

INTERIM REPORT JANUARY – SEPTEMBER 2005

- Turnover during the period amounted to SEK 669.1 (585.5) million, an increase of 14 percent.
- Operating income amounted to SEK 59.0 (369.8) million. Adjusted for revenues and expenses of a one-time nature, operating income amounted to SEK 69.3 (38.9) million.
- Net income after tax amounted to SEK 46.8 (316.3) million.
- Earnings per share for the period were SEK 1.89 (12.75).
- The very positive development for all products within Hospital Healthcare continues: +53%.
- The reorganization in Latin America is completed. Sales in Mexico are being resumed during the fourth quarter.

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 NASHA technology - Non-Animal Stabilized Hyaluronic Acid. The products covered by the RESTYLANE trademark are used for the filling out of lips and facial wrinkles and for facial contouring and today account for the majority of sales. RESTYLANE is sold in over 70 countries and has been approved in the USA. DUROLANE, Q-Med's product for the treatment of osteoarthritis of the hip and knee joints, 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 (a 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 approximately 550 employees, with approximately 350 at the company's production facility and head office in Uppsala. The Q-Med share is listed on the O-list, Attract 40, of the Stockholm Stock Exchange.

GROUP TURNOVER

Q-Med's turnover increased by 14 percent during January – September 2005 to SEK 669.1 (585.5) million. All regions, except for Latin America, displayed good growth compared with the corresponding period the previous year. However, as previously announced, Brazil and Mexico have been affected by a necessary reorganization of distribution and sales channels, which has curbed the global rate of growth for the RESTYLANE product area. The Hospital Healthcare product area has displayed very positive development since the beginning of the year and increased during the first nine months by 53 percent to SEK 189.3 (123.8) million.

Fluctuations in exchange rates negatively affected turnover by SEK 1.3 million.

Sales during the third quarter of the year amounted to SEK 231.6 (184.4) million. This was an increase of 26 percent compared with the same period the previous year. During July – September Europe and Asia, amongst others, have had strong sales development.

Turnover per geographic area January - September

(SEK millions)	RESTYLANE Jan - Sept			Hospital Healthcare Jan - Sept			Total Jan - Sept		
	2005	2004	+/-	2005	2004	+/-	2005	2004	+/-
Nordic countries	22.4	15.8	42%	11.4	6.5	75%	33.7	22.3	51%
Rest of Europe	265.1	238.1	11%	72.2	45.1	60%	337.3	283.2	19%
North America	61.8	78.0	-21%	103.8	70.6	47%	165.6	148.6	11%
Latin America	7.6	36.1	-79%	0.0	0.1	-100%	7.6	36.2	-79%
Asia	88.6	68.5	29%	1.9	1.1	73%	90.5	69.6	30%
Rest of the world	34.4	25.2	37%	0.0	0.4	-100%	34.4	25.6	34%
Total	479.8	461.7	4%	189.3	123.8	53%	669.1	585.5	14%

Turnover per geographic area July - September

(SEK millions)	RESTYLANE July - Sept			Hospital Healthcare July - Sept			Total July - Sept		
	2005	2004	+/-	2005	2004	+/-	2005	2004	+/-
Nordic countries	7.0	5.3	32%	2.8	2.1	33%	9.8	7.4	32%
Rest of Europe	75.9	66.4	14%	24.7	16.3	52%	100.6	82.7	22%
North America	23.8	25.7	-7%	42.2	27.9	51%	66.0	53.6	23%
Latin America	2.4	10.2	-76%	0.0	0.0	-	2.4	10.2	-77%
Asia	39.5	23.0	72%	0.8	0.5	60%	40.3	23.5	71%
Rest of the world	12.5	6.9	81%	0.0	0.1	-100%	12.5	7.0	79%
Total	161.1	137.5	17%	70.5	46.9	50%	231.6	184.4	26%

GROUP INCOME*)

The Group's gross income for the period January – September amounted to SEK 583.3 (516.1) million. The gross margin amounted to 87 (88) percent. Gross income for the third quarter amounted to SEK 204.9 (165.9) million. Marketing and selling expenses for the period amounted to SEK 323.2 (303.9) million, which corresponds to 48 (52) percent of the turnover. For the third quarter these expenses amounted to SEK 107.0 (103.2) million.

Costs for research and development amounted to SEK 151.9 (138.8) million, of which SEK 43.9 (43.7) million was during the third quarter. Research costs in Ixion constituted SEK 14.3 million of these costs for the first two quarters. In June 2005, Q-Med was an owner, through OxThera AB, of the project for oxalate control that was previously owned by Ixion. Thereafter have, through the new share issue in OxThera, new financial backers injected funds into the project which is being continued without any further investments from Q-Med. No development expenses have been recorded as an intangible asset in the period. Depreciation and amortization of SEK 21.1 (20.8) million has been charged against income.

Operating income for the nine-month period amounted to SEK 59.0 (369.8) million. This includes, under Other operating expenses, SEK 10.3 (11.0) million, which was generated in connection with the dispute with Inamed, which was discontinued in March. Operating income for the corresponding period in 2004 included revenues of a one-time nature of SEK 369.4 million from Medicis and a one-time expense for a settlement payment to Biomatrix/Genzyme of SEK 27.6 million. Adjusted for these expenses operating income for the period January – September amounted to SEK 69.3 (38.9) million. The corresponding operating income for July – September amounted to SEK 37.6 (5.5) million.

Net financial income for the first nine months of the year amounted to SEK 13.8 (18.1) million. Fluctuations in exchange rates affected net financial income by SEK 0.7 million. Net income for the period after tax amounted to SEK 46.8 (316.3) million. Net income for the third quarter amounted to SEK 23.2 (149.5) million.

INVESTMENTS AND CASH FLOW

The cash flow from operating activities amounted to SEK -7.5 (4.9) million for the period January – September, of which SEK 22.1 million was in the third quarter. The cash flow includes the final payments of SEK -16.7 million to Genzyme in January and payments of SEK -19.5 million regarding the patent legal action that has now been discontinued, nothing of which was in the third quarter. In July a one-time VAT repayment of SEK 18.5 million attributable to previous years was received.

The cash flow from investing activities amounted to SEK -74.1 (249.5) million, of which SEK -15.5 million was in the third quarter. During the nine-month period SEK 43.1 (84.8) million was invested in buildings and land, of which SEK 0.0 (20.9) million was in the third quarter. Two properties adjacent to the existing properties have been acquired for expansion of the warehouse and offices. Current investments in machinery and equipment amounted to SEK 26.1 (21.1) million. Last year's cash flow included one-time payments from Medicis (SEK 360,6 million).

In May SEK 198.5 million was paid as a dividend to the shareholders in accordance with the resolution of the Annual General Meeting. In all the cash flow during the period was SEK -280.1 (-71.0) million. At September 30, Q-Med had liquid funds of SEK 441.0 million.

*) All comparative figures have been restated in accordance with IFRS.

THE RESTYLANE PRODUCT AREA

(SEK millions)	January - September			July – September			Whole year
	2005	2004	+/-	2005	2004	+/-	2004
Turnover	479.8	461.7	4%	161.1	137.5	17%	652.8
Operating income*	165.5	182.4	-9%	58.8	47.3	24%	241.2
Operating margin*, %	34	40		36	34		37

*2004: Excluding one-time revenues from agreements with Medicis (+369.4), costs attributable to legal action involving Genzyme (-27.6) and Inamed (-11.0), and (+4.3) IFRS adjustments.

2005: Excluding costs attributable to the legal action involving Inamed (10.3).

Turnover amounted to SEK 479.8 (461.7) million, of which SEK 161.1 (137.5) million was in the third quarter. Fluctuations in exchange rates had a positive effect of SEK 0.2 million. Operating income amounted to SEK 165.5 (182.4) million, of which SEK 58.8 (47.3) was during July - September. The operating margin amounted to 34 (40) percent for the nine-month period and for the third quarter it amounted to 36 (34) percent.

During January – September Europe and Asia, amongst others, displayed good growth, 13 and 29 percent respectively compared with the corresponding period the previous year. The trend continued in the third quarter, when turnover in Europe increased by 16 percent and in Asia by 72 percent compared with the corresponding quarter in 2004.

Medicis posted a very positive view of RESTYLANE in their financial statements in September. However, shipments to Medicis were 21 percent lower during the period January – September, but only 7 percent lower in the third quarter, compared with the previous year, as a consequence of the building up of inventories during the launch phase in 2004.

The necessary reorganization of distribution and sales channels in Brazil and Mexico has meant that there have been no shipments to these countries during the period. This has affected sales in Latin America considerably, and these amounted to SEK 2.4 million compared with SEK 10.2 million during the same period in 2004. The development of Q-Med's own organization in Mexico has been very effective and has been in place since the middle of October. As registration and an import licence have been obtained, sales can be resumed straight away. In Brazil, where re-registration of the product takes considerably longer, it is estimated that sales can be begun during the first part of 2006.

The activities connected with the study which is ongoing in order to be able to apply for sales approval in China are proceeding according to plan. It is estimated that the follow-up of all patients will have been completed before the end of the year.

The merger of Medicis and Inamed that was announced at the end of March has not yet been approved by the American antitrust authority.

THE HOSPITAL HEALTHCARE PRODUCT AREA

	January – September			July – September			Whole year
Turnover (SEK millions)	2005	2004	+/-	2005	2004	+/-	2004
ZUIDEX	23.4	14.5	61%	6.8	4.6	48%	20.1
DEFLUX	127.9	89.7	43%	49.5	34.5	43%	121.6
DUROLANE	38.0	19.6	94%	14.2	7.8	82%	28.7
Total turnover	189.3	123.8	53%	70.5	46.9	50%	170.4
Operating income	-46.6	-97.0	52%	-8.9	-25.4	65%	-140.2

ZUIDEX

Sales amounted to SEK 23.4 (14.5) million during the period, of which SEK 6.8 (4.6) million was in the third quarter. ZUIDEX displayed growth of 61 percent for the period January – September compared with the same period the previous year. Interest in this treatment for stress urinary incontinence in women is growing. In connection with the ICS (International Coninence Society) international congress in Montreal more than 400 of the 3 000 delegates participated in the symposium that Q-Med arranged regarding women's choice of method of treatment. However, time-consuming efforts still lie ahead before the product attains widespread reimbursement of patients' costs and establishment in outpatient care.

In the study that is ongoing in the USA 300 of the 360 patients have been included. The study, which will form the basis of an application for registration in the USA, is proceeding according to plan and it is estimated that it will be completed around the turn of the year 2006/2007.

DEFLUX

Growth for DEFLUX has continued to be very good during the first nine months of the year, 43 percent compared with the corresponding period the previous year. Turnover for the period amounted to SEK 127.9 (89.7) million, of which SEK 49.5 (34.5) million was in the third quarter. The product thereby constitutes 19 percent of Q-Med's total sales. The trend amongst doctors to choose DEFLUX for the treatment of VUR (a malformation of the urinary bladder in children) rather than years of treatment with antibiotics is gaining strength both in the USA and in several European countries.

The follow-up of patients in the ongoing study in Japan has been completed during the quarter and a compilation of the material has been initiated. As previously, the aim is to submit an application for sales approval during the spring of 2006.

DUROLANE

Sales have increased by 94 percent since the beginning of the year compared with the corresponding period the previous year, to SEK 38.0 (19.6) million. This is a consequence of the strengthened sales and PR efforts in connection with DUROLANE, which unlike other competing products only requires one injection in the affected knee or hip joint.

The initial work on putting together an application for registration in the USA has begun on the basis of the data that have been processed during the year.

DEVELOPMENT PROJECTS

(SEK millions)	January – September			July - September			Whole year
	2005	2004	+/-	2005	2004	+/-	2004
Operating income	-33.9	-25.8	-31%	-7.4	-7.6	+3%	-36.3

The development project that has made the most progress during the year is a product for the treatment of fecal incontinence. As a consequence of the good treatment results from the pilot study that was carried out at the University Hospital in Uppsala, more comprehensive, international studies will be begun during the fourth quarter.

ELECTION COMMITTEE

In accordance with a resolution at Q-Med's Annual General Meeting on April 28, 2005, an election committee has been appointed, amongst other things, to draw up a proposal regarding the composition of the Board. This proposal will be presented to the Annual General Meeting in 2006 for approval. The members of the election committee are: Robert Wikholm (Chairman), Bengt Ågerup and Anders Milton. Information on how to contact the chairman of the election committee is to be found on the company's home page and at the end of this report.

PROSPECTS FOR THE REST OF 2005

The interest in Q-Med's products continues to be great, not least for injectable esthetics products, where RESTYLANE has a leading position internationally. It is assessed that the product area will continue to grow during the fourth quarter in line with the underlying market in both Asia and in Europe. However, Latin America will continue to be affected by the fact that the new organization has still not been fully implemented.

For the product area Hospital Healthcare activities to promote sales of DEFLUX, ZUIDEX and DUROLANE are proceeding in parallel with studies and preparation for applications for registration. The chances are good that all these products will continue to display strong growth.

Q-Med's overall objective remains unchanged: high growth with good profitability.

THE PARENT COMPANY

Turnover in the Parent Company, Q-Med AB (publ), amounted to SEK 417.8 (384.5) million, including sales of SEK 205.8 (168.4) million to subsidiaries. Income after financial items amounted to SEK 29.3 (259.8) million. The Parent Company's liquid funds at September 30, 2005 were SEK 389.1 (541.1) million.

PERSONNEL

The number of employees was 532 people at September 30, 2005. At the same point in time the previous year the number of employees was, exclusive of Ixion, 504 people. Of these 358 (341) were employed in Sweden.

ACCOUNTING PRINCIPLES

This quarterly report has been drawn up in accordance with IAS 34, Interim Financial Reporting, which is in accordance with the requirements of the recommendation of the Swedish Financial Accounting Standards Council, RR31.

The accounting principles that are applied in this interim report are those described in the notes in the Annual Report for 2004, in particular notes 2 and 3. In note 3 in the Annual Report it is stated, amongst other things, that International Financial Reporting Standards (IFRS) are being applied as from the year 2005 and that the comparative information has been restated in accordance with the new principles, with the exception of the principles which apply to financial instruments.

The effects of the restatement of comparative figures regarding net income for January – September 2004 and shareholders' equity at September 30, 2004 are presented below. The corresponding information for the whole of 2004 is presented in the Annual Report for 2004.

In accordance with the rules for the changeover to IFRS, the new principles for financial instruments are applied only in those parts of the financial statements that concern 2005. The only effect that this has had on Q-Med is that the currency forward contracts that the Parent Company has to hedge future flows of currency have been restated at their actual value. The effect of this on shareholders' equity at the beginning of the year is presented below.

Summary of effects on the period Jan - Sept 2004 of the changeover to IFRS

(SEK millions)	Jan – Sept 2004
Net income Jan – Sept 2004 according to accounting principles applied at the time	316.0
Effect of changeover to IFRS	
Goodwill	4.3
Minority interests	-3.1
Deferred tax on the above	-0.9
Net income Jan – Sept 2004 according to IFRS	316.3
	Sept 30, 2004
Shareholders' equity at Sept 30, 2004 according to accounting principles applied at the time	I 272.0
Effect of changeover to IFRS	
Goodwill	4.3
Minority interests	7.2
Deferred tax on the above	-0.9
Shareholders' equity at Sept 30, 2004 according to IFRS	I 282.6
Summary of effects of the changeover to IFRS on shareholders' equity at the beginning of the year	
Shareholders' equity at Dec 31, 2004 according to accounting principles applied at the time	I 221.6
Effect of changeover to IFRS	
Goodwill	5.7
Deferred tax	-1.2
Shareholders' equity at Dec 31, 2004 according to IFRS	I 226.1
Effect of change of accounting principle, IAS 39	
Actual value of currency forward contracts	2.1
Shareholders' equity at Jan 1, 2005 according to IFRS	I 228.2
Summary of effects of the changeover to IFRS on opening balance 2004 for shareholders' equity	
Shareholders' equity at Jan 1, 2004 according to accounting principles applied at the time	I 280.9
Effect of changeover to IFRS	
Minority interests	9.9
Shareholders' equity at Jan 1, 2004 according to IFRS	I 290.8

Group income statement	January - Sept			July - Sept			Whole year
(SEK millions)	2005	2004	+/- %	2005	2004	+/- %	2004
Turnover	669.1	585.5	14%	231.6	184.4	26%	823.2
Cost of goods sold	-85.8	-69.4	24%	-26.7	-18.5	44%	-103.5
Gross income	583.3	516.1	13%	204.9	165.9	24%	719.7
Selling expenses	-323.2	-303.9	6%	-107.0	-103.2	4%	-442.9
Administrative expenses	-48.0	-42.3	13%	-14.9	-13.9	7%	-58.1
R&D costs	-151.9	-138.8	9%	-43.9	-43.7	0%	-189.7
Other operating revenues	19.6	382.8	-95%	4.8	223.1	-98%	385.8
Other operating expenses	-20.8	-44.1	-53%	-6.3	-22.5	-72%	-69.6
Operating income	59.0	369.8	-84%	37.6	205.7	-	345.2
Result from financial items	13.8	18.1	-	-0.7	4.3	-	16.6
Income after financial items	7.8	387.9	-	36.9	210.0	-	361.8
Tax on income for the period	-26.0	-71.6	-	-13.7	-60.5	-	-104.0
Net income for the period	46.8	316.3	-	23.2	149.5	-	257.8
<i>Of which minority interest amounts to:</i>	<i>0.0</i>	<i>-3.1</i>		<i>0.0</i>	<i>-0.1</i>		<i>-9.9</i>
Earnings per share, SEK*	1.89	12.75		0.94	6.03		10.39
Earnings per share after full dilution, SEK	1.89	12.75		0.94	6.03		10.39
Number of outstanding shares at closing day	24,813,500	24,813,500		24,813,500	24,813,500		24,813,500
Average number of outstanding shares	24,813,500	24,813,500		24,813,500	24,813,500		24,813,500

* Earnings per share is defined as the earnings for the period in relation to the average number of outstanding shares for the period.

Other key ratios	January – September		Jan - Dec
	2005	2004	2004
Gross margin, %	87.2	88.1	87.4
Operating margin, % *	10.4	6.4	3.8
Operating margin excl. Ixion, % *	12.2	9.1	6.5
Operating margin before R&D costs, % *	33.1	30.1	26.8
Number of employees	532	532	543
Equity/assets ratio, %	81.1	80.6	81.3
Shareholders' equity per share, SEK	43.49	51.69	49.41
Shareholders' equity per share after full dilution, SEK	43.48	51.69	49.41

* One-time items have been excluded in all operating margins.

Group balance sheet

(SEK millions)

Sept 30, 2005 Sept 30, 2004 Dec 31, 2004

Fixed assets

Patents and other intellectual property	21.2	27.8	26.4
Goodwill	42.7	43.7	41.1
Tangible assets	500.8	449.5	454.5
Deferred prepaid tax	4.3	47.4	9.4
Other financial assets	11.9	3.6	2.1

Current assets

Inventories	92.1	74.0	73.9
Accounts receivable	176.9	153.2	130.2
Other current receivables	13.3	35.4	33.6
Prepaid expenses and accrued revenues	26.9	13.9	20.5
Liquid funds	441.0	742.7	717.3

Total assets

1 331.1 1 591.2 1 509.0

Shareholders' equity

1 079.2 1 282.6 1 226.1

Provisions

Provisions for taxes	36.0	34.5	30.9
Other provisions	4.7	3.0	3.6

Long-term liabilities

Interest-bearing long-term liabilities	50.0	50.3	50.1
Interest-free long-term liabilities	0.5	2.4	1.0

Current liabilities

Interest-bearing current liabilities	23.9	23.5	23.3
Accounts payable	30.6	36.3	51.6
Other interest-free current liabilities	51.3	57.5	72.9

Accrued expenses and prepaid revenues

54.9 101.1 49.5

Total liabilities and shareholders' equity

1 331.1 1 591.2 1 509.0

Collateral for own liabilities

66.6 66.5 66.6

Contingent liabilities

none none none

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Coming report: Year-end report February 10

Annual General Meeting: May 3 in Uppsala.

NASHA, DUROLANE, ZUIDEX, IMPLACER, DEFLUX and all the products within the RESTYLANE family are trademarks that belong to Q-Med.

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