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## *news release*

### **QLT ANNOUNCES Q3 RESULTS FOR 2003 AND UPDATES GUIDANCE**

#### **For Immediate Release**

**October 23, 2003**

VANCOUVER, CANADA—QLT Inc. (NASDAQ: QLTI; TSX: QLT) today reported financial results for the third quarter ended September 30, 2003, and updated guidance for 2003. Unless specified otherwise, all amounts are in U.S. dollars and reported under U.S. GAAP.

#### **Q3 2003 Visudyne<sup>®</sup> Sales**

For the three months ended September 30, 2003, Visudyne<sup>®</sup> sales were \$89.8 million. This represents an increase of 28% over sales in the third quarter of 2002. Visudyne sales in the U.S. for the quarter were \$46.4 million, representing 52% of total sales for the quarter. This represents an increase of 13% over U.S. sales in the third quarter of 2002. The remaining \$43.4 million sales in the rest of the world are up 49% over the same period last year.

#### **Q3 2003 Earnings per Share (EPS)**

EPS in the third quarter of 2003 was \$0.19, up \$0.10 from the prior year's third quarter. The increase was mainly due to the strong Visudyne sales performance, higher than expected profit share from the Visudyne alliance and a milestone payment received from Axcan Pharma.

#### **2003 Annual Guidance**

Given the continued strong Visudyne sales growth, the company is updating its Visudyne sales guidance from \$335-\$350 million to \$350-\$355 million, or top-line growth over 2002 of 22% to 24%. The company has also updated its EPS guidance for 2003 to \$0.62 - \$0.67. This update in EPS guidance reflects the new top-line sales guidance and current view on the profit share from the Visudyne alliance.

“We are pleased with the continued strong growth on both top- and bottom-line and the strength of the Visudyne alliance with Novartis,” said Paul Hastings, President and Chief Executive Officer. “This result, as well as our results year-to-date and our guidance for the year, helps us position QLT to build the pipeline and deliver immediate and long-term value to our shareholders.”

## **Q3 Results**

### **Revenues**

The company's revenues reached \$38.3 million in the third quarter, growing by 33% from the third quarter of 2002. Revenues from Visudyne comprised \$37.2 million of this total, up 40% over the same period in 2002. QLT's share of Visudyne net profit from the alliance for the third quarter was 32% of Visudyne sales. The company has revised its forecast of its share of profit from the alliance from 29-30% to 30-31% of total Visudyne sales for 2003.

### **Research and Development (R&D)**

Expenditures for R&D of \$9.7 million were 10% lower in the third quarter compared to the same period in 2002. The decrease is due mainly to reduced clinical trial expenditures compared to the same period last year.

### **Selling, General and Administrative (SG&A)**

For the third quarter of 2003, SG&A expenditures were \$3.7 million representing an increase of 5% over the third quarter of 2002. The increase was due to changes in foreign currency exchange rates.

### **Cash and Short-term Investments**

The company's cash and short-term investments rose from \$269 million to \$461 million during the third quarter of 2003. The increase was due to the convertible senior notes offering in August, cash from operations, and favorable foreign currency exchange rate effects. QLT expects to have approximately \$480 million in cash and short-term investments by the end of 2003.

### **Clinical Update**

Results from the Phase III early retreatment (VER) study with Visudyne showed that the early retreatment regimen did not result in a significant improvement in vision outcomes over the standard retreatment regimen every 3 months. This study involved earlier and more frequent treatments in patients with predominantly classic lesions to reduce the risk of the initial moderate vision loss compared to the standard treatment of Visudyne. These data did reconfirm the vision benefits and safety shown in the original TAP or Treatment in Age-related macular degeneration with Photodynamic therapy study. The results will be presented at the upcoming American Academy of Ophthalmology meeting in November.

### **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 more than 70 countries with extended approvals in over 55 countries. QLT's revenue from Visudyne sales consists of 50% of the Visudyne profits of the Visudyne alliance with the Ophthalmics Business Unit of Novartis Pharma AG, and reimbursement for manufacturing and other costs.

## QLT Inc.—Financial Highlights

### CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In accordance with United States generally accepted accounting principles)

<i>(In thousands of United States dollars, except per share information)</i>	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
<i>(Unaudited)</i>				
<b>Revenues</b>				
Revenue from Visudyne®	\$ 37,158	\$ 26,477	\$ 103,767	\$ 72,279
Contract research and development	1,124	2,236	3,495	5,232
	<b>38,282</b>	<b>28,713</b>	<b>107,262</b>	<b>77,511</b>
<b>Costs and expenses</b>				
Cost of sales	6,211	4,715	17,681	13,268
Research and development	9,684	10,702	32,646	29,572
Selling, general and administrative	3,653	3,474	10,118	12,453
Depreciation	825	799	2,266	2,300
Restructuring	-	-	(394)	-
	<b>20,373</b>	<b>19,690</b>	<b>62,317</b>	<b>57,593</b>
<b>Operating income</b>	<b>17,909</b>	<b>9,023</b>	<b>44,945</b>	<b>19,918</b>
<b>Other income and expenses</b>				
Net foreign exchange gains (losses)	406	(985)	3,320	(552)
Interest income	2,443	1,402	6,087	3,337
Interest expense	(773)	-	(773)	-
Equity gain (loss) in NSQ	-	3	-	(276)
Other gains (losses)	1,813	(371)	1,813	(169)
	<b>3,889</b>	<b>49</b>	<b>10,447</b>	<b>2,340</b>
<b>Income before income taxes</b>	<b>\$ 21,798</b>	<b>\$ 9,072</b>	<b>\$ 55,392</b>	<b>\$ 22,258</b>
<b>Provision for income taxes</b>	<b>(8,649)</b>	<b>(3,169)</b>	<b>(19,545)</b>	<b>(7,838)</b>
<b>Net Income</b>	<b>\$ 13,149</b>	<b>\$ 5,903</b>	<b>\$ 35,847</b>	<b>\$ 14,420</b>
<b>Net income per common share</b>				
Basic	\$ 0.19	\$ 0.09	\$ 0.52	\$ 0.21
Diluted	\$ 0.19	\$ 0.09	\$ 0.52	\$ 0.21
<b>Weighted average number of common shares outstanding (in thousands)</b>				
Basic	68,837	68,257	68,686	68,188
Diluted	69,196	68,406	68,882	68,507

**QLT Inc.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(In accordance with United States generally accepted accounting principles)

<i>(In thousands of United States dollars)</i>	<b>September 30, 2003</b>	December 31, 2002
<b>ASSETS</b>	<i>(Unaudited)</i>	
<b>Current assets</b>		
Cash and cash equivalents	\$ 229,160	\$ 128,138
Short-term investment securities	231,820	79,797
Accounts receivable	34,629	30,186
Inventories	28,882	23,900
Current portion of deferred income tax assets	13,722	17,092
Other	16,108	13,310
	<b>554,321</b>	292,423
<b>Property and equipment</b>	<b>40,319</b>	35,281
<b>Deferred income tax assets</b>	<b>1,889</b>	13,966
<b>Other long-term assets</b>	<b>6,073</b>	4,170
	<b>\$ 602,602</b>	\$ 345,841
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 5,334	\$ 9,960
Accrued restructuring charge	-	2,631
Other accrued liabilities	10,516	7,027
Deferred revenue	8,129	12,678
	<b>23,979</b>	32,296
<b>Long-term debt</b>	<b>172,500</b>	-
	<b>196,479</b>	<b>32,296</b>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Common shares</b>	<b>395,196</b>	391,716
<b>Accumulated deficit</b>	<b>(17,053)</b>	(52,901)
<b>Accumulated other comprehensive income (loss)</b>	<b>27,980</b>	(25,270)
	<b>406,123</b>	313,545
	<b>\$ 602,602</b>	\$ 345,841

As at September, 2003, there were 68,848,275 issued and outstanding common shares and 7,449,205 outstanding options to purchase common shares.

**QLT Inc.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In accordance with United States generally accepted accounting principles)

<i>(In thousands of United States dollars)</i>	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
<i>(Unaudited)</i>				
<b>Cash flows from operating activities</b>				
Net income	\$ 13,149	\$ 5,903	\$ 35,847	\$ 14,420
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	825	799	2,266	2,300
Amortization of deferred financial expenses	122	-	122	-
Unrealized foreign exchange (gain) loss	(159)	(1,225)	1,939	(327)
Deferred income tax assets	8,649	3,169	19,545	7,838
Restructuring	-	-	(394)	-
Equity (gain) loss in NSQ	-	(3)	-	276
Changes in non-cash operating assets and liabilities				
Accounts receivable	(935)	(2,719)	94	878
Inventories	(791)	2,423	(1,083)	7,936
Other assets	7,310	1,835	3,093	(5,171)
Accounts payable	(2,191)	(975)	(4,512)	(4,678)
Accrued restructuring charge	-	-	(2,005)	-
Other accrued liabilities	2,623	1,099	2,607	(2,719)
Deferred revenue	(1,800)	369	(6,398)	5,970
	<b>26,802</b>	<b>10,675</b>	<b>51,121</b>	<b>26,723</b>
<b>Cash used in investing activities</b>				
Short-term investment securities	(137,636)	(53,824)	(139,328)	(589)
Purchase of property and equipment	(1,284)	(458)	(3,495)	(1,425)
	<b>(138,920)</b>	<b>(54,282)</b>	<b>(142,823)</b>	<b>(2,014)</b>
<b>Cash provided by financing activities</b>				
Long term debt (net)	167,748	-	167,748	-
Issuance of common shares	833	372	3,472	2,929
	<b>168,581</b>	<b>372</b>	<b>171,220</b>	<b>2,929</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>836</b>	<b>(5,264)</b>	<b>21,504</b>	<b>(1,418)</b>
<b>Net increase in cash and cash equivalents</b>	<b>57,299</b>	<b>(48,499)</b>	<b>101,022</b>	<b>26,220</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>171,861</b>	<b>144,382</b>	<b>128,138</b>	<b>69,663</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 229,160</b>	<b>\$95,883</b>	<b>\$ 229,160</b>	<b>\$ 95,883</b>

QLT Inc. is a global pharmaceutical company specializing in the discovery, development and commercialization of innovative therapies to treat cancer, eye diseases and niche areas for which treatments can be marketed by a specialty sales force. 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, visit our web site at [www.qltinc.com](http://www.qltinc.com).

QLT Inc. will hold an analyst and investor conference call to discuss third quarter results on Thursday, October 23rd at 8:30 a.m. EDT (5:30 a.m. PDT). The call will be broadcast live via the Internet at [www.qltinc.com](http://www.qltinc.com). A replay of the call will be available via the Internet and also via telephone at 416-695-5800, access code 1486581.

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*Visudyne<sup>®</sup> 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, all those which use the word "will," and those statements with respect to anticipated levels of sales of Visudyne<sup>®</sup>, estimates of QLT's 2003 EPS (both GAAP and Operating EPS), estimates of QLT's share of profit from its alliance with Novartis, estimates of 2003 Visudyne net profits and net income, and statements with respect to the future growth of the Company. 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 or regulatory approvals not obtained, the outcome of the pending patent and securities litigation against us may be unfavorable 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, 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, except as required by law, QLT undertakes no obligation to update such information to reflect later events or developments.