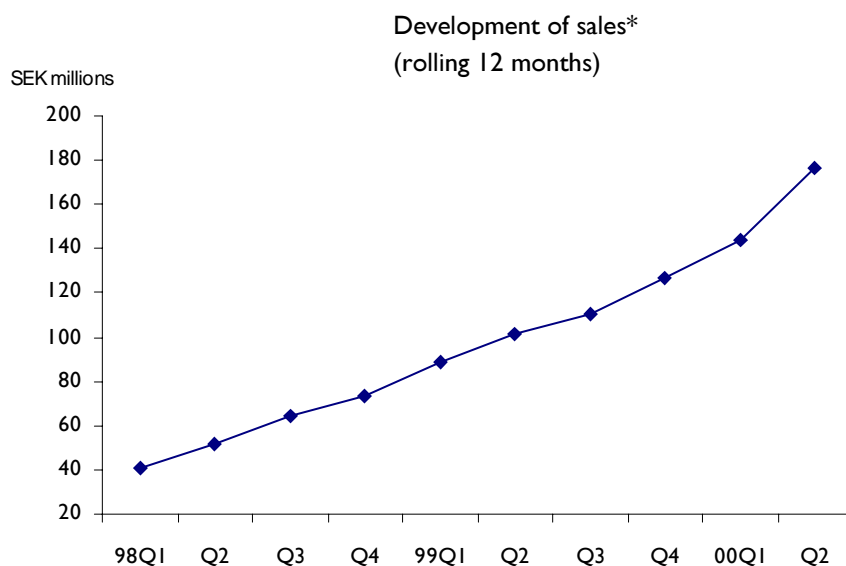


INTERIM REPORT JANUARY - JUNE 2000

- **Turnover increased by 85% for comparable units to SEK 107.5 (58.1*) million. For the second quarter the increase was 100%.**
- **Income after financial items increased by 116% to SEK 21.8 (10.1*) million.**
- **Continued strong focus on research and development: 22% (14) of turnover. Operating income before these costs amounted to SEK 41.6 (19.4*) million, an increase of 114%.**
- **After the end of the period a new business area was formed, Cell Therapy and Encapsulation. As a first step 59% of the American company Ixion Biotechnology, Inc., with business operations within cell therapy for diabetes, was acquired.**



*Excluding Venofer, an intravenous iron preparation which Q-Med had a licencing agreement for in the Nordic countries up until December 31, 1999.

Q-Med is a rapidly growing and profitable biotechnology and medical device company that develops, produces and markets non-animal hyaluronic acid based medical implants. All products are based on the company's patented technology for the production of NASHA - Non-Animal Stabilized Hyaluronic Acid. Q-Med's operations focus on the areas of Esthetics, Orthopedics and Uro-Gynecology. Esthetics contains the products RESTYLANE, RESTYLANE FINE LINES and PERLANE for facial esthetics. RESTYLANE, for the correction of facial wrinkles and lip enhancement, today accounts for the majority of sales. The development of MACROLANE for breast augmentation is ongoing. Orthopedics is responsible for DUROLANE, the product for the treatment of osteoarthritis in the knee-joint which is under development. Uro-Gynecology contains DEFLUX for vesicoureteral reflux (malformation of the urinary bladder) in children and stress urinary incontinence in women. Q-Med today has 150 employees, with 110 at Q-Med's production facility and head office in Uppsala and the remainder in wholly owned foreign subsidiaries. The Q-Med share has been listed on the O-list of the OM Stockholm Stock Exchange since December 6, 1999.

REVENUES

Q-Med increased its sales by 85% during the first half of 2000 to SEK 107.5 (58.1*) million. For the second quarter turnover amounted to SEK 64.2 (32.1*) million, an increase of 100%. Translated to a rolling 12 months, that is the period July 1999 to June 2000, turnover amounted to SEK 176.2 (101.1*) million, an increase of 74%. Currency fluctuations have had a negative effect of SEK 1.9 million on sales for the first six months compared with the same period the previous year.

Net turnover (SEK millions)	Jan – June			Apr – June			Jan - Dec	July – June
	2000	1999	+/- %	2000	1999	+/- %	1999	1999/2000
Esthetics	105.8	57.2	+85%	63.4	31.6	+101%	124.8	173.3
Uro-Gynecology	1.4	0.9	+56%	0.7	0.5	+40%	2.1	2.6
Other	0.3	-	-	0.1	-	-	-	0.3
Total	107.5	58.1	+85%	64.2	32.1	+100%	126.9	176.2

*Note: Q-Med previously had a licencing agreement with regard to Venofer, an intravenous iron preparation, for sales in the Nordic countries. The agreement was terminated as from January 1, 2000. For the sake of comparability all income statement items attributable to Venofer for the previous year have been excluded in this report. In the appendix the legal income statement for the previous year is also included.

Esthetics

- **Sales SEK 105.8 (57.2) million, an increase of 85%**
- **Perlane approved in Australia**
- **Application to initiate clinical trials with RESTYLANE in USA approved after the end of the period**

The business area Esthetics' sales development is strengthened considerably by the launching of new products. There is both increasing demand in existing markets and business activities have also been started in new markets. Further distributors have been established during the second quarter in Hong Kong and Macao. Q-Med's facial esthetic products are now sold in more than 40 countries.

On August 7, Q-Med was notified by the FDA, the American regulatory authority, that the company's application to begin clinical trials within facial esthetics with RESTYLANE had been approved. Approximately 130 patients will be included in the study, and they will receive treatment at five to seven large and leading clinics in USA. The study involves a comparison of RESTYLANE with Zyplast, the product which today is the market leader in USA. The total follow-up time is 12 months and the products will be compared with regard to the effect of treatment after six months, whereupon data will be compiled and included in an application for registration of the product. This application is expected to be submitted during 2001. It is estimated that RESTYLANE will be able to be launched in USA in 2002.

At the end of March, Q-Med's new product within facial esthetics, PERLANE, was launched. The product is intended for somewhat deeper injections so as to enable correction of the shape of the face as well as more pronounced facial folds and scarring. The introduction of the product was very successful and it has been received even more positively than expected. In the middle of June, PERLANE was also approved for sales in Australia.

In addition to PERLANE, RESTYLANE FINE LINES was also launched at the end of March. The product complements RESTYLANE and is intended for thin, superficial lines and wrinkles.

Net turnover (SEK millions)	Jan – June			Apr – June			Jan - Dec	July – June
	2000	1999	+/- %	2000	1999	+/- %	1999	1999/2000
RESTYLANE	77.1	57.2	+35%	43.1	31.6	+36%	122.3	142.4
PERLANE	22.8	-	-	15.9	-	-	2.5	25.3
RESTYLANE F.L.	5.6	-	-	4.4	-	-	-	5.6
Total	105.8	57.2	+85%	63.4	31.6	+101%	124.8	173.3

Orthopedics

- **Documentation of DUROLANE proceeding according to plan**

Within the area of Orthopedics, Q-Med is developing DUROLANE, a NASHA product primarily for the treatment of arthrosis in the knee joint. Clinical trials in more than 100 patients were concluded in June and the compilation of data and documentation for the application for CE-marking is proceeding according to plan. Q-Med expects sales approval for Europe before the end of the year.

Uro-Gynecology

- **Sales SEK 1.4 (0.9) million**

- **PMA application submitted for DEFLUX VUR in USA after the end of the period**

On July 11, an application was submitted in USA for the registration of DEFLUX for the treatment of vesicoureteral reflux in children, VUR. The product has obtained so called "expedited review" status, and Q-Med is therefore hopeful of approval during 2001.

At the end of July a patent application was submitted for a new injection device for the administration of DEFLUX for stress urinary incontinence.

EXPENSES AND INCOME*

- **Gross margin 89% (87)**

- **Large investments in research and development, SEK 23.8 (8.4) million**

- **Operating income SEK 17.8 (11.0) million**

* The figures for the previous year are exclusive of Venofer.

During the first six months of 2000 Q-Med's gross margin amounted to 89%, an improvement of 2 percentage points compared with the same period the previous year. For the second quarter the gross margin amounted to 89% (88). The improvement in the gross margin is above all due to the increase in volume and full effect of the new production facility which was started up during the second quarter of 1999.

Selling expenses increased as a consequence of continued international expansion. During the autumn of 1999 sales of Q-Med's facial esthetic products in Italy were transferred to a company subsidiary. All operating expenses in the subsidiaries are recorded as selling expenses.

Research and development costs increased by 183% compared with the same period the previous year and amounted to more than 22% (14) of the net turnover. For the second quarter the increase was 222% or 23% (14) of the net turnover. The increase is due to an increased number of projects and increased costs for external studies and analyses of DUROLANE and RESTYLANE. There have also been additional costs for the scaling up and development of the manufacturing process for all products compared with the previous year.

Amortization and depreciation of SEK 3.9 (2.9) million, of which SEK 0.4 (0.5) million is comprised of goodwill, has been charged against income. Amortization and depreciation for the second quarter was SEK 2.1 (1.6) million, of which SEK 0.2 (0.3) million was goodwill. The amortization of goodwill is recorded in the row for research costs.

Other operating income and expenses consists of the effect of exchange rates on accounts receivable and payable. The previous year a one-off revenue arose due to the writing off of a loan of SEK 2.2 million from the Swedish National Board for Industrial and Technical Development, NUTEK.

Operating income for the first six months of the year amounted to SEK 17.8 (11.0) million, which gives an operating margin of 16.6% (18.9). For the second quarter the operating income was SEK 10.8 (5.7) million and the margin 16.8% (17.8).

The new share issue which Q-Med carried out in December 1999 in connection with the listing on the OM Stockholm Stock Exchange O-list generated a net sum of SEK 258 million for

the company. This meant that net financial income improved and amounted to SEK 4.0 (-0.9) million for the first six months, and SEK 2.4 (-0.4) million for the second quarter.

The estimated tax costs amounted to SEK -1.9 (-2.8) million, of which SEK -1.9 (-1.4) million was for the second quarter. Loss carry-forward has been taken into account, mainly in the Parent Company, where SEK 15 million is still unused of the loss carry-forward which arose in 1999, consisting of costs in connection with the new share issue and listing.

Note: The accounting principles for division among the functions in the income statement have been changed in 2000 compared with 1999. The figures for 1999 have been corrected to be in accordance with the new division. The net effect on the cost of goods sold for the first six months of 1999 is an increase of SEK 0.7 million, of which SEK 0.4 is for the second quarter.

INVESTMENTS AND CASH FLOW

- **59% of Ixion Biotechnology acquired for SEK 68.6 million after the end of the period**

On July 17, Q-Med announced that the company was acquiring 59% of the American biotechnology company Ixion Biotechnology, Inc. Ixion has been collaborating with Q-Med since April 1999 and makes use of Q-Med's NASHA technology to carry out research around the culture and transplantation of insulin-producing islet cells with a view to treating diabetes.

Since April 1999, Q-Med has financed a large part of Ixion's research in exchange for newly issued shares in the company. Up until June 30, Q-Med had acquired 562,500 newly issued shares for approximately SEK 9.9 million, corresponding to a participating interest of 17.5%. Investments during the first six months of 2000 were SEK 3.9 (2.6) million, of which SEK 2.0 (2.6) million was in the second quarter. The agreement means that Q-Med, through its wholly owned subsidiary Qvestor LLC, acquired on July 14 a further 3,337,500 newly issued shares for approximately SEK 58.7 million. Half of the purchase sum was paid upon the signing of the agreement and the remainder is to be paid 12 months later. Q-Med's participating interest in Ixion thereby amounts to 59%.

For the second half of 2000 it is estimated that approximately SEK 7 million will be charged to Q-Med's income statement on account of Ixion. For the first six months of 2000 the loss in Ixion amounted to USD 0.6 million.

Investments in buildings and equipment amounted during the first six months to SEK 14.2 (10.7) million, of which SEK 10.0 (5.0) was in the second quarter. The investments are largely attributable to the high store next to the production facility and to furniture and computers for new employees.

Q-Med's cash flow from operating activities was SEK 12.2 (0.4) million for the first six months of 2000, of which SEK 12.2 (0.6) million was for the second quarter. The total cash flow was positive, SEK 9.7 (3.5) million (SEK -0.6 and -2.2 million for April-June this year and the previous year, respectively). The reasons for the positive cash flow are the good results combined with the fact that Q-Med's next biggest owner, HealthCap, utilized its outstanding subscription options during the first quarter.

PARENT COMPANY

The net turnover of the Parent Company Q-Med AB for the first six months was SEK 82.8 (53.6) million. Income after financial items amounted to SEK 27.7 (16.0) million.

PERSONNEL

Q-Med is continuing to take on new employees and has so far during the year recruited primarily within marketing, research and production. The number of employees on June 30 amounted to 147 (95), of whom 109 (75) were in Sweden.

GENERAL MEETING OF THE SHAREHOLDERS

At the Annual General Meeting of the shareholders on May 10, Göran Carstedt was elected as a new member of the Board, whereas the former member of the Board Ugo Grondelli had declined re-election. The meeting also approved a bonus share issue, which meant that the company's share capital was increased to SEK 24,311,750. The increase in the share capital was carried out by changing the par value of each existing share from SEK 0.07 to SEK 1.0.

PROSPECTS

Q-Med anticipates continued good growth during the second half of the year. However, the third quarter is from the point of view of sales traditionally the company's weakest during the financial year due to seasonal swings within esthetics.

August 23, 2000
Uppsala, Sweden
Q-Med AB (publ)

Per Olof Wallström
President and CEO

This report has not been the subject of scrutiny by the company's auditors.
The report for the period January-September 2000 will be submitted on October 26, 2000.

Queries should be addressed to Per Olof Wallström, President and CEO, on +46(0)18-474 90 00 or +46(0)70-974 90 70.

Appendix: Income statement, balance sheet, cash flow analysis and key ratios for January-June 2000.

Consolidated income statement
Appendix Q-Med H1, 2000

(SEK millions)	January – June			April – June			Full-year
	2000	1999*	+/- %	2000	1999*	+/- %	1999*
Net turnover NASHA products	107.5	58.1	85	64.2	32.1	100	126.9
Cost of goods sold	-12.1	-7.3	66	-7.4	-4.0	85	-15.8
Gross income	95.4	50.8	88	56.8	28.1	102	111.1
Selling expenses	-40.7	-25.7	58	-23.7	-14.7	61	-59.6
Administrative expenses	-12.9	-8.1	59	-7.9	-3.6	119	-17.7
Research and development costs	-23.8	-8.4	183	-14.5	-4.5	222	-22.3
Other operating revenues	1.3	2.9	-55	0.7	0.5	40	2.9
Other operating expenses	-1.5	-0.5	200	-0.6	-0.1	500	-0.8
Operating income	17.8	11.0	62	10.8	5.7	90	13.6
Result from financial items	4.0	-0.9		2.4	-0.4		-1.1
Income after financial items	21.8	10.1	116	13.2	5.3	149	12.5
Tax on income for the period	-1.9	-2.8	-32	-1.9	-1.4	36	-1.4
Net income for the period	19.9	7.3	173	11.3	3.9	190	11.1

*The figures for 1999 are exclusive of Venofor.

Consolidated income statement 1999 incl. Venofor

(SEK millions)	January-June 1999	April-June 1999	Full-year 1999
Net turnover	65.9	36.1	143.7
Gross income	55.3	30.2	120.4
Operating income	13.4	6.7	18.2
Income after financial items	12.5	6.3	17.1
Net income for the period	8.9	4.5	15.7

All the income statements for 1999 are recalculated according to the changed division among the functions.

Estimated tax for the periods January-June 1999 and 2000, after utilization of loss carry-forward.

Consolidated balance sheet

(SEK millions)	June 30, 2000	June 30, 1999	Dec 31, 1999
Fixed assets			
<i>Intangible assets</i>	5.9	6.0	6.3
<i>Tangible assets</i>	86.6	61.5	76.0
<i>Financial assets</i>	10.3	3.5	6.4
Current assets			
<i>Inventories</i>	8.4	8.8	9.7
<i>Current receivables</i>			
Accounts receivable	40.8	20.6	26.0
Other current receivables	5.9	2.5	4.7
Prepaid expenses and accrued revenues	3.9	2.7	1.3
<i>Cash and bank deposits</i>	260.3	6.3	250.6
Total assets	422.1	111.9	381.0
Shareholders' equity	362.8	49.1	314.9
Provisions	6.0	4.9	5.2
Long-term liabilities			
Overdraft facility utilized (limit: SEK 20 m)	-	16.1	-
Other interest-bearing long-term liabilities	13.8	18.4	26.9
Current liabilities			
Interest-bearing current liabilities	6.6	4.9	6.0
Accounts payable	6.1	7.8	12.3
Other interest-free current liabilities	6.3	4.0	4.0
Accrued expenses and prepaid revenues	20.5	6.7	11.7
Total liabilities and shareholders' equity	422.1	111.9	381.0

Consolidated cash flow analysis

	January - June		Full-year
(SEK millions)	2000	1999	1999
Cash flow from operating activities*	12.2	0.4	14.1
Cash flow from investing activities	-18.1	-13.4	-34.9
Cash flow from financing activities	15.6	16.5	268.6
Cash flow for the period	9.7	3.5	247.8
Cash at beginning of period	250.6	2.8	2.8
Cash at end of period	260.3	6.3	250.6
 * Of which change in working capital	 -13.0	 -12.7	 -5.8

Key ratios

	January - June		Full-year
	2000	1999	1999
Gross margin, %	88.7	83.9	84.3
Gross margin exclusive of Venofer, %	88.7	87.4	87.5
Operating margin, %	16.4	20.3	12.7
Operating margin exclusive of Venofer, %	16.6	18.9	10.7
Number of employees	147	95	110
Equity/assets ratio, %	85.9	43.9	82.6
Average number of outstanding shares (thousands)	23,631	17,805	18,222
Earnings per share, SEK	0.84	0.50	0.86
Earnings per share exclusive of Venofer, SEK	0.84	0.41	0.61
Earnings per share after full dilution, SEK	0.79	0.45	0.77
Earnings per share after full dilution, exclusive of Venofer, SEK	0.79	0.37	0.55
Shareholders' equity per share, SEK	14.92	2.76	13.81
Shareholders' equity per share after full dilution, SEK	14.41	2.48	12.50

Note: Earnings per share is defined as the earnings for the period in relation to the average number of outstanding shares for the period. At June 30, 2000 there were 868,250 outstanding subscription options and 24,311,750 shares.