

INTERIM REPORT JANUARY – SEPTEMBER 2003

- **Turnover during the first nine months amounted to SEK 427.8 (369.5) million, of which SEK 145.1 (116.1) million was during the third quarter.**
- **Operating income amounted to SEK 452.0 (26.1) million during the first nine months. Adjusted for items affecting comparability in 2003 and the one-time revenue in 2002, operating income amounted to SEK -10.2 (4.4) million.**
- **Net income after tax for the nine-month period amounted to SEK 457.1 (18.8) million. Adjusted for items affecting comparability in 2003 and the one-time revenue in 2002, net income amounted to SEK -5.1 (3.2) million.**
- **Earnings per share amounted to SEK 18.42 (0.76).**
- **All patients in a study on the product SubQ treated.**
- **First patient included in a study on DEFLUX in Japan.**

Q-Med is a rapidly growing and profitable biotechnology/medical device company that develops, produces and markets medical implants. All products are based on the company's patented technology for the production of NASHA - Non-Animal Stabilized Hyaluronic Acid. The products RESTYLANE, RESTYLANE Fine Lines and RESTYLANE Perlane are used for the filling out of lips and facial wrinkles and today account for the majority of sales. DUROLANE, Q-Med's product for the treatment of osteoarthritis of the knee joint, has been approved in Europe since May 2001. DEFLUX is a product which has been approved in Europe and the USA for the treatment of vesicoureteral reflux (malformation of the urinary bladder) in children. ZUIDEX for the treatment of stress urinary incontinence in women has been sold in Europe since July 2002. Q-Med today has 440 employees, with approximately 290 at the company's production facility and head office in Uppsala. The Q-Med share was first listed on the O-list of the Stockholm Stock Exchange in December 1999.

REVENUES

The Group's turnover rose by 16 percent to SEK 427.8 (369.5) million during the first nine months of the year and by 25 percent to SEK 145.1 (116.1) million during the third quarter.

Adjusted for changes in exchange rates, turnover increased by 24 percent during the first nine months and 34 percent during the third quarter. Translated to a rolling 12 months, turnover amounted to SEK 576.1 (492.2) million, an increase of 17 percent.

Fluctuations in exchange rates have negatively affected sales during the nine-month period by SEK 32.1 million compared with the exchange rates current during the same period last year. During the third quarter the fluctuations in exchange rates have entailed a negative effect of SEK 10.1 million compared with the same quarter in 2002.

Net turnover per geographical area

(SEK millions)	Jan - Sept			Juli - Sept			Jan - Dec	Oct - Sept
	2003	2002	+/- %	2003	2002	+/- %	2002	2003/2002
Nordic countries	14.0	11.6	21%	4.1	2.9	41%	15.2	17.6
Rest of Europe	225.4	196.1	15%	68.8	57.4	20%	271.0	300.3
North and South America	101.0	73.2	38%	40.5	28.7	41%	108.1	135.9
Rest of the world	87.4	88.6	-1%	31.7	27.1	17%	123.5	122.3
Summa	427.8	369.5	16%	145.1	116.1	25%	517.8	576.1

ESTHETICS BUSINESS UNIT

- **Turnover during the first nine months of the year amounted to SEK 352.3 (330.1) million, an increase of 7 percent.**
- **Adjusted for the effects of exchange rates, sales amounted to SEK 373.8 million, which means an increase of 13 percent.**
- **Growth in volume during the nine-month period amounted to 30 percent.**
- **Operating income for the first nine months excluding the divestiture of the North American business amounted to SEK 110.9 (113.9) million, with an operating margin of 31 (35) percent.**
- **The FDA has announced an advisory panel for RESTYLANE on November 21.**

	Jan - Sept			July - Sept			Jan - Dec	Oct - Sept
(SEK millions)	2003	2002	+/- %	2003	2002	+/- %	2002	2003/2002
Net turnover	352.3	330.1	7%	115.9	99.1	17%	458.6	480.8
Operating income	110.9	113.9	-3%	35.0	32.5	8%	165.9	244.3
Operating margin, %*	31	35		30	33		36	51

* Excl. The sale of the North American business

Turnover during the nine-month period amounted to SEK 352.3 (330.1) million, which is an increase of 7 percent. During the third quarter sales amounted to SEK 115.9 (99.1) million, which is an increase of 17 percent. The effects of exchange rates during the nine-month period amounted to SEK -21.5 million, of which SEK -6.9 million was during the third quarter.

The growth in volume, that is sales measured in terms of the number of syringes, amounted to 30 percent for the first nine months and to 54 percent for the third quarter. The total sales volume during the third quarter has been the highest ever for the business unit.

The growth in volume is larger than the growth in turnover during the nine-month period. This is due to the effects of exchange rates, increased sales of RESTYLANE through Medicis in Canada and a shift towards higher sales in countries with a somewhat lower price. The average prices in local currencies in our largest markets have remained unchanged.

Operating income for the nine-month period amounted to SEK 110.9 (113.9) million, corresponding to an operating margin of 31 (35) percent. Operating income during the third quarter amounted to 35 (32.5) million.

During the period the esthetics product PERLANE has changed name to RESTYLANE Perlane. The purpose of the change in name is to further strengthen the RESTYLANE brand, which in future will appear on all of Q-Med's esthetics products.

On February 10 Q-Med divested the North American business with regard to RESTYLANE, RESTYLANE Fine Lines and RESTYLANE Perlane to the American company Medicis. The deal is expected to initially generate USD 160 million, which will be paid to Q-Med in stages as and when certain agreed conditions are met. Q-Med also retains the rights to exclusive production of the three products for the North American market for 10 with normal commercial conditions.

Q-Med received a first payment of USD 58.2 million at the beginning of March, after which Medicis took over sales in Canada. The second payment of USD 53.3 million will be made to Q-Med when sales approval has been received for RESTYLANE from the FDA, Food and Drug Administration, the American regulatory authority. USD 29.1 million falls due after sales approval of RESTYLANE Perlane. Upon certain cumulative commercial milestones, a further payment of USD 19.4 million falls due to Q-Med.

The FDA announced on September 17 that RESTYLANE will be considered by an advisory panel on November 21, 2003. The advisory panel consists of a number of experts within plastic surgery. Based on what emerges at the meeting, the experts on the panel give a recommendation to the FDA. This then forms the basis of the authority's decision regarding the approval of RESTYLANE in the USA.

All 57 patients in a study on the product SubQ have been treated during the period. It is intended that SubQ will be used for contouring, for example of the face. It is planned that the application for CE approval in Europe will be submitted at the beginning of 2004.

HOSPITAL HEALTHCARE BUSINESS UNIT

- Sales amounted during the first nine months to **SEK 75.5 (39.4) million**, an increase of **92 percent**.
- Operating income during this period amounted to **SEK -103.1 (-62.7) million**.
- Approval to begin a **ZUIDEX** study in the **USA**.
- First patient included in a study on **DEFLUX** in **Japan**.

Uro-Gynecology

	Jan - Sept			July - Sept			Jan - Dec	Oct - Sept
(SEK millions)	2003	2002	+/- %	2003	2002	+/- %	2002	2003/2002
Net turnover	65.6	34.0	93%	25.4	14.5	75%	51.4	83
Operating income	-84.2	-61.6	-37%	-25.9	-17.1	-51%	-74.2	-141.3

During the nine-month period turnover within Uro-Gynecology rose by 93 percent to SEK 65.6 (34.0) million and by 75 percent to SEK 25.4 (14.5) million during the third quarter. Operating income during the nine-month period amounted to SEK -84.2 (-61.6) million, of which SEK -25.9 (-17.1) million was during the third quarter. DEFLUX accounted for the largest part of the turnover.

At the beginning of September Q-Med received permission from the FDA, the American regulatory authority, to start a multicenter study in the USA on ZUIDEX. Approximately 360 patients will be included in the study, which involves a comparison with the collagen-based product Contigen. The study will form the basis of an application to the FDA. The first patients will be treated during the fourth quarter of 2003.

In August the first patient was included in a one-year study on DEFLUX in Japan. A total of 80 patients will be treated. The study will form the basis of an application for approval of DEFLUX in Japan.

The aim of ZUIDEX being covered by the social insurance systems in each market in Europe during 2004 remains unchanged.

Orthopedics

(SEK millions)	Jan - Sept*			July - Sept			Jan - Dec*	Oct - Sept
	2003	2002	+/- %	2003	2002	+/- %	2002	2003/2002
Net turnover	9.9	5.4	83%	3.8	2.5	52%	7.8	12.3
Operating income	-18.9	-1.1	-1618%	-8.3	-6.9	-20%	-10.7	-22.7

*The figures for 2002 include a one-time sum of SEK 21.7 million as payment for negotiation rights.

Turnover within Orthopedics rose during the first nine months of the year by 83 percent to SEK 9.9 (5.4) million, of which SEK 3.8 (2.5) million was during the third quarter. Operating income during the first nine months of the year amounted to SEK -18.9 (-1.1) million, of which SEK -8.3 (-6.9) was during the third quarter.

In August the first patient was included in a comparative six-week study on DUROLANE. A total of approximately 200 patients with osteoarthritis of the knee will be treated with DUROLANE and sodium chloride in each knee. It is estimated that the study will be complete during the first six months of 2004 and will form the basis of a supplementary application to the FDA. On September 30 approximately 40 patients had been included in the study.

EXPLORATIVE AREAS BUSINESS UNIT

- **Operating income amounted to SEK -18.1 (-25.1) million.**
- **All patients included in a study on primary hyperoxaluria.**

(SEK millions)	Jan - Sept			July - Sept			Jan - Dec	Oct - Sept
	2003	2002	+/- %	2003	2002	+/- %	2002	2003/2002
Operating income*	-18.1	-25.1	28%	-5.9	-7.3	19%	-71.5	-82.3

* Excl. Write-downs of goodwill on consolidation

Operating income amounted to SEK -18.1 (-25.1) million, of which SEK -5.9 (-7.3) million was during the third quarter. The business unit has not generated any revenues.

All patients have been included in the study which Q-Med and the American subsidiary Ixion Biotechnology, Inc. are performing in Germany on children suffering from primary hyperoxaluria. It is estimated that a first report will be made during the fourth quarter of 2003.

The external partner that is financing Ixion's research into implanted insulin-producing cells has signed a new agreement and has further extended financing.

INCOME

Q-Med's gross margin amounted to 88 (89) percent during the nine-month period, of which 87 (88) percent was during the third quarter. The lower gross margin is due, amongst other things, to fluctuations in exchange rates and the fact that sales of RESTYLANE have begun in Canada through Medicis.

Marketing and selling expenses amounted to SEK 242.6 (178.5) million during the first nine months of the year, which corresponds to 57 (48) percent of the turnover. For the third quarter selling expenses were SEK 81.3 (61.2) million. Within Esthetics selling expenses during the nine-month period amounted to 43 (38) percent of the turnover.

Costs for research and development amounted to SEK 113.2 (116.6) million during the nine-month period. The research costs also include Ixion's costs. Research and development costs are recorded in accordance with RR15. During the period covered by the interim report development costs of SEK 3.4 million have been recorded as an intangible asset. Development costs are recorded as an intangible asset when the projects have reached a phase in the project process where the possibility of commercialization can be assessed with sufficient certainty. The assessment is made on the basis of scientific, technical, financial and market evidence.

Amortization and depreciation of SEK 23.0 (18.7) million, of which SEK 7.9 (6.6) million was during the third quarter, has been charged against income. Of these costs SEK 5.0 (5.1) million comprises goodwill. The amortization of goodwill is recorded in the rows for selling expenses or research costs, depending on their nature and origin.

Operating income for the nine-month period amounted to SEK 452.0 (26.1) million, and for the third quarter to SEK -5.0 (1.2) million. Operating income includes the first payment from Medicis of USD 58.2 million, with a deduction for consultant costs in connection with the deal.

Last year's operating income included SEK 21.7 million in the form of a one-time revenue for negotiation rights regarding DUROLANE for an unnamed company. Adjusted for the item affecting comparability in 2003 and the one-time revenue in 2002 operating income for the nine-month period amounted to SEK -10.2 (4.4) million.

Net financial income during the nine-month period amounted to SEK 6.0 (-6.4) million. Effects of exchange rates affected net financial income by SEK -3.3 million for the nine-month period.

Estimated tax costs for the nine-month period were SEK 1.5 (6.3) million, of which SEK 5.9 (0.4) million was for the third quarter.

Net income for the nine-month period amounted to SEK 457.1 (18.8) million, including the first payment from Medicis. Net income for the third quarter amounted to SEK -6.8 (0.8) million. Adjusted for items affecting comparability in 2003 and the one-time revenue in 2002, net income for the nine-month period amounted to SEK -5.1 (3.2) million.

INVESTMENTS AND CASH FLOW

During the nine-month period SEK 42.0 (64.4) million was invested in buildings and land. These costs are attributable to the reconstruction of the existing production facility, certain laboratories and to the new factory in Uppsala which has been begun and which it is estimated will be complete at the beginning of 2005. Current investments in machinery and equipment amounted to SEK 21.7 (5.0) million during the nine-month period.

Q-Med's cash flow from operating activities was SEK 5.2 (26.3) million, of which SEK -9.4 (15.2) million was for the third quarter of 2003. The cash flow from investing activities amounted to a total of SEK 389.8 (-103.6) million during the nine-month period, of which SEK -39.4 (-19.0) was for the third quarter. The overall cash flow was positive during the nine-month period, SEK 380.2 (-37.3) million. This figure includes the first part payment of SEK 462.2 million from Medicis.

PARENT COMPANY

The turnover for the Parent Company Q-Med AB was SEK 282.8 (256.4) million during the nine-month period, of which sales to affiliated companies were SEK 141.3 (125.1) million. During the third quarter turnover amounted to SEK 93.4 (81.4) million. Income after financial items amounted to SEK -8.9 (54.2) million, of which SEK -3.2 (22.1) million was during the third quarter.

PERSONNEL

The number of employees increased during the third quarter by 18 people. The number of employees amounted to 437 (350) at September 30, including 287 (238) in Sweden. During the remainder of 2003 recruitment will continue within all areas.

PROSPECTS FOR WHOLE OF 2003

Continued growth is expected for 2003. The divestiture of the North American business regarding RESTYLANE, RESTYLANE Fine Lines and RESTYLANE Perlane to Medicis leads to a lot of cash in hand and good opportunities for further development of the other businesses. The investments in new products and markets will continue. This means that the costs for above all clinical trials, registration and the building up of markets will increase. These investments will be carried out with the focus on continued profitability.

Group income statement		Jan-Sept			July-Sept			Whole year	Oct-Sept
(SEK millions)		2003	2002	+/- %	2003	2002	+/- %	2002	2003/2002
Turnover		427.8	369.5	16%	145.1	116.1	25%	517.8	576.1
Cost of goods sold		-51.7	-42.1	23%	-19.0	-13.4	42%	-51.5	-61.1
Gross income		376.1	327.4	15%	126.1	102.7	23%	466.3	515.0
Selling expenses		-242.6	-178.5	36%	-81.3	-61.2	33%	-244.0	-308.1
Administrative expenses		-37.7	-32.7	15%	-11.4	-13.5	-16%	-45.8	-50.8
R&D costs		-113.2	-116.6	-3%	-35.5	-33.4	6%	-157.5	-154.1
Other operating revenues	Note 1	18.3	36.9	-50%	3.4	6.1	-44%	43.2	24.6
Item affecting comparability	Note 2	462.2	-		0.0	-		-37.0	436.6
Other operating costs		-111.1	-10.4	7%	-6.3	0.4	-1675%	-15.7	-16.4
Operating income		452.0	26.1	1632%	-5.0	1.2	-517%	9.5	446.8
Result from financial items		6.0	-6.4	-	3.4	-1.5	-	-8.9	3.5
Income after financial items		458.0	19.7	-	-1.6	-0.3	-	0.6	450.3
Tax on income for the period		-1.5	-6.3	-	-5.9	-0.4	-	-11.6	-6.8
Minority interest Ixion		0.6	5.4	-	0.7	1.5	-	7.5	2.7
Net income for the period		457.1	18.8	-	-6.8	0.8	-	-3.6	446.2
Earnings per share, SEK*		18.42	0.76					-0.14	
Earnings per share after full dilution, SEK		18.11	0.73					-0.14	
Number of outstanding shares at closing day		24,813,500	24,813,500					24,813,500	
Average number of outstanding shares		24,813,500	24,811,167					24,811,774	

*Earnings per share is defined as the earnings for the period in relation to the average number of outstanding shares for the period.
At September 30, 2003 there were 430,000 outstanding subscription options.

Note 1:

The figure for 2002 includes a one-time sum of SEK 21.7 million as payment for negotiation rights, received during the first quarter.

Note 2:

During the first quarter of 2003 the market rights regarding Q-Med's North American Esthetics business were sold to the American company Medicis. Payment will be made to Q-Med in stages as and when certain agreed conditions are met. The first part payment of USD 58.2 million was received in March 2003 and, after the deduction of acquisition costs, has been recorded as an item affecting comparability of SEK 462.2 million.
In December 2002 a write-down of goodwill on consolidation of SEK 37 million was made regarding Ixion Biotechnology, Inc.

Other key ratios		Jan-Sept		Whole year
		2003	2002	2002
Gross margin, %		87.9	88.6	90.0
Operating margin, %*		-2.4	7.1	1.8
Operating margin excl. Ixion, %*		0.3	12.1	13.8
Operating margin before R&D costs, %*		24.1	38.6	32.2
Number of employees		437	350	369
Equity/assets ratio, %		83.6	70.2	69.4
Shareholders' equity per share, SEK		36.07	18.45	17.48
Shareholders' equity per share after full dilution, SEK		35.46	17.89	17.18

*In all operating margins for 2003 revenues from the sale of the North American business are excluded.

Group cash flow analysis		Jan - Sept		Whole year
(SEK millions)		2003	2002	2002
Cash flow from operating activities*		5.2	26.3	23.6
Cash flow from investing activities		389.8	-103.6	-137.5
Cash flow from financing activities		-14.8	40.0	42.4
Cash flow for the period		380.2	-37.3	-71.5
Liquid funds at beginning of period		83.8	162.8	162.8
Exchange rate differences in liquid funds		0.8	-3.4	-7.5
Liquid funds at end of period		464.8	122.1	83.8
*Of which change in working capital		-7.9	-0.3	-31.3

Group balance sheet

(SEK millions)

Sept 30, 2003 Sept 30, 2002 Dec 31, 2002

Fixed assets

Intangible

Patents and other intellectual property 29.4 68.5 28.5

Goodwill 46.4 55.4 52.6

Tangible 327.2 254.2 280.0

Deferred prepaid tax 20.2 17.5 15.6

Financial 2.5 1.0 0.8

Current assets

Inventories 73.1 60.5 68.9

Current receivables

Accounts receivable 99.8 80.2 89.9

Other current receivables 16.0 8.7 16.1

Prepaid expenses and accrued revenues 7.2 5.6 8.1

Liquid funds 464.8 122.1 83.8

Total assets **1,086.6** **673.7** **644.3**

Shareholders' equity 895.1 457.8 433.6

Minority interest 13.1 15.3 13.7

Provisions 2.0 2.1 2.6

Interest-bearing long-term liabilities 50.1 54.8 53.5

Interest-free long-term liabilities 0.5 0.9 0.8

Current liabilities

Interest-bearing current liabilities 27.3 37.3 39.7

Accounts payable 39.3 30.8 26.0

Other interest-free current liabilities 24.2 34.2 36.6

Accrued expenses and prepaid revenues 35.0 40.5 37.8

Total liabilities and shareholders' equity **1,086.6** **673.7** **644.3**

During the first quarter of 2003 Q-Med's North American

Esthetics business were sold to the American company Medicis. Payment will be made to

Q-Med in stages as and when certain agreed conditions are met. The first part payment of

USD 58.2 million was received in March 2003 and, after the deduction of acquisition costs,

has been recorded as an item affecting comparability of SEK 462.2 million in the income statement.

Three further part payments of in all USD 101.8 million are expected. However,

it is not possible to forecast at what point in time these part payments will be made.

Change in shareholders' equity during the period (SEK millions)	Jan - Sept 2003	2002	Whole year 2002
Opening balance	433.6	442.1	442.1
Options programs		2.9	3.5
Translation difference	4.4	-6.0	-8.4
Net income for the period	457.1	18.8	-3.6
Closing balance	895.1	457.8	433.6

Q-Med AB (publ)

October 17, 2003
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This report has not been the subject of scrutiny by the company's auditors. The same accounting principles and methods of calculation have been used in the drawing up of this interim report as in the latest Annual Report.

RESTYLANE, RESTYLANE Perlane, RESTYLANE Fine Lines, DUROLANE, ZUIDEX and DEFLUX are all registered trademarks.

Calendar

Report on operations 2003	February 12
Interim report January-March 2004	May 6
Annual General Meeting	May 6
Interim report January-June 2004	July 22
Interim report January-September 2004	October 28

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