

**Uppsala**  
**May 3, 2007**

## INTERIM REPORT JANUARY-MARCH 2007

- The Group's revenues from sales of goods and royalties amounted to 300.3 (282.2) MSEK, an increase of 6 percent.
- Growth within the Esthetics product area was 15 percent and revenues amounted to 239.9 (208.0) MSEK.
- Operating income amounted to 56.1 (56.0) MSEK.
- Net income after tax amounted to 41.7 (39.0) MSEK.
- Earnings per share after full dilution were 0.42 (0.39) kr.
- Collaboration agreement with Medy-Tox Inc. regarding the development and commercialization of botulinum toxin products.
- Exclusive distribution agreement with Medy-Tox Inc. regarding Medy-Tox's botulinum toxin type A product for Europe, as well as a non-exclusive agreement to sell the product in Japan.
- On May 2, 2007 RESTYLANE Perlane was approved for sales in the USA.

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*Q-Med AB is a rapidly growing and profitable biotechnology/medical device company. The company develops, manufactures, markets and sells primarily medical implants. The majority of the products are based on the company's patented technology, NASHA™ for the production of stabilized non-animal hyaluronic acid. The product portfolio today contains: RESTYLANE for the filling out of lips and facial wrinkles and for facial contouring, DUROLANE, for the treatment of osteoarthritis of the hip and knee joints, DEFLUX for the treatment of vesicoureteral reflux, VUR, (a malformation of the urinary bladder) in children, ZUIDEX, for the treatment of stress urinary incontinence in women and SOLESTA, for the treatment of fecal incontinence. Sales are made through the company's own subsidiaries or distributors in over 70 countries. Q-Med today has just over 600 co-workers, with approximately 400 at the company's head office and production facility in Uppsala, Sweden. Q-Med AB is listed in the Large Cap segment of the OMX Nordic Stock Exchange in Stockholm.*

*NASHA, DUROLANE, SOLESTA, ZUIDEX, IMPLACER, DEFLUX and all product names within the RESTYLANE family are trademarks that belong to Q-Med AB.*

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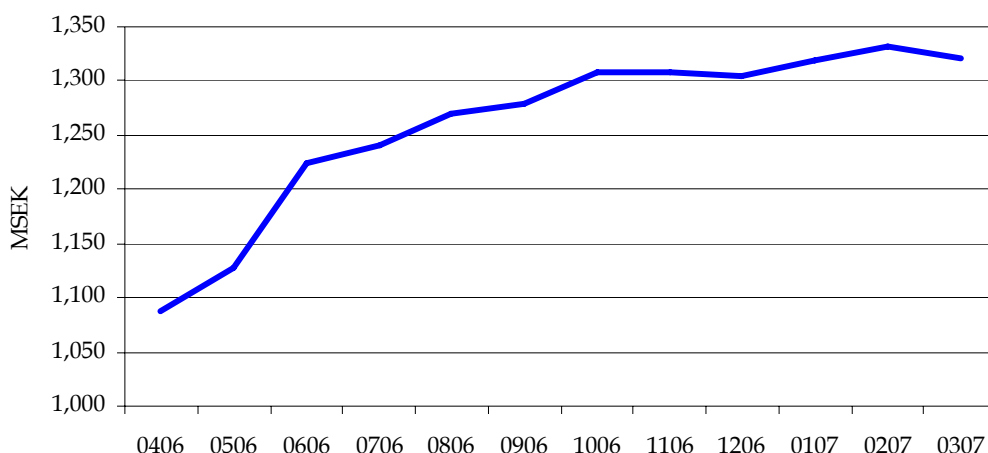
**In USA, Q-Med AB's affiliate is the wholly-owned subsidiary Q-Med Scandinavia, Inc.**

**GROUP REVENUES FROM SALES OF GOODS AND ROYALTIES**

Q-Med’s sales of goods increased by five percent to 297.3 (282.2) MSEK, compared with the previous year. Sales growth within the Esthetics product area was positive in all major markets and amounted to 15 percent. Total revenues, including royalties, for the Hospital Healthcare product area decreased by 19 percent. Some of the decrease within this product area is, however, attributable to the change in the manner of distribution for DUROLANE. Fluctuations in exchange rates affected sales by 10.1 MSEK.

Royalties regarding DUROLANE amounted to 3.0 (0.0) MSEK. Total revenues from sales of goods and royalties amounted to 300.3 (282.2) MSEK.

Revenues from sales and royalties; rolling 12 months



**GROUP INCOME**

The Group’s gross income amounted to 255.6 (242.4) MSEK. The gross margin amounted to 85 (86) percent. During the second half of 2006 sales of DUROLANE began to be gradually transferred to Smith & Nephew. This transfer will be completed during the present year.

Marketing and selling expenses amounted to -122.9 (-116.3) MSEK, which corresponds to 41 (41) percent of revenues.

Costs for research and development amounted to -52.9 (-52.9) MSEK, which corresponds to 18 (19) percent of revenues.

Net financial income amounted to 3.9 (1.0) MSEK. Fluctuations in exchange rates affected net financial income by 1.0 MSEK. Net income for the period after tax amounted to 41.7 (39.0) MSEK.

**INVESTMENTS AND CASH FLOW**

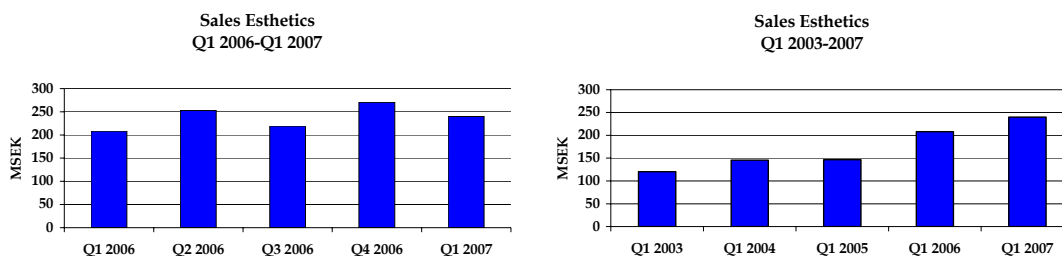
The cash flow from operating activities amounted to 3.3 (10.6) MSEK.

The cash flow from investing activities amounted to -24.3 (-30.6) MSEK. The investments are primarily for the construction of the new office building, which it is estimated will be first used in June this year.

**THE ESTHETICS PRODUCT AREA**

(MSEK)	January - March			Whole year
	2007	2006	+/- %	2006
Revenues from sales of goods	239.9	208.0	15%	950.6
Operating income	88.3	83.1	6%	380.0
Operating margin	37%	40%		40%

Sales within the product area increased by 15 percent and amounted to 239.9 (208.0) MSEK compared with the same period the previous year. Operating income amounted to 88.3 (83.1) MSEK, an increase of 6 percent. The operating margin amounted to 37 (40) percent. Fluctuations in exchange rates affected sales by -6.3 MSEK.



Sales in Europe increased by 13 percent compared with the same period the previous year. Spain, Switzerland and Russia displayed particularly strong growth. In March Q-Med started sales in Poland through a company subsidiary.

Sales to Medicis, Q-Med’s partner in North America, increased by 16 percent compared with the same period the previous year. At the beginning of May 2007 RESTYLANE Perlane was approved for sales in the USA. Approval triggers a one-time payment of 29.1 MUSD to Q-Med. Clinical studies to obtain approval for RESTYLANE SubQ in the USA were begun at the end of 2006.

Growth in Latin America continued to be strong. Growth in Brazil and Mexico was 204 and 71 percent, respectively.

Growth in Asia was good. South Korea and Taiwan displayed particularly strong growth. RESTYLANE SubQ obtained approval in Taiwan in March.

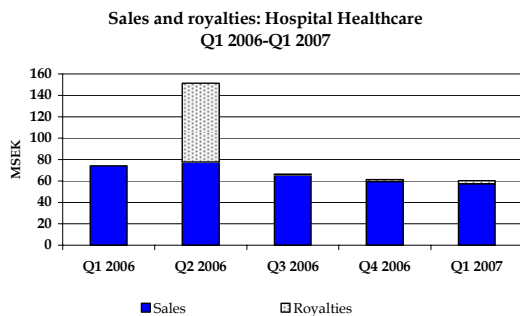
In February 2007 Q-Med AB entered into an agreement with Medy-Tox Inc., a pharmaceuticals development company based in South Korea, regarding collaboration with regard to new products based on botulinum toxin. This collaboration will allow Q-Med to develop and commercialize new generations of products based on botulinum toxin, for both esthetic and medical indications. Medy-Tox will contribute with its technology and expert knowledge at the same time as Q-Med will support Medy-Tox in its continued expansion.

In March 2007 an exclusive distribution agreement was entered into with Medy-Tox Inc. regarding Medy-Tox’s botulinum toxin type A product, Neuronox, for Europe. A non-exclusive agreement to sell the product in Japan was also entered into.

**THE HOSPITAL HEALTHCARE PRODUCT AREA**

Revenues from sales of goods (MSEK)	January - March			Whole year
	2007	2006	+/- %	2006
DEFLUX	43.1	47.3	-9%	198.0
DUROLANE	10.1	18.9	-47%	60.0
ZUIDEX	4.2	8.0	-48%	19.1
Total revenues from sales of goods	57.4	74.2	-23%	277.1
Royalty revenues DUROLANE	3.0	-		76.0
Total revenues	60.4	74.2	-19%	353.1
Operating income	-9.9	-8.6	n/a	24.3

Sales within the product area decreased by 23 percent and amounted to 57.4 (74.2) MSEK. Operating income amounted to -9.9 (-8.6) MSEK. Fluctuations in exchange rates affected sales by -3.8 MSEK.



**DEFLUX**

Sales of DEFLUX amounted to 43.1 (47.3) MSEK. The decrease is primarily due to the North American market. A large insurance company in the American market has changed its policy with regard to endoscopic treatment of VUR. This has resulted in greater pressure on DEFLUX's market potential. Q-Med is collaborating with influential people within the area to try to change the decision to not reimburse such treatment. Furthermore, the negative exchange rate effects are greatest in the American market. On the other hand, sales in Europe have displayed some growth in volume. Price increases have also been carried out in several markets in Europe. Price increases will be carried out in further markets during the year.

**DUROLANE**

Sales of DUROLANE amounted to 10.1 (18.9) MSEK. Royalty revenues amounted to 3.0 (0.0) MSEK. A comparison of revenues from year to year is misleading as a consequence of the fact that sales of DUROLANE have gradually been transferred to Smith & Nephew since the fourth quarter of 2006. The agreement with Smith & Nephew means that the main source of revenue for Q-Med will be constituted by royalty payments based on sales of products within the framework of the collaboration. The transfer has not yet been completely carried out. The registration process for DUROLANE in the USA is ongoing.

**ZUIDEX**

Sales of ZUIDEX amounted to 4.2 (8.0) MSEK. The low sales are mainly due to the weak flow of patients to doctors who have received training in combination with the building up of inventories that occurred during 2005, with ensuing returns and replacement products. A less aggressive sales model is used today, which will ensure more long-term stable growth. The work focuses on creating knowledge of the product within primary health care and on attaining

a broader reimbursement of costs for the product. The ongoing USA study is proceeding according to plan and the last patient will leave the study during the spring.

#### SOLESTA

A study is ongoing in the USA and Europe with a view to further documenting the effect of the product before registration in the USA. The study started in August 2006 and will comprise approximately 200 patients. In order to begin using the product, a market study will also be carried out in several major countries in Europe and in Canada. The study will be started in the autumn and it is estimated that it will comprise approximately 200 patients. In April 2007 SOLESTA was approved for sales in Canada.

#### COSMOFER

In July 2006 COSMOFER, a low molecular iron dextran, was approved for sales in Sweden. Sales started in December 2006 and are now in a launch phase. Since the start of sales, approximately 30 hospitals have bought the product.

### DEVELOPMENT PROJECTS

(MSEK)	January - March			Whole year
	2007	2006	+/- %	2006
Operating income	-4,5	-8,6	n/a	-40,4

The product area has not generated any revenues. Operating income amounted to -4.5 (-8.6) MSEK.

#### PARENT COMPANY

Sales in the Parent Company, Q-Med AB (publ), amounted to 216.1 (184.2) MSEK, including sales of 75.4 (58.5) MSEK to affiliated companies. Income after financial items amounted to 55.6 (37.3) MSEK. The Parent Company's liquid funds at March 31, 2007 amounted to 399.0 (374.3) MSEK.

#### PERSONNEL

The number of employees increased by 57 people and amounted to 665 (564) at March 31, 2007, including 442 (374) in Sweden.

#### PROSPECTS FOR THE FUTURE

The market for injectable esthetic products is continuing to grow. Q-Med continues to be positive in its assessment of the demand situation with regard to RESTYLANE in all regions both in the short term and the long term, despite increased competition. The aim of the company is to defend its strong position, with a retained or increased market share in all the principal markets. In parallel new, selected growth markets will be developed, primarily in Asia and Latin America. The work on broadening the product portfolio is continuing; areas such as body contouring and hydro balance are prioritized. New generations of products based on botulinum toxin are to be developed in collaboration with Medy-Tox Inc.

Q-Med also anticipates growth within the Hospital Healthcare product area. The establishment of ZUIDEX in Europe continues, and the aim is to penetrate primary health care. DEFLUX will be given increased priority by the sales organization so that the company will be able to take advantage of the leading position that the product has achieved as the primary method of treatment for VUR. For DUROLANE it is too early to assess how quickly the collaboration with Smith & Nephew will have an impact. The development of DUROLANE also depends on the result of the registration process in the USA.

Q-Med's overall objective is unchanged: continued high growth together with good profitability.

<b>Group income statement</b>	January - March			Whole year
	2007	2006	+/- %	2006
(MSEK)				
Revenues from sales of goods	297.3	282.2	5%	1,227.6
Royalty revenues	3.0	0.0	-	76.0
<b>Total revenues</b>	<b>300.3</b>	<b>282.2</b>	<b>6%</b>	<b>1,303.6</b>
Cost of goods sold	-44.7	-39.8	12%	-183.6
<b>Gross income</b>	<b>255.6</b>	<b>242.4</b>	<b>5%</b>	<b>1,120.0</b>
Other operating revenues	4.9	2.3	113%	9.8
Selling expenses	-122.9	-116.3	6%	-522.9
Administrative expenses	-26.0	-16.7	56%	-92.0
R&D costs	-52.9	-52.9	0%	-202.4
Other operating expenses	-2.6	-2.8	-7%	-12.6
<b>Operating income</b>	<b>56.1</b>	<b>56.0</b>	<b>0%</b>	<b>299.9</b>
Result from financial items	3.9	1.0	290%	8.1
<b>Income after financial items</b>	<b>60.0</b>	<b>57.0</b>	<b>5%</b>	<b>308.0</b>
Tax on income for the period	-18.3	-18.0	2%	-95.7
<b>Net income for the period</b>	<b>41.7</b>	<b>39.0</b>	<b>7%</b>	<b>212.3</b>
Earnings per share, SEK*	0.42	0.39		2.14
Earnings per share after full dilution, SEK	0.42	0.39		2.14
Number of outstanding shares at closing day	99,374,001	99,254,000		99,349,329
Average number of outstanding shares	99,365,777	99,254,000		99,275,590

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

<b>Other key ratios</b>	January - March		Whole year
	2007	2006	2006
Gross margin	85.0%	85.9%	85.0%
Operating margin	18.7%	19.8%	23.0%
Operating margin before R&D costs	36.3%	38.6%	38.5%
Number of employees	665	564	608
Equity/assets ratio	79.2%	80.5%	78.3%
Shareholders' equity per share, SEK	13.03	11.59	12.56
Shareholders' equity per share after full dilution, SEK	13.03	11.58	12.56

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**Group balance sheet**

(MSEK)	March 31, 2007	March 31, 2006	Dec 31, 2006
<b>Fixed assets</b>			
Patents and other intellectual property	26.0	30.0	26.7
Goodwill	42.7	43.0	41.4
Tangible assets	658.8	534.9	645.7
Deferred prepaid tax	14.8	9.7	11.2
Other financial assets	13.0	12.1	13.0
<b>Current assets</b>			
Inventories	134.1	102.8	106.1
Accounts receivable	227.3	204.9	207.9
Other current receivables	6.6	9.1	15.4
Prepaid expenses and accrued revenues	57.9	44.8	56.7
Liquid funds	453.4	436.8	470.3
<b>Total assets</b>	<b>1,634.6</b>	<b>1,428.1</b>	<b>1,594.4</b>
<b>Shareholders' equity</b>	<b>1 294,5</b>	<b>1 150,0</b>	<b>1 248,0</b>
<b>Long-term liabilities</b>			
Interest-bearing long-term liabilities	50.0	50.0	50,0
Provisions	6.7	5.3	7,6
Deferred tax liability	84.1	57.1	79,0
<b>Current liabilities</b>			
Interest-bearing current liabilities	23.9	24.2	23.4
Accounts payable	67.7	47.3	53.8
Other interest-free current liabilities	33.6	30.9	64.1
Accrued expenses and prepaid revenues	74.1	63.3	68.5
<b>Total liabilities and shareholders' equity</b>	<b>1,634.6</b>	<b>1,428.1</b>	<b>1,594.4</b>
Pledged assets for own liabilities	55.6	55.6	55.6
Contingent liabilities	none	none	none

Change in shareholders' equity during the period	January - March 2007	January - March 2006
(MSEK)	Attributable to Parent Company's shareholders	Attributable to Parent Company's shareholders
Opening balance	1,248.0	1,112.0
Translation difference	3.7	-1.0
Net income for the period	41.7	39.0
New share issue	1.1	-
Dividend	-	-
Closing balance	1,294.5	1,150.0

Group cash flow analysis	January - March	
(MSEK)	2007	2006
Cash flow from operating activities*	3.3	10.6
Cash flow from investing activities	-24.3	-30.6
Cash flow from financing activities	1.1	0.3
<b>Cash flow for the period</b>	<b>-19.9</b>	<b>-19.7</b>
Liquid funds at beginning of period	470.3	458.2
Exchange rate differences in liquid funds	3.0	-1.7
Liquid funds at end of period	453.4	436.8
* Of which change in working capital	-17.9	-16.0

## ACCOUNTING PRINCIPLES

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

The accounting principles that are applied in this interim report are those described in the notes in the Annual Report for 2006.



**Q-Med AB (publ)**

May 3, 2007  
Uppsala

Bengt Ågerup  
President and CEO

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**Coming reports**

Interim report January – June 2007	July 26, 2007
Interim report January – September 2007	October 23, 2007