Uppsala
February 10, 2006

YEAR-END REPORT 2005

- Turnover during 2005 rose by 19 percent to SEK 976.0 (823.2) million.
- Operating income amounted to SEK 111.7 (339.4) million. Adjusted for revenues and expenses of a one-time nature, operating income amounted to SEK122.6 (25.5) million.
- Net income after tax amounted to SEK 77.1(257.8) million.
- Earnings per share before dilution amounted to SEK 3.11 (10.39).
- Continued very positive sales development within the Hospital Healthcare product area, +54 percent.
- Registration study on RESTYLANE in China was completed during the year.
- The Board proposes a dividend of SEK 3 per share.

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 of the Stockholm Stock Exchange.

GROUP TURNOVER

Group turnover rose by 19 percent during 2005 to SEK 976.0 (823.2) million. All regions, except for Latin America, displayed good growth compared with the previous year. Despite greatly reduced sales in Latin America, as a consequence of the necessary reorganization in Brazil and Mexico, the RESTYLANE product area was able to display growth of 9 percent. The Hospital Healthcare product area, which during the whole year displayed very positive development, increased sales by 54 percent to SEK 262.7 (170.4) million. Fluctuations in exchange rates positively affected turnover by SEK 13.5 million, of which SEK 14.8 million was in the fourth quarter.

Turnover during the fourth quarter of the year amounted to SEK 306.9 (237.7) million. This was an increase of 29 percent compared with the same period the previous year. The positive development is, amongst other things, a consequence of the strong development of sales for the RESTYLANE products in Europe and Asia, as well as continued increased demand for the products within Hospital Healthcare.

Turnover per geographic area January – December 2005

	Restylane			Hospital Healthcare			Total		
(SEK millions)	2005	2004	+/- %	2005	2004	+/- %	2005	2004	+/- %
Nordic countries	31.1	21.6	44%	12.6	8.8	43%	43.7	30.4	44%
Rest of Europe	371.4	338.5	10%	99.1	63.6	56%	470.5	402.1	17%
North America	89.7	109.8	-18%	147.8	96.0	54%	237.5	205.8	15%
Latin America	11.0	39.6	-72%	0.0	0.2	-100%	11.0	39.8	-72%
Asia	156.1	102.2	53%	3.2	1.5	113%	159.3	103.7	54%
Rest of the world	54.0	41.1	31%	0.0	0.3	-100%	54.0	41.4	30%
Total	713.3	652.8	9%	262.7	170.4	54%	976.0	823.2	19%

Turnover per geographic area October – December 2005

	Restylane			Hospital Healthcare			Total		
(SEK millions)	2005	2004	+/- %	2005	2004	+/- %	2005	2004	+/- %
Nordic countries	8.7	5.8	50%	1.2	2.3	-48%	9.9	8.1	22%
Rest of Europe	106.4	100.4	6%	26.9	18.5	45%	133.3	118.9	12%
North America	27.9	31.8	-12%	44.0	25.4	73%	71.9	57.2	26%
Latin America	3.4	3.5	-3%	0.0	0.1	-100%	3.4	3.6	-6%
Asia	67.5	33.7	100%	1.3	0.4	225%	68.8	34.1	102%
Rest of the world	19.6	15.9	23%	0.0	-0.1	-100%	19.6	15.8	24%
Total	233.5	191.1	22%	73.4	46.6	58%	306.9	237.7	29%

GROUP INCOME*

The Group's gross income for the period January – December amounted to SEK 835.8 (719.7) million. The gross margin amounted to 86 (87) percent. Gross income for the fourth quarter amounted to SEK 252.5 (203.6) million. Marketing and selling expenses for the period amounted to SEK -460.4 (-442.9) million, which corresponds to 47 (54) percent of the turnover. For the fourth quarter these expenses amounted to SEK -137.2 (-139.0) million.

Costs for research and development amounted to SEK -201.4 (-189.7) million, of which SEK -49.5 (-50.9) million was during the fourth quarter. Research costs in Ixion constituted SEK -14.3 million of these costs during the first two quarters. In June 2005, Q-Med became an owner, through OxThera AB, of the project for oxalate control that was previously owned by Ixion. Subsequently, through the new share issue in OxThera, two Swedish venture capitalists have injected funds into the project, which is being continued without any further investments from Q-Med. Just over 19 percent of OxThera AB is now owned by Q-Med.

No new development expenses have been recorded as an intangible asset in the period. Depreciation and amortization of SEK -32.4 (-28.2) million has been charged against income.

Operating income for 2005 amounted to SEK 111.7 (345.2) million. This includes, under Other operating expenses, SEK -10.9 (-20.3) million, which was generated in connection with the dispute with Inamed, which was abandoned in March. Operating income for the corresponding period in 2004 included, in addition to the above-mentioned expense, 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 -35.0 million. Adjusted for these items operating income for the period January – December amounted to SEK 122.6 (31.1) million. The corresponding operating income for October – December amounted to SEK 53.3 (-7.9) million.

Net financial income for the year amounted to SEK 12.2 (16.6) million. Fluctuations in exchange rates affected net financial income positively by SEK 0.2 million. Net income for the period after tax amounted to SEK 77.1 (257.8) million. Net income for the fourth quarter amounted to SEK 30.3 (-58.5) million.

INVESTMENTS AND CASH FLOW

The cash flow from operating activities amounted to SEK 43.0 (-7.8) million for the period January – December, of which SEK 50.5 million was in the fourth quarter. The cash flow includes the final payments of SEK -16.7 million to Genzyme in January and payments of SEK -20.1 million regarding the patent legal action that has now been abandoned, of which SEK -0.6 million was during the fourth quarter. In July a one-time VAT repayment of SEK 18.3 million attributable to previous years was received.

The cash flow from investing activities amounted to SEK -105.8 (235.4) million, of which SEK -31.7 million was in the fourth quarter. During 2005 SEK 67.0 (92.5) million was invested in buildings and land, of which SEK 23.9 (7.7) million was in the fourth quarter. Two properties adjacent to the existing properties have been acquired for expansion of the warehouse and offices. Construction of the new office building was begun towards the end of the year. Current investments in machinery and equipment amounted to SEK 27.3 million. Last year's cash flow included one-time payments from Medicis of 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 year was SEK -261.3 (-97.8) million. At December 31, 2005, Q-Med had liquid funds of SEK 458.2 (717.3) million.

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

THE RESTYLANE PRODUCT AREA

	January - December			October - December		
(SEK millon)	2005	2004	+/- %	2005	2004	+/- %
Turnover	713.3	652.8	9%	233.5	191.1	22%
Operating income*	251.7	241.2	4%	86.2	58.8	47%
Operating margin %*	35%	37%		37%	31%	

*2004: Excluding one-time revenues from agreements with Medicis (SEK +369.4 million), costs attributable to legal action involving Genzyme (SEK -350 million) and Inamed (SEK -20.3 million).
2005: Excluding costs attributable to the legal action involving Inamed (SEK -10.9 million).

2005 was yet another successful year for the RESTYLANE product area, which recorded positive development of turnover and income. Sales amounted to SEK 713.3 (652.8) million, an increase of 9 percent compared with the previous year. Operating income amounted to SEK 251.7 (241.2) million, with an operating margin of 35 (37) percent.

In the fourth quarter sales increased by 22 percent and amounted to SEK 233.5 (191.1) million. Operating income for the quarter amounted to SEK 86.2 (58.8) million. The operating margin amounted to 37 (31) percent.

During 2005 RESTYLANE continued to consolidate its leading position in the rapidly growing market for esthetic products. More than 4 million treatments with RESTYLANE have been performed so far in more than 70 countries since the first product was introduced in 1996.

In Europe sales increased by 12 percent during 2005. Despite increased competition, Q-Med was able to maintain its market share, which varies between 40 and 70 percent, depending on the country. Spain, Great Britain and the Nordic countries were some of the countries that developed particularly positively during the year.

In order to secure development in the Latin American market, Q-Med set up companies of its own in Mexico and Brazil during the second half of the year. These measures are a direct consequence of problems with the previous distributors in these countries, which have meant that no shipments have been possible during the year. As a consequence, sales in the region have been 72 percent lower during 2005 compared with the previous year. Sales under Q-Med management were begun in Mexico in October. In Brazil, where re-registration of the product takes considerably longer, sales under Q-Med management have begun during 2006.

Sales of facial esthetic products in the USA correspond to approximately half of the world market. The use of neurotoxin (Botox) dominates and wrinkle fillers correspond to approximately one third of the market. Medicis, Q-Med's American partner, launched RESTYLANE in 2004 with very good results. Collaboration between the companies has further deepened since then.

In Asia growth was very good during the year, with growth of 53 percent. The foremost driving forces were Japan and South Korea, but there was also positive development in Taiwan and the Philippines during the fourth quarter. RESTYLANE SubQ has been received very well in the region. Sales to Japan are mainly made by an external distribution company.

The clinical study that has been ongoing in China in order to be able to apply for sales approval was carried out according to plan. Follow-up of all patients was completed during the fourth quarter and it is estimated that an application for registration will be able to be submitted during the first part of 2006.

In January 2006 RESTYLANE Lipp was launched in Europe. The product has been developed to meet the increased interest for lip sculpting and is adapted to the complex movements and many blood vessels in the lip area.

THE HOSPITAL HEALTHCARE PRODUCT AREA

	January - December			October - December		
Turnover (SEK millons)	2005	2004	+/- %	2005	2004	+/- %
ZUIDEX	29.3	20.1	46%	5.9	5.6	5%
DEFLUX	178.4	121.6	47%	50.5	31.9	58%
DUROLANE	55.0	28.7	91%	17.0	9.1	87%
Total turnover	262.7	170.4	54%	73.4	46.6	58%
Operating income	-66.5	-140.2	53%	-19.9	-43.2	54%

During the year the Hospital Healthcare product area developed very positively, with increased sales and improved margins. Turnover amounted to SEK 262.7 (170.4) million, which is an increase of 54 percent. During the fourth quarter of the year turnover increased by 58 percent to SEK 73.4 (46.6) million. Operating income amounted to SEK -66.5 (-140.2) million, of which SEK -19.9 (-43.2) million was during the fourth quarter. Costs for, amongst other things, the ongoing clinical study on ZUIDEX in the USA, analyses of the DUROLANE study and the now completed study on DEFLUX in Japan have been charged against the product area during the year.

ZUIDEX

Sales of ZUIDEX, for the treatment of stress urinary incontinence in women, amounted to SEK 29.3 (20.1) million, of which SEK 5.9 (5.6) million was in the fourth quarter, growth of 46 and 5 percent, respectively, compared with the previous year. The product, which has great growth potential, is still in an early phase, however. Even though ZUIDEX has been very well received by both doctors and patients, time-consuming work still lies ahead before the product attains widespread reimbursement of patients' costs and establishment in outpatient care, two factors that are necessary to obtain a major sales breakthrough in Europe. Education and training are also required if doctors are to begin to use ZUIDEX. During the second half of the year more than 20 doctors have been certified as educators in Sweden, Germany, Great Britain, the Netherlands and elsewhere. The idea is that this group will be able to train further colleagues in order to increase the number of treating doctors in Europe and thereby increase availability for patients.

In the ongoing USA study 326 of a planned 360 patients had been included by the end of January 2006. After consultation with the FDA, Q-Med has decided to let these 326 constitute the basis of the coming registration application. The follow-up of patients will be completed during spring 2007 and it is thereby estimated that ZUIDEX will be able to be approved for sales during 2008.

DEFLUX

Growth for DEFLUX, for the treatment of VUR (a malformation of the urinary bladder in children), was very good, 47 percent. Turnover during the year amounted to SEK 178.4 (121.6) million. The product thereby constitutes 18 percent of Q-Med's sales. The number of treatments increased beyond expectations, above all in the USA, as many children have probably not been diagnosed for VUR by their pediatrician, but instead have been treated for periods of time with antibiotics for different infections. The trend amongst doctors to use DEFLUX rather than years of treatment with antibiotics is gaining strength both in the USA and in Europe.

The one-year study that will form the basis of an application for registration in Japan was completed according to plan during the third quarter and the work of compiling the documents for the application is ongoing.

DUROLANE

The turnover for DUROLANE, which treats osteoarthritis of the knee and hip, increased by 91 percent compared with 2004 and amounted to SEK 55.0 (28.7) million. The positive development of sales in several European countries is a consequence of increased sales and PR efforts and a number of new agreements with distributors. The partnership with the Zambon Group in Spain and Portugal, which was begun during 2004, continued to develop well.

The compilation of data and deeper analysis of previous studies, begun towards the end of 2004, has been completed. The material reinforces previous results concerning the product's safety profile and increased effect over time. During the fourth quarter work was begun on compiling an application for registration to the FDA in the USA using these data as a basis.

DEVELOPMENT PROJECTS

	January - December			October - December		
(SEK millions)	2005	2004	+/- %	2005	2004	+/- %
Operating income*	-42.3	-36.3	-17%	-8.4	-10.5	20%

Operating income for the year 2005 amounted to SEK -42.3 (-36.3) million and during the fourth quarter to SEK -8.4 (-10.5) million. The product area did not generate any revenues.

The development project that made the most progress during the year is a product for the treatment of fecal incontinence. Approximately two percent of the population have regular problems with this. The pilot study that was begun at the University Hospital in Uppsala during 2004 has been extended to 30 patients. Based on the good results from the study, a major clinical study is starting in Europe and the USA at the beginning of 2006.

THE PARENT COMPANY

Turnover in the Parent Company, Q-Med AB (publ), amounted to SEK 647.2 (514.1) million during the year, including sales of SEK 290.3 (211.5) million to affiliated companies. During the fourth quarter turnover amounted to SEK 229.4 (129.6) million. Income after financial items amounted to SEK 77.5 (329.6) million, of which SEK 48.3 (-8.9) million was during the fourth quarter. The Parent Company's liquid funds at December 31, 2005 amounted to SEK 399.2 (660.1) million. Most of the Group's investments are made in the Parent Company.

PERSONNEL

The number of employees increased during the year by 21 people compared with the previous year, 4 of whom in the fourth quarter, and at December 31, 2005 amounted to 525 people (504 people in 2004, exclusive of personnel in Ixion, the company that has been divested). Of these 354 (334) were employed in Sweden.

PROPOSED TREATMENT OF UNAPPROPRIATED EARNINGS

The Board proposes that of the earnings at the disposal of the Annual General Meeting, consisting of retained earnings of SEK 555.6 million and net income for the year of SEK 41.8 million, in total SEK 597.4 million, SEK 74.4 million be paid to the shareholders, and that SEK 523.0 million be carried forward. This dividend is constituted by a regular dividend of SEK 3.

FINANCIAL INFORMATION

The Annual Report for 2005 will be available on Q-Med's home page, www.q-med.com as from Friday April 7. It will subsequently be available at the head office in Uppsala as from April 12, 2006 and will be sent to Q-Med's shareholders.
The Annual General Meeting will be held on Wednesday May 3, 2006, at 3 pm on Q-Med's premises, Fyrisvallsgatan 7, Uppsala. Shareholders who wish to attend the Annual General Meeting must be entered in the register of shareholders maintained by VPC AB (Swedish Securities Register Centre) on Wednesday April 26, 2006. Furthermore, shareholders should notify Q-Med of their intention to attend no later than 12 o' clock noon the same day.

PROSPECTS FOR 2006

It is Q-Med's assessment that growth in 2006 will continue to be good. It is expected that the great interest for RESTYLANE will continue. New products contribute to reinforcing interest in existing markets and new markets are growing in size. In Latin America we expect a gradual recovery during the year. In the company's assessment the product area RESTYLANE will continue to grow during the year in line with the underlying markets.

For the Hospital Healthcare product area the chances of continued strong growth for DEFLUX, ZUIDEX and DUROLANE remain good. The work on recruiting and training doctors in the use of ZUIDEX continues in parallel with activities to increase awareness among women that the method exists.
Q-Med's overall objective for 2006 is continued high growth together with good profitability.

Group income statement	January - December			October - December		
(SEK millions)	2005	2004	+/- %	2005	2004	+/- %
Turnover	976.0	823.2	19%	306.9	237.7	29%
Cost of goods sold	-140.2	-103.5	35%	-54.4	-34.1	60%
Gross income	**835.8**	**719.7**	**16%**	**252.5**	**203.6**	**24%**
Selling expenses	-460.4	-442.9	4%	-137.2	-139.0	-1%
Administrative expenses	-61.3	-58.1	6%	-13.3	-15.8	-16%
R&D costs	-201.4	-189.7	6%	-49.5	-50.9	-3%
Other operating revenues	21.7	385.8	-94%	2.1	3.0	-30%
Other operating expenses	-22.7	-69.6	-67%	-1.9	-25.5	-93%
Operating income	**111.7**	**345.2**	**-68%**	**52.7**	**-24.6**	**-**
Result from financial items	12.2	16.6	-	-1.6	-1.5	-
Income after financial items	**123.9**	**361.8**	**-**	**51.1**	**-26.1**	**-**
Tax on income for the period	-46.8	-104.0	-	-20.8	-32.4	-
Net income for the period	**77.1**	**257.8**	**-**	**30.3**	**-58.5**	**0.0**
Of which minority interest amounts to:	*0.0*	*-9.9*		*0.0*	*-6.8*	
Earnings per share, SEKr*	3.11	10.39		1.22	-2.36	
Earnings per share after full dilution, SEK	3.10	10.39		1.22	-2.36	
Number of outstanding shares at closing day	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	

*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 – December	
	2005	2004
Gross margin, %	85.6	87.4
Operating margin, % *	12.6	3.8
Operating margin excl. Ixion, % *	13.8	6.5
Operating margin before R&D costs, % *	33.2	26.8
Number of employees	536	543
Equity/assets ratio, %	77.8	81.3
Shareholders' equity per share, SEK	44.81	49.41
Shareholders' equity per share after full dilution, SEK	44.74	49.41

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

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Group balance sheet

(SEK millions)	Dec 31, 2005	Dec 31, 2004
Fixed assets		
Patents and other intellectual property	31.2	26.4
Goodwill	43.1	41.1
Tangible assets	514.0	454.5
Deferred prepaid tax	11.2	9.4
Other financial assets	12.1	2.1
Current assets		
Inventories	78.7	73.9
Accounts receivable	233.5	130.2
Other current receivables	5.3	33.6
Prepaid expenses and accrued revenues	42.1	20.5
Liquid funds	458.2	717.3
Total assets	**1 429.4**	**1 509.0**
Shareholders' equity	1 112.0	1 226.1
Provisions		
Provisions for taxes	53.9	30.9
Other provisions	5.9	3.6
Long-term liabilities		
Interest-bearing long-term liabilities	50.0	50.1
Interest-free long-term liabilities	0.5	1.0
Current liabilities		
Interest-bearing current liabilities	24.1	23.3
Accounts payable	54.7	51.6
Other interest-free current liabilities	61.5	72.9
Accrued expenses and prepaid revenues	66.8	49.5
Total liabilities and shareholders' equity	**1 429.4**	**1 509.0**
Collateral for own liabilities	55.6	66.5
Contingent liabilities	none	none

Change of shareholders' equity during the period	January – December 2005			January – December 2004		
(SEK million)	Attributable to Parent Company's shareholders	Attributable to minority interest	Total	Attributable to Parent Company's shareholders	Attributable to minority interest	Total
Open balance	1 226.1	-	1 226.1	1 280.9	9.9	1 290.8
Dividend	-	-	-	-	-	-
Chande of accounting principle, IAS 39	2.1	-	2.1	-	-	-
Dividend	-198.5	-	-198.5	-322.6	-	-322.6
Translation difference	5.2	-	5.2	0.1	-	0.1
Net income for the period	77.1	-	77.1	267.7	-9.9	257.8
Closing balance	1 112.0		1 112.0	1 226.1	0.0	1 226.1

Group cash flow analysis	January – December	
(SEK millions)	2005	2004
Cash flow from operating activities*	43.0	-7.8
Cash flow from investing activities	-105.8	235.4
Cash flow from financing activities	-198.5	-325.4
Cash flow for the period	**-261.3**	**-97.8**
Liquid funds at beginning of period	717.3	813.1
Exchange rate differences in liquid funds	2.2	2.0
Liquid funds at end of period	458.2	717.3
* Of which change in working capital	-92.0	-14.8

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.

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 exist to hedge future flows of currency have been restated at their actual value.

The effects of the restatement of comparative figures regarding net income for January – December 2004 and shareholders' equity at December 31, 2004 and January 1, 2005 are presented below.

Summary of effects on net income for January – December 2004 of the changeover to IFRS

(SEK millions)	**January – December 2004**
Net income Jan - Dec 2004 according to accounting principles applied at the time	**263,2**
Effect of changeover to IFRS	
Goodwill	5,8
Minority interests	-10,0
Deferred tax on the above	-1,2
Net income January-December 2004 according to IFRS	**257,8**

Summary of effects of changeover to IFRS on shareholders' equity at the start of the year

Shareholders' equity Dec 31, 2004 according to accounting principles applied at the time	**1 221,6**
Effect of changeover to IFRS	
Goodwill	5,7
Deferred tax	-1,2
Shareholders' equity Dec 31, 2004 according to IFRS	**1 226,1**
Effect of the change of accounting principle, IAS 39	
Actual value of currency forward contracts	2,1
Shareholders' equity Jan 1, 2005 according to IFRS	**1 228,2**

Q-Med AB (publ)

February 10, 2006
Uppsala

Bengt Ågerup,
President and CEO

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Coming reports:

Interim report January – March 2006	May 3
Annual General Meeting	May 3
Interim report January – June 2006	July 24
Interim report January – September 2006	October 23

In the US, Q-Med AB´s affiliate is the wholly-owned subsidiary Q-Med Scandinavia, Inc.