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news release

QLT ANNOUNCES Q2 RESULTS FOR 2002 AND REITERATES GUIDANCE

For Immediate Release

July 25, 2002

VANCOUVER, CANADA—QLT Inc. (NASDAQ: QLTI; TSE: QLT) today reported financial results for the second quarter ended June 30, 2002, and reiterates guidance for 2002. Unless specified otherwise, all amounts are in Canadian dollars.

Q2 2002 Visudyne[®] Sales

For the three months ended June 30, 2002, Visudyne[®] sales were US\$71.3 million (CAD\$110.8 million). This represents an increase of 27% over sales in the second quarter of 2001. Visudyne sales in the U.S. for the quarter were approximately US\$42.6 million (CAD\$66.3 million), representing 60% of total sales for the quarter. This represents an increase of 18% over U.S. sales in the second quarter of 2001. The remaining US\$28.6 million (CAD\$44.5 million) relates to sales in the rest of the world, primarily Europe, and represents an increase in rest of world sales of 42% over the same period last year.

Q2 2002 Earnings per Share (EPS)

Operating EPS in the second quarter of 2002 reached \$0.07 compared to \$0.06 in the prior year second quarter (see ⁽¹⁾ Non-GAAP Earnings Measures). GAAP EPS for the second quarter equaled \$0.09, up \$0.03 from the comparable tax-affected prior year EPS result.

2002 Annual Guidance

The company is reiterating its annual Visudyne sales guidance in the range of US\$275-300 million or growth over 2001 of 25% to 35%. GAAP EPS for 2002 is expected to range from \$0.40 to \$0.45 (which corresponds to our previous operating/pro forma earnings guidance of \$0.35 to \$0.40 per share).

“We are pleased with our progress to date in 2002,” said Paul Hastings, chief executive officer and president. “As we enter the second half of the year we will continue to focus on hitting our milestones including expanding the Visudyne franchise, demonstrating further progress with our clinical development programs and managing our expenses responsibly.”

Highlights of the milestones achieved by the company in the second quarter and first few weeks of the third quarter included:

- initiating the Phase III clinical program for tariquidar in non-small-cell-lung cancer,
- receiving a positive recommendation for Visudyne approval in Europe for the occult form of the disease from the Committee for Proprietary Medicinal Products (CPMP) of the European Medicines Evaluation Agency (EMA),
- filing the NDA for Visudyne in Japan, and, most recently,
- receiving approval in Australia and New Zealand for Visudyne in occult CNV.

Q2 Results

Revenues

The company's revenues reached \$38.3 million in the second quarter, growing by 22% from the second quarter of 2001. Revenues from Visudyne comprised \$36.3 million of this total, up 22% over the same period in 2001. QLT's share of Visudyne net profit (excluding the recovery of manufacturing and other costs) from the QLT/Novartis Ophthalmics alliance for the second quarter was 24.3% of Visudyne sales. The company is still forecasting that it will receive as its share of profit from the alliance a total of 26% to 28% of total Visudyne sales for the year 2002 as a whole. The profit share received from the QLT/NVO alliance in the second quarter of 2002 was lower than the anticipated full year rate due to continued heavy promotional expenditures early in the second quarter, and we do not expect these expenditures to continue to be heavy in the second half of 2002.

Manufacturing Expenses

Manufacturing expenses were favorably affected during the quarter by approximately \$2.0 million as a result of releases of validation batches of verteporfin for injection previously on hold for second source supplier qualification.

Research and Development (R&D)

Expenditures for R&D \$15.6 million were 16% higher for the three months ended June 30, 2002, than for the same period in 2001. The increase is due mainly to increased spending in the tariquidar, multiple basal cell carcinoma (MBCC) and QLT0074 development programs.

Selling, General and Administrative (SG&A)

For the second quarter of 2002, SG&A expenditures were \$7.6 million representing an increase of \$4.2 million or 121% over the second quarter of 2001. Approximately \$2.4 million of this increase resulted from a more refined classification of expenses, compared to the prior year quarter, between R&D and SG&A. The remaining increase resulted from staffing costs, consulting fees and insurance expense.

Cash

The company's cash reserves rose from \$278 million to \$287 million during the second quarter of 2002.

About Visudyne

Visudyne therapy was approved in the U.S. in April 2000, and in Europe in July 2000, for the treatment of predominantly classic subfoveal choroidal neovascularization (CNV) due to age-related macular degeneration (AMD), the leading cause of severe vision loss in patients over 50. The treatment has now been approved in 63 countries with extended approvals in over 40 countries. QLT's revenue from Visudyne sales consists of 50% of the Visudyne net profits of the Visudyne alliance with Novartis Ophthalmics, the eye health unit of Novartis AG and reimbursement for manufacturing and other costs.

QLT Inc. is a global biopharmaceutical company dedicated to the discovery, development and commercialization of innovative therapies to treat cancer, eye diseases and immune disorders.

Combining expertise in ophthalmology, oncology and photodynamic therapy, QLT has commercialized two products to date, including Visudyne® therapy, which is the most successfully launched ophthalmology product ever. For more information, you are invited to visit our web site at www.qltinc.com.

– CANADIAN DOLLARS –

QLT Inc.—Financial Highlights

CONSOLIDATED STATEMENTS OF OPERATIONS

<i>(In thousands of Canadian dollars, except per share information)</i>	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001
<i>(Unaudited)</i>				
Revenues				
Revenue from Visudyne®	\$36,341	\$29,772	\$72,075	\$51,862
Contract research and development	1,955	1,699	4,673	2,338
	38,296	\$31,471	76,748	54,200
Costs & Expenses				
Manufacturing	5,536	5,911	13,492	10,898
Research and development	15,643	13,462	28,426	21,106
Selling, general and administrative	7,619	3,439	14,122	8,579
Depreciation and amortization	2,016	1,348	3,915	2,343
	30,814	24,160	59,955	42,926
Operating Income	7,482	7,311	16,793	11,274
Net investment and other income	2,590	(706)	4,058	7,981
Income before income taxes	10,072	6,605	20,851	19,255
Provision for income taxes	4,113	–	8,369	–
Net Income	\$5,959	\$6,605	\$12,482	\$ 19,255
Net Income per common share				
Basic	\$0.09	\$0.10	\$0.18	\$0.28
Diluted	\$0.09	\$0.10	\$0.18	\$0.28
Weighted average number of common shares outstanding (in thousands)	68,204	67,789	68,153	67,756

– CANADIAN DOLLARS –

QLT Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

<i>(In thousands of Canadian dollars)</i>	June 30, 2002	December 31, 2001
Current assets	<i>(Unaudited)</i>	
Cash and cash equivalents	\$219,230	\$112,073
Short-term investment securities	67,454	148,307
Accounts receivable	35,448	41,390
Inventories	60,852	61,509
Current portion of future income tax assets	35,914	30,111
Other	5,820	4,020
	424,718	397,410
Long-term investments and advances	16,131	14,696
Property and equipment	56,433	57,662
Intangible assets	14,400	15,948
Future income tax assets	18,053	30,595
	\$529,735	\$516,311
Current liabilities		
Accounts payable	\$ 10,263	\$ 16,265
Accrued liabilities	5,994	11,967
Deferred revenue	20,848	11,977
	37,105	40,209
Shareholders' equity	492,630	476,102
	\$529,735	\$516,311

As at June 30, 2002, there were 68,229,615 issued and outstanding common shares and 8,653,008 outstanding options to purchase common shares.

All amounts shown are in Canadian dollars and presented in accordance with Canadian GAAP. At June 30, 2002, the exchange rate was approximately U.S. \$1.00 = Cdn. \$1.5184

– CANADIAN DOLLARS –

QLT Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(In thousands of Canadian Dollars except per share information)</i>	Six Months Ended June 30,	
<i>(Unaudited)</i>	2002	2001
Cash Provided by Operating Activities		
Net income for the period	\$12,482	\$19,255
Add (deduct) items not involving a current cash flow		
Depreciation and amortization	3,914	2,343
Unrealized foreign exchange (loss)gain	(1,394)	2,937
Future income taxes	8,369	–
Benefit of investment tax credits included in operating expenses	(1,630)	–
Changes in non-cash operating assets and liabilities		
Accounts receivable and other assets	3,311	(5,935)
Inventories	657	(7,041)
Accounts payable	(6,105)	(5,734)
Accrued liabilities	(5,958)	(125)
Deferred revenue	8,871	10,608
	22,517	16,308
Cash Provided by (Used in) Investing Activities		
Proceeds from investment disposition	–	6,532
Purchase of property and equipment	(1,701)	(2,145)
Short-term investment securities	80,853	(131,289)
Long-term investments	–	(11,200)
	79,152	(138,102)
Cash Provided by (Used In) Financing Activities		
Decrease in long-term debt	–	(13,645)
Issuance of common shares	4,046	1,419
	4,046	(12,226)
Effect of exchange rate changes on cash and cash equivalents	1,442	(2,130)
Increase(Decrease) in Cash and Cash Equivalents	107,157	(136,150)
Cash and Cash Equivalents, Beginning of Period	112,073	239,063
Cash and Cash Equivalents, End of Period	\$219,230	\$102,913

– U.S. DOLLARS –

QLT Inc.—Financial Highlights

CONSOLIDATED STATEMENTS OF OPERATIONS

<i>(In thousands of U.S. dollars, except per share information)</i>	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001
<i>(Unaudited)</i>				
Revenues				
Revenue from Visudyne®	\$23,497	\$19,306	\$45,915	\$33,765
Contract research and development	1,252	1,102	2,957	1,520
	24,749	20,408	48,872	35,285
Costs & Expenses				
Manufacturing	3,545	3,833	8,536	7,097
Research and development	10,043	8,729	18,062	13,732
Selling, general and administrative	4,893	2,230	8,973	5,595
Depreciation and amortization	1,293	874	2,484	1,525
	19,774	15,666	38,055	27,949
Operating Income	4,975	4,742	10,817	7,336
Net Investment and other income	1,660	(458)	2,581	5,228
Income before income taxes	6,635	4,284	13,398	12,564
Provision for income taxes	2,663	–	5,333	–
Net Income	3,972	\$4,284	\$8,065	\$12,564
Net Income per common share				
Basic	\$0.06	\$0.06	\$0.12	\$0.19
Diluted	\$0.06	\$0.06	\$0.12	\$0.19
Weighted average number of common shares outstanding (in thousands)	68,204	67,789	68,153	67,756

– U.S. DOLLARS –

QLT Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

<i>(In thousands of U.S. dollars)</i>	June 30, 2002	December 31, 2001
Current assets	<i>(Unaudited)</i>	
Cash and cash equivalents	\$144,382	\$70,362
Short-term investment securities	44,424	93,111
Accounts receivable	23,346	25,986
Inventories	40,076	38,617
Current portion of future income tax assets	23,653	18,904
Other	3,833	2,524
	279,714	249,504
Long-term investments and advances	10,624	9,227
Property and equipment	37,166	36,202
Intangible assets	9,484	10,013
Future income tax assets	11,889	19,209
	\$348,877	\$324,155
Current liabilities		
Accounts payable	\$6,759	\$ 10,212
Accrued liabilities	3,948	7,513
Deferred revenue	13,730	7,519
	24,437	25,244
Shareholders' equity	324,440	298,911
	\$348,877	\$324,155

All amounts shown are in U.S. dollars translated using the current rate method. At June 30, 2002, the exchange rate was approximately U.S. \$1.00 = Cdn. \$1.5184

QLT Inc.
Fully Diluted Earnings Per Share (“EPS”) Analysis
(In CAD\$)

	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001
Visudyne EPS ⁽¹⁾	\$ 0.15	\$ 0.11	\$ 0.31	\$ 0.18
Non-Visudyne R&D	\$ (0.09)	\$ (0.04)	\$ (0.16)	\$ (0.08)
Operating / Pro Forma EPS ⁽²⁾	<u>\$ 0.07</u>	<u>\$ 0.06</u>	<u>\$ 0.15</u>	<u>\$ 0.10</u>
Interest Income	\$ 0.01	\$ 0.02	\$ 0.03	\$ 0.05
Non-Operating FX	\$ 0.00	\$ (0.03)	\$ 0.00	\$ 0.01
GAAP EPS ⁽³⁾	<u><u>\$ 0.09</u></u>	<u><u>\$ 0.06</u></u>	<u><u>\$ 0.18</u></u>	<u><u>\$ 0.17</u></u>
Weighted Avg Fully Diluted Shares	68,519,125	68,544,319	68,555,156	68,626,729

- (1) Note that Visudyne EPS in the second quarter and first half of 2002 benefited by \$0.017, resulting from the releases of validation batches of verteporfin for injection relating to qualification of a second supplier.
- (2) Operating/Pro Forma EPS is a non-GAAP measure. Non-GAAP earnings measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. The reporting of operating/pro forma EPS is intended to assist users in understanding the Company’s operations by separating earnings related to the Company’s base businesses from earnings from the Company’s cash reserves and any unusual non-operating items. The items currently being excluded from operating/pro forma EPS include interest income, foreign exchange gains/losses from foreign currency cash holdings and gains/losses from derivatives relating to future cash flows. These items are excluded as they are either related to the Company’s cash holdings or not part of current operations.
- (3) Note that 2001 GAAP EPS have been tax effected for comparability. Actual reported GAAP EPS for 2001 were \$0.10 and \$0.28 for the second quarter and for the first half, respectively.

QLT Inc.
Fully Diluted Earnings Per Share (“EPS”) Analysis⁽¹⁾
(In US\$)

	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001
Visudyne EPS ⁽²⁾	\$ 0.10	\$ 0.07	\$ 0.20	\$ 0.12
Non-Visudyne R&D	\$ (0.05)	\$ (0.03)	\$ (0.10)	\$ (0.05)
Operating / Pro Forma EPS ⁽³⁾	<u>\$ 0.04</u>	<u>\$ 0.04</u>	<u>\$ 0.09</u>	<u>\$ 0.07</u>
Interest Income	\$ 0.01	\$ 0.02	\$ 0.02	\$ 0.03
Non-Operating FX	\$ 0.00	\$ (0.02)	\$ 0.00	\$ 0.01
GAAP EPS ⁽⁴⁾	<u><u>\$ 0.06</u></u>	<u><u>\$ 0.04</u></u>	<u><u>\$ 0.12</u></u>	<u><u>\$ 0.11</u></u>
Weighted Avg Fully Diluted Shares	68,519,125	68,544,319	68,555,156	68,626,729
Average Exchange Rate	1.5541	1.5421	1.5739	1.5340

- (1) Above amounts are in U.S. dollars translated using the average exchange rate for the period and computed in accordance with Canadian GAAP.
- (2) Note that Visudyne EPS in the second quarter and first half of 2002 benefited by \$0.011, resulting from the releases of validation batches of verteporfin for injection relating to qualification of a second supplier.
- (3) Operating/Pro Forma EPS is a non-GAAP measure. Non-GAAP earnings measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. The reporting of operating/pro forma EPS is intended to assist users in understanding the Company’s operations by separating earnings related to the Company’s base businesses from earnings from the Company’s cash reserves and any unusual non-operating items. The items currently being excluded from operating/pro forma EPS include interest income, foreign exchange gains/losses from foreign currency cash holdings and gains/losses from derivatives relating to future cash flows. These items are excluded as they are either related to the Company’s cash holdings or not part of current operations.
- (4) Note that 2001 GAAP EPS have been tax effected for comparability. Actual reported GAAP EPS for 2001 were \$0.06 and \$0.19 for the second quarter and for the first half, respectively.

QLT Inc. will hold an analyst and institutional investor conference call to discuss second quarter results on Thursday, July 25, at 4:30 p.m. EST (1:30 p.m. PST). The call will be broadcast live via the Internet at www.qltinc.com. A replay of the call will be available via the Internet and also via telephone at (416) 695-5800, access code 1221537.

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Visudyne® is a trade mark of Novartis AG

QLT Inc. is listed on The Nasdaq Stock Market under the trading symbol "QLTI" and on The Toronto Stock Exchange under the trading symbol "QLT."

Certain statements in this press release constitute "forward-looking statements" of QLT within the meaning of the *Private Securities Litigation Reform Act of 1995*, which involve known and unknown risks, uncertainties and other factors that may cause our actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. Forward-looking statements include, but are not limited to, those with respect to anticipated levels of sales of Visudyne®, estimates of QLT's share of 2002 Visudyne net profits and net income, estimates of QLT's 2002 EPS (both GAAP and Operating EPS), opportunities to expand the market for Visudyne, progress of QLT's clinical development programs, opportunities for growth beyond the Visudyne franchise and QLT's ability to manage operations and cost structures appropriately. These statements are only predictions and actual events or results may differ materially. Factors that could cause such actual events or results expressed or implied by such forward-looking statements to differ materially from any future results expressed or implied by such statements include, but are not limited to: the risk that future sales of Visudyne may be less than expected, our future operating results are uncertain and likely to fluctuate, currency fluctuations in our primary markets may impact our financial results, uncertainty of and timing of pricing and reimbursement may limit the future sales of Visudyne, clinical development programs may not be successful, the outcome of the pending patent and securities litigation against us may be unfavourable and have an adverse impact on our financial results, we are dependent on third-parties to commercialise Visudyne and other factors described in detail in QLT's Annual Information Form on Form 10-K, forthcoming quarterly reports on Form 10-Q and other filings with the U.S. Securities and Exchange Commission and Canadian securities regulatory authorities. Forward-looking statements are based on our current expectations and QLT is not obligated to update such information to reflect later events or developments.