



VärmeKyl Grossisten Scandinavia AB (publ) Interim Report 1 January – 30 June 2007

For the period 1 January - 30 June 2007

Performance in line with forecast and good prospects for the future

- VärmeKyl Grossisten, VKG, posted net sales of SEK 147.0 million (SEK 61.5 m) for the period.
- The Company posted an operating loss for the period of -SEK 18.3 million (SEK 2.0 m). The loss after tax amounted to -SEK 14.1 million (SEK 2.0 m) and earnings per share totalled -SEK 0.87 (SEK 0.16).
- Warm weather meant that market demand was weaker than expected, particular during the first quarter of 2007.
- The half year saw VKG incur substantial expansion costs designed to enable a continued high growth rate.
- VKG has substantially improved the efficiency of the organisation, and is now prepared for the second half of the year with a high level of growth and good profitability.
- Earlier forecasts for the full year 2007 regarding turnover in excess of SEK 530 million and operating profit in excess of SEK 50 million remain.

The second quarter of 2007 compared with the second quarter of 2006

- Net sales for the period amounted to SEK 72.7 million (SEK 46.6 m).
- The operating loss amounted to -SEK 10.4 million (SEK 1.6 m). The loss after tax was -SEK 8.0 million (SEK 1.8 m) and earnings per share totalled -SEK 0.47 (SEK 0.12).
- The quarter saw VKG incur substantial expansion costs designed to enable a continued high growth rate.
- During the second quarter, VKG continued to take market shares within most product areas.

Events after the end of the period:

- As from 1 July, the Company has engaged Stockholm Corporate Finance AB as new Certified Adviser after Remium Securities AB. We thank Remium for a successful first year as listed on First North and we look forward to cooperation with Stockholm Corporate Finance AB.
- With the aim of further strengthening the insight and interest of the employees in VKG's earnings trend, the Board of Directors has proposed a warrant programme directed to all employees. The proposal will be put forward for approval at an Extraordinary General Meeting on 23 July.



The President's Statement:

Operations

"I consider that operations are continuing according to plan, and we expect a good conclusion to the year," says Hagge Rilegård, President and CEO of VKG.

"We are of the opinion that the VKG Group is continuing to take market shares within the operational areas of air heating for consumers, insulating windows for consumers, heat pumps for commercial properties, installation and service. As reported in the previous quarterly report, we have roughly the net sales, gross margin and operating results we planned for. VKG have taken substantial expansion costs, not least on the production side, and this means carrying costs until revenues start coming in.

"Everything indicates that demand and market growth within the Energy-saving industry will continue to be good on a full year basis, precisely as during previous years. This means, among other things, that we look forward to a good second half-year and full year according to plan, even though VKG's dependence on the seasonal variations of the sector is still considerable. The driving forces for profitable growth continue to appear strong, both at macro level and micro level.

"The private market was responsible for about 64% of combined net sales during the first half of the year, with the corporate market accounting for 36%.

"The air heating side is performing well, and VKG continues to take market shares. At present, we are established in all parts of the country, and continue to recruit in the hottest markets of Stockholm and Göteborg. Our recent investment in sales through the web exceeds expectations.

"Geothermal heating for private customers is performing better than during the first quarter, and is now in line with plan. VKG is the dominant player in the Greater Stockholm region, and we look forward to a good autumn and winter. We are recruiting more sales persons in the Göteborg and Stockholm areas.

"Geothermal heating for commercial customers is exceeding expectations. We are in the production phase of a number of major projects, and are expecting to win major business during the autumn.

"Hot air stoves are performing according to plan on the partner side, and continue to be somewhat less satisfactory than planned as regards direct sales to consumers.

"Sales of energy-saving windows are performing according to plan, after a slow start.

"We have recently commenced sales of mineral wool for loft insulation and are looking forward to good results showing through as early as the autumn.

"The production side is working well, and we have expanded our capacity within the service area. At present, we are established where we want to be, from Malmö in the south to Luleå in the north. Because of the considerable seasonal variations of the sector, this area shows best returns during the second half of the year, and we are ready for the second half of the year with enhanced capacity and increased efficiency.

"The sales side is looking good again after a temporary dip during the spring. We broke the sales record four weeks in succession during the latter part of the second quarter, under a new Sales Director and considerably improved team spirit within the unit.



"The number of Channels / VKG Partners continues to increase, including all Bauhaus and K-rauta department stores nationwide, Fortum, Siba, Tretti.se and Scandic.

"The telemarketing function is working very well, after measures which have been undertaken, and we look forward to the seasonal variations being evened out during next year.

"The sales activities of our Finnish partner Lämpö Plus are going somewhat more slowly than expected, and we intend to put considerably more management resources into our foreign investments during the autumn and winter."

Recruitment

"Recruitment is continuing to our telemarketing and field sales operations."

Acquisitions

"VKG is conducting ongoing discussions with regard to acquisitions. Apart from minor supplementary acquisitions, we intend to concentrate on fewer but larger acquisitions over the next few years."

The outlook for the full year 2007

"We expect good demand during the third and fourth quarters, and the forecasts made earlier for the full year of 2007 remain."

The future

"The cost of heating or cooling is accounting for an increasingly large percentage of both households' and companies' budgets in Sweden and the rest of the Nordic region. The energy saving products market alone in Sweden is worth approximately SEK 15 billion per annum, with heating pumps accounting for between SEK 8-10 billion of that total. The segments are growing at different rates – ranging from the stagnant market in geothermal heating for the consumer, to a growth rate of 30-35% in air heating, and of over 100% on the buildings and servicing sides.

"The driving forces for growth look to be strong and sustainable, both at macro and micro levels. The replacement and servicing markets are, in particular, developing strongly as are the markets for heat pumps for commercial premises and hot air stoves.

"VKG believes that we are driving the changes in the market's structure. The old "crafts structure", with numerous small niche players on the retail side, is changing. Customers on both the private and corporate sides are keen to have strong suppliers who take responsibility for the entire value chain, and who are in for the long haul. Economies of scale mean that players who can handle large purchases, massive marketing, efficient installation, and offer long-term guarantees/service undertakings, will be more profitable than smaller players. The Energy Saving industry is in the midst of a vigorous, rapid consolidation process and VKG is a leading player in the process of change.

"We are in the process of expanding our product range, in order not only to make better use of our vigorous marketing and to reach more customers, but also to increase sales volumes per customer. During the first half of 2007, we introduced hot air stoves from the Dutch firm, Barbas, and energy-saving windows from the Swedish firm, Grundels. In both cases, we have the exclusive distribution rights for the products. Also, we have commenced sales of mineral wool for loft insulation and district heating in cooperation with our partner Fortum. VKG is becoming a complete energy-saving partner for its customers. The next area for investment is to increase cross-sales between the units of the Group. This is an investment from which we expect good results during the winter of 2007-2008.



"We have taken several steps towards realising our strategy – that of consolidating the heavily fragmented, energy-saving industry in Sweden. Our healthy organic growth and our acquisitions are enabling us to link together the value chain, from purchasing, through marketing and sales to consumers and corporate customers, to installation and service. The economies of scale continue to be clear and on a whole-year basis, we will grow strongly while maintaining good profitability, despite less favourable performance in certain months and quarters. We look forward to reduced dependence on the seasonal variations of the sector through increased telemarketing, aggressive marketing and a wider product offering.

"We would, as usual, like to thank all existing customers, shareholders and employees for their faith in us, and at the same time to welcome new and future customers, shareholders and employees on board. Our ongoing journey together will continue to be an exciting one!"

Sollentuna, 20 July 2007
Värmekyl Grossisten Scandinavia AB (publ)

Hagge Rilegård
President/CEO



Turnover and net profit/loss

The Group's net sales during the period 1 January – 30 June 2007 amounted to SEK 147.0 million (SEK 61.5 m). The Group posted an operating loss of -SEK 18.3 million (SEK 2.0 m) for the same period, and the loss after tax amounted to -SEK 14.1 million (SEK 2.0 m).

Net sales in the second quarter amounted to SEK 72.7 million (SEK 46.6 m). The operating loss for the second quarter was -SEK 10.4 million (SEK 1.6 m), and the loss after tax was -SEK 8.0 million (SEK 1.8 m).

Investments and depreciation

Investments in tangible and intangible fixed assets during the period 1 January – 30 June 2007 amounted to SEK 7.1 million (SEK 1.0 m). Depreciation totalled SEK 3.3 million (SEK 0.3 m).

Investments in tangible and intangible fixed assets during the second quarter totalled SEK 3.7 million (SEK 1.0 m). Depreciation amounted to SEK 1.8 million (SEK 0.3 m).

Financial position, cash flow and equity/assets ratio

The Group's net debt at 30 June 2007 amounted to SEK 37.7 million, an increase of SEK 28.3 million since the beginning of the year.

Cash flow for the period 1 January – 30 June 2007 amounted to SEK 1.2 million (SEK 11.3 m). Cash flow for the second quarter amounted to -SEK 3.4 million (SEK 7.4 m).

The Group's shareholders' equity increased during the period 1 January – 30 June 2007 by SEK 44.0 million, and at the end of the period, amounted to SEK 83.3 million, yielding an equity/assets ratio of 41.1%. The corresponding figure at the beginning of the year was 37.2 %.

Acquisitions

No acquisitions were made during the second quarter of 2007. As related in the previous interim reports, VKG has entered into a cooperation agreement with the Finnish Company, Lämpö Plus OY. In connection with entering into this cooperation, an option agreement was also signed, to the effect that VKG may acquire Lämpö Plus OY, provided that VKG discovers no hindrances to an acquisition of this kind. The possible future acquisition balance is reported as a contingent liability, and totals a discounted current value of SEK 4.1 million.

Significant events during the second quarter of 2007

At the Annual General Meeting held on 25 April 2007, the location of the registered offices of the Company was changed to Sollentuna. The Annual General Meeting also elected Lars Grönberg as a Member of the Board. The Annual General Meeting also authorised the Board to approve the issue of new shares on one or more occasions up until the next Annual General Meeting in return for cash payment and/or with provisions regarding payment in kind or off-set, or otherwise, with provisions, and in connection therewith, to deviate from the shareholders' preferential rights. The total number of shares that may be issued under the provisions of this mandate may not exceed 1,700,000.

In May, Johan Engquist left the position of Vice President of the Company. The new Marketing and Sales Manager is Lars Byström, one of the founders of VKG, who, in connection with the appointment, was also appointed Vice President of VKG.



Prospects for the full year, 2007

We expect good demand during the third and fourth quarters of 2007, and the forecast made earlier for the full year of 2007 regarding turnover in excess of SEK 530 million and operating profit in excess of SEK 50 million remains.

Significant events after the end of the period

As from 1 July, the Company has engaged Stockholm Corporate Finance AB as new Certified Adviser after Remium Securities AB.

An Extraordinary General Meeting will be held on 23 July 2007. The Board will propose to the Company Meeting that it pass a resolution for the issue of not more than 1,200,000 warrants to subscribe. The warrants would be issued with terms of 1 and 2 years respectively. Each warrant to subscribe would grant entitlement to subscribe for one share of the Company. At present, VKG's share capital amounts to SEK 848,875, divided into 16,977,500 shares, each with a quota value of SEK 0.05. If all 1,200,000 warrants to subscribe were issued and exercised for subscription to 1,200,000 shares within the framework of the warrant programme, the newly issued shares would equate with 6.6 per cent of the share capital.

The Board's proposal also means that the Group's employees will be offered, according to their own choice, the opportunity of acquiring subscription warrants at a market price based on the Black & Scholes valuation formula (*securities-taxed warrants*) or to receive, as desired, non-transferable purchase warrants connected to the continuation of employment (*personnel warrants*). The Group's employees can also choose to divide the allocation they decide on into equal parts of the two types of warrant.

If the personnel warrants are utilised, the profit which arises is taxed as income from employment for the employee. With this, VKG is obliged to pay social security contributions on the profit which arises. In order to cover VKG's liability to pay social security contributions on profit in connection with the exercising of personnel warrants and other costs, VKG shall allocate and retain a warrant for every third personnel warrant issued over and above the subscription warrants which are used to realise the personnel warrants. These excess subscription warrants can be sold in order to cover the social security contributions. The number of issued subscription warrants within the framework of the warrant programme amounts to not more than 1,200,000. If the entire warrant programme should be exercised, and all employees should choose to receive personnel warrants, 900,000 personnel warrants will thus be issued and 300,000 subscription warrants retained by the Company for covering the costs. This means that if the employee chooses personnel warrants or securities-taxed warrants, this is neutral as regards cost to VKG.

At present, there are no outstanding subscription warrants in VKG.

Performance by division

Private Market

The Private Market division is engaged in sales, installation and servicing activities for private customers.

The division posted net sales for the period 1 January – 30 June 2007 of SEK 105.0 million (SEK 31.3 m). For the same period, there was an operating loss of -SEK 21.1 million (-SEK 1.1 m).

Net sales for the second quarter amounted to SEK 44.8 million (SEK 16.5 m). The operating loss for the same period amounted to -SEK 13.1 million (SEK 1.5 m). Sales to other divisions are made on strictly market terms.



Corporate Market

The Corporate Market division is engaged in sales, planning, installation and servicing activities for companies, the public sector, commercial property owners, etc. The division posted net sales for the period 1 January – 30 June 2007 of SEK 53.3 million (SEK 30.4 m). The operating profit for the same period was SEK 2.8 million (SEK 3.2 m).

Net sales for the second quarter amounted to SEK 36.4 million (SEK 30.4 m). The operating profit for the same period amounted to SEK 2.7 million (SEK 3.2 m). Sales to other divisions are made on strictly market terms.

Personnel

The Group had a total of 222 (70) employees as of 30 June 2007. The average number of employees during the period 1 January – 30 June 2007 was 184 (52).

Share capital

The Company had a total of 16,977,500 (14,812,500) outstanding shares at 30 June 2007. Earnings per share before dilution totalled -SEK 0.87 (SEK 0.16) and earnings per share after dilution totalled -SEK 0.87 (SEK 0.16).

The Parent Company

The Parent Company, Värmekyl Grossisten Scandinavia AB (publ), is an operating company that sells and installs energy-saving products. The Parent Company is also responsible for the Group-wide management and administration. The Parent Company posted net sales for the period 1 January - 30 June 2007 of SEK 77.0 million (SEK 26.0 m). The operating loss amounted to -SEK 16.8 (-SEK 0.7 m). There was a loss after tax of -SEK 11.3 million (SEK 0.0 m). Investments in tangible and intangible fixed assets amounted to SEK 2.5 million (SEK 1.1 m). Liquid assets amounted to SEK 0.1 million (SEK 7.7 m) at the end of the period, and net liabilities to SEK 36.8 million (SEK 0.5 m).

For the second quarter, the Parent Company posted net sales of SEK 29.3 million (SEK 12.9 m). The operating loss was -SEK 11.7 million (-SEK 0.6 m). The loss after tax amounted to -SEK 6.8 million (-SEK 0.5 m). Investments in tangible and intangible fixed assets during the second quarter amounted to SEK 1.5 million (SEK 1.0 m).

Audit etc

The Interim Report has not been subject to an audit by the Company's auditors. Both a Swedish and an English language version of this Report have been prepared. The Swedish version, in the event of any discrepancies between the two, shall take precedence.

Accounting principles

This Interim Report has been prepared in accordance with IAS 34 and in accordance with Recommendation RR 31 of the Swedish Financial Accounting Standards Council, and with regard to the Parent Company, in accordance with Recommendation RR 32 of the same body. The accounting principles applied correspond to those presented in the 2006 annual accounts. The comparison period for Q1 2006 has been adjusted with regard to the transition to IFRS. The change entailed a reduction in net sales for the period 1 January – 30 June 2007 of SEK 2.2 million, and of SEK 2.0 million in the operating profit/loss. The change is attributable to revenue recognition in accordance with IAS 18.



Reporting dates

Interim Reports for 2007 will be published on 23 October. The Preliminary Financial Statement for 2007 will be published on 5 February 2008.

Sollentuna, 20 July 2007

Värmekyl Grossisten Scandinavia AB (publ)

Nils Ljung
Chairman

Lars Byström

Lars Grönberg

Stefan Lövblom

Hagge Rilegård
President/CEO

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Värmekyl Grossisten Scandinavia AB (publ) is a Swedish company active within the sales, installation and provision of service of energy saving products in Sweden and Finland. The Company has an extensive product range, and markets products from a number of different suppliers and manufacturers. VKG was founded in 2003. With exclusive distribution agreements, national marketing and sales, and a network of the Company's own production companies and sales partners, VKG is a full supplier of heating and cooling products for indoor climate for both consumer and corporate customers. VKG's share has been listed on First North since 1 March 2006. More information is available on www.vkg.se



Consolidated Income Statement Amounts in SEK k	2007 April-June	2006 April-June	2007 Jan-June	2006 Jan-June	2006 Jan-Dec
Net sales	72 697	46 619	146 984	61 488	177 264
Work performed by the Company for its own use and capitalised	-	-	215	-	-
Other income	440	233	440	233	324
Goods for resale	-32 689	-16 153	-70 280	-24 558	-66 605
Other external costs	-21 999	-15 902	-41 390	-20 502	-56 402
Staff overheads	-25 768	-12 043	-47 155	-13 369	-35 604
Depreciation and write-downs of tangible and intangible fixed assets	-1 846	-300	-3 343	-320	-1 746
Other operating expenses	-1 273	-841	-3 740	-930	-2 659
Operating profit/loss	-10 438	1 613	-18 269	2 042	14 572
Financial items, net	-714	-57	-1 459	-100	-1 176
Profit/loss before tax	-11 152	1 556	-19 728	1 942	13 396
Income tax	3 166	203	5 611	95	-3 157
Net profit/loss for the period	-7 986	1 759	-14 117	2 037	10 239
Profit/loss attributable to:					
Parent Company's shareholders	-7 986	1 759	-14 117	2 037	10 239
Minority shareholdings	-	-	-	-	-
Earnings per share, SEK					
- before dilution effects	-0.47	0.12	-0.87	0.16	0.79
- after dilution effects	-0.47	0.12	-0.87	0.16	0.77
Calculation of earnings per share					
Profit/loss attributable to Parent Company's shareholders	-7 986	1 759	-14 117	2 037	10 239
Average number of shares before dilution, thousand	16 977	14 312	16 155	12 712	12 972
Average number of subscription warrants, thousand	-	-	375	-	375
Average number of shares after dilution, thousand	16 977	14 312	16 530	12 712	13 347
Margins (per cent)					
Operating margin	-14.4%	3.5%	-12.4%	3.3%	8.2%
Net financial items margin	-1.0%	-0.1%	-1.0%	-0.2%	-0.6%
Profit margin	-15.3%	3.3%	-13.4%	3.2%	7.6%
Taxes	4.4%	0.4%	3.8%	0.2%	-1.8%
Net margin	-11.0%	3.8%	-9.6%	3.3%	5.8%



Consolidated Balance Sheet
Amounts in SEK k

	2007	2006
	30-June	31-Dec
Assets		
Goodwill	49 694	24 168
Intangible assets	10 967	5 952
Tangible fixed assets	19 367	7 281
Total fixed assets	80 028	37 400
Inventories	33 544	23 303
Accounts receivable and other receivables	80 692	37 630
Liquid assets	8 454	7 298
Total current assets	122 690	68 231
Total assets	202 718	105 631
Shareholders' equity and liabilities		
Shareholders' equity		
Share capital	849	767
Other capital contributed	89 857	31 819
Profit carried forward inc. net profit/loss for the period	-7 396	6 721
Total shareholders' equity	83 310	39 307
Liabilities		
Interest-bearing long-term liabilities	16 798	7 204
Deferred tax liabilities	4 253	2 272
Other provisions	6 589	7 311
Total long-term liabilities	27 640	16 787
Accounts payable and other liabilities	57 275	36 724
Current tax liabilities	-	1 367
Interest-bearing current liabilities	29 354	9 458
Other provisions	5 138	1 988
Total current liabilities	91 767	49 537
Total liabilities	119 407	66 324
Total shareholders' equity and liabilities	202 718	105 631
Equity/assets ratio	41.1%	37.2%
Debt/equity ratio (multiple)	0.5	0.2
Net debt	37 698	9 364



Cash Flow Statements	2007	2006	2007	2006	2006
Amounts in SEK k	April-June	April-June	Jan-June	Jan-June	Jan-Dec
Profit/loss before financial items	-10 438	1 613	-18 269	2 042	14 572
Interest income received	19	2	19	2	60
Financial expenses paid	-614	-59	-1 276	-102	-1 236
Adjustment for items not included in the cash flow	1 927	981	3 423	2 501	-1 487
Tax paid	-1 214	7	-1 562	-	-483
Cash flow from operating activities before change in working capital	-10 320	2 544	-17 665	4 443	11 426
Cash flow from change in working capital					
Change in inventories	-17 133	797	-8 590	-1 538	-13 579
Change in operating receivables	-5 877	-250	-31 860	-7 320	-17 130
Change in operating liabilities	20 892	-2 758	18 231	-5 556	12 842
Cash flow from operating activities	-12 438	333	-39 884	-9 971	-6 441
Investment activities					
Acquisition of operations	-	-11 592	-12 374	-11 592	-15 313
Acquisition of tangible and intangible fixed assets	-3 697	-964	-7 099	-1 049	-7 329
Sale of tangible fixed assets	95	930	95	930	1 055
Acquisition of intangible fixed assets					
Cash flow from investment activities	-3 602	-11 626	-19 378	-11 711	-21 587
Financial activities					
Payment from issue less issue costs	-	11 196	28 298	25 521	25 407
Payment from warrants	-	-	10 463	-	375
Loans raised	13 474	8 000	24 948	8 000	11 806
Amortisation of loans	-884	-472	-3 291	-544	-2 321
Cash flow from financial activities	12 590	18 724	60 418	32 977	35 267
Cash flow for the period	-3 450	7 431	1 156	11 295	7 239
Liquid assets at beginning of period	11 904	3 923	7 298	59	59
Liquid assets at end of period	8 454	11 354	8 454	11 354	7 298



Changes in the Group's Shareholders' Equity
Amounts in SEK k

Amount at year-end, 2005	-533
New issue less issue costs	29 226
Warrants	375
Net profit/loss for the year	10 239
Amount at year-end, 2006	39 307
New issue less issue costs	47 657
Warrants	10 463
Net profit/loss for the period	-6 131
Amount at period-end, 31-03-2007	91 296
Net profit/loss for the period	-7 986
Amount at period-end, 30-06-2007	83 310

Private Market Division	2007	2006	2007	2006	2006
Amounts in SEK k	April-June	April-June	Jan-June	Jan-June	Jan-Dec
External income	37 040	16 476	93 580	31 345	111 240
Sales within the business area	4 381	-	7 253	-	-
Sales between business areas	2 984	-	3 562	-	4 136
Other income	409	-	624	-	324
Total income	44 814	16 476	105 019	31 345	115 700
Operating profit/loss	-13 118	-1 544	-21 058	-1 115	9 682
Operating margin, %	-29.3%	-9.4%	-20.1%	-3.6%	8.4%
Corporate Market Division					
Amounts in SEK k					
External income	35 657	30 143	53 404	30 143	66 024
Sales within the business area	255	-	707	-	-
Sales between business areas	410	-	1 183	-	654
Other income	31	233	31	233	-
Total income	36 353	30 376	55 325	30 376	66 678
Operating profit/loss	2 681	3 157	2 789	3 157	4 890
Operating margin, %	7.4%	10.4%	5.0%	10.4%	7.3%