

Interim Report Q2 2009

Scandinavian Clinical Nutrition i Sverige AB (publ)

Interim Report January 1–June 30 (Q2) 2009

April-June 2009 in brief for the SCN group

- Net sales for the period amounted to MSEK 7.0
- EBIT amounted to MSEK -11.3
- Loss for the period amounted to MSEK -4.8
- Earnings per share, basic and diluted, amounted to SEK -0.31
- New distribution contracts signed for thin400, Immulina and Coldizin, adding new markets in Europe
- New Board Member elected: the Norwegian investor Tore Eiklid
- Directed share issue decided by the Board increasing equity with 3.7 MSEK

January-June 2009 in brief for the SCN group

- Net sales for the period amounted to MSEK 18.5
- EBIT amounted to MSEK -17.8
- Profit for the period amounted to MSEK 4.2
- Earnings per share, basic and diluted, amounted to SEK 0.25

Key numbers Jan-June 2009

	2009	2008	Deviation
MSEK	Jan - Jun	Jan - Jun	
Net sales	18,5	29,4	-37,1%
Gross profit	11,5	18,5	-37,8%
EBITDA	-14,1	-19,9	29,1%
EBIT	-17,8	-21,8	18,3%
Profit before tax	4,2	-24,2	117,4%
Profit after tax	4,2	-24,2	117,4%
Profit per share, before and after dilution, SEK	0,25	-1,59	115,7%
Cash flow of the period	0,0	-15,4	99,7%

Comments by CEO Ulf Söderberg

"As I projected in my latest statement, the first half of 2009 has been a challenging time for SCN. As many other companies, we have been struggling with a very difficult financial situation, and we must continue to ensure that SCN comes out of the global financial crisis stronger than when it came upon us.

In order to accomplish this, we are working in line with the action plan which was communicated during Q1. So far things are going according to plan, and during Q3 and Q4 our continuous cost reductions and the measures taken to improve the company's cash situation and overall financial situation will continue to show results. Examples of measures taken are the transaction where we used parts of our shareholding in Scandivir to convert debts and the share issue intended to strengthen the company's equity base and financial situation, both of which were carried out during Q2. The interest-bearing debts have decreased by 52 percent since year end 2008 and amounted to MSEK 25 at the end of the second quarter. Another example is the agreement with Hirapharm, where they took over a non-core distribution agreement against a cash consideration, enabling SCN to further reduce our debt. We have also reduced our overhead expenses, consisting of personnel costs and other external costs, with approximately 45 percent compared to the same period 2008.

However, we have not only been working with reducing costs and debts. The key to future profitability is increasing revenue, and this is the other key objective of the action plan. During Q2 our latest product, thin400, has been successfully launched in Norway and Finland, success stories which we hope to be able to repeat during Q3 and Q4 in the other countries where we have signed contracts.

Given the facts above, I am optimistic about the future in spite of the current situation. SCN has assets with great potential, both in terms of products and people. We have a strong team of dedicated members of management, and our Board was recently strengthened through the election of the Norwegian investor Tore Eiklid who I am very glad to welcome to SCN. We are all intent on securing a positive future development, and on doing what it takes to make that happen."

Financial comments

Sales and profit

Group net sales for Q2 amounted to MSEK 7.0, a decrease by MSEK 6.0. Group net sales for the first six months of 2009 amounted to MSEK 18.5, an increase of MSEK 5.5. Compared to Q2 2008 the decrease is primarily derived from much lower sales in the US, which in turn mainly is due to less marketing activities. Exchange rate effects have not had any significant effect on Q2 sales.

The company's total operating costs for Q2 amounted to MSEK 16.4 (29.2). Operating costs consist of cost of goods sold of MSEK 2.2 (7.1), external costs of MSEK 12.5 (18.0) and personnel costs of MSEK 1.7 (4.1). Depreciation and amortization amounted to MSEK 1.9 (0.6). EBIT for Q2 amounted to MSEK -11.3 (-16.8). The result after tax for Q2 amounted to MSEK -4.8 (-17.6) and includes net financial items of MSEK 6.5 (-0.8), mainly attributable to the sale of shares in Scandivir and through conversion of debt.

The company's total operating costs for the first six months amounted to MSEK 32.6 (49.2). Operating costs consist of cost of goods sold of MSEK 7.0 (10.9), external costs of MSEK 21.3 (30.2) and personnel costs of MSEK 4.3 (8.1). Depreciation and amortization amounted to MSEK 3.7 (1.9). EBIT for the period January – June 2009 amounted to MSEK -17.8 (-21.8). The result after tax for the period amounted to MSEK 4.2 (-24.2) and includes net financial items of MSEK 22.0 (-2.4).

Cash flow and financial position

At June 30, the group had liquid assets and short-term investments of MSEK 16.3 (13.0), of which liquid assets amounted to MSEK 0.0 (5.7). The group also had utilized credit facilities of MSEK 0.2 (0.0). The cash flow during January – June 2009 amounted to MSEK -0.0 (-15.4). At the balance date, shareholder's equity amounted to MSEK 41.4 (57.5) and the equity/assets ratio was 37.3% (46.7).

Important events January-June 2009

- In mid-January, a directed share issue of MSEK 8.9 was carried out at SEK 5 per share.
- During the first six months SCN has sold shares representing approx 11% of the outstanding shares in Scandivir for approx MSEK 10.7. SCN's ownership of Scandivir was at the end of the period approx 20%. Based on the recent transactions, the shareholding is valued at MSEK 20. SCN believes that there are great potential in Scandivir during the coming 6 – 12 months.
- In March SCN entered into an agreement with the American company TNC regarding distribution of CUUR in the DR channel on the US market.
- In mid-May SCN agreed to let Hirapharm S.A.R.L buy SCN out of a non-core agreement against MSEK 2 in cash.
- In late May, an Extraordinary General Meeting decided to apply for de-listing of SCN's shares from the Norwegian Oslo Axess list. The listing on NGM Equity in Sweden is to remain unchanged.
- In late June the Board of SCN decided to issue a maximum of 3,700,000 shares in SCN at SEK 1 per share. Through the issue of shares, debt of 1.8 MSEK was converted to shares.
- During the period, long-term debt deriving from the convertible bond issue in May 2008 has been reduced with approximately MSEK 22.
- SCN has decided to resume control of the company's domestic markets in Sweden and Norway, and successfully launched thin400 in Norway.
- Significant cost reductions have taken place resulting in reduced costs for marketing activities and minimized overhead expenses. The reductions are a gradual process and full effect will be shown during the end of the year.
- Several important agreements were signed with sales and marketing partners in the UK, Greece and Finland for Coldizin, Immulina and thin400.

Events after the balance sheet date

- In early August, the share issue which was decided upon by the Board in late June was completed and rendered the company MSEK 1.8 in funds.
- On August 17 Oslo Börs approved SCN' application regarding de-listing from Oslo Axess. The last day of trading will be September 17, 2009. The share will still be listed on NGM Equity.
- In mid-August, SCN entered into an agreement with the American company Aerus Holdings regarding distribution of SCN's product Immulina as a dietary supplement world-wide with a minimum purchase volume equivalent to MSEK 250 during 6 years in order to keep the world-wide sales and distribution rights.

Order status

As per the date of this report, the company has received orders amounting to MSEK 7.5 (currency rate at closing date) to be invoiced during Q3 and Q4 2009. The majority will be invoiced during Q3.

Future outlook

SCN believes that the near future holds many interesting opportunities for nutrition companies like SCN, with solid science behind their products. Increased regulatory demands and higher consumer awareness are likely to affect competing products with less or no documentation in a negative way, giving SCN a better position as one of few with clinical studies backing up the products.

Product portfolio

CUUR is a patent pending and trademark protected natural nutritional supplement for weight loss, proven to boost the effects of lifestyle change and calorie restricted diet giving faster weight loss and significantly reduced body fat. Sales during the period amounted to MSEK 1.5.

Coldizin is a patented and trademark protected natural remedy for cold symptoms, based on buckwheat and clinically proven to relieve critical symptoms of the common cold within 24 hours and with no side effects. Sales during the period amounted to MSEK 0.8.

Immulina is a patented and trademark protected natural food supplement extracted from the microalgae Spirulina, proven in both in vivo and in vitro studies to have significant effect on the stimulation of the immune system. Sales during the period amounted to MSEK 9.0.

Ledactin is a patented and trademark protected product containing concentrated milk proteins with antibodies and other bioactive micronutrients, and clinically proven to increase flexibility. Sales during the period amounted to MSEK 0.

Membra7 is a dietary supplement consisting of polyunsaturated fatty acids from sea buckthorn berries, which have a longstanding tradition in China and Russia for treating fragile mucous membranes. Sales during the period amounted to MSEK 1.0.

Thin400 is a patented and trademark protected natural nutritional supplement for weight control, proven in double blind placebo controlled clinical studies to increase the resting metabolic rate with up to 400 kcal per day without stimulating the central nervous system. Sales during the period amounted to MSEK 1.8.

Pipeline

With thin400 launched, a product with the working name Project OX is next in pipeline. Project OX is in the final stage (phase 3) of development into an OTC drug. The product has already undergone studies on safety, and is now in process for OTC registration. As previously communicated this will take at least two to three years.

Risk factors and uncertainties

The most crucial risk factor according to SCN's management is not having a sufficient liquidity to be able to carry out ongoing payments and reach a critical business volume. The continued global financial turmoil is likely to influence the company's ability to attract new capital to the company.

Other factors considered risks by the company and therefore closely monitored are actions taken by authorities (i.e. legalization on important markets like USA), competitor and price development, market assessments, risks related to production and distribution and risks related to the company's ability to develop new products. SCN's Annual Report for 2008, pages 71-72, includes a detailed description of the group's and parent company's financial risk exposure and risk management.

Information about geographic segments

When conducting performance analysis, SCN's management monitors external net sales from both a geographic perspective as well as on product level. Assets are not allocated to separate operating segments.

	2009	2008	2009	2008	2008
(MSEK)	Apr – Jun	Apr – Jun	Jan – Jun	Jan – Jun	Full Year
Nordic countries	1.9	2.3	3.4	4.0	7.8
USA	0.5	6.8	8.4	17.2	26.1
Other markets	4.6	3.9	6.7	8.2	12.7
Total	7.0	13.0	18.5	29.4	46.6

R&D and business development

The WHO classification of the so-called swine flu as a pandemic has attracted a lot of media attention during Q2, and subsequently, attention has also been given to SCN's previous reports regarding positive results from the use of Immulina in an animal study with H1N1 flu virus. With that study as a background, discussions have been held with several companies about using Immulina as an immune modulator and thereby infection protective agent in animal feed.

A second clinical study with Immulina has been initiated at Rigshospitalet in Copenhagen, Denmark, and results are expected during Q3.

Organization

Per June 30, the company had 10 (17) employees and the company also had 7 consultants engaged.

Transactions with close associates

Intercompany transactions and dealings have been eliminated in group accounts and are therefore not included in this section. Transactions between group companies and with close associates have taken place on normal business terms and at fair market prices. Transactions with close associates consist of consultant fees (excluding VAT): Ulf Söderberg has debited the company kSEK 484 (U.S. i Ljungå), Anders Struksnes kSEK 541 (AVS Consult), Danilo Copiz kSEK 949 (Gel-S Int'l), Enrico Vitali-Rosati kSEK 518 (EVR, Enrico Vitali-Rosati), and Jörn Erik Aas kSEK 207 (Avastus).

Accounting principles

The interim report for the group is made up in accordance with IAS 34 Interim Reporting, and for the parent company in accordance with the Annual Accounts Act and RFR 2.1 Accounting for Legal Entities. The parent company's and the group's accounting principles used in the report are unchanged in related to the latest published Annual Report. For detailed information in respect of accounting principles, please refer to pages 47-51 in the Annual Report for 2008. All amounts are presented in MSEK if not otherwise stated.

New accounting principles in 2009

An amendment to IAS 1 concerns the form for presentation of financial position, comprehensive income and cash flow and includes a requirement for statement of comprehensive income. As a consequence of the amendment, SCN reports an additional statement showing total comprehensive income for the period in connection with the income statement. The new statement includes items previously reported under 'Changes in equity'.

Effective January 1, 2009, SCN applies IFRS 8. The new standard requires that segment information be presented from the perspective of the executive management, which means that it is presented in the manner used in internal reporting. Since this is done at the group level, SCN's accounting will continue to be based on a single segment.

Parent company

Scandinavian Clinical Nutrition i Sverige AB (publ), corporate identity no. 556692-9690, is the parent company of the group. The company provides and sells internal services to other group companies in the areas of finance, accounting, administration and management. Revenues of the parent company, mainly consisting of intercompany costs and interests invoiced to subsidiaries amounted to MSEK 4.9 (1.4) for the second quarter. The corresponding amount for the first half of 2009 was MSEK 8.6 (1.3). The result after tax for the second quarter amounted to MSEK -24.4 (10.2). The corresponding amount for the first half of 2009 was MSEK -14.1 (13.9).

Consolidated income statement for the group	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Full year
MSEK	2009	2008	2009	2008	2008
Net sales	7,0	13,0	18,5	29,4	46,6
Costs of goods sold	-2,2	-7,1	-7,0	-10,9	-18,5
Other external costs*	-12,5	-18,0	-21,3	-30,2	-78,8
Personnel costs	-1,7	-4,1	-4,3	-8,1	-15,5
Depreciation, amortization, write-down	-1,9	-0,6	-3,7	-1,9	-14,6
EBIT	-11,3	-16,8	-16,8	-21,8	-80,7
Financial income	12,3	0,0	35,2	0,0	13,8
Financial costs	-5,9	-0,8	-13,1	-2,4	-6,1
EBT	-4,8	-17,6	4,2	-24,2	-73,0
Tax for the period	0,0	0,0	0,0	0,0	0,0
Profit / loss for the period	-4,8	-17,6	4,2	-24,2	-73,0
<i>of which attributed to</i>					
Shareholders of the parent company	-5,4	-17,1	4,3	-23,3	-69,0
Minority interests	0,6	-0,4	-0,1	-0,9	-4,0
Weighted average no. of shares (1.000's. basic)	17 507	14 790	17 655	14 790	15 202
Earnings per share. Basic	-0,31	-1,2	0,25	-1,6	-4,5
Weighted average no. of shares (1.000's. diluted)	17 507	14 790	17 655	14 790	14 790
Earnings per share. Diluted	-0,31	-1,2	0,25	-1,6	-4,7
Statement of comprehensive income					
Profit /loss for the period	-4,8	-17,6	4,2	-24,2	-73,0
Translation differences	0,0	0,0	0,0	0,0	0,0
Total comprehensive income for the period	-4,8	-17,6	4,2	-24,2	-73,0

*Other external costs have decreased during the first six months with approx 30% compared to 2008 primarily due to reduced consultancy and marketing costs. Consulting fees amounted to MSEK 3.1 during the first six months of 2009. Other external costs also include doubtful receivables of MSEK 3.3.

Consolidated balance sheet for the group				
MSEK		2009-06-30	2008-06-30	2008-12-31
Assets				
Intangible assets	1	72,9	68,8	79,8
Tangible assets		0,9	1,4	1,3
Financial assets		2,5	0,0	0,0
Total non-current assets		76,2	70,2	81,2
Inventory	2	4,5	5,0	6,6
Current receivables	3	14,1	41,2	13,5
Cash and Short-term investments	4	16,3	8,6	7,8
Total current assets		34,9	54,8	27,9
Total assets		111,1	125,0	109,1
Equity and liabilities				
Attributable to the parent company's shareholders		39,0	43,9	1,2
Minority interest		2,4	8,5	11,4
Total equity		41,4	52,5	12,6
Deferred taxes	5	8,1	7,9	8,7
Interest bearing convertible bond	6	2,6	13,0	24,7
Provisions	7	4,3	9,3	8,0
Total non-current liabilities		15,0	30,2	41,3
Interest-bearing loan from former shareholders		15,2	0,0	16,1
Interest-bearing current liabilities	8	7,2	17,8	11,5
Non interest-bearing current liabilities	9	32,4	19,6	27,7
Provisions		0,0	4,9	0,0
Total current liabilities		54,7	42,4	55,2
Total equity and liabilities		111,1	125,0	109,1

Notes

- Intangible assets consists of client relations and product technologies of MSEK 34.7, goodwill of MSEK 27.7, and capitalized development costs of MSEK 10.5
- Inventories consisted primarily of Immulina MSEK 2.1, Membra7 MSEK 1.3, Coldizin MSEK 0.6, and CUUR MSEK 0.4.
- Current receivables of MSEK 14.1 consisted primarily of accounts receivables of MSEK 11.3.
- Short-term investments consist of shares in Lifequest of MSEK 16.3.
- The deferred tax reported in the group of MSEK 8.1 is derived from the acquisition of NPP (SCN Denmark).
- The item consists of the remaining part of the convertible bonds that were issued in May 2008. The conversion price is SEK 20. Payment is to be made before 30 September 2010.
- Provisions of MSEK 3.4 consists of a provision for taxes in Denmark of MSEK 0.7, provisions for disputed invoice regarding advertisement and research of MSEK 0.5, and provisions for an ongoing dispute in the US regarding CUUR of MSEK 3.1.
- Other interest bearing liabilities consist primarily of a liability to Terra Securities of MSEK 3.6, and a liability to Obetech of MSEK 2.6.
- Other non-interest bearing liabilities primarily consist of accounts payable of MSEK 20.1, and the minority's part of Lifequest shares of MSEK 4.8. Amongst the accounts payable is a debt to KI of MSEK 6.

Consolidated cash flow statement for the group	2009	2008	2008
<i>MSEK</i>	<i>Jan-Jun</i>	<i>Jan-Jun</i>	<i>Full year</i>
Cash flow from operating activities	7,4	-39,3	-36,6
Cash flow from investment activities	8,2	-6,1	6,0
Cash flow from financing activities	-15,7	30,0	10,6
Cash flow of the period	-0,0	-15,4	-20,0
Cash at the beginning of the period	0,0	20,0	20,0
Exchange rate differences	0,0	1,1	-
Cash at the end of the period	-0,0	5,7	0,0

Change in shareholder's equity for the group	2009	2008	2008
<i>MSEK</i>	<i>1 Jan-30 jun</i>	<i>1 Jan-30 Jun</i>	<i>1 Jan-31 Dec</i>
Opening balance	12,6	59,1	10,0
New issue	12,6	30,0	105,3
Issue costs	2,0	-6,5	-7,1
Warrants	0,0	0,0	3,1
Exchange rate differences	0,0	0,8	0,5
Changes in minority interest	5,9	10,3	9,7
Profit / loss of the period			
-shareholders of the parent company	4,3	-25,1	-62,9
-minority interests	-0,1	-0,9	-0,7
Other changes in equity	4,1	0,0	1,2
Closing balance	41,4	57,4	59,0

The changes in issue costs are derived from reversed expenses related to the listing of SCN at Oslo Axess in 2007.

Income statement, parent company	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Full year
MSEK	2009	2008	2009	2008	2008
Net sales	4,9	1,4	8,6	1,3	18,6
Costs of goods sold	-0,6	-0,7	-1,8	-1,5	-0,3
Other external costs	-4,1	1,5	-2,1	-1,8	-14,5
Personnel costs	-1,0	-1,7	-8,6	-3,2	-6,2
Depreciation, amortization, write-down	-32,2	0,0	-32,4	-0,0	-0,4
EBIT	-33,0	0,5	-36,3	-5,2	-2,8
Financial items, net	8,6	9,7	22,2	19,1	-6,8
EBT	-24,4	10,2	-14,1	13,9	-9,6
Tax for the period	-	-	-	-	-
Profit / loss for the period	-24,4	10,2	-14,1	13,9	-9,6

Balance sheet, parent company	2009-06-30	2008-06-30	2008-12-31
MSEK			
Assets			
Summa non-current assets	61,3	57,4	141,8
Inventory	0,8	0,9	0,8
Current receivables	3,8	12,1	1,8
Inter-company receivables	48,1	77,1	-
Cash and Short-term investments	0,0	12,0	0,0
Total current assets	52,7	102,1	2,6
Total assets	114,0	159,5	144,4
Equity and liabilities			
Total equity	82,7	122,0	82,2
Interest bearing convertible bond	2,6	-	24,7
Provisions	0,9	3,8	7,2
Total non-current liabilities	3,5	3,8	31,9
Interest-bearing current liabilities	7,2	13,5	10,9
Intercompany payables	0,0	0,2	0,2
Non interest-bearing current liabilities	20,7	12,2	19,2
Provisions	-	7,8	-
Total current liabilities	27,8	33,7	30,2
Total equity and liabilities	114,0	159,5	144,4

Shareholder facts at June 30, 2009

Ticker: SCN
 Number of shares: 17,803,284
 Number of convertibles: 130,020
 Number of outstanding warrants: 0
 Major shareholders (see table): 69.5%
 Shareholders: 305
 ISIN: SE0001789793

The SCN share is listed for trade on NGM
 Equity in Sweden and until September 17,
 2009 also on Oslo Axess in Norway.

Major shareholders (as per June 30, 2009)

Name	Number of shares	Percentage of shares
Pharmavie Consult A/S	1,922,763	10.80%
Ulf Söderberg (incl fam and comp)	1,409,213	7.92%
Escudeira AG	1,199,166	6.74%
Anders Uddén	1,190,166	6.69%
Anders Struksnes	940,376	5.28%
LKG Holding AS	900,000	5.06%
Carl-Gustaf Ingelman	835,000	4.69%
Avanza Pension (trustee)	694,006	3.90%
SIX SIS AG (trustee)	678,295	3.81%
Handinter Lambda AG	586,000	3.29%
Preco AS	507,595	2.85%
Enrico Vitali-Rosati	479,000	2.69%
Hurricane Invest AS	429,500	2.41%
Hintertux AB	300,000	1.69%
Banque Carnegie Luxembourg (trustee)	291,660	1.64%
Others	5,440,544	30.56%
Total	17,803,284	100.00%

Financial calendar

The Board of SCN has decided on the following calendar for the company 2009-2010:

- Interim Report July-Sept (Q3): November 13
- Year-end Report and Interim Report October-December (Q4, 2009): February 26, 2010
- Interim Report January-March (Q1, 2010): April 22, 2010
- Annual General Meeting: June 22, 2010

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Disclaimer

Information disclosed in this press release is provided herein in accordance with Chapter 17 of the Swedish law (2007:528) regarding the securities market. The information was submitted for publication on August 28, 2009. The report has not been subject to financial audit by the company auditors.

Certification

The board of directors and the CEO hereby certify that this interim report presents a fair overview of the operations, financial position and earnings of the parent company and the group and that it describes significant risks and uncertainties that the parent company and the companies included in the group face.

Stockholm, August 28, 2009

Jörn Erik Aas
 Chairman of the board

Ulf Söderberg
 CEO and Member of the board

Anders Uddén
 Member of the board

Tore Eiklid
 Member of the Board