

Interim Report

January-September 2007

Scandinavian Clinical Nutrition i Sverige AB (publ)



Interim Report January 1 – September 30, 2007

Scandinavian Clinical Nutrition i Sverige AB (publ)

January-September 2007 in brief (Group)

- Revenues totalled 5,8 (1,8) MSEK
- The operating result was -30,6 MSEK (-14,2)
- Result after tax was -30,5 MSEK (-14,2)
- Earnings per share, diluted, amounted to -3,00 SEK (-2,95)
- Cash flow for the period was -2,5 MSEK (0,2)

July-September in brief (Group)

- Revenues totalled 2,1 MSEK (0,7)
- The operating result was -10,4 MSEK (-4,1)
- Result after tax was -12,1 MSEK* (-4,1)
- Earnings per share, diluted, amounted to -1,12 SEK (-0,71)

*Includes reclassification of warrants to equity

Important events during the period

- At an extraordinary Shareholders' Meeting on August 21, 2007, the shareholders approved the acquisition of the Danish biotech company Nordic Phytopharma A/S (NPP). At the following statutory Board meeting, Carsten Waern, former CEO of NPP, was elected new Chairman of the Board for SCN.
- SCN has signed 11 new exports agreements for the patent protected and trademarked products Coldizin and Immolina. Both of these products were transferred to SCN in connection with the NPP acquisition.
- The weight control product CUUR has been re-launched on the Swedish market with a new composition and new studies planned.
- The company has signed an extensive partnership agreement with the quoted American company Inverness Medical Innovations, Inc. (Amex: IMA) regarding CUUR and future SCN products in USA. Inverness will take over production, warehousing and distribution of CUUR, securing distributions to about 70,000 retail outlets on the US mass market.
- SCN has applied for listing on the Norwegian Oslo Stock Exchange (the Oslo Axess list) and on the Swedish NGM Equity list.
- The company has signed an exclusive license agreement with the American company P.L. Thomas & Co for distribution and marketing of the patented weight control substance Xanthigen in Scandinavia. SCN plans to launch Xanthigen in Norway, Sweden, Denmark and Finland with an SCN brand name during the first half of 2008. The agreement also includes an option to extend SCN's rights to the rest of Europe.

Events after the end of the period

- The Board of Oslo Börs approved SCN's application for listing on Oslo Axess.
- At an extraordinary Shareholders' Meeting, the shareholders of SCN resolved to authorize the Board to issue up to 5 million new shares in the company until the next Annual General Meeting.
- The Board of SCN resolved to offer a maximum of 3 million new shares in the initial public offering of shares in SCN in connection with the planned listing on Oslo Axess. The indicative price range in the

issuance was set to NOK 12-16 per share (approximately SEK 14-19). At a subsequent board meeting, the subscription price was fixed to NOK 12.90 (approximately SEK 15.30).

- On November 12, 2007, trade in the SCN shares commenced on the Swedish Exchange NGM Equity under the ticker code SCN.
- On November 15, 2007, the Board of SCN resolved to set a share issue of 2,050,000 new shares at NOK 12.90 per share in connection with the listing of the Company's shares on Oslo Axess. Through the issue, SCN fulfilled Oslo Börs' listing requirements of a minimum of 100 Norwegian shareholders, a minimum of 25% of total shares being held by the general public and the completion of a SEK 30 million share issue.
- On November 22, 2007, trade in the SCN commenced on the Norwegian Exchange Oslo Axess under the ticker code SCN.
- On the same day, the company signed five new distribution agreements for Immolina and Coldizin with sales and marketing partners in Spain, Switzerland, The Netherlands and Belgium.

Product portfolio

- The company's original product portfolio contained the weight control product CUUR, the joint health product Ledactin and the fatty acid complex Membraseven, which is a product against dry mucous membranes and dry mouth. CUUR is sold on several markets internationally, including USA, and is also sold in Sweden. Ledactin was launched on the Swedish market during Q3 2007, and a study on Membraseven at Karolinska Institutet is planned to be finished during the second half of 2008.
- Through the acquisition of NPP, two new well-documented and patent protected products have been added to the company's product portfolio. Coldizin, which has effect against common colds, and Immolina, which stimulates the immune system, are both sold on several markets world-wide.
- In addition, the company has a number of products which either are under negotiation, or being studied by the researchers at Karolinska Institutet to create the scientific documentation that SCN requires for all products. An example of this is N5G, which has effect on both virus related obesity and common colds, and SCN for which has a 20-year global exclusivity agreement with the Norwegian biotech company Life Science Nutrition AS.

Sales and earnings

The turnover for the period January-September amounted to MSEK 5.8 (1.8), mainly consisting of sales of CUUR on the Swedish market (MSEK 1.7) and the US market (MSEK 1.5), and sales of Coldizin in the Nordic countries (MSEK 1.3). The operating result for the period amounted to MSEK -30.7 (-14.2).

During the period June-September 2007, the group turnover amounted to MSEK 2.1 (0.7). The result after tax for the third quarter amounted to MSEK -12.1 (-4.1).

During the period January-September, the total cost for the company, excluding production costs, amounted to MSEK 33.1 (14.1). The operating result is divided into external costs of MSEK 27.3 (12.8), personnel costs of MSEK 5.4 (0.7) and depreciations, amortizations and write downs of MSEK 0.5 (0.6). The external expenses have increased substantially during the period in comparison with the corresponding period last year, mainly due to nonrecurring costs, referring to the stock exchange listing processes on Oslo Axess and NGM Equity (both successfully finalized during November, 2007) and the amount of resources put into setting up a stable platform for the US operations. The expense items affected are mainly legal and financial advice, travelling costs and the build-up of a solid marketing platform for the US mass market launch.

Future development

During the fourth quarter, the company will continue working on the launch of CUUR on the US mass market. During December, the retail outlets will fill their shelves with product, and orders are now starting to come to the company's partner Inverness Medical Innovations, Inc.

The nonrecurring costs related to the listing processes in Norway and Sweden will affect the financial statements also during the fourth quarter.

Cash flow and financial position

As at September 30, 2007, the short-term placement plus cash and short-term deposits amounted to MSEK 18.9 (0.1). The cash flow during January-September amounted to MSEK -2.5 (0.2).

After the share issue of 2,747,253 new shares in the company during February, 2007, the share capital of the company increased with MSEK 0.3 to MSEK 1.1. In total, the proceeds of the share issue amounted to MSEK 41.7 less issue expenses.

Per September 30, 2007, the group equity amounted to MSEK 52.2 MSEK (-2.9), which equals an equity/debt ratio of 52.7%. At the end of the period, the interest-bearing debt amounted to MSEK 21.0 MSEK (2.8).

Risk factors

Through its business, the SCN group is exposed to different kinds of risks due to a number of factors which the company cannot fully control. In the opinion of the company, the most important of these factors are actions taken by authorities (i.e. legalization on important markets like USA), competitor and prize development, the ability to attract new capital to the company, market assessments, risks related to production and distribution and risks related to the company's ability to develop new products. The company's limited history of operations is also considered a risk.

The risks above are a summary of risk factors of importance to the company, and thereby also an investment in the SCN share.

Transactions with related parties

In connection with the acquisition of Nordic Phytopharma A/S, the company has raised a 4 MSEK loan from U.S. i Ljungå Förförvaltning AB, a company wholly owned by CEO Ulf Söderberg, and an additional 1 MSEK loan from Senior Vice President Anders Struksnes. The loans have a maturity of 1 year maximum, with a yearly interest of 15%.

Parent company

The parent company of the Group, Scandinavian Clinical Nutrition i Sverige AB (publ), has wholly owned subsidiaries in Sweden, USA and Denmark and a dormant subsidiary in Norway. The parent company is responsible for group leadership issues, strategic business development and administrative functions on group level.

The profit after financial items of the parent company amounted to MSEK -15.9 (-8.8), and the equity/assets ratio was 77.5% (neg). Equity amounted to MSEK 74.2 MSEK (-1.7), and cash and short-term deposits less short-term placement amounted to MSEK 6.1 (-0.6).

Accounting principles

The Group applies International Financial Reporting Standards, IFRS, as adopted by the European Commission. The accounting principles are the same as the previous year.

Employees

At the end of the period, 24 persons were working for the company, of which 19 were employees and five consultants.

Financial Calendar

Preliminary report 2007	February 22, 2008
Interim report January-March 2008	May 9, 2008
Interim report January-June 2008	August 22, 2008
Interim report January-September 2008	November 7, 2008

Development of share capital

The SCN share is traded on NGM Equity in Sweden since November 12, 2007, and on Oslo Axess since November 22, 2007 (ticker: SCN).

	<i>Opening balance 2007-01-01</i>	<i>Change</i>	<i>Closing balance 2007-09-30</i>
Number of shares	7,888,208	2,747,253	10,635,461 ¹
Share capital (SEK)	788,820.80	274,725.30	1,063,546.1
Number of shareholders	138	47	185

¹ After the NPP acquisition, the amount of shares in SCN increased to 12,740,724. The increase was registered at the Swedish Companies Registration Office on October 5, 2007.

Message from the CEO

In accordance with the long-term financial strategy for the company, SCN has made substantial investments in the stock exchange listing processes on Norwegian Oslo Axess and Swedish NGM Equity during the third quarter. In November we finally reached the finish line in both processes, and we are now looking forward to a positive development for the SCN share. Trade in the SCN share started on NGM Equity on November 12, and on November 22, trade also started on Oslo Axess.

On the US market, focus has been on the launch of CUUR in mass market, which will commence as planned at the turn of the year. Substantial investments have been made to develop a solid legal and practical infrastructure for the marketing of the company's products. An important milestone was the partnership agreement with Amex quoted distributor Inverness Medical Innovations, Inc., which was signed in September. In addition to the launch of CUUR, the agreement also includes a first right of refusal for other SCN products that the company wishes to launch on the US market.

The company has also been working intensely with incorporating the Danish company Nordic Phytopharma A/S (NPP) into the group structure. NPP was acquired by SCN in September, adding two new patented products and an experienced sales team to SCN's assets. Several new distribution agreements for Europe, South America and Asia have been signed since the acquisition, confirming the importance of the company's investments. The fact that there is a demand for the company's products among international distributors provides a base for future turnover and results, and the sales forecasts are looking good.

In Scandinavia, the Swedish subsidiary has worked with re-launching CUUR and introducing Ledactin on the Swedish market. The response to Ledactin has been positive, and the product has potential for large sales volumes. The previously communicated investigation of CUUR by the Swedish Medical Products Agency is no longer an issue, since the MPA has closed the case after a constructive dialogue with SCN.

Research and development is also proceeding according to plan, in close cooperation with Karolinska Institutet and the company's international partners. To mention a few examples, a study on Ledactin has been started, another study on Membraseven is making good progress, discussions are progressing with interesting partners around treatments for virus related obesity, and SCN has also been granted distribution rights in Scandinavia for an interesting new weight control substance.

Through the above, the company has as planned built a stable and suitable infrastructure for continuous product development, in-licensing, research and sales in Europe, USA and the rest of the world. The investments made in organization, partnership agreements and marketing have had a direct negative impact on the results for the period January to September, but at the same time, these investments constitute the base for a successful business for SCN in the future.

Stockholm, November 2007

Ulf Söderberg
CEO Scandinavian Clinical Nutrition i Sverige AB (publ)

Stockholm, November 29, 2007

Scandinavian Clinical Nutrition i Sverige AB (publ)

The Board of Directors

Carsten Waern
Chairman of the Board

Jörn Erik Aas
Board member

Maria Borelius
Board member

Ulf Söderberg
CEO and Board member

Carl-Gustaf Ingelman
Board member

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To order reports

This report will be accessible at www.scnutrition.com, and can also be ordered from SCN at the following address:

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Company reg.no. 556692-9690

This interim report has not been subject to financial audit by the company auditors.

The information in this interim report is that which Scandinavian Clinical Nutrition i Sverige AB (publ) is required to disclose under the Securities Exchange and Clearing Operations Act and/or the Financial Instruments Trading Act. It was released for publication after the closing of the stock exchanges on November 29, 2007.

Consolidated income statement, summary

Amounts in kSEK	2007 Jul-Sep	2006 Jul-Sep	2007 Jan-Sep	2006 Jan-Sep	2006 Full- year
Net sales	2 063	682	5 831	1 784	2 588
Operating income	2 063	682	5 831	1 784	2 588
Cost of sales	-633	-439	-3 286	-1 807	-1 831
Other external costs	-9 213	-3 950	-27 269	-12 833	-19 526
Personnel costs	-2 208	-329	-5 382	-709	-1 853
Depreciation, amortization and writedowns of property, plant and equipment, and intangible assets	-458	-19	-491	-607	-618
Other operating expenses	-	-	-	-	-
Operating profit	-10 449	-4 055	-30 597	-14 172	-21 240
Other financial items	-1 530	-	-	-	-
Interest income and similar items	-	17	-	17	163
Interest expenses and similar items	-145	-27	-168	-70	-114
Profit after financial items	-12 124	-4 065	-30 765	-14 225	-21 191
Tax for the period	61	-	61	-	-
Profit for the period	-12 063²	-4 065	-30 704³	-14 225	-21 191
Weighted average number of shares in thousands, basic	10 635	5 708	10 178	4 815	5 220
Weighted average number of shares in thousands, diluted	10 742	5 708	10 311	4 815	5 220
Earnings per share, diluted	-1,12	-0,71	-3,00	-2,95	-4,06

² Of which minority in subsidiaries: 192 kSEK

³ Of which minority in subsidiaries: 192 kSEK

Consolidated balance sheet, summary

Amounts in kSEK	2007-09-30	2006-09-30	2006-12-31
Assets			
Intangible assets	71 694	1	1
Tangible assets	1 672	229	264
Financial assets	383	-	-
Total non-current assets	73 749	230	265
Inventory	6 137	1 582	2 183
Current receivables	19 028	935	2 677
Short-term investments	10 975	-	-
Cash and bank balances	8 022	139	10 427
Total current assets	44 162	2 656	15 287
Total assets	117 911	2 886	15 552
Equity and liabilities			
Attributable to the parent company's shareholders	52 072	-	-
Minority interest	10 062	-14 225	-21 191
Total equity	62 134	-1 783	9 952
Provisions	14 308	-	-
Loan from shareholders	12 551	-	-
Total non-current liabilities	26 859	-	-
Interest-bearing current liabilities	21 011	2 839	1 453
Non-interest bearing current liabilities	7 907	1 830	4 147
Total current liabilities	28 918	4 669	5 600
Total equity and liabilities	117 911	2 886	15 552

Consolidated Cash Flow Statement, summary

Amounts in Ksek	2007 Jan-Sep	2006 Jan-Sep	2006 Full-year
Current operations			
Operating profit/loss	-30 597	-14 172	-21 240
Adjustments for items not included in cash flow	491	607	618
Interest received	-	17	163
Interest paid	-167	-70	-114
Cash flow before change in working capital	-30 274	-13 618	-20 573
Changes in inventory	763	-	-2 183
Changes, operating receivables	-4 206	-3 258	-2 677
Changes, operating liabilities	-489	5 536	4 147
Cash flow after change in working capital	-34 206	-11 340	-21 286
Investing activities			
Short-term investments	-10 975	-	-
Acquisition of intangible fixed assets	-	-579	-580
Acquisition of property, plant and equipment	-191	-258	-303
Acquisition of a subsidiary, net of cash disposed	-13 947	-	-
Cash flow after investing activities	-59 319	-12 177	-22 169
Financing activities			
Incorporation	-	-	100
New share issue	41 723	10 640	30 529
Proceeds from borrowings	15 000		
Disposal of own shares	-	1 200	-
Warrants	1 530	-	-
Shareholders' contributions received	-	567	567
Net change in overdraft facilities	-1 453	-	1 453
Cash flow for the period	-2 519	230	10 480
Cash and cash equivalents at beginning of period	10 427	100	-
Exchange rate differences	114	-191	-53
Cash and cash equivalents at the end of the period	8 022	139	10 427

Changes in consolidated equity

	Share capital	Other paid-up capital	Translation reserve	Other earned equity	Total ⁴	Minority Interest	Total equity
Amounts i kSEK							
Equity as at 2005-12-06	0	0	0	0	0	-	0
Incorporation	100	-	-	-	100	-	100
New share issue	471	10 942	-	-	11 413	-	11 413
Issue expenses	-	-773	-	-	-773	-	-773
Shareholders' contribution received	-	567	-	-	567	-	567
Translation difference	-	-	-65	-	-65	-	-65
Disposal of own shares	-	1 200	-	-	1 200	-	1 200
Profit for the period	-	-	-	-14 225	-14 225	-	-14 225
Equity as at 2006-09-30	571	11 936	-65	-14 225	-1 783	-	-1 783
Changes during 10/1-12/31 2006							
New share issue	218	21 587	-	-	21 805	-	21 805
Issue expenses	-	-1 916	-	-	-1 916	-	-1 916
Shareholders' contribution received	-	-	-	-	-	-	-
Translation difference	-	-	12	-	12	-	12
Disposal of own shares	-	-1 200	-	-	-	-	-1 200
Profit for the period	-	-	-	-6 966	-6 966	-	-6 966
Equity as at 2006-12-31	789	30 407	-53	-21 191	9 952	-	9 952
Changes during 1/1-9/30 2007							
New share issue	273	76 059	-	-	76 332	-	76 332
Issue expenses	-	-3 606	-	-	-3 606	-	-3 606
Disposal of own shares	-	1 200	-	-	1 200	-	1 200
Translation difference	-	-	-1 102	-	-1 102	-	-1 102
Minority interest	-	-	-	-	-	10 062	10 062
Profit for the period	-	-	-	-30 704	-30 704	-	-30 704
Equity as at 2007-09-30	1 062	104 060	-1 155	-51 895	52 072	10 062	62 134

⁴ The total is attributable to the parent company

Segment reporting by geographic market

Revenues and Profit/loss

	Sweden	Norway	Other markets	Elimination	Total
Amounts in kSEK					
<i>July-September 2007</i>					
External net sales	477	-	1 586	-	2 063
Internal net sales	1 723	-	-	-1 723	-
Operating profit/loss	-7 258	-	-3 191	-	-10 449
<i>July-September 2006</i>					
External net sales	1	681	-	-	682
Internal net sales	-	-	-	-	-
Operating profit/loss	-2 847	-84	-1 124	-	-4 055
<i>January-September 2007</i>					
External net sales	3 721	381	1 729	-	5 831
Internal net sales	3 368	-	-	-3 368	-
Operating profit/loss	-15 648	-267	-14 464	-218	-30 597
<i>January-September 2006</i>					
External net sales	754	1 030	-	-	1 784
Internal net sales	-	-	-	-	-
Operating profit/loss	-8 789	-1 020	-4 363	-	-14 172
<i>Full-year 2006</i>					
External net sales	797	1 791	-	-	2 588
Internal net sales	-	-	-	-	-
Operating profit/loss	-14 033	-1 144	-6 063	-	-21 240

Acquisition of Nordic Phytopharma A/S (NPP)

On July 25 2007, SCN announced that the company had signed an agreement to acquire the Danish biotech company Nordic Phytopharma A/S. The strategic acquisition was finalized on September 7, 2007, and from that date, NPP is consolidated in the SCN group.

The total purchase price was settled at 54.6 MSEK. The purchase price consisted of a cash consideration of 15 MSEK, a non-cash issue of 2.1 new shares at an estimated value of 16 SEK per share (33.7 MSEK), acquisition expenses estimated at 0.9 MSEK and an estimated contingent consideration of 5 MSEK.

The statement below shows information of acquired net assets and goodwill.

Preliminary acquisition calculation:

	Previous carrying value 2007-08-31	Fair value
Amounts i kSEK		
Other intangible assets	5 559	35 193
Tangible assets	1 346	1 346
Financial assets	389	389
Inventories	2 118	2 118
Trade and other receivables	15 160	15 160
Cash and short-term deposits	1 053	1 053
	<u>25 665</u>	<u>55 259</u>
Loan from shareholders	12 750	12 750
Non-interest bearing current liabilities	6 476	6 476
Deferred tax liabilities		8 286
Minority interest	3 528	9 663
	<u>22 754</u>	<u>37 175</u>
Net identified assets	2 911	18 084
Goodwill		36 500
Purchase price		54 584
Cash and short-term deposits in acquired company		1 053
Cash consideration		-15 000
Change in the Group cash and short-term deposits		-13 947

Group key ratios

	2007 Jul-Sep	2006 Jul-Sep	2007 Jan-Sep	2006 Jan-Sep	2006 Full-year
Amounts in kSEK					
Income Statement					
Net sales	2 063	682	5 831	1 784	2 588
Operating profit/loss	-10 449	-4 055	-30 597	-14 172	-21 240
Profit/loss for the period after tax	-12 063	-4 065	-30 704	-14 225	-21 191
Balance Sheet					
Total non-current assets	74 749	230	74 749	230	265
Current assets	44 162	2 656	44 162	2 656	15 287
Total equity	62 134	-2 983	62 134	-2 983	9 952
Interest bearing liabilities	21 011	2 839	21 011	2 839	1 453
Non-interest bearing liabilities	7 907	3 030	7 907	3 030	4 147
Total balance	117 911	2 886	117 911	2 886	15 552
Capital Structure					
Equity/assets ratio %	52,7	Neg	52,7	Neg	64,0
Debt/equity ratio, times	0,4	Neg	0,4	Neg	0,1

Parent company income statement in summary

Amounts in kSEK	2007 Jul-Sep	2006 Jul-Sep	2007 Jan-Sep	2006 Jan-Sep	2006 Full year
Net sales	1 756	1	6 645	754	797
Operating income	1 756	1	6 645	754	797
Cost of sales	-1 726	0	-5 540	-346	-391
Other external costs	-4 686	-2 535	-13 625	-7 889	-12 183
Personnel costs	-1 093	-329	-3 187	-709	-1 645
Depreciation, amortization and writedowns of property, plant and equipment, and intangible assets	-20	16	-53	-599	-611
Operating profit	-5 772	-2 847	-15 760	-8 789	-14 033
Finance revenue/costs, net	-1 598	-15	-85	-52	-1 082
Profit after financial items	-7 370	-2 862	-15 845	-8 841	-15 115
Tax for the period	-	-	-	-	-
Profit for the period	-7 370	-2 862	-15 845	-8 841	-15 115

Parent company balance sheet in summary

Amounts in kSEK	2007-09-30	2006-09-30	2006-12-31
Total non-current assets	73 326	1 370	7 082
Inventories	680	1 302	2 804
Trade and other receivables	4 148	-578	1 585
Intercompany receivables	441	117	-
Short-term placement	10 975	-	-
Cash and short-term deposits	6 146	-630	9 618
Total current assets	22 390	211	14 007
Total assets	95 716	1 581	21 089
Total equity	74 163	-1 662	17 281
Total non-current liabilities	-	-	-
Total current liabilities	21 553	3 243	3 808
Total equity and liabilities	95 716	1 581	21 089