 %

## SENSITIVITY ANALYSIS

The table below provides an estimate of the net effects of changes to currency exchange rates on BRIO's results for 2009.

Change to USD +5 %	Effect on earnings, SEK m
USD/SEK	-22.5
Change to EUR +5 %	
EUR/SEK	7.2

## ACCOUNTING PRINCIPLES

General information about applied accounting principles – The Group

The Group applies the EU-endorsed IFRS standards, the Annual Accounts Act, the Swedish Financial Reporting Board's recommendation RFR 1.3, Complementary Accounting Rules for Groups. Interim reports are drawn up according to IAS 34, Interim Reports. The accounting principles applied in this interim report are explained in Note 1 of the Annual Report 2009, with the changes below.

Changes to accounting principles – The Group

The new and amended accounting principles for 2010 expected to affect the Group's financial reports are IFRS 3 (Revised) Business Combinations and IAS 27 (Revised) Consolidated and separate financial statements.

Information about the parent company

The parent company reports in accordance with the Annual Accounts Act and RFR 2.3, Accounting for Legal Entities.

## FUTURE REPORTS

Report	Time of publication
Financial statement	24 February 2011
Annual Report	April 2011
AGM in Malmö	12 May 2011
Q1 report	12 May 2011

Malmö, 28 October 2010

Andreas Sbrodiglia  
President and CEO

## AUDITORS' REVIEW REPORT

We have reviewed this report for the period 1 January 2010 to 30 September 2010, for BRIO AB (publ). The board of directors and the CEO are responsible for the preparation and presentation of this quarterly report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this quarterly report based on our review.

We conducted our review in accordance with the Standard on Review Engagements (SÖG) 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden, RS, and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit. Based on our review, nothing has come to our attention that causes us to believe that the quarterly report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group and with the Swedish Annual Accounts Act regarding the Parent Company.

Malmö, 28 October 2010

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Ulf Westerberg  
Authorized Public Accountant  
PricewaterhouseCoopers

.....  
Jan-Inge Andersson  
Authorized Public Accountant  
PricewaterhouseCoopers

## FINANCIAL INFORMATION

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BRIO is a Swedish company that develops and sells toys, prams, children's car seats and children's furniture. The business is divided into two divisions, BRIO Toy and BRIO Baby, together with the subsidiary, BRIO Lekehuset Partner. The company was formed in 1884 and is today an international Group with the BRIO, Simo, Carena and Alga brands. The Group has around 290 employees, is represented in over 40 countries and has been market-listed since 1985, being listed on the NGM Equity since June 2009.

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BRIO is a public limited liability company