Q-MED AB
ANNUAL REPORT
2008

BUSINESS CONCEPT

Q-Med is a medical device company that primarily develops, manufactures, markets and sells medical implants. The majority of the products are based on the company's own NASHA™ technology, for esthetic and medical use by authorized users.

VISION - ENABLING INDIVIDUAL BEAUTY

Q-Med aims to enable individual beauty through:

- Products which take the individual into account and help to meet his or her personal needs and wishes.
- Products which show an individual way of viewing beauty and which allow appearance to reflect how the person feels on the inside.
- Products which offer a unique opportunity for tailor-made and safe beauty treatments.

OVERALL OBJECTIVES

Q-Med has as its overall objective high growth combined with good profitability. Q-Med shall consistently strive to meet its customers' and other stakeholders' expectations and needs, through constant improvements in quality and constant training. Q-Med also strives to give its shareholders a competitive return on their invested capital both in the short and long term.

It started as a slight irritation in one nostril – just a tickle. By the afternoon it had crept over to the other nostril at the same time as the first one got worse. No point in cancelling tonight's show – it'll soon get better. Two days later you lie there, dead to the world, but hoping you'll survive. Rather like the "financial crisis". Small signs that everyone plays down. Things will improve. It's important not to miss the recovery. Until Lehman crashed. The media suddenly have something to write about that everyone has been hit by. If you weren't aware of the fact that there was a crisis before, you were certainly aware of it now as everyone was talking about it. Like a stinking cold and tonsillitis. But these are symptoms that life-threatening illnesses display as well. Let's hope that capitalism has just got a runny nose!

Q-Med is a debt-free company. That is good. But how debt-free are our customers? Have they been hit by terminated credit and fewer alternatives? We speculated about this at a meeting in January. The conclusion was that those who were in the middle of a treatment program carried through with it, but new patients were waiting for the situation to become clearer before making a decision. That is, translated to our market – reduced growth.

Two years ago we proudly had Chinese characters on the cover of the Annual Report, certain that we would soon launch Restylane® in China. No such thing! It would take two years to decide that we now had a complete application file that was worth approval. We are of course proud, as this situation is not shared with anyone else within the esthetics field. We must now make the most of our advantage, so that it is transformed into a strong position for Restylane in the Chinese market.

Towards the end of the year we launched a new product – Restylane Vital™ Light. In fact the real work of establishing the product's best use among a wider public begins now that we have approval. The Restylane Vital series is a class of products that is used to rejuvenate the skin. Tired skin becomes like new. The treatment is fairly simple to perform but requires a little thought for the right result to be achieved. If we are successful here, then we have opened the gates to a long line of products that can come to revolutionize our view of skin care and not least help those who live with a damaged suit of skin. The Macrolane products also constitute the beginning of a development that can lead to more and more people getting the chance to correct, without the use of a knife, defects in the shape of their body created by their genes and lifestyle. There is also a good chance here that the products can also be used to restore the body after disease or injury.

We continue down the path of focusing our business by obtaining help from other sales organizations for the remaining Hospital Healthcare products. This should be complete this year. After that it is full focus on achieving individual beauty.

2008 has not been an easy year. The Group's total revenues from sales of goods and royalties amounted to 1,272 (1,318) MSEK and operating income was 50 (371) MSEK. Operating income was affected negatively amongst other things by restructuring costs of 31 MSEK and external costs of 35 MSEK in connection with Ivytan's bid for Q-Med. Internally the change of focus has created redundancies. We have been forced to say farewell to good and trusted co-workers. In most cases this has led to a new start in their personal development. Competition in our markets has hardened. We are one of two internationally strong companies trying hard to dominate the fast-growing esthetics market and skilful co-workers at Q-Med are holding the fort so that we are still the leader in large segments of the market. However, in the long term we need to develop new relations with important players, where a united effort can tip the scales in our favour and give us long-term success.

Uppsala
March 2009

Bengt Ågerup
President and CEO

- Q-Med obtained registration approval for Restylane® in China at the beginning of January 2009. It is estimated that sales of the product will begin during the second half of 2009.
- Q-Med's new concept for hydro balance – Restylane Vital™ and Restylane Vital™ Light – was launched in Europe at the end of the year. Restylane® Injector was also introduced at the beginning of January 2009, an injection pen that simplifies treatment with Restylane Vital™ Light.
- Ivytan AB, indirectly owned by EQT V and Lyftet Holding B.V. (a company controlled by Bengt Ågerup), made an offer at the beginning of November to acquire all the shares in Q-Med. Q-Med's Board appointed an independent committee that evaluated the offer and subsequently decided to recommend Q-Med's shareholders not to accept the offer. Ivytan AB withdrew the offer due to the fact that the conditions were not met during the acceptance period.
- Personnel reductions were carried out in the fourth quarter as part of the company's work on focusing resources on the esthetics business. Approximately 70 people left Q-Med's head office and production facility in Uppsala.
- In September Q-Med and Medy-Tox Inc. terminated the collaboration comprising the development and commercialization of new products based on botulinum toxin.
- In 2008 more than 10 million Restylane® treatments had been successfully carried out in more than 70 countries since the product was launched in 1996.

ESTHETICS PRODUCT AREA

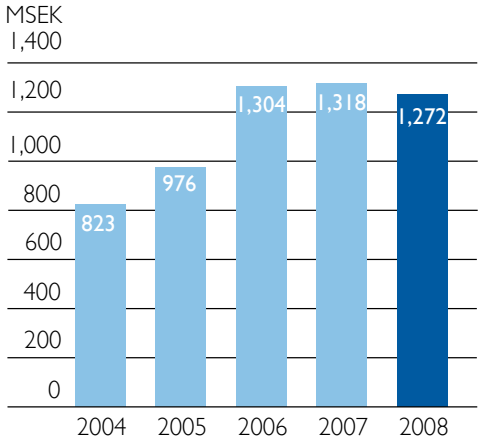
Restylane® is a product family of internationally leading products for esthetic beauty treatments. The products are used for filling out wrinkles, lines and lips, facial contouring and rejuvenation of the skin. The different products have been developed to tailor treatment to each individual's wishes.

Macrolane™ VRF is the first series of products on the market for natural, non-surgical body shaping – both to give volume and to smooth out defects on the body. The products are used for the creation of natural volume or shape.

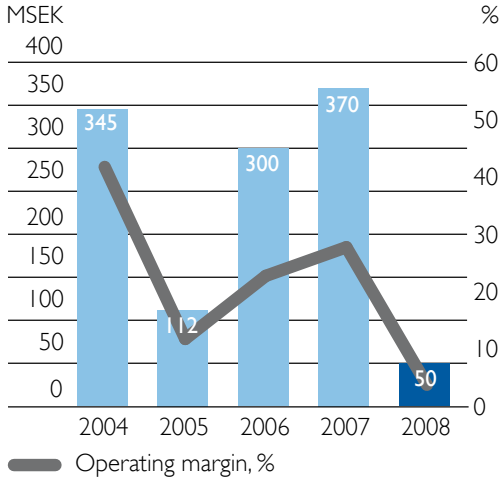
HOSPITAL HEALTHCARE PRODUCT AREA

Deflux® for the treatment of malformation of the urinary bladder in children.
Durolane™ for the treatment of osteoarthritis of the knee and hip joints.
Solesta™ for the treatment of fecal incontinence.

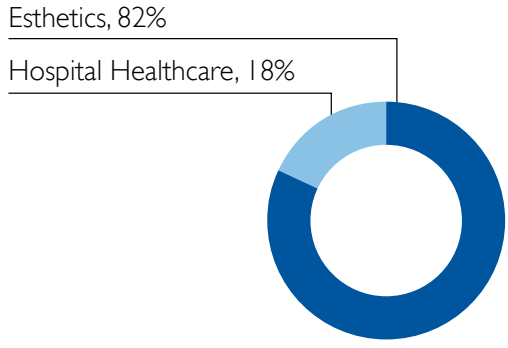
REVENUES



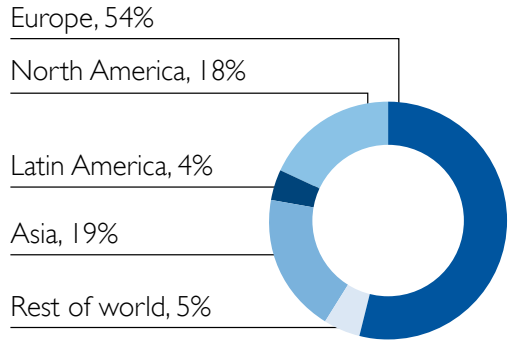
OPERATING INCOME
AND OPERATING MARGIN



PERCENTAGE OF
Q-MED'S REVENUES



REVENUES PER
GEOGRAPHIC AREA



KEY RATIOS

2008	2007	Figures in MSEK
1,272	1,318	Revenues
82	85	Gross margin, %
50	370	Operating income
4	28	Operating margin, %
62	370	Income after financial items
33	315	Net income for the year
665	720	Number of employees at year-end
75	79	Equity/assets ratio, %
0.34	3.17	Earnings per share, SEK
12.88	13.83	Shareholders' equity per share, SEK

Q-Med has as its overall objective high growth combined with good profitability. Q-Med shall consistently strive to meet its customers' and other stakeholders' expectations and needs, through constant improvements in quality and constant training. Q-Med also strives to give its shareholders a competitive return on their invested capital both in the short and long term.

"Focus on the Esthetics product area"

Business concept

Q-Med is a medical device company that primarily develops, manufactures, markets and sells medical implants. The majority of the products are based on the company's own NASHA™ technology, for esthetic and medical use by authorized users.

Vision

Q-Med's vision is Enabling Individual Beauty. The company aims to enable individual beauty through:

- Products which take the individual into account and help to meet his or her personal needs and wishes.
- Products which show an individual way of viewing beauty and which allow appearance to reflect how the person feels on the inside.
- Products which offer a unique opportunity for tailor-made and safe beauty treatments.

Overall strategies and success factors

Q-Med will continue to develop and document products which are primarily based on the NASHA™ technology and its applications.

The company's core business will consist of injectable products that fill out facial lines and wrinkles, help the skin to regain its lustre and can be used for body shaping.

The product portfolio will be broadened through in-house development and through strategic partnerships.

Q-Med will involve both customers and consumers at an early stage of product development.

The company will continue to focus on communication with the customer, but there will be increased focus on consumer communication, to strengthen knowledge of the brand and to ensure demand for Q-Med's products.

Sales of the company's products will be made through the company's own channels and through selected partners and distributors.

Q-Med will take responsibility in its business for protecting the environment and the surroundings and strive for sustainable development.

The company will contribute to strong commitment from the co-workers by providing a good working environment, opportunities to develop and competent leadership.

Objectives and outcome 2008

The overall objective within the **Esthetics** product area was to continue to grow in line with the market, strengthen the leading position in the established markets and gradually further build up the new markets in Latin America and Asia.

In Europe sales increased by 19 percent compared with the previous year. The launch of Macrolane™ has been ongoing throughout the year, amongst other things through training and certification of more than 400 doctors. In October a new product within the hydro balance area was launched, Restylane Vital™ Light. This is a product that is used to improve and rejuvenate the quality of the skin. At the beginning of 2009 Restylane® Injector was launched. This is an injection pen that makes it possible to distribute Restylane Vital Light evenly in the skin in large areas that are difficult to treat, such as the throat, décolletage and hands.

In North America sales to Medicis, Q-Med's partner, decreased by 55 percent compared with the previous year. There was some recovery towards the end of the year. A large part of the decrease can be explained by the build-up of inventories that occurred in connection with the launch of Restylane

Perlane™ on the American market at the beginning of May 2007. However, sales have also probably been affected negatively by the sharp economic downturn that has occurred in North America.

In Asia sales have decreased by 6 percent during the year. There was a recovery towards the end of the year, primarily in Japan. Deliveries to Japan continue to be affected negatively as a consequence of Q-Med being unable to be actively present in the Japanese market. At the beginning of 2009 Q-Med obtained registration approval for Restylane® in China. It is estimated that sales of the product will begin at the end of the second quarter of 2009.

Within the **Hospital Healthcare** product area the overall objective was to find new forms for sales and marketing of Deflux® and Solesta™. The process is ongoing but has taken longer than was previously foreseen as a consequence of the financial unrest. The work on reducing the losses within the product area have been successful and the Hospital Healthcare product area has shown positive results since the end of June/beginning of July 2008.

Q-Med and Medy-Tox Inc., a pharmaceutical development company based in South Korea, decided during the year to terminate the collaboration that the parties entered into at the beginning of 2007. The collaboration comprised development and commercialization of products based on botulinum toxin.

Objectives and activities 2009

Within the **Esthetics** product area the overall objective continues to be to grow in line with the market, strengthen the leading position in the established markets and develop new markets, primarily in Asia and Latin America. It is, however, difficult to assess the effects of the global economic downturn on the market for esthetic products.

During 2009 the work will focus on:

- Establishing the Macrolane™ brand as the leading product within the body shaping area in Europe and launching the product in a number of markets in Asia and Latin America.
- Launching the new Restylane Vital™ concept through Restylane Vital™ Light and Restylane® Injector in Europe.
- Obtaining sales approval for Restylane® in China and beginning sales of the product.
- Developing various forms of collaboration that will lead to a broader product portfolio.
- Continuing development within the botulinum toxin area.

Within the **Hospital Healthcare** product area the overall objective continues to be to find new forms for sales and marketing of Deflux® and Solesta™.

The demand for esthetic products and treatments has increased rapidly in recent years. The trend of a healthy and natural appearance continues, new target groups are appearing, and openness about and acceptance of esthetic treatments are also increasing.

"The trend of a healthy and natural appearance continues"

The market

The market for esthetic products and treatments can be divided into surgical and non-surgical procedures. According to ASAPS, The American Society for Aesthetic Plastic Surgery, the three most common non-surgical beauty procedures performed at clinics around the world are the treatment of wrinkles using botulinim toxin, the filling out of wrinkles and lips using hyaluronic acid based products (such as Restylane®) and the removal of hair by laser. According to ASAPS, the three most common surgical treatments are liposuction, breast augmentation and eyelid operations.

Information concerning the size of the market and the number of treatments performed is available primarily for the American market. Almost 12 million beauty procedures were performed in the USA during 2007, of which just over 80 percent were non-surgical procedures and the remainder surgical procedures. Between 1997 and 2007 the number of surgical procedures performed in the USA increased by 114 percent and the number of non-surgical procedures performed increased by 754 percent, according to ASAPS. The number of non-surgical procedures has increased amongst other things as a result of new products, such as Restylane®, having been introduced on the American market. But surveys also show that patients choose non-surgical procedures to avoid operations under anesthesia and long healing periods.

Beauty products which, like Restylane, are injected into the skin are usually called dermal fillers. Global sales of dermal fillers are estimated by Medical Insight Inc. to be 700-800 million dollars per year.

Development of the market

There are almost 100 different so-called dermal fillers on the international market. Approximately half of these products are based on hyaluronic acid. Approximately ten of these products are approved for sales in the USA, including Restylane® and Restylane Perlane™.

It is estimated that Q-Med's market share in Europe amounts to between 40 and 60 percent, depending on the country. Market observers estimate the market share in North America, where marketing and sales are carried out through Q-Med's partner Medicis, to be approximately 40 percent, and it is assessed that Q-Med's market share in Asia is approximately 50 percent.

Q-Med continues to be positive in its assessment of the demand for the company's products, despite increased competition. Market growth for esthetic products is, however, very difficult to assess, due to the global economic downturn.

Hyaluronic acid is produced naturally by cells in the human body and in most other living organisms. Hyaluronic acid's role includes facilitating the cell division process, making the skin elastic and lubricating the joints. Hyaluronic acid can bind large amounts of water and this is an important property that underlies the NASHA™ gels' unique characteristics. Hyaluronic acid is normally metabolized quickly in the body's tissues but Q-Med's unique stabilization process gives the hyalorunic acid in the NASHA™ gels an extended residence time in the body.

When NASHA™ gels are manufactured, the hyaluronic acid is modified minimally and in such a way that it preserves the natural structure of the hyaluronic acid. The NASHA gels are therefore experienced as hyaluronic acid by the body, which gives them excellent biocompatibility properties. The structure also gives them a unique ability to retain volume for a long period of time. The NASHA process is flexible and this makes it possible to manufacture gels that are adapted to different areas of use. Using the same basic technology, products can thus be produced that are adapted to different parts of the body, depending on what is desired and needed.

Unique properties

None of Q-Med's competitors have managed to manufacture hyaluronic acid gels that have the same unique properties as the NASHA™ gels. Many competing products are not as viscous as Q-Med's NASHA gels, which means that they cannot build and retain volume in the same way. Taken as a whole, all competing products, even those that are the least modified, are considerably more chemically changed than the NASHA gels. A great deal of chemical modification means that the material differs more from natural hyaluronic acid. This may mean that these gels can be experienced as substances that are foreign to the body, which results in worse biocompatibility. After more than ten years on the market, no competitor has yet managed to copy or surpass the NASHA gels' unique properties: a unique, safe and versatile gel.

Patent strategy

It is part of Q-Med's patent strategy to constantly and actively evaluate both its own and competitors' patent portfolios. During 2008 there has been further focus on the work on Q-Med's patent protection and monitoring of the development of new patents within the esthetics field. It can be clearly seen that Q-Med still stands strong, with effective protection for all of its products. The protection consists primarily of the patent family for the NASHA™ technology platform together with the know-how that has been gained in connection with the manufacturing of NASHA gels. There are then a number of supplementary patent families surrounding this basic patent family, amongst other things for various unique injection devices.

Q-Med's patent protection for the NASHA process is valid at the most up until December 2017 (Restylane® in the USA). Q-Med intends to apply for new patents which supplement the already existing protection well before this date and also to apply for protection for alternative and new technologies within the esthetics area.

ADVANTAGES OF NASHA™

LOW RISK
The NASHA™ gel is non-animal. Unlike animal hyaluronic acid, there is no risk of transmission of infectious substances.

LONG EFFECT
The NASHA™ gel is stabilized in a two-step process. This allows the effect of the implants to remain in place between six months and up to a couple of years, depending on what is desired and which product is injected.

NATURAL
The NASHA™ gel is biologically degradable and is integrated into the tissue to allow free passage of nutrients.

VERSATILE
The NASHA™ gel can be used for many different applications as it can be modified to achieve particular properties in different end products.

"256 million kronor was invested in research and development in 2008"

Business activities 2008

256 million kronor was invested in research and development in 2008, which corresponds to 20 percent of turnover. Investments within this area also include clinical trials, quality assurance and registration of products.

Q-Med's research and development is primarily carried out with the NASHA™ technology and its applications as the point of departure. This involves, amongst other things, the development of new formulations, packages, sterilization methods and chemical and microbiological analytical methods for new and existing products.

Work has been carried out during 2008 on introducing new analytical methods, to increase understanding of the NASHA platform. These methods can be used to give a better and clearer picture of our products' properties. This includes methods that can describe NASHA gels' ability to resist deformation under certain conditions, while under other conditions they pliantly give way. This is usually called viscoelastic properties. Furthermore, Q-Med has performed advanced characterization work in collaboration with the Swedish University of Agricultural Sciences and Uppsala University. The aim has been to gain an even better understanding of the connections between the stabilization process and the NASHA gel's unique properties, and thus be able to design new products with well-defined areas of use.

Q-Med's environmental and quality work is strongly rooted in the business. Q-Med's products shall always be safe and effective when they are used in the way intended, the company shall take responsibility for the environment and the surroundings in its business activities and also work to achieve sustainable development.

High quality and sustainable development are key concepts within Q-Med and environmental and quality work plays a central role in the company's management system. During 2008 the business in Uppsala was certified in accordance with environmental standard ISO 14001.

Environmental work that gives results

Q-Med's environmental work shall promote a society that is sustainable in the long term and contribute to sustainable profitability. To achieve this, the company works in different ways to optimize energy usage in the business and to reduce the relative amount of waste and emissions of greenhouse gases. This work has led, amongst other things, to large parts of Q-Med's facility in Uppsala being heated by ground source heating. The new warehouse that was taken into use in 2007 is built from recycled wood. The construction was chosen to create a flexible solution, with a low environmental and climate load.

The work carried out during 2008 includes the following:

- All electricity used in the Swedish business is environmentally certified hydroelectric power. This reduces Q-Med's carbon dioxide emissions by approximately 200 tons per year.
- Automatic turning off of lighting in corridors and offices has been introduced in Uppsala, even in the older buildings where the production facility is located, and all ventilation, with the exception of clean room premises, is switched off after office hours.
- By making environmentally friendly choices in the procurement of transportation, approximately 80 percent of all of Q-Med's transportation, measured in ton kilometres, is handled by environmentally certified haulage companies. This reduces the company's carbon dioxide emissions by approximately 160 tons per year.
- Business travel has been reduced through the use of telephone meetings and video conferences. The percentage of train travel within Sweden has increased from 14 percent in 2007 to 29 percent in 2008.

Q-Med aims to make its use of energy even more efficient and to increase the percentage of transportation that has low environmental effects. The reduced use of paper and environmentally friendly waste management are other important areas in the environmental work.

Quality work

Quality assurance is an integral part of Q-Med's daily work and it focuses on both existing and new products. Constant development work is carried out by making use of experience gained from nonconformities and of follow-up work on products out on the market.

The quality work is controlled not only by company objectives and guidelines but also by the regulations that different authorities, Swedish and international, have set up. Internal and external inspections confirm that authority requirements are met. Important rules and regulations that control the quality work are the United States GMP/QSR, Good Manufacturing Practice/Quality System Regulation CFR 820, and the European Medical Device Directive MDD93/42EEG. The latter is required in order to obtain CE marking from a notified body.

The inspections are carried out by the United States FDA (Food and Drug Administration), the Australian TGA (Therapeutic Goods Administration), KEMA and others. KEMA is Q-Med's designated notified body in Europe, and each year they also follow up the CE marking, that is product approvals on the European market.

ENVIRONMENTAL POLICY

Q-Med AB primarily develops, manufactures, markets and sells medical devices. Environmental work shall be an integral part of these business activities, where laws, rules and regulations shall be followed. Q-Med shall constantly work to improve and follow up the environmental work of the business.

Q-Med's environmental work shall promote a long-term sustainable society and contribute to sustainable profitability. To achieve this we shall work to optimize the use of energy in the business and reduce the relative amount of waste as well as emissions of greenhouse gases.

Q-Med shall work to encourage the co-workers to take responsibility for the environment in their work and to be alert to new opportunities for improving business activities from an environmental perspective.

The Esthetics product area comprises Restylane® and Macrolane™. Restylane® is a product family of internationally leading products for esthetic beauty treatments. The products are used for filling out wrinkles, lines and lips, facial contouring and rejuvenation of the skin. The different products have been developed to tailor treatment to each individual's wishes.

Macrolane™ VRF is the first series of products on the market for natural, non-surgical body shaping – both to give volume and to smooth out defects on the body. The products are used for the creation of natural volume or shape.

Sales and income for the year

Sales within the Esthetics product area amounted to 1,037 (1,073) MSEK during the year. Operating income was 172 (533*) MSEK and the operating margin was 17 (50) percent.

Growth in Europe was very good during the whole year and sales increased by 19 percent compared with the previous year. Sales of Restylane® have developed very well throughout the year, in spite of increased competition. In addition, sales of Macrolane™ have affected sales positively.

Sales to Medicis, Q-Med's partner in North America, decreased by 55 percent compared with the previous year. The negative development during the year is primarily due to the building up of inventories that occurred in connection with the launch of Restylane Perlane™ in May 2007, but probably also to a weaker total market for dermal fillers as a consequence of the economic downturn in North America.

Sales to Latin America decreased by six percent compared with the previous year. The decrease is attributable, amongst other things, to Mexico, where sales were affected negatively by the economic downturn in North America.

Sales to Asia decreased by 14 percent compared with the previous year. Deliveries to Japan are being affected negatively by insufficient market processing since Q-Med cannot be actively present in the Japanese market. Other markets in Asia continued to develop well, even if the financial crisis affected sales negatively, primarily in South Korea. At the beginning of January 2009 Q-Med received registration approval for Restylane in China.

2008 IN BRIEF

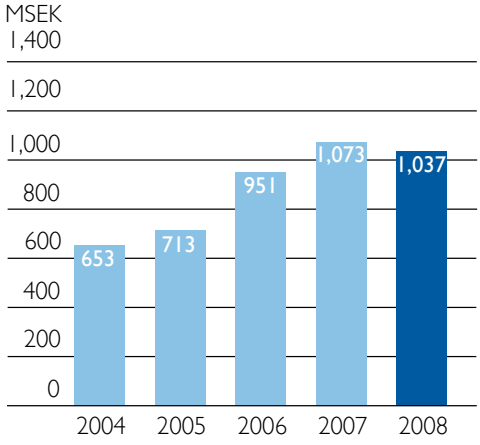
- The launch of Macrolane™ in Europe has been ongoing throughout the year, amongst other things through training and certification of doctors and participation in international congresses.
- Q-Med's new concept for hydro balance - Restylane Vital™ and Restylane Vital™ Light – was launched in October during European Masters in Aesthetic and Anti-Aging in Paris.
- Restylane® Injector, an injection pen that simplifies treatment with Restylane Vital™ Light, was launched at the beginning of January 2009 during IMCAS, International Master Course on Aging Skin, in Paris.
- At the beginning of January 2009 Q-Med obtained registration approval for Restylane® in China.

KEY RATIOS

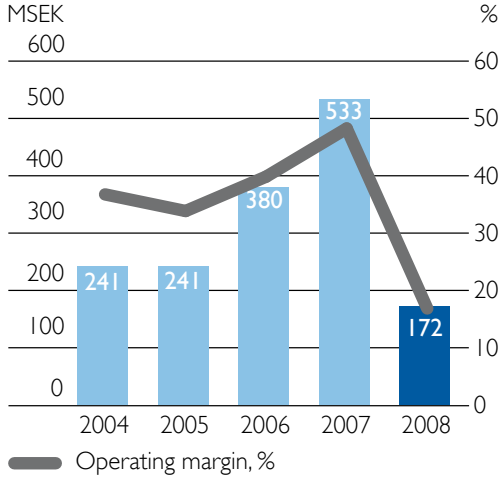
2008	2007	Figures in MSEK
1,037	1,073	Revenues
172	533	Operating income
17	50	Operating margin, %

** In May 2007 Q-Med received 200 MSEK from Medicis when Restylane Perlane™ was approved for sales in the USA.*

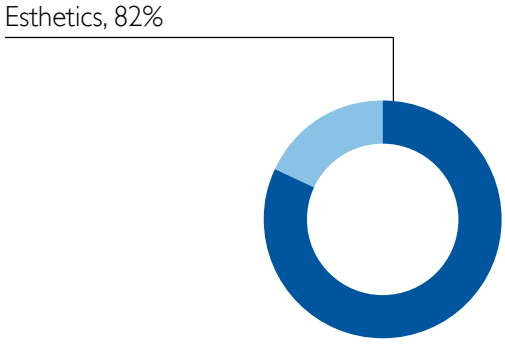
REVENUES



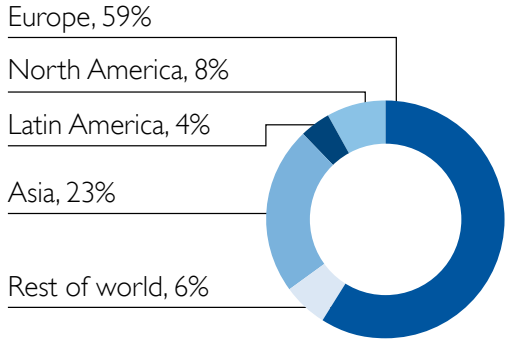
OPERATING INCOME
AND OPERATING MARGIN



PERCENTAGE OF
Q-MED'S REVENUES



REVENUES PER
GEOGRAPHIC AREA



Restylane® is a product family of internationally leading products for esthetic beauty treatments. The products are used for filling out wrinkles and lines, lips, facial contouring and rejuvenation of the skin. The different products have been developed to tailor treatment to each individual's wishes.

Restylane®
Natural beauty from within

Important events during the year

Q-Med's new concept for hydro balance - Restylane Vital™ and Restylane Vital™ Light – was launched during 2008. The products are used to improve and rejuvenate the quality of the skin, by vitalizing and giving lustre. Restylane Vital is adapted to treatment of mature and sun-damaged skin while Restylane Vital Light has been developed for areas with thinner and more sensitive skin.

During 2008 there has been intensive work on registering and planning for the launch of Restylane® Injector. This injection pen simplifies treatment by distributing Restylane Vital Light evenly in the skin over large areas. The pen was introduced to the market at the beginning of January 2009 in connection with IMCAS, International Master Course on Aging Skin, in Paris.

In January 2009 Q-Med received registration approval for Restylane® in China. This was the first product based on hyaluronic acid to receive such approval for the filling out of wrinkles. Sales approval is being waited for before the product becomes available to consumers in the market.

10 million treatments

Restylane® is the leading brand within its category in the global beauty market. The first product, Restylane®, was approved for sales in 1996. Today the product family consists of seven products, all adapted to different facial treatments. More than 10 million treatments have been successfully carried out in more than 70 countries.

All the products in the Restylane family have been developed using Q-Med's patented NASHA™ technology. The unique process that is applied in the production of Restylane gives the product a great capacity for creating volume, a long residence time in the skin and natural results. Restylane has been shown to have a clinically proven effect and clinically proven safety in a large number of scientific studies.

A growing product family

The Restylane® product family consists of seven products for the face. The different products are adapted to give the best results when correcting different types of wrinkles and lines, defining and filling out lips, contouring the face and rejuvenating the skin.

- Restylane®, the first product in the family, is used to correct moderate wrinkles and lines, for example around the mouth. Restylane is the first product based on hyaluronic acid for the filling out of wrinkles to have been approved in the USA by the FDA, the US Food and Drug Administration.
- Restylane Perlane™ has been developed for the treatment of deeper lines, for example the worry furrow between the eyebrows and the lines between the nose and the mouth.
- Restylane Touch™ is used for finer, thinner lines, for example the area around the eyes.
- Restylane SubQ™ is used both to define the face's contours and to create volume in, for example, cheeks and the chin. The product is used as an alternative and supplement to traditional face lifts.
- Restylane Lipp™ is specially adapted to the anatomy of the lips, which means that the result both feels and looks natural. The product is used for defining and filling out lips.
- Restylane Vital™ has been developed to improve and recreate the quality of the skin and is above all adapted to the treatment of mature and sun-damaged skin.
- Restylane Vital™ Light is used to improve and recreate the quality of the skin in areas where the skin is thin and sensitive, such as the throat, décolletage and hands, and for preventive treatment of younger skin.

Simple treatment

Restylane® is a crystal-clear gel that is injected in the skin in small quantities using a thin, fine needle. The treatment is performed by trained doctors and other specialists, above all dermatologists, plastic surgeons and esthetic physicians. The treatment is quick and the result is immediate.

Rapidly increasing interest

The demand for esthetic products has increased rapidly in recent years. The trend of a healthy, natural appearance and well-being continues. New target groups are appearing and new products are being launched within the beauty field.

Openness about and interest in esthetic treatments are also increasing, at the same time as a more natural result is in demand. Acceptance and the desire to take care of one's appearance are increasing, even among men. This is also reflected in the great quantity of different skin care products that have been developed specifically for men in recent years. The demand for beauty products and beauty treatments that give safe, long-lasting and natural results is expected to continue to grow.

The clinically proven effect and the directly visible natural results make the whole Restylane® family attractive products on the market. The products offer a unique opportunity to tailor safe beauty treatments in order to meet every individual's personal needs and wishes.

Prospects for 2009

Work during 2009 will primarily focus on the continued launch of the new Restylane Vital™ concept, with Restylane Vital™ Light and Restylane® Injector, in Europe. In China sales of Restylane are expected to begin at the end of the second quarter 2009.

Simpler treatment of sensitive skin
Using Restylane® Injector, doctors can simply give an exact dose of Restylane Vital™ Light for effective rejuvenation of sensitive skin on the throat, décolletage, hands and face.

For successful results when treating damaged skin several small identical injections are necessary. This is particularly important when treating areas where the skin is thin. Restylane Injector makes it easier to optimize the treatment by distributing the doses over a large area of skin.

Dr Anders Strand, a dermatologist in Uppsala, was one of the first doctors to use Restylane Injector when treating with Restylane Vital Light.

"Restylane Injector is fantastic to work with as you can control the volume and in this way predict the result of the treatment more easily. It gives a feeling of security to only need to focus on the depth of the injection and the treatment area. I have also noticed that the general opinion among my patients is that they feel more comfortable being treated with Restylane Injector than with a normal syringe."

Restylane Vital Light is a soft gel that easily adapts to the surrounding tissue and which is milder towards sensitive skin. It is specially designed to restore the moisture balance in areas of skin such as the throat, hands, décolletage and face. It gives the skin a fresh, natural appearance, with improved lustre and tone.

Restylane® Injector is an injection pen that simplifies the treatment of large areas of skin. The ergonomic design makes the work simple and convenient.

Macrolane™ VRF is the first series of products on the market for natural, non-surgical body shaping – both to give volume and to smooth out defects on the body. The products are used for the creation of natural volume or shape.

Macrolane™

Gracefully shapes your body

Important events during the year

There has been intensive work on the launch of Macrolane™ VRF (Volume Restoration Factor) during 2008. The product and its clinical studies have been presented at a number of international congresses and scientific meetings. They have been received very positively and there has been great interest. A large number of international newspapers and magazines have featured Macrolane.

During 2008 the series of products has been extended and clinical studies have been started to further strengthen the products' scientific foundation.

An important part of the launch has been to train and certify specialists in the most suitable use of the product. Approximately four hundred doctors from different countries have been trained and certified. Expert group meetings for treating doctors have also been held during the year as part of the ongoing development to further improve knowledge and raise quality.

The first product on the market for body shaping

Macrolane™ VRF is the first series of products on the market for body shaping that create volume and smooth out defects on the body in a simple, safe and natural way. Macrolane VRF was approved for sales in Europe at the end of 2007 and is based on Q-Med's patented technology, NASHA™.

Macrolane is specially designed for shaping the body and gives immediate and long-lasting enhancement of different parts of the body. Scientific studies have shown that Macrolane has a clinically proven effect and that it is safe to use. There are two versions of Macrolane VRF. Macrolane™ VRF20 is used on areas of the body where there is less tissue cover and Macrolane™ VRF30 is used where there is more tissue cover. The products can be combined to achieve the esthetic result desired by the individual.

Men and women

There are a number of different areas of use, all dependent on the individual's wishes with regard to creating or restoring natural shape.

Macrolane™ is used, amongst other things, to shape and fill out breasts, where a small to moderate increase in volume can be created.

Macrolane is a non-permanent product, which means that treatment can be adapted as the body changes as the result of breastfeeding or natural aging. Macrolane can also be used within the chest area to shape the décolletage or as a supplement after plastic surgery interventions.

There is also great interest in shaping of the bottom and the calves, and of the chest area and upper arms among men. One further area of use for both men and women is correction of concave surfaces after liposuction or other surgical procedures.

Quick and simple treatment

Treatment with Macrolane™ is both quick and simple. A very small incision is made in the skin and the gel is injected deep into the skin, thus lifting the tissue in a natural way. Compared with Restylane® considerably larger volumes are used on average. The treatment is performed under local anesthetic and takes a short period of time, depending on what area is treated. The recovery time is short, but depending on which area has been treated, extra support may be needed so as not to subject the treated area to pressure during the first few weeks.

Great interest in non-surgical treatments

Q-Med has carried out surveys that show that interest in quick, safe and natural body shaping is increasing worldwide. Both women and men want to avoid the risks of anesthesia and surgical procedures, long healing times and the risk of ugly scars.

Previously the body's own fat has been the only alternative to various permanent implants for body shaping. However, the body's own fat involves large interventions under anesthesia, where it is first necessary to suck out the fat from other parts of the body and on another occasion do the actual enhancement. It is both a time-consuming and painful method, and the results are difficult to assess. Furthermore, many people do not have the volume of fat that is required, and consequently they have not had any naturally good alternative.

Macrolane™ enables smaller and simpler treatments with a tissue-friendly product.

Prospects for 2009

Work during 2009 will focus on establishing the Macrolane™ brand as the leading product within the area of body shaping in Europe and on launching the product in a number of markets in Asia and Latin America.

The Hospital Healthcare product area consists of the products Deflux® for the treatment of malformation of the urinary bladder in children, Durolane™ for the treatment of osteoarthritis of the knee and hip joints, and Solesta™ for the treatment of fecal incontinence.

Sales and income for the year

Sales of goods and royalties for the Hospital Healthcare product area amounted to 235 (245) MSEK during 2008, of which royalties for Durolane™ were 17 (13) MSEK. Operating income was -19 (-69) MSEK. The improvement in operating income is primarily due to changes that were carried out in the business in connection with the decision to terminate production and sales of Zuidex™ and other changes resulting from increased business focus on the Esthetics product area.

Sales and marketing of Durolane are carried out via Q-Med's partner Smith & Nephew. This is a strategic collaboration, which means that Q-Med and Smith & Nephew are working together on the future development of Durolane. Smith & Nephew carry the costs for clinical development, registration work and global commercialization.

Important events during the year

During the year Q-Med has worked on finding new forms for sales and marketing of Deflux® and Solesta™.

Deflux®

Deflux® is used for the treatment of VUR – a malformation of the urinary bladder that affects children and which can give severe urinary tract infections and even irreversible kidney damage. The treatment with Deflux is simple to carry out and gives immediate results. The largest single market for Deflux is the USA. In Europe the product is sold in more than ten countries, where Germany is the largest market.

Sales of Deflux® amounted to 179 (178) MSEK during the year. Since the end of June/beginning of July 2008 all American insurance companies have reinsured this type of treatment.

Durolane™

Durolane™ is used in the treatment of osteoarthritis. The product is injected into the knee or hip joint and this reduces the pain and increases the patient's mobility. Through strategic collaboration the American company Smith & Nephew is responsible for marketing, sales and distribution of the product. Q-Med's revenues for Durolane consist of sales revenues and royalty payments. The agreement with Smith & Nephew also means that Q-Med receives one-time payments. These can amount to 60 MUSD at the most, and 10 MUSD of this sum was paid when the agreement was entered into in 2006.

Sales of Durolane amounted to 30 (34) MSEK during the year. The decrease compared with the previous year is due to the change in the means of distribution when sales of Durolane were transferred to Smith & Nephew. All sales of the product have been made through Smith & Nephew since the end of June/beginning of July 2007. Royalty revenues amounted to 17 (13) MSEK during the year, which means an increase of 31 percent. The work on registering the product on the American market is ongoing.

Solesta™

Solesta™ is documented as offering effective treatment for fecal incontinence. The product was approved for sales in Europe at the end of 2006. During 2007 and 2008 the product has been introduced via selected specialist doctors and further studies, including an American study with 200 patients, are ongoing. Fecal incontinence affects approximately two percent of the population, primarily women as a result of birth injuries.

Sales of the product amounted to 2 (2) MSEK during the year.

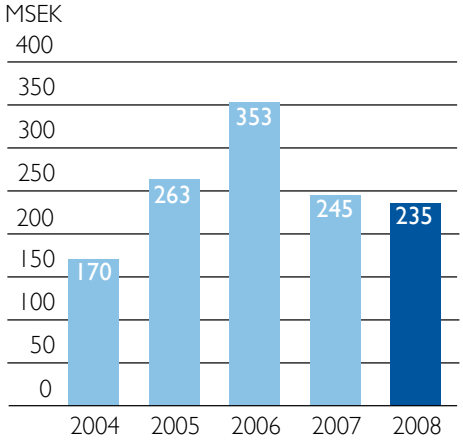
2008 IN BRIEF

- Q-Med made the decision at the beginning of the year to terminate production and sales of Zuidex™.
- All American insurance companies again reinsure endoscopic treatment of VUR.
- Work has been ongoing throughout the year to find new forms for sales and marketing of Deflux® and Solesta™.
- Operating income has improved from -69 to -19 MSEK.

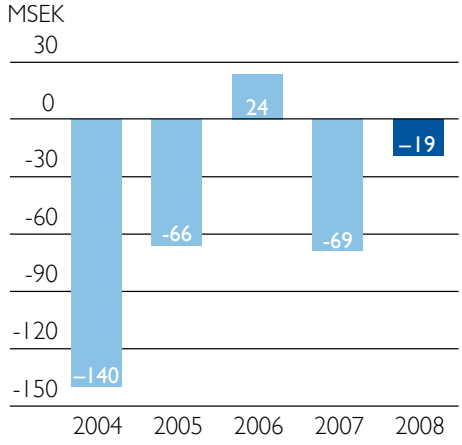
KEY RATIOS

2008	2007	Figures in MSEK
235	245	Revenues
-19	-69	Operating income

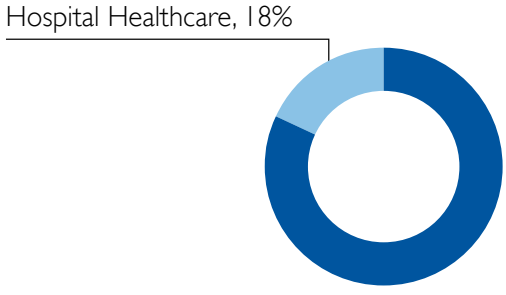
REVENUES



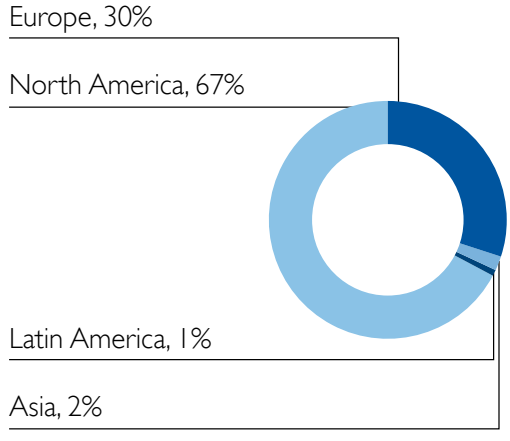
OPERATING INCOME



PERCENTAGE OF
Q-MED'S REVENUES



REVENUES PER
GEOGRAPHIC AREA



Competent managers and co-workers plus an organization that functions effectively – this is how some of the company's objectives can be summarized. Personnel work during 2008 has primarily focused on changes resulting from increased focus on the esthetics business.

A reorganization was carried out during the year at the head office and production facility in Uppsala, with the aim of gathering together the co-workers in research and development, production and logistics, clinical trials and quality assurance and registration of the products in a common organization – a Product Center. The aim of the change has been to ensure high efficiency and quality.

Personnel reductions were carried out during the autumn of 2008, which involved approximately 70 people leaving the offices in Uppsala. Personnel reductions have been carried out to a lesser extent abroad. The changes were a result of an increased focus on the esthetics business.

At the end of the year Q-Med had 665 employees, of whom 407 were in Uppsala. The average age was 40 (40) and in the Swedish business 56 (54) percent of all employees had a university education.

The Q-Med Way

To safeguard and develop the corporate culture that has made the company so successful, the Q-Med Way project was started in the autumn of 2007. The majority of all the co-workers participated in workshops and discussions on the topics of business sense, simplicity and innovation. The internal dialogue concerned three different perspectives – what each individual can do to contribute to the changes, what colleagues can do together in the groups and what the management can do. The areas for improvement that were identified resulted in action plans and improvement projects.

Coworkership

The Q-Med Way showed that there is strong coworkership in the company. Coworkership means that the co-worker takes responsibility for his/her own work, cooperates with his/her colleagues and contributes to the company's development. To further develop this coworkership, Q-Med will actively support and encourage continued dialogue.

Competence and leadership

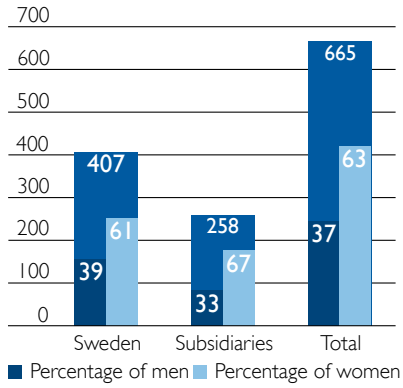
Competence development is based on an annual individual plan. It is discussed at a development discussion with the employee's immediate superior. In the development discussion the company's and the individual's expectations are checked against each other at the same time as guidelines for coming years are discussed.

During 2008 Q-Med has developed the leadership program so that it will better correspond to the company's needs. The leadership program is international so as to promote international networks and relations. Besides training managers in leadership, the program aims to strengthen and develop Q-Med's corporate culture.

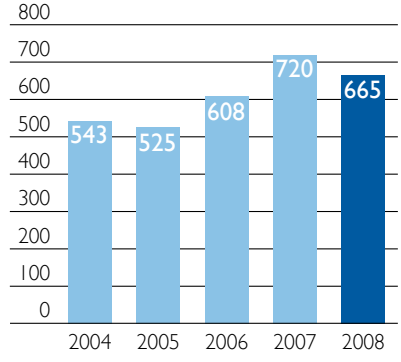
Development by survey

Q-Med carries out regular co-worker surveys to map the state of the organization as well as what the internal attitudes look like and how these attitudes change. The results then form the basis of the internal development work. The next co-worker survey will be done during 2009 and the areas that will be investigated include work conditions, the

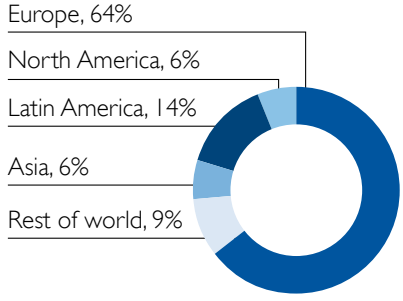
WOMEN/MEN



EMPLOYEES AT YEAR-END



EMPLOYEES IN SUBSIDIARIES AND BRANCH OFFICES



personal work situation, leadership and the view of the company.

Film at work

Can film combined with two-way communication increase the quality of internal communication? Q-Med has taken on this question in a research project together with Uppsala University and the production company Populate.

Q-Med will produce four films within the framework of the project. The first one is about the company's history – how the company started up until today. Then there will be three films that address the company's values: business sense, simplicity and innovation.

In the films co-workers from different parts of the organization talk about what the values mean to them. Besides creating dialogue in the films, the idea is that the managers will encourage dialogue about the films in the groups. The survey uses questionnaires and focus groups to measure knowledge and attitudes to both the films and the interface.

- Film is a simple and cost-effective way of spreading a message via the Intranet. By creating opportunities for two-way communication with co-workers, room is also given for new ways of working in the future, says Annelie Lundell, the manager responsible for internal communication at Q-Med.

FINANCIAL INFORMATION AND NOTES

REPORT OF THE BOARD OF DIRECTORS

The Board and the President of Q-Med AB (publ), corporate identity number 556258-6882, hereby submit the annual accounts and the consolidated accounts for the financial year 2008.

Business and organization

Q-Med primarily develops, manufactures, markets and sells implants medical implants. The majority of the products are based on the company's own NASHA™ technology, for esthetic and medical use by authorized users. The business is divided into three primary reporting segments: the Esthetics product area, the Hospital Healthcare product area and the Development Projects product area.

A series of products, all covered by the Restylane® and Macrolane™ trademarks, is today marketed within the Esthetics product area.

Restylane is a product family of internationally leading products for esthetic beauty treatments. The products are used for filling out wrinkles and lines, lips, facial contouring and rejuvenation of the skin. During the year a development project that has been ongoing for several years resulted in the production of a new injection device for the injection of Restylane Vital™ Light, one of the hydro balance products. Using this device the NASHA gel can be distributed over large treatment areas with high precision and it is easier to treat particularly sensitive areas of the skin, such as the throat, décolletage and hands.

Macrolane VRF is a new product concept for body shaping for which sales approval was obtained for Europe during the latter part of 2007. The launch of Macrolane VRF was begun at the end of 2007 and continued during 2008 through training and certification of doctors.

The Hospital Healthcare product area comprises Q-Med's products for medical indications: Deflux®, which is used in the treatment of vesicoureteral reflux (VUR) in children, Solesta™, which is used in the treatment of fecal incontinence and Durolane™ for the treatment of osteoarthritis of the hip and knee joints.

Zuidex™, for the treatment of stress urinary incontinence, was also a part of this product area previously. At the beginning of 2008 a decision was taken to terminate production and sales of Zuidex and during the rest of the year sales were limited to selling off existing inventory, but there was no further development or production of the product. The background to the decision is that the results from the North American clinical study on Zuidex, which were presented in July 2007, were not sufficiently good to successfully support an application for sales and market approval in the USA, and that the related risks outweighed future business opportunities.

All the products are CE-certified. Deflux and Restylane have also been approved for sales in the USA. In other markets where there are sales, local registration regulations are followed.

Most of the research and development that does not yet generate any sales and which is not directly attributable to the Esthetics or Hospital Healthcare product areas is gathered within the Development Projects product area.

Most of Q-Med's sales are today constituted by the esthetic products. The Group consists of the Swedish Parent Company Q-Med AB (publ), which together with a number of wholly owned subsidiaries markets and sells the company's products. Sales from the Parent Company can take several forms: directly to the customers through the company's own sales people, to the subsidiaries and through distributors to more than 70 countries.

Development during 2008

Focus on the Esthetics area

Q-Med's Board took the strategic decision that the company would focus on the esthetics area as early as 2007. This meant that during 2008 the company carried out comprehensive personnel reductions as part of the process of adapting the organization to this decision. These reductions were made above all in the Parent Company in Uppsala, where approximately 70 people left the company through lay-offs and attrition.

Development of sales

Geographically the development of sales was uneven during 2008. In Europe, Q-Med's largest market, they developed well, with an increase of 14 percent compared with 2007, while sales to the USA and Asia, above all to Japan, decreased.

Q-Med has an effective marketing concept that consists of a combination of public relations work, advertising campaigns and thorough training of the customers, above all doctors. Common to the USA and Japan is that Q-Med itself cannot act in the country. In the USA all marketing within the Esthetics area is handled by Q-Med's North American partner, Medicis Pharmaceutical Corporation, and in Japan there are regulatory obstacles that prevent Q-Med from directly marketing its products. This leads to a greater dependence on external factors than is the case in other markets. This, and in the USA in combination with a building up of inventories during 2007, is assessed to be the greatest individual reason for the reduced sales in these countries during 2008. The economic climate has also probably had a negative effect.

Financial crisis and economic downturn

The latter part of 2008 was characterized by a global financial crisis and the subsequent economic downturn.

It is difficult to take stock of how exactly the weaker economic climate has affected Q-Med. As has been described above, it is probable that sales in certain markets have been affected more negatively while other markets have proved to be less susceptible or that Q-Med has been able to actively counteract the negative influence of the deterioration in the economic climate there.

Financial risks and how they were affected by developments during the year are discussed in more detail in note 21 (see page 58). However, in general it can be said that Q-Med has not dramatically increased its risk level, due to its continued strong equity/assets ratio.

Buy-out offer

At the beginning of November 2008 Ivytan AB, a risk venture company formed by Lyftet Holding B.V. and EQT V, submitted an offer to Q-Med's shareholders to acquire all the shares in Q-Med AB. As Bengt Ågerup, Q-Med's President and CEO, indirectly controls Q-Med AB through Lyftet Holding B.V., this offer constituted a so-called management-buy-out offer. The Board, with the exception of Bengt Ågerup who was disqualified, that is its "independent committee", was thus obliged in accordance with the so-called takeover rules to draw up a fairness opinion with regard to the offer. An international financial consultancy was hired for financial consultation in connection with the evaluation of the offer. On the basis of the consultant's evaluation the Board recommended the shareholders not to accept the offer. Ivytan then chose to withdraw the offer. The expenses for primarily financial and legal consultation in connection with the offer amounted to 35 MSEK, which was charged against Q-Med's operating income for the fourth quarter of 2008.

Branch offices

During 2008 Q-Med AB had a branch office in Norway that markets and sells Q-Med's products.

During 2007 Q-Med AB had a representative office in China. There were Swedish personnel stationed at the office, amongst other things to support the Chinese subsidiary in the work on registering Q-Med's products.

This work was completed during 2008 (see the heading Important events after year-end on page 29). The preparations for the launch and the launch itself are being handled by the Chinese subsidiary and the representative office was closed during the year.

Research and development

Q-Med focuses its research and development on new applications of the NASHA™ technology. As the NASHA technology is well-documented, it is assessed to be the fastest route to future revenues.

Besides a few clinical studies that are handled by

the subsidiaries on behalf of the Parent Company, all of the Q-Med Group's research and development is carried out in or from Uppsala. Research and development costs amounted to -256.5 (-266.4) MSEK and in relation to turnover to 20 (20) percent.

Investments

Rationalization and expansion investments in the production facilities were ongoing during the year. The building investments that were begun during the latter part of 2007 continued but were not completed during 2008. The Group's total investments in property, plant and equipment amounted to 194.5 (115.0) MSEK.

Collaboration agreements

Agreement with Medicis

In 2003 one of Q-Med's affiliated companies was divested to the American dermatology Group Medicis for a total purchase sum of 160 MUSD. The purchase sum has been paid in steps as and when certain conditions have been met. Q-Med received the last part payment of 29.1 MUSD (199.7 MSEK) in May 2007 when Restylane Perlane™ was approved for sales in the USA.

During 2004 a new agreement was entered into, whereby Medicis obtained a license for the marketing and sales of Q-Med's product Restylane SubQ™. This agreement can give Q-Med AB one-time payments of 80 MUSD in total during the development period and further sales-related one-time payments. Of these license payments 30 MUSD was paid and taken up as revenue during 2004. No further payments have yet been received.

Agreement with Smith & Nephew

In June 2006 Q-Med AB and Smith & Nephew entered into strategic collaboration within orthopedics. The collaboration concerns the treatment of osteoarthritis but also new applications within the area will be evaluated. The agreement means that Smith & Nephew has obtained the global rights to market, sell and distribute products developed within the collaboration. Q-Med remains as the exclusive manufacturer. Payment for the product Durolane™ is received in the form of revenues from sales of goods and royalties. The royalties are paid both as a total of five one-time payments when certain conditions are met and as ongoing royalty payments linked to sales. The five one-time payments can amount to a total of approximately 70.0 MUSD. The first of these, 10.0 MUSD, corresponding to 73.5 MSEK, was paid and taken up as revenue in connection with the signing of the collaboration agreement..

Agreement with Medy-Tox Inc.

In February 2007 Q-Med AB entered into a collaboration agreement with Medy-Tox Inc., a pharmaceutical development company based in South Korea. The collaboration was expected to give Q-Med the opportunity to develop and commercialize new generations of products based on botulinum toxin. This collaboration was terminated during the latter part of 2008. A separation agreement regulated amongst other things the repayment of most of the loan that Medy-Tox had received from Q-Med.

Risks and risk management

Risk management is an important part of decision-making at all levels within Q-Med. All important project and business decisions are analyzed from a risk and opportunity perspective and if necessary are also the subject of strategic input from senior management and the Board.

Strategic risks are associated with corporate governance and business development and are handled by the Board and the senior management team. This is done through strategic planning but also through external environment analysis in order to capture at an early stage signals that may affect the Group's possible development. Exposure to intangible risks within patents, IT and human capital are handled by Q-Med's senior management, lawyers and other specialists in cooperation with external advisors. IT risks are handled by IT managers who together coordinate policies and necessary measures for information security and operational security.

Research and development

Q-Med's future growth is dependent on the ability to find and further develop new products. The development process is time-consuming and costly and only some of the projects will be able to show profitability. Risk management is an important aspect when new products are being developed and when starting materials are procured. Conceivable risks when products, processes and equipment are used must be identified and eliminated early on. Q-Med applies risk management in accordance with the international standard, ISO 14971, and has a number of different tools for risk identification and risk assessment that are used systematically.

Co-workers

Q-Med's business is knowledge-intensive and Q-Med is therefore dependent on being able to retain its key personnel and continuing to be an attractive employer.

Competitors and prices

Q-Med meets considerable competition within both Esthetics and Hospital Healthcare. The competition can affect both the prices of Q-Med's products and the development of sales volumes. Q-Med's competitiveness is dependent on the possibilities of developing strong brands and providing an attractive product portfolio. This is handled amongst other things through strong customer focus and by listening to the end users.

Authorities and reimbursement systems

To obtain sales approval for its products, Q-Med must be able to prove that the products are safe and effective through comprehensive clinical studies.

Q-Med must also comply with comprehensive and strict regulations from the United States regulatory authority, FDA, and corresponding bodies in other countries. Research and clinical studies often take several years to carry out and can sometimes be affected by delays due to decisions that have been postponed by authorities, difficulties in finding patients or political factors. In addition to delays, sweeping changes in laws and regulations can also have a negative effect on Q-Med's business and future opportunities. Several of Q-Med's products within Hospital Healthcare depend on patients obtaining coverage for their costs from an external party, for example from the public sector or an insurance company. Such financing of the treatment is a precondition for Q-Med being able to achieve major sales volumes of the products. Work on obtaining this type of patient reimbursement is also very time-consuming for the company. In order to handle the demands made, Q-Med works, amongst other things, on continually further developing its business and quality management systems in accordance with ISO 13485:2003.

Patents and trademarks

Q-Med has patent protection for its technology. The ability to defend patents and to further develop its technology in order to obtain further patent protection is very important for Q-Med's continued success. However, there are no guarantees that competitors will not be able to develop alternative technologies. So far a small number of disputes concerning patents and trademarks have affected Q-Med. Q-Med has also worked up a number of trademarks that are valuable to the Group's business and is constantly working to secure these rights.

Forgeries

Forged products exist in the field that Q-Med is active in. The existence of forgeries can affect both patient safety and Q-Med's sales. Q-Med works actively on measures to protect customers and patients from forgeries.

Product responsibility and property

Q-Med is responsible for the safety of the products and may be subjected to claims from customers and patients. Q-Med's property may also be subjected to damage caused by fire and water, theft etc. The Group is constantly working to develop insurance solutions to limit any damage and claims for legal damages.

Production capacity

Q-Med has two separate production facilities. This gives a production capacity that allows considerable future growth in volume and at the same time contributes to reducing the risk of production stoppages in the event of failures in production or a

breakdown in one of the facilities.

Q-Med is dependent on external suppliers of starting materials for production. A stoppage in supplies can have negative consequences for production and the financial results can be affected. Q-Med works actively together with the suppliers to ensure prompt deliveries in accordance with Q-Med's specifications. It is an express strategy to use more than one supplier whenever possible to reduce vulnerability.

Financial risks

Financial risks involve the risk of the value of the Group's assets and liabilities changing considerably due to a change in circumstances. It may, for example, be customers who get into financial difficulty and therefore cannot pay their liabilities to Q-Med or changed exchange rates that cause Q-Med's receivables in foreign currency to fall in value.

Financial risk management is governed to a certain extent by the Group's transfer price policy, but above all by its financial policy. A basic principle is that financial risks should as far as possible be gathered and managed in the Parent Company. In this way economies of scale are achieved in their management and administration, and monitoring of the overall risk positions is facilitated. The nature of the financial risks and the ways in which Q-Med's senior management meets them are further described in note 21 (see page 58).

Legal disputes

At the end of 2005 a distributor in Belgium whose contract had been terminated filed a summons application against Q-Med AB. The opposite party claimed compensation of 890,000 EUR in total on the grounds of alleged wrongful termination of contract. During the month of February 2009 the parties have come very close to a settlement at a considerably lower level.

Otherwise there have been no substantial legal disputes.

Quality and the environment

Quality assurance

Q-Med is constantly working on improvements in its quality assurance and since 2004 has had a process-oriented quality management system. Q-Med AB is certified in accordance with ISO 13485:2003, adapted to the regulatory requirements for medical devices.

Environment

The company carries out no activities that it is obliged to report or have a license for in accordance with the environmental code. Q-Med's business in Uppsala is environmentally certified in accordance with ISO 14001.

Ethical guidelines

Q-Med's Board has adopted a Code of Conduct which contains guidelines on how the company and its employees should act with regard to business ethics, human rights, discrimination, the environment etc.

Personnel

Q-Med had 665 employees at the end of 2008, with 407 employees in the Parent Company.

An important success factor for Q-Med is to be an attractive employer. With a view to attracting and retaining co-workers, regular co-worker surveys, ongoing leadership training and other competence development are carried out.

Personnel reductions were carried out during the year as part of the strategic adaptations to the decision to focus on the Esthetics product area. These reductions were made to some extent in the subsidiaries but above all at Q-Med AB in Uppsala, where approximately70 people left the company, both in the form of attrition and as the result of lay-offs due to redundancy.

Future development

The market for non-surgical procedures, including injectable esthetic products, continues to grow.

Q-Med continues to be positive in its assessment of the demand for Restylane® in all regions, despite increased competition. The aim of the company is to defend its strong position, with a retained or increased market share in all principal markets. In parallel new markets will be developed, primarily in Asia and Latin America.

The Esthetics product area is in focus. The product portfolio will be broadened through in-house development and through strategic partnerships.

The overall objective within the Hospital Healthcare product area is to find new forms for sales and marketing of Deflux™ and Solesta™.

Q-Med's overall objective is high growth together with good profitability. The launch of Macrolane™ and new products within the area of hydro balance means that the market for Q-Med's products is growing. The effects of the global economic downturn on the market for esthetic products are, however, difficult to assess.

Important events after year-end

In January 2009 Q-Med and Palomar Medical Technologies, Inc. decided to terminate the international distribution agreement that was signed in January 2008. Due to the changed market situation, Q-Med has chosen to focus on its core business.

In January 2009 Q-Med obtained registration approval for Restylane® in China. It is estimated that sales will begin at the end of the second quarter in 2009.

At Q-Med AB's Extraordinary General Meeting on February 4, 2009 a resolution was adopted to re-elect Bertil Hult, Anders Milton and Bengt Ågerup as members of the Board for the period up until the end of the next Annual General Meeting. Ulf Mattsson, Tomas Nicolin and Kristina Persson were elected as new members of the Board. The meeting also decided to elect Anders Milton as Chairman of the Board.

The work of the Board

The Board in its entirety met on 10 occasions during 2008. In addition, the independent committee had a number of meetings due to the public buy-out offer for Q-Med. Questions that the Board in its entirety dealt with during the year include business plans, forecasts, investments, major business agreements, the financial statements and other external information.

The audit committee met 3 times during 2008. The questions dealt with include ongoing reporting questions, internal control and investments.

The Board also has a remuneration committee, with the task of working out and proposing the salaries and other conditions of employment for the senior management and continually reporting to the Board, who make the decisions on these questions, including decisions with regard to proposals concerning remuneration of senior managers that are to be presented to the Annual General Meeting. An account of the work of the Board is given in the Corporate Governance Report on page 68.

See note 10, page 51 for the most recently adopted guidelines for the determination of salary and other remuneration for the CEO and other members of senior management. For information on the members of the Board, see pages 73-74.

The Q-Med share

Q-Med AB is listed in the Mid Cap segment of NASDAQ OMX Nordic in Stockholm. The share capital at December 31, 2008 amounted to 24,845,000 SEK, divided among 99,382,000 shares. Each share carries one vote at the General Meeting of the shareholders and entitles the owner to an equal share of the company's assets and income. 47.5 percent of the shares are held by Lyftet Holding B.V., which is the only shareholding that exceeds 10 percent of the total number of shares.

Proposed treatment of unappropriated earnings

The dividend policy most recently adopted by the Board means that it is to be proposed that approximately 50 percent of net income for the year after tax be paid out as a regular dividend.

Earnings at the disposal of the Annual General Meeting:

	SEK
Share premium reserve	5,836,849
Retained earnings	601,690,253
Net income for the year	-6,972,568
	600,554,534

The Board proposes that this 600,554,534 SEK be carried forward. No dividend is thus proposed for the shareholders.

CONSOLIDATED INCOME STATEMENT WITH COMMENTS

KSEK	Note	2008	2007
Revenues from sales of goods	3	1,254,556	1,304,994
Royalty revenues	3	17,328	12,633
Total revenues		**1,271,884**	**1,317,627**
Cost of goods sold	5,9	-224,899	–199,210
Gross income		**1,046,985**	**1,118,417**
Other operating revenues	12	40,024	221,096
Selling expenses	5,7,9,10,11	-633,732	–586,811
Administrative expenses	5,9,10,11	-146,487	–109,357
Research and development costs	5,7,9,10,11	-256,500	–266,421
Other operating expenses	9,13	-453	-6,458
Income before financial items		**49,837**	**370,466**
Financial revenues	14	16,687	12,789
Financial expenses	14	-4,622	–13,447
Income before taxes		**61,902**	**369,808**
Taxes	17	-28,505	–54,358
Net income for the year		**33,397**	**315,450**
Average number of outstanding shares		99,382,000	99,373,944
Earnings per share (SEK) before dilution attributable to Parent Company's shareholders	18	0.34	3.17
Earnings per share (SEK) after dilution attributable to Parent Company's shareholders	18	0.34	3.17

Comments on the consolidated income statement

Revenues from sales of goods and royalties
Q-Med's revenues from sales of goods decreased by -4 (6) percent from 1,305.0 MSEK in 2007 to 1,254.6 MSEK in 2008. Fluctuations in exchange rates negatively affected Q-Med's revenues from sales of goods by -3.5 MSEK during 2008.

Royalty revenues stemming from Durolane™ amounted to 17.3 (12.6) MSEK.

In total revenues from sales of goods and royalties amounted to 1,271.9 (1,317.6) MSEK, a decrease of -3 percent.

Other operating revenues
Other operating revenues amounted to 40.0 (221.1) MSEK and mainly comprise revenues within the framework of research and development collaboration of different kinds and exchange rate revenues attributable to trade receivables and trade payables.

The figure for 2007 also includes the last purchase sum of 199.7 MSEK within the framework of the agreement that Q-Med AB entered into with Medicis in 2003.

Selling expenses
Selling expenses increased by 8 percent and amounted to -663.7 (-586.8) MSEK, which is 50 (45) percent of the revenues. Selling expenses include strategic marketing, the Parent Company's sales organizations for the Nordic countries and distributors as well as the subsidiaries' total expenses. The increase in these expenses compared to 2007 is primarily due to:

– The launch of Macrolane™.
– Continued investments in the growth markets in Asia and Latin America.
– Growth in the most recently started subsidiaries in Poland and the Netherlands.

Administrative expenses
Administrative expenses amounted to -146.5 (-109.4) MSEK and amounted to 12 (8) percent in relation to revenues. This is common Group administration such as, for the most part, Group management, the Finance Department, the Legal Department, Investor Relations, Business Development and IT.

Of the total increase in expenses of 37.1 MSEK, the expenses for the Board's independent committee's valuation of the bid that Ivytan AB submitted to the shareholders amount to 34.9 MSEK, see the Report of the Board of Directors.

Research and development costs
Research and development costs amounted to -256.5 (-266.4) MSEK, which is 20 (20) percent of revenues. These costs include further development of Q-Med's NASHA™ gel. Costs for quality trials and quality development are also included, as well as technical development and costs for clinical trials and registration administration.

All expenses for research and development were carried as an expense during 2008, as no expenses for development met the criteria for capitalization as an intangible asset, as required by IFRS. Amortization of previously capitalized development costs of -1.2 (-1.2) MSEK are included in research and development costs.

The decrease in costs of 9.9 MSEK compared with 2007 is primarily attributable to reduced research and development activity within the Hospital Healthcare product area.

Other operating expenses
Other operating expenses amounted to -0.5 (-6.5) MSEK. In 2007 these consisted mainly of exchange rate losses on trade receivables and trade payables, but as these were positive in 2008 they are recorded under Other operating revenues.

Net financial items
The Group's net financial items amounted to 12.1 (-0.7) MSEK. These are constituted by return on the Group's liquid funds, interest paid on loans and exchange rate gains on financial items.

Tax
The Group's tax expenses of -28.5 (-54.4) MSEK are constituted by current tax and deferred tax. The Swedish corporation tax rate was reduced on January 1, 2009 from 28 % to 26.3 %. This has had a positive tax effect of 5.4 MSEK through recalculation of deferred tax.

Net income for the year
Net income for the year amounts to 33.4 (315.5) MSEK.

The income statement per segment is reported and commented on in Note 3, Segment reporting.

CONSOLIDATED BALANCE SHEET WITH COMMENTS

KSEK	Note	Dec 31, 2008	Dec 31, 2007
ASSETS			
Non-current assets			
Property, plant and equipment	5	842,465	708,590
Goodwill	6	49,998	43,314
Other intangible assets	7	30,111	25,461
Financial assets	8	51,642	58,777
Deferred tax asset	17	19,464	21,564
Total non-current assets		**993,680**	**857,706**
Current assets			
Inventories	20	168,823	141,675
Accounts receivable	21	233,099	212,634
Tax assets		21,901	25,392
Other current receivables		21,252	16,849
Prepaid expenses and accrued revenues	22	31,822	35,663
Liquid funds	21,23	227,794	456,598
Total current assets		**704,691**	**888,811**
Total assets		**1,698,371**	**1,746,517**

Comments on the consolidated balance sheet

ASSETS

Property, plant and equipment

The recorded value of 842.5 (708.6) MSEK consists of the following: Buildings and land 412.7 (420.2) MSEK, Plant and machinery 160.1 (163.8) MSEK, Equipment, fixtures and fittings 65.4 (78.9) MSEK and Construction in progress 204.2 (45.7) MSEK.

During 2008 194.5 (115.0) MSEK was invested in property, plant and equipment, including construction in progress. 5.0 (36.6) MSEK stems from investments in Buildings and land and 26.3 (32.7) from Plant and machinery and Equipment, fixtures and fittings, of which 23.5 (26.6) MSEK comes from the facilities in Uppsala. Investments in Construction in progress amounted to 163.2 (45.7) MSEK.

Goodwill

Recorded goodwill amounted to 50.0 (43.3) MSEK at year-end. This stems from the acquisition of the Italian subsidiary in 2001. The change in value from 2007 is due to translation differences.

Other intangible assets

The value of 30.1 (25.5) MSEK mainly consists of Q-Med's quality system (Good Manufacturing Practice) 8.1 (10.7) MSEK, Marketing rights 9.5 (10.2) MSEK, capitalized development costs and licenses for esthetic products 10.2 (1.6) MSEK and an acquired patent, 2.1 (2.6) MSEK.

Financial assets

Financial assets amount to 51.6 (58.8) MSEK. Of these assets 45.0 (45.0) MSEK constitute the shareholding in the medical development company OxThera AB.

Deferred tax asset

The deferred tax asset recorded is 19.5 (21.6) MSEK. This is constituted by capitalized loss carry-forward in the subsidiaries and by deferred tax on temporary differences.

Inventories

Inventories increased during 2008 from 141.7 MSEK to 168.8 MSEK.

Accounts receivable

Accounts receivable increased from 212.6 MSEK to 233.1 MSEK.

Liquid funds

Liquid funds consist of Cash and bank balances of 153.0 (119.0) MSEK and Short-term investments of 74.8 (337.6) MSEK.

KSEK	Note	Dec 31, 2008	Dec 31, 2007
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Shareholders' equity attributable to the Parent Company's shareholders			
Share capital		24,845	24,845
Other capital contributed		313,904	313,904
Other reserves		28,077	6,978
Earnings		912,815	1,028,491
Total shareholders' equity		**1,279,641**	**1,374,218**
Long-term liabilities			
Liabilities to credit institutions	21,25,28	50,000	50,000
Provisions	24	9,861	10,119
Deferred tax liability	17	97,717	93,226
Total long-term liabilities		**157,578**	**153,345**
Current liabilities			
Accounts payable		85,497	76,330
Current liabilities to credit institutions	21,26,28	27,779	24,322
Tax liabilities		1,659	5,032
Other current liabilities		28,071	28,599
Forward contracts	21	16,504	857
Accrued expenses and prepaid liabilities	27	101,642	83,814
Total current liabilities		**261,152**	**218,954**
Total liabilities		**418,730**	**372,299**
Total shareholders' equity and liabilities		**1,698,371**	**1,746,517**
Pledged assets for own liabilities	28	37,646	55,646
Contingent liabilities	28	None	None

LIABILITIES AND SHAREHOLDERS' EQUITY

Shareholders' equity

Shareholders' equity for the Q-Med Group amounted to 1,279.6 (1,374.2) MSEK. Shareholders' equity has decreased through a dividend to the owners of 143.1 (198.7) MSEK. Net income for the year was 33.4 (315.5) MSEK and the translation difference for the year was 21.1 (8.1) MSEK. As there are no minority interests, all of the shareholders' equity is attributable to the Parent Company's shareholders.

Interest-bearing liabilities

The Group's interest-bearing current and long-term liabilities amounted to 77.8 (74.3) MSEK.

Deferred tax liability

This balance sheet item amounts to 97.7 (93.2) MSEK and is constituted by temporary differences between balance sheet items' recorded and written-down values, mainly untaxed reserves in Swedish affiliated companies.

Accounts payable

Closing balance accounts payable amounted to 85.5 (76.3) MSEK.

CONSOLIDATED CASH FLOW ANALYSIS WITH COMMENTS

KSEK	Note	2008	2007
Operating activities			
Income after financial items		61,902	369,808
Adjustment for items not included in the cash flow	23	61,606	–136,153
Tax paid		-21,139	–117,385
Cash flow from operating activities before changes in working capital		**102,369**	**116,270**
Increase (-)/Decrease(+) in inventories		-17,040	–36,974
Increase (-)/Decrease(+) in trade receivables		-4,610	18,259
Increase (+)/Decrease(-) in trade payables		36,883	47,934
Cash flow from operating activities		**117,602**	**145,487**
Investing activities			
Sale of business		–	199,665
Investments in intangible fixed assets		-9,820	–3,696
Investments and acquisition of property, plant and equipment		-194,493	–114,972
Change in financial assets		3,129	–45,789
Cash flow from investing activities		**-201,184**	**35,208**
Financing activities			
New share issue		–	1,498
Dividend paid		-149,073	–198,748
Cash flow from financing activities		**-149,073**	**–197,250**
Cash flow for the year		**-232,655**	**–16,553**
Liquid funds at beginning of year		456,598	470,294
Exchange rate difference in liquid funds		3,851	2,857
Liquid funds at end of year	21,23	**227,794**	**456,598**

Comments on the consolidated cash flow analysis

The cash flow from operating activities, that is from income after financial items adjusted for depreciation and amortization and other items not affecting liquid funds plus tax paid and changes in working capital, amounted to 117.6 (145.5) MSEK. The deterioration in the cash flow from operating activities is primarily due to the fact that the consolidated income before taxes was lower, which has, however, to some extent been compensated for by the fact that less liquidity has been tied up in working capital and by the lower taxes paid.

The cash flow from investing activities was -201.2 (35.2) MSEK. It was positive in 2007 due to the fact that the last purchase sum from Medicis, which constituted 199.7 MSEK, was recorded under this heading, see Comments on the consolidated income statement. Investments in property, plant and equipment of -194.5 (-115.0) MSEK were made, of which -191.7 (-108.9) MSEK was in Uppsala. These investments are primarily measures to increase efficiency and capacity within production. The investments also comprise new premises which will contain, amongst other things, laboratories and expansion space for further production operations.

During the year a license was acquired, which has been recorded under Investments in intangible fixed assets, -9.8 (-3.7) MSEK. The change in financial assets consists of repayments of long-term receivables (cash receipts) and new deposits for premises, in total 3.1 (-45.8) MSEK.

The cash flow from financing activities amounted to -149.1 (-197.2) MSEK. This consisted of the dividend to the shareholders that was paid in May 2008 in accordance with the resolution of the Annual General Meeting to pay SEK 1.50 per share.

The cash flow for the year amounted to -232.7 (-16.6) MSEK.

SUMMARY OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE GROUP

	Attributable to the Parent Company's shareholders				
KSEK	**Share capital**	**Other capital contributed**	**Other reserves**	**Earnings**	**Total**
Opening balance Jan 1, 2007	**24,837**	**312,414**	**-1,089**	**911,789**	**1,247,951**
Revenues and expenses for the period					
Translation differences			8,067		8,067
Net income for the year				315,450	315,450
Total revenues and expenses for the period	**0**	**0**	**8,067**	**315,450**	**323,517**
Dividend in accordance with AGM resolution				-198,748	-198,748
New share issue	8	1,490			1,498
Closing balance Dec 31, 2007	**24,845**	**313,904**	**6,978**	**1,028,491**	**1,374,218**
Opening balance Jan 1, 2008	**24,845**	**313,904**	**6,978**	**1,028,491**	**1,374,218**
Revenues and expenses for the period					
Translation differences			21,099		21,099
Net income for the year				33,397	33,397
Total revenues and expenses for the period	**0**	**0**	**21,099**	**33,397**	**54,496**
Dividend in accordance with AGM resolution				-149,073	-149,073
New share issue					0
Closing balance Dec 31, 2008	**24,845**	**313,904**	**28,077**	**912,815**	**1,279,641**

Comments on changes in shareholders' equity

Other reserves are constituted by translation differences.

During the year 1.50 SEK per share was paid out to the shareholders in accordance with the resolution of the Annual General Meeting in May 2008.

Share capital at December 31, 2008 amounted to 24,845,500 SEK, divided among 99,382,000 shares, each with one vote and a quota value of 0.25 SEK.

The Board will propose to the Annual General Meeting that no dividend be paid out during 2009.

INCOME STATEMENT FOR THE PARENT COMPANY

KSEK	Note	2008	2007
Revenues from sales of goods	3,4,21	756,912	923,544
Royalty revenues	3	17,328	12,633
Total revenues		**774,240**	**936,177**
Cost of goods sold	5,9	-212,897	–196,797
Gross income		**561,343**	**739,380**
Selling expenses	5,7,9,10,11	-170,800	–209,034
Administrative expenses	5,9,10,11	-144,337	–108,765
Research and development costs	5,7,9,10,11	-253,319	–239,766
Other operating revenues	12	36,772	18,984
Other operating expenses	9,13	-374	-7,587
Operating income		**29,285**	**193,213**
Result from financial items	15	12,924	203,335
Income after financial items		**42,209**	**396,548**
Appropriations	16	-35,319	–63,459
Income before taxes		**6,890**	**333,089**
Taxes	16,17	-13,863	–38,535
Net income for the year		**-6,973**	**294,554**

BALANCE SHEET FOR THE PARENT COMPANY

KSEK	Note	Dec 31, 2008	Dec 31, 2007
ASSETS			
Non-current assets			
Intangible assets			
Patents and other intellectual property	7	11,544	12,809
Property, plant and equipment			
Buildings and land	5	334,749	339,183
Plant and machinery	5	89,746	82,699
Equipment, fixtures and fittings	5	56,062	68,040
Construction in progress	5	204,222	45,672
Financial assets			
Participations in affiliated companies	19	15,181	14,024
Other financial assets	8	47,469	56,731
Long-term receivables from affiliated companies		138,031	350,712
Total non-current assets		**897,004**	**969,870**
Current assets			
Inventories			
Raw materials and consumables	20	68,529	60,377
Finished products and goods for resale	20	70,366	59,289
Current receivables			
Accounts receivable		46,047	62,517
Receivables from affiliated companies		156,895	124,329
Tax assets		18,226	24,047
Other current receivables		17,540	12,092
Prepaid expenses and accrued revenues	22	24,735	25,321
Liquid funds	21,23	153,046	185,897
Total current assets		**555,384**	**553,868**
Total assets		**1,452,388**	**1,523,738**

cont. BALANCE SHEET FOR THE PARENT COMPANY

	Note	Dec 31, 2008	Dec 31, 2007
Liabilities and shareholders' equity			
Shareholders' equity			
Restricted shareholders' equity			
Share capital		24,845	24,845
Statutory reserve		307,441	307,441
Unrestricted shareholders' equity			
Retained earnings		607,528	464,694
Net income for the year		-6,973	294,554
Total shareholders' equity		**932,841**	**1,091,535**
Untaxed reserves	16	**267,943**	**232,623**
Provisions			
Provisions for taxes	17	566	3,054
Other provisions	24	1,706	1,545
Total provisions		**2,272**	**4,599**
Long-term liabilities			
Liabilities to affiliated companies		11,912	3,897
Liabilities to credit institutions	21,25,28	50,000	50,000
Total long-term liabilities		**61,912**	**53,897**
Current liabilities			
Liabilities to credit institutions	21,26,28	27,761	24,049
Accounts payable		66,647	57,842
Other current liabilities		5,690	10,040
Forward contracts	21	16,504	857
Accrued expenses and prepaid revenues	27	70,818	48,296
Total current liabilities		**187,420**	**141,084**
Total liabilities and shareholders' equity		**1,452,388**	**1,523,738**
Pledged assets for own liabilities	28	37,646	55,646
Contingent liabilities	28	None	None

CASH FLOW ANALYSIS FOR THE PARENT COMPANY

KSEK	Note	2008	2007
Operating activities			
Income after financial items		42,209	396,548
Adjustment for items not included in the cash flow	23	43,502	-164,476
Tax paid		-10,529	-99,137
Cash flow from operating activities before changes in working capital		**75,182**	**132,935**
Increase (-)/Decrease(+) in inventories		-19,229	-24,778
Increase (-)/Decrease(+) in trade receivables		-13,762	-32,403
Increase (+)/Decrease(-) in trade payables		42,623	26,077
Cash flow from operating activities		**84,814**	**101,831**
Investing activities			
Dividends received		197,232	2,637
Investments in intangible fixed assets		–	-3,412
Investments and acquisition of property, plant and equipment		-191,657	-108,921
Acquisition of financial assets		3,557	-47,074
Cash flow from investing activities		**9,132**	**-156,770**
Financing activities			
New share issue		–	1,498
Dividend paid		-149,073	–198,748
Financing of subsidiary		21,340	28,361
Cash flow from financing activities		**-127,733**	**–168,889**
Cash flow for the year		**-33,787**	**–223,828**
Liquid funds at beginning of year		185,897	412,899
Exchange rate difference in liquid funds		936	–3,174
Liquid funds at end of year	21,23	**153,046**	**185,897**

SUMMARY OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PARENT COMPANY

KSEK	Share capital	Statutory reserve	Share premium reserve	Other non-restricted equity	Total
Opening balance Jan 1, 2007	**24,837**	**307,441**	**4,348**	**661,090**	**997,716**
Changes in shareholders' equity which are not recorded in income statement				-3,485	-3,485
Net income for the year				294,554	294,554
Dividend in accordance with AGM resolution				-198,748	-198,748
New share issue	8		1,490		1,498
Closing balance Dec 31, 2007	**24,845**	**307,441**	**5,838**	**753,411**	**1,091,535**
Opening balance Jan 1, 2008	**24,845**	**307,441**	**5,838**	**753,411**	**1,091,535**
Changes in shareholders' equity which are not recorded in income statement				-2,648	-2,648
Net income for the year				-6,973	-6,973
Dividend in accordance with AGM resolution				-149,073	-149,073
New share issue					0
Closing balance Dec 31, 2008	**24,845**	**307,441**	**5,838**	**594,717**	**932,841**

Comments on changes in shareholders' equity

During the year 1.50 SEK per share was paid out to the shareholders in accordance with the resolution of the Annual General Meeting in May 2008.

Share capital at December 31, 2008 amounted to 24,845,500 SEK, divided among 99,382,000 shares, each with one vote and a quota value of 0.25 SEK.

The Board will propose to the Annual General Meeting that no dividend be paid out during 2009.

NOTE 1 Company information

These financial reports are for the Q-Med Group and its Parent Company, Q-Med AB (publ), corporate identity number 556258-6882, and have been approved by the Board of Directors at the Board meeting on March 12, 2009 and will be submitted to the Annual General Meeting in 2009 for adoption.

The company's business is described in note 3.

The companies included in the Q-Med Group are to be found in note 19.

NOTE 2 Accounting principles and information

Rules and regulations applied

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), which have been adopted by the EU, as well as recommendation RFR 1.1 of the Swedish Financial Reporting Board. The accounts of the Parent Company have been prepared in accordance with recommendation RFR 2.1 of the Swedish Financial Reporting Board and the Annual Accounts Act.

Important coming changes in the regulations

As from January 1, 2009 a number of changes in the regulations for financial reporting come into force. It is assessed that of these IFRS 8 Operating Segments and the changes in IAS 1 Presentation of Financial Statements are the ones that affect Q-Med.

According to IFRS 8, which replaces IAS 14, segment information is to be reported on the basis of how the Board and the senior management follow up and control the business. In Q-Med's present segment reporting in accordance with IAS 14, the division into segments is already based on that principle and all the information necessary to report in accordance with IFRS 8 is thus available. It is possible that the changes may affect the way that the information in question is presented in the future.

The changes in IAS 1 that are to be applied as from January 1, 2009 mean that the form in which the financial reports are presented will be changed and that they will receive new names. The changes of name are not obligatory, however, and Q-Med has not yet come to a decision on this question.

Presentation currency

These financial reports have been prepared in SEK. Unless otherwise stated, all figures are recorded in SEK thousands (KSEK).

Principles for preparation of the accounts

The consolidated accounts and the Parent Company's accounts are based on historical acquisition values, with the exception of derivative financial instruments and financial assets valued at their actual value via the income statement.

The consolidated accounts comprise the Parent Company and all subsidiaries in which the Parent Company holds more than 50 percent of the shares or in some other way has a deciding influence. The income statements for affiliated companies are included in the Group income statement as from the acquisition date up until the date for divestment.

All inter-company items are eliminated and are thus not included in the Group's income statement and balance sheet.

These financial reports have been prepared in accordance with the going concern principle, which means that there is both the intention and the ability to continue running the company.

Unless otherwise stated all liabilities and assets are recorded separately except in those cases where both a receivable and a liability exist vis-à-vis one and the same opposite party and these can be legally set off against each other and there is an intention to do so.

Revenues and expenses are also recorded separately unless otherwise stated.

Classification in the balance sheet

In addition to liquid funds, all assets that are expected to be realized, sold or used within 12 months or are held primarily for trading purposes are classified as current assets. All other assets are recorded as non-current assets.

All liabilities that are expected to be settled within 12 months or which are trade payables are classified in the balance sheet as current liabilities. All others are classified as long-term liabilities.

Deferred tax assets and deferred liabilities are, however, classified as non-current assets or long-term liabilities even if in some cases they may be realized sooner than within twelve months.

Important assessments

When the Board and President prepare reports in accordance with generally accepted accounting principles, certain assessments and assumptions must be made that affect the values recorded in the final accounts. These assessments and assumptions constitute the basis of the recorded values of assets, liabilities, revenues and expenses in those cases where these cannot be determined simply through information from other sources. The areas which contain a high degree of assessment, which are complex or such areas where assumptions and estimations are of considerable importance comprise above all the Q-Med Group's non-current assets

- *Property, plant and equipment:* These consist predominantly of properties for offices, research and production and of production facilities in Uppsala. These are valued at acquisition cost minus depreciation and any write-downs. This valuation is based on the assumption that Q-Med will continue to own these assets itself and that production and research will be carried out in Uppsala in the future as well and that the market for the products which are based on the present technology will continue to develop positively.
- *Goodwill:* The goodwill that is recorded in Q-Med's balance sheet stems from an acquisition in Italy. The write-down requirement for this is assessed annually on the basis of the net expected future cash flow that is generated by the Italian market.
- *Intangible fixed assets:* Intangible fixed assets consist of capitalized expenditure for Q-Med's quality management system and capitalized expenditure for product development, licenses, marketing rights and acquired patents. Their value is based on the assumption that Q-Med's regulatory environment will remain unchanged to such an extent that the quality management system will continue to meet the requirements of the regulatory authorities, that the products whose development costs have been capitalized will continue to have good sales and that the markets which the marketing rights apply to will continue to develop as expected.
- *Financial assets:* Other shareholdings consist of shares in research and development companies. There is no active market for these shares and there is no listed market price, and consequently it is not possible to reliably estimate their fair value. They have therefore been valued at acquisition value. Write-down requirements are examined on the basis of net expected return in the future. Expected future return is therefore to a great extent dependent on the assessment of the research results. This includes assessing their prospects of regulatory approval and of later commercialization of the research results.

Segment reporting
The primary division into segments is based on the nature of the products while the secondary division is by geographic area. This division corresponds to the company's internal reporting to senior management and the Board.

Revenues, expenses, assets and liabilities are recorded by segment when they are directly attributable to each segment or when allocation can be performed in a reliable manner. In those cases where they are common and there are not any reasonable grounds for allocation by segment they have not been allocated.

Property, plant and equipment and intangible fixed assets
Property, plant and equipment are physical assets that are used in the company's business and which are expected to have a useful life exceeding one year.

Property, plant and equipment are recorded at acquisition cost after a deduction for accumulated depreciation and any write-downs. Depreciation is done linearly down to the residual value over the estimated useful life. Depreciation is begun when the assets are first used. Land assets are not written off.

An intangible asset is an identifiable non-monetary asset without a physical form.

Intangible fixed assets are valued at acquisition value with a deduction for accumulated amortization and write-downs. The exception to this is goodwill, which is valued at acquisition value minus write-downs.

Amortization is done linearly over the useful life of the intangible fixed asset and is begun when it is first used. The value is examined each time a balance sheet is drawn up and is written down if such an examination shows that the value in use is less than the book value.

See also Important assessment (page 41).

Write-downs
The write-down requirement for assets with a limited useful life is examined when there is an indication that the asset's value may have decreased. For assets with an unlimited useful life, including goodwill, this examination is performed per the balance sheet date irrespective of whether there is an indication of decreased value or not.

Examination is done through an estimation of the recoverable amount. The recoverable amount is the higher of the value in use and the realizable value. If the recoverable amount is lower than the book value a write-down is performed.

See also Important assessment (page 41).

Leasing agreements
A leasing agreement is classified either as financial or operational leasing.
- A financial leasing agreement is characterized by the fact that all important financial advantages and risks that are normally associated with ownership have been transferred from the lessor to the lessee.
- Other agreements are operational leasing.

In financial leasing the leased object is recorded as a fixed asset and is depreciated in accordance with the same principles as a purchased fixed asset. Future leasing fees are recorded as a debt. Each payment of the leasing fees during the leasing period is divided up between repayment of the liability and interest expenses in the income statement.

In operational leasing no asset or liability is recorded initially and the leasing fees are booked as an expense in the income statement in the period that they are attributable to.

Taxes
The Group's tax is constituted by current and deferred tax. Current tax is the tax that is calculated on the basis of the taxable income for every legal entity. Deferred tax is attributable to temporary differences between assets' and liabilities' written-down and recorded values and to loss carry-forward for tax purposes. Deferred tax liabilities are recorded for all taxable temporary differences while deferred tax assets are taken up as an asset to the extent that they are assessed possible to recover.

Untaxed reserves in the Parent Company have been treated in the consolidated accounts as temporary differences and consequently they have been divided up between shareholders' equity and deferred tax liabilities.

Tax is recorded in the income statement for the items included in the income statement, while tax on items that go directly against shareholders' equity are recorded there.

Inventories
Inventories are valued at the lower of acquisition costs and net sale value. The First-in-first-out method is used throughout.

Financial instruments
The Group's financial instruments consist of:
- Shareholdings
- Liquid funds
- Current receivables and liabilities that arise in the business
- Currency forward contracts
- Bank loans

Shareholdings are constituted by shares where Q-Med's shareholding constitutes less than 20 percent of the number of votes in the company in which shares are held and in which Q-Med cannot in any other way exercise a deciding influence. In cases where it is possible to determine a market value for these shareholdings they are valued in this way, and in other cases at acquisition value minus write-downs performed.

Liquid funds consist of cash and immediately available bank balances and also of short-term investments in interest-bearing securities quoted in SEK. These are valued at their actual value via the income statement.

Current receivables and liabilities that arise in the business largely consist of accounts receivable and payable. They are valued at the value at which they are expected to be received or at which they may be paid. In those cases where they are in foreign currency they are translated at year-end exchange rates. Unrealized exchange rate differences are included in operating income.

Currency forward contracts are entered into by the Parent Company in order to hedge parts of its cash flow in foreign currency against changes in exchange rates. These are valued at actual value via the income statement. Reporting of hedging is thus not applied.

Bank loans are recorded at accrued acquisition value.

The financial instruments, the inherent financial risks and the way in which Q-Med manages these risks are described in detail in note 21. The aim of these disclosures is to enable the reader of these reports to evaluate the significance of Q-Med's financial instruments and the risks that are associated with them.

Provisions
Provisions are recorded when the company has a commitment stemming from an event that has occurred about which there is uncertainty regarding the size and/or time when it is to be paid, but it is still likely that it will lead to an outflow of resources at some time and this outflow can be estimated in a reliable manner.

Revenues
Revenues from sales of goods have been recorded at the invoiced amount with a deduction for discounts. Sales revenues are booked at delivery date, when risks and rights are transferred to the customer. In those cases where

the company undertakes to carry out certain services associated with the sale, the revenue from sales of goods is recorded only when these undertakings have been carried out and the financial benefit of the sales transaction has been received by Q-Med in its entirety.

Royalty revenues consist of those revenues which, in accordance with agreements with distributors, are due to Q-Med in relation to the distributor's sales of Q-Med's products. In these cases the royalty revenue is recorded when the distributor has sold the goods that entitle Q-Med to royalties. In addition, royalty revenues are due, and are recorded, when certain regulatory and market conditions for these products have been met.

Net exchange rate gains and losses on trade receivables and payables are reported as Other operating revenues where they constitute a profit, otherwise as Other operating expenses. In addition, Other operating revenues consist of secondary activities within the framework of the Group's regular business. In those cases where these are constituted by rental income they are recorded as a revenue linearly over the time covered by the agreement and in those cases where they are constituted by payment for services they are recorded as a revenue after the service has been carried out.

Wages and salaries to employees
All current wages and salaries to employees are carried as an expense during the year. Current wages and salaries that have still not been paid at year-end are recorded as an accrued expense in the balance sheet at gross value.

The Group's pension schemes are, with one exception, defined contribution plans. The costs for these are carried as expenses in the income statement as and when they are paid for.

Receivables and liabilities in foreign currency
All transactions in foreign currency are booked initially at the transaction day's spot rate. At year-end monetary items are translated to year-end exchange rates.

The exchange rate difference that arises through this translation or through the adjustment of monetary items is taken as an exchange rate gain or loss in the income statement.

Translation of foreign business
When the consolidated accounts have been drawn up the current method has been used for foreign subsidiaries. This means that revenues and expenses have been translated at the average exchange rate for the year and assets and liabilities at year-end exchange rates. Exchange rate differences that arise upon translation have been recorded directly against shareholders' equity.

Borrowing costs
Borrowing costs have been charged against net income for the year.

Earnings per share
Earnings per share before dilution are calculated as net income for the year divided by the average number of outstanding shares during the year.

Earnings per share after dilution are calculated as net income for the year divided by the number of outstanding shares adjusted for the number of shares giving rise to the dilution.

There were no outstanding warrants at year-end.

Recording of cash flow
Payments in and out during the period are recorded in the cash flow analysis. The cash flow from operating activities is recorded in accordance with the indirect method.

Events after year-end
Events that occur after year-end and which confirm the conditions pertaining at year-end are taken into consideration when valuing assets and liabilities.

NOTE 3 Segment reporting

Q-Med primarily develops, manufactures, markets and sells implants medical implants. The majority of the products are based on the company's own NASHA™ technology, for esthetic and medical use by authorized users. The business is divided into three primary reporting segments: the Esthetics product area, the Hospital Healthcare product area and the Development Projects product area.

Esthetics product area
The Esthetics product area is the largest, with products for filling out wrinkles and folds in the face, contouring of the face and lips and rejuvenation of the skin. The products within this field are all covered by the Restylane® trademark. Within the Esthetics product area there are also products for body shaping under the name of Macrolane™. Sales are made to plastic surgeons and dermatologists through Q-Med AB, subsidiaries or distributors in more than 70 markets worldwide.

Hospital Healthcare product area
The Hospital Healthcare product area sells products for three different medical indications: Deflux® for the treatment of vesicoureteral reflux (VUR) in children, Durolane™ for the treatment of osteoarthritis of the knee and hip joints and Solesta™ for fecal incontinence. The area's customers are to be found primarily among hospital specialists.

Zuidex™ has also belonged to this segment. The product was terminated during the year and phased out saleswise.

Development Projects
The majority of the research and development that does not as yet generate any sales is gathered within Development Projects.

Secondary segments
The secondary segments are constituted by geographic areas. All of the Q-Med Group's production and research and development take place in the buildings in Uppsala owned by Q-Med AB and Q-Med Produktion AB. The Group's central warehouse is also located there and sales to distributors all over the world occur from there. This means that the majority of the Group's assets are located in Uppsala.

The following secondary segments are reported:
Europe
North America
Latin America
Asia
Rest of the world

cont. **NOTE 3 Segment reporting**

Consolidated income statement per product area

	Esthetics		Hospital Healthcare		Development Projects		Total	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Revenues from sales of goods per product area	1,036,626	1,072,984	217,930	232,010			1,254,556	1,304,994
Royalty revenues			17,328	12,633			17,328	12,633
Total revenues per product area	**1,036,626**	**1,072,984**	**235,258**	**244,643**	**0**	**0**	**1,271,884**	**1,317,627**
Operating income per product area	**171,615**	**532,646**	**-19,123**	**-69,061**	**-11,671**	**-21,780**	**140,821**	**441,805**
Central expenses							-90,984	-71,339
Total non-allocated operating income items							**-90,984**	**-71,339**
Income before financial items							**49,837**	**370,466**
Result from financial items							12,065	-658
Income before taxes							**61,902**	**369,808**
Taxes							-28,505	-54,358
Net income for the year							**33,397**	**315,450**

Other consolidated information per product area

	Esthetics		Hospital Healthcare		Development Projects		Total	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Assets	373,031	327,830	65,925	73,944	101	123	439,057	401,897
Non-allocated assets							1,259,314	1,344,620
Total assets							**1,698,371**	**1,746,517**
Liabilities	102,177	77,326	24,744	22,978	1,126	1,226	128,047	101,530
Non-allocated liabilities							290,683	270,769
Total liabilities							**418,730**	**372,299**
Investments	40,888	31,527	8,168	14,730	1,550	1,684		
Depreciation and amortization	48,256	38,680	12,885	14,330	1,572	2,322		

Consolidated revenues from sales of goods per geographic area

	Esthetics		Hospital Healthcare		Total	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Europe	612,572	515,993	65,566	79,495	678,138	595,488
North America	78,378	174,372	144,790	146,652	223,168	321,024
Latin America	44,200	47,111	1,898	1,001	46,098	48,112
Asia	236,998	274,438	4,744	4,485	241,742	278,923
Rest of the world	64,478	61,070	932	377	65,410	61,447
Total	**1,036,626**	**1,072,984**	**217,930**	**232,010**	**1,254,556**	**1,304,994**

cont. **NOTE 3 Segment reporting**

Parent Company's turnover per geographic area

	Esthetics		Hospital Healthcare		Total	
	2008	2007	2008	2007	2008	2007
Europe	325,361	279,896	35,674	44,014	361,035	323,910
North America	78,378	174,372	83,829	81,069	162,207	255,441
Latin America	15,312	23,962	520	654	15,832	24,616
Asia	182,379	283,460	4,219	4,653	186,598	288,113
Rest of the world	30,970	30,974	270	490	31,240	31,464
Total	**632,400**	**792,664**	**124,512**	**130,880**	**756,912**	**923,544**

Other consolidated information per geographic area

	Assets		Investments	
	2008	2007	2008	2007
Europe	1,566,990	1,603,315	202,744	117,373

Comments on the income statement per segment

Esthetics product area

Revenues from sales of goods within this segment amounted to 1,036.6 (1,073.0) MSEK during 2008. The Esthetics product area's share of the total revenues from sales of goods constituted 83 (82) percent. Fluctuations in exchange rates have negatively affected income by 2.1 MSEK in comparison with exchange rates for 2007. The development of sales has been geographically uneven. In Europe, which is the segment's largest market, sales increased by 19 percent, while sales to the USA and Asia decreased, above all to Japan.

Operating income for the segment amounted to 171.6 (532.6) MSEK. In 2003 Medicis bought one of Q-Med's subsidiaries and thereby obtained the distribution rights for Restylane® in North America.

Operating income in 2007 includes the net effect of 170.3 MSEK from the last supplementary purchase sum in the deal.

The operating margin amounted to 17 (50) percent.

Hospital Healthcare product area

Revenues from sales of goods for the Hospital Healthcare product area amounted to 217.9 (232.0) MSEK. Exchange rate effects negatively affected revenues from sales of goods by 1.4 MSEK during the year in comparison with exchange rates for 2007. In addition to the revenues from sales of goods, royalty revenues of 17.3 (12.6) MSEK were received for Durolane™. This means that the total revenues for the segment amounted to 235.3 (244.6) MSEK. The decrease is primarily due to the termination of Zuidex™, see below.

Revenues from sales of Deflux® amounted to 179.0 (178.2) MSEK. Most of the sales are in the USA.

Revenues from sales of Zuidex were 5.1 (17.5) MSEK. All production and further development of Zuidex were terminated during 2008. Sales were only from existing inventories.

Revenues from sales of Durolane amounted to 30.0 (33.9) MSEK and Royalty revenues to 17.3 (12.6) MSEK. Sales of Durolane are made through Smith and Nephew, with whom Q-Med has a distribution and development agreement with regard to Durolane. An application for sales approval in the USA was submitted to the U.S. Food and Drug Administration during 2008.

Revenues from sales of Solesta™ amounted to 1.8 (1.6) MSEK.

Operating income for the Hospital Healthcare product area amounted to -19.1 (-69.1) MSEK.

Development Projects

The segment did not generate any revenues. Operating income amounted to -11.7 (-21.8) MSEK during 2008.

NOTE 4 Information on related parties

Bengt Ågerup indirectly controls 47.5 percent of the shares in the Parent Company via Lyftet Holding B.V. Apart from the normal remunerations that are reported in note 10, no transactions have taken place between him and any of the companies included in the Q-Med Group. Regarding remuneration of other members of senior management, see note 10.

Of the Parent Company's total sales of 756,912 KSEK, 451,127 KSEK constitutes sales to affiliated companies. In addition, the Parent Company has bought services from the subsidiaries for 30,449 KSEK. Pricing has been in accordance with the company's transfer price policy, which means that the price of goods has been set as it would have been between independent parties. The Parent Company has paid 14,896 KSEK to the subsidiary Q-Med Produktion AB for the rental of production premises and facilities.

NOTE 5 Property, plant and equipment

Buildings are written off at a rate of 2-4 percent, plant and machinery at 10-20 percent and equipment, and fixtures and fittings at 10-33 percent.

	Group		Parent Company	
Buildings and land	**2008**	**2007**	**2008**	**2007**
Opening balance acquisition values	468,218	358,067	380,012	269,861
Reclassification from Construction in progress	939	73,743	939	73,743
Purchases during the year	4,982	36,621	4,982	36,621
Sales/disposals	-738	-213	-738	-213
Closing balance accumulated acquisition values	473,401	468,218	385,195	380,012
Opening balance depreciation	-48,048	-36,630	-40,829	-32,407
Depreciation during the year	-12,621	-11,469	-9,624	-8,473
Sales/disposals	7	50	7	51
Closing balance accumulated depreciation	-60,662	-48,048	-50,446	-40,829
Closing balance written-down value	**412,739**	**420,169**	**334,749**	**339,183**

	Group		Parent Company	
Plant and machinery	**2008**	**2007**	**2008**	**2007**
Opening balance acquisition values	248,456	215,799	142,454	109,086
Reclassification from Construction in progress	3,712	18,543	3,712	18,543
Purchases during the year	19,279	15,239	19,265	15,239
Translation differences for the year	145	58	–	–
Sales/disposals	-1,234	-1,183	-1,234	-414
Closing balance accumulated acquisition values	270,358	248,456	164,197	142,454
Opening balance depreciation	-84,677	-61,300	-59,754	-46,370
Depreciation during the year	-26,265	-24,323	-15,556	-13,613
Translation differences for the year	-133	-53	–	–
Sales/disposals	860	999	859	229
Closing balance accumulated depreciation	-110,215	-84,677	-74,451	-59,754
Closing balance written-down value	**160,143**	**163,779**	**89,746**	**82,700**

cont. **NOTE 5 Property, plant and equipment**

	Group		Parent Company	
Equipment, fixtures and fittings	**2008**	**2007**	**2008**	**2007**
Opening balance acquisition values	137,065	66,030	113,722	47,459
Reclassification from Construction in progress	–	54,999	–	54,999
Purchases during the year	7,030	17,440	4,209	11,389
Translation differences for the year	1,019	203	–	–
Sales/disposals	-786	-1,607	–	-125
Closing balance accumulated acquisition values	144,328	137,065	117,931	113,722
Opening balance depreciation	-58,095	-43,574	-45,682	-33,800
Depreciation during the year	-20,281	-15,893	-16,187	-11,948
Translation differences for the year	-1,041	-143	–	–
Sales/disposals	449	1,515	–	66
Closing balance accumulated depreciation	-78,968	-58,095	-61,869	-45,682
Closing balance written-down value	**65,360**	**78,970**	**56,062**	**68,040**

	Group		Parent Company	
Construction in progress	**2008**	**2007**	**2008**	**2007**
Opening balance acquisition values	45,672	147,285	45,672	147,285
Investments during the year	163,202	45,672	163,202	45,672
Reclassifications	-4,652	-147,285	-4,652	-147,285
Closing balance written-down value	**204,222**	**45,672**	**204,222**	**45,672**

Properties, assessed values	**2008**	**2007**	**2008**	**2007**
Buildings	163,156	172,412	132,356	141,612
Land	13,078	12,209	11,852	10,983
Total	**176,234**	**184,621**	**144,208**	**152,595**

Depreciation of property, plant and equipment has been divided up per function in the income statement as follows:

	Group		Parent Company	
	2008	**2007**	**2008**	**2007**
Cost of goods sold	32,442	30,691	18,439	16,686
Selling expenses	7,061	6,090	3,265	2,444
Administrative expenses	6,081	4,599	6,081	4,599
Research and development costs	13,582	10,305	13,582	10,305
Total	**59,166**	**51,685**	**41,367**	**34,034**

NOTE 6 Goodwill

The Q-Med Group's closing balance written-down value for goodwill stems from the acquisition of an Italian subsidiary in 2001. Its value is examined on each occasion a balance sheet is drawn up by estimating the net expected future cash flow from the Italian market. In those cases where it is lower than the book value it is written down

So far this examination has not given any reason to write down this goodwill.

	Group		Parent Company	
	2008	2007	2008	2007
Opening balance acquisition values	45,311	43,374	–	–
Acquisitions during the year	–	–	–	–
Translation differences for the year	6,684	1,937	–	–
Sales/disposals	-1,997	–	–	–
Closing balance accumulated acquisition values	49,998	45,311	–	–
Opening balance write-downs	-1,997	-1,997	–	–
Write-downs during the year	–	–	–	–
Sales/disposals	1,997	–	–	–
Closing balance accumulated write-downs	0	-1,997	–	–
Closing balance written-down value	**49,998**	**43,314**	**–**	**–**

NOTE 7 Other intangible fixed assets

The intangible fixed assets that are recorded in the consolidated balance sheet are Q-Med's quality system, capitalized development costs, patents, product licenses and marketing rights. The quality system and the capitalized development costs have been built up internally while the others are acquired and valued at acquisition cost.

Acquisition costs for the quality system were carried as an expense in the Parent Company's income statement in 2001, while those in the Q-Med Group were recorded as an intangible fixed asset. The useful life of the quality system is dependent on the regulatory environment and has been assessed to amount to 10 years. Amortization is distributed linearly over the useful life and was begun in 2002.

Costs for research and development are separated into costs for a research phase, which are carried as an expense directly, and costs for a development phase. Costs for the development phase are recorded as an intangible asset when certain conditions are met. The point in time for the changeover between the different phases is decided when the possibility of commercialization can be assessed with sufficient certainty. The assessment is made on the basis of scientific, technical, financial and market evidence. These intangible assets are amortized during the useful life of the assets, which it is assessed amounts to 5 years.

Capitalized marketing rights consist of the right to market and sell Q-Med's products in those markets to which the rights apply. These are amortized over the estimated useful life and the amortization is begun when sales in each market start.

Product licenses entail acquired rights to sell certain products that are someone else's intellectual property. Amortization is begun when each product begins to be sold and is amortized over the estimated useful life.

	Group		Parent Company	
Patents, marketing rights and patents	2008	2007	2008	2007
Opening balance acquisition values	14,447	11,035	14,447	11,035
Purchases during the year	9,820	3,412	–	3,412
Sales/disposals	–	–	–	–
Closing balance accumulated acquisition values	24,267	14,447	14,447	14,447
Opening balance amortization	-1,638	-631	-1,638	-631
Amortization during the year	-1,265	-1,007	-1,265	-1,007
Sales/disposals	–	–	–	–
Closing balance accumulated amortization	-2,903	-1,638	-2,903	-1,638
Closing balance written-down value	**21,364**	**12,809**	**11,544**	**12,809**

cont. **NOTE 7 Other intangible fixed assets**

	Group		Parent Company	
Capitalized costs for development and other intangible fixed assets	**2008**	**2007**	**2008**	**2007**
Opening balance acquisition values	33,560	33,266	–	–
Purchases during the year	–	284	–	–
Translation differences for the year	91	10		
Sales/disposals	–	–	–	–
Closing balance accumulated acquisition values	33,651	33,560	–	–
Opening balance amortization	-20,908	-16,966	–	–
Amortization during the year	-3,978	-3,931	–	–
Translation differences for the year	-18	-11	–	–
Sales/disposals	–	–	–	–
Closing balance accumulated amortization	-24,904	-20,908	–	–
Closing balance written-down value	**8,747**	**12,652**	**–**	**–**

The amortization of intangible fixed assets has been divided up per function in the income statement as follows:

	Group		Parent Company	
	2008	**2007**	**2008**	**2007**
Cost of goods sold	–	–	–	–
Selling expenses	723	669	665	657
Administrative expenses	–	–	–	–
Research and development costs	4,520	4,270	600	350
Total	**5,243**	**4,939**	**1,265**	**1,007**

NOTE 8 Financial assets

	Group		Parent Company	
	2008	2007	2008	2007
Opening balance acquisition values	60,402	14,626	58,356	12,750
Acquisitions during the year	1,810	45,789	–	45,606
Repayment of loan	-4,939	–	-4,715	–
Translation differences for the year	541	-13	–	–
Disposal/Loss	-4,547	–	-4,547	–
Closing balance accumulated acquisition values	53,267	60,402	49,094	58,356
Opening balance write-downs	-1,625	-1,625	-1,625	-1,625
Write-downs during the year	–	–	–	–
Closing balance accumulated write-downs	-1,625	-1,625	-1,625	-1,625
Closing balance written-down value	**51,642**	**58,777**	**47,469**	**56,731**

The closing balance written-down value is divided up as follows:

	Group		Parent Company	
	2008	2007	2008	2007
Other shareholdings	45,293	45,293	45,293	45,293
Long-term loan	1,570	10,683	1,570	10,683
Other	4,779	2,801	606	755
Closing balance written-down value	**51,642**	**58,777**	**47,469**	**56,731**

Other shareholdings include shares in OxThera AB at a value of 45.0 MSEK. OxThera AB is a research company that does not as yet generate any returns. As there is no trade in OxThera's shares it is not possible to determine a market value, so they have been valued at acquisition value. For risks and uncertainties in this valuation, please refer to note 21, Financial instruments and risks, under the heading Shareholdings other than in affiliated companies.

NOTE 9 Expenses divided up according to type of expense

	Group		Parent Company	
	2008	2007	2008	2007
Change in inventories of finished products and work in progress	27,148	35,529	19,229	24,778
Raw materials and consumables	-70,035	-77,490	-70,035	-77,490
Personnel costs	-570,168	-490,904	-353,789	-310,872
Depreciation and amortization	-64,409	-56,623	-42,632	-35,041
Marketing expenses	-153,476	-135,326	-33,777	-44,614
Consultants' fees etc.	-130,107	-106,210	-127,200	-85,359
Other expenses	-301,024	-337,233	-173,523	-233,351
Total operating expenses	**-1,262,071**	**-1,168,257**	**-781,727**	**-761,949**

NOTE 10 Wages and salaries to employees and other remuneration and fees

	Total		Number of women	
Average number of employees	**2008**	**2007**	**2008**	**2007**
Parent Company				
Uppsala	461	445	281	273
Subsidiaries and foreign branch offices				
Spain	38	38	20	20
Italy	25	25	19	17
Germany	30	27	19	17
UK	28	23	21	17
France	30	25	24	20
USA	12	17	7	11
Australia	16	17	11	12
China and Hong Kong	15	11	8	5
Brazil	23	23	15	11
Portugal	3	4	2	2
Canada	5	7	4	6
Mexico	18	14	11	9
Poland	7	6	4	3
Others	10	12	7	9
Total	**721**	**694**	**453**	**432**

cont. **NOTE 10 Wages and salaries to employees and other remuneration and fees**

Wages, salaries, other remuneration and social security expenses	Wages, salaries and other remuneration		Social security expenses	
	2008	2007	2008	2007
Parent Company	224,987	191,672	116,526	97,687
– including pension costs of			*-32,994*	*-28,548*
Subsidiaries	165,249	134,568	31,819	26,883
– including pension costs of			*-8,533*	*-6,943*
Total	**390,236**	**326,240**	**148,345**	**124,570**

Wages, salaries and other remuneration divided up per country and between Board members/President and other employees	Board/President		Other employees	
	2008	2007	2008	2007
Sweden	1,890	1,799	220,041	185,150
Spain	3,927	4,461	21,298	18,689
Italy	3,835	1,700	20,207	11,196
Germany	1,843	2,342	20,123	16,817
UK	2,126	1,499	17,333	16,829
France	1,588	1,380	16,240	12,587
USA	2,988	1,605	14,058	14,473
Australia	2,222	2,194	7,899	6,650
China and Hong Kong	2,668	2,004	5,720	3,843
Brazil	1,644	500	4,319	2,831
Portugal	0	0	2,912	1,882
Canada	1,708	1,340	2,440	3,651
Mexico	1,254	1,105	2,355	2,512
Poland	1,465	0	1,629	1,487
Others	0	0	4,506	5,715
Total	**29,156**	**21,928**	**361,080**	**304,312**

Sick leave at the Parent Company

Sick leave is given as a percentage of each category's total combined normal working hours. Normal working hours is defined as available working hours adjusted for leave of absence.

Divided up by gender, %	2008	2007
Men	1.81%	2.05%
Women	2.40%	2.69%
Total	**2.16%**	**2.43%**

Divided up by age, %	2008	2007
29 or younger	2.81%	2.97%
30–49	1.79%	2.25%
50 or older	3.74%	3.03%

Of the total sick leave of 2.16 percent (2.43 percent), 0.37 percent (0.83 percent) comprised absence for a consecutive period of 60 days or more.

Board fees

During the year fees of 1,050,000 (1,050,000) SEK were paid to the Board, in accordance with the decision of the Annual General Meeting in 2007. Of this sum, 300,000 (300,000) SEK was paid to the Chair of the Board during 2008, Pia Rudengren, and 150,000 (150,000) SEK to each of the other members of the Board, except to Bengt Ågerup. In addition, 180,000 (180,000) SEK was paid to the audit committee, of which 90,000 (90,000) SEK was paid to the Chair of the committee during 2008, Åsa Rödén, and 45,000 (45,000) SEK to each of the other committee members. A total of 60,000 (60,000) SEK was paid to the members of the election committee.

In accordance with the resolution of the Annual General Meeting in 2008 Board fees of 1,400,000 SEK will be paid during spring 2009 to the Board up until the Extraordinary General Meeting that was held on February 4, 2009, of which 400,000 SEK will be paid to the Chair of the Board, Pia Rudengren, and 200,000 SEK to each of the other members of the Board, except to Bengt Ågerup. In addition, 200,000 SEK will be paid to the audit committee up until the Extraordinary General Meeting, of which 100,000 SEK will be paid to the Chair of the committee, Åsa Rödén, and 50,000 SEK to each of the other committee members, Håkan Edström and Pia Rudengren. 75,000 SEK will be paid to the election committee.

There are no costs regarding pensions for the Board.

cont. **NOTE 10 Wages and salaries to employees and other remuneration and fees**

Remuneration of the President and the other members of the senior management

Remuneration and other benefits to the President and the other members of the senior management team consist of a basic salary in line with the going rate on the market, a variable part, in the form of bonus or profit-sharing, with a ceiling linked to the fixed salary, and other benefits in line with other employees. Payment of the variable part regarding bonus is dependent on the attainment of predetermined individual objectives and regarding profit-sharing is dependent on the company attaining predetermined turnover and income objectives. In addition to the above-mentioned payments and benefits, this group of employees, like all other employees, can receive a one-time payment as a bonus for extraordinary performance.

Bengt Ågerup is the President of the Parent Company and CEO of the Q-Med Group and has received remuneration of 1,872,882 (1,820,749) SEK. He has not received a Board fee or any other remuneration. There are no pension commitments to him and no occupational pension premiums have been paid.

During the period from January up until August 2008 the senior management comprised 13 people, in addition to the company President. From September up until December 2008 the group consisted of 5 members in addition to the company President. Salaries and remuneration and normal occupational pension premiums have been paid as follows:

	Jan 1, 2008 - Aug 31, 2008	Sept 1, 2008 - Dec 31, 2008	**Total 2008**	Total 2007
Paid	10,557,361	2,915,684	**13,473,044**	19,654,456
Incl. variable part and bonuses of	–	94,166	**94,166**	2,843,121
Occupational pension premiums	1,962,104	574,760	**2,536,864**	2,610,436

There are no agreements concerning severance pay and no severance pay has been paid during the year to the Board, the President or the other members of the senior management.

Notice of termination of employment for senior management, including the company President, amounts to 3-6 months.

No warrants or similar financial instruments were issued during 2008.

Decision forums for Board fees and remuneration of senior management

Board fees, including fees to the Chair of the Board, are decided by the Annual General Meeting.

The principles for remuneration of the company President and the other members of the senior management were determined by the Annual General Meeting in 2008.

In accordance with the Board's formal work plan, the Board is to appoint a remuneration committee that has the task of drawing up and proposing the salaries and other conditions of employment of the executive management. The committee is to consist of two members of the Board. Moreover, the company President is to attend as rapporteur, except in connection with remuneration to himself. The committee is to continually report to the Board, who are to make the final decisions concerning the senior management's salaries and other conditions of employment.

The members of the committee are to be appointed at the Board meeting following election.

Remuneration of the managing directors of the subsidiaries is decided by the President of the Parent Company in consultation with the senior management.

Pension costs

With one exception all pension schemes are defined contribution plans. All permanent employees at the Parent Company receive individual occupational pension insurance policies with Skandia, SEB Trygg Liv or Länsförsäkringar. This means that the company does not have any pension commitments once the premium has been paid. The premiums are carried as expenses as and when they are paid. The personnel in the subsidiaries have pension insurance in accordance with the relevant local legislation and agreements.

The Parent Company has one defined benefit pension commitment for a previous company President. The commitment, which has been entered as a liability of 503,298 SEK, is secured by means of an endowment insurance policy.

Share-related remuneration

During 2008 no share-related remuneration was paid. At closing day there were no outstanding warrants either.

Auditors' fees

	Group				**Parent Company**			
	Auditing		**Consulting**		**Auditing**		**Consulting**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Ernst & Young	2,393	1,986	1,326	381	1,019	810	1,222	277
Others	213	419	642	668	–	–	–	–
Total	**2,606**	**2,405**	**1,968**	**1,050**	**1,019**	**810**	**1,222**	**277**

NOTE 11 Information on leasing fees and rent

During 2008 the Q-Med Group had rental and leasing costs for the following amounts:

	Group		Parent Company	
	2008	2007	2008	2007
Rent for premises	11,357	10,903	4,221	4,221
Other operational leasing	14,637	13,744	15,392	15,035
Total rental and leasing costs	**25,994**	**24,647**	**19,613**	**19,256**

These are recorded as selling expenses, administrative expenses and research and development costs, depending on which function each asset is used in.

The Parent Company's rent for the premises and parts of Other operational leasing comprise internal rent and are not included in the Group's rental costs. The following commitments exist for non-revocable leasing and rental agreements:

	2009	2010-2014	2015-
Group	26,309	39,627	2,962
Parent Company	19,491	9,746	–

NOTE 12 Other operating revenues

	Group		Parent Company	
	2008	2007	2008	2007
Supplementary purchase sum regarding sale of the North American Esthetics business	–	199,665	–	–
Revenues from research collaboration	25,406	16,475	25,406	16,475
Exchange rate gains on accounts receivable and payable	9,631	–	9,781	–
Rental income	371	1,198	371	1,198
Other	4,616	3,758	1,214	1,311
Total	**40,024**	**221,096**	**36,772**	**18,984**

Exchange rate gains and losses stemming from transactions in operating income are set off against each other and reported in the income statement under Other operating revenues if the net amount is positive and under Other operating expenses if the net amount is negative. This offset was not done in the Annual Report for 2007, but in order to be able to make a correct comparision 5,171 KSEK has been reclassified in the comparative year from Other operating revenues to Other operating expenses.

In May 2007 the FDA approved the product Restylane Perlane™ for sales in the USA, which triggered the last purchase sum of 29.1 MUSD within the framework of the agreement that Q-Med AB entered into with Medicis in 2003. This sum was recorded in 2007 as an other operating revenue of 199,665 KSEK.

NOTE 13 Other operating expenses

	Group		Parent Company	
	2008	2007	2008	2007
Exchange rate losses on accounts receivable and payable	–	-5,989	–	-7,188
Other	-453	-469	-374	-399
Total	**-453**	**-6,458**	**-374**	**-7,587**

For exchange rate losses see the comment in note 12, Other operating revenues.

NOTE 14 Financial revenues and expenses in the Group

	Group	
	2008	2007
Financial revenues		
Interest revenues and similar revenues	10,739	12,789
Exchange rate gains	5,948	–
Total	**16,687**	**12,789**
Financial expenses		
Interest expenses and similar expenses	-4,622	-3,514
Exchange rate losses	–	-9,933
Total	**-4,622**	**-13,447**

Exchange rate gains and losses have been recorded net here as they stem from similar transactions.

NOTE 15 Result from financial items in the Parent Company

	Parent Company	
	2008	2007
Anticipated dividend	–	198,944
Dividend from affiliated company	–	2,553
Interest revenues and similar revenues	8,298	7,089
Interest revenues from affiliated companies	723	649
Interest expenses and similar expenses	-4,256	-2,606
Exchange rate gains	16,424	6,545
Exchange rate losses	-8,265	-9,837
Total	**12,924**	**203,335**

In 2007 a dividend of 198.9 MSEK was anticipated to the Parent Company from Q-Med International B.V., Holland.

NOTE 16 Appropriations and untaxed reserves in the Parent Company

	Dec 31, 2008	Change	Dec 31, 2007	Change
Tax deferment reserves				
Assessment of tax 2003	–	-8,663	8,663	–
Assessment of tax 2004	–	–	–	–
Assessment of tax 2005	53,985	–	53,985	–
Assessment of tax 2006	17,620	–	17,620	–
Assessment of tax 2007	63,633	–	63,633	–
Assessment of tax 2008	44,555	–	44,555	44,555
Assessment of tax 2009	17,920	17,920		
Additional depreciation and amortization				
Patents and other intangible assets, plant and machinery, equipment, fixtures and fittings	70,230	26,062	44,167	18,903
Total	**267,943**	**35,319**	**232,623**	**63,458**

The above sum includes 26.3 percent deferred tax, corresponding to 70.5 (65.1) MSEK.
The change in untaxed reserves for the year, 35.3 (63.5) MSEK, is recorded in the income statement for the Parent Company in the Appropriations row.

NOTE 17 Taxes

	Group		Parent Company	
	2008	2007	2008	2007
Current tax				
Sweden	-15,320	-36,969	-16,350	-38,440
Other countries	-7,325	-13,254	–	–
Total	**-22,645**	**-50,223**	**-16,350**	**-38,440**
Deferred tax				
Sweden	-3,645	-2,998	2,487	-95
Other countries	-2,215	-1,137	–	–
Total	**-5,860**	**-4,135**	**2,487**	**-95**
Total tax expense	**-28,505**	**-54,358**	**-13,863**	**-38,535**

cont. **NOTE 17 Taxes**

	Group		Parent Company	
	2008	**2007**	**2008**	**2007**
Review of effective tax rate				
Income before tax	61,902	369,808	6,890	333,089
Tax expense in accordance with Swedish tax rate, 28 %	-17,333	-103,546	-1,929	-93,265
Supplementary purchase sum: see note 3	–	55,906	–	–
Effects of changed tax rates	5,386	–	–	–
Dividend from subsidiary	–	–	–	56,419
Loss in affiliated companies for which no tax has been calculated	-4,053	-760	–	–
Other non-deductible/non-taxable items	-11,945	-2,992	-12,004	-2,080
Taxes for previous years	70	486	70	486
Difference in foreign tax rates	-630	-3,357	–	–
Other temporary differences	–	-95	–	-95
Total tax expense	**-28,505**	**-54,358**	**-13,863**	**-38,535**

	Group		Parent Company	
	2008	**2007**	**2008**	**2007**
Deferred tax asset				
Capitalized loss carry-forward for tax purposes	166	2,145	–	–
Internal profit in inventories	14,319	13,052	–	–
Other temporary differences	4,979	6,367	–	–
Total deferred tax assets	**19,464**	**21,564**	**–**	**–**

	Group		Parent Company	
	2008	**2007**	**2008**	**2007**
Deferred tax liability				
Untaxed reserves in Swedish affiliated companies	83,315	77,536	–	–
Other temporary differences	14,402	15,690	566	3,054
Total deferred tax liabilities	**97,717**	**93,226**	**566**	**3,054**

Deferred tax liabilities are recorded under Provisions.

NOTE 18 Earnings per share

The number of shares at December 31, 2008 was 99,382,000. The average number of shares during the year was also 99,382,000.

This gives earnings per share as shown in the table below. The whole amount is attributable to the Parent Company's shareholders.

At December 31, 2008 there were no outstanding share warrants.

	Group	
	2008	**2007**
Net income for the year	33,397,044	315,450,160
Average number of outstanding shares	99,382,000	99,373,944
Earnings per share before dilution	**0.34**	**3.17**
Average number of outstanding shares after full dilution	99,382,000	99,373,944
Earnings per share after dilution	**0.34**	**3.17**

NOTE 19 Participation in affiliated companies

Company	Corp. Reg. No.	Registered office	Number	Participa-tion in %	Par value/share	Book value
Companies owned by Q-Med AB:						
Qvestor AB	556483-0254	Uppsala, Sweden	1,000	100	100 SEK	435
Q-Med Produktion AB	556644-0755	Uppsala, Sweden	1,000	100	100 SEK	100
Spectra Lab i Uppsala AB	556382-1387	Uppsala, Sweden	1,000	100	100 SEK	0
Q-Med Holding Sweden AB	556636-1217	Uppsala, Sweden	1,000	100	100 SEK	176
Q-Med (Sweden) Australia Pty. Ltd.	078 717 076	Sydney, Australia	1	100	1 AUD	0
Q-Med Scandinavia, Inc.	52-2084574	Wilmington, Delaware, USA	100	100	250 USD	6,194
Q-Med Inc.	1285218	Toronto, Canada	1,000	100	25 CAD	141
Qvestor LLC	3246610	Delaware, USA	1	100	7,936,107 USD (share capital)	0
Q-Med International B.V.	34183937	Amsterdam, Netherlands	360	100	100 EUR	1,264
DEMQ Luxembourg S.à.r.l.	1979/05	Luxembourg, Luxembourg	125	100	100 EUR	115
Q-Med México, S.A de C.V	335.591	Mexico City, Mexiko	2,700	100	500 MXN	844
Q-Med Brasil Comércio e Importação de Produtos Médicos Ltda	CNPJ/MF 07.489.498/0001-47	São Paulo and Rio de Janeiro, Brazil	437,850	100	1 BRL	1,549
Q-Med International Ltd	365 622 20-000-03-06-9	Hong Kong	10,000	100	1 HKD	9
Q-Med International Trading (Shanghai) Ltd	3100786250043 /3100058195	Shanghai, China	1	100	600,000,USD	4,354
Total						**15,181**
Companies owned by Q-Med Holding Sweden AB:						
Q-Med S.a.r.l.	Paris B 410 305 957	Paris, France	1,450	100	15 EUR	
Q-Med (UK) Ltd.	3268714	London, UK	100	100	1 GBP	
Q-Med GmbH	HRB 24993	Bensheim, Germany	1	100	26,000 EUR	
Q-Med ICT S.r.l.	12880300152	Codogno, Italy	500,000	100	1 EUR	
Q-Med Spain S.L.	B62181532	Madrid, Spain	3,010	100	1 EUR	
Q-Med Polska SP.z. o.o.	KRS 0000261146 REGON 140639788	Warsaw, Poland	100	100	500 PLN	
Q-Med Benelux B.V.	34277838	Amsterdam, Netherlands	18,002	100	1 EUR	

Companies owned by Q-Med AB:

	2008	2007
Opening balance acquisition values	108,876	107,408
Purchases during the year	1,157	1,468
Sales	–	–
Closing balance accumulated acquisition values	110,033	108,876
Opening balance write-downs	-94,852	-94,852
Write-downs during the year	–	–
Closing balance accumulated write-downs	-94,852	-94,852
Closing balance written-down value	**15,181**	**14,024**

NOTE 20 Inventories

	Group		Parent Company	
	2008	2007	2008	2007
Raw materials and semi-finished products	60,363	47,949	60,363	47,949
Products in progress	8,166	12,428	8,166	12,428
Finished products inventory	100,294	81,298	70,366	59,289
Total	**168,823**	**141,675**	**138,895**	**119,666**

Raw materials and semi-finished products are valued at the purchase price invoiced by the supplier with a mark-up for the purchasing department's costs, warehousing costs and costs for quality control up until the warehouse shelf.

Work in progress is valued at the raw material or semi-finished product cost plus direct and indirect manufacturing costs.

The finished products inventory is valued at the lower of the net realizable value and the acquisition value. The acquisition value consists of the costs for raw materials, semi-finished products and products in progress plus direct and indirect costs at the last manufacturing stage plus costs for quality control.

NOTE 21 Financial instruments and risks

Risk categories

Q-Med's business, like all business activities, is subjected to a large number of risks. In general these may be divided into such risks that directly affect the Group's financial position (financial risks) and other risks that only affect the financial position indirectly (other risks).

Examples of other risks are:

– Patent infringements by competitors.
– Competitors developing alternative production technologies that can compete with Q-Med's NASHA™ technology.
– Q-Med's business is knowledge-intensive and Q-Med is therefore dependent on being able to retain its key personnel and continuing to be an attractive employer.
– Q-Med's products must undergo comprehensive trials to be approved by different authorities. Comprehensive changes in the rules and regulations that control these approvals may constitute a risk.
– Market risk, that is the general risk that the end consumers' preferences shift in such a way that Q-Med's products are no longer experienced as attractive. Changes in the patient social insurance systems in the different geographic markets also constitute a market risk.

These and other operational risks are met by constantly ongoing work by Q-Med's senior management and specialist departments in cooperation with external advisors.

Financial risks

Financial instruments are constituted by such assets and liabilities that are or are expected to be converted into liquid funds or agreements that can lead to the company obtaining such an asset or liability.

Financial risks are such circumstances that can lead to the value of these financial instruments changing considerably.

Financial risks may be divided into the following categories:

– *Market risk.* The risk that the exchange rate changes for those currencies that the valuation of Q-Med's financial instruments is dependent on (currency risk), the risk that a financial instrument's expected cash flow is affected by changed market interest rates (interest-rate risk) or the risk that the market price of securities that are part of the company's financial instruments changes (price risk).
– *Credit risk.* The risk that an opposite party, for example a customer, cannot meet its obligations to Q-Med.
– *Liquidity risk.* The risk that Q-Med due to lack of liquid funds finds it difficult to meet its obligations or is limited in its activities.

Centralized financial risk management

The Q-Med Group's financial risk management is controlled by the financial policy issued by the Board and also to a certain extent by Q-Med's transfer price policy. These policies stipulate that all financial risk shall as far as possible be gathered and managed in the Parent Company.

This is achieved by:

– internal invoicing being done in each subsidiary's currency.
– surplus liquid funds in the subsidiaries being transferred to the Parent Company.
– financing of the subsidiaries being done through the Parent Company.

This means that the chief financial risk that remains in the subsidiary sales companies is the credit risk in their local accounts receivable.

Risks consist in principle of two components:

a) the risk that a negative event will occur
b) the risk that the consequences of a negative event will be extensive.

Risk management consists of trying to minimize both these components through suitable measures. Depending on the nature of the risk, the measures are aimed more at one or the other of these two components:

The parameters that control the market risks are completely outside the company's control, so the measures in these cases must be aimed entirely at minimizing the consequences of changes in these parameters.

Credit and liquidity risks are controlled to a greater extent by such events that the company can prevent at the same time as the consequences are minimized.

Financial instruments

Q-Med has four categories of financial instruments:

– Financial asset or liability valued at its actual value via the income statement (AV in the table on page 59)
– Financial liabilities valued at the amortized cost (AC in the table on page 59)
– Loans and accounts receivable (LO in the table on page 59)
– Financial assets that can be sold (AS in the table on page 59)

cont. **NOTE 21 Financial instruments and risks**

Q-Med's balance sheet at December 31, 2008 contained the following financial instruments:

Class	SEK	Category	Financial risk
Shareholdings other than in affiliated companies	45,293	AS	Price risk
Long-term loans	1,570	LO	Credit/Currency risk
Other long-term financial assets	4,779	AV	n/a
Accounts receivable	233,099	LO	Credit/Currency risk
Other current receivables	9,252	AV	Credit risk
Accrued revenues	5,719	AV	Credit risk
Short-term investments	74,755	AV	Price/Interest-rate risk
Bank balances	153,039	AV	Currency risk
Total financial assets	**527,506**		
Liabilities to credit institutions	77,779	AC	Interest-rate/currency risk
Accounts payable	85,497	AV	Liquidity risk
Forward contracts	16,504	AV	Currency/Liquidity risk
Accrued expenses	30,372	AV	Currency/Liquidity risk
Total financial liabilities	**210,152**		

Shareholdings other than in affiliated companies

These comprise shares in two Swedish companies and are recorded in the balance sheet as Financial assets (see note 8).

Both companies are development companies that in time can be expected to develop and market products of considerable commercial value. This means that the value can greatly exceed the values recorded, but as the shareholdings are in unlisted companies and there is no other trade in these shares it is not possible to derive the value from a functioning market. They have therefore been valued at acquisition value.

There is of course the risk that the companies' research does not lead to the expected results. This can mean, for example, that the research results show that future registration appears unlikely or that the possibilities of future commercialization are assessed to be worse than was initially assumed. This leads to the possibility that the recorded values will not be able to be realized. As soon as such a write-down requirement is determined, the recorded value will be written down.

Long-term loan

Q-Med has lent 10.7 MSEK to Medy-Tox within the framework of a previous collaboration agreement with Medy-Tox Inc. (see the Report of the Board of Directors). The collaboration was discontinued during 2008 and a separation agreement was entered into, whereby, amongst other things, the parties agreed on a repayment plan for the major part of this loan. At year-end 1.6 MSEK remained of this repayment plan.

There is a risk that the borrower will not be able to pay back the remainder of the loan and as the denomination of the loan is USD there is also a currency risk in this item.

Due to the small size of the total sum of money, however, neither of the risks is tangible.

Accounts receivable

	Dec 31, 2008		Dec 31, 2007	
Currency	Value in currency	Recorded in SEK	Value in currency	Recorded in SEK
EUR	9,718	106,269	9,928	93,709
HKD	42,925	42,925	28,163	23,366
USD	3,318	25,726	4,834	31,191
SEK	19,916	19,916	29,651	29,651
GBP	1,753	19,720	1,498	19,335
AUD	2,192	11,756	1,760	9,960
BRL	2,355	7,651	2,848	10,481
PLN	2,268	5,941	1,084	2,851
MXN	5,337	3,042	5,669	3,344
CAD	386	2,434	344	2,271
NOK	813	951	751	875
DKK	248	320	702	876
Provisions for bad debt losses	–	-13,552		-15,277
Value according to balance sheet		**233,099**		**212,634**

Accounts receivable have normal due dates for each country, and therefore the actual value is assessed to be the same as the recorded value. They are recorded at the value at which it is estimated they will come in. Any credit risks have been taken into consideration through individual provisions. All accounts receivable in foreign currency have been translated to year-end exchange rates.

The table on page 59 shows that there is great currency exposure in accounts receivable: 91 (86) percent are in foreign currency. 2008, above all the second half of the year, was affected by global unrest in the financial markets. This led to an extreme weakening of the Swedish krona vis-à-vis EUR, USD and HKD, which together constitute 75 percent of the value of Q-Med's accounts receivable at December 31, 2008. At year-end 2008 the exchange rate for both USD and HKD was 20 percent higher and the EUR exchange rate was 15 percent higher than for 2007. It is true that this is compensated for somewhat by the fact that the krona has strengthened vis-à-vis the other currencies but this still means that Q-Med's accounts receivable would have been worth 21 MSEK less if they had been valued at the same exchange rates as for 2007.

There is also a credit risk in the accounts receivable, that is the risk that the Group's customers will not be able to meet their obligations. The management of this risk is regulated in Q-Med's credit customer policy, in which routines for credit screening, credit limits and debt collection, amongst other things, are regulated. In addition, both the managements of the local sales organizations (the subsidiaries) and the central sales organization work on close follow-up of customers.

In spite of this there is always a certain risk that individual customers may get into financial difficulty, with the consequence that Q-Med suffers a bad debt loss. The total consequences of this are limited, however, as the Group's accounts receivable are divided among a very large number of customers. The fact that the accounts receivable from hospitals are guaranteed by the State in most countries constitutes a further limitation of this risk.

In cases where it is feared that there may be bad debt losses, provisions are made for accounts receivable that are 120 days past the due date if there is not either an instalment plan that has been negotiated with the customer or other special circumstances that provide a satisfactory guarantee that the receivable will be paid. This can, for example, be the above-mentioned State guarantees for receivables from hospitals.

The financial crisis and the subsequent economic downturn that characterized the latter part of 2008 make it reasonable to assume that the credit risk in general has increased compared with 2007.

Change in provision for bad debt losses during 2008:

	Group	Parent Company
Provision at December 31, 2007	**-15,277**	**-9,987**
Bad debt losses incurred during the year	3,781	3,222
Reclassified	4,000	4,000
Provisions dissolved	1,156	1,000
New provisions	-6,951	-366
Translation differences	-261	–
Provision at December 31, 2008	**-13,552**	**-2,131**

Age of accounts receivable (excluding provision for bad debt losses) in relation to due date:

	December 31, 2008		December 31, 2007	
Not yet due	142,395	58%	134,842	59%
Past due date:				
1 - 30 days	46,851	19%	31,750	14%
31- 120 days	32,272	13%	19,921	9%
more than 120 days	25,133	10%	41,398	18%
Total	**246,651**	**100%**	**227,911**	**100 %**

Analysis of accounts receivable more than 120 days past due date:

	December 31, 2008	December 31, 2007
Agreed instalment plans etc.	3,673	21,150
Receivables from State hospitals	8,071	4,971
Accounts receivable for which provision has been made	13,389	15,277
Total more than 120 days past due date	**25,133**	**41,398**

Other current receivables and Accrued revenues

Other current receivables and Accrued revenues amount to 14.9 MSEK.

These include a current loan receivable of 4.4 MSEK in which there is a credit risk.

The remaining amounts are divided among most of the currencies and a large number of separate items of different kinds, and it is assessed that the currency and credit risks are extremely limited.

Short-term investments

Liquidity that is not needed in the operating business is invested in accordance with Q-Med's financial policy. This prescribes financial management with a low risk profile, that is both the interest-rate risk and the price risk shall be limited as far as possible. Investments are therefore made exclusively in Swedish short-term interest-bearing securities. The portfolio is managed by Svenska Handelsbanken in accordance with a discretionary asset management agreement.

The financial policy prescribes that all excess liquidity in the subsidiaries shall be transferred to the Parent Company.

cont. **NOTE 21 Financial instruments and risks**

Bank balances

	Dec 31, 2008		Dec 31, 2007	
Currency	**Value in currency**	**Recorded in SEK**	**Value in currency**	**Recorded in SEK**
Cash and bank balances				
EUR	3,411	37,301	3,280	31,074
SEK	36,271	36,271	23,587	23,587
USD	3,259	25,266	3,150	20,373
GBP	1,859	20,906	807	10,417
HKD	13,221	13,221	22,266	18,481
AUD	1,037	5,560	587	3,322
MXN	6,924	3,947	5,359	3,162
PLN	1,340	3,511	327	860
BRL	962	3,124	706	2,598
CAD	483	3,042	398	2,625
DKK	321	471	372	472
NOK	190	210	405	480
CNY	185	209	1,773	1,578
Cash and bank balances		**153,039**		**119,028**

Outflow (in MSEK) during 2008 in the largest currencies in the above table:

	Group	Parent Company
EUR	368.1	102.8
USD	88.2	43.9
HKD	34.4	-
GBP	75.7	9.9

As during 2009 the flows can be expected to have at least the same proportions this means that the existing bank balances in EUR and USD at December 31, 2008 can be expected to be used for payments in each currency and will thus not need to be changed back to SEK. They are therefore not exposed to any currency risk. The holding in HKD is not subjected to currency exposure either, as it is hedged through forward contracts, see Forward contracts on page 62.

It is thus only the holding in GBP that is exposed to a currency risk, as it is not equally obvious for this currency that outflows can be anticipated within a reasonable period of time or that the hedge through the forward contract would guarantee that no GBP need to be converted into SEK.

Liquidity risk

Q-Med's liquid funds consist of bank balances and short-term investments, which can be realized within the course of one or two banking days. In addition to the currency, interest-rate and price risks that exist in these financial instruments, there is also a liquidity risk, which means that the liquid funds at the disposal of the company are not sufficient for Q-Med to be able to meet its obligations or that otherwise desirable activities cannot be carried out.

The cash flow from operating activities was positive during 2008: it was the dividend to the shareholders and the cash flow from investing activities that brought about the negative cash flow. However, as these are flows that the Board and the senior management can control, it is expected that the cash flow will be fully satisfactory in the future as well. Moreover, due to its continued strong equity/assets ratio, Q-Med has untapped borrowing potential.

It is therefore assessed that the liquidity risk remains low.

Bank loans

Of the Group's total liabilities of 77,779 KSEK to credit institutions, 77,761 KSEK stems from the Parent Company as follows:

	Dec 31, 2008		Dec 31, 2007	
Currency	**Value in currency**	**Recorded in SEK**	**Value in currency**	**Recorded in SEK**
SEK		50,000		50,000
Of which there falls due during the coming year		*0*		*0*
EUR	2,520	27,761	2,520	24,049
Of which there falls due during the coming year	*2,520*		*2,520*	
		77,761		**74,049**

The loan in EUR falls due on August 30, 2009, but an extension has been promised. The SEK loan continues until further notice. The loans carry interest of 4.00 percent and are recorded at accrued acquisition value.

In these loans there is both an interest-rate risk and, in the EUR loan, a currency risk. However, due to the small amounts these risks have no tangible impact on the company as a whole.

Accrued expenses

These liabilities are valued at the amount at which they are expected to be paid. In these there is only a currency risk, as a large part of them are in other currencies than SEK.

Forward contracts

The forward contracts that the Parent Company enters into to hedge parts of its future cash flow are valued at their actual value. The following forward contracts existed at December 31, 2008:

Currency	Hedged flow	Remaining term	Forward contracts at forward rate	Currency exposure at Dec 31, 2008
EUR	4,000	2-4 months	37,796	-5,946
USD	5,000	1-9 months	35,150	-3,613
GBP	600	1-5 months	6,971	223
HKD	50,000	1-5 months	42,832	-7,168
Total			**122,749**	**-16,504**

Here currency exposure means the difference between the hedged amounts' value at year-end rates and at each forward rate. This constitutes the forward contracts' actual value at year-end and is recorded as a liability in the balance sheet. The company does not apply the reporting of hedging as specified in IAS 39.

Parent Company's revenues from sales of goods:

	2008		2007	
Currency	Value in currency	Recorded in SEK	Value in currency	Recorded in SEK
EUR	25,773	241,573	26,267	242,291
HKD	209,248	163,661	208,653	178,731
SEK	136,877	136,877	293,075	293,075
USD	15,518	99,286	19,739	132,720
GBP	4,212	51,230	2,279	30,816
PLN	6,271	17,162	348	1,295
AUD	3,008	16,753	2,871	16,371
NOK	12,020	14,143	9,850	11,389
DKK	8,205	10,463	8,185	10,135
MXN	7,738	4,582	9,042	5,581
CAD	179	1,112	172	1,077
Other	–	70	–	63
Total		**756,912**		**923,544**

Effect of financial instruments on income and shareholders' equity

The main effect of the financial instruments on income and shareholders' equity:

	Interest revenues and similar revenues	Interest expenses and similar expenses	Exchange rate gains and losses
Short-term investments	6,399		
Bank balances	4,340		12,272
Liabilities to credit institutions		-4,210	
Total	**10,739**	**-4,210**	**12,272**

NOTE 22 Prepaid expenses and accrued revenues

	Group		Parent Company	
Prepaid expenses	**2008**	**2007**	**2008**	**2007**
Prepaid clinical studies	10,472	6,192	10,472	6,192
Prepaid insurance premiums	4,078	4,041	3,748	3,749
Prepaid rent	638	598	–	–
Other	10,915	17,664	4,955	8,232
Total prepaid expenses	**26,103**	**28,495**	**19,175**	**18,173**
Accrued revenues				
Accrued interest	1,803	1,017	1,803	1,017
Other	3,916	6,151	3,757	6,131
Total accrued revenues	**5,719**	**7,168**	**5,560**	**7,148**
Total	**31,822**	**35,663**	**24,735**	**25,321**

NOTE 23 Cash flow analysis

	Group		Parent Company	
	2008	**2007**	**2008**	**2007**
Adjustment for items not included in the cash flow				
Medicis revenue reclassified in investing activities	–	-199,665	–	–
Anticipated dividend	–		–	-198,944
Dividend from subsidiaries reclassified in investing activities	–		–	-2,637
Depreciation, amortization and write-downs of assets	70,485	57,064	48,283	35,448
Non-realized exchange rate differences	-7,702	4,197	-5,972	1,593
Other items	-1,177	2,251	1,191	64
Total	**61,606**	**-136,153**	**43,502**	**-164,476**

Liquid funds that are not used in operating business activities are invested in accordance with Q-Med's financial policy. These investments are administrated by the Parent Company's bank through a so-called discretionary agreement. In accordance with this investments are transferred to a bank account at the latest two days after an order to this effect and are thereby available.

Interest paid/received

	Group		Parent Company	
	2008	**2007**	**2008**	**2007**
Interest received	15,901	17,130	7,512	12,079
Interest paid	-4,622	-3,514	-4,256	-2,606
Total	**11,279**	**13,616**	**3,256**	**9,473**

Composition of liquid funds

	Group		Parent Company	
	2008	**2007**	**2008**	**2007**
Short-term investments	74,755	337,570	74,755	136,186
Cash and bank balances	153,039	119,028	78,291	49,711
Total	**227,794**	**456,598**	**153,046**	**185,897**

NOTE 24 Provisions

	Group		Parent Company	
	2008	2007	2008	2007
Opening balance	10,119	7,576	1,546	1,499
Provisions reversed during the year	-4,052	-1,717	–	–
Newly formed provisions during the year	2,876	3,966	160	47
Translation differences during the year	918	294	–	–
Closing balance	**9,861**	**10,119**	**1,706**	**1,546**

NOTE 25 Long-term liabilities

	Group		Parent Company	
	2008	2007	2008	2007
Interest-bearing liabilities to credit institutions	50,000	50,000	50,000	50,000
Total	**50,000**	**50,000**	**50,000**	**50,000**

NOTE 26 Current liabilities to credit institutions

	Group		Parent Company	
	2008	2007	2008	2007
Interest-bearing liabilities to credit institutions	27,779	24,322	27,761	24,049
Total	**27,779**	**24,322**	**27,761**	**24,049**

NOTE 27 Accrued expenses and prepaid revenues

	Group		Parent Company	
Accrued expenses	2008	2007	2008	2007
Accrued personnel expenses	71,125	45,107	56,290	30,641
Accrued consultants' fees	4,339	6,843	2,167	4,181
Accrued sales commissions	5,248	5,211	–	–
Accrued expenses clinical trials	9,824	7,405	8,768	9,238
Accrued marketing expenses	1,402	2,187	–	–
Other accrued expenses	9,559	16,940	3,448	4,115
Total accrued expenses	**101,497**	**83,693**	**70,673**	**48,175**
Prepaid revenues				
Prepaid revenues	145	121	145	121
Total prepaid revenues	**145**	**121**	**145**	**121**
Total	**101,642**	**83,814**	**70,818**	**48,296**

The increase in Accrued personnel expenses in 2008 compared with 2007 stems from severance pay and notice pay that will be paid during 2009 to personnel at the Parent Company who were given notice during the last quarter of 2008, see Report of the Board of Directors. As the payments are tied to certain conditions it is not possible to calculate with absolute certainty how much will be paid, but the figure has been worked out on the basis of each individual agreement and a best estimate of what payment it will lead to.

NOTE 28 Pledged assets and contingent liabilities

	Group		Parent Company	
	2008	2007	2008	2007
Real estate mortgages	37,100	37,100	37,100	37,100
Chattel mortgages	–	18,000	–	18,000
Blocked bank balances and deposits made	4,173	2,195	–	149
Financial assets	546	546	546	546
Total	**41,819**	**57,841**	**37,646**	**55,795**
Contingent liabilities:	**None**	**None**	**None**	**None**

All mortgages are liabilities to credit institutions pledged as security for the company's own commitments.

We, the undersigned, hereby assure that the consolidated accounts and annual accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), such as they have been adopted by the EU, and in accordance with generally accepted accounting principles and give a true and fair view of the Group's and the company's financial position and results, and that the Report of the Board of Directors for the Group and the Parent Company gives a true and fair view of the development of the Group's and the Parent Company's business, financial position and results, and describes the important risks and uncertainty factors faced by the companies included in the Group.

Uppsala, March 12, 2009

Anders Milton
Chairman of the Board

Bertil Hult
Member of the Board

Ulf Mattsson
Member of the Board

Tomas Nicolin
Member of the Board

Kristina Persson
Member of the Board

Bengt Ågerup
President and CEO

Our auditors' report was issued on March 12, 2009.

Björn Ohlsson
Authorized Public Accountant

Stefan Kylebäck
Authorized Public Accountant

AUDITORS' REPORT

To the Annual General Meeting of the shareholders of Q-Med AB (publ)
Corporate identity number 556258-6882

We have audited the annual accounts, the consolidated accounts and the accounting records as well as the administration of the Board of Directors and the President of Q-Med AB (publ) for the financial year 2008. The annual accounts and the consolidated accounts are included in the printed version of this document on pages 27-66. These accounts and the administration of the Company are the responsibility of the Board of Directors and the President. It is also their responsibility that the Annual Accounts Act is applied in the preparation of the annual accounts and that international financial reporting standards, IFRS, such as they have been adopted by the EU, and the Annual Accounts Act are applied in the preparation of the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards in Sweden. Those Standards require that we plan and perform the audit to obtain, with a high though not absolute degree of certainty, assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as appraising the significant assessments that the Board and the President have made when they prepared the annual accounts and the consolidated accounts, and evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any Board member or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the Company's financial position and results in accordance with Generally Accepted Auditing Standards in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards, IFRS, such as they have been adopted by the EU, and the Annual Accounts Act and give a true and fair picture of the Q-Med Group's financial position and results. The Report of the Board of Directors is consistent with the other parts of the annual accounts and consolidated accounts.

We recommend to the Annual General Meeting of the shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit for the Parent Company be dealt with in accordance with the proposal in the Report of the Board of Directors and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Uppsala, March 12, 2009
Ernst & Young

Björn Ohlsson
Authorized Public Accountant

Stefan Kylebäck
Authorized Public Accountant

SHAREHOLDER INFORMATION ETC.

The Swedish Companies Act, the stock exchange rules for companies listed on the NASDAQ OMX Nordic Stock Exchange in Stockholm, including the Swedish Corporate Governance Code ("the Code") and other applicable laws form the basis of the corporate governance of Q-Med. The work on developing rules, regulations and routines that ensure transparency, effective Board work and a clear division of responsibility between different company functions is constantly ongoing.

Application of the Code

Q-Med has applied the Code since it came into force, that is to say July 1, 2005. This corporate governance report has been drawn up as part of the application of the Code. The corporate governance report has not been reviewed by the Group's external auditors. With regard to deviations from the Code it should be noted that the Board has not evaluated and reported the work of the Board or evaluated the work of the President and CEO in accordance with what is stipulated in sections 8.1 and 8.2 of the Code. The reason for this is that the Board at that particular time of the year when the above-mentioned evaluations are normally carried out had taken the decision, at the request of one shareholder, to convene an Extraordinary General Meeting for election of a new Board. Apart from this Q-Med does not report any deviations from the Code for the financial year 2008.

Corporate governance bodies

General meeting of the shareholders

Shareholders' influence in the company is exercised at the General Meeting of the shareholders, which is the company's highest decision-making body. The Annual General Meeting of the shareholders is to be held within six months of the end of the financial year for presentation of, amongst other things, the annual accounts and the Report of the Board of Directors. All shareholders who are registered in the register of shareholders and who have notified the company that they would like to attend by 12 o' clock noon on the day stated in the notice of the meeting are entitled to attend the meeting and vote for their total shareholding. Those owners who are not able to attend themselves may be represented by another party. The Annual General Meeting of the shareholders elects Board members, who, as stipulated by the company's Articles of Association, shall be at least three and at the most seven in number, with at the most two deputy members. The assignment of member of the Board is for a period up until the end of the first Annual General Meeting to be held after the year when the member of the Board was appointed, after which the Board member may be proposed for re-election. The Annual General Meeting also elects the Chair of the Board. The nomination of Board members and the Chair is done in accordance with the process that has been determined by the General Meeting of the shareholders.

Extraordinary General Meeting

At the request of Lyftet Holding B.V., the owner of more than 10 percent of the shares in the company, the Board which was elected at the Annual General Meeting in April 2008 gave notice on December 29, 2008 of an Extraordinary General Meeting for the election of a new Board. The Extraordinary General Meeting was held on February 4, 2009, where a new Board was appointed.

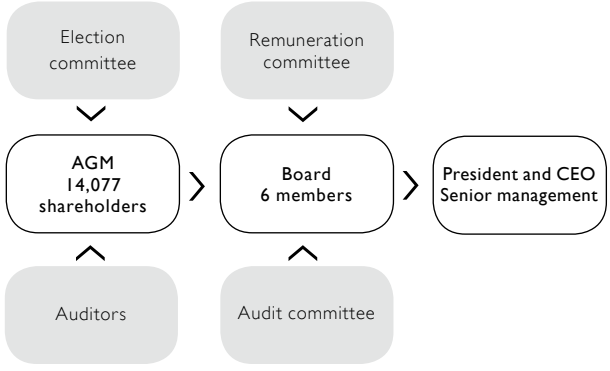
Nomination process

The election committee and election of the Board

At the Annual General Meeting in 2003 it was decided to set up a nomination committee/ election committee consisting of three members of the Board. The task of the election committee is to propose a Chair for the Annual General Meeting, propose a Board and a Chair of the Board and, where appropriate, propose, in consultation with the audit committee, an auditor(s) for election at the Annual General Meeting.

At the Annual General Meeting in 2008 it was decided that the election committee should continue to consist of three members and to re-elect Robert Wikholm as a member and Chairman of the election committee, with the task of appointing, at the latest during the third quarter of 2008, a further two members, one representing the major shareholders and one from the smaller shareholders. In accordance with this process Jan-Erik Erenius and Anders Milton were appointed. These names were published on the company's website as soon as

CORPORATE GOVERNANCE STRUCTURE



they had been appointed and in a press release in connection with the company's quarterly report for the third quarter.

Due to the fact that Lyftet Holding B.V. had requested an Extraordinary General Meeting for election of a new Board, the election committee was asked to draw up under the leadership of Robert Wikholm a proposal concerning the composition of the Board. The proposal of the election committee concerning a new Board was announced in a press release on January 29, 2009 and was presented at the Extraordinary General Meeting on February 4, 2009. The election committee is continuing its work under the leadership of Robert Wikholm so as to present a proposal for a resolution at the Annual General Meeting in 2009 as well.

In 2008 the Annual General Meeting also decided that a fee of 75,000 SEK should be paid to the election committee, to be distributed in accordance with the decision of the election committee. In accordance with this, remuneration of 50 000 SEK will be paid to the chairman, Robert Wikholm and 25 000 SEK to Anders Milton.

Election of auditors

At the Annual General Meeting in 2007 the registered public accounting firm Ernst & Young AB was elected as the company's auditor for the period of time up until the end of the Annual General Meeting in 2011. Ernst & Young AB appointed Björn Ohlsson as the auditor in charge and Stefan Kylebäck as the assistant auditor, and they have also continued with their assignment in accordance with the above during 2008.

The Board

According to the Articles of Association the Board is to consist of at least three and at the most seven members, with two deputy members at the most. At the Annual General Meeting of the shareholders on April 29, 2008, seven members of the Board were elected, with the company President as one of the members. No deputy members were appointed.

The Board which was elected at Annual General Meeting in 2008 was replaced by a Board consisting of six members of the Board, with no deputy members, through election at the Extraordinary General Meeting on February 4, 2009. Three members of the former Board were re-elected: Bertil Hult and Anders Milton, who was also appointed Chairman of the Board, and Bengt Ågerup, who is also the company's President and CEO. Personal details and information on all members' work experience and other assignments are to be found on pages 73-74. Information on each member's dependent/independent status can be seen in the table on page 71.

During 2008 the Board met ten times, including the Board meeting following election. Of these meetings five were held in Uppsala, and one in New York City, USA. Moreover, four telephone meetings were held. Details concerning attendance at the meetings can be seen in the table on page 71.

Each meeting and telephone meeting followed an approved agenda and the proposed agenda and underlying documentation for items to be considered on the agenda were sent to all members before each Board meeting.

Carina Bolin, Director of Legal Affairs at Q-Med, took the minutes for the Board and Alexander Kotsinas, Chief Financial Officer, gave a report at the meetings. Other internal and external people, in their capacity as managers or experts on specific matters, have been present at individual Board meetings.

Formal work plan and instructions to the company President

Within the Board there has not been any general division of areas of responsibility among the different members other than what is stated in the Formal Work Plan for the Board of Directors and Instructions to the Company President, reviewed and approved at the Board meeting following election on April 29, 2008, and subsequently also approved at the Board meeting following election on February 5, 2009.

In addition to the division of responsibility that follows in accordance with the Swedish Companies Act, the Formal Work Plan mainly regulates the following:

- The lowest number of Board meetings (seven, excluding the Board meeting following election) and when they are to be held during the year
- When the agenda and material for the Board are to be made available to the members before each meeting
- The taking of the minutes
- The items that are normally to be on the agenda at a certain time of the year and otherwise what matters are to be matters for the consideration of the Board, such as decisions on directions for the financial administration

ELECTION COMMITTEE AND BOARD COMMITTEES

	Number of meetings	Members
Election committee	8	Robert Wikholm, Chairman Anders Milton Jan-Erik Erenius
Remuneration committee	2	Pia Rudengren, Chair Bertil Hult
Audit committee	3	Åsa Rödén, Chair Håkan Edström Pia Rudengren

of the company (Financial Policy) and determination of other policies decided on in accordance with the law or the listing agreement, approval of the company's business plan and forecast 1, decisions on acquisitions, the divestment and formation of companies and investments and extraordinary commitments involving amounts of over 10 MSEK.
- The Board's delegation of a decision or the handling of a certain question and the instructions to the company President
- Reporting to the Board
- Appointment of the Remuneration Committee and specification of the committee's tasks
- Appointment of the Audit Committee
- Responsibility for information to the market or media

The Board decides on the President's authority by determining the business plan and forecast 1 (budget) for the coming financial year and by determining the instructions to the company President.

The instructions to the company President mainly comprise the following:
- The responsibility of the President for the daily business activities and for ensuring that the bodies and employees subordinate to the President carry out the obligations that they have been charged with
- The responsibility of the President for executing the decisions of the Board
- Preparation of proposals concerning the company's financial statements and interim reports and of other matters that are to be decided on by the Board or reported to the Board, such as investment issues, changes in the legal structure and matters of principle
- Reporting of internal and external audit reports to the Board
- Determining authorization and payment order rules for the company's employees
- Continual information on business activities and the development of the company's business to the Board
- Ensuring that ethical guidelines determined by the company are complied with

Board decisions are made after an open discussion led by the chairman. During the year no diverging opinion has been recorded in the minutes for any question under consideration.

The main items on the agenda for the Board and the business of major importance that the Board has considered during the year can be seen from the graphic on below.

The strategic focus and the financial objectives are dealt with continually by the Board. Special attention has also been paid during the year to focusing on the esthetics area, especially in the form of product launches and strategic collaboration, and the development of new markets, particularly Asia.

Remuneration of the Board

It was decided at the Annual General Meeting in 2008 that remuneration would be paid to the Chair and the members of the Board as follows: 400,000 SEK to the Chair and 200,000 SEK to each of the other members of the Board, except for Bengt Ågerup, who as President and CEO of the company does not receive any separate remuneration for work on the Board. The above fees entailed an increase of 100,000 SEK and 50,000 SEK, respectively, compared with the previous year. No remuneration is paid for work on the remuneration committee. Information on remuneration for work on the audit committee is reported below in the separate section on the audit committee.

Working groups and committees

Remuneration committee

In 2003 the Board appointed a remuneration committee. At the meeting following election in April 2008 it was decided that Pia Rudengren and Bertil Hult were to be members of the committee, and subsequently the new Board at the Board meeting following election in February 2009 decided to appoint Bertil Hult and Kristina Persson as members of the committee. In his capacity as President, Bengt Ågerup reports to the committee, except in connection with remuneration to himself. The remuneration committee has the task of drawing up and proposing the salaries and other conditions of employment of the executive management and of continually reporting to the Board, who are to make the final decisions concerning the senior management's salaries and other conditions of employment on the basis of the basic principles for remuneration adopted by the General Meeting of the shareholders. The remuneration committee shall also propose such

BOARD WORK DURING THE YEAR

Feb 12	March 12	April 29	July 24	Sept 8–9	Oct 23	Nov 23	Nov 24	Dec 18
Annual accounts, year-end report, auditors' audit report; questions concerning the Annual General Meeting; risk analysis management.	**Annual Report;** notice of and proposals for the Annual General Meeting; decision to close the representative office in Shanghai.	**Quarterly accounts;** interim report; financial objectives and revised budget with cost-savings plan; financial structure issues; setting up of branch offices in Switzerland and Austria; formal work plan for audit committee; proposal for changes in documents, to be approved at the Board meeting following election. **Board meeting following election;** designation of authorized signatories, company President and committee members, adoption of formal work plan and instructions to the company President; routines for reporting.	**Half-year accounts and interim report;** forecast 2; financial structure; cost-saving measures.	**Strategy meeting.**	**Interim accounts and interim report;** report from the audit committee and audit of Q3; determination of formal work plan for audit committee; decision to acquire office premises in Paris.	**Extra meeting;** sales and results status.	**Extra meeting;** Follow-up regarding sales and results status and decision regarding press release.	**Business plan and budget;** decision to close holding company in Holland, decision to give notice of Extraordinary General Meeting at the request of Lyftet Holding B.V.

principles for presentation by the Board for adoption at the General Meeting of the shareholders. The Annual General Meeting in 2008 decided on the following remuneration principle. Remuneration of the President and other members of the senior management team is to consist of a basic salary in line with the going rate on the market and a variable part in the form of a bonus or profit-sharing with a ceiling linked to the fixed salary, and other benefits in line with other employees. Payment of the variable part regarding bonus is to be dependent on the attainment of predetermined individual objectives and regarding profit-sharing is dependent on the company attaining predetermined turnover and income objectives. In addition to the above-mentioned payments and benefits, this group of employees, like all other employees, can receive a one-time payment as a bonus for extraordinary performance.

During 2008 the remuneration committee met on two occasions, and Bengt Ågerup was in attendance both times as rapporteur.

Audit committee

In 2006 the Board appointed an audit committee. At the Board meeting following election in April 2008, it was decided that Pia Rudengren, Åsa Rödén and Håkan Edström were to be members of the committee, with Åsa Rödén as the Chair of the committee. The new Board subsequently decided at the Board meeting following election in February 2009 to appoint Ulf Mattsson, Anders Milton and Tomas Nicolin as members of the committee, with Anders Milton as Chairman of the committee.

In accordance with the decision at the Annual General Meeting in 2008, remuneration of 200,000 SEK in total is to be paid for committee work, of which 100,000 SEK is for the Chair of the committee and 50,000 for each of the other two committee members.

The audit committee met on three occasions during 2008, and all members were in attendance on all three occasions.

Other working groups

The Board can decide to delegate the handling of a certain matter to one or more members of the Board. No such delegation in the true sense of the word took place during 2008. However, the non-disqualified members of the Board formed an independent committee in connection with Ivytan AB's public buy-out offer in order to manage the duties and obligations of the Board in connection with such an offer. This committee met on a large number of occasions during the period November - December.

Financial reporting

The Board ensures the quality of the financial reporting through regular meetings of the audit committee with representatives of the company and by making sure that the company has an appropriate organization and routines and procedures for its financial reporting work. During the year a fixed item, reports from the committees, was introduced on the agenda for each regular Board meeting and furthermore each month the Board receives a written monthly report (Business Performance Report) from the company's senior management.

Contacts with the auditors

One of the auditors appointed by Ernst & Young, Björn Ohlsson, reported the conclusions of the audit for the whole of 2008 at the Board meeting on February 12, 2009.

The interim report for the third quarter of 2008 was audited and the auditors reported their conclusions of this audit to the audit committee at the meeting on October 23, 2008. A report on this matter was then given to the Board in connection with its meeting the same day. In addition to this the auditors have taken part in 2 meetings with the audit committee during the year.

Personal details with regard to the auditors appointed by Ernst & Young are to be found on page 74. Information concerning fees to the registered public accounting firm can be seen in note 10 on page 53.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

	Board	Remuneration committee	Audit committee	Member's independence
Pia Rudengren	10	2	3	Yes
Håkan Edström	9	–	3	Yes
Bertil Hult	8	2	–	Yes
Anders Milton	8	–	–	Yes
Åsa Rödén	10	–	3	Yes
Pernilla Ström	9	–	–	Yes
Bengt Ågerup	8	2	–	No[1)]
Total number of meetings	**10**	**2**	**3**	

[1)] President and CEO of Q-Med, represents Lyftet Holding B.V., which controls more than 10% of the shares in Q-Med AB.

THE BOARD OF DIRECTORS' INTERNAL CONTROL REPORT

This part of the corporate governance report has been drawn up in accordance with the guidance that has been produced by working groups from FAR SRS, the trade association for auditors, and the Confederation of Swedish Enterprise. The report describes how the internal control concerning financial reporting is organized.

Control environment

Q-Med's control environment has its foundation in the company's culture and values. A clear division of responsibilities between the Board, management and other functions in the business creates the conditions for good internal control. The division of roles and responsibility between the Board and the President is documented in the Board's formal work plan and instructions to the company President. Other descriptions of roles are to be found in the employees' job and authority descriptions. Due to the geographic spread of the business, the organization is constructed so that follow-up and evaluation are facilitated. The Board has determined basic policies and guidelines of importance to internal control regarding financial reporting, amongst other things the Code of Conduct, the Financial Policy, the Communication Policy and the Limitation of Authority.

Since 2006 the Board has had a separate audit committee where regular follow-up and evaluation of internal control are carried out. At these meetings there are also ongoing discussions about constant improvement work together with the external auditors.

Risk assessment and control activities

The company has structured the work on internal control in accordance with COSO's framework (Committee of Sponsoring Organizations of the Treadway Commission), which comprises the control environment, risk assessment, control activities, information/communication and follow-up. The company has made a survey of and documented all important financial processes and identified potential risks for the business. A systematic classification was then carried out on the basis of the risks' likelihood and consequences for the business. The risk assessment and classification have been presented to and approved by the Board. The risk classification of the processes then governs the demands placed on and the level of the systematic controls, the documentation, the follow-up and the evaluation with regard to internal control.

All of Q-Med's companies submit a financial report to central management each month in accordance with stipulated processes and formats documented in the Q-Med Financial Reporting Manual. The company's controllers verify and analyze the reports and ensure that the information is correct and complete. Q-Med's Board receives a consolidated financial report which is also considered at Board meetings. In addition the company's audit committee receives a separate and supplementary report that is taken up and evaluated at the committee meetings.

Information

The company's controlling documents with regard to financial reporting, such as the Financial Reporting Manual, policies, descriptions of processes, descriptions of routines and templates are available to all the people responsible electronically or as physical documents. Updates are communicated continually through meetings or by email. Records such as financial reporting are available in the same way to authorized people. All external communication of financial reporting is controlled by the company's communication policy.

Follow-up

Q-Med has not yet set up any independent internal audit function, but performs internal audits using employees from the regular personnel specially appointed for the purpose. The internal audits are carried out regularly and comprise, amongst other things, follow-up and evaluation of the subsidiaries' and the Parent Company's internal control with regard to financial reporting. The results of the audits are reported to the senior management and the Board's audit committee. In addition, the company's external auditors review the financial reporting continually during the year and report back their findings to the audit committee and on two occasions to the Board.

On the basis of the standard continual financial reporting, the audit committee's analysis of the internal audits and separate reports, and the result of the external auditors' review, the Board evaluates how well the internal control is working and the correctness and completeness of the financial reporting.

BOARD OF DIRECTORS 2008

During 2008, up until the Extraordinary General Meeting on February 4, 2009, the Board consisted of the following persons: Pia Rudengren, Chair of the Board, Bertil Hult, Håkan Edström, Anders Milton, Åsa Rödén, Pernilla Ström and Bengt Ågerup. An Extraordinary General Meeting for election of a new Board of Directors for Q-Med AB was requested by Lyftet Holding B.V., and took place on Q-Med's premises on Wednesday February 4, 2009.

PIA RUDENGREN
Born 1965. M.Sc. (Ba and Econ.)Board member since 2003. Chair of the Board since 2006. Work experience: Vice President of W Capital Management AB, Finance Director at Investor AB and member of the management group. Other Board assignments: Board member of Biophausia AB, Duni AB, Social Initiative AB, Varyag Resources AB and WeMind AB. Shareholding in Q-Med at Dec 31, 2008: 800 shares.

HÅKAN EDSTRÖM
Born 1950. M.B.A. Board member since 2002. President and CEO of Mannkind Corporation. Work experience: Senior positions within Pharmacia and Bausch & Lomb. Other Board assignments: Board member of Mannkind Corporation. Shareholding in Q-Med at Dec 31, 2008: 0 shares.

BERTIL HULT
Born 1956. M.Sc. (Ba and Econ.) Board member since 2006. CEO of Försäkringsaktiebolaget Skandia (publ) and Head of Skandia's Nordic Division. Work experience: CEO of Advokatfirman Vinge Stockholm and various assignments within Carnegie Investment Bank AB. Other Board assignments: Chairman of Asia Growth Investors AB and eTurn Capital Management AB. Board member of several companies within Skandia. Shareholding in Q-Med at Dec 31, 2008: 2,500 shares.

ANDERS MILTON
Born 1947. M.D., registered doctor. Board member since 1997. Work experience: National psychiatry coordinator, member of the 2005 Commission for national crisis management in times of catastrophe, chairman of SACO (The Swedish Confederation of Professional Associations), the Swedish Doctors' Union and the Swedish Red Cross. President of the Swedish Doctors' Union and senior positions within various international organizations. Other Board assignments: Chairman of DagensPS, ERNA (The European Red Cross/Red Crescent Network on HIV/AIDS and Tuberculosis), Europaskolan Strängnäs, the Face of Aids Foundation and Vironova AB. Board member of Charity Rating, HealthSolutions AB, WeMind AB and Transvoice AB. Shareholding in Q-Med at Dec 31, 2008: 368,400 shares.

ÅSA RÖDÉN
Born 1958. M.D., registered doctor. Board member since 2003. CEO of Xeratech AB. Work experience: President and CEO of Previa AB, Senior Management consultant Tieto Enator. Specialist doctor/Senior Specialist at Danderyd University Hospital. Other Board assignments: Board member of Avonova AB, Vitanova Venture AB and several companies within Xeratech.
Shareholding in Q-Med at Dec 31, 2008: 0 shares.

PERNILLA STRÖM
Born 1962. Board member since 2006. CEO of Ity AB. Work experience: Different assignments as an economist, financial analyst and journalist at Öhman Fondkommission, the Ministry of Finance, Veckans Affärer, Dagens Nyheter etc. Other Board assignments: Board member of Bonnier AB, HQ Bank AB, Kapp-Ahl AB, Sydsvenska Dagbladet AB, Uniflex AB and various smaller unlisted companies. Shareholding in Q-Med at Dec 31, 2008: 3,000 shares.

BENGT ÅGERUP
Born 1943. Ph.D. Board member since 1987. Q-Med's founder, President and CEO. Work experience: Senior positions within Pharmacia AB and Biomatrix Sv. AB. Other Board assignments: Chairman of Stockholm-Uppsala Life Science and OxThera AB. Board member of Envirotainer AB and the Swedish Foundation for Strategic Research.
Shareholding in Q-Med at Dec 31, 2008: 47,187,340 shares via Lyftet Holding B.V. and 62,000 shares via persons closely associated with Ågerup.

BOARD OF DIRECTORS AND AUDITORS 2009

An Extraordinary General Meeting for election of a new Board of Directors for Q-Med AB was requested by Lyftet holding B.V., and took place on Wednesday February 4, 2009.
The meeting adopted the resolution to re-elect Bertil Hult, Anders Milton and Bengt Ågerup for the period up until the end of the next Annual General Meeting. Ulf Mattsson, Tomas Nicolin and Kristina Persson were elected as new members of the Board. The meeting also elected Anders Milton as Chairman of the Board.

ANDERS MILTON
Born 1947. M.D., registered doctor. Board member since 1997. Chairman of the Board since 2009. Work experience: National psychiatry coordinator, member of the 2005 Commission for national crisis management in times of catastrophe, chairman of SACO (The Swedish Confederation of Professional Associations), the Swedish Doctors' Union and the Swedish Red Cross. President of the Swedish Doctors' Union and senior positions within various international organizations. Other Board assignments: Chairman of DagensPS, ERNA (The European Red Cross/Red Crescent Network on HIV/AIDS and Tuberculosis), Europaskolan Strängnäs, the Face of Aids Foundation and Vironova AB. Board member of Charity Rating, HealthSolutions AB, WeMind AB and Transvoice AB. Shareholding in Q-Med at Dec 31, 2008: 368,400 shares.

TOMAS NICOLIN
Born 1954. M.Sc. (Ba and Econ.) Board member since 2009. Work experience: CEO of Alecta, The Third Swedish National Pension Fund and E.Öhman J:or Fondkommission AB as well as Head of Handelsbanken Markets Asset Management. Other Board assignments: Board member of Nordstjernan AB, SEB, Axel and Margaret Ax:son Johnson's Foundation, the Research Institute of Industrial Economics and the Swedish Industry and Commerce Stock Exchange Committee. Nominated as Board member of Active Biotech. Shareholding in Q-Med at Feb 4, 2009: 10,000 shares.

BERTIL HULT
Born 1956. M.Sc. (Ba and Econ.) Board member since 2006. CEO of Försäkringsaktiebolaget Skandia (publ) and Head of Skandia's Nordic Division. Work experience: CEO of Advokatfirman Vinge Stockholm and various assignments within Carnegie Investment Bank AB. Other Board assignments: Chairman of Asia Growth Investors AB and eTurn Capital Management AB. Board member of several companies within Skandia.
Shareholding in Q-Med at Dec 31, 2008: 2,500 shares.

KRISTINA PERSSON
Born 1945. M.Sc. (Ba and Econ.) Executive Chairman of the Global Challenge association. Work experience: Deputy Governor at the Swedish Riksbank, The County Governor of Jämtland and member of the Swedish Parliament. Other Board assignments: Chairman of the Norden Association. Board member of the Mid Sweden University, the African Wildlife Association, the Natural Step, The Swedish Insitute of International Affairs, the foundation Margaretagården, Invest in Sweden's Financial Board and senior advisor to the European Policy Centre in Brussels.
Shareholding in Q-Med at Feb 4, 2009: 0 shares.

ULF MATTSSON
Born 1964. B.Sc. (Ba and Econ.) Board member since 2009. Work experience: President and CEO of Capio AB (publ), Mölnlycke Health Care AB and Domco Tarkett Inc. (publ) based in Montreal. Other Board assignments: Chairman of Flextrus AB and Pahlén AB. Board member of Securitas Direct AB, NSS Group AB, Din Bostad AB (publ) and Pelly Industrier AB.
Shareholding in Q-Med at Feb 4, 2009: 0 shares.

BENGT ÅGERUP
Born 1943. Ph.D. Board member since 1987. Q-Med's founder, President and CEO. Work experience: Senior positions within Pharmacia AB and Biomatrix Sv. AB. Other Board assignments: Chairman of Stockholm-Uppsala Life Science and OxThera AB. Board member of Envirotainer AB and the Swedish Foundation for Strategic Research.
Shareholding in Q-Med at Dec 31, 2008: 47,187,340 shares via Lyftet Holding B.V. and 62,000 shares via persons closely associated with Ågerup.

AUDITORS
At the Annual General Meeting in 2007 the registered public accounting firm Ernst & Young AB was elected as the company's auditor for the period up until the end of the Annual General Meeting in 2011. Ernst & Young AB appointed Björn Ohlsson as the chief auditor and Stefan Kylebäck as the assistant auditor.

BJÖRN OHLSSON
Born 1960. Authorized Public Accountant, Ernst & Young AB. Long experience of auditing of companies listed on the Stock Exchange.

STEFAN KYLEBÄCK
Born 1965. Authorized Public Accountant, Ernst & Young AB. Long experience of auditing of companies listed on the Stock Exchange.

BENGT ÅGERUP
Born 1943. Ph.D. Q-Med's founder, President and CEO. Shareholding in Q-Med at December 31, 2008: 47,187,340 shares via Lyftet Holding B.V. and 62,000 shares via persons closely associated with Bengt Ågerup.

ALEXANDER KOTSINAS
Born 1967. M.Sc. (Ba and Econ.), M.Sc. (Eng.). Vice President and Chief Financial Officer. Employed 2008. Shareholding in Q-Med at December 31, 2008: 0 shares.

ALBERTO FABREGAS
Born 1967. M.Sc. (Pharm.), M.Sc. (Eng.). Vice President, Sales EMEA. Employed 2002. Shareholding in Q-Med at December 31, 2008: 1,000 shares.

GUNILLA LUNDMARK
Born 1963. B.Sc., M.B.A. Vice President, Product Center. Employed 2000. Shareholding in Q-Med at December 31, 2008: 2,000 shares via persons closely associated with Gunilla Lundmark.

TOMMY GULLBO
Born 1964. Vice President, Strategic Marketing. Employed 2007. Shareholding in Q-Med at December 31, 2008: 0 shares.

ERIK SUNDQUIST
Born 1970. M.Sc. (Eng.). Vice President, Sales Asia. Employed 2002. Shareholding in Q-Med at December 31, 2008: 4,276 shares.

CHANGES IN THE SENIOR MANAGEMENT

Due to a re-organization, which resulted in the forming of the Product Center (R&D, Medical Affairs, Regulatory Affairs and Supply) the number of members of the Senior Management has decreased.

Up until September 2008, the following persons were also members of the Senior Management:
Anders Blom – Senior Director Corporate Development,
Carina Bolin – General Counsel, Head of Legal Affairs,
Ruth Burns – Vice President, Sales North America,
Margareta Busk – Director, Regulatory Affairs (left the company in September 2008),
Lena Båvegård – Director, Quality Assurance,
Örjan Grandin – Vice President, Supply and Sourcing (left the company in August 2008),
Thomas Holmberg – Director, Human Resources,
Jacques Näsström – Director, Research and Development,
Britt-Marie Rydén – Director, Project Management,
Cindy Wong – Chief Medical Officer and Head of Medical Affairs

Q-Med AB is listed in the Mid Cap segment of NASDAQ OMX Nordic in Stockholm. The share was quoted at 24.40 SEK at the end of the year. This means an increase of 68 percent since Q-Med AB was introduced on the Stock Exchange in December 1999.

Share capital

The share capital at December 31, 2008 amounted to 24,845,500 SEK, divided among 99,382,000 shares. Each share carries one vote at the General Meeting of the shareholders and entitles the owner to an equal share of the company's assets and income. A round lot consists of 1 share. The share was listed in the Mid Cap segment of NASDAQ OMX Nordic in Stockholm during 2008.

Development of the share price and market value

During 2008 the share price decreased by 71 percent. At the same time the OMX Stockholm Price Index decreased by 42 percent. At the end of 2008 Q-Med AB's share was quoted at 24.40 SEK, which corresponds to a total market value of 2.4 (8.3) billion SEK. This means an increase of 68 percent since it was first listed in December 1999 at 14.50 SEK (58 SEK before the split). The share's highest price for the year, 85 SEK, was reached on January 2, 2008 and the lowest price for the year, 22.10 SEK, on October 10, 2008.

Offer to the shareholders

On November 3, 2008 Ivytan AB, owned by EQT V and Lyftet Holding B.V. (a company controlled by Bengt Ågerup), made a cash offer to acquire all the shares in Q-Med for 39 SEK per share. The Q-Med Board's independent committee, with Morgan Stanley as a financial advisor and Advokatfirman Södermark as a legal advisor, evaluated the offer from Ivytan AB. The Board's independent committee unanimously decided to recommend Q-Med's shareholders not to accept the offer. On December 11, 2008 Ivytan AB announced that the offer to acquire all the shares was not going to be pursued as the conditions were not met during the acceptance period.

Share volume

During the year 58,560 Q-Med AB shares were traded, corresponding to a value of 2.3 billion SEK. A total of 63,269 trades were made. Turnover velocity for the Q-Med AB share was 58 percent. On NASDAQ OMX Nordic in Stockholm the turnover velocity was 152 percent during the year. [1)]

Dividend policy

According to Q-Med's dividend policy, it is to be proposed that approximately 50 percent of net income after tax for the year is paid to the shareholders as a regular dividend.

Proposed dividend

For the financial year 2008 Q-Med AB's Board will propose to the Annual General Meeting that no dividend be paid, in view of the weak results for 2008.

Shareholders

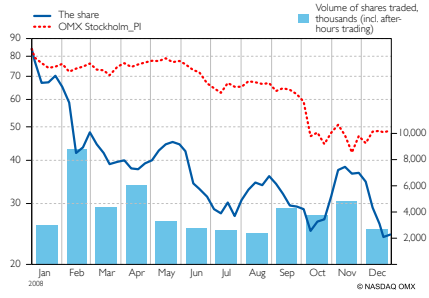
At the end of the year there were 14,077 (12,964) Q-Med AB shareholders. The ten largest owners hold 70 (70) percent of the total share capital. Swedish mutual funds own 23 (17) percent, Swedish institutions 6 (8) percent and 11 (12) percent is owned by private individuals. Foreign ownership amounts to 14 (16) percent, besides the shares that are owned by Bengt Ågerup via Lyftet Holding B.V.

Analysts following the Q-Med share

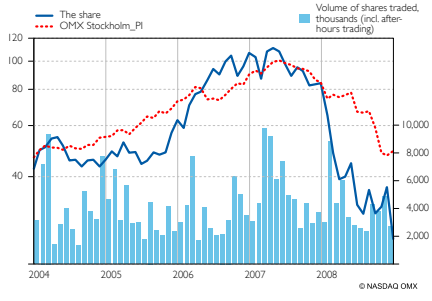
Q-Med is analyzed continually by a number of stockbrokers and banks. For an up-to-date list of these, see Q-Med's website: www.q-med.com.

[1)] Turnover velocity is defined as the ratio of the total number of shares traded during the year and the total number of outstanding shares, as a percentage.

DEVELOPMENT OF SHARE PRICE 2008



DEVELOPMENT OF SHARE PRICE 2004–2008



DATA PER SHARE[1)]

	2008	2007	2006	2005	2004[2)]
Average number of outstanding shares	99,382,000	99,373,944	99,275,590	99,254,000	99,254,000
Number of shares at year-end	99,382,000	99,382,000	99,349,329	99,254,000	99,254,000
Number of outstanding warrants at year-end	0	0	504,672	600,000	1,120,000
Earnings per share, SEK	0.34	3.17	2.14	0.78	2.60
Earnings per share after full dilution, SEK	0.34	3.17	2.14	0.78	2.60
Operative cash flow per share, SEK	-0.67	1.35	1.50	–0.47	–1.18
Shareholder's equity per share, SEK	12.88	13.83	12.56	11.20	12.35
Shareholder's equity per share after full dilution, SEK	12.88	13.83	12.56	11.20	12.35
Share price at year-end, SEK	24.40	84.00	106.75	62.63	45.75
P/e ratio	72	26.5	50	81	18
Proposed dividend per share, SEK	0	1.50	2.00	0.75	2.00

Source: Securities Register Centre, December 28, 2008.
1) The figures for the years 2004–2005 have been adjusted after the 4:1 split that was carried out in 2006.
2) The figures for 2004 have been adjusted for IFRS.

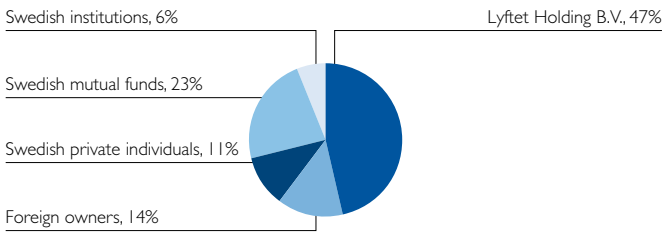
Q-MED'S 10 LARGEST SHAREHOLDERS DECEMBER 31, 2008

Shareholder	Number of shares	Shares and votes, %
Lyftet Holding B.V.	47,187,340	47.5
Swedbank Robur Funds	3,625,406	3.7
Lannebo Funds	3,541,743	3.6
AMF Pensionsförsäkringar AB	3,330,000	3.4
ORKLA ASA	3,000,000	3.0
Nordea Funds incl. Luxembourg	2,809,940	2.8
AMF Pension Funds	2,768,200	2.8
JP Morgan Bank	1,215,975	1.2
Handelsbanken Funds incl. XACT	1,168,731	1.2
SEB Investment Management	1,101,740	1.1
Total 10 largest owners	**69,749,075**	**70.3**
Other shareholders	29,632,925	29.7
Total	**99,382,000**	**100**

OWNERSHIP STATISTICS

Size	Number of shares	Number of owners	Shares and votes, %
1–500	1,840,438	8,939	1.85
501–1,000	2,010,187	2,384	2.02
1,001–10,000	7,205,805	2,418	7.25
10,001–50,000	4,854,029	224	4.88
50,001–100,000	2,237,312	31	2.25
100,001–500,000	14,284,800	63	14.37
500,001–	66,949,429	18	67.37
Total	**99,382,000**	**14,077**	**100**

OWNERSHIP STRUCTURE



During 2008 foreign ownership decreased somewhat in favour of Swedish institutions.

5-YEAR SUMMARY

	2008	2007	2006	2005	2004
INCOME STATEMENTS					
Total revenues from sales of goods and royalties	1,271,884	1,317,627	1,303,617	976,012	823,226
Operating income before depreciation and amortization	114,246	427,089	343,114	144,164	372,792
Operating income after depreciation and amortization	49,837	370,466	299,953	111,736	345,205
Income after financial items	61,902	369,808	308,025	123,966	361,802
Net income for the year	33,397	315,450	212,319	77,145	257,840
BALANCE SHEETS					
Non-current assets					
Intangible assets	80,109	68,775	68,081	74,270	67,642
Property, plant and equipment	842,465	708,590	645,677	514,016	454,515
Deferred tax asset	19,464	21,564	11,254	11,164	9,409
Financial assets	51,642	58,777	13,001	12,125	2,059
Current assets					
Inventories	168,823	141,675	106,147	78,743	73,852
Accounts receivable	233,099	212,634	207,875	233,464	130,156
Other current receivables	74,975	77,904	72,114	47,431	54,110
Liquid funds	227,794	456,598	470,294	458,165	717,265
Total assets	**1,698,371**	**1,746,517**	**1,594,443**	**1,429,378**	**1,509,008**
Liabilities and shareholders' equity					
Shareholders' equity	1,279,641	1,374,218	1,247,951	1,111,978	1,226,091
Provisions					
Provisions for taxes	97,717	93,226	79,004	53,926	30,945
Other provisions	9,861	10,119	7,576	6,396	3,583
Long-term liabilities					
Interest-bearing long-term liabilities	50,000	50,000	50,000	50,000	50,112
Interest-free long-term liabilities	–	–	–	–	1,041
Current liabilities					
Interest-bearing current liabilities	27,779	24,322	23,417	24,050	23,290
Accounts payable	85,497	76,330	53,765	54,661	51,587
Other interest-free current liabilities	147,876	118,302	132,730	128,367	122,359
Total liabilities and shareholders' equity	**1,698,371**	**1,746,517**	**1,594,443**	**1,429,378**	**1,509,008**
CASH FLOW ANALYSES					
Cash flow from operating activities	117,602	145,487	258,014	43,050	-7,869
Cash flow from investing activities	-201,184	35,208	-171,560	-105,825	235,378
Cash flow from financing activities	-149,073	-197,250	-70,070	-198,508	-325,350
Cash flow for the year	**-232,655**	**-16,553**	**16,384**	**-261,283**	**-97,841**
Liquid funds at beginning of year	456,598	470,294	458,165	717,265	813,135
Exchange rate differences in liquid funds	3,851	2,857	-4,255	2,183	1,971
Liquid funds at end of year	227,794	456,598	470,294	458,165	717,265

KEY RATIOS

	2008	2007	2006	2005	2004
Margins					
Gross margin, %	82	85	85	86	87
Operating margin before depreciation and amortization, %	9	32	26	15	45
Operating margin, %	4	28	23	12	42
Profit margin, %	3	24	16	8	31
Operating margin before R&D costs, %	24	48	39	32	65
Operating margin excl. one-time items, %	4	28	23	13	4
Return ratios					
Return on capital employed, %	5	28	25	10	28
Return on shareholders' equity, %	3	24	18	7	21
Financial ratios					
Debt/equity ratio, times	0.1	0.1	0.1	0.1	0.1
Equity/assets ratio, %	75	79	78	78	81
Interest coverage ratio, times	14.4	28.5	130.4	37.6	84.4
Working and capital intensity ratios					
Capital turnover ratio, times	0,9	1,0	1,0	0,8	0,6
Net turnover per employee, KSEK	1,764	1,899	2,210	1,828	1,663
Average number of employees	721	694	590	534	495
Number of employees at end of year	665	720	608	525	531
Share data					
Average number of outstanding shares	99,382,000	99,373,944	99,275,590	99,254,000	99,254,000
Number of shares at closing day	99,382,000	99,382,000	99,349,329	99,254,000	99,254,000
Number of warrants outstanding at closing day	0	0	504,672	600,000	1,120,000
Earnings per share, SEK	0.34	3.17	2.14	0.78	2.60
Earnings per share after full dilution, SEK	0.34	3.17	2.14	0.78	2.60
Operating cash flow per share, SEK	-0.67	1.35	1.50	-0.47	-1.18
Shareholders' equity per share, SEK	12.88	13.83	12.56	11.20	12.35
Shareholders' equity per share after full dilution, SEK	12.88	13.83	12.56	11.20	12.35
Share price at closing day	24.40	84.00	106.75	62.63	45.75
P/e ratio	71.8	26.5	49.9	80.5	17.6
Proposed dividend, SEK per share	0.00	1.50	2.00	0.75	2.00

QUARTERLY DATA

	2008					2007				
Income statement	**Q1**	**Q2**	**Q3**	**Q4**	**Whole year**	**Q1**	**Q2**	**Q3**	**Q4**	**Whole year**
Total revenues	288,807	340,726	306,037	336,314	1,271,884	300,266	364,809	316,634	335,918	1,317,627
Income before financial items	9,890	28,631	61,589	-50,273	49,837	56,112	262,200	62,924	-10,770	370,466
Net income for the period	9,588	22,007	45,870	-44,068	33,397	41,679	242,366	45,153	-13,748	315,450

	2008				2007			
Balance sheet	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Property, plant and equipment	725,603	761,698	797,416	842,465	658,829	678,136	689,250	708,590
Intangible assets	67,089	66,033	66,141	80,109	68,623	70,304	68,848	68,775
Other non-current assets	78,311	76,751	80,927	71,106	27,849	33,834	42,871	80,341
Inventories	158,409	162,999	172,096	168,823	134,066	138,741	139,183	141,675
Accounts receivable	222,872	232,315	233,520	233,099	227,293	240,958	217,621	212,634
Other current assets	64,476	81,262	60,898	74,975	64,495	42,601	44,276	77,904
Liquid funds	398,849	227,352	245,474	227,794	453,431	479,549	484,393	456,598
Total assets	**1,715,609**	**1,608,410**	**1,656,472**	**1,698,371**	**1,634,586**	**1,684,123**	**1,686,442**	**1,746,517**
Shareholders' equity	1,378,203	1,253,479	1,305,551	1,279,641	1,294,536	1,337,278	1,380,176	1,374,217
Long-term liabilities to credit institutions	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Other long-term liabilities	102,427	105,288	111,360	107,578	90,819	90,845	94,049	103,345
Current liabilities to credit institutions	24,014	24,280	25,025	27,779	23,945	23,715	23,543	24,322
Other current liabilities	160,965	175,363	164,536	233,373	175,286	182,285	138,674	194,633
Total shareholders' equity and liabilities	**1,715,609**	**1,608,410**	**1,656,472**	**1,698,371**	**1,634,586**	**1,684,123**	**1,686,442**	**1,746,517**

	2008					2007				
Cash flow analysis	**Q1**	**Q2**	**Q3**	**Q4**	**Whole year**	**Q1**	**Q2**	**Q3**	**Q4**	**Whole year**
Cash flow from operating activities	-20,578	26,133	53,986	58,061	117,602	21,183	65,078	52,189	7,037	145,487
Cash flow from investing activities	-32,914	-50,315	-51,655	-66,300	-201,184	-24,348	163,290	-39,168	-64,566	35,208
Cash flow from financing activities	0	-149,073	0	0	-149,073	1,131	-198,748	0	367	-197,250
Cash flow for the period	**-53,492**	**-173,255**	**2,331**	**-8,239**	**-232,655**	**-2,034**	**29,620**	**13,021**	**-57,162**	**-16,555**

QUARTERLY DATA

	2008					2007				
Key ratios	**Q1**	**Q2**	**Q3**	**Q4**	**Whole year**	**Q1**	**Q2**	**Q3**	**Q4**	**Whole year**
Gross margin, %	86	85	84	74	82	85	86	84	83	85
Operating margin, %	3	8	20	-15	4	19	72	20	-3	28
Number of employees	745	733	726	665		665	678	702	720	
Equity/assets ratio, %	80	78	79	75		79	79	82	79	
Earnings per share, SEK	0.10	0.22	0.46	-0.44	0.34	0.42	2.44	0.45	-0.14	3.17

	2008					2007				
Per product area	**Q1**	**Q2**	**Q3**	**Q4**	**Whole year**	**Q1**	**Q2**	**Q3**	**Q4**	**Whole year**
Total revenues Esthetics	232,724	282,985	248,910	272,007	1,036,626	239,907	297,176	263,343	272,558	1,072,984
Operating income Esthetics	54,833	62,221	59,734	-5,173	171,615	88,330	300,307	98,320	45,689	532,646
Operating margin Esthetics, %	24	22	24	-2	17	37	101	37	17	50
Total revenues Hospital Healthcare	56,083	57,740	57,127	64,307	235,258	60,359	67,633	53,292	63,360	244,644
Operating income Hospital Healthcare	-21,912	-8,034	8,360	2,462	-19,123	-9,875	-17,907	-13,116	-28,163	-69,061
Operating margin Hospital Healthcare, %	-39	-14	15	4	-8	-16	-27	-25	-44	-28

	2008					2007				
Revenues from sales of goods per geographic area	**Q1**	**Q2**	**Q3**	**Q4**	**Whole year**	**Q1**	**Q2**	**Q3**	**Q4**	**Whole year**
Europe	152,917	195,672	162,654	166,895	678,138	144,608	167,387	118,374	165,120	595,489
North America	55,377	48,653	51,473	67,665	223,167	66,565	94,236	93,117	67,105	321,024
Latin America	8,920	11,642	12,902	12,635	46,099	8,013	10,599	14,340	15,159	48,111
Asia	55,944	60,207	59,844	65,747	241,742	66,852	75,900	71,529	64,642	278,924
Rest of the world	12,071	19,526	14,839	18,975	65,411	11,275	13,413	16,287	20,472	61,447
Revenues from sales of goods	**285,228**	**335,699**	**301,713**	**331,917**	**1,254,556**	**297,313**	**361,535**	**313,647**	**332,499**	**1,304,994**
Royalty revenues	3,579	5,027	4,324	4,398	17,328	2,953	2,986	3,419	3,275	12,633
Total revenues	**288,807**	**340,726**	**306,037**	**336,314**	**1,271,884**	**300,266**	**364,521**	**317,066**	**335,774**	**1,317,627**

DEFINITIONS

Gross margin Revenues from sales of goods minus cost of goods sold as a percentage of revenues from sales of goods.

Operating margin before depreciation and amortization Operating income before depreciation and amortization as a percentage of the total revenues.

Operating margin Operating income after depreciation and amortization as a percentage of the turnover for the period.

Profit margin The income for the period as a percentage of the total revenues.

Return on capital employed Income after financial items plus financial expenses as a percentage of the average capital employed for the period. Financial expenses include interest expenses, exchange rate differences on loans and other financial expenses. Capital employed is defined as total assets less interest-free liabilities including provisions.

Return on shareholders' equity The income for the period as a percentage of the average shareholders' equity for the period.

Capital turnover ratio The total revenues in relation to the average capital employed for the period.

Total revenues per employee Total revenues in relation to the average number of full-time employees for the period.

Debt/equity ratio Interest-bearing liabilities in relation to shareholders' equity and minority interest.

Equity/assets ratio Shareholders' equity and minority interest as a percentage of total assets.

Interest-coverage ratio Income after financial items plus financial expenses in relation to financial expenses.

Share data Previous years' figures have been recalculated taking into account bonus share issues, new share issues and splits carried out since the founding of the company.

Earnings per share The earnings for the period in relation to the average number of outstanding shares for the period.

Earnings per share after full dilution The earnings for the period in relation to the average number of outstanding shares for the period, taking into account outstanding share warrants, provided that the issue price is higher than the quoted share price at year-end.

Operating cash flow per share The cash flow from operating activities for the period, excluding interest and taxes, with the addition of investments in tangible fixed assets, in relation to the average number of outstanding shares for the period.

Shareholders' equity per share Shareholders' equity in relation to the number of shares outstanding at closing day.

Shareholders' equity per share after full dilution Shareholders' equity in relation to the number of shares outstanding at closing day, taking into account outstanding share warrants, provided that the issue price is higher than the quoted share price at year-end.

P/e ratio The share price at closing day divided by earnings per share for the period.

GLOSSARY

Arthritis A disease that is characterized by the gradual breaking down of the cartilage in the joints (in particular weight-bearing joints such as the knees, hips and back).

Biocompatible Tissue-friendly material which is not toxic, does not cause damage to the organism and is not perceived as provocative by the immune defence.

Botulinum toxin A neurotoxin produced by the bacterium Clostridium botulinum. For medical use a pharmaceutical preparation of the toxin is injected into the muscles to be treated thereby inducing relaxation of the chosen muscles or groups thereof.

CE marking Marking that is put on products that meet the requirements of current European standards. For Q-Med's products this means conformity with MDD, the EU directive.

Dermatologist Skin doctor

Endoscope Optical instrument for investigating and visualizing cavities in the body. The instrument is often introduced via a natural opening, e.g. the throat.

FDA The Food and Drug Administration, USA's pharmaceuticals and food authority.

Fecal incontinence The patient involuntarily leaks feces. In women above all after childbirth injuries.

GMP Good Manufacturing Practice. Established and regulated way of working with regard to the production of, for example, medical device products.

Hyaluronic acid A natural polysaccharide of which there is abundance in the body. Its main function in the body is to bind water and to lubricate movable parts of the body such as joints and muscles. It also helps to protect the body's soft tissues and it plays an important role in transporting nutrients to and from cells.

IAS International Accounting Standards.

IFRS International Financial Reporting Standards.

NASHA™ NASHA™ designates Q-Med's own stabilization technique for stabilizing non-animal hyaluronic acid produced through bacterial fermentation.

Notified body Monitors compliance with quality systems and MDD, the EU directive.

QSR Quality System Regulation. FDA's equivalent of Good Manufacturing Practice that applies to medical device products.

R&D Research and development.

TGA Therapeutic Goods Administration, Australia's pharmaceuticals authority.

Vesicoureteral reflux (VUR) Condition of the urinary bladder in children, which leads to the valve that counteracts the leakage of urine back up into the kidneys not working.

Viscoelastic Slow-flowing solution with an in-built memory, which under certain conditions has the ability to resist deformation, but on other occasions can pliantly give way

EXTRAORDINARY GENERAL MEETING 2009

An Extraordinary General Meeting for election of a new Board of Directors for Q-Med AB was requested by Lyftet Holding B.V., and took place on Wednesday February 4, 2009.

The meeting adopted the resolution to re-elect Bertil Hult, Anders Milton and Bengt Ågerup for the period up until the end of the next Annual General Meeting. Ulf Mattsson, Tomas Nicolin and Kristina Persson were elected as new members of the Board. The meeting also elected Anders Milton as Chairman of the Board.

ANNUAL GENERAL MEETING 2009

The Annual General Meeting of Q-Med AB (publ) will be held on Wednesday April 29, 2009 at 3.00 p.m. on Q-Med's premises at Fyrisvallsgatan 5 in Uppsala, Sweden.

Right to attend the Annual General Meeting

Shareholders who wish to attend the Annual General Meeting must

both

be entered in the register of shareholders maintained by Euroclear Sweden AB on Thursday April 23, 2009

and

notify the company of their intention to attend, no later than 12 o'clock noon on Thursday April 23, 2009.

Notification

Please notify Camilla Schartau in one of the following ways:

- via the website: www.q-med.com
- by phone: +46 18 474 90 00
- by fax: +46 18 474 90 97
- by post: Q-Med AB, Seminariegatan 21, SE-752 28 Uppsala, Sweden

When notification is given, the shareholder must state the following:

- name
- personal/corporate identity number
- address and daytime telephone number
- number of shares
- where relevant, the number of advisors (no more than 2) who will be accompanying the shareholder at the meeting.

Proxy

Shareholders who are represented by another party must issue a written proxy for the representative. If the proxy has been issued by a legal entity, or if the legal entity is represented by the authorized signatory of the company, a copy of the certificate of incorporation for the legal entity must be attached. The original of the proxy and any certificate of incorporation should be sent in good time before the Annual General Meeting to Q-Med AB, Camilla Schartau, Seminariegatan 21, 752 28 Uppsala, Sweden.

Shares registered in the names of nominees

In order to be entitled to attend the Annual General Meeting, shareholders whose shares are registered in the names of nominees must, through the bank or nominee holding the shares, temporarily re-register the shares in their own name with Euroclear Sweden AB. Such re-registration must have been completed by Thursday April 23, 2009 at the latest. Requests to have shares re-registered should be made in good time before the above-mentioned date.

Dividend

The Board proposes that no dividend be paid for 2008.

FINANCIAL INFORMATION

Dates for information

During 2009 Q-Med will publish the following reports, which will be available on Q-Med's website as of these dates:

April 28	Interim report January–March
July 23	Interim report January–June
October 23	Interim report January–September

The year-end report for 2009 will be published in February 2010.

Internet website

Printed and electronically transmitted information may be ordered at www.q-med.com under Investors.

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