

Q-Med is a rapidly growing medical device company in Uppsala that develops, produces and sells non-animal hyaluronic acid based medical implants. All the products manufactured in-house by Q-Med are based on the company's patented technology for the production of NASHA - Non-Animal Stabilized Hyaluronic Acid. Q-Med is focused on aesthetics, osteoarthritis and urology. The company was founded in 1987 by Bengt Ågerup Ph.D. and today has a total of 95 employees, with 75 at Q-Med's production facility and head office in Uppsala and the remainder in wholly owned foreign subsidiaries.

PRESS RELEASE

August 27, 1999

Uppsala, Sweden

Q-MED's interim report for the first half of 1999 - continued strong growth

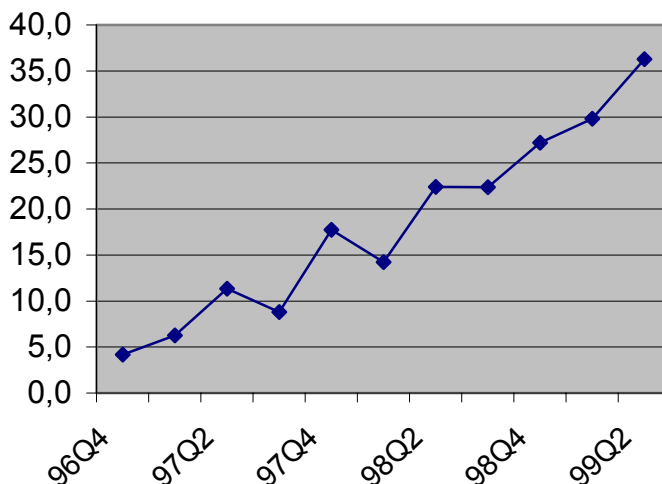
- Sales increased by 83% to SEK 66 (36) million
- Income after financial items increased to SEK 12.5 (7.9) million
- Launch of the urology product Deflux[®] for vesicoureteral reflux (VUR)
- Distribution agreement for Restylane[®] reached for several new markets

Revenues and income

Q-Med's sales during the first half of 1999 amounted to SEK 65.9 million, an increase of 83% compared with the previous year. Sales for the second quarter amounted to SEK 36.3 million, an increase of 58% from the previous year and 22% from the first quarter of 1999.

Sales development per quarter

(SEK million)



Q-Med has continued to have great success with the product Restylane® – the company's product within the area of aesthetics for filling out lips, facial wrinkles and facial folds. Sales of Restylane

increased during the first half year by 108% to SEK 56.9 (27.4) million. Sales of Restylane® during the second quarter increased by 25% compared with the first quarter of 1999. The increase is due both to increased demand in existing markets and to the introduction of the product in new markets. During the first half of the year distribution agreements have been signed for Argentina, Venezuela, Chile, Uruguay, India, Austria and South Korea, amongst others.

Q-Med's product Deflux® for the treatment of vesicoureteral reflux, a common malformation of the urinary bladder in small children, was approved in December 1998 for the European market and a launch of the product is being carried out in selected markets during 1999. A registration file for Deflux® for the indication SUI – Stress Urinary Incontinence – has been submitted with a view to obtaining CE-marking and sales approval in Europe.

Operating income for the period amounted to SEK 13.4 (8.2) million. In the income for the first six months of 1999 is included an extraordinary revenue of SEK 2.2 million. This comprised the write-off of a debt in connection with the signing of a royalty agreement regarding a patent which does not affect the company's core business. The effect of this item, which is reported among other operating revenues, has been completely counteracted by a drop in revenues from the terminated co-operation with an American company within the area of urology. Amortisation and depreciation of SEK 2.9 (1.2) million have been charged against income, of which SEK 0.4 (0.4) million was amortisation of goodwill.

Income after financial items amounted to SEK 12.5 (7.9) million. Investments in the building up of Q-Med's marketing organisation and extended research and development, with increased costs as a consequence, are reflected in the unchanged income between the second quarter for 1999 and that of 1998.

	Jan – June			Apr – June			Whole year
(SEK million)	1999	1998	□ %	1999	1998	□ %	1998
Net Sales	65.9	36.1	+ 83	36.3	23.0	+ 58	85,2
Operating income	13.4	8.2	+ 63	6.7	6.8	- 1	12,5
Earnings after financial items	12.5	7.9	+ 59	6.3	6.4	- 1	11,9

Investments and cash flow

Investments in machinery and equipment during the period amounted to SEK 10.7 (15.0) million, and these were largely attributable to Q-Med's production and office building in Uppsala. Furthermore, during the period Q-Med has invested SEK 2.5 (0.0) million in an American research company, Ixion, Inc., which in collaboration with Q-Med and usage of the NASHA technology carries out research into the cultivation and transplantation of insulin-producing cells with a view to treating diabetes. Q-Med's operating working capital (current receivables and inventories minus interest-free current liabilities) increased by SEK 11.8 (2.4) million due to the company's growth. The cash flow after the investments made during the first half of 1999 was negative, SEK -13.5 (-17.4) million. Financing has been through the use of existing and increased bank credit.

Extra-ordinary shareholders' meeting – employees' warrants

At an extra-ordinary meeting with the share-holders of Q-Med AB (publ) on August 27, 1999, it was decided to issue subscription options for the employees during 1999. The programme would comprise a total of 350,000 options.

Personnel

Q-Med has further strengthened its organisation during 1999 and employed people for its marketing organisation, research and development and quality assurance. The total number of employees at the end of the period was 95, with 75 in Sweden.

New member of the Board

At the Annual General Meeting on May 4, 1999 Ugo Grondelli, former Deputy Managing Director of Gambro, was elected as a new member of Q-Med's Board.

Biomatrix lawsuit

As earlier reported, a US lawsuit has been filed against Q-Med by its competitor Biomatrix, Inc. The Q-Med's Board of Directors believes that the lawsuit is entirely without merit.

Q-Med AB (publ)

The Board

Appendix: Income statement, balance sheet and financial analysis for January - June 1999.

Queries should be addressed to Per-Olof Wallström, Managing Director, on +46 18 474 90 00 or +46 70 974 90 70.

Consolidated income statement

(SEK millions)	January– June			April – June			Full Year
	1999	1998**	Δ %	1999	1998**	Δ %	1998
Net turnover	65.9	36.1	82%	36.3	23.0	58%	85.2
Cost of goods sold	-9.9	-8.0	23%	-5.5	-5.0	9%	-18.5
Gross income	56.0	28.1	98%	30.8	18.0	71%	66.7
Selling, general & administrative expenses	-35.9	-17.6	104%	-19.3	-9.3	110%	-45.5
Research & development expenses	-8.7	-2.6	240%	-4.8	-1.6	203%	-6.7
Other operating revenues	2.9	0.1		0.3	-0.6		1.0
Other operating costs	-0.9	0.0		-0.3	0.2		-3.0
Operating income	13.4	8.0	63%	6.7	6.7	-1%	12.5
Financial income & expenses, net	-0.9	-0.1		-0.4	-0.3		-0.6
Income after financial items	12.5	7.9	59%	6.3	6.4	-2%	11.9
Tax on income for the period*	-3.6	-2.2		-1.8	-1.7	4%	-4.2
Net income	8.9	5.7	56%	4.5	4.7	-4%	7.7
Earnings per share, SEK	0.50	0.32	56%	0.25	0.26	-4%	0.43

*Tax January-June 1998 and 1999 based on standard tax rate

Consolidated balance sheet

(SEK millions)	99-06-30	98-06-30	98-12-31
Fixed assets			
<i>Intangible assets</i>	6.0	7.0	6.5
<i>Tangible assets</i>	61.5	28.2	53.3
<i>Financial assets</i>	3.5	0.6	0.6
Current assets			
<i>Inventories</i>	8.8	3.8	5.4
<i>Current receivables</i>			
Account receivable	20.6	14.3	13.9
Other current receivables	2.5	3.3	4.0
Prepaid expenses and accrued revenues	2.7	0.7	0.5
<i>Cash and bank deposits</i>	6.3	6.5	2.8
Total assets	111.9	64.4	87.0
Shareholder's equity	49.1	37.3	39.1
Provisions	4.9	0.7	4.3
Long-term liabilities			
Overdraft facility utilised (limit: SEK 20 million)	16.1	4.7	18.0
Other interest-bearing long-term liabilities	23.4	6.0	1.6
Interest-free long-term liabilities	0.0	0.0	0.0
Current liabilities			
Interest-bearing current liabilities	0.0	0.0	4.5
Accounts payable	7.8	8.9	9.8
Other interest-free current liabilities	4.0	2.7	4.3
Accrued expenses and prepaid revenues	6.6	4.1	5.4
Total liabilities and shareholder's equity	111.9	64.4	87.0

Consolidated cash flow analysis

(SEK millions)	January– June		Full Year
	1999	1998**	1998
Cash flow from business operations during the period	11.8	6.9	10.5
Changes in working capital	-11.8	-2.4	-0.2
Cash flow after changes in working capital	0.0	4.5	10.3
Changes in fixed assets	-13.5	-21.9	-48.1
Cash flow during the period	-13.5	-17.4	-37.8
Changes in borrowing	15.9	4.9	21.7
Changes in shareholder financing	1.1	0.2	0.0
Changes in liquid assets	-3.5	12.3	16.1
Total financing	13.5	17.4	37.8

** For comparison reason, 1998 restated to reflect present accounting principles