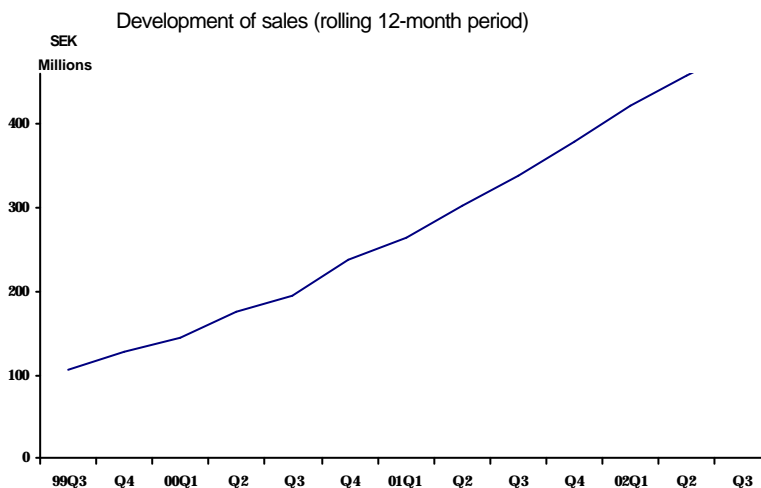


QUARTERLY REPORT JANUARY – SEPTEMBER 2002

- Continued strong growth. Sales increased by 43 percent to SEK 369.5 (257.5) million.
- On a rolling 12 months basis sales rose by 45 percent to SEK 492.2 (339.4) million.
- Operating income amounted to SEK 26.1 (12.7) million.
- Good growth within the areas of Esthetics and Uro-Gynecology. Sales rose by 31 and 476 percent, respectively, compared with the previous year.
- Clinical study with MACROLANE® started.



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. Q-Med's operations focus on the four areas of Esthetics, Orthopedics, Uro-Gynecology, and Cell Therapy and Encapsulation. The products RESTYLANE, RESTYLANE Fine Lines and PERLANE are used for the filling out of lips and facial wrinkles and today account for the majority of sales. Development of MACROLANE for body contouring, for example breast augmentation, is ongoing. 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. Since July 2000 Q-Med has owned a majority interest in the American biotechnology company Ixion Biotechnology, Inc., with research within cell therapy for diabetes and within oxalate control.

Q-Med today has 350 employees, with approximately 240 at the company's production facility and head office in Uppsala, 20 at Ixion and the remainder in wholly owned foreign sales companies. 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 43 percent during the period to SEK 369.5 (257.5) million. Adjusted for Nuova ICT, which was acquired in 2001, growth during the period was 35 percent. During the third quarter turnover amounted to SEK 116.1 (83.5) million, an increase of 39 percent. Converted to a rolling 12 months, turnover amounted to SEK 492.2 (339.4) million, an increase of 45 percent.

Fluctuations in exchange rates have negatively affected sales during the period by SEK 5.4 million.

Net turnover per product area

| | Jan – Sept | | | July – Sept | | | Jan – Dec | Oct – Sept |
|----------------|------------|-------|-------|-------------|------|-------|-----------|------------|
| (SEK millions) | 2002 | 2001 | +/- % | 2002 | 2001 | +/- % | 2001 | 2001/2002 |
| Esthetics | 330.1 | 251.6 | +31 | 99.1 | 81.1 | +22 | 371.2 | 449.7 |
| Orthopedics | 5.4 | 0.0 | - | 2.5 | 0.0 | - | 0.0 | 5.4 |
| Uro- | 34.0 | 5.9 | +476 | 14.5 | 2.4 | +504 | 9.0 | 37.1 |
| Gynecology | | | | | | | | |
| Other | 0.0 | 0.0 | - | 0.0 | 0.0 | - | 0.0 | 0.0 |
| Total | 369.5 | 257.5 | +43 | 116.1 | 83.5 | +39 | 380.2 | 492.2 |

Net turnover per geographical area

| | Jan – Sept | | | July – Sept | | | Jan – Dec | Oct – Sept |
|--------------------------|------------|-------|-------|-------------|------|-------|-----------|------------|
| (SEK millions) | 2002 | 2001 | +/- % | 2002 | 2001 | +/- % | 2001 | 2001/2002 |
| Nordic countries | 11.6 | 11.0 | +5 | 2.9 | 3.4 | -15 | 16.1 | 16.7 |
| Rest of Europe | 196.1 | 136.3 | +44 | 57.4 | 43.6 | +32 | 201.8 | 261.6 |
| North- and South America | 73.2 | 46.1 | +59 | 28.7 | 13.2 | +117 | 65.4 | 92.5 |
| Rest of the world | 88.6 | 64.1 | +38 | 27.1 | 23.3 | +16 | 96.9 | 121.4 |
| Total | 369.5 | 257.5 | +43 | 116.1 | 83.5 | +39 | 380.2 | 492.2 |

ESTHETICS BUSINESS UNIT

Sales during the period amounted to SEK 330.1 (251.6) million, of which SEK 99.1 (81.1) million was during the third quarter. Operating income amounted to SEK 113.9 (80.2) million, of which SEK 32.5 (21.3) million was during the third quarter. Compared with the previous year, sales increased by 31 percent for the period and 22 percent during the third quarter. Adjusted for sales of products under license, which were added on October 1, 2001 in connection with the acquisition of Nuova ICT, sales during the first nine months of the year amounted to SEK 308.3 million and sales growth to 23 percent.

Growth during the third quarter was strong in above all North and South America, with an increase of 117 percent. Q-Med is the market leader in Europe and growth is good.

The FDA's (Food and Drug Administration) scrutiny of the registration application for RESTYLANE®, which was submitted in June 2002, is proceeding according to plan. The documentation which Q-Med has submitted is based, amongst other things, on a clinical study where RESTYLANE® is compared with the competing product Zyplast with regard to effect and safety, as previously reported.

Within the area of Esthetics Q-Med is working on developing a new product, MACROLANE®, for body contouring. A clinical study has been started. It is planned that the first patient will be treated at the end of the current year. The study will proceed for two years, but it is estimated that there will be a first sub-report during 2003. The results will serve as a foundation for decisions on continued clinical studies and for a CE application.

HOSPITAL HEALTHCARE BUSINESS UNIT

The Orthopedics and Uro-Gynecology product areas were combined during the period to form the Hospital Healthcare business unit. The business unit's customers are primarily within healthcare. Certain synergy effects, above all within the sales organizations, are expected to arise between the Orthopedics and Uro-Gynecology areas.

Orthopedics

Sales during the period amounted to SEK 5.4 (0.0) million, of which SEK 2.5 (0.0) million was during the third quarter. Operating income amounted to SEK -1.1 (-19.5) million, including the one-time revenue of SEK 21.7 million which Q-Med received in accordance with an agreement for exclusive negotiation rights. The exclusive rights expired during the second quarter of 2002. During the third quarter in isolation operating income amounted to SEK -6.9 (-7.9) million. Income has primarily been affected by costs for the marketing organization which is being built up as well as by costs for the clinical program for DUROLANE®.

The study on osteoarthritis of the knee which was completed last spring, where DUROLANE® was compared with sodium chloride, was submitted to the FDA in June. The report showed that in the group with only osteoarthritis of the knee significant treatment effects could be seen in favour of DUROLANE®. This difference in effect was neutralized, however, when the complete study material was analyzed. This was due to a large drop-out rate among patients with general osteoarthritis. In another clinical study a residence time of 6 – 8 weeks could be shown for the product in the joint. These facts have been communicated to the FDA at a meeting where the FDA recommended a complementary six-week study on patients with only osteoarthritis of the knee as the basis of an application for sales in the USA. This study is planned to be carried out during next year.

DUROLANE® is also being tested for osteoarthritis of the hip joint, with positive preliminary treatment results.

Uro-Gynecology

Sales amounted to SEK 34.0 (5.9) million, of which SEK 14.5 (2.4) million was during the third quarter. Compared with the previous year, sales growth amounted to 476 percent for the period and 504 percent during the third quarter. Operating income amounted to SEK -61.6 (-20.4) million, of which SEK -17.1 (-6.7) million was during the third quarter. Operating income has principally been affected by costs for the building up of a sales organization in the USA and Europe, as well as by costs for clinical programs and increased production capacity for DEFLUX®, ZUIDEX™ and IMPLACER™.

Sales of DEFLUX®, which is used for the treatment of reflux in children, rose during the third quarter by 92 percent in the USA compared with the second quarter of 2002. After the recruitment of four specialist salesmen for DEFLUX® in the USA, completed in January, the work on training more doctors is continuing. Just over 60 percent of the hospitals and doctors in the USA who work with the treatment of reflux in children have tried DEFLUX®. The development of sales of DEFLUX® in Europe continues to be positive.

The launch of ZUIDEX™, Q-Med's product for the treatment of stress urinary incontinence, has been begun in Europe. Training is also an important factor for continued success with ZUIDEX™, so large investments are being made in this area. ZUIDEX™ has been approved in Europe since 1999. In April 2002 the injection device IMPLACER™, which is used in connection with the treatment, was approved in Europe. The multicenter study which has been planned for Europe was thus able to start at the beginning of the third quarter. In the study, which will be ongoing for 12 months, 150 patients will be treated at 15 clinics in 5 countries. A multicenter study in the USA is also planned as the basis of a registration application in the USA.

CELL THERAPY AND ENCAPSULATION BUSINESS UNIT

Q-Med runs its operations within the Cell Therapy and Encapsulation area through the American company Ixion Biotechnology, Inc. The operating income for the period is on a par with that for the previous year. Some redistribution among the projects has taken place, whereby resources have been redirected from stem cell research to the project involving oxalate, and this is expected to lead to a considerable reduction in costs. At present a review of both projects is ongoing, where the need for future financing is being investigated. A decision regarding Q-Med's future involvement in Ixion will be taken during the current year.

Operating income per product area

| (SEK millions) | Jan – Sept | | | July – Sept | | | Jan – Dec |
|--------------------------------|------------|-------|-------|-------------|-------|-------|-----------|
| | 2002 | 2001 | +/- % | 2002 | 2001 | +/- % | |
| Esthetics | 113.9 | 80.2 | +42 | 32.5 | 21.3 | +53 | 122.1 |
| Uro-Gynecology | -61.6 | -20.4 | -202 | -17.1 | -6.7 | -155 | -32.4 |
| Orthopedics | -1.1 | -19.5 | +94 | -6.9 | -7.9 | +13 | -28.3 |
| Cell Therapy and Encapsulation | -25.1 | -27.6 | +9 | -7.3 | -10.2 | +28 | -37.7 |
| Total | 26.1 | 12.7 | +106 | 1.2 | -3.5 | - | 23.7 |

EXPENSES AND INCOME

Q-Med's gross margin amounted to 89 (89) percent during the first nine months of the year. During the third quarter the gross margin amounted to 88 (88) percent.

Selling expenses increased by 63 percent during the period and amounted to SEK 178.5 (109.5) million, which corresponds to 48 percent of the turnover. Selling expenses for the third quarter rose by 79 percent and amounted to SEK 61.2 (34.2) million, which corresponds to 53 percent of the turnover.

Within Esthetics selling expenses amount to 38 percent of turnover. It is thus the investments within the Orthopedics and Uro-Gynecology areas, for the latter primarily establishment costs in the USA, which are the cause of the higher selling expenses during the period compared with the previous year.

Costs for research and development amounted to 32 (35) percent of the turnover during the period. During the third quarter these costs amounted to 29 (42) percent of the turnover. The research costs also include Ixion's costs.

Amortization and depreciation of SEK 18.7 (8.7) million, of which SEK 6.4 (3.1) million was for the third quarter, has been charged against income. Of these costs SEK 5.1 (0.6) million comprise goodwill, of which SEK 1.7 million is attributable to the third quarter. The amortization of goodwill is recorded in the rows for selling expenses or research costs, depending on their nature and origin.

Other operating revenues include the revenue of SEK 21.7 million which Q-Med received from a potential partner for the sales and distribution of DUROLANE®. Otherwise other operating revenues and expenses consist mainly of the effects of exchange rates on accounts receivable and payable. Furthermore, other operating revenues include research grants received for Ixion, which amounted to SEK 7.4 (2.4) million, of which SEK 3.2 (0.8) million was during the third quarter.

Operating income for the first nine months of 2002 amounted to SEK 26.1 (12.7) million, which gives an operating margin of 7 (5) percent. Operating income adjusted for the one-time revenue amounted to SEK 4.4 (12.7) million. During the third quarter operating income amounted to SEK 1.2 (-3.5) million, which gives an operating margin of 0 (-4) percent.

Net financial income amounted to SEK -6.4 (8.8) million for the period, of which SEK -1.5 (3.0) was during the third quarter. Recorded exchange rate effects affected net financial income by SEK -5.1 million for the whole period.

Estimated tax costs were SEK 6.3 (5.5) million, of which SEK 0.4 (0.0) million was during the third quarter.

Net income for the period in 2002 amounted to SEK 18.8 (22.5) million, which gives a net margin of 5 (9) percent. Net income for the third quarter amounted to SEK 0.8 (2.0) million, with a net margin of 1 (2) percent.

INVESTMENTS AND CASH FLOW

Final occupancy of the new office and laboratory premises took place on October 14. During the period SEK 64.4 (37.8) million was invested in buildings, of which SEK 12.3 (11.6) million was during the third quarter. The total investment in the property is estimated to amount to approximately SEK 130 million, of which SEK 64.1 million was invested during 2001. Current investments in machinery and equipment amounted to SEK 5.0 (16.2) million during the period, of which SEK 2.8 (3.7) million was during the third quarter.

In March the additional purchase sum of SEK 5.4 million was paid for the shares in Nuova ICT. This sum has previously been recorded and entered as a liability. There is a possibility that

there will be additional purchase sums regarding the financial years 2002 and 2003. At the turn of the year 2001/2002 Q-Med Italy and Nuova ICT merged and became Q-Med ICT S.r.l.

The redemption of options programs in January has contributed SEK 2.9 million to shareholders' equity.

The Parent Company took out a loan of SEK 50 million in May.

Q-Med's cash flow from operating activities was SEK 26.3 (12.0) million for the period, of which SEK 15.2 (-8.9) million was for the third quarter. The cash flow from investing activities amounted to SEK -103.6 (-112.4) million in total, of which SEK -19.0 (-63.7) million was during the third quarter. The overall cash flow was negative. SEK -37.3 (-49.4) million.

PARENT COMPANY

The net turnover for the Parent Company Q-Med AB was SEK 256.4 (195.7) million for the first nine months, of which SEK 81.4 (65.8) million derives from the third quarter. Income after financial items amounted to SEK 54.2 (35.7) million for the period, of which SEK 22.1 (8.5) million was during the third quarter.

PERSONNEL

Q-Med continues to take on new personnel and recruited 84 employees during the period. The number of employees amounted to 350 (237) at September 30, including 238 (172) in Sweden. During 2002 the recruiting within production, research and development and within the subsidiaries' sales organizations will continue.

PROSPECTS FOR WHOLE OF 2002

Continued strong growth is expected for 2002. The gross margin will continue to be about 90 percent. The investments in new products and markets will continue and this means that the costs for above all clinical trials, registration and the building up of markets will increase. The expansion will take place with continue profitability. The previously stated forecast thus remains unchanged.

October 24, 2002

Uppsala

Q-Med AB (publ)

Bengt Ågerup
President and CEO

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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 quarterly report as in the latest Annual Report. The company's accounting and valuation principles are in accordance with the recommendations and pronouncements of the Swedish Financial Accounting Standards Council.

The report for the period January – December 2002 will be submitted on February 13, 2003.

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| Group income statement | January – September | | | July – Sept | | | Whole year | Oct – Sept |
|-------------------------------------|---------------------|--------------|------------|--------------|-------------|------------|---------------|--------------|
| (SEK millions) | 2002 | 2001 | +/- % | 2002 | 2001 | +/- % | 2001 | 2001/2002 |
| | | | | | 1 | | | 2 |
| Net turnover | 369.5 | 257.5 | 43 | 116.1 | 83.5 | 39 | 380.2 | 492.2 |
| Cost of goods sold | -42.1 | -28.4 | -48 | -13.4 | - | -31 | -37.0 | -50.7 |
| | | | | | 10.2 | | | |
| Gross income | 327.4 | 229.1 | 43 | 102.7 | 73.3 | 40 | 343.2 | 441.5 |
| Selling expenses | - | - | -63 | -61.2 | - | -79 | - | -240.4 |
| | 178.5 | 109.5 | | | 34.1 | | 171.4 | |
| Administrative expenses | -32.7 | -20.1 | -63 | -13.5 | -5.8 | - | -28.0 | -40.6 |
| | | | | | | 133 | | |
| R&D costs | - | -89.3 | -31 | -33.4 | - | 5 | - | -149.4 |
| | 116.6 | | | | 35.3 | | 122.1 | |
| Other operating revenues | 36.9 | 9.2 | 301 | 6.1 | 1.9 | 221 | 11.5 | 39.2 |
| Other operating costs | -10.4 | -6.7 | -55 | 0.4 | -3.5 | - | -9.5 | -13.2 |
| Operating income | 26.1 | 12.7 | 106 | 1.2 | -3.5 | - | 23.7 | 37.1 |
| Result from financial items | -6.4 | 8.8 | - | -1.5 | 3.0 | - | 11.7 | -3.5 |
| Income after financial items | 19.7 | 21.5 | -8 | -0.3 | -0.5 | 40 | 35.4 | 33.6 |
| Tax on income for the period | -6.3 | -5.5 | -15 | -0.4 | 0.0 | - | -8.3 | -9.1 |
| Minority interest Ixion | 5.4 | 6.5 | -17 | 1.5 | 2.5 | -40 | 8.2 | 7.1 |
| Net income for the period | 18.8 | 22.5 | -16 | 0.8 | 2.0 | -60 | 35.3 | 31.6 |
| Earnings per share. SEK | 0.76 | 0.91 | | 0.03 | 0.08 | | 1.43 | |

| | | | | | |
|---|------------|------------|------|------|------------|
| Earnings per share after full dilution. SEK | 0.73 | 0.88 | 0.03 | 0.07 | 1.38 |
| Number of outstanding shares at closing day | 24,813,500 | 24,719,000 | | | 24,723,500 |
| Average number of outstanding shares* | 24,811,167 | 24,673,515 | | | 24,687,000 |

*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, 2002 there were 780.000 outstanding subscription options.

| Other key ratios | January – September | | Whole year |
|---|---------------------|-------|------------|
| | 2002 | 2001 | 2001 |
| Gross margin. % | 88.6 | 89.0 | 90.3 |
| Operating margin, % | 7.1 | 4.9 | 6.2 |
| Operating margin excl. Ixion. % | 12.1 | 13.9 | 14.5 |
| Operating margin before R&D costs. % | 38.6 | 39.6 | 38.3 |
| Number of employees | 350 | 237 | 266 |
| Equity/assets ratio. % | 70.2 | 71.6 | 71.9 |
| Shareholders' equity per share, SEK | 18.45 | 17.51 | 17.88 |
| Shareholders' equity per share after full dilution, SEK | 17.89 | 16.90 | 17.27 |

| Group cash flow analysis (SEK millions) | January – September | | Whole year |
|--|---------------------|--------------|--------------|
| | 2002 | 2001 | 2001 |
| Cash flow from operating activities* | 26.3 | 12.0 | -0.9 |
| Cash flow from investing activities | -103.6 | -112.4 | -134.8 |
| Cash flow from financing activities | 40.0 | 51.0 | 43.9 |
| Cash flow for the period | -37.3 | -49.4 | -91.9 |
| Liquid funds at beginning of period | 162.8 | 252.8 | 252.8 |
| Exchange rate differences in liquid funds | -3.4 | 7.0 | 1.8 |
| Liquid funds at end of period | 122.1 | 210.5 | 162.8 |
| *Of which change in working capital | -0.3 | -16.2 | -41.9 |

Group balance sheet

(SEK millions)

| | Sept 30. 2002 | Sept 30. 2001 | Dec 31. 2001 |
|---|-----------------------------|-------------------|--------------------|
| Fixed assets | | | |
| <i>Intangible</i> | | | |
| Patents and other intellectual property | 68.5 | 78.8 | 77.1 |
| Goodwill | 55.4 | 66.0 | 62.3 |
| <i>Tangible</i> | 254.2 | 144.3 | 178.4 |
| <i>Deferred prepaid tax</i> | 17.5 | - | 6.7 |
| <i>Financial</i> | 1.0 | 0.4 | 0.9 |
| Current assets | | | |
| <i>Inventories</i> | 60.5 | 39.5 | 46.5 |
| <i>Current receivables</i> | | | |
| Accounts receivable | 80.2 | 84.6 | 92.6 |
| Other current receivables | 8.7 | 7.9 | 8.9 |
| Prepaid expenses and accrued revenues | 5.6 | 5.3 | 8.5 |
| <i>Liquid funds</i> | 122.1 | 210.6 | 162.8 |
| Total assets | 673.7 | 637.4 | 644.6 |
| Shareholders' equity | 457.8 | 432.9 | 442.1 |
| Minority interest | 15.3 | 23.4 | 21.4 |
| Provisions | 2.1 | 3.8 | 1.8 |
| Interest-bearing long-term liabilities | 54.8 | 17.9 | 9.9 |
| Interest-free long-term liabilities | 0.9 | 10.2 | - |
| Current liabilities | | | |
| Interest-bearing current liabilities | 37.3 | 54.5 | 46.7 |
| Accounts payable | 30.8 | 29.9 | 38.1 |
| Other interest-free current liabilities | 34.2 | 25.6 | 48.9 |
| Accrued expenses and prepaid revenues | 40.5 | 39.2 | 35.7 |
| Total liabilities and shareholders' equity | 673.7 | 637.4 | 644.6 |
| Change in shareholders' equity during the period (SEK millions) | January – September 2002 | September 2001 | Whole year 2001 |
| Opening balance | 442.1 | 392.0 | 392.0 |
| Options programs | 2.9 | 6.5 | 7.6 |
| Translation difference | -6.0 | 10.9 | 7.2 |
| Net income for the period | 18.8 | 23.5 | 35.3 |
| Closing balance | 457.8 | 432.9 | 442.1 |