



VärmeKyl Grossisten Scandinavia AB (publ)

Interim report 1 January – 30 September 2007

July 1 – September 30, 2007

- As part of the ongoing restructuring process, adjustments were made in previously entered contracts and recognition of revenue during the period. Sales and profit for the period were also charged with additional costs for a number of projects, as well as provisions for anticipated accounts receivable losses. All on all, these adjustments reduced net sales for the period by SEK 19.5 million and operating profit by SEK 17.7 million.
- Net sales for the period after the above adjustments amounted to SEK 55.0 million (45.3).
- Operating profit after the above adjustments was SEK –28.4 million (4.4). Profit after tax amounted to SEK –21.6 (2.9) and earnings per share were SEK –1.27 (0.19).

January 1 – September 30, 2007

- VärmeKyl Grossisten, VKG, reported net sales of SEK 202.0 million (106.8) for the nine-month period.
- Operating profit for the nine-month period was SEK –46.7 million (6.4). Profit after tax amounted to SEK –35.7 million (4.9) and earnings per share were SEK –2.21 (0.39).

Future outlook

- The previous forecast of annual sales in the range of SEK 360–390 million has been revised to estimated annual sales of SEK 310–330 million. The previous forecast of a positive operating profit in the fourth quarter is unchanged, as in the forecast of a negative operating profit for the full year 2007.

Comments from the CEO:

In our continuing efforts to optimize the company's internal processes, we have taken decisive steps in a number of areas during the period. We have significantly improved our internal routines and processes, and the measures being taken to maximize efficiency in the organization are starting to have tangible effect. Our focus now is on further enhancing the precision of our sales process and the quality of our deliveries. I am convinced that the steps now completed will strengthen VKG's leading position in an exciting market with tremendous future potential.

Due to incorrect market assessments it has been necessary to adjust previously entered contracts and recognition of revenue, referring primarily to the sale of products to Finland and the acquisition of VKG Tempiq AB in the first quarter of 2007. Sales and profit for the period were also charged with additional costs for a number of projects, as well as provisions for anticipated accounts receivable losses.

Now as we leave the third quarter behind us, I look with confidence to the final quarter and a strong end to the year.

Market

Consumer market

According to the Swedish Heat Pump Association (SVEP) and other sources, the market for heat pumps in the first half of 2007 showed a declining trend compared to the same period of 2006. The downturn is blamed mainly on removal of the homeowner subsidy for conversion to heat pumps in hot water heating systems and the relatively low price of electricity. In the autumn of 2007 the market is estimated to have stabilized or grown slightly. Market growth in other product segments is assessed to be good, with the exception wood-burning stoves which suffered a sharp drop in sales.

Corporate market

The market in 2007 has been characterized by rising demand for energy saving heating solutions. This applies particularly to multi-dwelling units, where rapid technological development and the EU directive requiring energy performance certification of buildings by 2008 are key drivers. Another contributing factor is an increase in conversion from rental to cooperative dwellings. Older rental properties often have outdated equipment that is costly to operate which, together with growing environmental awareness, is stimulating market demand. Robust economic growth has also boosted spending on climate control systems (ventilation and air conditioning) during the year.

VKG Group

The Group is active in sales, installation and service of energy saving solutions for indoor climate to the consumer and corporate/property markets in Sweden. Products are also sold via partners in Sweden and Finland.

Business areas

Consumer market

In the consumer market VKG sells products, installation and service to homeowners and other private consumers. Net sales for the first nine months of 2007 amounted to SEK 147.2 million (65.6). Operating profit for the same period was SEK -51.0 million (2.0).

Third quarter net sales reached SEK 42.2 million (34.2). Operating profit for the same period was SEK -30.0 million (3.1). Sales between business areas are carried out on market-based terms.

Corporate market

In the corporate market, VKG sells products, planning, installation and service to

companies, public sector clients, commercial property owners, etc. Net sales for first nine months of 2007 amounted to SEK 83.2 million (46.4). Operating profit for the same period was SEK 4.3 million (4.4).

Third quarter net sales reached SEK 27.9 million (16.0). Operating profit for the same period is reported at SEK 1.6 million (1.3). Sales between business areas are carried out on market-based terms.

Future outlook

Through its unique business model, VKG has quickly established a leading position in the Swedish energy saving market. The potential to establish and secure the same position in additional markets in northern Europe is deemed favorable.

Outlook for the full year 2007

The VKG Group is expected to post net sales of between SEK 310 and 330 million with a negative operating profit.

Sales and profit

Consolidated net sales for the first nine months of 2007 reached SEK 202.0 million (106.8). Operating profit for the same period was SEK -46.7 million (6.4) and profit after tax was SEK -35.7 million (4.9).

Third quarter net sales amounted to SEK 55.0 million (45.3). Third quarter operating profit was SEK -28.4 million (4.4) and profit after tax was SEK -21.6 million (2.9).

Third quarter net sales decreased by SEK 19.5 million and operating profit was reduced by adjustments of SEK 17.7 million, primarily with regard to the sale of products to Finland and the acquisition of VKG Tempiq AB.

Investments and depreciation

Investments in tangible and intangible assets during the nine-month period totaled SEK 8.0 million (2.4). Depreciation/amortization are reported at SEK 5.9 million (0.5) and impairment charges attributable to VKG Tempiq AB amounted SEK 3.8 million (0.0).

Third quarter investments in tangible and intangible assets amounted to SEK 0.9 million (1.4). Depreciation/amortization is reported at SEK 2.5 million (0.2) and impairment charges attributable to VKG Tempiq AB at SEK 3.8 million (0.0).

Financial position, cash flow and equity/assets ratio

Consolidated net debt at September 30, 2007, was SEK 55.6 million, an increase of SEK 46.3 million since January 1, 2007. Cash flow for the first nine months of 2007 was SEK 0.1 million (6.9). Third quarter cash flow was SEK -1.1 (-4.4).

Consolidated equity during the first nine months of 2007 rose by SEK 22.9 million to SEK 62.2 million, equal to an equity/assets ratio of 29.9%. This can be compared to 37.2% at January 1, 2007.

Acquisitions

No acquisitions were carried out during the third quarter of 2007. The option described in the second quarter report regarding a partnership agreement with the Finnish company Lämpö Plus OY has been renegotiated. As a result, the previously reported contingent liability of SEK 4.1 million no longer applies.

Key events in the third quarter of 2007

At the beginning of July, VKG signed an agreement with Stockholm Corporate Finance AB as its new Certified Adviser to replace Remium Securities AB.

The extraordinary general meeting on July 23, 2007, resolved on the issuance of 1,200,000 subscription warrants.

On August 20, 2007, Tom Ekevall Larsen took over as the new President and CEO of VKG.

On September 18, 2007, the Board of Directors revised its forecast for net sales and operating profit. Net sales for the full year 2007 are now expected to reach between SEK 360 and 390 million. For the fourth quarter, the company is expected to show a positive operating profit. A negative profit is anticipated for the full year.

On September 21, 2007, VKG presented its new group structure in which operations are organized in six business units: VKG Energispar, VKG Installation & Service, VKG Energiborrning, VKG Fastighetsvärme, VKG Ventilation & Kyla and FMT Rör.

Subsequent events

On October 22, 2007, Lars Byström left his post as Vice President of the company. In the future, Lars Byström will work with business development and focus on expansion in the Nordic market. Lars Byström

is also a regular member of the company's Board of Directors.

Significant risks and uncertainties

The VKG Group conducts sales operations to the consumer and corporate markets, and is thereby exposed to different types of operating and financial risk. Among other things, these include customer and supplier dependency, the risk for inventory obsolescence, sales risk and credit risk. For a more detailed description of the company's risk management, see the 2006 annual report.

Employees

The number of employees at September 30, 2007, was 234 (92). The average number of employees during the first nine months of 2007 was 190 (52).

Share capital

The number of shares outstanding at September 30, 2007, was 16,977,500 (14,812,500). Undiluted earnings per share were SEK -2.21 (0.39) and diluted earnings per share were SEK -2.21 (0.39).

Parent Company

The Parent Company Värme kyl Grossisten Scandinavia AB (publ) is an operating enterprise that sells and installs energy saving products. The responsibilities of the Parent Company also include group management and administration. The Parent Company's net sales for the first nine months of 2007 reached SEK 98.8 million (58.1). Operating profit is reported at SEK -42.8 million (2.5) and profit after tax at SEK -30.3 M (1.6). Investments in tangible and intangible assets totaled SEK 3.3 million (1.1). Cash and cash equivalents at September 30, 2007, amounted to SEK 0.0 million (3.2) and net debt was SEK 50.9 million (4.6).

The Parent Company's net sales for the third quarter are reported at SEK 21.9 million (30.3). Operating profit was SEK -26.0 million (4.4). Profit after tax was SEK -19.4 million (3.1). Third quarter investments in tangible and intangible assets totaled SEK 1.0 million (0.9).

Third quarter sales have fallen by SEK 19.5 million and operating profit was reduced by adjustments of SEK 13.2 million.

Review report, etc.

The interim report has been reviewed by the company's auditors. This report has been

prepared in both Swedish and English versions. In the event of discrepancies between the two versions, the Swedish version shall prevail. Rounding-off differences may exist.

Accounting policies

This interim report is presented in accordance with IAS 34, Interim Financial Reporting, and RR 31, Interim Financial Reporting for Groups. The accounts of the Parent Company have been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 32, Reporting for Legal Entities. The applied accounting policies and valuation methods are the same as those used in the 2006 annual report.

During the third quarter, Värmekyl Grossisten Scandinavia AB (publ) has issued employee share options to employees in the Group. The employee share options are measured and recognized in accordance with IFRS 2, Share-based Payment. The fair value of issued employee share options is recognized as a staff cost with a corresponding increase in equity. Fair value is estimated at the date of grant and is expensed over the vesting period. The fair value of granted share options is determined with the help of the Black & Scholes model, with consideration to the terms and conditions applicable on the

Sollentuna, October 23, 2007
Värmekyl Grossisten Scandinavia AB (publ)

Nils Ljung
Board Chairman

Lars Byström
Board member

Lars Grönberg
Board member

Stefan Lövblom
Board member

Hagge Rilegård
Board member

Tom Ekevall Larsen
President & CEO

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Värmekyl Grossisten Scandinavia AB (publ) is Sweden's leading provider of energy saving products and services, with around 250 employees. VKG offers a comprehensive range of HVAC/indoor climate products, as well as installation and service, to consumers and corporate customers. The VKG share is quoted on the First North marketplace of the OMX Nordic stock Exchange in Stockholm since 1 March 2006. The company's Certified Adviser is Stockholm Corporate Finance. For more information visit www.vkg.se.

date of grant. Social security expenses attributable to employee share options are expensed over the vesting period. Provisions for social security expenses are based on the fair value of the employee share options on the reporting date.

The comparative prior period information for the third quarter of 2006 has been retrospectively restated for the transition to IFRS. As a result of the change, net sales for the first nine months of 2006 have been reduced by SEK 2.7 million and operating profit by SEK 2.3 million. The change is attributable to revenue recognition in compliance with IAS 18.

Financial calendar

The full-year report for 2007 will be published on February 5, 2008.

Assurance of the Board and CEO

The Board of Directors and the CEO give their assurance that this interim report provides a true and fair picture of the business activities, financial position and results of operations of the Parent Company and the Group, and describes the significant risks and uncertainties to which the Parent Company and the Group companies are exposed.

REVIEW REPORT

I have reviewed this report for the period January 1 to September 30, 2007, for Värmekyl Grossisten Scandinavia AB (publ). The board of directors and the CEO are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act. My responsibility is to express a conclusion on this interim financial information based on my review.

I 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, issued by FAR. 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 me to obtain a level of assurance that would make me 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.

On the basis of our review, nothing has come to our attention that causes us to believe that the interim report, in all material aspects, was not prepared in accordance with IAS 34 and the Swedish Annual Accounts Act in the case of the Group and in accordance with the Annual Accounts Act in the case of the parent company.

Stockholm, October 23, 2007

Magnus Thorling
Authorized Public Accountant
Öhrlings PricewaterhouseCoopers AB

Consolidated income statement (Amounts in SEK 000s)	2007 July-Sept	2006 July-Sept	2007 Jan-Sept	2006 Jan-Sept	2006 Jan-Dec
Net sales	54,982	45,329	201,966	106,817	177,264
Capitalized work for own use	-	-	215	-	-
Other revenue	520	80	960	313	324
Goods for resale	-22,386	-21,348	-92,666	-45,906	-66,605
Other external expenses	-26,485	-11,175	-67,875	-31,677	-56,402
Staff costs (1)	-26,282	-7,857	-73,437	-21,226	-35,604
Depreciation/amortization and impairment of tangible and intangible assets	-6,319	-197	-9,661	-517	-1,746
Other operating expenses	-2,440	-476	-6,180	-1,406	-2,659
Operating profit	-28,411	4,356	-46,678	6,398	14,572
Net financial items	-1,078	-348	-2,537	-448	-1,176
Profit before tax	-29,489	4,008	-49,215	5,950	13,396
Income tax expense	7,854	-1,122	13,465	-1,028	-3,157
Profit for the period	-21,634	2,885	-35,752	4,922	10,239
Profit attributable to:					
Equity holders of the Parent Company	-21,634	2,885	-35,752	4,922	10,239
Minority interests	-	-	-	-	-
Earnings per share, SEK					
- undiluted	-1.27	0.19	-2.21	0.39	0.79
- diluted	-1.27	0.19	-2.21	0.39	0.77
Calculation of earnings per share					
Profit attributable to equity holders of the Parent Company	-21,634	2,885	-35,752	4,922	10,239
Average undiluted number of shares, thousands	16,977	14,812	16,155	12,712	12,972
Average number warrants, thousands	600	-	975	-	375
Average diluted number of shares, thousands	17,577	14,812	17,130	12,712	13,347
Margins (%)					
Operating margin	-51.7%	9.6%	-23.1%	6.0%	8.2%
Financial net margin	-2.0%	-0.8%	-1.3%	-0.4%	-0.6%
Profit margin	-53.6%	8.8%	-24.4%	5.6%	7.6%
Tax margin	14.3%	-2.5%	6.7%	-1.0%	-1.8%
Net margin	-39.3%	6.4%	-17.7%	4.6%	5.8%

1, The Extraordinary General Meeting in July 2007 approved the introduction of an employee share option program. The program is divided into a 1-year and a 2-year program, below named Program 1 and Program 2. The share option program is open to all permanent employees in the Group.

Calculation of theoretical value on the date of grant is based on the following assumptions:

	Program 1	Program 2
Volume-weighted average price on date of grant, SEK	24.50	24.50
Exercise price, SEK	35.82	35.82
Assumed volatility	74%	74%
Assumed average maturity	0.8 year	1.8 years
Assumed dividend yield	0%	0%
Risk-free rate of return	3.59%	4.22%
Theoretical value on date of grant, SEK	3.68	7.19
Number of employee share options granted	265,500	540,000

Consolidated balance sheet	2007	2006
(Amounts in SEK 000s)	Sept 30	Dec 31
Assets		
Goodwill	49,694	24,168
Intangible assets	7,166	5,952
Tangible assets	22,424	7,281
Deferred tax asset	4,983	-
Total	84,267	37,400
Inventories	52,810	23,303
Trade receivables and other receivables	63,378	37,630
Cash and cash equivalents	7,371	7,298
Total current assets	123,559	68,231
Total assets	207,826	105,631
Equity		
Share capital	849	767
Other contributed capital	90,405	31,819
Retained profit including profit for the period	-29,030	6,721
Total equity	62,224	39,307
Liabilities		
Interest-bearing non-current liabilities	19,046	7,204
Deferred tax liabilities	3,183	2,272
Other provisions	6,936	7,311
Total non-current liabilities	29,165	16,787
Trade payables and other liabilities	68,170	36,724
Current tax liabilities	-	1,367
Interest-bearing current liabilities	43,954	9,458
Other provisions	4,312	1,988
Total current liabilities	116,436	49,537
Total liabilities	145,602	66,324
Total equity and liabilities	207,826	105,631
Equity/assets ratio	29.9%	37.2%
Net debt/equity ratio (times)	0.9	0.2
Net debt	55,629	9,364

Cash flow statement (Amounts in SEK 000s)	2007 July-Sept	2006 July-Sept	2007 Jan-Sept	2006 Jan-Sept	2006 Jan-Dec
Profit before financial items	-28,410	4,356	-46,678	6,398	14,572
Interest income received	47	5	66	7	60
Financial expenses paid	-713	-354	-1,989	-456	-1,236
Adjustment for non-cash items	5,751	639	9,173	3,140	-1,487
Income tax paid	-316	-	-1,878	-	-483
Cash flow from operating activities before changes in working capital	-23,641	4,646	-41,306	9,089	11,426
Cash flow from changes in working capital					
Change in inventories	-19,266	-1,618	-27,856	-3,156	-13,579
Change in operating receivables	19,195	-17,067	-12,665	-24,387	-17,130
Change in operating liabilities	25,617	10,986	54,718	5,430	12,842
Cash flow from operating activities	1,905	-3,053	-27,109	-13,024	-6,441
Investing activities					
Acquisition of operations	-1,000	-	-13,374	-11,592	-15,313
Acquisition of tangible and intangible assets	-867	-1,369	-7,966	-2,418	-7,329
Sale of tangible assets	305	86	400	1,016	1,055
Acquisition of intangible assets					
Cash flow from investing activities	-1,562	-1,283	-20,940	-12,994	-21,587
Financing activities					
Proceeds from issuance of new share after issue expenses	-	-4	28,298	25,517	25,407
Proceeds from issuance of subscription warrants	-	363	10,463	363	375
Loans raised	-	-	13,854	8,000	11,806
Repayment of debt	-1,426	-472	-4,493	-1,016	-2,321
Cash flow from financing activities	-1,426	-113	48,122	32,864	35,267
Cash flow for the period	-1,083	-4,449	73	6,846	7,239
Cash and cash equivalents at beginning of period	8,454	11,354	7,298	59	59
Cash and cash equivalents at end of period	7,371	6,905	7,371	6,905	7,298

Consolidated statement of changes in equity
(Amounts in SEK 000s)

Opening balance, January 1, 2005	-533
Issuance of new shares less issue expenses	29,226
Issuance of subscription warrants	375
Profit for the year	10,239
Closing balance, December 31, 2006	39,307
Issuance of new shares less issue expenses	47,657
Issuance of subscription warrants	10,463
Profit for the period	-6,131
Closing balance, March 31, 2007	91,296
Profit for the period	-7,986
Closing balance, June 30, 2007	83,310
Profit for the period	-21,634
Incentive scheme	548
Closing balance, September 30, 2007	62,224

Business Area Consumer Market (Amounts in SEK 000s)	2007 July-Sept	2006 July-Sept	2007 Jan-Sept	2006 Jan-Sept	2006 Jan-Dec
External revenue	28,595	29,748	122,175	61,093	111,240
Sales within the business area	5,890	-	13,143	-	-
Sales between business areas	7,653	4,136	11,215	4,136	4,136
Other revenue	50	324	674	324	324
Total revenue	42,188	34,208	147,207	65,553	115,700
Operating profit	-29,967	3,071	-51,025	1,956	9,682
Operating margin, %	-71.0%	9.0%	-34.7%	3.0%	8.4%

Business Area Corporate Market (Amounts in SEK 000s)	2007 July-Sept	2006 July-Sept	2007 Jan-Sept	2006 Jan-Sept	2006 Jan-Dec
External revenue	26,387	15,581	79,791	45,724	66,024
Sales within the business area	56	-	763	-	-
Sales between business areas	986	654	2,169	654	654
Other revenue	470	-233	501	-	-
Total revenue	27,899	16,002	83,224	46,378	66,678
Operating profit	1,556	1,285	4,347	4,442	4,890
Operating margin, %	5.6%	8.0%	5.2%	9.6%	7.3%

Parent Company condensed income statement (Amounts in SEK 000s)	2007 July-Sept	2006 July-Sept	2007 Jan-Sept	2006 Jan-Sept	Aug 05 Dec 06
Net sales	21,872	30,332	98,825	58,149	93,600
Operating expenses	-47,850	-25,887	-141,586	-55,606	-89,737
Operating profit	-25,978	4,445	-42,761	2,543	3,863
Net financial items	-849	-100	2	-199	-1,022
Profit before tax	-26,827	4,345	-42,759	2,344	2,841
Income tax expense	7,456	-1,231	12,449	-684	-150
Profit/loss for the period	-19,371	3,114	-30,310	1,660	2,691

Parent Company condensed balance sheet (Amounts in SEK 000s)	2007 Sept 30	2006 Dec 31
Assets		
Intangible assets	3,267	1,229
Tangible assets	1,858	1,247
Financial assets	82,724	33,340
Total non-current assets	87,849	35,816
Current assets	84,047	41,944
Total assets	171,896	77,760
Equity		
Restricted equity	3,851	3,221
Non-restricted equity	59,621	32,056
Total equity	63,472	35,277
Non-current liabilities	18,022	12,765
current liabilities	90,402	29,718
Total equity and liabilities	171,896	77,760