OPHTHALMIC LASER UPDATE -- January 2003

1/6 **SurgiLight, Inc.** said that it planed a "vigorous defense, based on the facts" in a lawsuit filed by **Merrill Lynch** over a $500,000 credit line previously granted to the company. As announced earlier, Merrill Lynch had declared the line of credit in default. SurgiLight additionally said that terms of a $10 million credit line issued by another lending source had been finalized and a commitment letter issued. The company plans to repay the Merrill Lynch obligation in full "at the earliest possible moment after the new funding is in place," a transaction the company expects to be completed within the next few weeks. The Merrill Lynch suit requested repayment of the principal balance together with certain other remedies, plus foreclosure of certain collateral and added remedies.

SurgiLight executives also reported that a Private Placement Agreement for $450,000 had been signed with a group of accredited investors, to be completed later this month. Those investors will purchase for approximately $0.29 each a unit consisting of one share of SurgiLight restricted common stock and a warrant with an exercise price of $0.42 per share. According to SurgiLight chairwoman and CEO Colette Cozean, the Merrill Lynch action "is a surprise. They were well aware of our ongoing negotiations for the new line of credit, as well as our stated intent to repay outstanding obligations with Merrill Lynch the moment that line of credit was finalized."

Dr. Cozean cited the company's 10-Q filing for the quarter ended September 30, 2002, as "clearly stating that the Merrill Lynch credit line was indeed in default and that the company had received a commitment letter regarding the new credit line. Thus, we cannot understand this legal action supposedly to protect claims, all in the face of prior open discussions between the parties. At the same time, we hope to conclude the Merrill Lynch episode in as amicable a manner as soon as possible while we continue to take aggressive actions to generate an even stronger financial underpinning for our expanding clinical trials and marketing operations."

As one example of SurgiLight's movement forward, Dr. Cozean cited the success to date of various clinical trials in the U.S. and abroad for the company's OptiVision laser system for reversal of presbyopia.

The company also announced results from the first two clinical trials previously cleared by the FDA under an Investigational Device Exemption (IDE) to test reversal of presbyopia using the company's OptiVision system. After one to two weeks, all of the 10 patients treated in total at two U.S. sites demonstrated the ability to read the daily newspaper without the aid of glasses, while six of the 10 showed successful accommodation -- optimal overall eyesight at varying distances (increased accommodation of one to three diopters). The trials were conducted at the Weill Cornell Medical Center at New York Presbyterian Hospital and at the Las Vegas clinic of Dr. Jon Siems.

According to Colette Cozean, both clinicians and patients "were unanimous in citing the procedure as simple, relatively painless and, most important, successful in the immediate post-operative period. In effect, the average patient regained from five to 15 years of reading ability that had been lost." She added that the same procedure had demonstrated "significant clinical success with more than eight of every 10 patients in several overseas trials, with little or no regression over as long as two years, and comparable successes at trials recently begun in Canada and Mexico."

Dr. Cozean reported that, pending further FDA clearance, the company had arranged further trials at the following sites: Manhattan (NYC) Eye Ear and Throat Hospital, under Dr. Gregory Pamel; Laser Vision Medical Associates (a group of Cedar Sinai ophthalmologists), Beverly Hills, CA, under Drs. James Salz, Ezra Maguen, Peter Cornell, John Hofbauer and Yaron Rabinowitz; Plantation Laser Center at Plantation, FL, under Drs. Richard Kalski, Wayne Bizer, Kenneth Karp, Marc Besom and Lee Klein; TLC Laser Eye Centers at Minneapolis and Milwaukee, under Dr. David King Aymond, Director; Texas Eye and Laser Center, Hurst, TX, under Drs. Brian Ranelle and Bobby Maddox; and Jerva Eye Laser Center, Syracuse, under Dr. Silvia Norton, clinical professor at Syracuse University.

1/8 *Dow Jones Business News* reported that **Novartis AG** said that its Ophthalmics unit was granted exclusive rights to develop and market a drug treatment for myopia from the U.S. firm **Valley Forge Pharmaceuticals Inc.** Financial details weren't given. The company said the drug, Pirenzepine, is currently in Phase II trials and will be marketed globally by **Novartis Ophthalmics** after it completes Phase III trials. In Phase II trials, the drug was shown to reduce the progression of myopia by at least 50% in the first 12 months of therapy.

1/10 **Aris Canada Ltd.** announced that upon the application of **Aris Vision, Inc.**, which company is the controlling shareholder and first secured creditor of the Corporation, the Court of Queen's Bench of Alberta had appointed **Ernst & Young Inc.** as the receiver-manager of the assets and undertaking of the Corporation. This appointment is effective January 10, 2003. As receiver-manager, Ernst & Young Inc. shall be assuming control of all of the Corporation's ongoing business activities.

The Corporation also announced that Dr. Joe Wakil, the sole director of the Corporation, and Larry Kearl, the Corporation's CFO, had resigned their positions with the Corporation and its subsidiaries and affiliates.

1/13 **Alcon, Inc.** announced that it expected 2002 global sales to total approximately $3.01 billion, which would be a 9.5% increase over 2001 global sales, or about 10.0% excluding the impact of foreign exchange fluctuations. As a result of this performance, the company expects earnings to exceed its prior guidance for the fourth quarter and full year, adjusted for previously reported one-time items.

1/13 According to *OptiStock*, **Addition Technology** reported that Q4 2002 sales of Intacs increased nearly 87% over the prior year. In addition to growth in the U.S., the company's international business grew more than 30%, which was driven by therapeutic uses of the product in Europe. Clinical trials of Intacs for keratoconus have been completed in Europe, where studies are now underway to evaluate Intacs for treating hyperopia and myopia with greater than 1.00 diopter of astigmatism.

1/13 **LCA-Vision Inc.** opened the company's newest LasikPlus Center -- its 33rd U.S. facility -- which will serve patients throughout the Greater Cleveland marketing area. LCA-Vision chairman and CEO Stephen Joffe commented: "Opening another center in a major metropolitan area underscores LCA-Vision's total confidence in, and commitment to, the continuing growth and profitable future of laser vision correction, the U.S.'s most frequently performed elective surgical procedure. The potential nationwide patient pool remains huge and still essentially untapped. The Cleveland area, specifically, offered us a favorable competitive and real estate environment for our new facility, one of several we are planning to open this year." Joffe took the opportunity to reiterate his earlier forecast that LCA-Vision will see a return to profitability in the first quarter of 2003, noting that the company's balance sheet "is robust and healthy. We are also greatly encouraged by a nationwide significant jump in patient volume and demand." The new center, based in suburban Independence, will be equipped with three state-of-the-art laser systems: **Bausch & Lomb**, **VISX**, and **Alcon's** LadarVision. Dr. Matthew Sharpe, a senior Board-certified eye surgeon specializing in laser vision correction, heads the Center's highly experienced medical team.

In addition to Cleveland, LCA-Vision now operates three other sites in Ohio -- in Cincinnati, Columbus, and Dayton. LCA-Vision Inc. owns and operates 33 LasikPlus laser vision correction facilities in the U.S., plus two centers in Canada and a joint venture in Europe.

1/13 As reported by *Mass High Tech*, **Solx** is coming out of its "stealth mode". Solx, which had been incubating at the Boston University Photonics Center for the past two years, is developing three products to treat glaucoma with lasers and a next-generation implant. Solx hopes to solve the overuse of glaucoma medications by treating glaucoma with an improved laser procedure. According to Doug Adams, founder of Solx, "Lasers have been used to treat glaucoma for decades, but they create scar tissue which limits their use multiple times. Our soft ablation technique (using a pulse-stretched titanium-sapphire laser) may lead to repeated use because it leaves no scar tissue or thermal damage". (Similar to **Lumenis'** selective laser trabeculoplasty (SLT) approach.) The laser treatment has undergone human clinical trials where it was used with patients whose glaucoma was controlled with one medication daily. Adams said that 100% of the patients went from one medication daily to zero.

The company has submitted an application to the FDA just before Thanksgiving and expects it will be approved shortly. "We anticipate that by April 2003 we will be preparing to launch the product into the market," said Adams.

Another product under development is a surgical device that moves trabeculectomy out of the surgical suite and into a doctor's office, to be completed under local anesthesia and eliminating the need for sutures. Solx's third product is a five micron implant with a drain to relieve the pressure of glaucoma. Because the implant is so delicate, Solx has developed a special implantation technique that takes only 20 to 30 seconds to put it in the eye.

The company has received about $2 million to date from private investors and is now seeking a corporate partner or VC investment to fund its product launch.

1/13 The January 2003 issue of *Ophthalmic Market Perspectives* reviewed the refractive industry for 2002. As reported by Dave Harmon, "Anemic demand for refractive surgery in the U.S. continued throughout 2002, while outside of the U.S., refractive surgery rates increased slightly, fueled by growing third world economies. Sales of new excimer lasers in the U.S. shrunk dramatically...while outside of the U.S., sales of new lasers increased somewhat as surgeons sought out new technology and demand grew in China and other emerging economies. Falling U.S. demand led to business failures and consolidation among U.S. corporate laser center companies, while the number of surgeon-owned centers continued to grow. As a result, the number of U.S. laser centers expanded slightly in early 2002; but declined during the last two quarters of the year. While average U.S. patient fees for LASIK changed little during the year, the availability of new premium-priced technologies offered the promise of higher fees during 2003."

A graphic accompanying the year-end report showed that worldwide refractive procedures topped 300,000 for the third consecutive year, decreasing only slightly in 2002 from 2001. A second graphic, depicting the worldwide demand for excimer lasers showed that about 630 lasers were sold in 2002, slightly higher than the about 600 sold in 2001, but down considerably from the nearly 950 sold in 2000.

1/17 The Medicare Payment Advisory Commission has recommended that Congress freeze ASC payments in 2004 and take steps to equalize ASC and hospital outpatient payment rates. The recommendations are disappointing and could spell trouble for the ASC community if Congress goes along. The action could have been worse given earlier recommendations under consideration by the panel according to officials of the *Outpatient Ophthalmic Surgery Society (OOSS)*.

The Commission, known by its acronym "MedPAC," is an independent board that advises congress on Medicare payment policy matters. The Commission began to focus on Medicare payments to ASCs in November, and held three meetings on the topic before approving its January 15 recommendations. OOSS's Washington Counsel sought to moderate the panel's recommendations by meeting with MedPAC staff last November.

OOSS's had some effect, as the panelists adopted a somewhat modified recommendation with respect to hospital-ASC payment parity. Initial recommendations called on Congress to cut ASC payments in all instances where the reimbursement amount was higher than

the payment for the same procedure to the hospital. Such a recommendation, if approved, would have affected several high-volume ophthalmic procedures, most notably CPT 66821, after cataract laser surgery. The 2003 hospital payment amount for CPT 66821 is $224; the 2003 ASC payment for the same procedure is $446. Under the original recommendation considered by MedPAC, ASC reimbursement would have been cut to $224.

MedPAC ultimately adopted a modified recommendation, which calls on the Centers for Medicare and Medicaid Services (CMS) to first determine the extent to which the ASC and hospital reimbursement amounts reimburse for comparable items and services before any across-the-board cuts could be made.

"These MedPAC recommendations are disconcerting," said OOSS President Jerry Levy, MD, "because Congress tends to respect and implement many MedPAC recommendations." Even more troubling he said is news received from a CMS source that suggests that the Bush Administration may include a recommendation in its annual budget proposal, expected in early February, that ASC rates be reduced. The White House may adopt the unamended MedPAC recommendation, that ASC rates be no higher than hospital rates for corresponding procedures. If enacted, this cut would not affect reimbursement for cataract surgery; the 2003 ASC payment for cataract surgery is $187 less than the payment to hospitals. "Nonetheless," continued Levy, "combined with recent actions by CMS to withhold anticipated updates to the list of approved ASC procedures, ophthalmic ASCs may be in for a difficult period."

1/21 As reported in the January 2003 issue of *Ophthalmology Management*, **TLC Vision** has opened the first facility in North America that uses a patented rheopheresis blood filtration process to treat the dry form of age-related macular degeneration (AMD). Rheopheresis is a dialysis-like procedure designed to eliminate certain high-molecular-weight proteins and lipoproteins from the blood. These substances are believed to contribute to the development of, and promote the progression of, AMD. A new TLC Vision subsidiary, **Rheo Clinic Inc.**, began treating patients on a private-pay basis in late November at its Rheo Clinic in Mississauga, Ontario, after Health Canada approved the Rheofilter blood filtration device.

Patients, who must be in good general health, undergo an initial series of eight 2-hour treatments over a period of 8 to 12 weeks. An annual "booster" treatment is also recommended. Cost of the initial series is about $15,000 in U.S. dollars. "Rheopheresis treatment for dry AMD is in a pivotal Phase III clinical trial in the United States right now," said Stephen Kilmer, spokesperson for TLC Vision. "Twelve-month data from this trial indicate that the treatment has stopped the progression of the disease in 94% of patients. Patients receiving rheopheresis have demonstrated a mean vision gain of 1.1 lines of EDTRS BCVA at 12 months post-baseline, compared with a mean vision loss of 1.9 lines in the placebo group, a 3-line difference between treated and placebo eyes."

Patients with the dry form of AMD undergo the 2-hour rheopheresis blood filtration procedure that eliminates high-molecular-weight proteins and lipoproteins. Kilmer further noted that 15.8% of eyes treated with rheopheresis in the Phase III study showed vision improvement of at least 3 lines EDTRS BCVA and continued to maintain this level of vision gain at 12-months post-baseline. None of the eyes in the placebo group demonstrated a vision gain of this magnitude. "Given these preliminary results, we anticipate filing a pre-market approval application for rheopheresis in the United States in late 2003 or early 2004," said Kilmer.

In addition to developing, owning and operating its own Rheo Clinic centers, TLC Vision has formed a joint venture with **Vascular Sciences Corp.** to commercialize rheopheresis technology throughout North America. The joint venture, **OccuLogix LP**, intends to sell the proprietary Rheofilter MDF blood filtration system to hospitals and other qualified health providers who wish to offer the treatment. "Rheopheresis offers hope to people who had very little in the way of treatment options before," said Kilmer. "With very little publicity, we've already had hundreds of inquiries from people who either want the treatment themselves, or who have parents afflicted with AMD."

The dry form of AMD currently affects more than 10 million Americans, with a million new cases diagnosed each year.

1/21 **LaserSight Incorporated** announced that it had received U.S. Patent No. 6,505,936, "Ellipsoidal Corneal Modeling for Estimation and Reshaping" from the United States Patent and Trademark Office. The company also announced that it had received a Notice of Allowance from the United States Patent and Trademark Office for a patent application related to its MicroShape family of keratome products.

LaserSight's U.S. Patent No. 6,505,936 relates to the field of custom ablation planning for refractive surgery. The patent covers the use of an ellipsoidal corneal modeler to accurately estimate a patient's current refraction and determine the shape and volume of tissue to be removed in order to achieve a given refractive change and a desired prolate-shaped cornea. Having a means to accurately determine the volume of tissue to be removed is an important requirement for planning and executing custom corneal ablations. The technique covered by this patent is already an integral part of the company's CustomEyes custom corneal ablation planning and programming software currently being offered in the international markets. In those markets, LaserSight's AstraMax diagnostic workstations are providing precise diagnostic measurements of the eye and the company's international CustomEyes software surgical planning tools are using those advanced levels of diagnostic measurements, along with elliptical corneal modeling, to plan custom ablation treatments.

Jack Holladay, MD, Houston, Texas, medical director of LaserSight, commented, "I think this is one of the most important patents that can move the quality of care with Excimer Laser treatment to a new level by providing prolate corneal shapes after treatment."

The company's Notice of Allowance is in the field of keratome technology. The application relates to a method and device that, through the use of real-time feedback from embedded sensors, automatically controls an operating parameter of the keratome to improve its performance and the quality and uniformity of the corneal flap. The company believes that while the state-of-the-art for keratomes has produced instruments with improved clinical performance, none of the currently available keratomes, or the improvements incorporated therein, have addressed improving intraoperative performance, and clinical outcomes, by monitoring one or more of the parameters that influence those outcomes. Those parameters include intraocular pressure, the forces applied to the corneal surface by the applanation plate, the speed and uniformity of cutting head movement, keratome blade oscillation speed and other forces applied to the cornea and/or keratome during the cutting process.

1/23 **QLT Inc.** reported that its alliance partner, **Novartis**, announced global Visudyne (verteporfin) sales of approximately U.S.$77.0 million (CAD$120.9 million) for the quarter and U.S.$287.1 million (CAD$450.6 million) for the year ended December 31, 2002. Visudyne sales for the fourth quarter and the full year were ahead of analysts' consensus estimates and represent increases of 25% and 29% over sales in the fourth quarter and annual sales in 2001 respectively. The $287.1 million in sales represents 240,000 doses given in 2002, an increase over the 170,000 doses used in 2001.

1/23 **LaserSight Incorporated** announced that its PMA Supplement to increase the laser pulse repetition rate of its LaserScan LSX precision microspot scanning system from 200 Hz to 300 Hz for the LASIK treatment of myopia and myopic astigmatism was approved by the FDA. The PMA Supplement was submitted to the FDA on October 31, 2002 with a request for a Real Time Review. According to the company, increasing the laser's pulse repetition rate from 200 Hz to 300 Hz decreases the overall operative treatment time, thereby improving patient comfort, patient compliance and clinical management. LaserSight believes that with this approval, its LaserScan LSX operating at 300 Hz is currently the only laser system approved in the U.S. that combines the efficiency of a high laser repetition rate with the precision of a small microspot and the high resolution of low laser fluence. The company intends to upgrade the LaserScan LSX laser platform to 300 Hz by only changing software, thus demonstrating how the system was designed to facilitate future significant advances in system operation.

Jack Holladay, MD, Houston Texas, medical director of LaserSight, commented, "Increasing the repetition rate from 200 to 300 Hz will make the LaserSight lasers the fastest flying spot laser on the market and will significantly reduce the current treatment times. Our results have been spectacular already, but with the faster treatment time it is even easier for the patient and surgeon."

1/24 **SurgiLight, Inc.** said it had consummated a previously announced private placement agreement with a group of four accredited investors, including ophthalmic-knowledgeable doctors, and that a total of $500,000 had been received. The agreement had originally stipulated $450,000. Under the agreement terms, investors

purchased for approximately $0.29 each a unit consisting of one share of SurgiLight restricted common stock and a warrant with an exercise price of $0.42 per share. The stock purchase price was at fair market value, based on the average closing price for the ten days prior to the offering. SurgiLight chairwoman and CEO Colette Cozean, said that the successful closing of the agreement "represents renewed investor confidence in the company's management. That confidence is based on published results of longer-term clinical trials overseas of our OptiVision system to reverse presbyopia, together with similar patient outcomes from recently initiated trials in the U.S., Mexico and Canada, all underscoring OptiVision's unique applicability and generating measurable overall interest within the ophthalmic community."

1/24 **Ponte Nossa Acquisition Corp.** announced that the California Commissioner of Corporations had issued a permit for the company to issue stock in connection with the impending merger between Ponte Nossa and **Visijet Inc.** Following receipt of the permit, Visijet initiated solicitation of its shareholders to approve the merger. "The permit was an important step in completing the acquisition," said Thomas DiMele, president of Ponte Nossa.

1/27 In recognition of *National Glaucoma Awareness Month*, Jay Katz, MD, Co-Director of the Glaucoma Service at **Wills Eye Hospital**, and William Steinmann, MD, Director of Glaucoma Research at Wills Eye Hospital and Director of the Center for Clinical Effectiveness and Prevention at **Tulane University**, announced the launch of a clinical study to investigate the efficacy of Selective Laser Trabeculoplasty (SLT) compared with conventional medical management as monotherapy for open angle glaucoma. Called SLT/MED, the study is a multi-center, prospective, randomized and controlled study designed to investigate SLT as initial treatment for open angle glaucoma compared with topical medical therapy.

The study is sponsored and funded by **Lumenis, Inc.** and is being coordinated through Wills Eye Hospital in Philadelphia, Pa., and Tulane University Center for Clinical Effectiveness and Prevention in New Orleans, La. "This clinical trial will discern whether SLT, a laser procedure, is equal to or better than the use of medication to lower eye pressure. Use of the SLT laser could produce fewer drug-related side effects, minimize the cost and lead to a better quality of life," said Dr. Katz. This research study will be conducted at 17 sites, including Wills Eye Hospital. Approximately 20 patients will be recruited from each clinical center, and approximately 340 patients in total will participate in the study.

SLT will be performed with the Selecta Glaucoma Laser System (Lumenis, Inc.), which is a frequency doubled Nd:YAG laser. This laser has been demonstrated to target only pigmented cells in the trabecular meshwork of the eye. Unlike older laser trabeculoplasty methods, there is no thermal injury to the meshwork with SLT treatment. SLT works by treating only specific melanin-containing cells located in the trabecular meshwork of the eye, leaving all other cells intact. This stimulation promotes the body's own natural healing response, allowing fluid to move more freely out of the eye to successfully lower

intraocular eye pressure. SLT patented technology was developed by Lumenis, Inc., and received clearance from the FDA in March 2001. With regard to medicine, compliance concerns and side effects increase the challenge of medical therapy for glaucoma. With a chronic disease such as glaucoma, noncompliance with medical therapy is a serious problem. Since early to moderate stages of glaucoma are generally asymptomatic, the patient may not notice the negative effects of noncompliance.Furthermore, the economic burden associated with long-term daily medical therapy for glaucoma is considerable and expected to rise.

If SLT were to replace or decrease the number of glaucoma medications necessary to adequately treat glaucoma patients, there could be an expected decline in treatment side effects, improvement in associated quality of life measures and reduced cost of health care.

1/27 As reported by *EyeWorld Week*, the deadline for responding to subpoenas issued by **Nidek** to some 600 **VISX** laser users has been extended to Feb. 21. However, negotiations between Visx and Nidek regarding the Nidek subpoena, with the goal of withdrawing the subpoena, are nearing resolution. At this point, those physicians who received the subpoena and signed up to be represented by the attorney sponsored by the *American Society of Cataract and Refractive Surgery*, the *American Academy of Ophthalmology*, and the **Ophthalmic Mutual Insurance Co.** are requested to take no action until directed to do so.

The weekly newsletter also reported that Britain's *National Institute of Clinical Excellence (NICE)* had recommended no treatment with Visudyne (verteporfin) for wet age-related macular degeneration patients with predominantly classic subfoveal neovascularization (CNV), unless it was part of a clinical study. In its final appraisal report, NICE recommended the treatment for AMD patients who have classic with no occult CNV and visual acuity of at least 6/60. NICE did not consider use of the therapy in occult CNV because verteporfin was not licensed when it began its appraisal. **Novartis** may appeal the guidelines, which have not yet been formally adopted. An estimated 3,000 patients per year would be denied access to the treatment if the recommendations were upheld, Novartis officials said.

OPHTHALMIC LASER UPDATE -- February 2003

1/28 **VISX, Inc.** announced financial results for the fourth quarter and twelve months ended December 31, 2002. Fourth quarter revenues were $36.1 million compared with $29.3 million for the comparable period of the prior year. Net income was $3.9 million (7 cents per share) in the fourth quarter compared with net income of $4.2 million (8 cents per share) in the comparable period of the prior year. Revenues for the twelve months were $139.9 million compared with $165.0 million for the comparable period of the prior year. Net income was $20.7 million (39 cents per share) for the year compared with net income of $10.9 million (19 cents per share) in the comparable period of the prior year.

Liz Davila, chairman, president, and CEO of VISX, stated, "We are very pleased to see stronger than anticipated revenue in the fourth quarter. In particular, we shipped over 100 WaveScan Systems, the diagnostic device that creates a "fingerprint" of the eye, measuring the unique refractive errors in the eye and enabling true custom correction of each person's vision with the VISX Laser System. We now have over 300 WaveScan Systems in centers worldwide and we are awaiting FDA approval for our U.S. launch of custom vision correction. In international markets, ophthalmologists are treating patients with our new Custom WavePrint System which now carries a per procedure fee and provides incremental revenue to VISX. The 15% decline in revenues for the year was due primarily to a reduction in laser vision procedure volume that we believe is the result of unfavorable economic conditions. Our leadership position remains at 60% of the laser vision correction procedure market in the U.S., a level that we have now maintained for the last two years, in the face of new and renewed competition."

2002 Highlights included:

-- VISX launched internationally its Custom WavePrint System and received its first international per procedure license fees for use of VISX proprietary custom laser vision correction technology.

-- VISX completed a U.S. multi-center clinical trial and filed data with the FDA for pre-market approval of its Custom WavePrint System for custom laser vision correction of patients with myopia and astigmatism.

-- VISX generated cash from operations of approximately $40 million, purchased 4 million shares of stock under its stock repurchase program in 2002, and ended the year with a cash, cash equivalents and short-term investments balance of $123 million.

-- VISX licensed it patents relating to refractive excimer lasers in the United States and international markets to **WaveLight**, adding to its existing license agreements with **Alcon**, **Bausch & Lomb**, **LaserSight**, **Schwind**, and **Zeiss-Meditec**.

Financial Outlook:

Given the current environment of economic and political uncertainty, VISX remains cautious about its outlook for 2003. If the laser vision correction procedure volume is similar to 2002, the company anticipates that an FDA approval to market its custom vision technology could provide modest incremental revenue and yield favorable revenue comparisons for 2003 compared with 2002. Given the growing consumer knowledge of custom procedures, VISX believes that its near term business could be impacted by consumers that postpone vision correction in anticipation of new technology. As such, VISX believes that the first quarter revenues of 2003 could be flat to slightly up compared with Q4 2002 revenues and that earnings per diluted share will be in the range of $0.06 to $0.08 per share.

During the accompanying analyst teleconference, the company also said that it had shipped 40 Star lasers, in addition to the 105 Wavescan units. It expects to ship an additional 30-35 lasers and 100 Wavescan systems during this year's first quarter. There are now more than 130 international wavescan-equipped sites operating, up from the 12 beta sites in operation during the 3rd quarter, and now paying a $100 per procedure royalty for custom procedures. The company is taking a conservative view for the first quarter, expecting revenues to be flat to slightly up, waiting for custom ablation approval, expected sometime during this year's first half. The company still feels that the U.S. procedure market is closely tied to the Consumer Confidence level, and doesn't expect any significant change until the second half of this year.

Following the release of the VISX financial information for the fourth quarter, both **Banc of America Securities** and **Thomas Weisel Partners** released update reports.

Ted Huber of BOA in his report, said, "Expect worse before better":

* Hardware sales drive 4Q02: VISX placed 40 lasers and 105 wavefront diagnostic units in 4Q02. The y/y doubling of hardware revenue drove EPS of $0.07, $0.02 ahead of consensus/our target. Procedure volumes were up 5% sequentially but flat y/y, slightly better than our forecast.

* Custom LASIK 2Q03: VISX still projects a "custom LASIK" approval 2Q03. The regulatory path (FDA panel meeting or not and when) is unclear.

* 1Q03 a downer: We are forecasting procedure volumes down 18% y/y, the impact of delayed refractive procedures (in anticipation of a "custom LASIK" later on 2003). This plus a higher marketing and legal spend generates our $0.07 1Q03 EPS target, the middle of VISX's $0.06 to $0.08 range.

* BAS 2003 Estimates: We are reducing our still back-end loaded 2003 EPS from $0.44 to $0.38. Custom LASIK hurts 1H03 volumes and helps 2H03 volumes and pricing (we expect a doubling of procedure fees, to $200, for VISX's custom LASIK). 4Q03 EBIT doubles on 7% revenue growth.

* Valuation and Target Price Analysis: VISX trades at 22.7x our 2003E EPS and 10.0x EV/EBITDA, premiums to peers. Our 12 month target is $10, 12.2x trailing EBITDA. Visibility into the custom LASIK approval and 2004 mix are the keys to forecasting accelerating VISX earnings growth.

Jason Mills of TWP said, "EYE reports upside in Q4, leverage cuts both ways":

* VISX reported revenue of $36.1mm, which was higher than our $30.7mm estimate, driven primarily by sales of WaveScan systems for custom ablation (CA), of which 105 sold in Q4 (versus our 72 unit estimate) at significantly higher ASP estimated at $55,000 (versus our $40,000 estimate). Demand for WaveScan is extremely high, as surgeons

gear up for approval of VISX's system to perform custom ablation, which we expect during 2Q03. Licensing revenue, which is based on domestic procedure volume on VISX lasers, came in line with our estimate at $15.5mm, confirming that the U.S. laser vision correction market remains somewhat sluggish.

* The higher mix of system sales versus "pure margin" procedure fees drove lower gross margins, which declined 450bp sequentially to 56.8%, although gross profit exceeded our estimate by $1.6mm from revenue upside. Beyond that, solid operating expense control, a lower-than-expected tax rate (38% blended for the year) and repurchase of more than 1mm shares contributed to EPS of $0.07 versus our Q4 estimate of $0.05.

* Changing estimates modestly. The company guided down EPS expectations for 1Q03 owing to economic and political uncertainty weighing on a rebound in LVC procedure volume. We are modestly raising our revenue estimate for Q1, the result of incremental system sales, but lowering our EPS estimate to $0.08 from $0.10, owing to an unfavorable mix toward lower margin system sales. We foresee 2003 as a more back-end loaded year and are modestly lowering our EPS estimate from $0.42 to $0.39, driven primarily by lowering our LVC procedure estimate by 30,000 to 754,000 versus previous estimates owing to lower 1H03 expectations. In 2004, we estimate sales of $150mm (+4%) and EPS of $0.46 (+19%).

* Q3 Inflection Point, In Our View. Our thinking is that Q3 represents a potential inflection point for VISX, as we anticipate a Q2 approval of CA, for which our channel checks suggest many patients are waiting. While Q3 historically has been seasonally weaker than Q2, we anticipate a sequential up-tick in procedure volume in Q3, which implies a more favorable mix of higher margin procedures, thus, expanding margins.

* Still Most to Gain/Most to Lose. We estimate VISX exited 2002 with more than 52% of U.S. installed lasers. We approximate VISX's share of the domestic laser vision correction (LVC) procedure market at 62%. As a pure-play in LVC, VISX is highly leveraged to procedure growth, for which the company's margins are nearly 100%. We believe that marked improvement in the domestic economy -- namely consumer confidence, which has shown high correlation with procedure trends -- would benefit VISX more than others, while a sluggish market would continue to weigh adversely on financial results.

* Conclusion/Valuation. Fundamentally, we believe that the laser vision correction market will rebound during 2003, although the timing of which is difficult to predict. Potential catalysts for VISX (and the market for that matter) include (1) approval of what we consider to be a new paradigm in LVC technology (i.e., custom LASIK), (2) a rebound in domestic economic growth and (3) continued expansion of an international procedure fee. Given VISX's high leverage to this market and our belief in its rebound, yet recognizing the uncertainty in timing, we reiterate our ATTRACTIVE rating on the shares. Over the next 12 months, we suggest a trading range for the stock could

approximate $8-$11/share, based on a P/E multiple range of 20x-27x our 2003 EPS estimate -- or 15% discount to 15% premium to its small-cap medical device peer group -- with upside possible owing to the aforementioned catalysts. We are carrying a 12-month price target of $10, based on 25x our 2003 EPS estimate of $0.39.

1/29 **IRIDEX** announced that for the fourth quarter ended December 28, 2002, sales were a record $9.5 million, up 24% from $7.7 million in the corresponding 2001 quarter. Net income from continuing operations was $598,000 (9 cents per share) an increase of 324% compared to $141,000 (2 cents per share) in the corresponding quarter of 2001. The net income for the fourth quarter was an increase of 65%, compared to $362,000 for the corresponding 2001 quarter. Earnings per share for the quarter increased to $0.09 per share as compared to $0.05 per share for the corresponding quarter of 2001.

For the year, sales were $30.6 million, up 12% from $27.3 million in 2001. Net income from continuing operations for 2002 was $150,000 (2 cents per share) compared to a net loss from continuing operations of $601,000 (9 cents per share) for 2001. Net income for 2002 was $150,000 to a net loss of $1.3 million for 2001.

"IRIDEX performed well in the fourth quarter," commented Theodore Boutacoff, president and CEO. "Products introduced at the *American Academy of Ophthalmology (AAO)* in October, including the Millennium EndoLase module introduced by **Bausch & Lomb**, were well received and contributed to the revenue growth. In addition, the results of operating efficiencies implemented earlier in the year are now being seen in improved profitability. Asset management improved markedly during the year, cash and available for sale securities are up $2.4 million compared to balances as of December 29, 2001, while inventories have been reduced by $1.8 million and accounts receivables are up slightly on a significant increase in sales."

Overall sales within the United States increased by 22% to $19.5 million for the year from $16.0 million for 2001. International sales declined slightly by 2% to $11.1 million for the year ended December 28, 2002 from $11.3 million for the year ended December 29, 2001. Sales of ophthalmology products during the fourth quarter of 2002 were $8.0 million, representing an increase of 31% from the corresponding quarter of 2001. Sales of aesthetics products during the fourth quarter of 2002 were $1.5 million, representing a decrease of 6% from the corresponding quarter of 2001. For the year ended December 28, 2002, ophthalmology sales totaled $24.1 million compared to $20.9 million for the year ended December 29, 2001, and sales of aesthetics products totaled $6.5 million in 2002 compared to $6.4 million for 2001. Boutacoff stated, "Looking forward to 2003, we believe ophthalmology product sales will produce double digit growth while aesthetic product sales will maintain current levels. This overall growth in sales and continued operating efficiency will increase profitability and further improve our balance sheet."

1/29 Reporting from the annual Royal Hawaiian ophthalmic meeting, Larry Haimovitch, writing in *Medical Device Daily*, reported on some new developments in refractive IOLs.

His report, entitled, "Ophthalmic surgical innovation seen continuing at a rapid rate" follows:

Amidst record cold weather on the mainland, participants in this year's *Royal Hawaiian Eye Meeting*, held here last week, enjoyed balmy weather and numerous presentations indicating that the rapid rate of innovation in ophthalmic surgical devices and equipment continues unabated.

The implantation of an intraocular lens (IOL) following the removal of a clouded natural crystalline lens is the most common surgical procedure reimbursed by Medicare. About 2.6 million IOLs were implanted in the U.S. in 2002, with another 2.5 million procedures performed outside the U.S.

One of the most interesting talks last week, titled "Investigational IOLs of Interest," was given by Howard Fine, MD, clinical professor of ophthalmology at the Corey Eye Institute at Oregon Health & Sciences University (Portland, Oregon). Fine highlighted several innovative IOL technologies that are still in the clinical stage, but that hold considerable promise for the future. Some of these products are already marketed outside the domestic market and are making a notable impact. Perhaps the most exciting IOL concept reviewed by Fine is the light-adjustable lens (LAL), which was first presented at last year's annual symposium of the *American Society of Cataract & Refractive Surgery*. This technology, described by Fine as a "fabulous new development," will be commercialized by privately financed **Calhoun Vision** (Pasadena, California). This photosensitive silicone lens is non-invasively and quickly adjustable two to four weeks post-implant and is aimed at providing the patient perfect IOL-aided vision.

The LAL hopefully will eliminate the need for spectacles that many post-IOL patients now require. This is due to a variety of causes, including inaccurate pre-op measurements, unpredictable wound healing, pre-existing astigmatism and the improper seating of the IOL in the capsular bag. Two major milestones in the LAL's development recently occurred, with its first two human implants, both performed under the auspices of Arturo Chayet, MD, of the **Codet Aris Vision Institute** (Tijuana, Mexico). The first patient, whose vision was severely compromised by age-related macular degeneration, was successfully implanted in December 2002 and then had the LAL adjusted in early January. The second patient, who had sighted vision, was treated on Jan. 17 and will have the IOL adjusted shortly.

According to company CEO Verne Sharma, 25 additional implants will be performed in Mexico, which will serve as a basis for its investigational device exemption filing in the U.S. in 4Q03. "We hope to begin domestic clinical trials in early 2004," Sharma told MDD.

Given that this technology addresses a huge market potential, it is not surprising that competition has begun to emerge. **Power Vision** (San Francisco, California) is another early stage company that is developing an adjustable intraocular lens. Whereas Calhoun

uses a light delivery device to alter the lens power, Power Vision uses microfluidics technology that can virtually instantaneously correct for all wavefront aberrations. The Calhoun approach currently allows for only one adjustment (although it is working on increasing the number of adjustments), but Power Vision expects that its method will enable visual correction to be made as often as required by the patient. In addition, while Calhoun's lenses are made with a photosensitive material and can react with exposure to sunlight, the Power Vision lens will eliminate the patient's need to wear sunglasses during outdoor activities. Power Vision already has raised its first round of seed capital and has recently begun to seek further financing to complete fabrication of its first stage prototype devices for animal studies.

Fine also cited promising new IOL technology that can "accommodate," or provide both crisp near and far vision. In particular, he mentioned two companies, **C & C Vision** (Aliso Viejo, California) and **Medennium** (Irvine, California). The former is in the process of filing its premarket approval application and is expected to become the first accommodative IOL to be approved in the U.S. It is being sold in Europe under CE mark approval. Fine said that he is quite enthused with this lens, indicating that he was one of the key U.S. investigators and that his patients were experiencing "excellent" distance and reading results.

Describing the Medennium SmartLens as "spectacular technology that I am most excited about," Fine indicated that this thermodynamic, hydrophilic and injectable acrylic polymer would resolve major shortcomings of all other intraocular lenses. Specifically, no previous material has been able to overcome the dilemma of being a full-sized lens (9.5 mm in diameter) and yet being insertable in a small incision (less than 3 mm) while meeting all the requirements of an accommodative lens. The SmartLens is still in an embryonic stage of development, with human trials not likely for at least several months. Two other private companies with novel accommodative lens technology are **Visiogen** (Irvine, California) and **Quest Vision Technology** (Tiburon, California). The former is a venture capital-backed company with a unique two-lens design, Synchrony, that it believes will increase the amount of accommodation. In addition, it hopes to be able to provide patients with consistent accommodation while providing physicians with a mechanism of action that is comprehensible and logical. Human clinical trials are under way with this lens outside the U.S. The Quest Vision lens has been designed to closely mimic the ability of the natural crystalline lens to change power and to discourage the possibility of fibrosis that is typical seen with traditional monofocal IOLs, thereby enabling the lens to retain its functional performance over the life of the patient. Because the optic is positioned within a balloon-shaped haptic, the company believes that estimating the power needed for implantation will likely be quite predictable pre- and post-surgically. Quest Vision has raised its first round of seed capital and will soon seek additional financing to complete fabrication of a clinical supply of lenses for the first human feasibility clinical study.

1/30 **Miravant Medical Technologies** announced plans to file its first New Drug Application (NDA) for marketing approval of PhotoPoint SnET2, a new drug for the treatment of wet

age-related macular degeneration (AMD). The company's decision came after analyses of phase III clinical data showed positive results in a significant number of drug-treated patients versus placebo control patients, and after holding discussions with the FDA.

"Miravant will seek very competitive labeling claims for PhotoPoint SnET2 in the large AMD market, particularly in regard to the target patient population and the number of treatments required for effectiveness," said Gary Kledzik, chairman and CEO. "Positive trends in the phase III clinical data were announced in August 2002 but are now recognized in a much larger group of patients. I believe we have a strong filing package to present to the FDA that supports the safety and efficacy of Miravant's PhotoPoint treatment for wet AMD."

1/30 **Bausch & Lomb** reported fourth-quarter worldwide sales of $477.4 million, an increase over the prior-year quarter of $35.5 million or 8%. The continued positive performance was powered by gains in the company's contact lens, pharmaceuticals and lens care product categories, as well as a 3% favorable impact from foreign currency. For the full year, Bausch & Lomb reported worldwide sales of $1.817 billion, up 9% over 2001, including a 1% benefit from currency. The company's fourth-quarter reported net earnings were $32.4 million (60 cents per share) compared to a reported net loss of $8.0 million (15 cents per share) in 2001. The prior-year period amounts include certain non-recurring items and an adjustment to gain on sale of a previously discontinued operation. Excluding these items, comparable-basis fourth-quarter 2001 earnings per share were $0.46. For the full year, reported net earnings were $72.5 million ($1.34 per share) in 2002 compared to $21.2 million (39 cents per share) in 2001. Excluding non-recurring items from both periods, and discontinued operations from 2001 results, comparable-basis earnings per share were $1.73 in 2002 compared to $1.24 in 2001.

"I am pleased to report that 2002 was a year of improving operational execution and the beginning of the turnaround in our company, as we promised it would be," said Bausch & Lomb chairman and CEO Ronald Zarrella. "We posted solid top- and bottom-line growth with improved margins and we are well positioned to continue that momentum into 2003."

Refractive surgery product revenues were down 2% from the fourth quarter of 2001 and declined 5% in constant dollars. The decline was due to lower European laser sales, which more than offset increased laser and diagnostic equipment sales in the Americas and Asia regions.

Company Comments on Expectations for 2003: Bausch & Lomb expects 2003 revenues to grow in the mid-single digits over the full-year results reported today. Upper-single-digit revenue growth is expected from the company's lines of contact lenses and cataract products, with mid-single-digit growth in pharmaceuticals and low-single-digit growth in the lens care and refractive categories. The company also expects to make continued progress against its three-year financial goals, and to post full-year operating margins in excess of 12%. Continued gross margin expansion is

expected to be partially offset by higher research and development expense as a percent of sales, with selling, general and administrative expenses remaining at roughly the same percentage of sales in 2003 as in 2002. The company expects full-year earnings per share of approximately $2.05, with each quarter growing about 15%-20% over 2002 comparable-basis results.

Ted Huber of **Banc of America Securities** issued an update report, following Bausch & Lomb's release of financial data, entitled, BOL: Continued Operating Turnaround Drives $0.05 Upside. In the report, Huber made the following comments:

* Solid 4Q02 results. Bausch & Lomb posted 4Q02 EPS of $0.60 (57.2% growth YOY), $0.05 ahead of our estimates and consensus. Total revenue of $477.4 million (8.1% growth YOY) was helped by a 3.3% currency tailwind. 13.4% EBIT margins(90 bp better than expected) drove the EPS upside. Vision Care revenue (+10.6%) exceeded expectations, but was offset by slightly weaker than expected Pharmaceutical (+9%), Cataracts (-4%), and Refractive (-5%) performance.

* Retisert hits speed bumps. DME indication was pushed back 6 months; upon FDA feedback, B&L decided to submit its NDA using 12 months follow-up (vs. 6 months) on a surrogate endpoint. PU received orphan drug designation. Phase II for classic AMD was suspended due to slow enrollment.

* 2003 guidance. Guidance for 2003 EPS is now $2.05 (18.5% YOY growth) from previously guided $2.00-2.05. A 12+% EBIT margin (up 110 bp) and mid-single digit revenue growth drive the BOL forecast. Our forward model is under review pending additional discussion with management.

* Valuation and Target Price Analysis: Bausch & Lomb trades at 15.9x our current 2003 EPS estimate of $2.04, slightly ahead of peers. Our 12-month price target $35, (17.1x multiple on 2003 EPS guidance of $2.05) is under review pending publication of our new forward model.

2/3 **LCA-Vision Inc.** will provide 2003 earnings guidance today at the UBS Warburg Global Healthcare Services Conference at New York City's Plaza Hotel. During the presentation, management will disclose and discuss the following:

-- Anticipated return to profitability in the first quarter of 2003
-- Expected full-year earnings per share of 30-to-35 cents
-- Planned openings in two or three new markets in the first half of 2003, with a similar number of openings in the second half of the year.

Commenting on LCA-Vision's improving operating results, chairman and CEO Stephen Joffe said: "We have positioned our business to again deliver consistently positive operating results. Our expectations for 2003 are built upon current economic conditions and do not depend on increasing consumer confidence levels. An improving economy

and strengthening consumer confidence would warrant a further increase in our expectations for full-year 2003."

2/5 **QLT Inc.** announced earnings per share, excluding special charges, for the three months and full year ended December 31, 2002 were $0.16 and $0.47, respectively - ahead of both company guidance for the full year and First Call analysts' consensus estimates of $0.43. Unless specified otherwise all amounts are in Canadian dollars.

On a reported basis, calculated in accordance with Canadian generally accepted accounting principles (GAAP), QLT reported a loss per share of $0.03 in the fourth quarter of 2002 versus earnings per share of $1.33 in the same quarter last year. For the full year, QLT reported GAAP earnings of $0.28 per share in 2002, including the $4.5 million restructuring charge (outlined in the company's November 21, 2002 press release) and a $9.7 million write-down of QLT's equity investment in **Kinetek Pharmaceuticals** common stock, versus reported earnings of $1.78 in 2001.

As previously announced, Visudyne sales were US$77.0 million (CAD$120.9 million) for the quarter and US$287.1 million (CAD$450.6 million) for the year ended December 31, 2002. Visudyne sales figures for the fourth quarter and the full year represent increases of 25% and 29% over sales in the fourth quarter and annual sales in 2001, respectively. Sales in the United States accounted for approximately 59% and 63% of Visudyne sales in 2002 and 2001, respectively. "QLT's fourth quarter and full-year results show our continued commitment to managing our expenses to achieve our growth targets," said Paul Hastings, CEO and president. "As we begin 2003 we will further progress our clinical development programs, and we will once again set realistic financial targets and goals and demonstrate our ability to meet them."

Based on recent sales results and current trends in Visudyne sales, QLT is guiding to 2003 sales in the range of US$310 million to US$335 million. EPS for 2003 are expected to range from $0.53 to $0.68 or growth over 2002, before special charges, of 13% to 45%.

The company's revenues reached $51.8 million for the quarter and $173.4 million for the year in 2002, growing by 18% and 34% from the prior quarter and year, respectively. QLT's share of Visudyne net profit (excluding the recovery of manufacturing and other costs) for the fourth quarter and the year were 32% and 27% of Visudyne sales, respectively. This compares to 2001 profit share rates of 32% in the fourth quarter and 26% for the year. Advertising and promotional expenditures declined significantly in the second half of 2002, consistent with the company's expectations and consistent with the pattern experienced in 2001.

On its outlook for 2003, the company reported that total revenues are expected to range from $190 million to $210 million in 2003, up 10% to 20% from 2002. The company expects that its share of profit from its alliance with Novartis (excluding the recovery of

manufacturing and other costs) will be approximately 28% to 30% of Visudyne sales for 2003.

2/7 Ted Huber of **Banc of America Securities** issued an updated research report on **Bausch & Lomb**, following a meeting with management.

* Raising 2003 above consensus and guidance. Given continued operating improvement and EPS lift from a stronger yen vs. the U.S. dollar (2% y/y appreciation contributed $0.01 EPS in 4Q02), we are raising our 2003 EPS estimate to $2.07 (19.7% growth y/y) from $2.04 on 6.9% revenue growth y/y (4.6% constant currency), slightly ahead of guidance (EPS of $2.05 and mid-single digit revenue growth).

* Initiating 2004 estimates. We model constant currency revenue growth of 5.2% (slight acceleration over 2003) and continuing operating margin expansion (50 bp, to 12.5%) to drive 2004 EPS of $2.41 (16.6% growth y/y).

* 2004 Retisert EPS impact comparable to 2003. Our model assumes modest revenue from a Posterior Uveitis launch in 2004 and approximately $0.39 EPS dilution from Retisert, comparable with 2003. Stay tuned for a detailed analysis of longer term Retisert impact and valuation.

* Valuation and Target Price Analysis: B&L trades at 15.2x our new 2003 EPS estimate of $2.07, slightly ahead of small cap value med device peers. Our 12-month price target of $35 assumes a multiple more in line with peers on 2003 P/E and is 14.5x our new 2004 EPS estimate of $2.41.

2/7 The February issue of *Ophthalmic Market Perspectives* posted the final figures for the refractive procedures for the fourth quarter and year 2002. Dave Harmon estimated that U.S. procedures for the fourth quarter were 252,600, down slightly from the preceding quarter and off 12.6% from last year's fourth quarter. For the full year, he estimated that 1,176,200 procedures were performed, down 12.5% from 2001. He also noted that the Conference Board's Consumer Confidence Index rose slightly in December, to 80.3, up from 79.4 in October, but remained 12.5 points down from December 2001. He also reported that there were 1196 laser centers in the U.S. at year's end, down from 1200 at the end of the 3rd quarter. This was up slightly from the 1174 at year's end 2001.

In January, the Conference Board reported that its Consumer Confidence Index declined to 78.0, although anecdotal evidence indicated that refractive procedures for the month were good (probably from seasonal demand due to flex spending plans and New Year's resolutions). Harmon feels that an improving U.S. economy and widespread availability of wavefront-driven LASIK will combine to give improved refractive numbers during the latter half of this year.

2/7 A federal regulation that will add new procedures to the list of procedures approved by Medicare for the ASC setting will be published shortly, according to high-ranking

officials from the *Centers for Medicare and Medicaid Services*. The *Outpatient Ophthalmic Surgery Society (OOSS)* had expected CMS to publish the update in November 2002, and to make it effective for services furnished beginning January 1st. CMS officials announced late last year that the notice would be delayed while the agency resolved certain concerns that Medicare pays ASCs more than hospitals for a few comparable procedures. OOSS's Washington Counsel, Michael Romansky and Eric Zimmerman, met with CMS officials to discuss the matter, and enlisted congressional involvement to hold CMS to its previous commitment to publish the update notice without delay.

Tom Grissom, director of the CMS Center for Medicare Management, last week announced that a final rule is likely to be released "in the first quarter of this year." Another high-ranking CMS official has just informed OOSS that the regulation had been sent to the U.S. Office of Management and Budget for review, a sign that the notice is nearly ready for publication. The forthcoming expanded list of procedures will be the first since 1995, and is expected to include about a dozen important ophthalmology and ophthalmic dermatology procedures, including CPT codes 15820, 15821, 15822 and 15823 (Revision of lower and upper eyelid), 65855 (Trabeculoplasty by laser surgery) and 67145 (Laser prophylaxis of retinal detachment). OOSS is pleased with this development, particularly in light of the effort put forth to persuade CMS to publish the notice. However, OOSS is continuing its lobbying efforts, especially in light of pending OIG and MedPAC reports. Later this month, OOSS President Jerry Levy, MD, will meet with CMS Administrator Tom Scully to review concerns over the delay and discuss other matters pertinent to ophthalmic ASCs including rate rebasing and parity of payments with hospital OPDs.

2/11 **IRIDEX Corporation** announced completion of an agreement with **MERIDIAN**, a company based in Thun, Switzerland, to be the exclusive U.S. distributor for the MICRORUPTOR V Nd:YAG laser system. The MICRORUPTOR V photodisruptor, built using Swiss optics provided by **Haag-Streit**, is regarded as a top-of-the-line Q-switched Nd:YAG laser system and is used primarily to treat patients with forms of secondary cataracts, glaucoma or fine membranes near the pupil that interfere with vision. The addition of the MICRORUPTOR V to IRIDEX' product line will significantly enhance the company's product offering to the comprehensive ophthalmologist.

Editors note: This device was on display at the Iridex booth during last fall's AAO meeting. See my "Walk around the exhibits" column in the December 15th isssue of OSN.

"The clinical effectiveness, quality, and reliability of the MICRORUPTOR V have been clearly established by the widespread product acceptance in Europe and Asia. We are pleased to partner with MERIDIAN and add the MICRORUPTOR V to our laser line," said Eduardo Arias, senior vice president of Business Development at IRIDEX. "The MICRORUPTOR V, together with our IRIS Medical OcuLight laser photocoagulators, will create an offering of greater appeal to high-volume, comprehensive ophthalmic practices."

"We recently received FDA clearance for the MICRORUPTOR V laser for posterior capsulotomy, peripheral iridotomy, and pupillary membranectomy procedures and wanted to find a well known company with a strong reputation and history in the laser market to distribute this product for us. IRIDEX' reputation as a laser specialist and its experienced laser sales force made them a natural partner for this endeavor," said Hans Hodel, president of MERIDIAN.

2/12 **NovaMed Eyecare, Inc.** announced that it had completed the divestiture of seven additional management services relationships. Two of the divested practices are located in Georgia, two in Illinois and one each in Indiana, Missouri and Virginia. Several of the transactions included agreements to sell minority interests in four of NovaMed's ambulatory surgery centers located in Indiana, Illinois and Virginia to various physicians affiliated with the divested practices. Terms of the transactions were not disclosed.

2/13 **SurgiLight, Inc.** announced early results reported by New York-Presbyterian Hospital Weill Cornell Medical Center of a clinical trial for reversal and treatment of presbyopia with the company's OptiVision system. Clinicians there said that the OptiVision technology "has shown promising early results for the reversal of presbyopia." Weill Cornell is the first facility in the New York City area to offer the new treatment.

According to Sandra Belmont, MD, the trial's Principal Investigator and Associate Professor of Clinical Ophthalmology at Weill Cornell Medical College, "Everyone over the age of 50 could potentially benefit from this new high-tech treatment." Dr. Belmont, who is also Director of Weill Cornell Medical Center's Corneal Service and Associate Attending Ophthalmologist, explained that the procedure, requiring only 30 minutes per eye, "involves eight tiny laser incisions in the sclera, the white of the eye. This allows the lens to expand and enables the eye to focus at different distances. Within an hour," she said, "patients are able to read without glasses." She added that one patient entered the trial with 20/70 vision; after one month, the patient's vision is now 20/20. Until now, Dr. Belmont said, the only available treatment for presbyopia was so-called monovision correction, achieved either by wearing contact lenses or undergoing LASIK surgery. The most common laser vision procedure, LASIK treats the cornea to correct nearsightedness, farsightedness and astigmatism. Monovision correction, she said, corrects one eye for distance and the other for close vision, but may decrease depth perception in some patients.

2/14 **Ponte Nossa Acquisition Corp.** and **VisiJet Inc.** announced the completion of their merger. Under the terms of the merger, each share of VisiJet common stock will exchange for one share of Ponte Nossa common stock. The combined company will be renamed VisiJet. Effective immediately the company's stock will trade under the symbol OTCBB:VJET and all PNSO stock becomes VJET stock. In addition, immediately prior to the merger, VisiJet closed an equity financing transaction with a group of private investors totaling $1.125 million. The newly formed VisiJet is the developer of a waterjet technology that uses a high-pressure micro beam of water to ablate ocular tissue for a variety of ocular procedures. The company's first product, the patented, FDA-approved

Hydrokeratome, uses the waterjet technology to cut the cornea as required in LASIK surgery. With post approval evaluations underway, the product will be promoted at the upcoming *American Society of Cataract and Refractive Surgeons* annual meeting in San Francisco in April. In addition, VisiJet is developing the Pulsatome, a device that uses waterjet technology to remove cataracts -- the most performed surgical procedure in the world.

2/14 In the first quarter of the 2002/2003 financial year **Carl Zeiss Meditec AG** was able to significantly improve its profit situation. Compared to the same period last year, earnings before interest and taxes (EBIT) increased by 346% from EUR 1.3m to EUR 5.8m. There was also a considerable improvement in net income for the period: EUR 2.5m compared to EUR 0.2m in the previous year. As a result, earnings per share rose to EUR 0.10 (previous year: EUR 0.01). The increase in profits was attributable to the further expansion of the company's dominant market position, consolidation effects as well as realization of the first synergies resulting from the merger.

The sales volume generated by Carl Zeiss Meditec rose by 34.9% to EUR 62.4m compared to EUR 46.2m in the corresponding period last year. The company also benefitted from increased sales figures for strategically important products such as the IOLMaster and the STRATUSoct. The founding of the company's subsidiary in Japan allowed Carl Zeiss Meditec to substantially improve its presence in the Asian-Pacific region.

Ulrich Krauss, president and CEO of Carl Zeiss Meditec said: "We are set on a path of expansion and success. This first quarter result more than confirms our strategy and planning activities. The submitted figures show that both the company and its shareholders are benefiting from the merger." The following key figures tendered by Krauss are illustrative of the markedly improved financial structure: cash assets increased during the quarter from EUR 7.2m to EUR 10.0m. This is attributable to operative cash flow, that amounted to EUR 2.0m (previous year: EUR -5.5m). The equity ratio increased to 50.3% (49.2%); in the same period the equity-debt ratio (ratio of borrowed capital to equity capital) fell to 98.4% (103.1%).

According to Krauss, Carl Zeiss Meditec expects continuing growth in sales and profits in the coming quarters: "We will meet our targets for the 2002/2003 financial year. Sales are projected to increase to about EUR 255m and EBIT to about EUR 20m." This is substantiated by figures supplied by Krauss which show an increase in the volume of orders on hand to EUR 25.0m (previous year: EUR 18.2m). Furthermore, the new MEL 80 refractive laser is expected to contribute to sales in the second quarter.

2/14 **LaserSight Incorporated** announced that it had been advised by The Nasdaq Stock Market, Inc., after the closing of the market on February 13, 2003, that because the company's common stock has not closed above the minimum of $1.00 per share required for continued listing for a period of 10 consecutive trading days Nasdaq's Listing Qualification Panel has determined that the company's securities will be delisted from the

Nasdaq SmallCap Market effective with the opening of business on Tuesday February 18, 2003. The company immediately requested an extension and immediately transmitted its notice of appeal of this decision. The company is reviewing the steps necessary to restore the minimum bid price.

The following day the company announced that it had received written confirmation from the Nasdaq Listings Qualifications Hearings office that the delisting of LaserSight Incorporated's common stock previously scheduled for the opening of business on Tuesday, February 18, 2003, had been canceled. Nasdaq further indicated that it intends to contact the Company early this week regarding the next step in its appeal of the proposed delisting.

2/19 **Alcon, Inc.** reported global sales of $749.2 million for the fourth quarter of 2002, an increase of 11.7% over sales in the fourth quarter of 2001, or 11.1% excluding the impact of foreign exchange fluctuations. Net earnings for the fourth quarter of 2002 increased 49.1% to $85.0 million (26 cents per share) compared to $57.0 million (19 cents per share) for the fourth quarter of 2001. Adjusting net earnings in 2001 to eliminate the effect of goodwill amortization and adjusting both years for certain non-recurring charges, Alcon's pro-forma net earnings would have increased 39.1%. Alcon's pro-forma net earnings for the fourth quarter of 2002 would have been $101.7 million (33 cents per share). Pro-forma net earnings for the fourth quarter of 2001 would have been $73.1 million (24 cents per share).

For the full year 2002, Alcon reported global sales of $3.0 billion, an increase of 9.5% over sales of $2.7 billion for the full year 2001, or 10.0% excluding the impact of foreign exchange fluctuations. Net earnings for the full year 2002 increased 47.9% to $466.9 million ($1.53 per share) compared to $315.6 million ($1.05 per share) for the full year 2001. Adjusting net earnings in 2001 for the impact of goodwill amortization and adjusting both years for certain non-recurring charges, Alcon's pro-forma net earnings would have increased 35.0% for 2002. Alcon's pro-forma net earnings would have been $488.7 million for the full year 2002 ($1.62 per share). Pro-forma net earnings would have been $361.9 million for the full year 2001 ($1.21 per share). Gross profit for the fourth quarter of 2002 was $515.9 million, or 68.9% of sales, compared to $471.8 million, or 70.4% of sales, in the prior year period. For the full year 2002, gross profit was $2.1 billion, or 70.3% of sales, compared to $1.9 billion, or 70.9% of sales for the full year 2001. Inventory and equipment write-offs associated with the SKBM microkeratome recall had an adverse impact on gross profit margins in the full year and fourth quarter of 2002.

Tim Sear, chairman, president and CEO of Alcon, commented, "We are pleased to report strong fourth quarter and full year results that exceeded both top and bottom line consensus expectations. Our solid performance across our three business segments reflects our ability to capitalize on our leadership position in ophthalmology to expand sales and introduce new products. We set challenging objectives for ourselves when we initiated our IPO, and the combined efforts of all our people around the world have

allowed us to exceed them and bring value to our shareholders. We stand at a point in time where our pipeline of new products has rarely been richer, and we look forward to the success of several of these products in 2003 and many more in the years to come. During the fourth quarter of 2002 we again expanded our pharmaceutical sales force to support the continued growth of Travatan and in preparation for the launch of three new pharmaceutical products in 2003."

For the full year 2003, the company expects sales to range between $3.27 and $3.30 billion and diluted earnings per share to range between $1.82 and $1.85.

Fourth quarter 2002 surgical sales totaled $385.2 million, an 8.3% increase over surgical sales of $355.8 million in the fourth quarter of 2001, or 6.2% excluding the impact of foreign exchange fluctuations. Surgical sales for the full year 2002 were $1.44 billion, 6.0% above the surgical sales for the full year 2001, or 5.8% excluding the impact of foreign exchange fluctuations. Excluding the refractive business, surgical sales would have risen 10.1% in the fourth quarter of 2002 and 7.6% for the full year 2002, both compared to the respective similar periods in 2001. Fourth quarter sales of intraocular lenses were $118.3 million, an 8.3% increase over intraocular lens sales for the fourth quarter of 2001. Sales of intraocular lenses for the full year 2002 were $437.7 million, 8.0% ahead of intraocular lens sales for the full year 2001. Cataract and vitrectomy equipment and related disposable products had sales of $92.5 million in the fourth quarter of 2002, 15.2% above sales of these products in the fourth quarter of 2001. Viscoelastic sales totaled $45.8 million in the fourth quarter of 2002, a 5.3% increase over viscoelastic sales in the fourth quarter of 2001. Sales of cataract and vitrectomy equipment and related disposable products for the full year 2002 totaled $341.5 million, a 9.2% increase over the full year 2001. Viscoelastic sales of $169.9 million for the full year 2002 grew 6.9% compared to the full year 2001.

Refractive revenues were $13.2 million for the fourth quarter of 2002, 26.3% below refractive revenues of $17.9 million for the fourth quarter of 2001. For the full year 2002, refractive revenues were $60.6 million compared to $76.6 million for the full year 2001, a decline of 20.9%. The refractive surgery market continues to be adversely impacted by global economic conditions and weak consumer confidence, which have reduced demand for refractive surgery.

Shortly after the release of financial data, Ted Huber of **Banc of America Securities** issued an update report. He commented:

* 4Q02 EPS Upside. As preannounced, strong revenues of $749.2 million (11.7% growth y/y) helped Alcon post proforma 4Q02 EPS of $0.33, $0.04 ahead of our model ($0.03 ahead of consensus). Upside came from revenue ($0.01) and lower tax rate and non-operating items ($0.03). Gross margins were down 90 b.p. y/y, impacted by mix. SG&A leverage allowed for operating margin of 19.1%, in line with our expectation.

* Share gains. Alcon gained share 4Q02 in all three business segments. Surgical growth of 8.2% (270 bp ahead of our target) was paced by strong cataracts sales growth. Consumer growth of 7.2% was 440 bp ahead of our estimate due to strong Opti-Free sales. 20% Pharma growth was paced by share gains in all major categories, including Travatan (up 1.8% points).

* Increasing estimates: ACL raised 2003 EPS guidance $0.03 to $1.82-1.85 on 8.5% to 9.6% revenue growth. We believe our new $1.84 estimate (and $2.08 in 2004) is positioned for modest upside. Success and timing of pharma and cataract product launches are key.

* Valuation and Target Price Analysis: Alcon is a juggernaut in the attractive, growing ophthalmology market, with multiple sources of revenue and profit growth. We are increasing our 12 month price target to $47, 22.7x our 2004 EPS estimate of $2.08 and in line with 2003 peer multiples.

2/19 **LCA-Vision Inc.** reported a 22% increase in fourth quarter revenues to $13.3 million, on procedure volume of 12,204. A year ago, the company reported revenues of $10.9 million on fourth quarter volume of 10,684 procedures. Average price realization per procedure increased to $1,090 in the fourth quarter, up from $1,020 per procedure last year. Contribution margin -- laser refractive surgery revenues less medical, professional and license fees -- rose to 81.4% compared with 80.5% in the fourth quarter of 2001. The company posted a fourth quarter net loss of $1.9 million (18 cents per share) compared with a net loss a year ago of $4.6 million (40 cents per share).

"We have just put 18 difficult months behind us," said Stephen Joffe, LCA-Vision's chairman and CEO. "But I am pleased to say that the steps we have taken to expand revenues and cut costs are making a tremendous difference in our overall results. We fully expect a return to profitability in the first quarter of 2003, and anticipate full year earnings per share in the range of 30 to 35 cents per share." Joffe also commented on the continued strength of the company's balance sheet. "We have more than $18 million in cash and no debt. In January of last year, we repurchased 7% of our outstanding shares for $2.4 million and still increased our cash on hand in 2002 by $1.7 million."

For the year, the company reported a net loss of $6.1 million (57 cents per share) excluding a benefit of $2.3 million from the settlement of litigation. A year ago, LCA-Vision's net loss was $6.3 million (54 cents per share) excluding a non-cash valuation reserve and special charges of $17.1 million. Including all special items, the company reported a 2002 net loss of $3.8 million (35 cents per share) compared with a 2001 net loss of $23.4 million ($2.01 per share).

2/19 **NovaMed Eyecare, Inc.** reported results for the fourth quarter and twelve months ended December 31, 2002. Net income from continuing operations in the fourth quarter was $587,000 (3 cents per share) as compared to $544,000 (2 cents per share) for the same period last year. Net income from continuing operations for the year was $3.7 million (15

cents per share) before the cumulative effect of a change in accounting principle, as compared to a loss of $7.4 million (30 cents per share) for 2001. For the fourth quarter, total net revenue was $13.2 million compared to $12.4 million for the prior year fourth quarter. Net revenue from surgical facilities increased 9% from the prior year fourth quarter primarily as a result of a 29% increase in cataract procedures and a 25% increase in other procedures. This growth in procedures more than offset the 46% decrease in laser vision correction procedures. Product sales and other revenue decreased slightly in the fourth quarter of 2002 over the prior year fourth quarter.

For 2002, total net revenue was $51.3 million compared to $52.3 million for 2001. Net revenue from surgical facilities decreased 4% from the prior year primarily as a result of a 45% decrease in laser vision correction procedures. Cataract procedures in 2002 were up 13% from last year and other procedures were up 5%. NovaMed ended 2002 with no outstanding borrowings under its credit facility and approximately $2 million in cash, down from total net debt of approximately $20.1 million at December 31, 2001. In addition, since January 1, 2002 through the date of this release, the company has received approximately 3.5 million shares of its common stock as partial consideration from its ambulatory surgery center transactions and the divestiture of its management services operations, reducing the company's outstanding shares by approximately 14%.

"We are pleased with the progress we have made in 2002 with the execution of our divestiture plan and the strengthening of our balance sheet," commented Stephen Winjum, NovaMed chairman, president and CEO. "With the seven additional practice divestitures we announced last week, we have substantially completed our plan. We look forward to focusing our attention and resources in 2003 toward the growth of our surgical facilities business."

The company also reported that the 2002 results include:

- A net gain from the sale of minority interests in six ambulatory surgery centers of $1.6 million. Five of these transactions took place in the 2002 fourth quarter resulting in a net gain of $1.0 million for the quarter. Two of these transactions also involved the sale of a 49% interest with the physician-buyers having the option to purchase NovaMed's remaining 51% interests.

- A goodwill impairment loss of $1.3 million taken in the 2002 fourth quarter reflecting the further impairment of goodwill associated with the company's marketing products business that has experienced a downturn in sales primarily due to laser vision correction market conditions. This charge is in addition to the goodwill charge previously taken on this business in the 2002 first quarter.

- Income of $1.0 million in the 2002 fourth quarter from the reduction of a previously established restructuring reserve. In the 2001 third quarter, the company took a restructuring charge relating to its plans to restructure various operations and to close under-performing facilities.

The sum of these three items, excluding the cumulative effect of change in accounting principle, contributed $430,000 and $752,000 in net income from continuing operations for the 2002 fourth quarter and the 2002 year, respectively. During the 2002 fourth quarter, the company made two decisions that affect the company's presentation of its continuing operations for all periods presented. First, the company decided to not divest two physician practices that had been included in the company's previously announced plan to discontinue its management services operations. One practice is primarily an ophthalmology practice with multiple locations in the southeastern United States; the other is an optometric practice with an optical retail store located in the Chicago market. These practices are now included in the company's continuing operations for all periods presented. Second, the company decided to begin reporting the revenue of its optical products purchasing organization on a "net" rather than "gross" basis. The company believes that reporting on a "net" basis more accurately reflects the contribution of this lower margin business to the company's overall business. Revenue from this business will now be reported net of the company's cost of sales of the products purchased through this business. This change results in the company reporting a decrease in net revenue from product sales and an equivalent decrease in cost of sales, but has no impact to income from operations or net income. This change has been made in all prior periods presented.

2/21 **CIBA Vision** announced it had signed an agreement with Irvine, California-based **Medennium, Inc.** to purchase the PRL posterior chamber phakic refractive lens. This agreement includes all intellectual property rights, product registrations and certain tangible assets relating to the PRL. CIBA Vision initially signed a worldwide licensing and distribution agreement for Medennium's PRL in July, 2000.

The PRL is a posterior chamber phakic refractive lens, which is implanted in the eye to correct myopia and hyperopia. Doctors and patients may prefer the concept of an implanted lens, which is reversible, over laser surgery, which is a permanent alteration of the surface of the cornea.

The PRL is a unique silicone, plate-haptic, posterior-chamber phakic refractive lens with a foldable design that can be implanted through a 3.2 mm incision. The PRL is the only phakic intraocular lens designed to be independent of any intraocular structural support for fixation. The PRL floats above the anterior surface of the crystalline lens on an aqueous fluid layer.

"The agreement to purchase the PRL gives us a strong presence in the emerging phakic refractive lens market," said Robin Terrell, president of CIBA Vision's Surgical Business Franchise. "The fact that the procedure isn't a permanent alteration to the cornea and that it is reversible, is a large part of the lens' popularity."

2/24 As reported in *CLToday*, Dr Joseph Barr, editor, recently spoke to a long-term contact lens marketing expert who's now also an expert in the field of refractive surgery marketing. His conversation reaffirmed what Joe already thought: Most people who need refractive correction don't want refractive surgery and contact lenses are still holding their share of the refractive error correction market in the United States and are expanding globally. Although demographics are a factor -- plenty of teenagers are around -— improvements in contact lenses have helped. Better materials, low cost manufacturing and safe, less toxic solutions are just a few of the factors. Even with the evils of illegal mail-order competition for sale of the lenses themselves, most contact lens practitioners see these devices as worthwhile for their patients. Further improvements in this decade should keep contact lenses in good stead.

OPHTHALMIC LASER UPDATE -- March 2003

2/25 **SurgiLight, Inc.** reported that an international team of clinician/researchers had earlier this month completed a series of LAPR courses and demonstrations to ophthalmologist audiences across Europe of clinical trial data from the use of the company's OptiVision system. Those trials resulted in more than nine of every ten patients treated discarding their glasses, with minimal regression even after two years post-operatively in studies done overseas and with similar, but shorter-term, outcomes in recent U.S., Canadian and Mexican trials. A Rome meeting was conducted in association with the 2003 sessions of the *European Society of Cataract and Refractive Surgeons*, while others took place in Paris, Athens and Munich.

According to the internationally recognized clinician/researchers leading the presentations, in addition to the clear success of the trials to date, perhaps the most telling audience impact occurred after three patients were treated with OptiVision at the Munich meeting. All three were able to read without glasses after one hour, then one day, with little or no procedural discomfort. Dr. Eduardo Martines of San Paolo, Brazil, performed portions of each operation and taught three doctors the procedure. He reported that one woman began reading a piece of literature almost immediately after the procedure without her glasses; when some physicians suggested that she had previously memorized the document, she picked up a local newspaper and read at random, voicing amazement at the result.

Dr. Martines was accompanied by Drs. Vivek Kadami of Bangalore, India, Ioannis Pallikaris of Heraklion, Crete, and Umberto Merlin of Rovigo, Italy. Each practitioner has pioneered the use of the OptiVision Er:YAG ophthalmic laser in his home country. SurgiLight chairwoman and CEO Colette Cozean, commented, "The measurably positive overall reaction from a tough audience -- the 250 skilled surgeons attending our European presentations -- and the on-site success of the demonstration procedures once again underscore our belief in the OptiVision technology and the course our company is steering. We have just analyzed post-operation data from two months from our U.S. clinical study. All patients are reading without glasses and there have been no complications. Each patient has gained more than one diopter of accommodation."

Dr. Cozean indicated that the company "hopes soon to initiate further U.S. trials at additional sites to add to the strong evidence supporting that technology and its clinical worth in a sizeable worldwide market for presbyopia patients."

2/25 **Bausch & Lomb Incorporated** announced that the FDA had approved the Bausch & Lomb Technolas 217A Excimer Laser System for use in the correction of hyperopia. With this additional approval, the B & L Technolas 217A Excimer Laser System now offers surgeons an expanded, full-treatment range from myopia up to -12.00 diopters, with or without astigmatism, to hyperopia up to +4.00 diopters, with or without astigmatism. The increased treatment range means that more patients may potentially benefit from LASIK surgery using the B & L Technolas 217A Excimer Laser System. Approximately 15% of people who require vision correction in the United States are farsighted. Leading refractive surgeon Stephen Slade, MD, of Houston, was the medical monitor of the clinical study that formed the basis for the submission to the FDA. "The Bausch & Lomb laser already exceeds the FDA's own published benchmarks for safety and effectiveness," Slade said. "Today's announcement means that now I can offer all of my patients, myopic and hyperopic alike, this same superb technology."

2/26 **Refractec, Inc.** announced that it had completed patient enrollment for its FDA Phase III clinical trial of CK (Conductive Keratoplasty) for the treatment of presbyopia, a condition commonly referred to as "aging eyes." Presbyopia affects most people by the age of 40 and all of us by the age of 51. Refractec anticipates filing for pre-market approval with the FDA later this year, with approval expected sometime in early 2004.

CK is presently FDA approved for Baby Boomers with farsightedness (hyperopia), a condition that differs from presbyopia in its affect on the eye's ability to focus, but is similar in the symptoms that patients experience. Since its approval in April 2002, nearly 7,000 CK procedures have been performed nationwide, through the end of January 2003. An estimated 90 million people in the United States suffer from presbyopia. The most recent data from the CK presbyopia trial demonstrates strong results for the use of CK in treating the condition. A total of 160 eyes were treated in the CK presbyopia trial (130 patients had one eye treated for near vision; 30 of these patients also had their fellow eye treated for distance vision). The majority were plano or emmetropes, meaning they needed no correction for distance vision.

Presbyopia patient data collected at the 12-month mark following CK shows:

-- 97% of patients could see 20/20 in the distance and read magazine- and newspaper-size print.

-- 75% of patients could see 20/20 and read J2 on an eye chart (significantly smaller than newspaper print).

-- 96% reported being "satisfied" to "very satisfied" with their outcome.

"Because the CK procedure is minimally invasive and does not cut or remove tissue, it is perfect for those patients who seek relief from presbyopia and the feeling of being chained to their reading glasses," said Marguerite McDonald, MD, principal investigator for the presbyopia clinical trial, director of the Southern Vision Institute and clinical professor of ophthalmology at Tulane University, New Orleans, La. "Presbyopia affects everyone at a certain age and CK could help millions of people see better as they get older."

The restoration of near vision using CK is accomplished by creating a "blended vision" effect. Unlike "monovision," where one eye is treated for near vision and the other for distance vision -- compromising both near and distance vision -- the goal of "blended vision" is to improve near vision, without sacrificing distance vision. "The presbyopia clinical trial represent a significant milestone in the rapid acceptance of CK as a safe, minimally invasive method for correcting vision problems," said Mitchell Campbell, president and CEO of Refractec, Inc. "With the presbyopia Phase III trial enrollment complete, we are one step closer to making this technology available to patients nationwide, to help them overcome the symptoms of presbyopia and restore their near vision."

2/27 **STAAR Surgical company** announced financial results for the fourth quarter of 2002 and for the full year ended January 3, 2003. Revenues and operating results met expectations and the company ended the year cash-flow positive. Revenues for the fourth quarter were $13.2 million, compared to $12.7 million in the fourth quarter of 2001. There was a net loss for the quarter of $10.1 million (59 cents per share) versus a net loss of $8.4 million (49 cents per share) for the fourth quarter of 2001. Excluding the effect of restructuring and other one-time charges and the associated tax impact, the net loss for the fourth quarter of 2002 was $933,000 (5 cents per share) compared to a net loss of $438,000 (3 cents per share) in the fourth quarter of 2001.

Revenues in 2002 were $48 million, compared to $51 million for 2001. The company reported a net loss of $17.2 million ($1.00 per share) in 2002, compared to a net loss of $14.8 million (87 cents per share) in the prior year. David Bailey, president of STAAR, said, "The 18% increase in fourth quarter revenues over third quarter revenues was very rewarding particularly when coupled with the 4% increase in revenues over quarter four of 2001. Our increasing revenues along with improved gross margins and tight expense controls, yielded an improving monthly trend towards operating profitability during the fourth quarter. Revenues were down 5% for the year, driven by the planned exit from affiliate operations in Europe and the loss of market share in IOLs in the U.S. This decline was partially offset by two factors: a strong positive growth trend in ICL sales internationally and a significant increase in sales of distributed products in international markets."

3/3 **LCA-Vision Inc.** announced it was introducing the latest breakthrough in laser vision correction technology. The highly customized method creates a new laser eye surgery procedure that both improves visual acuity measured against a 20/20 standard and overall

vision quality, offering increased visual crispness and clarity. LCA-Vision chairman and CEO Stephen Joffe commented: "This new addition to our Customized LASIK treatment represents a genuine advance in the use and efficacy of laser eye surgery with important financial implications since the new procedure is premium-priced compared with conventional LASIK and also further increases the already large potential patient pool."

The new state-of-the-art system made up of the LADARVision 4000 excimer laser system and the new LADARWave diagnostic device, recently approved by the FDA, will make laser vision correction available to a still broader segment of the population previously not treated by LCA-Vision.

3/3 **Carl Zeiss Meditec AG** began its share buyback program to repurchase its shares via the stock exchange. The buyback program, which the Board of Management authorized during the shareholders' meeting last year, is initially limited to 27 November 2003. In accordance with the shareholders' resolution, the purchase price may not be more than 10% above or below the closing price of Carl Zeiss Meditec shares in Xetra trading at the Frankfurt Stock Exchange on the respective previous day of business. The Board of Management considers the investment in own shares at the current market price to be in the company's best interests.

3/5 The March issue of *Ophthalmic Market Perspectives* featured stories on the cataract market (up 3% in the fourth quarter), results from the latest **Market Scope** survey of refractive patients (which related that friends played the greatest role in convincing patients to undergo LASIK), and summary results on the retinal market from a new study, "A Comprehensive Report on the Global Retinal Market", scheduled for publication by Market Scope on March 15th. The report discusses the incidence of both age-related macular degeneration and of diabetic retinopathy, the current treatments, and the market potential for those treatments, including the use of photodynamic therapy and other laser treatments, along with pharmaceutical treatments. As shown in the included graphics, lasers currently only play a small role in the treatment options for these two disease states. For further information about this important new study, contact Market Scope at 314-835-0600, or at their website, **www.market-scope.com**.

3/6 Photorefractive keratectomy (PRK) causes no loss of visual resolution, and in fact improves uncorrected visual acuity and visual resolution during use of night vision goggles under a range of night sky conditions. This was the conclusion of a study appearing in this month's issue of *Ophthalmology*, the clinical journal of the *American Academy of Ophthalmology*. The study was sponsored by the U.S. Army Medical Command and conducted at the Walter Reed Army Medical Center. In this study, 38 eyes of 19 active-duty U.S. Army Special Forces soldiers received PRK, the second most common form of refractive surgery after LASIK. At the three-month postoperative assessment, 33 of the 38 eyes (86.8%) achieved uncorrected visual acuity of 20/20 or better. In addition, uncorrected visual resolution was significantly enhanced, compared to preoperative levels.

Prem Subramanian, MD, lead author of this study, said, "This improvement may result in soldiers functioning better in a field environment, since their dependence upon and maintenance of glasses and contact lenses would be reduced. In fact, use of glasses or contact lenses can limit or even preclude use of night vision devices, as well as chemical protective masks." Academy spokesperson Robert Maloney, MD, said, "In this important study, Special Forces soldiers achieved great daytime vision without glasses and contact lenses and improved vision through their night vision goggles, compared to their uncorrected vision before surgery. This study should provide impetus to the U.S. military to consider laser vision correction for all combat soldiers with poor vision. Our remarkable soldiers deserve no less."

Some previous studies have shown side effects after PRK, such as glare, halo, and starburst, noticeable mostly under night viewing conditions. These side effects occur in the early postoperative period, and usually diminish within six months to a year. In a previous military study of PRK, a reduction in contrast sensitivity resolved after three months.

3/6 **IRIDEX Corporation** announced that the Executive Committee for the TTT4CNV Clinical Trial accepted the recommendations of the independent Data and Safety Monitoring Committee (DSMC) for the TTT4CNV Clinical Trial that adequate enrollment had now been attained, and an orderly process of concluding enrollment activities should commence with an end date to those activities to be set in mid-April, 2003. Therefore, the Executive Committee advised investigators that the last date for enrollment will be April 11, 2003. The TTT4CNV Clinical Trial was designed to determine whether transpupillary thermotherapy (TTT) laser treatment can reduce the risk of vision loss for patients with occult wet age-related macular degeneration (AMD). The enrollment will be stopped at about 90% of the originally intended sample size, and follow-up on patients currently enrolled in the study will continue.

"This is good news which brings us a big step forward in the rigorous process of determining where TTT fits into the overall treatment regimen for patients with occult wet AMD," commented Dr. Elias Reichel, Study Chairman of the TTT4CNV Clinical Trial, Associate Professor of Ophthalmology and Director of the Vitreoretinal Service at the New England Eye Center, Tufts University School of Medicine, Boston, MA. The DSMC in their communication to the TTT4CNV Executive Committee elaborated that based on an evaluation of enrollment trends over the past year, as well as consideration of the sample size needed to detect a clinically relevant difference between outcomes in TTT-treated and sham-treated eyes, the DSMC recommends that further enrollment in the study should cease after allowance for clinical centers to complete their enrollment process for patients already identified as potentially eligible. Their review of the safety data led to a conclusion that there are no undue safety concerns. The DSMC noted the need to continue follow-up of the study patients, in order to obtain complete outcome data at 12 months and more capture of 18 and 24 month data. The DSMC members include Donald D'Amico, MD, Professor of Ophthalmology, Harvard Medical School, Thomas Friberg, MD, Professor of Ophthalmology at University of Pittsburgh Eye and

Ear Institute, Mark Johnson, MD, Professor of Ophthalmology and Visual Sciences, University of Michigan Medical School, and Richard Landis, PhD, Professor of Biostatistics, University of Pennsylvania.

Theodore Boutacoff, president and CEO of IRIDEX commented, "AMD is a progressive disease that damages the central vision and affects a person's ability to read, see faces, and drive. About 50 million people worldwide have AMD and, of these, about 5 million have the more severe wet form. There are approximately 500,000 new cases per year of wet AMD worldwide, and we estimate that a majority of these cases may benefit from TTT. We see the treatment of eyes with occult wet AMD as a significant potential opportunity for IRIDEX and are encouraged by the DSMC recommendations."

TTT is a Minimum Intensity Photocoagulation (MIP) protocol that uses a milder form of retinal photocoagulation to treat wet AMD while sparing the sensory retina, as compared to conventional laser photocoagulation techniques. The protocol uses the **IRIS Medical** OcuLight SLx laser and Large Spot Slit Lamp Adapter to produce favorable therapeutic responses with minimal side effects and preservation of vision in patients with occult choroidal neovascularization (CNV) secondary to AMD.

The TTT4CNV Clinical Trial, supported by IRIDEX, is a multi-center, prospective, placebo-controlled, randomized trial conducted at 22 centers in the United States. The trial randomizes eyes with small (less than or equal to 3 mm diameter) subfoveal occult CNV membranes and symptomatic vision loss (ETDRS visual acuity between 20/50 and 20/400). Eyes are treated using standardized treatment parameters, which will be compared to sham treated (placebo) eyes. The trial is a post-marketing study, which is being performed within the FDA cleared indications for the IRIS Medical OcuLight SLx infrared laser system.

3/6 **LaserSight Incorporated** announced that the company's common stock will continue to be listed on The Nasdaq SmallCap Market via an exception from the minimum bid price requirement. While LaserSight failed to meet this requirement as of February 10, 2003, the company was granted a temporary exception from this standard subject to LaserSight meeting certain conditions. The exception requires that on or before March 12, 2003, the company must file a proxy statement with the Securities and Exchange Commission and Nasdaq evidencing its intent to seek shareholder approval for the implementation of a reverse stock split. Thereafter, on or before April 18, 2003 the company must demonstrate a closing bid price of at least $1.00 per share and, immediately thereafter, a closing bid of at least $1.00 per share for a minimum of ten consecutive trading days.

3/6 In a proactive effort to retain patients who are too young, who are not candidates or who opt against LASIK surgery, laser refractive surgeons nationwide are adding Paragon (**Paragon Vision Sciences Inc.**) CRT to their practices. Paragon CRT, the only therapeutic contact lens FDA-approved for overnight corneal refractive therapy, reshapes the cornea non-surgically to correct nearsightedness with or without moderate astigmatism. (Editors note: This is the old orthokeratology procedure.) Worn only during

sleep, Paragon CRT gently and safely reshapes the cornea to correct vision. When users awake, they simply remove the lens and experience clear, natural vision free from the hassles of daytime contacts or glasses.

"We're seeing a trend among LASIK surgeons to supplement their practices with Paragon CRT," noted Joe Sicari, president and CEO of Paragon Vision Sciences. "We expect this number to grow as surgeons recognize that retaining patients who opt against LASIK is vital to expanding a successful practice."

"It's really a question of lifestyle preferences and what vision correction is best for each individual person," said Dr. Lisa Wohl, an ophthalmologist in Chicago who added Paragon CRT to her LASIK surgery practice. "I talk with my patients about their activity levels and interests, and together we determine the option that best suits them." Wohl added, "This is a remarkable option for my patients who are too young or don't qualify for LASIK surgery because they have thin corneas, dry eyes or just don't see surgery as the best solution." Wohl herself is not a candidate for LASIK surgery, so she opted to wear the Paragon CRT lenses to correct her vision and recommends the therapy to her patients.

Unlike LASIK surgery, which permanently reshapes the cornea and typically requires candidates to be at least 21 years old, with Paragon CRT there are no age restrictions and it is reversible. Adults and teenagers alike can all be candidates for Paragon CRT. The process temporarily reshapes the cornea -- if a patient chooses to discontinue wearing the lenses, the cornea will return to its original shape. In addition, Paragon CRT allows for adjustments for normal changes in vision that occur as people age. Paragon CRT also provides clear vision when the lenses are on so the patient experiences great vision 24 hours a day, when the lenses are on or off.

3/7 **Refocus Group, Inc.** announced the close of a private placement with commitments totaling $12.5 million, and the simultaneous merger with **Presby Corp**. The combined company will operate under the name Refocus and will assume and execute Presby's business plan as its sole business. Refocus' (Presby's) strategic partner, **CIBA Vision**, the eye care unit of **Novartis AG** is a lead investor in the private placement. Refocus' shares will be listed on the Over-the-Counter (OTC) Bulletin Board under the symbol, RFCG.OB. The company has applied for listing on the American Stock Exchange.

Refocus (formerly Presby) is a Dallas-based medical device company engaged in the research and development of surgical treatments for human eye disorders. The combined company inherits multiple domestic and international patents directed to methods, devices and systems for the treatment of presbyopia, ocular hypertension, primary open angle glaucoma and other eye disorders. The company's most mature products are the patented PresVIEW implant and related mechanical incision device for the surgical treatment of presbyopia, primary open angle glaucoma and ocular hypertension in the human eye. Terence Walts, Refocus' president and CEO, stated, "The private placement and merger transactions are significant to Refocus for three reasons. First, they support

plans to re-launch the PresVIEW surgical procedure in Europe this year via our strategic partner CIBA Vision. The re-engineered PresVIEW procedure and protocol incorporate numerous improvements, including ultrasound mapping for precise implant location and a mechanical incision device for consistent depth of implant. Second, the company can now proceed (pending FDA approval) to FDA Phase II clinical trials in the United States for these indications in 2003. Finally, we believe that completion of these transactions in the context of challenging capital market conditions demonstrates strong support for the Refocus story and the significant market potential anticipated for this technology and product."

3/11 **LaserSight Incorporated** announced that it had signed a non-binding Letter of Intent with **Shenzhen New Industries Venture Capital company**, an affiliate of **New Industries Investment Consultants (HK), Ltd.**, the party based in the People's Republic of China that purchased $2 million worth of the company's Series H Participating Preferred Stock in October of 2002. The transaction contemplated by the Letter of Intent would result in the company acquiring the assets and the on-going revenue stream of 15 refractive laser centers currently operated within China.

China is the world's largest market for refractive procedures. If LaserSight enters into this transaction, it would allow the company to generate revenues not only through equipment sales but also through participation in the recurring revenues that it believes will be generated from these refractive laser centers. Under the terms of the Letter of Intent, the value of the 15 existing centers would be determined by an independent third party and, if a valuation of $6 million is confirmed and the company elects to proceed with the transaction, the company would purchase the centers in exchange for the issuance of approximately 26.1 million shares of the company's common stock at a price of $0.23 per share. In addition, the company would receive an option to purchase additional refractive laser centers that may be developed in the future at a purchase price equal to 110% of the start up costs for such center. Each option would be in existence for a period of 18 months following the date a center opens and the purchase price would be payable in stock of the company that would be valued at 90% of the then 30 day average closing bid price. The transactions contemplated by this letter of intent are initially subject to the acceptance of the Letter of Intent by LaserSight's Board of Directors and if such acceptance occurs, the transactions are subject to satisfactory completion of due diligence, receipt of all necessary approvals, negotiation of definitive agreements and receipt of shareholder approval. The company's has begun its review of the Letter of Intent and the related financial and business information.

3/11 The first Shareholders' Meeting of **Carl Zeiss Meditec AG** is to be held in Jena on 12 March 2003. "We have reason to be proud of our results," said Ulrich Krauss, president and CEO of Carl Zeiss Meditec AG. "In only five months we have been able to bring the integration of the two merged companies to a successful conclusion. The development of business in the first quarter, as set out in the recently published report, shows that contrary to the general trend we continue to grow and exploit significant synergies."

3/11 **TLC Vision Corporation** announced today that it had completed the acquisition of **American Eye Instruments, Inc. (AEI)** of Gold Beach, Oregon. AEI, a privately held company co-founded by John Reslock, OD, and John Rush, OD, brings together optometrists, ophthalmologists and community hospitals to offer patients access to quality surgical eye care in 12 U.S. states. AEI will be integrated into TLCVision's **Midwest Surgical Services (MSS)** subsidiary, already America's largest cataract outsource services provider. MSS was established in 1991 and currently has partnerships with over 280 facilities and more than 260 surgeons in 38 U.S. states.

This year alone, ophthalmic surgeons will perform approximately 40,000 cataract procedures utilizing MSS services. With this acquisition, TLCVision expects that approximately 10% of its total revenues in 2003 will come from the cataract business. Dr. Rush said, "AEI originated the concept of mobile cataract services back in 1984. It was designed to benefit everyone involved. The hospital can offer a quality surgical program to the community and increase its volume without having to purchase expensive equipment. Ophthalmologists benefit by increasing their surgery volume without decreasing their quality standards in the rural hospital. Optometrists can offer complete eye care to their community patients. The patient can now avoid the expense and inconvenience involved in traveling to the `city' but still receive the same or better care in his or her own hospital." Dr. Reslock commented, "TLCVision is well regarded in the optometric and ophthalmic communities. We are honored to be part of this exciting organization and look forward to contributing to its continued success."

"We are pleased to have AEI join the TLCVision family," said Elias Vamvakas, TLCVision's chairman and CEO. "This acquisition further demonstrates our focus on optometry as a primary channel of patient access and our commitment to the continued development of a total eye care services delivery platform. Experts estimate that over 60% of U.S. adults over the age of 60 will develop cataracts. As the population ages, cataract surgery services will become an increasingly important driver of TLCVision's growth."

3/13 **NIDEK Co., Ltd.** announced that its two wholly owned subsidiary companies -– **NIDEK Technologies Inc.** and **NIDEK Inc.** will merge together on April 1st , 2003. NIDEK Technologies Inc., with a focus on research and development, regulatory and new business development in the eye care industry will merge with NIDEK's U.S. sales and marketing organization – NIDEK Inc. This merger is being undertaken to harmonize and solidify NIDEK's strong and growing presence in the U.S. vision care and ophthalmic industry. The company sees this strategic move as a way to further its growth objectives in the United States. "We are very pleased to bring these two sister operations under one umbrella" stated Hideo Ozawa, president of Nidek Co., Ltd. "NIDEK in the U.S. wants to streamline its operations -- sales, marketing, R&D and business development efforts; and this merger enables us to focus and achieve our short and long-term goals at NIDEK. Under one umbrella, NIDEK Inc. will continue to provide excellent customer service and deliver to the market innovative, technologically advanced products and services, as it has done for over 20+ years. This merger will also allow NIDEK to focus it’s efforts on

developing new and innovative products and grow its very robust intellectual property portfolio in the years to come".

Ray Sayano, vice president and General Manager of NIDEK Technologies Inc. will continue his role and responsibilities at NIDEK in the areas of R&D and new business development activities in the U.S. ophthalmic and vision care industry. "Again, this clearly shows our ongoing commitment to the vision care industry, doctors and patients, as we have had for over 30 years at NIDEK. NIDEK wants to focus on key strategic areas and initiatives that will continue to drive the advancement of technology and enable NIDEK to continue its strong history in the U.S. and the global ophthalmic and vision care markets in delivering products that delivery Visionary Performance", added Ozawa.

With worldwide operations headquartered in Gamagori, Japan, NIDEK develops, manufactures, and sells laser systems and diagnostic equipment for ophthalmology, optometry, general surgery, gynecology, and cosmetic dermatological surgery. The company's ophthalmic and optometric products are specifically designed for diagnosing and treating retinal diseases, glaucoma, refractive therapies, retinopathy of prematurity, and pre and post-operative cataract surgery therapy. Its surgical products are designed to treat patients in the growing applications of cosmetic laser surgery and laser skin resurfacing. NIDEK distributes its products through a network of distribution partners and a direct sales force.

3/18 **Provectus Pharmaceuticals, Inc.** (formerly the therapeutic business of **Photogen Technologies Inc.**) and the **Massachusetts Eye and Ear Infirmary** announced publication of results from extensive pre-clinical testing of Provectus' non-invasive laser treatment for ocular melanoma. The report, appearing in the March 2003 issue of *Archives of Ophthalmology*, demonstrates successful use of near infrared laser light for selective destruction of pigmented choroidal melanomas. In the study, a single laser treatment at 125 J/cm^2 led to complete eradication in 10 of 11 experimental tumors (91% eradication rate) in rabbits; the eradication rate remained at approximately 75% (nine of 12 tumors eradicated) when this light dose was reduced to between 63 and 87 J/cm^2. "Our results suggest that a single, brief treatment with the near infrared laser device may have an important role in the destruction of pigmented choroidal melanoma," said Lucy Young, MD, of the Retina Service at the MEEI. "It appears that the Provectus device is very effective in heating up melanin granules in these tumors."

"These ophthalmic results perfectly replicate our earlier studies on the cutaneous form of the disease," said Eric Wachter, Provectus executive vice president. "We are extremely pleased by Dr. Young's results and look forward to working with a medical device partner to co-develop clinical systems for both forms of this very serious cancer."

3/19 **TLC Vision Corporation** announced its financial results for the three and seven month periods ended December 31, 2002. Results for the prior year's period do not include the operations of **LaserVision** which was acquired in May 2002.

For the quarter, paid laser procedure volumes were over 37,700 and total net revenues were $40.7 million. For the same three-month period in 2001, paid laser procedure volumes were 18,100 and total net revenues were $27.1 million. Consistent with TLCVision's diversification strategy, revenues from other healthcare services generated 25.9% of total net revenues compared to 15.2% in the same three-month period in 2001. The company recorded charges totaling $27.8 million resulting from the write-down of intangible assets and goodwill, a write-down in investments and restructuring. Including these charges, the net loss was $39.3 million (63 cents per share). For the same three-month period in 2001, the company recorded a net loss of $35 million (92 cents per share).

For the seven-month period, total net revenues were $100.2 million compared to $70.3 million for the same seven-month period in 2001. Revenues from other healthcare services generated 23.8% of total net revenues compared to 12.8% in the 2001 seven-month period. The net loss, which included $30.8 million in charges, was $43.3 million (68 cents per share). For the same seven-month period in 2001, the company recorded a net loss of $44.8 million ($1.19 per share). The company ended the seven-month period in a strong financial position with cash and short-term investments totaling $37.6 million.

Elias Vamvakas, TLCVision's chairman and CEO, commented "Merging two companies in a difficult economy has been challenging for everyone involved. Now, with the integration essentially complete, and with a reduced cost structure put in place, we are well positioned to leverage our business model as the business environment improves and procedure volumes begin to grow. The first two months of our new fiscal year have been strong and we feel confident that we are on track to deliver significantly improved financial performance."

3/26 The FTC said that two companies offering corrective eye surgery have agreed to stop claiming that the laser procedure would permanently eliminate the need for glasses or contact lenses. **LCA Vision**, based in Cincinnati, Ohio, and Florida-based **The Laser Vision Institute LLC**, settled charges over allegedly misleading advertisements. The FTC said the two companies can no longer claim that LASIK surgeryy would permanently eliminate the need for glasses or contact lenses or make other claims that were not backed by scientific evidence. "Companies offering any medical procedure shouldn't need glasses to see this clearly: If you over-promise, the FTC will act," said Howard Beales, director of the FTC's bureau of consumer protection. In a statement filed last week with securities regulators, LCA Vision said it had voluntarily negotiated with the FTC on a settlement. "Although we believed that the claims in question were adequately substantiated when made, we determined that the cost of litigation contesting the FTC's determination would be unacceptable," the company's statement said. An LCA Vision official declined to comment further. Officials at The Laser Vision Institute were not immediately available for comment.

OPHTHALMIC LASER UPDATE -- April 2003

3/31 **VISX** and **Nidek** announced that they had signed a term sheet outlining a global litigation settlement and patent cross-license. The settlement outlined in the term sheet will resolve all litigation between the parties worldwide, including all of the parties' patent and antitrust lawsuits in the United States, and will involve a worldwide cross-license of certain of the parties' respective patents. VISX will also pay $9 million in settlement of Nidek's antitrust and related claims. VISX recorded this as an expense in its fourth quarter 2002 financial results.

"We are very pleased to report this news," stated Liz Davila, chairman and CEO of VISX. "Settlement of this litigation will enable us to avoid years of additional legal expenses and to focus all of our attention and resources on growing the market for laser vision correction."

Hideo Ozawa, president and founder of NIDEK said, "We are very pleased to report these developments. This settlement is significant to NIDEK as it saves on legal expenses and also allows NIDEK to focus resources aimed at growing the market for laser vision correction in the U.S. and worldwide."

The settlement and cross-license will become effective upon the signing of a final written agreement, which is currently being prepared. Following the signing of the agreement, the parties will submit requests for dismissal of the lawsuits to the appropriate courts for approval. Under the term sheet, all other terms and conditions are confidential.

According to my sources, the settlement will allow Nidek to continue to offer vision correction with its lasers without the need for a per procedure fee.

4/1 **LaserSight Incorporated** announced financial results for the fourth quarter and year ended December 31, 2002. Revenues for the quarter were $3.9 million compared to $4.0 million in the fourth quarter of 2001. The company reported a loss of $2.0 million (7 cents per share) for the fourth quarter, compared to a loss of $8.5 million (32 cents per share) in the comparable period of 2001. Excluding the effect of losses from discontinued operations during the fourth quarter of 2001, the net loss for the fourth quarter of 2001 was $5.2 million (20 cents per share).

For the year, the company's revenues were $10.5 million compared to revenues of $17.4 million for the year ended December 31, 2001, including a $4.0 million gain on the sale of a patent. The company reported a loss for 2002 of $13.9 million (51 cents per share) compared to $26.2 million in 2001 ($1.04 per share). Excluding the effect of losses from discontinued operations, the net loss for 2001 was $22.7 million (90 cents per share).

In LaserSight's Form 10-K Annual Report, filed with the Securities and Exchange Commission, LaserSight's independent audit firm, KPMG LLP, included in its opinion an explanatory paragraph describing an uncertainty about the company's ability to continue as a going concern. This uncertainty arises from the company's recurring losses

and significant accumulated deficit. The Report also discussed the company's present financial condition, its liquidity difficulties and their impact on its business.

Michael Farris, president and CEO commented, "The refractive vision correction segment continued to be challenged during 2002. According to **Market Scope**, the industry continued the transition from its period of unprecedented growth to 1.4 million procedures during 2000, down to an estimated 1.3 million procedures during 2001 and 1.2 million procedures during 2002. At the same time, the U.S. demand for new refractive laser systems is reported to have declined from a total of 264 lasers sold during 2001 to 133 lasers in 2002. On a more positive note, we believe that if we can satisfactorily resolve our serious liquidity concerns, we will have the potential to benefit from our recently announced Non-Binding Letter of Intent from **Shenzhen New Industries Venture Capital company**, an affiliate of our Chinese partner, and the planned acquisition of the assets and the on-going revenue stream of 15 refractive laser centers currently operated within China. With our recently introduced international AstraPro CustomEyes custom ablation planning software, our AstraMax stereo-based integrated diagnostic workstation and our internationally available AstraScan excimer laser system, I believe that LaserSight is well positioned to take advantage of the technology shift to customized ablations, assuming satisfactory resolution of our liquidity concerns. With our CustomEyes custom ablation solution, we have introduced a clear technology pathway to customized corneal ablations into the U.S. and international markets. Clinical trials and FDA approval will be needed before custom ablation can be commercially launched in the U.S."

4/2 The *American Society of Cataract and Refractive Surgery (ASCRS)*, the *American Academy of Ophthalmology (AAO)*, and the **Ophthalmic Mutual Insurance company (OMIC)** expressed their relief on the announcement of a settlement in a patent infringement case involving **Nidek Co., Ltd.** and **VISX Incorporated**.

On March 31, Nidek and VISX announced that they had signed a "term sheet" outlining a settlement in their lawsuit in which approximately 600 subpoenas were issued to physicians by Nidek. The settlement will become effective upon the signing of a final written agreement, which is currently being prepared. Following the signing of the agreement, the parties will submit requests for dismissal of the lawsuits to the appropriate courts for approval. At that point the subpoenas will be withdrawn.

"The settlement terminates the potential liability of our members for thousands of dollars in legal fees and staff expenses to comply with the subpoena, and we compliment the parties on reaching a settlement without further involving our members," said ASCRS president Marguerite McDonald, MD. "It is most regrettable that these two companies chose legal strategies that would have burdened and taxed our member physicians resources." "It is our sincerest hope that litigants will choose less burdensome tactics in the future," said Dunbar Hoskins Jr., MD, AAO executive vice president. "Companies that are willing to use their own customers as pawns in legal disputes are engaging in tactics whose long-term consequences are unknowable."

"In today's legal environment that is irresponsible," said Timothy Padovese, OMIC president and CEO. The executives agreed that, where their members are concerned, they would continue to oppose the use of excessively broad, intimidating, and inappropriate legal tactics in the future.

4/4 **Bausch & Lomb Incorporated** and **Moria S.A.** of Antony, France, announced that they had settled two lawsuits involving patents relating to microkeratomes. The settlement agreement resolves the patent infringement case that Bausch & Lomb filed against Moria in September 1998, in Paris, France, and also resolves the patent infringement case Bausch & Lomb filed against Moria in August 1999, in Philadelphia. As part of the settlement, which includes a licensing agreement, both parties have agreed that no further details will be provided.

4/4 **VISX, Incorporated** announced that it and **Nidek Co, Ltd.** had signed the global litigation settlement and cross-license agreements announced earlier this week. The parties will file requests for dismissal of all outstanding lawsuits in the appropriate courts.

Nidek said, in light of the signed agreement and dismissal of the litigations, it had withdrawn the subpoenas issued to users of the VISX laser systems in the latter part of 2002. Physicians who might have received a subpoena from Nidek are relieved of all obligations to respond to the subpoena and need not produce the requested information.

"We are very pleased with the final settlement agreement now in place," stated Hideo Ozawa, president of Nidek Co. Ltd. "Nidek wants to move forward in advancing and building the laser vision correction industry in the U.S. and worldwide."

4/4 The April issue of *Ophthalmic Market Perspectives* reported on the highlights of the upcoming ASCRS meeting in San Francisco. Some of the featured technologies to be covered included: Wavefront analysis, now ready both as a diagnostic tool as well as a means for correcting higher order aberrations, and showing any higher order aberrations induced during LASIK; Wavefront-driven LASIK, reporting on the current status of several U.S. clinical trials and studies performed outside of the U.S.; Hyperopic treatments, including conductive keratoplasty and hyperopic LASIK; Treatments for presbyopia, including multifocal ablation, accommodating IOLs, conductive keratoplasty, and scleral surgical techniques. Other topics to be included will be phakic IOLs, as FDA approval approaches; accommodating IOLs, with the **C&C Vision** CrystaLens, possibly being FDA approved in May; multifocal IOLs and refractive lens exchange and other new technology IOLs, including post-adjustable IOLs such as the **Calhoun** Light Adjustable Lens (LAL).

Another feature was a writeup about the recent VISX/Nidek patent dispute settlement, with Dave Harmon relating the history of the dispute and raising some important questions about the sealed settlement, including the question of ongoing royalties and the relative amounts -- if they would be impacted by the settlement. Further, as Harmon put it, "The settlement is an important milestone for the industry, removing a legal problem

that influenced decision-making and distracted from the business at hand for more than eight years."

The newsletter also previews the upcoming ARVO meeting in Fort Lauderdale, with leading clinical and corporate researchers prepared to share their research results with their peers. More than 5200 papers and posters are scheduled to be presented.

4/7 **Eyemakers, Inc.** announced the signing of a letter of intent (LOI) with a public company that provides LASIK corrective eye surgery to its patients in the Southwest. This LOI sets the stage for Eyemakers to acquire the company which has projected 2003 revenues of over $2 million. The two companies are now in the process of finalizing a share purchase agreement which will be announced in coming weeks. Ernest Remo, chairman and CEO of Eyemakers, Inc., stated, "If completed as planned, this acquisition will provide Eyemakers with immediate access to a growing revenue stream, healthy margins and an expanding customer base. This is just the first of several actions we plan to take this year to build the company and improve shareholder value."

4/8 **Anamed, Inc.** announced that the FDA had approved the expansion of the clinical trial with its PermaVision intracorneal lens for the correction of hyperopia up to +6 diopters. The company earlier announced that all patients authorized for Phase I of this study had been enrolled and that the *National Institute of Health (NIH)* had awarded the company a $1.44 million Phase II Small Business Innovative Research grant to help fund its U.S. clinical trials.

"The PermaVision lens is designed to offer an outstanding solution to hyperopia, especially in the higher ranges. The lens also offers the advantage of being removable, an important option in today's refractive surgery environment," said Dr. Stephen Slade, MD, director of The Laser Center of Houston. "Now that we have better microkeratomes and what seems to be a very compatible artificial material, I think we are well on the path to making keratophakia a powerful alternative to current tissue removal vision correction procedures."

The PermaVision intracorneal lens is implanted in a sutureless surgical procedure. A flap is created in the cornea (just like in LASIK), the micron-precisioned lens is placed under the flap and centered over the pupil. The flap is then folded back over the lens and the eye. Fluid dynamics keeps the lens and the flap in place. No stitches are necessary. Unlike LASIK, which removes tissue, this procedure is additive, allowing the lens to be removed or exchanged.

An international multi-center study on simple hyperopia was opened in December 1999. The PermaVision intracorneal lens received the CE Mark in 2001 and is now commercially available to the general public in Western Europe, the Middle East and South Africa. Unlike laser vision solutions such as LASIK, where corneal material is irreversibly removed to alter the surface of the eye, the PermaVision lenses change the refractive power of the eye in predetermined increments through the addition of material,

thereby making the solution removable and adjustable. "I think it shows a lot of promise and will probably become a serious contender for LASIK, especially in that it is adjustable and reversible, which LASIK is not," according to Dr. Jan Venter, MD, who has clinically evaluated the procedure during the past two years. Dr. Venter practices in South Africa and the United Kingdom.

The PermaVision intracorneal lens, made from an optically clear version of Nutrapore, recontours the cornea, thereby correcting the refractive error by properly focusing light onto the retina. Due to the company's ability to vary the thickness and shapes of the lens, the PermaVision solution will eventually address and cure a wide variety of eyesight problems including hyperopia, myopia, astigmatism, compound hyperopia and myopia and, possibly, presbyopia.

The vision correction with the PermaVision lens is removable and adjustable. Should the refractive power of eyes change or the clinical outcome turn out to be less than optimal (e.g. as a result of an incorrect pre-operative measurement) the corneal flap created earlier can be lifted and the lens can be replaced, or removed without replacement. Also, hyperopic and myopic "drift" (the natural progression of refractive error by about 1 diopter per decade) can be corrected by replacing the original lens with one of the correct thickness. This ability to adjust the outcome is a unique feature of the PermaVision lens and is one of the reasons that this is considered a possible revolutionary breakthrough in vision correction.

"The overall patient data indicates that the PermaVision lens can correct vision without a laser. Perhaps even more important, the flap can be lifted and the lens removed or exchanged since tissue is not ablated or destroyed," according to Professor Dr. Herbert Kaufman, Chairman of the LSU Eye Center in New Orleans.

4/10 Having an initial LASIK correction for high degrees of nearsightedness, farsightedness or astigmatism, and being older than 40 years of age, increases the chances of needing LASIK retreatments. These are the conclusions of a study appearing in the April issue of *Ophthalmology*, the clinical journal of the *American Academy of Ophthalmology*. In this study from Hackensack University Medical Center and the New Jersey Medical School, 2,485 eyes of 1,308 patients underwent LASIK surgery for correction of nearsightedness, farsightedness or astigmatism. Out of these, 288 eyes of 233 patients underwent one retreatment, and one eye in each of three patients required two retreatment procedures. The overall one-year incidence of retreatment was 10.5%. For nearsighted eyes, the retreatment rate was 12.1%, and for farsighted eyes it was 6.2%. Rates from previous studies have varied from 5.5% to 28%.

In addition, patients older than 40 years of age had a significantly higher rate of retreatment than those younger than 40. Those over 40 had a one-year rate of 14%, compared to 5 to 9% for those in the 18 to 40 year age range. Peter Hersh, MD, the lead author of the study said, "Older patients generally do quite well, but their outcomes are not as predictable as those for younger patients. Similarly, patients with high refractive

error and astigmatism also are more likely to need retreatments. This does not signify a bad result, but it does require patient understanding. Therefore, patients should have in-depth discussions with their surgeons regarding the expected outcome for their particular situations."

This study also found that LASIK flaps can be lifted using a manual technique up to three years after the initial surgery. This substantially reduces the need to recut the flap for retreatments. In this study, only three eyes required the cutting of a new flap. Academy spokesperson James Salz, MD, clinical professor of ophthalmology at the University of Southern California and attending ophthalmic surgeon at Cedars-Sinai Medical Center in Los Angeles, said, "This nicely conducted study shows for the first time that patients over the age of 40 have a higher risk for needing a LASIK retreatment, and it emphasizes the importance of the patient's informed consent regarding this higher risk. It also shows that farsighted patients are less likely to need an enhancement, and it reinforces the importance of lifting flaps whenever possible so as to avoid the potential complications of recutting a second flap."

4/10 **CIBA Vision Corporation**, the eye care unit of **Novartis AG**, announced it had signed a distribution agreement with Switzerland-based **BioVision AG** to distribute BioVision's patented blade-cartridge microkeratome. CIBA Vision will market the device under the name Centurion SES. The Centurion SES is designed with a proprietary cutting system which integrates both the blade and cartridge into one component. Additionally, it achieves applanation, or flattening, of the cornea through a unique bar applanator. Traditional microkeratomes use a plate applanator -– a design that flattens large surfaces of the cornea. By using a bar design, the Centurion SES applanates only the section of the cornea directly in front of the blade, providing a feathered cut with smoother-edged corneal flaps. This smoother edge may be responsible for the quicker healing, "gutter-less" edge observed by surgeon's post operatively. Recent studies have shown that epithelial flap margins, or gutters, are associated with diffuse lamellar keratitis (DLK). DLK, or Sands of Sahara syndrome, is a superficial clouding of the cornea under the corneal flap that has a granular appearance and is due to inflammation.

"Combining the blade and cartridge as one component and using a bar applanator results in a very unique design," said Gene Zdenek, MD, Zdenek Eye Institute, Reseda, California. "My experience with the Centurion SES has been very positive -– and I am confident my colleagues who try this new, easy-to-use microkeratome will be pleased with the results."

In addition to the immediate benefits of the unique blade-cartridge design of the Centurion SES microkeratome, another advantage is its future capability to perform sub-epithelial separations. "This device is a tremendous win-win for doctors and patients alike. Its unique microkeratome design gives ophthalmologists the ability to create gutter-less LASIK flaps, which could promote faster, more complete healing of the epithelial flap margin," said Robin Terrell, president, CIBA Vision Surgical. "And soon it will give

surgeons the ability to perform surface ablation procedures with mechanically separated epithelial flaps. The Centurion SES separator is planned for introduction later this year."

CIBA Vision representatives will be demonstrating the Centurion SES at the *American Society of Cataract and Refractive Surgery (ASCRS)* conference in San Francisco. In addition, Ioannis Pallikaris, MD, the surgeon who was among the first to introduce LASIK to the world and innovator of the Centurion SES separator, will be giving presentations on his experience with the SES procedure in the CIBA Vision booth during the conference. CIBA Vision's agreement with BioVision gives CIBA Vision marketing and distribution rights for the microkeratome in all countries excluding Israel, Russia and the Confederation of Independent States (CIS). The Centurion SES is 510(k) approved in the United States. The CE mark approval for the European Union is pending.

4/10 **VISX, Incorporated** announced that it had acquired technology, including patents and other assets associated with its WaveScan product line from **20/10 Perfect Vision Optische Gerate GmbH**. VISX paid $5.9 million for this technology, which was previously licensed to VISX under an exclusive licensing agreement that is superseded by this acquisition. Additionally, VISX has granted 20/10 Perfect Vision certain license and distribution rights. Liz Davila, chairman and CEO of VISX, stated, "We believe that outright ownership of the fundamental WaveScan technology is strategically important. It is the foundation for CustomVue, a product that uniquely analyzes and corrects vision more precisely than ever before. Our plans for continued development of the WaveScan technology will lead to further advances in laser vision correction."

4/10 As reported by *Reuters*, financier Carl Icahn filed a proxy statement outlining plans to nominate one of his supporters to the board of **VISX Inc.** Reviving a battle for control of VISX, Icahn said in a U.S. Securities and Exchange Commission filing that he was nominating Keith Meister, a senior investment analyst at Icahn affiliate **High River Limited Partnership**, to the company's board. Icahn had first signaled his intention to nominate Meister in a December SEC filing. Icahn's investment firm said it owns more than 11% of the company's outstanding shares.

The following day, VISX issued the following statement:

"The VISX Board of Directors and management team are taking the right steps to continue building value for stockholders. VISX is the undisputed leader in the U.S. laser vision correction industry, and we continue to deliver a solid operating performance:

-- For the third year running, based upon industry data, VISX achieved a 60% share of the U.S. laser vision correction procedures market;

-- By closely monitoring our costs, we achieved 20% operating margins in 2002;

-- We generated over $40 million in cash from operations in 2002; and

-- Over the past year, we repurchased nearly 4 million shares of stock, and we have repurchased approximately 20 million shares since we began our program in 1997.

Our commitment to innovation is our commitment to the future. In 2002, following several years of development, we introduced CustomVue, a laser vision correction procedure that has the potential to improve vision beyond contacts and glasses. The results we are seeing from CustomVue in international markets have surpassed our expectations, and in the U.S., where we are awaiting FDA approval, over half of our customers are already equipped to perform CustomVue vision correction. We believe this approval will provide us with an extraordinary opportunity to gain incremental revenue and profit from VISX procedures and to reinvigorate demand for laser vision correction.

VISX believes Mr. Icahn's 30-year-old Board nominee, an employee of one of Mr. Icahn's affiliate companies, lacks the relevant experience to help the company capitalize on these important opportunities. In stark contrast, the current Board of Directors is comprised of seasoned leaders who collectively have decades of experience in the medical and ophthalmic industry and significant mergers and acquisitions experience. Moreover,

-- Six out of the seven Board directors are independent (VISX's chairman, president and CEO is the only management director);

-- All seven Board directors have experience serving on public company boards; and

-- Six out of the seven Board directors hold or have held positions as chairman, CEO, CFO or chief administrative officer of a NYSE or NASDAQ listed company.

4/11 **SurgiLight, Inc.** announced that the FDA had cleared an increase in the number of clinical trial patients eligible to be treated for presbyopia with the company's OptiVision system. SurgiLight had earlier reported to the FDA results from the first ten U.S. patients to undergo Laser Presbyopia Reversal (LAPR). There were no complications and all patients were reading without glasses at three months, with 90% able to see written materials held close at a nearly perfect 20/25 or even better. Patient eyes also demonstrated the increasing ability to accommodate by approximately two diopters, enabling patients not only to read, but to see distant objects.

Results of the initial U.S. trials, together with outcomes in similar trials in Mexico and Canada, confirm, in a shorter time frame, significant successes reported after as long as two years in overseas trials. Clinicians in trials outside the U.S. have reported almost no regression after OptiVision surgery. SurgiLight also said that a total of nine papers delineating those trials will be presented at the 2003 meeting of the *American Society of Cataract & Refractive Surgery (ASCRS)*. Results will be summarized by Miami-based Dr. Richard Kalski. In addition, on April 14 Dr. Bobby Maddox, an El Paso-based practitioner and clinical investigator, will chair short courses in LAPR, while Dr. Jon

Siems, who heads a major Las Vegas clinic, will discuss his experience in conducting one of the initial U.S. OptiVision clinical trials.

SurgiLight chairwoman and CEO Colette Cozean, who also oversees the company's regulatory affairs, said that the latest FDA clearance "represents another step in our journey toward what we hope will be final clearance to offer practitioners around the globe a unique surgical tool to enable presbyopia patients to discard their glasses. This year marks the our most substantial presence ever at the prestigious ASCRS meetings, and, with a group of distinguished clinician-researchers, we look forward to sharing what we have learned and can demonstrate."

4/13 As reported on the *Ocular Surgery News* website, from the ASCRS meeting in San Francisco, Richard Lindstrom, MD, delivering the Binkhorst Lecture at the opening session said that "Presbyopia will be the primary challenge for refractive surgeons is the baby boomer generation ages."

"If you are looking for a handicap to overcome, this is certainly one that presents a tremendous opportunity," said Dr. Lindstrom, noting that currently 51% of the U.S. population is presbyopic. "Perhaps as many as 68 million potential surgical eyes could be treated if we had an effective, safe therapy." To date, options for presbyopia correction have included reading or bifocal glasses and monovision or bifocal contact lenses. Surgical options, used much less frequently, include monovision conductive keratoplasty or LASIK, multifocal IOLs and accommodating IOLs.

"But surgical correction of presbyopia is clearly in its early years," he said. Noting that no surgical procedure or device is approved by the FDA for the treatment of presbyopia, Dr. Lindstrom presented a group of selected IOLs and intracorneal lenses that are under investigation or in development which he personally had a hand in developing or investigating. "Correction with multifocal IOLs is now giving good results in properly selected patients. In the U.S., the most rapidly growing refractive procedure today is refractive lensectomy, "and I see significant growth there," Dr. Lindstrom said. "We are going to see explosive development of accommodating IOLs, new technology IOLs like adjustable IOLs, as well as corneal inlays that are going to expand our options significantly in this area of treatment for presbyopia."

4/14 **STAAR Surgical company** reported that Stephen Slade, MD, an investigator of STAAR Surgical's Implantable Contact Lens (ICL), presented the first three year follow up interim results of the ICL at the *American Society of Cataract & Refractive Surgery* symposium. The results represented 36-month follow up after the ICL was implanted into 369 eyes. According to Dr. Slade, the results were exceptional. The mean level of myopia for the 369 eyes was minus 10.12 diopters. Dr. Slade reported that 95% of the patients with good pre-operative visual acuity targeted for emmetropia (zero postoperative correction) had uncorrected visual acuities of 20/40 or better and that 57% had uncorrected visual acuities better than their best corrected visual acuity preoperatively.

In addition, 38% gained one line on a standard eye chart of BSCVA and 10.8% gained two or more lines on a standard eye chart of BSCVA.

Stability of the procedure was well demonstrated with less than 0.1 diopter change in result from one week postoperative to 36 months postoperative as well as predictability with 68% within 0.5 diopter of attempted correction, 88% within one diopter and 98% within two diopter. Complication rates were extremely low with three cataract extractions (0.6%) and two clinically significant anterior subcapsular opacities (0.4%). One of the most exciting findings, according to Dr. Slade, was that 99.4% of the patients were satisfied with their ICLs three years after implantation.

"The quality of vision and patient satisfaction levels we have seen in this study clearly position the ICL as a compelling choice for a wide range of myopes. In addition the low complication rate after three years of follow up in a controlled trial establishes a new standard for phakic implants," said Dr. Slade. In addition to the three year data presentation, the ICL is receiving a high level of exposure at this year's ASCRS meeting as evidenced by 17 scientific presentations from around the world ranging from favorable comparisons to LASIK to ICL follow up with ten year post operative results. This increased activity is a direct result of the high patient satisfaction achieved with the lens as well as improved physician confidence in the product and procedure. An upcoming publication, approved for May 2003 issue of *Cornea, The Journal of Cornea and External Disease*, "Comparison of the Implantable Contact Lens with Laser Assisted In Situ Keratomileusis for Moderate to High Myopia" continues to support the desirable patient outcomes experienced with ICL.

"We are clearly very pleased with the three year outcomes reported by Dr. Slade. These unprecedented patient satisfaction levels underline our belief that the ICL represents the next paradigm shift in refractive surgery," said David Bailey, president and CEO of STAAR Surgical.

4/14 After receiving wavefront-guided LASIK, a promising new technology that allows physicians to customize the LASIK procedure, an overwhelming majority of patients experienced better vision quality, with 96% of treated eyes attaining 20/20 vision, according to data presented at the annual scientific sessions of the *American Society of Cataract and Refractive Surgery (ASCRS)*.

Wavefront-guided LASIK works by beaming light through the eye and taking detailed measurements as the light bounces back. These measurements are recorded on a virtual map, highlighting each patient's individual visual imperfections. During LASIK surgery, this map is used by the surgeon to tailor the laser beam settings, making the procedure customized to the precise vision specifications of that particular patient. As a result, wavefront-guided LASIK leads to sharper, crisper vision and a reduction in many of the most common complications associated with LASIK, such as nighttime vision difficulties.

"This new technology has been tremendously beneficial to the patients, because we have provided them with enhanced sharpness and quality of vision with fewer complications, which means higher patient satisfaction," said Douglas Koch, MD, trial investigator and professor of ophthalmology at Baylor College of Medicine in Houston, Texas. "In addition there is an important diagnostic role, since it enables us to approach the surgery with a clearer understanding of each individual's unique correction needs." The multicenter study evaluated the use of bilateral wavefront-guided LASIK in 320 eyes of 173 patients. While 96% of eyes reached 20/20 vision, an important clinical vision standard, a remarkable 74% saw 20/16 or better, a significant improvement over this standard for good vision. (Multicenter Trial of Wavefront-Guided LASIK, Robert Maloney, MD, Colman Kraff, MD, William Culbertson, MD, Terrence O'Brien, MD, Douglas Koch, MD. ASCRS/ASOA Annual Symposium & Congress, San Francisco, April 2003.) (**VISX** results)

The findings are supported by several other studies on wavefront technology to be presented at the ASCRS' annual meeting, which contain similarly encouraging results. Notably, a study presented by Stephen G. Slade, MD, national medical director, **TLC Laser Eye Centers**, found that a very high percentage of patients reported that light sensitivity (92.4%), glare (84.7%) and night driving difficulties (89.7%) were improved or unchanged after wavefront-guided surgery. In addition to reduced complications, almost 99% of patients reported that they were satisfied with the wavefront-guided surgery.(U.S. Clinical Trial of LASIK for Myopia with the Zyoptix System: Efficacy Assessment and Patient Satisfaction, Stephen G. Slade, MD, ASCRS/ASOA Annual Symposium & Congress, San Francisco, April 2003.) (**Bausch & Lomb** results)

"ASCRS applauds all technological advancements in the field of laser eye surgery, especially when they have such a significant impact on patient outcomes," said Stephen Lane, MD, ASCRS president, clinical professor of ophthalmology, University of Minnesota. "In fact, we have just included information on wavefront in our LASIK Screening Guidelines to ensure that patients are informed about this new tool and how it may affect their vision quality."

4/14 Having reviewed the press release from **VISX Incorporated** dated April 11, 2003, Carl Icahn made the following announcement:

I am disappointed but not surprised by the reaction of VISX to my filing of proxy material to elect Keith Meister to the VISX board.

-- VISX says that 6 of its 7 board members are independent, but in my view truly independent board members are people nominated by shareholders, not by a self perpetuating board nomination process in which the current board simply renominates itself.

-- VISX says that its Board members have significant experience. This may or may not be true, but they do not have any significant investment in VISX. Approximately 97% of their VISX holdings are in the form of options granted by the company.

-- VISX says that Meister lacks relevant experience. Meister has not been nominated because of his industry experience but because of his experience sourcing, structuring and negotiating over $1 billion dollars in private equity transactions and because I believe that he will be a solid representative for shareholder interests without potential conflicting allegiances to management. Meister currently serves as a senior investment manager for my companies and as a director of **XO Communications, Inc.**, in which I have recently invested over $500 million. I am quite confident that, from the point of view of shareholders, he will be a welcome addition to the VISX Board. Meister's experience will be vital as VISX will, in my view, ultimately be sold to a larger company with greater marketing muscle.

I believe that individuals nominated by shareholders are likely to be more independent of management and therefore will be in a better position to represent the interests of shareholders. Human nature being what it is, I am always concerned that management and board members nominated by company nominating committees, will seek to retain their fiefdoms and will seek to retain control and discourage potential sales of companies. In this regard I note that VISX has a poison pill that becomes effective if an investor has holdings in VISX stock that exceed 10%. Why is such a low poison pill threshold necessary? Through my affiliated companies I am the largest shareholder of VISX. I have made the exceedingly modest proposal of adding one person to the VISX Board. I have made my proposal in a manner that permits VISX to maintain all of its nominees as board members. Rather than disputing this matter, VISX could save both time and money by simply allowing Meister to join the Board. Given my $140 million investment in VISX, my position as its largest shareholder and the modest nature of my request, I am baffled as to why VISX would not simply agree to add Meister to the Board.

4/15 As reported by *Optoelectronics Report*, **Ligi Tecnologie Medicali S.p.A.** (Taranto,Italy) has executed a purchase agreement to acquire the rights to **Kera Technologies**, including know-how and intellectual properties of Kera's refractive laser systems. Terms of the acquisition include the ISO Beam system and licenses to specific related patents. With this acquisition, a new refractive surgical company has been formed under the name **Accuus**. Accuus will provide research, development, marketing, sales, and service for Ligi Tecnologie Medicali S.p.A. The Accuus product line features software and disposable products for custom refractive surgery under the trade names CIPTA and CLAT. Diagnostic devices for pupil measurement, wavefront-refraction, and topography are also being developed.

4/15 The *American Academy of Ophthalmology's Refractive Surgery Interest Group (RSIG)* and the *International Society of Refractive Surgery (ISRS)* have joined forces to create the world's largest and strongest eye care organization that is solely dedicated to refractive surgery. The new organization will be known as the *International Society of Refractive*

Surgery of the American Academy of Ophthalmology (ISRS/AAO) and will continue a tradition of innovative ideas and powerful educational programs in refractive surgery.

The Academy's executive vice president, Dunbar Hoskins, MD, said "By combining the assets of RSIG and ISRS, we will bring together both organizations' experience and knowledge, greatly benefiting the development and success of refractive surgery globally." Building on ISRS's strong international presence, the new organization will have more than 2,500 members from more than 80 different countries.

RSIG was founded in 1995 by the American Academy of Ophthalmology's Board of Trustees to provide a forum for members interested in refractive surgery and to give those members an opportunity to help shape future educational opportunities offered to refractive surgeons by the Academy. RSIG has sponsored and organized the Academy's popular Refractive Surgery Subspecialty Day held every year in conjunction with the Academy's Annual Meeting.

ISRS was founded by leading international refractive surgeons with a vision of the growth and importance in the field of refractive surgery. Its first meeting was held at the Academy's 1979 Annual Meeting. ISRS has continued to be committed to providing scientific research, knowledge, and information to all individuals who are interested in refractive surgery. The group has sponsored international seminars, conferences and symposia to help its membership keep up-to-date on the latest surgical techniques in refractive surgery. ISRS has always cultivated its strong international membership and has encouraged international participation.

Current RSIG members will automatically become members of ISRS/AAO and should look forward to receiving the well-known ISRS Journal and gaining access to valuable, exclusive information on the web.

4/15 **QLT Inc.** reported that its alliance partner, **Novartis**, announced global Visudyne (verteporfin) sales of approximately $82.1 million for the quarter ended March 31, 2003. This represents an increase of 20% over sales in the first quarter of 2002.

4/16 The following article, by Julia Boorstin, will appear in the April 28th issue of *Fortune Magazine*.

EYE CATCHERS: The Future Looks Bright for **VISX**. New technology is about to give a boost to this maker of vision-correction lasers.

Americans, it turns out, are wild about having their corneas sliced. Corrective laser eye surgery, which debuted in 1995, is now the most common elective surgical procedure in the United States. Of late, though, the floundering economy has cut into the demand for vision correction, which runs $800 to $2,500 per eye and usually isn't covered by insurance. But the industry should get a boost with the expected FDA approval of a new, improved form of the surgery by summer.

A prime beneficiary of the technique, called custom ablation, will be VISX (EYE, $12), the nation's largest maker of vision-correction lasers, with 60% of the market. VISX's stock rose as high as $104 in 1999 as laser eye surgery exploded in popularity. But as the number of surgeries has dropped -- from 1.4 million in 2000 to 1.1 million last year -- so have VISX's sales. Revenues are down 30% over the past two years.

Custom ablation, which gives doctors a much more precise map of each person's eye, has so far shown better results with a lower risk of mistakes. And VISX, which earns a third of its revenues from selling equipment and the rest from per-surgery royalties, will charge more per procedure (probably twice the current $100 fee). CEO Liz Davila says that converting just 20% of surgeries to the new technology will add 40% to earnings.

Analysts like **UBS Warburg's** Charles Olsziewski are waiting for an economic recovery before turning bullish. But with zero long-term debt and plenty of cash on hand, VISX is well positioned for the long haul. "This is amazing technology, and it's not going away," said Olsziewski. That's good news for investors with an eye to the future.

4/16 **LaserSight Incorporated** announced that the company's request for a second extension of the period during which its common stock will continue to be listed on the Nasdaq SmallCap Market has been granted. The earlier extension required a filing of its definitive proxy statement with the Securities and Exchange Commission on or before April 15, 2003. The company was unable to meet that time deadline.

4/22 **IRIDEX Corporation** announced that sales for the first quarter ended March 29, 2003 were $7.2 million, an increase of 4% compared to the corresponding quarter in 2002. The company reported a net loss for the quarter of $82,000 (1 cent per share) compared to a net loss of $207,000 (3 cents per share) for the corresponding quarter in 2002.

Sales of ophthalmology products during the quarter were $5.7 million, an increase of 13% from the equivalent quarter of 2002. Sales of aesthetics products were $1.5 million, a decrease of 20% from the corresponding quarter in 2002. The decrease in aesthetics product sales was primarily due to weak market conditions in the international aesthetics market. The company generated $1.8 million in cash, cash equivalents and available for sale securities during the first quarter of 2003. The increase was due primarily to a decrease of $1.7 million in accounts receivable balances during the quarter. In addition, inventory continued to decrease by $109,000 during the quarter. Asset management continues to be a high priority within the company.

Theodore Boutacoff, president and CEO commented, "Q1 was a challenging quarter, particularly with regard to the continuing difficult economic environment, the war in Iraq, and the outbreak of SARS in Asia. I am pleased we were able to accomplish as much as we did. New products introduced in the fourth quarter of 2002, including the BriteLight Illuminating EndoProbe and Millennium Endolase module, contributed to our growth. The BriteLight is a disposable product, which provides unsurpassed brightness in a combination illumination and endolaser photocoagulation probe for ophthalmology

procedures performed in the operating room. The Millennium Endolase module is incorporated as a component of the **Bausch & Lomb** Millennium Microsurgical System, which offers a fully integrated platform designed to offer vitreo-retinal surgeons a fully integrated system for the operating room environment. I am enthusiastic about our continued success in improving our asset position with the generation of $1.8 million in cash, cash equivalents and marketable securities during the quarter," continued Boutacoff. "This is a result of our concerted effort to improve asset management. Over the past four quarters, we have generated $5 million in cash, cash equivalents and marketable securities. We believe our improved cash position will give us the flexibility to respond decisively when the economic climate turns more favorable."

The company also announced that Medicare will begin to cover transpupillary thermotherapy (TTT) and feeder vessel (FV) laser protocols to treat wet age-related macular degeneration (AMD) in the state of California. TTT and FV protocols use the **IRIS Medical** OcuLight SLx laser by IRIDEX to treat AMD. **National Heritage Insurance company (NHIC)**, the Medicare Part B Carrier for California, published in their March 2003 Bulletin that these two procedures will be covered. Theodore Boutacoff commented, "We believe that a growing body of evidence of favorable clinical outcomes provided NHIC with sufficient evidence of the protocol effectiveness to justify a change in company policy in favor of covering the treatments. We are pleased that Medicare is covering these protocols because they will provide treatment alternatives that otherwise might not be available to certain AMD patients. We have confirmed with several customers in California that they have already started receiving payment for claims."

Medicare coverage and payment for transpupillary thermotherapy and feeder vessel technique has been determined on a carrier-by-carrier basis since September 2000 when the Centers for Medicare and Medicaid Services (CMS) issued a program memorandum listing these procedures. As elaborated in the 2001 Federal Register, Medicare Part B Carriers were given the freedom to establish relative value units and payment amounts for these services, generally on a case-by-case basis following review of documentation such as an operative report. There are now 15 states with written reimbursement coverage policies on TTT and 8 states consistently reimbursing FV.

4/22 **Alcon, Inc.** reported global sales of $807.1 million for the first quarter of 2003, an increase of 14.2% over global sales in the first quarter of 2002, or 10.5% excluding the impact of foreign exchange fluctuations. Net earnings for the first quarter increased 38.5% to $130.2 million (42 cents per share) compared to $94.0 million (33 cents per share) for the first quarter of 2002.

Surgical Product Line -- First quarter 2003 surgical sales totaled $376.9 million, an 11.7% increase over surgical sales of $337.4 million in the first quarter of 2002, or 5.7% excluding the impact of foreign exchange fluctuations. The refractive business continued to have a negative impact on surgical sales, primarily due to weak global economic conditions and consumer confidence, both of which reduced demand for this elective procedure. First quarter sales of intraocular lenses were $117.6 million, a 15.7% increase

over intraocular lens sales in the first quarter of 2002. Sales of cataract and vitrectomy equipment and related disposable products were $240.8 million in the first quarter of 2003, 11.5% above sales of these products in the previous year's first quarter. Refractive revenues were $18.5 million for the first quarter of 2003, 6.6% below refractive revenues for the first quarter of 2002. Fewer unit sales of LADARVision 4000 lasers, along with a small decline in procedural revenues, were the major causes of the quarter-over-quarter decline in this segment.

4/22 **LCA-Vision Inc.** reported net income for the first quarter ended March 31, 2003 of $1.76 million (16 cents per share) compared with net income of $1.2 million (11 cents per share) in the first quarter of 2002. Laser vision correction revenues for the first quarter of 2003 grew more than 6% to $20 million, compared with $18.8 million in the first quarter of 2002. Average price realization per procedure rose 10% to $1,173 in the first quarter of 2003, from $1,066 in the first quarter of 2002 and $1,090 in the fourth quarter of 2002. Net cash provided by operations in the first quarter of 2003 was $3.3 million. As a result, cash and short-term investments increased to $21.2 million, up from $18.3 million as of December 31, 2002.

Stephen Joffe, chairman and CEO of LCA-Vision, stated, "We are particularly pleased with our recent financial and operational performance, which puts LCA-Vision on track to achieve our full-year earnings per share objective of $0.30 to $0.35. We are encouraged by our programs to actively control costs while simultaneously improving key operating metrics, including patient volume per center, conversion rate, and price realization per procedure. We expect further increases in price realization during the balance of 2003, including from the newly implemented, highly customized laser eye surgery procedure. We also anticipate additional revenue growth during the current year as we selectively open new LasikPlus centers in 2003. We have very specific criteria for center locations and we open each center with the expectation of reaching breakeven within six months. With our strengthened balance sheet, we are in a good position to continue our planned expansion."

4/22 **Paradigm Medical Industries Inc.** announced that on April 15, 2003, it received notice of a determination by NASDAQ's Listing Qualifications Staff that Paradigm fails to comply with the minimum bid price rules for continued listing set forth in Marketplace Rules 4310(c)(13) and does not meet Rule 4310(c)(2)(A) inclusion requirements. Separately, the NASDAQ has informed the company that listing fees of $22,500 and $18,000 under Rule 4310(c)(13) are owed to the NASDAQ SmallCap Market. The company has requested an oral hearing before a NASDAQ Listing Qualifications Panel to review the Staff's determination. The request automatically stays the delisting of Paradigm's common stock. Until the Panel's final decision, Paradigm stock will continue to be traded on the SmallCap Market.

4/22 As reported on the *Ocular Surgery News* website from the *ASCRS* meeting, cataract surgery volume rose in 2002, while LASIK volume remained relatively steady, according to the 2002 Leaming survey. This may signal a reversal of the trends seen in the late

1990s, when cataract surgery volume decreased slightly and LASIK volume skyrocketed. David Leaming, MD, presented the results of his annual "Practice Styles and Preferences of U.S. American Society of Cataract and Refractive Surgery Members" during the ASCRS meeting. He said LASIK volume rapidly expanded in the late '90s, with almost 1 million procedures performed in 2000, then began to drop off in 2001. Currently, volume seems to have leveled off. "You can look at this another way," he said. "The rate of growth was greatest in 1997 and 1998. It dropped in half the next year, and then again in half the next year. And then in 2000 and 2001 it was down 12%. [Currently], LASIK growth [is] essentially flat, although the number of ophthalmologists performing LASIK also declined. So those who are still doing it have picked up a little volume."

The results were based on an 18% response rate to 5,800 questionnaires mailed to the U.S. members of ASCRS.

Regarding new technologies, surgeons expressed most interest in accommodating IOLs; limbal relaxing incisions ranked second and aspheric IOLs ranked third in interest. Lower levels of interest were expressed for multifocal IOLs, toric pseudophakic IOLs and toric phakic IOLs. Dr. Leaming said 87% of respondents would prefer to implant an accommodative IOL rather than a multifocal IOL, "if they had to choose." Limbal relaxing incisions were preferred over toric IOLs.

4/23 **VisiJet Inc.** announced that it had selected and retained **Alan Stone & Co., LLC (ASC)** to provide a full range of investor relations services to the company. ASC will commence and maintain a proactive program aimed at enhancing the company's shareholder value, broadening its investor base and visibility on Wall Street. ASC will communicate the company's business plans, marketing strategy, financing developments and rapid growth potential to investors. Through its affiliate **WallStreet Research**, ASC will also arrange analyst research coverage on VisiJet. Randal Bailey, president and CEO of VisiJet commented, "Alan Stone & company, LLC can greatly assist us in communicating our story to Wall Street. The firm has an impressive track record of enhancing shareholder value for its publicly traded small-cap clients and is very well respected on Wall Street."

4/23 **Advanced Medical Optics, Inc.** announced its financial results for the quarter ending March 28, 2003. For the quarter, AMO reported net revenue of $131.2 million, an increase of 15.1% over revenue in the first quarter of 2002. The company had a net loss of $93,000 (0 cents). On a pro forma basis, the company achieved breakeven earnings on net income of $91,000 (0 cents per share) compared to net losses in similar periods in 2001 and 2002. After reviewing the first quarter performance and the full year forecast, the company is updating its guidance for the full year 2003 by modestly increasing its estimated ranges. AMO currently anticipates revenues in the range of $560-$570 million and earnings per share in the range of $0.68-$0.70. For the second quarter of 2003, AMO anticipates revenues in the range of $140-$144 million and earnings per share in the range of $0.19-$0.20, which is in line with First Call estimates. Jim Mazzo, AMO's president and CEO, stated, "AMO started 2003 with a good performance in both our surgical and eye care businesses. We exceeded both our revenue

and EPS guidance. Our eye care business had a solid quarter, achieving positive revenue gains, while the surgical business continued its steady growth performance. Both businesses continued to benefit from the company's increased focus, as well as technological innovations across the product lineup. Because of our first quarter performance, we are increasing our revenue and earnings guidance for the year."

4/23 **VISX Inc.** announced financial results for the first quarter ended March 31, 2003. First quarter revenues were $34.4 million compared with $36.6 million for the comparable period of the prior year. Net income was $5.5 million (11 cents per share) in the first quarter of 2003 compared with net income of $6.5 million (12 cents per share) in the comparable period of the prior year. Liz Davila, chairman, president, and CEO of VISX, stated, "I am pleased to report that we exceeded our expectations in license revenue growth for the quarter. We saw a 20% increase from the previous quarter, exceeding our expectation of 10% to 15%. We shipped 107 WaveScan Systems, providing further confirmation that our customers are excited about our new CustomVue procedure, a new laser vision correction procedure that has the potential to improve vision beyond contacts and glasses."

Davila continued, "In these difficult economic times, we look to measures such as market share and profitability to ensure that we are managing our business effectively. We saw healthy operating margins of 24% this quarter, and for the past three years, we have achieved 60% market share. We are excited about our prospects for the future, where, in spite of the current economic downturn, we have an opportunity to improve our financial results as our customers shift to the new CustomVue procedure."

Other Highlights:

-- VISX completed a global litigation settlement and patent cross-license agreement with Nidek, resolving all litigation between the parties worldwide. The company experienced legal savings of approximately $2 million in the first quarter and estimates total fiscal year savings of over $5 million as a result of this settlement. VISX now has license agreements with **Alcon**, **Bausch & Lomb**, **LaserSight**, **Nidek**, **Schwind**, **WaveLight**, and **Zeiss-Meditec**.

-- VISX purchased all technology related to its WaveScan product from 20/10 Perfect Vision. WaveScan provides the diagnostic evaluation for CustomVue procedures.

Financial Outlook:

For the second quarter of 2003, VISX believes that revenue will continue to be impacted by the difficult economic environment as well as delayed sales due to the anticipation of its new CustomVue procedure that is currently awaiting FDA approval. It anticipates higher marketing and R&D expenses in the quarter. As a result, the company believes that revenues will be in the range of $31 to $32.5 million and EPS is expected to be in the six to eight cent range for the quarter. VISX remains cautious about its outlook for

2003. Assuming the laser vision correction procedure volume is similar to 2002, the company anticipates that FDA approval to market its CustomVue procedure could provide modest incremental revenue in 2003 and yield favorable revenue comparisons for 2003 compared with 2002. The revenue contribution from CustomVue procedures is expected to grow significantly in 2004 and beyond.

During the accompanying analyst teleconference, management reported that its systems sales increased 37% over Q4, with 32 lasers and 107 Wavescan units shipped. However, ASPs were down as 40% of lasers and 25%-30% of Wavescan units were sold on a per procedure lease basis. The company expects laser shipments to be slightly higher in Q2, while Wavescan units should total about 100. The company still anticipates custom ablation approval in Q2, with CustomVue card shipments to begin late in the quarter. The company reported 12 S3 upgrades during Q1, with most customers already upgraded. Also, management noted that of the laser base capable of custom treatments, over half now have Wavescan units.

4/24 **QLT Inc.** reported financial results for the first quarter ended March 31, 2003, and updated guidance for 2003. As previously announced, Visudyne sales were $82.1 million for the quarter, increasing 20% over sales in the first quarter of 2002. Sales in the United States accounted for approximately $42.1 million, representing 51% of total Visudyne sales for the first quarter. The remaining $40 million relates to sales in the rest of the world, primarily Europe. Earnings per Share in the first quarter of 2003 was $0.17, up $0.11 from the prior year's first quarter and compares to First Call Analysts' consensus estimate of $0.10 for the quarter. The increase was mainly due to the strong Visudyne sales performance, improved profit share from the Visudyne alliance and positive foreign exchange gains.

2003 Annual Guidance -- Based on recent sales results and current trends in Visudyne sales, QLT is narrowing its Visudyne sales range from $310-335 million to a new range of $320-335 million, which represents top-line growth of 11% to 17% over 2002. The company has also updated its EPS guidance for 2003 to $0.43 to $0.53 or growth over 2002 EPS, before special charges, of 37% to 68%. This update in EPS guidance (from previous guidance given in Canadian $) reflects the narrowing of the sales range, as well as the benefit of foreign currency contracts currently in place.

"We are pleased with Visudyne's performance over the first quarter and based on this current trend and the strengthened Euro, we have narrowed our Visudyne sales and EPS range," said president and CEO, Paul Hastings. "Our focus continues to be to set realistic targets and meet them, to expand the Visudyne franchise, to demonstrate progress with our clinical development programs and to make every effort to ensure growth through 2003 and beyond."

The company's revenues reached $33 million in the first quarter, growing by 37% from the prior year. Revenues from Visudyne comprised $31.4 million of this total, up 40% from the same period in 2002. QLT's share of Visudyne net profit (excluding the

recovery of manufacturing and other costs) for the first quarter was 29.7% of Visudyne sales. The alliance profit share rate in Q1 was in-line with our guidance of 28% to 30% for the full year.

4/24 **Bausch & Lomb** reported first-quarter worldwide sales of $448.0 million, an increase of $33.8 million or 8% over the prior-year first quarter. A 7% benefit from the strengthening of foreign currencies against the U.S. dollar augmented underlying fundamental growth in the company's lines of contact lenses, pharmaceuticals and cataract surgery products. Reported net earnings from continuing operations were $16.5 million (31 cents per share) an increase of 29% over the comparable-basis prior-year amount of $0.24 per share. Total 2003 first-quarter reported earnings of $15.6 million, (29 cents per share) reflected a $0.02 per share cumulative impact from adopting Statement of Financial Standards No. 143. First-quarter 2002 reported earnings of $8.8 million (16 cents per share) included certain non-recurring items which totaled $0.08 per share.

Commenting on the announcement, Bausch & Lomb CEO Ronald Zarrella said, "We are pleased with the results we posted today. From an operational perspective, they were in line with our internal goals, and represented the fifth consecutive quarter we've met or exceeded performance expectations. Importantly, our profitability improvement program continues to progress, and was a major factor behind the 43% improvement in comparable-basis operating earnings in the quarter."

Refractive surgery product revenues declined 3% from the prior year and were down 8% on a constant-currency basis. Lower capital equipment sales were partially offset by increased service revenues as well as higher sales outside the U.S. of Zyoptix per-procedure cards for customized LASIK surgery.

Guidance for Remainder of 2003 Unchanged -- Both the euro and the Japanese yen strengthened relative to the U.S. dollar during the first quarter from the levels anticipated by the company in developing full-year guidance for 2003, generating approximately $0.02 in additional earnings per share. The company indicated that, if currency rates remain at current levels, full-year sales and earnings per share would continue to benefit positively as compared to previous guidance, resulting in full-year total sales growth in the upper-single digits as compared to 2002 and earnings per share increasing by an additional $0.02 to $0.04 in total over the remaining three quarters of 2003. However, the expanding epidemic of the SARS virus, particularly in Asia, the company's fastest-growing segment, could potentially offset positive currency benefits. Because it is still too early to predict the impact of SARS with any degree of certainty, the company is not changing earnings guidance for the remaining three quarters of 2003 at this time. Full-year revenue guidance in total and by product category also remain unchanged from the expectations included in the company's 2002 Form 10-K.

4/25 **LaserSight Incorporated** announced that it had requested that Nasdaq grant a further extension of the period during which its common stock will continue to be listed on the Nasdaq SmallCap Market. The request seeks an extension of the time for filing of the

Company's definitive proxy statement with the Securities and Exchange Commission to May 21, 2003, both to permit the Company to complete its response to SEC comments on its preliminary proxy material and permit it to attempt to negotiate and finalize a capital infusion to restore the Company's shareholder equity to the $2.5 million level required by Nasdaq for continued listing. The Company's shareholder equity is now below that level.

OPHTHALMIC LASER UPDATE -- May 2003

4/12 **Schwind eye-tech-solutions** announced that they had selected the Complete Ophthalmic Analysis System (COAS) wavefront aberrometer from **WaveFront Sciences, Inc.** to provide the input to their wavefront guided refractive procedures. Thomas Magnago, Technical Director at Schwind said, "WaveFront Sciences' Complete Ophthalmic Analysis System (COAS) provides the highest resolution wavefront measurement of the eye available in the world. Combining this together with ESIRIS 0.8 mm spot size, 200 Hz repetition rate, gaussian beam and 330 Hz high-speed eye tracking creates a complete system on the leading edge of technology. We are excited at the prospect of providing our customers with the ability to perform procedures that should approach what is theoretically possible."

Speaking at the *American Society of Cataract and Refractive Surgery* conference in San Francisco, Rolf Schwind, president and CEO of Schwind eye-tech-solutions, commented, "We are extremely pleased to establish a business relationship with the leading wavefront sensing company in the world. The reputation of the COAS system for accuracy and reliability is the highest in the industry. We anticipate that the teaming of our products will result in a market leading combination."

The resolution of the wavefront measurement is rapidly becoming a significant issue in the world of wavefront driven refractive surgery. "Accurate measurement of higher order aberrations is fundamentally dependant on the resolution of the measurement. Without adequate resolution, an instrument will report the aberration at a significantly lower magnitude than reality, or potentially ignore the feature completely," states Dr. Dan Neal, vice-president and Technical Director at WaveFront Sciences. "Using our patented techniques, COAS makes approximately 800 measurements on an eye with a 7 mm pupil. Competing instruments may make as few as 40-50 measurements. In addition, high resolution enables us to resolve features in the transition zone after a LASIK procedure. This can be critical for guiding enhancement procedures."

The companies anticipate the commercial availability of the newly combined systems in early summer of this year.

4/12 **Wavefront Sciences** also announced that **Katana Technologies** had selected the Complete Ophthalmic Analysis System (COAS) wavefront aberrometer to provide the input to their wavefront guided refractive procedures. Dr. Georg Korn, Managing Director at Katana Technologies, said, "We are very excited to announce our new relationship with

WaveFront Sciences. The high-resolution measurement capability of the COAS and the upcoming COAS-HD wavefront aberrometers enable us to take full advantage of the micro-spot precision of the LaserSoft diode pumped solid-state laser. Combining the state-of-the-art capabilities of both companies will enable us to enter the market with a wavefront guided procedure sooner than originally expected and will provide our customers with a very important additional feature for our refractive surgery system." Speaking at the *American Society of Cataract and Refractive Surgery* conference in San Francisco, Tim Turner, president of WaveFront Sciences, Inc., commented, "Since introducing COAS three years ago, we have felt that high-resolution eye measurement is extremely important for effective refractive correction. Not only does COAS provide high-resolution measurements, it extends that resolution across a very broad range including the transition zone of a LASIK procedure. The technology being developed by Katana Technologies will exploit this capability for the benefit of the patient. We are very pleased to be teamed with an emerging company bringing innovative technologies to this market."

The companies anticipate testing of the combined products to begin later this year.

4/29 **LaserSight Incorporated** announced that it had been advised by The Nasdaq Stock Market, Inc. (Nasdaq), that Nasdaq's Listing Qualification Panel had determined that the company's securities will be delisted from the Nasdaq SmallCap Market effective with the opening of business on Wednesday April 30, 2003. The company's securities will be immediately eligible for quotation on the OTC Bulletin Board effective with the open of business on Wednesday, April 30, 2003.

5/1 **STAAR Surgical company** announced increased sales, revenue and gross margin as well as a reduced loss per share for the first quarter ended April 4, 2003. Total product sales in the quarter grew 10% from the first quarter of 2002 to $12.78 million. Total revenue for the quarter was $12.83 million, up 9.3% from the comparable period one year ago. The difference between total revenue and product sales are royalties generated from previously licensed technology that terminated as of March 31, 2003.

Net loss for the quarter was $747,369 (4 cents per share). This compares with a net loss of $996,888 (6 cents per share) during the same period one year ago. During the first quarter of 2002, the company recorded a nonrecurring U.S. income tax benefit of $1.1 million (6 cents per share). Without the benefit, the net loss for the first quarter of 2002 would have been 12 cents per share. "Our international sales growth drove the improved first quarter results," said David Bailey, president and CEO of STAAR Surgical. "International sales grew 32% and represented 53% of total revenue during the quarter. We were particularly pleased with the growth in ICL sales in international markets, as unit volume grew 39% year over year and 24% over the fourth quarter of 2002. While the dollar's devaluation benefitted international ICL sales, we also earned a higher average selling price and generated 35% sequential sales growth."

"In international markets, gross margins improved 4.8% from the first quarter of last year. While the U.S. market continued to be challenging for our IOL product line, our U.S. gross margins continued to improve as a result of our lowered manufacturing cost structures. Overall, the first quarter was our fourth consecutive quarter of increased gross profits, which we believe could trend even higher with an improved performance in the U.S. market. Our sales in the U.S. declined 8% compared to the year ago period. The IOL market is moving away from the one-piece silicone lens and this is impacting our results. We are, however, well poised to gain three-piece silicone market share with the new cartridges we introduced late in the first quarter. Unit sales of our specialty Toric and collamer one-piece lenses grew during the first quarter. We believe that we will be able to grow market share in the non-silicone segment of the U.S. market as we move forward with the introduction of a series of improved injectors for the three-piece collamer lens. This material has superb optical qualities and can thus compete very effectively against the dominant acrylics."

"Of course, the ICL continues to present our most significant opportunity for long-term growth. We had a great ASCRS symposium in San Francisco two weeks ago with 17 scientific presentations made on our lens. One of the major highlights was the presentation by Dr. Stephen Slade of the three-year data on the U.S. ICL clinical study. The results are very encouraging. Among the findings in this study was that 99.4% of patients were satisfied with their ICLs three years after implantation. Clearly STAAR is very excited about the data presented by Dr. Slade. These interim results illustrate another step forward in our corporate development and support our belief that the ICL represents a paradigm shift in refractive surgery. This data, coupled with the 35% growth in international ICL sales during the first quarter, lead us to believe that, when approved, the ICL will do very well in the U.S. market. We plan to submit our final data on the ICL to the FDA in the very near future.

Looking ahead, Bailey offered the following outlook for the full year 2003, "We believe we will continue to generate double-digit sales growth in international markets while the U.S. market will remain a challenge until we bring to market, perhaps in the third quarter, our state of the art injector system for the three-piece collamer IOL product. Overall, we believe we can achieve sales growth in the high single digits to low double digits for the full year as compared to 2002. We will continue to remain vigilant about expenses and our goal is to achieve operating profitability during the second half of the year. Our guidance assumes a 2004 U.S. launch of the ICL."

Following the above release of financial data, John Calcagnini of **CIBC World Markets** issued an update report. Some of his comments follow:

-- We reiterate our Sector Performer (Speculative) rating on STAAR (in an Overweight sector) after last night's release of 1Q03 results. Revenues were in-line with our estimate at $12.8M (+9.3%), were led by strong international sales (+32%) and a 35% sequential increase in ICL sales.

-- Gross margin was up 300 bp sequentially to 54.4% vs. last year's 48.7% and our 55% est. Improvement was facilitated by lower manufacturing cost structures in the U.S. R&D was slightly higher at $1.2M vs. our $900,000 estimate while SG&A was in-line with expectations at $6.4M.

-- The loss per share came in at $0.04 vs. our $0.02 est. with the difference attributed almost entirely to a higher than expected income tax expense. Staar has about $1.2M in cash after collecting a loan repayment by a former officer and generated operating cash flow of +$27,000 in 1Q.

-- Staar is aggressively pursuing other officer loans that total approx. $4M and expects to collect on some of these in the next 2-3 quarters. In terms of the ICL, the company expects to file its PMA with the FDA in the near future with U.S. approval coming in the first quarter of 2004.

"We recently spoke with a number of physicians on the potential for the ICL. The biggest concern among physicians has to do with the true rate of cataract formation in patients that are implanted with an ICL due to higher cataract rates with older ICL designs and possible infection rates with performing the procedure. Three year data presented by Staar showed that cataract formation occurred at the low rate of approximately 0.6% of patients when using the V4 ICL design, which is acceptable as long as the data continues to hold (which it has). Problems with older designs of the ICL most likely hindered initial adoption in Europe and soured the market by the time the V4 design was introduced. This helps to explain slower than expected European uptake of the product and goes along with the company's comments on the call that they are beginning to re-educate European physicians on the ICL in order to facilitate market growth in Europe. Most physicians we spoke with believe that the ICL procedure is an elegant procedure that taps into the skills physicians already possess from cataract surgery. Thus, the procedure will not be difficult to perform after proper training. Some docs did highlight legal issues in terms of any possible adverse events (even though clinical trials have shown these to be low with the V4 design) as a possible slight hindrance for the product initially as longer term data continues to be compiled on the V4."

With that being said, they also commented that they expect most eye physicians to get trained on performing the procedure in order to compete effectively against others and to offer this solution for patients with high degrees of myopia. Some believe the ICL will be reserved initially for patients with high ranges of myopia (- 10D and worse) and may creep down later to -8 Diopters (some believe it may eventually creep down to -6D as newer versions are introduced and longer term data is released). Low economic barriers to entry for the ICL vs. other treatments may be a driver for certain physicians in the future as the ICL does not require heavy investment in equipment.

The per year market potential of the product pegged by some physicians we spoke with is about 100,000 procedures in the U.S. (or approximately $120 million in revenue for Staar per year). We estimate the target population for patients with -10D or worse

myopia is approximately 0.5% of the U.S. population or 1.45 million patients (we estimate the target U.S. population with -7D to -8D or worse myopia at approximately 2.8 million patients). The 1.45 million patients are highly motivated patients with approximately 75% or 1 million patients considering some type of vision correction to treat their myopia. Approximately 40% or more of the high myopic patients also have astigmatism, which will be addressed by the company's TORIC ICL (which corrects myopia and reduces pre-existing astigmatism). The TORIC ICL is currently going through clinical trials in the U.S. (first implant in trials in the U.S. in August 2002) and is expected to receive FDA approval in 1Q05. The TORIC ICL is expected to garner a price premium ($100- $200) vs. the ICL. Also, recall that the TORIC ICL received European approval in December 2002.

Physicians we spoke with commented that they believe that LASIK will continue to be done (at least initially) for a majority of patients that qualify for this procedure (i.e. patients with lower myopia of -8D or better) vs. the ICL while some others believe that the positives and negatives of both procedures will be highlighted to the patient, enabling patient preference to play more of a role. The price of an ICL procedure is expected to be higher vs. LASIK (approximately $3,000-$3,500 per eye for the ICL vs. $2,000-$2,500 per eye for LASIK).

Comments on competitive products has shown that Dutch company **Ophtec's** Artisan platform, which is an anterior approach to treating high myopia, pointed out that this implant is larger, more difficult to place in the eye, makes a larger incision, and is not as elegant a procedure as STAAR ICL. Ophtec, a privately held company, is approximately 12 months behind STAAR in terms of receiving approval. A newer generation product from Ophtec is expected to address some of these issues (smaller incision, foldable). Comments on **CIBA Visions'** PRL product, which is not expected to be on the market until 2006, showed that this product has a similar approach to STAAR but that issues with the product rotating may exclude it from treating astigmatism in the future. (CIBA Vision is a unit of **Novartis**.)

In summary, we remain optimistic on STAAR ICL product and expect U.S. approval in 1Q04. The company expects a slow, systematic, and very controlled rollout in the U.S. as it gears up to sufficiently train physicians on the product to minimize any problems that may arise in terms of physician error. We have incorporated some conservative estimates for the ICL for the U.S. market into our 2004 revenue estimate. Our new 2004 revenue estimate for STAAR is $60 million.

5/1 **Lumenis Ltd.** announced that it had signed an extended agreement with **WaveLight Laser Technologie AG** of Erlangen, Germany to solidify the terms of Lumenis' role as the exclusive representative of the ALLEGRETTO WAVE Excimer Laser System in the U.S., once the product has received approval from the FDA. Lumenis holds distribution rights to the ALLEGRETTO WAVE in most Asian, European, Latin American and Middle Eastern countries. The existing partnership between Lumenis and WaveLight has

successfully captured significant market share of global refractive sales outside the U.S. during the last two years.

"The completion of our distribution agreement with WaveLight supports our vision to increase access of high quality, next-generation laser vision correction technology to the U.S. market," said Wade Hampton, executive vice president of Lumenis Medical. "We attribute the outstanding results reported in U.S. clinical trials to numerous engineering and technological advancements incorporated into the design of the laser, which we believe has the potential to set a new benchmark for the industry. Also, now that the agreement for the U.S. has been finalized we will be taking steps to build up our refractive department with the transfer or hire of personnel for sales, marketing, service and clinical support."

On February 26, 2003, The Canadian Health Protection Branch issued a medical device license for the ALLEGRETTO WAVE Excimer Laser for treatment of myopia (0 to -12 diopters) and astigmatism (0 to -6 diopters). The ALLEGRETTO WAVE is currently pending regulatory approval from the U.S. FDA.

5/1 Ted Huber, formerly of **Banc of America Securities**, has switched over to **Wachovia Securities**. With the changeover, he initiated Medical Devices coverage with the launch of 5 companies in Ophthalmology. "I see the growth accelerating in this market due to classic new product cycles meeting unmet medical or vision correction needs. The timing of the acceleration depends on the sector: it's happening now in contact lenses, refractive surgery starts 2H03, cataract surgery and retinal pharmaceutical should put up better growth starting in 2005." Summaries of his investment thesis and launch notes on **Alcon Surgical (ACL)**, **Bausch & Lomb (BOL)**, and **VISX (EYE)** are attached. (I have not included his coverage of **Cooper Companies (COO)** or **Advanced Medical Optics (AVO)**, as neither is involved in either ophthalmic lasers or refractive surgery -- except AMO does sell microkeratomes.)

Alcon, Inc. (ACL), "The Undisputed Ophthalmology Heavyweight... in Transition"

-- Valuation: Our forward valuation range of $45 to $49 implies a 21x to 23x multiple on 2004 EPS. Alcon now trades at 23.8x 2003 EPS, a slight discount to large cap medical device peers, consistent with its history. We see risk of multiple contraction as Alcon's growth decelerates slightly and EPS upside becomes more elusive. Our DCF model supports this thesis with a 1 year forward value of $49 per share. Risk include slowing cataract growth in 2003 and clinical trial results related to retinal drug anacortave accetate.

-- Investment Thesis: Alcon is a juggernaut in ophthalmology and we expect its industry dominance to continue. But its pharma pipeline, though deep, is weighted toward 2005 and 2003 looks like a transition year in cataract surgery. As such, we see more limited prospects for EPS upside through 2004 and limited multiple from current levels.

(In his review of Alcon's Surgical Division, Huber states that "Alcon is #3 behind VISX and B&L -- on a worldwide basis, based on its LADARVision excimer laser, acquired in the Summit Technologies deal.")

Bausch & Lomb, Inc. (BOL), "Perception Trails Reality as Turn-Around Progresses"

-- Valuation: Our forward valuation range is $42 to $48, derived from EV/EBITDA multiples of 7.0x and 8.0x trailing, higher than BOL's current 6.8x multiple yet still discounted to peers (10.3x). Our DCF model yields a $49 forward valuation. Risks include Retisert and rising competition in cataract surgery and contact lenses.

-- Investment Thesis: Under new management BOL is successfully executing an operational turn around that is not fully discounted into its share price. BOL is generating modest revenue growth, continued margin expansion and strong cash flow. Continued execution and consistency should drive modest multiple expansion. More significant price appreciation will require evidence of better top line growth and reduced Retisert uncertainty.

(In his comments on B&L's refractive surgery business, Huber notes: "Though BOL's refractive surgery business accounts for only 7% of 2002 revenue, our model calls on it to chip in 18% revenue growth in 2004 and 2005. This performance relies on two important assumptions: 1) BOL's FDA approval of its custom LASIK system (Zyoptic) during 2H03, and 2) relative commercial success of the product in a modestly rejuvenated refractive surgery market. BOL's application for Zyoptics is moving slowly with FDA. VISX's application also filed last year, is in final label discussions and slated for a May or June approval. We note that BOL's hyperopic LASIK approval from FDA came about six months late. Any significant delays with FDA approval of Zyoptic would hurt BOL's prospects to meet the 12% growth we forecast for this business.")

VISX, Inc. (EYE), "A Growth Stock Once Again"

-- Valuation: VISX shares should trade to a range of $20 to $22, implying a P/E ratio of 29x to 32x our 2004 EPS estimate ($0.68) and 20x to 22x our 2005 EPS ($1.00). This multiple is in line with our 5 year growth estimate (EBIT growth from 2002) and just slightly ahead of current year peer multiples (28.5x 2003). While our DCF yields a 1 year forward value of only $13 per share, we believe investors will focus in the near term on VISX outperformance vs. current expectations.

-- Investment Thesis: The U.S. refractive surgery market is poised for growth again and market leader VISX is best positioned to benefit from the acceleration and the 100% price increase that will come with custom LASIK. We expect VISX shares to rise this year as evidence of renewed market growth and a mix shift to custom LASIK mounts. These factors can drive VISX EPS growth to 80% in 2004 and 50% in 2005.

Huber's comments about VISX's prospects:

Custom LASIK to the Rescue: A new generation of custom refractive surgery is about to hit the market. And not a moment too soon as the refractive surgery market has been rocked by volume declines, bad press, sagging consumer confidence, and the bankruptcy of corporate surgery providers in the past two years. We view custom LASIK as a key component to a revived refractive surgery market.

Custom LASIK - Coming to a surgeon near you: Alcon won the first U.S. approval for custom LASIK during 4Q02 but has been slow in commercializing the technology due to supply problems and a limited regulatory approval. All three major U.S. refractive surgery players (VISX, Alcon, and Bausch & Lomb) as well as several European manufacturers have been offering custom LASIK capabilities outside the U.S. for the last year. Custom LASIK employs advanced diagnostic tools (a wavefront aberrometer) to precisely measure how light is distorted as it travels through the eye and how it well it is focused on the retina. The multivariate data generated from wavefront analysis is then used to drive a precise and customized pattern of corneal tissue removal (performed by the excimer laser) intended to remove optical aberrations and perfectly focus light on the retina. Both VISX and B&L have applied for FDA approval for their custom LASIK systems. VISX expects a late 2Q03 approval and B&L anticipates a 2H03 approval.

Custom LASIK is better: Clinical trials have demonstrated Custom LASIK's slightly improved rates of distance visual acuity over standard LASIK (rates of 20/20 or 20/16 vision), improved quality of vision (i.e. contrast sensitivity), and lower rates of unwanted side effects (i.e. night glare and halos). While this new technology is not revolutionary, it does represent a solid incremental improvement over current LASIK.

Custom LASIK will cost you...but you'll buy it: Alcon is charging doctors a $100 per procedure incremental fee for its custom LASIK offering in the U.S. We expect VISX to follow suit resulting in a doubling of VISX's per procedure fee to $200. Doctors are charging from $300 to $500 extra per eye for custom LASIK. Average LASIK fees in the U.S. are $1600 per eye. Custom LASIK is priced at 20% to 30% premium, so for those who choose to finance their procedure, it costs perhaps an extra $20 per month. A small price to pay for the latest and greatest in permanent vision correction surgery. Our discussions with surgeons in the U.S. and Canada lead us to believe that at least half of the market will ultimately migrate to the custom procedure (editor's emphasis). In cases where surgeons are actively promoting it, patients are buying it. Because it is safer, more effective, and more profitable than standard LASIK, we expect high volumes of U.S. surgeons to convert rapidly to custom LASIK.

Refractive Surgery Market, Poised to Grow Again; VISX, Poised to Gain Share Again: Our model calls for VISX to gain a point of share in a refractive market growing nearly 15% during 2H03 and 2004. Refractive surgery demand is currently pent up, in our view, owing to the pending launch of the new generation of technology, weak consumer confidence in the past two years, and negative press in 2001 regarding LASIK. For the last two years, the press has focused on the risks and shortcomings of the LASIK procedure, with nothing new to feature. Custom LASIK offers something for everyone:

higher profits for surgeons, better outcomes and lower risks for patients, and something new for journalists to sensationalize. In addition to the boost that custom LASIK will provide, improving consumer confidence and a year without war or domestic terrorism might free up some consumer spending. The sharp rise in March consumer confidence numbers (Conference Board's April Expectations Index rose to 85 from 61 in March) bodes well for the refractive surgery market. Refractive surgery volumes have been consistent with the mostly declining consumer confidence measures over the past two years. We believe this is because the LASIK purchase competes with other consumer durables and because the LASIK decision must balance the risks and benefit that can be affected by ones sense of well being, confidence, and appetite for risk. VISX estimates that 80% of its installed base (as measured by procedure volume) is equipped for custom LASIK and can be performing Custom LASIK in the quarter following approval. Given that Alcon is executing a slow launch of Custom LASIK and B&L looks to be a quarter behind VISX, the new technology offers an opportunity for the leader to recapture some share. Over half of all excimer lasers installed in the U.S. are VISX Star S3 units and just over 60% of all U.S. LASIK procedures are performed on these VISX machines (down about 5 points in the last two years). Given the U.S. market saturated with excimer lasers and VISX's strong relationships with the lion's share of leading surgeons, their market share is difficult to wrestle away.

High Octane for VISX's P&L: We expect custom LASIK to drive profit and cash flow growth well in excess of consensus expectations for VISX. With over 90% gross margins on LASIK procedure fees and relatively fixed operating costs, VISX's profitability is a poster child for operating leverage. While VISX is not likely to return to its peak levels of profitability (57.4% operating margin in 1Q99), its 20% 2002 operating margin can double with the volume and price benefits of custom LASIK. LASIK procedure volumes and custom LASIK procedure mix are the key drivers of VISX's future profitability. As our sensitivity analysis illustrates, every 10 points of custom procedure mix is worth nearly $0.09 in EPS and each 10 points of procedure growth is worth $0.09 in EPS.

5/5 The May issue of *Ophthalmic Market Perspectives* reported that 1st quarter refractive procedures were up significantly from the 4th quarter, although still down somewhat compared to the 1st quarter of last year. Total estimated procedures were 322,200, up 27.6% from Q4, but off 9.3% from last year's Q1. Dave Harmon attributed the upswing in procedures to flexible spending plans and year end resolutions to improve one's looks, which led to increased refractive volumes in January, while volumes slipped somewhat in February and March over concerns about the war in Iraq and economic conditions.

The number of U.S. refractive surgeons and centers continued to decline, as many low-volume providers stopped offerring LASIK. Also, open-access centers and mobile lasers were also affected disproportionately. The number of U.S. laser centers declined to 1192 in Q1 2003, compared to 1196 at the end of the year. Harmon believes that laser manufacturers continued to benefit from an increas in multiple lasers per center, with approximately 23% of laser centers owning more than one excimer laser. Also, the

replacement market is in high gear, with companies offerring trade-in incentives at high-volume centers in order to increase and/or maintain procedure market share.

As outlined in his coverage of the recent ASCRS meeting, wavefront-driven ablations continue to offer the most promise for laser centers, refractive surgeons, and manufacturers. Most practices plan to charge premium prices for custom LASIK so that increased revenues for the year are expected to offset flat procedure volumes.

(According to anecdotal evidence out of Canada, where custom LASIK is now being offerred, availability of custom LASIK is increasing procedure volumes, so Harmon's predictions of "flat procedure growth" for the year maybe wrong once custom LASIK kicks in in the States -- anticipated for the second half of the year.)

In addition to extensive coverage of the ASCRS meeting, the newsletter contained an interesting writeup about **IntraLase** and its new strategies, including a rather ambitious sales goal which calls for placing 60-80 lasers during 2003. (For subscription information, contact **Market Scope** at 314-835-0600, or email info@market-scope.com.

5/6 **QLT Inc.** and **Novartis Ophthalmics**, the eye health unit of **Novartis AG** announced new data that was presented at the *Association for Research in Vision and Ophthalmology (ARVO)* annual meeting suggested that Visudyne therapy reduces the risk of vision loss in "wet" age-related macular degeneration (AMD) patients with minimally classic lesions. Additional data to support the role of Visudyne in patients with predominantly classic AMD demonstrate that visual outcomes continue to remain stable five years after initiating therapy, providing further evidence of the safety and long-term efficacy of Visudyne.

Visudyne in Minimally Classic VIM Trial -- Twelve-month data from the VIM Trial showed that the mean change in visual acuity scores of patients treated with Visudyne was better in each group compared with patients receiving placebo. This data confirms six-month trial results presented earlier this year at the *Macula Society* annual meeting. The trial also demonstrated that fewer Visudyne-treated patients developed predominantly classic choroidal neovascularization (CNV) compared to placebo. The VIM Trial is a Phase II, multi-center study involving 117 patients.

"These data suggest that patients with minimally classic lesions treated with Visudyne therapy had a reduced risk of vision loss compared with placebo-treated patients," commented Dr. Neil Bressler, Chair of the Visudyne Study Advisory Group, retina specialist and the James P. Gills Professor of Ophthalmology at the Wilmer Eye Institute of the Johns Hopkins University School of Medicine in Baltimore. "This is particularly good news for some patients with minimally classic lesions as it is now thought that Visudyne therapy may be of benefit to them. Further clinical research is needed to determine if Visudyne therapy becomes the standard of care for those lesions."

Treatment of AMD in Photodynamic therapy (TAP) Investigations -- Initial analyses of data from the TAP Investigation confirmed the long- term durability (up to five years) of Visudyne in stabilizing vision and preventing further vision loss in patients. Furthermore, the favorable safety profile of Visudyne demonstrated previously at the three- and four-year analyses continued up to the five-year final study visit. Peter Kaiser, MD, retina specialist practicing at the Cleveland Clinic's Cole Eye Institute, commented, "For a chronic, progressive disease such as the wet form of AMD, further evidence to support the role of Visudyne as the standard of care in the long-term maintenance of vision in many people with wet AMD is excellent news for both patients and physicians. It is especially reassuring that visual acuity stabilizes in most treated patients one to two years after the onset of therapy. We are also confident that identification of wet lesions early in their onset, before many have become very large in size, is an important factor in stabilizing vision and maintaining patients' quality of life."

Following the conclusion of the TAP Investigation, consisting of two 2-year randomized, double-masked, placebo-controlled trials, 78% of the 609 patients originally included were offered Visudyne therapy in an ongoing 3-year, open-label extension trial regardless of whether they previously received Visudyne or a placebo in the original study.

Novartis and QLT Inc., partners in developing and marketing Visudyne, are working to enhance the benefits offered to patients by this therapy through a comprehensive, on-going clinical trial program involving more than 1,000 patients.

5/6 *The Helen Keller Foundation for Research and Education* presented **QLT Inc.** and **Novartis Ophthalmics**, the eye health unit of **Novartis AG**, the 2003 Helen Keller Prize for Innovation in Eye Care for their development of Visudyne (verteporfin for injection) therapy. Visudyne is the only drug approved for the treatment of some forms of "wet" age-related macular degeneration (AMD), the leading cause of blindness in people over the age of 50. The wet form is the most severe form of the disease.

The Foundation recently established the award to recognize the contributions of organizations working to find better treatments for potentially blinding disorders. The acknowledgment recognizes Helen Keller's lifelong mission "to hasten the day when there shall be no blindness." Christopher Paterson, Professor of Ophthalmology and Visual Sciences, University of Louisville, Louisville, Kentucky, and Co-Chairman of the Helen Keller Awards Committee said, "We are delighted to present this award to Novartis Ophthalmics and QLT, recognizing their innovation in developing photodynamic therapy for the treatment of wet AMD. Visudyne has brought hope to individuals facing blindness, and has been a significant stimulus for the development of treatment for all forms of retinal degeneration."

The presentation was made to QLT and Novartis Ophthalmics at a ceremony during the annual convention of the *Association for Research in Vision and Ophthalmology (ARVO)*.

5/7 **NovaMed Eyecare, Inc.** reported results for the first quarter ended March 31, 2003. Net income from continuing operations in the first quarter of 2003 was $559,000 (3 cents per share). Net income from continuing operations in the first quarter of 2002 was $1.0 million (4 cents per share), before the cumulative effect of a change in accounting principle. The first quarter 2003 results include a pre-tax gain on the sale of minority interests of $115,000. Net income, including discontinued operations and the cumulative effect of a change in accounting principle, was $563,000 (3 cents per share) in the first quarter of 2003 as compared to a net loss of $891,000 (4 cents per share) in the first quarter of 2002. The first quarter 2002 results included a charge of $1.8 million (7 cents per share) as a cumulative effect of a change in accounting principle related to the impairment of goodwill.

For the first quarter, total net revenue was $13.5 million compared to $13.3 million for the prior year first quarter. Net revenue from surgical facilities was $8.5 million, up 9% from $7.9 million in the prior year first quarter, primarily due to a 38% increase in cataract procedures and a 23% increase in other procedures. This growth in procedures more than offset the 47% decrease in laser vision correction procedures. In the first quarter of 2003, revenue from laser vision correction procedures was down 52% from the same period last year and represented approximately 12% of surgical facilities revenue as compared to approximately 27% in the first quarter of 2002. Excluding revenue from laser vision correction procedures, surgical facilities revenue increased 31% over the prior year and 10% on a same-facility basis, which excludes revenue from our 2002 acquisitions. On a same-facility basis, which excludes procedures from our 2002 acquisitions, cataract procedures grew 17% and other procedures grew less than 1% over the prior year first quarter.

Product sales and other revenue was $5.0 million in the first quarter of 2003, a decrease of 8% over the prior year first quarter. This decrease is due, in part, to a year-to-year decline in revenue at one of our physician practice locations in the southeast primarily resulting from the departure of a physician. In addition, we experienced a decrease in sales at our wholesale lab business over the prior year which, we believe, is largely due to economic conditions.

"Our first quarter is usually our slowest for cataract procedures so we are very pleased with our first quarter cataract procedure volume and growth over last year," commented Stephen Winjum, NovaMed chairman, president and CEO. "We remain hopeful that the trend in our laser vision correction procedures will improve when the economy improves. Until then, our financial exposure to the laser vision correction business is significantly less than in prior periods due to the reduced contribution to our revenue that laser vision correction now represents."

5/8 **STAAR Surgical company** announced that it had submitted the final module of its Pre-Market Approval Submission for its Implantable Contact Lens (ICL) to the FDA. This submission includes clinical data fulfilling the FDA's requirement for three-year

clinical follow-up. When granted approval, STAAR will be allowed to market the ICL in the United States for the reduction of near-sightedness.

"The submission of the third and final module of our PMA is a significant milestone in the development of the ICL," said Helene Lamielle, MD, vice president of Scientific Affairs at STAAR. "With our first two modules already approved, this submission and the subsequent approval are the final steps in the regulatory process necessary to complete before STAAR will be able to commercialize the ICL for myopia is the U.S."

"The ICL continues to represent STAAR's most significant growth opportunity going forward," said David Bailey, president and CEO of STAAR Surgical. "We believe that the thorough application that we have submitted, coupled with the continuous positive clinical outcomes, strengthen our industry leading position within the phakic refractive lens market. Worldwide, our ICLs have been implanted in more than 30,000 eyes with very positive results. We are very pleased with patient outcomes and satisfaction with this product. We continue to expect to be the first to market with this revolutionary technology within the United States."

5/8 **TLC Vision Corporation** announced its financial results for the three month period ended March 31, 2003. For comparative purposes, investors should note that results for the same three month period a year ago do not include the operations of **LaserVision** which was acquired in May 2002.

First quarter paid laser procedure volumes were over 53,500. This compared to volumes of 25,035 for the same three month period a year ago and was up 42% sequentially from the 37,705 refractive procedures performed last quarter. First quarter total net revenues were $53.6 million. This compares to $36.9 million for the same three month period a year ago and to $40.7 million for the previous quarter. Consistent with TLCVision's diversification strategy, revenues from other healthcare services generated 22% of Q1-03 total net revenues compared to 12% in the same three-month period in 2002. TLCVision reported a net profit of $1.1 million (2 cents per share) for Q1-03 compared to a net loss of $3.7 million (10 cents per share) for the same period a year ago. Strong sequential growth combined with lower refractive break-even procedure volume level requirements contributed to this significant improvement in financial performance over last quarter's net loss of $39.3 million (63 cents per share), which included charges totaling $27.8 million.

First quarter 2003 EBITDA was positive $7.2 million compared to positive EBITDA of $2.0 million for the same period last year. Elias Vamvakas, TLCVision's chairman and CEO, commented "During the seven month integration period that followed the merger, we aggressively rationalized our operations with the goal of maximizing future profitability. The speed and effectiveness with which we've been able to integrate the two companies has allowed us to capitalize financially on a strong sequential rebound in procedure volumes, and to deliver this dramatic turnaround in operating performance from the previous quarter. While a weak economy has undoubtedly been a significant

contributor to the depressed procedure volumes that we and the industry have experienced over the past two years, we continue to believe that fear remains the number one obstacle keeping people from undergoing the procedure. We are hopeful that the introduction of CustomLASIK in the U.S. will soon help alleviate that. As previously announced, we are CustomLASIK ready, having already completed the upgrades to both hardware and software at our TLC Laser Eye Centers locations throughout the United States. I am very pleased with what we have accomplished in such a short period and am confident that we will continue to build on TLCVision's world-leading position going forward."

5/8 The following was issued by Carl Icahn to **VISX** shareholders:

Dear Fellow VISX Shareholder:

VISX continues to contest the election of Keith Meister, my nominee to the VISX Board. I cannot help but wonder why VISX would continue to expend company capital and executive time, and unleash such transparent rhetoric, in order to keep one individual nominated by the largest VISX shareholder off of its Board. Could it be that the Board is concerned that with a shareholder nominee in their midst, they would lose their exclusive control over our company in respect of potential sales or other matters? I have been in the investment business for 40 years and have come to know a good acquisition candidate when I see one. I believe that, as the company's CustomVue procedure is rolled out over the next 6 to 18 months, there will be great interest in purchasing VISX. VISX has indicated that, although not certain, it expects to receive FDA approval of CustomVue in the second quarter of 2003. Even assuming procedure volumes remain at cyclical lows, the VISX business model (which requires payment to VISX for each procedure conducted) has tremendous operating leverage and as conversions to the new higher price procedure occur VISX could potentially generate multiples of its current cash flow. Indeed, in its April 18, 2003 letter to shareholders, the company stated its belief that "CustomVue will provide us with an extraordinary opportunity to gain incremental revenue and profit from VISX procedures as well as reinvigorate demand for laser correction." In its filing with the SEC on May 5, 2003 VISX presented a table of annualized percent conversion from standard to the custom procedure ranging from 10% (with a corresponding incremental operating profit of $7 million) to 60% (reflecting a corresponding incremental operating profit of $42 million).

I believe that the "extraordinary opportunity" to gain incremental profit will be viewed as a tantalizing opportunity for the right kind of buyer. The most likely buyers, in my opinion, should be large companies in the healthcare industry with significant expertise in consumer oriented marketing and the capital resources necessary to grow the market for laser vision correction and thereby achieve even further increases to incremental operating profit. I do not believe that VISX alone, without combining with a larger, more well capitalized company, can take advantage of these markets. Although I do not know what companies may have an interest in acquiring VISX, in my opinion, companies such

as **GE Medical Systems** or **Johnson & Johnson** would be examples of the types of companies with the capital resources and marketing clout to be good matches for VISX.

In December 2000, the chief executive officer of VISX stated that it had hired **Goldman Sachs & Co.** to explore "various alternatives." I do not know what alternatives the VISX Board may have considered, although no alternatives were presented for a vote of shareholders. However, I do know that Meister will be a strong advocate for the interest of shareholders with respect to any proposal for a strategic alternative or any other matters coming before the Board. Meister, a Harvard graduate, has had significant investment banking and business experience. Currently, he serves in the capacity of senior investment analyst with one of my affiliates. Mr. Meister has not been nominated for his background in laser vision technology or the industry. There is sufficient expertise in those areas on the VISX Board already. However, I believe that Meister's finance and business background and his experience in merger and acquisition transactions, will supplement the current Board. Most importantly, Meister would be the only shareholder nominee on the VISX Board. While VISX seems intent on resisting this, I believe that shareholders will find that having Meister on the Board will be a benefit for shareholders and their interests.

As is reflected in the company's proxy statement, as of December 31, 2002, options and rights to purchase a total of 8,377,957 shares of VISX stock (approximately 14% of the company on a fully diluted basis) were outstanding under the company's equity compensation plans. For the years 2000, 2001 and 2002, Elizabeth Davila and the four other most highly compensated executive officers of VISX were granted options to purchase 1,895,000 shares of VISX stock (approximately 3.2% of the company on a fully diluted basis). Ms. Davila alone was granted options to purchase 1,350,000 shares during that 3 year period. And this doesn't even take into account the options granted to Board members during that 3 year period. Time has not been so kind to VISX shareholders. During the same 3 year period, VISX stock has gone from closing at $52.09 per share on January 3, 2000 to closing at $9.58 per share on December 31, 2002. I believe that my nominee, Meister, will be a solid representative for shareholder interests who would be at least one voice on the VISX Board to argue against excessive remuneration.

While long time VISX shareholders have suffered declines in the value of their VISX stock over the past few years, Ms. Davila, other executives and the Board have had the benefit of substantial option grants and other compensation. It makes one wonder whether management and the Board would have interests that are aligned with shareholders, particularly if a bid for VISX were to arise. I see a great advantage to our company and its shareholders in adding one member to its Board who has not been nominated by VISX. If you agree with me, then VOTE THE WHITE PROXY CARD FOR THE ELECTION OF MR. MEISTER.

Very truly yours,

/s/ Carl C. Icahn

5/8 **Refocus Group, Inc.** (formally **Presby Corp.**) announced results of operations for the first quarter of 2003. For the three months ended March 31, 2003, the company reported a net loss of $1.7 million (17 cents per share) versus a loss of $1.1 million (17 cents per share) in the first quarter of 2002. During the quarter, the company engaged in both a private placement transaction and a merger transaction resulting in increased cash and cash equivalents to $4.0 million versus $0.3 million at December 31, 2002. The company reported no revenues, and no related costs of sales, for the three months ended March 31, 2003 or March 31, 2002, as a result of the emphasis on continuing product development. The primary changes in the company's results of operations for the quarter were significant increases in operating expenses, from $1.7 million for the three months ended March 31, 2003 compared to $1.0 million for the three months ended March 31, 2002, due in large part to non-cash expenses associated with the separation and consulting contract with Dr. Ronald Schachar, the former chairman and chief scientist of Presby Corp., predecessor to the business of Refocus Group, and non-cash stock-based compensation for options issued primarily in conjunction with the private placement.

These items were partially offset by a decrease in regular salary and benefits. Refocus Group also reported today that FDA Phase II clinical trials of the company's PresVIEW Surgical Spacing Procedure (SSP) for the treatment of presbyopia are expected to begin in the United States in second half 2003, pending FDA approval. "The infusion of cash we obtained through our private placement transaction in the first quarter has provided us with the funding to proceed with the U.S. Phase II presbyopia clinical trials, as well as to continue plans through our strategic partner **CIBA Vision** for the seeding launch of our re-engineered PresVIEW Surgical Spacing Procedure in selected international markets in the second half of 2003," said Terry Walts, president and CEO of Refocus. "We will continue to experience significant expenses, primarily associated with the FDA clinical trials, as we transition from a development company to a revenue generating company, which is expected by year end."

5/14 **VISX, INC.** announced that **Institutional Shareholder Services (ISS)** had recommended that VISX stockholders vote FOR VISX's proposal to re-elect all seven current members of the Board at the company's May 23, 2003 Annual Meeting of Stockholders. To follow ISS's recommendation, VISX stockholders should vote the company's GOLD proxy card. ISS is widely recognized as the leading independent proxy advisory firm in the nation. Its recommendations are relied upon by hundreds of major institutional investment firms, mutual funds, and other fiduciaries throughout the country. In recommending that VISX stockholders re-elect VISX's Board nominees, ISS stated in its May 13, 2003 report that:

"In conclusion, in the absence of compelling evidence to support Mr. Icahn's arguments, the addition to the board of his nominee Mr. Meister, who has limited finance experience (which includes two years as a junior analyst at **Lazard Freres** and short stints at **Northstar Capital Partners** and **J Net Ventures)** is not warranted."

"We are pleased that ISS recognizes that the current VISX Board is the right Board to lead our company into the future," said Liz Davila, chairman, president and CEO of

VISX. "We believe Carl Icahn's 30 year-old employee-nominee, Keith Meister, does not have the industry knowledge or business experience to adequately represent the interests of VISX stockholders as a Board member. In distinct contrast, our current Board and management team are comprised of individuals who are veterans in our industry. We are committed to building value for all our stockholders and have a track record of execution. We look forward to continuing to drive profitability and shareholder value by capitalizing on the opportunities created by our innovative technology and market leadership."

5/14 In the first half of the 2002/2003 financial year **Carl Zeiss Meditec AG** continued on its profitable expansion path, significantly increasing its sales and net income. The company recorded a 35.6% increase in sales to EUR 124.1m (previous year: EUR 91.5m). Compared to the same period last year, operating income (EBIT) grew by 104.1% to EUR 11.1m (previous year: EUR 5.5m). After only six months the company has thus exceeded the total figure for the previous financial year. The strong increase in profits was partly attributable to the substantially improved gross margin and a healthy growth in sales. Above all, the worldwide unique diagnostic system STRATUSOCT was instrumental in this significant growth. But the newly-launched MEL 80 refractive laser and other Zeiss Meditec product innovations also played an important role. With a gain of 39.2% the service business exhibited a particularly pleasing growth trend; this segment profited from the growing customer base for Carl Zeiss Meditec products.

According to Ulrich Krauss, president and CEO of Carl Zeiss Meditec: "We have strengthened our leading position in the market and as in the first quarter we have again substantially increased sales and operating income. This positive trend demonstrates that our products set new competitive standards. The disposal of the Aesthetic and Dental business units is the final stage in the strategy of focusing on ophthalmic products. We have now parted company with all peripheral activities and once again made good a promise to our shareholders."

Again, there has been a further improvement in the Group's financial structure: in the past six months cash and cash equivalents increased by 89.3% to EUR 13.6m. Operative cash flow reached the level of EUR 6.2m (previous year: EUR -0.5m). The equity ratio increased from 49.2% (as of 30 September 2002) to 50.0%. On the reference date 31 March 2003 the workforce stood at 842 plus 25 trainees (previous year: 634 plus seven trainees).

According to Krauss, the successful course taken by Carl Zeiss Meditec is to be pursued in the future: a major role is to be played in this and the coming years by focusing on ophthalmology as the core business and the regular introduction of new products. "Our target is to launch an innovation for each syndrome per year on the market," says President and CEO Krauss. The share of the market for ophthalmic equipment and systems is to be expanded from currently 18% to 30-35% by 2007.

Note: Figures stated for the previous year have only limited comparability. The latter apply to the former **Carl Zeiss Ophthalmic Systems AG** only. They do not include the

previous years' figures for the former **Asclepion-Meditec AG**. This accounting procedure is based on current US GAAP regulations.

5/14 **Refocus Group, Inc.** announced it had selected the investment bank of **Jefferies & company, Inc.** as a financial advisor to the company. Jefferies will provide a broad array of strategic and financial advisory services to assist the management and board in meeting the growth and capital needs of the company.

"Refocus is extremely fortunate to be associated with a U.S. investment bank of the caliber of Jefferies so soon after the close of our recent private placement and simultaneous emergence as a public company," said Terry Walts, president and CEO of Refocus Group. Refocus Group announced on March 6 the close of a private placement with commitments totaling $12.5 million, and the simultaneous merger with **Presby Corp.** "We are enthusiastic about the potential for Refocus and its re-engineered PresVIEW Surgical Spacing Procedure (SSP) for the treatment of presbyopia, primary open angle glaucoma and ocular hypertension," said Joseph Boystak, managing director of Jefferies' healthcare investment banking group. "Presbyopia and glaucoma in particular are two very large markets within eye care. Jefferies' role as financial advisor will be to help Refocus maximize the potential of this exciting new technology by advising on corporate development transactions and assisting the company with its capital formation requirements. We view Refocus' management as entrepreneurial and experienced in the eye care industry. We are optimistic about the prospects which may result from the company's strategic partnership with **CIBA Vision**, a division of **Novartis**," continued Boystak.

5/15 Having reviewed the recently issued report by **Institutional Shareholder Services (ISS)** regarding **VISX, Inc.**, Carl Icahn made the following observations:

While I am disappointed with the ultimate decision of Institutional Shareholder Services not to recommend a vote for Mr. Meister to the VISX board, I was gratified to learn from the report by ISS that VISX has now indicated to ISS that "at its next board meeting, it will submit a proposal to amend its poison pill to include a permanent chewable provision. The provision will require the company, in the event of a bonafide offer, to either redeem the pill or put it to a shareholder vote within 120 days of such an offer." ISS noted that "a chewable feature allow[s] shareholders to redeem the pill in the event of a takeover offer." Although the actual text of the proposal is not currently available, I believe that such a provision, if properly implemented, will benefit all shareholders and will be a great step forward at VISX. Nonetheless, I continue to believe that VISX shareholders would be benefitted by having Mr. Meister on the Board. Mr. Meister, a Harvard graduate, has had significant investment banking and business experience. Currently, he serves in the capacity of senior investment analyst with one of my affiliates. Mr. Meister would be the only shareholder nominee on the VISX Board. While VISX seems intent on resisting this, I believe that shareholders will find that having Mr. Meister on the Board will be a benefit to shareholders and their interests.

I was not surprised to read in the ISS report that "[t]he initial grant of 800,000 options to Ms. Davila does appear excessive." While long time VISX shareholders have suffered declines in the value of their VISX stock over the past few years, Ms. Davila has had the benefit of substantial option grants. As is reflected in the company's proxy statement, as of December 31, 2002, options and rights to purchase a total of 8.4 million shares of VISX stock (approximately 14% of the company on a fully diluted basis) were outstanding under the company's equity compensation plans. For the years 2000, 2001 and 2002, Elizabeth Davila and the four other most highly compensated executive officers of VISX were granted options to purchase 1,895,000 shares of VISX stock (approximately 3.2% of the company on a fully diluted basis). Ms. Davila alone was granted options to purchase 1.35 million shares during that 3-year period. And this doesn't even take into account the options granted to Board members during that 3-year period. Time has not been so kind to VISX shareholders. During the same 3-year period, VISX stock has gone from closing at $52.09 per share on January 3, 2000 to closing at $9.58 per share on December 31, 2002. I believe that having Mr. Meister on the VISX Board, where he would have the opportunity to react to compensation awards to management, would benefit all shareholders.

VISX has indicated that, although not certain, it expects to receive FDA approval of CustomVue in the second quarter of 2003. Indeed, in its April 18, 2003 letter to shareholders, the company stated its belief that "CustomVue will provide us with an extraordinary opportunity to gain incremental revenue and profit from VISX procedures as well as reinvigorate demand for laser correction." I believe that the "extraordinary opportunity" to gain incremental profit will be viewed as a tantalizing opportunity for the right kind of buyer. The most likely buyers, in my opinion, should be large companies in the healthcare industry with significant expertise in consumer oriented marketing and the capital resources necessary to grow the market for laser vision correction and thereby achieve even further increases to incremental operating profit. I do not believe that VISX alone, without combining with a larger, more well capitalized company, can take advantage of these markets. I believe that Mr. Meister will be a strong advocate for the interest of shareholders with respect to any proposal for a strategic alternative or any other matters coming before the Board. In my opinion, without Mr. Meister on the Board, an important catalyst for such a transaction would be gone. I also continue to believe that individuals nominated by shareholders are likely to be more independent of management and therefore be in a better position to represent the interests of shareholders.

I urge VISX shareholders to vote for Mr. Meister.

5/15 **STAAR Surgical company** reported that the May 2003 edition of *Cornea, The Journal of Cornea and External Disease* had published the findings of a study comparing the results of laser assisted in situ keratomileusis (LASIK) and implantable contact lenses (ICL).

The article entitled "Comparison of Implantable Contact Lens and Laser Assisted In Situ Keratomileusis for Moderate to High Myopia" authored by Donald Sanders, MD, and John Vukich, MD, concluded that the ICL is safer, more effective and appears to be a

viable alternative to LASIK, which utilizes corneal refractive excimer lasers, in the treatment of moderate to high myopia. In the article, the postoperative results of 210 eyes implanted with the ICL were compared with the postoperative results of 559 eyes on which LASIK surgery was performed. All of the patients were examined at one day, one week, one month, six months and one year postoperatively. The average level of myopia for the ICL patients was minus 9.1 diopters and the LASIK surgery patients had a slightly lower level of myopia at an average of minus 9.8 diopters.

Drs. Sanders and Vukich reported that in every index of BSCVA (Best Spectacle Corrected Visual Acuity), UCVA (Uncorrected Visual Acuity), predictability of refraction and stability of refraction, the ICL outperformed the LASIK procedure. After six months, the study indicated that while seven percent of ICL patients had gained two or more lines on the standard eye chart of BSCVA, only three percent of LASIK surgery patients had gained two or more lines and two percent of LASIK patients had actually lost two or more lines on the chart. After six months, the predictability of the ICL procedure was much higher with 90% of patients within 1 diopter of attempted correction and 65% within 0.5 diopters. LASIK surgery had statistically significantly less favorable results with only 76% of patients within 1 diopter of attempted correction and 53% within 0.5 diopters after six months. The ICL also scored higher in the UCVA 20/20 or better comparison with 50% of those treated achieving 20/20 vision or better, while 35% of LASIK patients reached this level of visual acuity.

"We are very pleased with the results of this study which are quite encouraging," said David Bailey, president and CEO of STAAR Surgical. "The favorable comparisons between our industry-leading phakic technology and LASIK technology further underscore the radical paradigm shift in refractive surgery that we believe the ICL represents. This study clearly illustrates that the ICL offers patients a more predictable alternative to LASIK."

5/15 **Miravant Medical Technologies** announced consolidated financial results for the first quarter ended March 31, 2003. Revenues, interest and other income for the first quarter decreased to $20,000 from $573,000 for the same period in 2002. The net loss for the quarter was $3.4 million (14 cents per share) compared to a net loss of $4.5 million (24 cents per share) for the same period last year. The company had cash of $581,000 at March 31, 2003, and $8.0 million available under a debt agreement that provides up to $1.0 million monthly through November 2003, subject to certain requirements.

In January 2003, Miravant announced its intent to file a New Drug Application (NDA) with the FDA, for marketing approval of PhotoPoint SnET2 to treat wet age-related macular degeneration (AMD). Extensive preparations are currently underway to make the NDA filing. Gary Kledzik, chairman and CEO, stated, "We were extremely pleased to announce our plan to file the company's first NDA, which is a significant milestone in the biotechnology industry. We believe the phase III clinical results support the potential use of PhotoPoint SnET2 to treat a broad group of wet AMD patients, with a

well-defined treatment regimen. As we work to prepare the NDA filing, we are holding potential licensing discussions for SnET2 with leading ophthalmology companies."

During the quarter, Miravant continued to treat patients in a phase II clinical trial of topical drug PhotoPoint MV9411 for plaque psoriasis. Psoriasis is a chronic skin condition in which the immune system triggers accelerated growth of the epidermis, causing inflamed, scaly skin plaques. Miravant also continued to make progress in its cardiovascular programs, optimizing the catheter-based drug and light treatment for multiple cardiovascular applications. The company's preclinical results were presented at major scientific meetings:

-- In January at the *Cardiovascular Radiation Therapy (CRT)* conference, Washington, DC, the company presented preclinical data supporting the use of PhotoPoint PDT to prevent failure of vascular access grafts in hemodialysis patients with chronic kidney disease.

-- Preclinical results were also presented at CRT demonstrating the use of PhotoPoint PDT to prevent and treat clinical restenosis (re-narrowing of arteries following balloon angioplasty and stenting). The results support the feasibility of using PhotoPoint PDT in combination with traditional bare metal stents, currently used in 80% of de novo lesions. PhotoPoint may provide a cost-effective, anti-restenotic treatment alternative to new drug-eluting stents for multivessel disease.

-- In March at the *American College of Cardiology (ACC)*, Chicago, Miravant presented initial results of a novel research study to explore the diagnosis and treatment of atherosclerotic vulnerable plaques (VP). These are rupture-prone, inflammatory plaques in arteries estimated to cause up to 85% of heart attacks. Studies in preclinical atherosclerosis models suggest the use of PhotoPoint PDT to reduce problematic lipid and inflammatory plaque cells, as well as regress or stabilize VP without weakening the structural integrity of vessel walls.

5/15 **MedJet** issued its first quarter report, stating the company is engaged in research and development for manufacture of medical technology and has developed a proprietary technology and derivative devices based on microjets. The company expects, during the remainder of 2003, to continue its research and development activities, focusing principally on dental technology and equipment. The company is a development stage company. The company had no revenues in the three-month period ended March 31, 2003, and the company anticipates that it has cash on hand to fund the company's working capital and capital expenditure requirements through July 2003. The report of independent certified public accountants to the company's financial statements for the year ended December 31, 2002 contains an explanatory paragraph that there is substantial doubt as to the company's ability to continue as a going concern.

In August 2001, **VISX, Inc.**, a U.S. provider of equipment for the vision correction procedure known as the Laser Ablation System for LASIK, and a subsidiary of VISX

entered into an Agreement and Plan of Merger and Reorganization, which provided, among other things, for the potential merger of Merger Sub with and into the company, at VISX's option. In connection with the execution of the Merger Agreement, the company and VISX also entered into a separate one-year research and development agreement. VISX had the option to terminate the Merger Agreement at any time during the one-year period following the date of its execution for any or no reason. <

In August 2002, the company and VISX amended various agreements in connection with the proposed merger of Merger Sub with and into the company. The company and a wholly-owned Cayman subsidiary of VISX entered into an amendment and assignment of the one-year research and development agreement originally executed in August 2001. The amendment extended the term of the research and development agreement to October 17, 2002, and granted VISX the option to extend the term to July 17, 2003, in order to allow the company additional time to pursue the research and development activities set forth in the agreement.

In November 2002, VISX elected to exercise their right and terminate the Merger Agreement. On November 11, 2002, VISX paid the company the $250,000 termination fee as provided in the Merger Agreement. In addition, Affiliate elected to terminate the research and development agreement. After the termination of the Merger Agreement, the company initially sought another strategic partner, purchaser or licensee of its microjet microkeratome. However, during 2002, the number of LASIK procedures fell well below the anticipated rates and the prospects for 2003 and the years beyond are not encouraging. The price of LASIK procedures has also seen serious degradation. The company believes that other companies with which it might pursue a strategic relationship involving its microkeratome share a similar view of the market. As a result, the company has currently discontinued its microkeratome development efforts until additional financing can be procured.

Based on the company's product-development criteria, the next area identified for development is treatment of dental caries. Development of such treatment began in February 2003. The dental caries is a progressive, infected and decayed portion of a tooth. A break in the enamel allows the dentin (calcareous material similar to but harder and denser than bone that composes the principal mass of a tooth making up the hard portion of the tooth) to be infected. Unchecked, the decayed region enlarges, potentially leading to nerve involvement, pain, temperature sensitivity, and ultimately loss of the structural integrity of the tooth. The standard treatment for dental caries is to remove the decayed, infected portion within the dentin and to fill the resulting cavity. The removal process involves drilling out the affected area of the tooth until only sound dentin remains. More recently, dental lasers have come into use for removing the caries. Not all regions of the tooth are readily accessed by the drill or laser.

The company has developed a unique technology whereby a fine beam of high-speed slurry (which is a mixture of sterile water and a fine aluminum oxide abrasive) quickly and quietly drills small diameter holes through the tooth enamel and dentine, without

chipping or cracking the structure of the tooth. The drilling process is free of vibration, heat and smell and the company believes the drilling process will be painless to patients in most cases. The holes created by this process should allow access to a cavity within the tooth containing carious material. The beam would then switch to sterile water, without an abrasive, and quickly wash out the carious material without damaging the dentin surrounding the cavity. The cavity is then ready for filling through the initial access hole. The company believes that the special filling material that can be used as an alternate to the conventional amalgam will be longer lasting and more aesthetically pleasing. Based on its limited experiments and observations to date with a prototype device, the company believes that a dental procedure based on this technology is feasible.

Although the company's experiments with dental procedures have been limited, and its prototype is the early stages of development and has not yet been confirmed on live patients, the company believes that the treatment, if perfected, may require no anesthesia in many circumstances and that the associated time and cost saving and the perceived advantages of the microjet technique over traditional treatments are potentially significant. Possible other advantages include reduced vibration and noise. An important feature is that the volume of dentin removed is greatly reduced compared to drilling, limiting the potential for nerve involvement and preserving as much as possible the integrity of the tooth. Hence, the capability may be called "microdentistry."

The company has not yet initiated sales of its products. The company generated no revenues during the three-month period ended March 31, 2003, and generated $654,956 of revenues for the comparable period in 2002. The revenues generated during the three months ended March 31, 2002 resulted almost entirely from the prior research and development agreement with VISX. As a result of the termination of the research and development agreement with VISX, the company currently has no source of revenues. Total expenses during the three months ended March 31, 2003 decreased by $612,636 to $194,000 from $806,636 for the comparable period of 2002. This decrease was primarily due to decreases in purchases for materials, testing and analysis and other costs associated with continuing development activities. Total expenses for the three months ended March 31, 2002 included charges of $154,000 resulting from the amortization of the value of the warrant to purchase 1,320,000 shares of the company's common stock issued to VISX in connection with the execution of the Merger Agreement and the research and development agreement. The total deferred charge of $616,000 in connection with the issuance of this warrant was amortized over the one-year period corresponding to the original one-year term of the research and development agreement, which term was from August 17, 2001 through August 17, 2002.

5/15 As reported by *OptiStock.com*, **Laser Corp** reported Q1 2003 net sales of $200,000, a 70% decrease over the same period in 2002. The company says the decrease was primarily the result of lower sales of laser products and service sales, including a significant decrease in sales to the company's primary customer. The company recognized a net loss for Q1 2003 of $220,000 or $0.13 per share. The company's continuation as a going concern depends on its ability to generate sufficient income and

cash flow to meet its obligations, to obtain additional financing and profitability. The company says there is no assurance it will be successful in those efforts.

5/16 **VISX Inc.** announced that its Board of Directors had adopted an amendment to the company's Stockholder Rights Agreement. Under the amended agreement, the rights issued under the Stockholders Rights Agreement would be redeemed immediately prior to the consummation of certain qualifying tender offers, unless stockholders vote to keep the rights outstanding.

Liz Davila, chairman and CEO of VISX, said, "Our Board of Directors has always been receptive to reviewing any bona fide offer for VISX. This amendment to the rights plan underscores our commitment to VISX stockholders."

5/19 **LaserSight Incorporated** announced financial results for the quarter ended March 31, 2003. Revenues for the quarter were $2.3 million compared to $2.0 million in the first quarter of 2002. The company reported a loss attributable to common shareholders of $2.9 million (10 cents per share), compared to a loss of $5.1 million (19 cents per share) in the comparable period of 2002. The average common shares outstanding were 27,842,000 during the first quarter of 2003 compared to 26,488,000 during the comparable period of 2002.

LaserSight's 10-Q Quarterly Report discusses the company's present financial conditions and its severe liquidity difficulties, including its need for an immediate cash infusion without which it will be forced to file for bankruptcy protection. To meet this problem, LaserSight has been in continuous negotiations with the holder of its Series H Convertible Preferred Stock, regarding the possibility of securing immediate cash payments for purchase of company products, further definition of the terms of a long-term strategy for the company in China, and a timetable for additional product purchases. The company expects, but cannot assure, that those negotiations will produce an agreement that will be closed in the very near future. As previously announced, on April 29, 2002 LaserSight's Common Stock was transferred to The OTC Bulletin Board Market where it is currently traded.

5/19 *EyeWorld Week* reported that the cost of LASIK may be tax deductible, according to the Internal Revenue Service. The current law states that taxpayers with medical expenses that total more than 7.5% of their annual incomes can deduct those costs if they itemize, according to the Dow Jones Newswire. Because the procedure "meaningfully promotes the proper function of the body," LASIK qualifies as medical expense that can be deducted, the IRS said. The IRS also said any out-of-pocket expenses for prescription drugs and insulin qualify as deductible medical expenses. The IRS discussed the tax treatment of medical expenses in revenue rulings 2003-57 and 2003-58. They will be published in the Internal Revenue Service bulletin dated June 2. The rulings and the bulletin can be found on the IRS Web site at www.irs.gov.

5/19 **LCA-Vision Inc.** announced that all four members of its board of directors were re-elected by stockholders at the company's annual meeting. The company also reaffirmed its bullish outlook due to a number of factors, including increased price per procedure, growing patient volumes and the new custom cornea procedure that is directing additional consumer attention to laser vision correction. Elected to another one-year term on LCA-Vision's board were: John Gutfreund, senior managing director and executive committee member at the investment banking firm **C.E. Unterberg, Towbin**; William Coleman, formerly a senior executive with **The Procter & Gamble Company** and currently a board member of **Touchtone Family of Funds**; John Hassan, president of **Champion Printing Company**; and Stephen Joffe, chairman, CEO and founder of LCA-Vision, who will continue as chairman.

During the presentation to stockholders, management expressed optimism about company prospects for the remainder of 2003, following strong financial and operating performance in the first quarter. "We've taken a number of steps to improve our average price per procedure, while remaining focused on controlling costs in all parts of the company. Additionally, we plan to open four to six new centers during 2003 with the expectation of reaching breakeven at each center within six months of opening its doors," said Joffe. "The new, premium-priced custom cornea treatment procedure, which we've introduced in four markets to date, appears to be attracting patients who may otherwise not have considered laser vision correction while appealing to other customers as an `upgrade' alternative. We plan to add this procedure to our current offering in additional markets during the balance of this year," added Joffe. The company also reiterated previous guidance for full-year 2003 earnings per diluted share of $0.30 to $0.35.

The company also announced that its board of directors had authorized the repurchase of up to $5 million of the company's common stock. "We are optimistic about LCA-Vision's prospects based on recent operating trends, new growth opportunities, our success in controlling costs and our strong balance sheet," stated Stephen Joffe, chairman and CEO of LCA-Vision. "We believe the repurchase of LCA-Vision stock will be accretive to earnings per share and is in the best interest of our shareholders." The timing and amounts of any stock repurchase will depend on many factors, including the market price of the common stock and overall market conditions. Purchases under the stock repurchase program may be made, from time-to-time, in the open market, through block trades or otherwise. As of March 31, 2003, the company had approximately 10,743,000 shares of common stock outstanding.

5/23 **VisiJet Inc.** announced unaudited financial results for the first quarter ending March 31, 2003. The company reported no revenues as it is currently in the development stage. Net losses were $828,697 (6 cents per share). "We're pleased with the progress made in the first quarter," stated Randy Bailey, president and CEO. "The infrastructure of the company is solid with the addition of vital personnel and the pre-production of the HydroKeratome is nearly complete. Post-approval clinical evaluations performed in vivo are scheduled in the next few weeks. We successfully met some challenging goals and anticipate that our accomplishments will continue to build a robust company."

During the quarter, VisiJet achieved these results:

-- Increased market awareness for its products in the ophthalmic market
-- Enhanced its sales and marketing capabilities internationally and in the United States with key hires
-- Secured pre-sales of the HydroKeratome internationally
-- Closed more than $1.25 million in new financing
-- Continued to build out production capabilities
-- Attended key industry conferences
-- Received the endorsement of influential clinicians
-- Appointed Richard Keates, MD, chairman of the Board of Directors

Financing efforts for the company were also successful according to Laurence Schreiber, COO, Treasurer and Secretary of VisiJet. "The company has received meaningful interest from several qualified institutional investor groups for additional rounds of private placement. We've accomplished significant growth though private equity and expect to continue that success to the benefit of our shareholders."

5/23 **VISX, Inc.** announced that based on the proxies submitted to the independent inspector of elections at today's Annual Meeting, it believed that its stockholders elected all seven VISX nominees to the company's Board of Directors, and rejected by a wide margin a nominee proposed by Carl Icahn to replace one of the VISX directors. The seven continuing directors are Elizabeth Davila, Laureen De Buono, Glendon French, John Galiardo, Jay Holmes, Gary Petersmeyer, and Richard Sayford.

Liz Davila, chairman and CEO of VISX, stated, "On behalf of the VISX Board of Directors, I thank our stockholders for their support. Today's vote clearly demonstrates that VISX stockholders believe we are taking the right steps, with the right Board, to build value. We have an experienced leadership team and a demonstrated track record. I am confident that VISX will continue to thrive as the undisputed leader in our industry."

VISX also believed that stockholders approved VISX's proposals to amend the company's 1995 Director Option Plan and its 2000 Stock Plan, and to ratify **KPMG LLP** as the company's independent auditors. Certified results of today's votes will be provided in the near future by **IVS Associates, Inc.**, independent inspector of elections.

The company also announced that it had received word from the FDA of its marketing approval for its CustomVue "custom LASIK" laser vision correction procedure. The CustomVue procedure tailors a unique correction for each individual. It employs the VISX WaveScan System that captures a "fingerprint" of the eye which is 25 times more precise than what was previously measurable by standard methods. WaveScan evaluates more than nearsightedness, farsightedness, and astigmatism; it captures other, more specific imperfections in each individual's vision. This data is then used to generate an individualized treatment for a CustomVue procedure.

Dr. Robert Maloney, Director of the Maloney Vision Institute and Associate Clinical Professor of Ophthalmology, UCLA School of Medicine, participated in the VISX multi-center clinical study. Dr Maloney stated, "The results from CustomVue procedures are very impressive, with potential for sharper vision and improved night vision over contacts and glasses. There is no question that this technology is a significant step forward in the advancement of laser vision correction."

The VISX clinical study results that were the basis of the company's FDA approval exceeded all of the FDA required measurements for safe and effective laser vision correction. The FDA approval allows for WaveScan diagnosis and CustomVue treatment of patients with up to -6 diopters of myopia, and up to -3 diopters of astigmatism.

Clinical data presented at the *American Society of Cataract and Refractive Surgery* 2003 Symposium and Congress in San Francisco showed that at one year following the procedure, all of the follow-up examinations indicated that participants could pass a driving test to drive without glasses or contacts. Ninety-eight percent of the participants could see 20/20 or better and nearly 70% could see better than 20/16 without glasses or contacts. A six-month evaluation of clinical study participants showed that four times as many people were very satisfied with their night vision after the VISX CustomVue procedure, compared to their night vision before with glasses or contacts.

"Our goal is to continue to introduce new technologies that advance laser vision correction. We are very pleased to be the first on the U.S. market with approval of laser vision correction for both nearsightedness and astigmatism. We are now moving ahead with an FDA approved human clinical study for CustomVue procedures for the treatment of farsightedness," stated Liz Davila, chairman and CEO of VISX.

5/23 Immediately after the announcement from **VISX**, **TLC Vision Corporation** announced that CustomLASIK was now commercially available at its TLC Laser Eye Centers locations throughout the United States. On March 6, the Company announced that it had completed the installation of wavefront analyzers. Today, VISX announced FDA approval of its WaveScan system. That was preceded by the FDA's approval of **Alcon's** LADARWave system in October 2002. TLCVision is now making this technology available to all of its affiliated doctors.

Dr. Richard Lindstrom, MD, Co-Medical Director of TLCVision, commented, "CustomLASIK is necessary for some, and desirable for most. The additional information that wavefront technology provides will help me select the best possible treatment for each individual patient. I am excited that I will be able to provide an even better quality of vision to my typical patients and that some additional patients who were not candidates for conventional LASIK can now be treated."

TLCVision has taken the lead to ensure that its affiliated doctors are prepared to offer this new technology to the public. The company recently held a User's Meeting in Chicago, Illinois where doctors discussed CustomLASIK and the impact that it may have. Over

the course of the next several weeks, TLCVision will be conducting Continuing Education courses for its affiliated doctors across the country. Dr. David Sullins Jr., OD, Co-Medical Director of TLCVision, commented "I am excited that TLCVision is taking a proactive approach to providing CustomLASIK technology to ensure that its affiliated optometrists have the CustomLASIK option for patients."

5/23 According to sources, **C&C Vision** obtained FDA panel approval for its CrystalLens accommodating IOL. More on this when I get it.

5/26 *The BBC News* published another article about the problems with LASIK, the fourth over the past two years. This one, entitled, "Laser eye surgery complaints up: Negligence claims involving laser eye surgery against doctors belonging to the Medical Defence Union (MDU) have more than doubled in the last six years," purports to show that complaints about LASIK surgery have "increased by 166% in six years, and now account for a third of all ophthalmology claims".

It is interesting that the article appeared just after VISX got marketing approval for its CustomVue "custom LASIK" procedure, which should do away with most such claims -- provided refractive surgeons take some care in choosing which patients they provide with LASIK. (Anyone wishing a copy of the complete article should contact me.)

OPHTHALMIC LASER UPDATE -- June 2003

5/27 Following the announcement by **VISX** of approval of its CustomVue custom LASIK, Ted Huber of **Wachovia Securities** issued an update report: "EYE: FDA Approves Custom LASIK; High Octane for VISX's P&L". Some of his comments:

-- VISX Wins Key FDA approval: VISX's "CustomVue" laser vision correction technology was approved by FDA for correction of myopia with astigmatism on Friday. The timing of this approval is consistent with street expectations.

-- An Advancement in Laser Vision Correction: Clinical data from the multi-center trial supporting the FDA approval illustrated superior rates of 20/20 vision, improved quality of vision, and lower complication rates. We expect the marginally better clinical outcomes and physician support of the new technology to drive the commercial success of Custom LASIK.

-- Expect Rapid Commercialization: VISX expects to sell "key cards" for custom LASIK yet this quarter (we continue to expect a $100 premium over existing product). VISX has eight training sessions planned over the next three months and maintains that 80% of its installed base (volume weighted) is equipped to perform Custom LASIK.

-- Confidence in Estimates: This "on time" approval, and positive feedback from recent channel checks bolsters our confidence in our 2003 estimates of $0.38 and our street high estimates of $0.68 for 2004.

5/27 Carl Icahn reacted to the results of the **VISX** annual meeting. Although disappointed that his nominee, Keith Meister, was not elected, Icahn stated as follows:

I am pleased by VISX management's recent concession to implement a "chewable pill." This pill, although not a perfect solution, allows a cash bidder willing to pay above the current market price for VISX stock to acquire that stock without triggering the poison pill, so long as at least half of the shareholders tender. I believe that the adoption of this feature was made in response to our efforts to elect Meister to the VISX Board and represents a real victory for shareholder interests. While this concession, in my opinion, likely gained the support of Institutional Shareholder Services for VISX management and insured their victory in the proxy contest, I believe that this is a step in the right direction and that potential bidders will be encouraged by the existence of this provision.

VISX has indicated that it has now received FDA approval of the CustomVue technology. In its April 18, 2003 letter to shareholders, the company stated its belief that "CustomVue will provide us with an extraordinary opportunity to gain incremental revenue and profit from VISX procedures as well as reinvigorate demand for laser correction." I believe that the "extraordinary opportunity" to gain incremental profit will be viewed as a tantalizing opportunity for the right kind of buyer. I do not believe that VISX alone, without combining with a larger, more well capitalized company, can take advantage of the market potential available to it.

I still firmly believe that shareholders are best served when shareholder nominees are included on boards of directors and that the addition of Meister would have provided an important catalyst for an acquisition of the company. Nonetheless, in my opinion, as a result of this proxy contest, VISX shareholders are in a better position today than they were three months ago. It is a sad commentary on United States corporations in general, and on VISX in particular, that only in the context of an arduous proxy battle was the adoption of the "chewable pill" feature implemented. It should not take a proxy contest for shareholders to secure from entrenched management something that should always be within their own absolute control, the right to decide for themselves whether to accept a tender offer for any and all of their stock. I am pleased that we were able to obtain this victory at VISX. In the future, I intend to continue to object to poison pills and other devices that I believe limit shareholder rights and I will seek to cause other companies to implement a "chewable pill" provision in their poison pills. I urge other large shareholders to do the same.

5/28 *Medical Device Daily* reported on **C&C Vision's** panel approval for its CrystaLens accommodating IOL. Kevin New wrote:

An FDA advisory panel last Friday recommended approval for an innovative intraocular lens (IOL) following a debate over the device's ability to perform the way the manufacturers stated it would. The Ophthalmic Devices Advisory Panel unanimously recommended that the FDA approve the CrystaLens, a multipiece silicone posterior chamber accommodating IOL, but the approval contained a list of more than 12

conditions, mostly related to the device's labeling. The CrystaLens, a silicone-based artificial lens manufactured by C&C Vision (Aliso Viejo, California), is indicated for implantation in patients following cataract surgery.

Unlike earlier IOLs, the CrystaLens incorporates a hinge mechanism, which would improve a patient's near, intermediate and far vision. The ability to improve, or accommodate, all three fields of vision helps patients with presbyopia, an eye disorder that appears in later life, usually after age 45. Presbyopia diminishes the eye's ability to focus for near and far vision and usually requires reading glasses for occasional use or bifocal lenses for those who normally wear glasses.

The accommodating feature, however, proved to be a major focus of the advisory board's concerns. "If I were the sponsor, I'd rush out and prove that the lens moves forwards and backwards in the instances where it is intended. My recommendation is that we require the sponsor to prove the IOL can accommodate before going on," said panel member Arthur Bradley, associate professor of optometry and visual sciences and adjunct professor of neural and cognitive science at Indiana University (Bloomington, Indiana). Bradley also expressed concern that the hinge component of the IOL would weaken over time. "Patients have been followed for a year, but how will the hinge perform after millions and millions of repetitions?"

The accommodating feature should be removed from the patient labeling because the clinical trial involved a subjective measure of accommodation, the panel said. "The issue of whether the device accommodates is difficult. The sponsors have measured the degree of accommodation using a drug for the measurement, but I don't agree that it's the best way to obtain accommodative data," said Timothy McMahon, OD, associate professor of optometry in the department of ophthalmology and visual sciences at the University of Illinois-Chicago (Chicago, Illinois). "The lens is safe, but I'm leery about it moving in the eye over a period of years," he added.

Another condition for the IOL was that patients with large pupils be discouraged from having the device implanted. "I voted for approval of the device, but I want the sponsor to provide the FDA with patient satisfaction data from patients with pupils larger than 4.5 diopters. I believe the device is safe and effective, but I'm concerned that the lens won't perform as well in patients with larger pupils," said Alice Matoba, MD, associate professor in the department of ophthalmology at Baylor College of Medicine (Houston,Texas).

During closing comments to the panel, Adrian Glasser, an investigator at C&C Vision, asked how much accommodation was required for the sponsor to state that it was achieved. "Objective measurement of accommodation is ideal, because it requires no participation from the subject," he said. "Drug-stimulated accommodation is the most appropriate way to objectively measure accommodation and was performed in 10 eyes on five patients in the trial. This is the first accommodative IOL to be presented and will

set the stage for the future of cataract surgery. We believe the data offers the first real compelling evidence that accommodation can be achieved," Glasser said.

"I'm excited about the prospects for this device. It can be revolutionary in treating cataracts," said Allen Ho, MD, associate professor of ophthalmology at the Thomas Jefferson University School of Medicine (Philadelphia, Pennsylvania) and associate surgeon in retina service at Wills Eye Institute (also Philadelphia).

Venture-backed C&C was founded in 1998 by Andy Corley, who serves as chairman and CEO, and Stuart Cumming, MD, who is chief scientific officer and invented the technology that has resulted in the CrystaLens product. The company has 12 issued patents and 10 pending patents and is pursuing expansion of its intellectual property portfolio.

5/28 Holland Johnson, also of *Medical Device Daily*, wrote about the **VISX** FDA approval.

The LASIK surgery space in the U.S. came into better focus late last week as VISX (Santa Clara, California) reported receiving approval from the FDA for its CustomVue laser vision correction, a procedure which uses a diagnostic system to capture a "fingerprint" of the eye 25 times more precise than what was previously measurable by standard methods. The VISX WaveScan System uses a WaveFront aberrometer to capture an image of the eye and that data is used to then generate an individualized treatment for a CustomVue procedure. The new procedure provides improved visual acuity and contrast sensitivity with less night glare.

The VISX clinical study results that were the basis of the company's FDA approval exceeded all of the FDA required measurements for safe and effective laser vision correction. The FDA approval allows for WaveScan diagnosis and CustomVue treatment of patients with nearsightedness and astigmatism, with the latter indication being the first granted for such a procedure in the U.S.

VISX, which made the announcement late Friday afternoon, said it is the second company to be approved by the FDA for wavefront-guided laser surgery, which has been shown to give patients consistently better vision and reduced side effects than earlier techniques. **Alcon** (Huenberg, Germany) received FDA approval in October for its LadarVision CustomCornea system (Medical Device Daily, Oct. 23, 2002).

Laser surgery reshapes the cornea to treat near-sightedness and other conditions. The most popular technique is called LASIK, short for laser-assisted in situ keratomileusis. Though many patients have seen major benefits, some have complained of blurred night vision or other side effects. The new procedure, sometimes also called custom LASIK, creates precise, individualized measurements of imperfections in a patient's eye before beginning corrections.

"The results from CustomVue procedures are very impressive, with potential for sharper vision and improved night vision over contacts and glasses. There is no question that this technology is a significant step forward in the advancement of laser vision correction," said Dr. Robert Maloney, director of the Maloney Vision Institute (Los Angeles, California) and associate clinical professor of ophthalmology at the UCLA School of Medicine (also Los Angeles), who participated in the VISX multi-center clinical study.

Clinical data presented at the *American Society of Cataract and Refractive Surgery* 2003 conference in San Francisco, California, last month showed that at one year following the procedure, all of the follow-up examinations indicated that participants could pass a driving test to drive without glasses or contacts. Some 98% of the participants could see 20/20 or better and nearly 70% could see better than 20/16 without glasses or contacts. A six-month evaluation of clinical study participants showed that four times as many people were very satisfied with their night vision after the VISX CustomVue procedure, compared to their night vision before with glasses or contacts.

"Our goal is to continue to introduce new technologies that advance laser vision correction," said Liz Davila, chairman and chief executive officer of VISX in a statement. "We are very pleased to be the first on the U.S. market with approval of laser vision correction for both nearsightedness and astigmatism." Davila also noted that the company was now moving ahead with an FDA-approved human clinical trial for CustomVue procedures for the treatment of farsightedness.

Larry Haimovitch, president of **Haimovitch Medical Technology Consultants** (Mill Valley, California), who covers the ophthalmology space for MDD and its sister publication, *The BBI Newsletter*, said the addition of an indication for astigmatism is perhaps one of the most important parts of the CustomVue procedure approval and VISX is the first company to receive an FDA approval for that condition. "That's a significant piece of the puzzle because there's a lot of people who also have astigmatism in addition to myopia," he told MDD .

Haimovitch also pointed out that the company would most likely raise its per-eye fee for this new custom LASIK surgery to $200 from $100, matching Alcon's pricing, and effectively doubling the cost of the procedure. He said the incremental cost for providing that extra $100 in value is minimal. "It's pharmaceutical-like margins that to me is 90-plus percent gross margins."

Also high on the CustomVue approval was **Wachovia Securities** (New York) analyst Ted Huber, who called the clearance a "watershed event for the LASIK industry and for VISX as a stock." He added that VISX, whose CustomVue technology is approved for myopic corrections up to 6.0 diopters and astigmatic corrections up to 3.0 diopters, now has a clinical advantage over its key U.S. rivals, Alcon and **Bausch & Lomb** (B&L; Rochester, New York), and is poised to rapidly commercialize its new technology. He noted that 80% of its lasers (volume weighted) are equipped for custom LASIK and

VISX should train substantially all of its key surgeons on the new technology this summer.

Michael Lachman, with **ThinkEquity Partners** (San Francisco, California), wrote in a research report that the "importance of the astigmatism indication should not be underestimated." He pointed out that more than half of patients currently treated for myopia are also treated for some level of astigmatism. Lachman also noted that the company would enjoy at least a small competitive advantage over its two primary competitors by being first to market in the U.S. with the astigmatism indication. "We believe that Alcon, which was the first to receive custom approval for myopia last October, is about one year away from an astigmatism approval. And B&L, he said, "expects approval for custom treatment of both myopia and astigmatism during 3Q03, about one quarter behind VISX."

VISX consolidated its holdings when it acquired technology, including patents and other assets associated with its WaveScan product line, from **20/10 Perfect Vision Optische Gerate GmbH** (Heidelberg, Germany) last month for $5.9 million (MDD, April 14, 2003). The company granted 20/10 Perfect Vision certain license and distribution rights. The company released news of the FDA approval following an annual shareholders meeting that brought another piece of interesting news. Stockholders elected a slate of directors proposed by company management and rejected a nominee proposed by investor Carl Icahn, who is part of a group that has urged the company to seek a buyer. VISX recently agreed to amend a defense against hostile takeovers that Icahn opposed.

Icahn, who held 11.7% of VISX stock as of December, had proposed Keith Meister, an investment analyst, to the company's board. Icahn has said Meister "has significant investment banking and business experience" that would "supplement the current board." VISX, which is the No. 1 maker of vision correction lasers, had rejected the Icahn nominee, calling him "unfit" for the post.

5/29 **VISX** announced that it repurchased 3.5 million shares of VISX stock. The shares were purchased pursuant to an agreement with an investment banking firm, which acquired these and other shares from entities controlled by Carl Icahn. Liz Davila, chairman and CEO of VISX, said, "We are very pleased to have had the opportunity to repurchase a substantial block of VISX shares. We believe that this is an excellent use of our cash to enhance shareholder value." Ms. Davila continued, "This is an exciting time for VISX. Last week we received FDA approval for CustomVue laser vision correction. CustomVue is the first custom procedure approved for both nearsightedness and astigmatism, and we are now actively marketing the procedure to our customers."

Daniel Rosenberg, of *DOW JONES NEWSWIRES*, reported, "After a stormy tenure as a large shareholder of Visx Inc., financier Carl Icahn sold his stake in the company this week, miffed over shareholders' rejection of his candidate for the board. Affiliates of Icahn, who owned nearly 12% of Visx shares, sold 6.02 million shares on Wednesday for $17.60 each to investment banking firm **Goldman Sachs (GS)**, which turned around and

sold back 3.5 million shares to Visx. Icahn lost about $20 million of his original $140 million investment in the company. Visx Chairman and CEO Liz Davila said in a telephone interview that she expects Icahn's departure to have little impact on the laser eye surgery company's fortunes. Although Icahn's presence brought with it a certain "aura" that is now gone, his departure also takes away a source of stress. "People realized that if he sold off in the open market, it could be very disruptive," Davila said. "That threat is gone." She added that the company itself suggested to Goldman Sachs that the investment bank approach Icahn about purchasing his shares.

Ted Huber of **Wachovia Securities** quickly issued an update about the stock repurchase: EYE: Share Repurchase Sends Market A Strong Signal Plus Details on VISX's New Pricing Strategy.

-- VISX Repurchases Icahn Shares: VISX repurchased 3.5 million shares at a below market price yesterday from investor Carl Icahn. The balance of Icahn's shares, near 2.5 million, are in unknown hands at this point (acutally, held by Goldman Sachs, as noted above). This sales comes on the heels of Icahn's latest proxy defeat and ends his two year unsuccessful battle to force a sale of VISX.

-- Strong Market Signal: VISX's investment of over $60mm in its own stock sends a strong signal to the market following the recent doubling of its stock price. Management clearly sees significant growth and profit from market adoption of its new Custom LASIK product. Yesterday's repurchase is neutral to 2003 and 2004 EPS.

-- New Custom LASIK Pricing Strategy: VISX plans to ship its first custom LASIK procedure cards to surgeons next week. Its pricing strategy, $2,450 for a 10 procedure and 2 retreatment card, works out to just over $204 per procedure, assuming surgeons use the retreatments. This deft marketing move encourages surgeons to market "touch-up" procedures to their base of previously treated patients and thus expands the market.

5/30 **SurgiLight, Inc.** announced on May 22, 2003 that UK-based **GEM GLOBAL YIELD FUND (GEM)**, a private equity fund, will convert the remaining $2 million of a $3 million convertible debenture to 21.5 million shares of SurgiLight stock and will receive a seat on the company's Board of Directors. GEM has committed 2.15 million shares of the total to a new employee option plan; the company is assigning another 2.15 million shares to that plan. If all of the 2.15 million shares are awarded under the option plan, GEM will hold 18,350,000 shares. Under the agreement, GEM will immediately convert 19.9% of the issued and outstanding stock or 7.9 million shares. The company and shareholders must authorize additional shares for GEM to complete their conversion. Until that time, GEM will hold a note for the balance owed. Once the conversion is complete and assuming full allocation of the new employee option plan, GEM will have twenty-seven (27%) percent of SurgiLight shares fully diluted shares. GEM has agreed to limit its voting on most corporate matters to 19.9 percent of outstanding shares. The full debenture was originally issued in the fall of 2000, under the company's previous

management and has created an overhang in the stock since that date. One-third has since been converted to common stock through December 2002.

Under the agreement, Edward Tobin, a GEM Director, will be elected to the Board. Tobin commented, "We made this investment decision based on our review of several key factors: OptiVision's success in clinical trials of its role in reversing presbyopia; the significance of the worldwide market for presbyopia treatment; and the overall experience, expertise and dedication of the current senior management team as reflected in a clear-cut business plan."

SurgiLight chairwoman and CEO Colette Cozean, said that GEM's substantial stock acquisition "is a firm endorsement of our technology, the revised focus of the company and management's ability to seize down the road the premier position in our target markets. GEM's generous assignment of more than two million shares to an employee option plan not only provides added performance incentive, but also signals a firm commitment to growing this company to industry sector leadership."

6/2 **Refocus Group, Inc.** announced that it had selected **Promedica International** to manage FDA Phase II clinical trials of the company's Surgical Spacing Procedure (SSP) device for treating presbyopia. The presbyopia trials, subject to FDA approval, are expected to begin in the latter part of 2003. "Promedica International has significant experience in configuring and conducting FDA trials in the specialized area of surgical ophthalmology. I have a great deal of respect for this company, having worked with them at **Autonomous Technologies** (now part of **Alcon Labs**) to obtain U.S. marketing approval for Autonomous' innovative LadarVision refractive laser system," said Terry Walts, president and CEO of Refocus Group. "This engagement will enable us to continue on our planned development schedule for the SSP device in the U.S., in conjunction with our strategic partner, **CIBA Vision**, the eye care unit of **Novartis AG**."

"Our staff at Promedica International enjoys and appreciates the challenges associated with managing trials involving potential `breakthrough' surgical technology," said Ginger Clasby, vice president of business development at Promedica. "We believe our strong background with refractive and cataract surgery clinical studies will facilitate an efficient clinical trial for Refocus Group."

6/2 **LCA-Vision Inc.** announced that it will open the company's latest LasikPlus Center -- its 33rd U.S. facility -- on June 9, 2003, to serve patients throughout the Indianapolis metropolitan area. LCA-Vision chairman and CEO Stephen Joffe commented: "Rolling out additional LasikPlus facilities re-affirms LCA-Vision's full confidence in, and commitment to, the continuing growth and profitability of the LasikPlus business model and of laser vision correction generally, which remains the U.S.'s most frequently performed elective surgical procedure."

"The nationwide patient pool is huge and has barely been tapped. With LasikPlus continuing to gain brand-name recognition and acceptance, we believe Indianapolis'

demographics, coupled with our robust presence in the Midwest, offer us an unusually favorable competitive and real estate environment for our newest facility, one of several scheduled to open this year across the country."

In the wake of LCA-Vision's strong financial and operating performance in the first quarter of 2003, Joffe also took the occasion to reiterate the company's earnings guidance for full-year 2003 at 30 cents to 35 cents per share. He added: "We are very optimistic about the LasikPlus business model and our future prospects. Price realization per procedure continues to rise; we are squarely focused on containing costs; and our newly-introduced premium-priced custom cornea treatment continues to gain acceptance."

The new Indianapolis center will be equipped with state-of-the-art laser systems from both **Bausch & Lomb** and **VISX**. Dr. Jason Greenberg, a senior board-certified eye surgeon specializing in laser vision correction, heads the facility's highly experienced medical team.

6/4 **First Albany** and analyst Jason Mills initiated coverage of both **Bausch & Lomb** and **VISX, Inc.** On B&L, Mills said, "New leadership and new operating plan; continued operating improvements should drive stock in near term," as he started the company with a "buy" rating and a $42 price target. On VISX, he said, "VISX is a compelling growth stock with significant earnings leverage," and he started coverage with a "buy" rating and a $21 price target.

6/6 The June issue of *Ophthalmic Market Perspectives* featured the approval of wavefront-driven LASIK, CustomVue by VISX. As David Harmon put it, "Wavefront-driven LASIK is widely seen as the silver lining in a refractive surgery market that has been overcast with declining demand. Besides the opportunity to increase average retail prices, the procedure promises improved quality of vision for most patients. In the short run, this should generate a marketing buzz that brings prospective patients to seminars and into the office. In the long run, better results are expected to improve the word-of-mouth marketing -- reported by patients and surgeons as the most important aspect of a decision to undergo LASIK.

The newsletter also related the FDA's Device Panel views about the recommendation for approval of the CrystaLens accommodating IOL. In another story, Dave Harmon reported that the average price for LASIK had dropped somewhat in the first quarter of the year, from an average of $1631 to $1556 per eye. He said that price declines were primarily due to the procedure/volume mix, with more surgeries performed at low cost laser centers during the quarter. He went on to say that LASIK prices were expected to increase in coming months as custom ablations are performed during the third quarter. The number of custom procedures done during the first quarter were very low (only Alcon had approval in that timeframe, and few wavefront devices were in the hands of Alcon surgeons), but those that were offering the service were charging a premium of $300 to $700 per eye.

6/10 While many Americans have cut spending in today's economic climate, there is one area where consumers are spending in record numbers: non-laser vision correction. The CK (Conductive Keratoplasty) procedure, approved by the FDA in April 2002, is attracting Baby Boomers with disposable income who want to leave their glasses behind, as they invest in rejuvenation procedures that leave them looking as young as they feel. Since CK's approval, more than 12,000 procedures have been performed nationwide, at an average cost of $1,500 per eye. CK is the first non-laser vision procedure for Baby Boomers who struggle to read the newspaper, a menu or see to drive at night. Some 60 million Americans (a full 55% of adults over age 40) struggle with glasses, making it the most common vision disorder in America. Because their vision began to deteriorate later in life, many Baby Boomers view glasses as an unwelcome sign of aging.

"The donning of glasses is a public declaration of your age," says Marguerite McDonald, MD, professor of ophthalmology at Tulane University, New Orleans, La., and medical monitor for the FDA clinical trials on CK. "Millions struggle with glasses to accommodate for their deteriorating vision, and CK offers them a new and safe option for vision correction so they can be freed of the struggle, hassle and age-related stigma of glasses."

The three-minute CK procedure uses radio waves, instead of a laser or scalpel, to correct vision so there is no cutting and no removal of tissue. It is performed in-office with only topical (eye drop) anesthesia. "With traditional investment opportunities producing lackluster results, many Baby Boomers are investing in their own health and well-being," said Mitchell Campbell, president and CEO of **Refractec, Inc.** "These people are tired of relying on glasses to read their golf score card, price tags or street signs. CK gives them a sense of empowerment and control over the aging process and we're seeing that Baby Boomers are more than willing to spend their hard-earned money for that kind of personal reward."

Turning Back the Clock with Rejuvenation Procedures -- That CK has gained in popularity so quickly is not surprising, given Baby Boomers' enthusiastic pursuit of youth extenders. According to the publication, *American Demographics*, in 2002 Baby Boomers poured $30 billion into anti-aging products and rejuvenation services. Interested in living long and vital lives, many Baby Boomers are not satisfied with having to reach for their glasses every time they sit in front of the computer, do a craft, read a menu, or drive at night. As such, CK has found its place among the many rejuvenation treatments being embraced by appearance-conscious Baby Boomers, who want to work with "mother nature" but slow down "father time."

According to a 2001 survey by the *AARP*, 50% of Baby Boomers are depressed that they're aging and 18% (one in five) admits to actively resisting it. This trend is reflected in the popularity among this generation for Botox injections, liposuction, microdermabrasion, chemical peels and cosmetic dentistry. In 2002, more than half of the 3.9 million surgical and non-surgical cosmetic procedures were performed on 35- to 50-year olds, according to the *American Society of Plastic Surgeons (ASPS)*. And one

rejuvenation process often leads to others. A full 37% of Americans who had a cosmetic procedure in 2002 had at least one previous procedure to improve their looks. That's up from 25% four years ago according to the ASPS.

To support this trend, a new website, **www.rejuvenation1.com**, has been created to connect Baby Boomers who are interested in rejuvenation procedures with teams of physicians that offer services in their area. "Many patients are so impressed by the results, the convenience and safety of the minimally invasive procedures that they want to try others," Dr. McDonald says. "We see Botox patients, no longer wanting to hide their newly enhanced face behind glasses, asking for CK to restore their vision -- which can then lead them to a cosmetic dentist for teeth whitening or dental repairs." With a Baby Boomer turning 50 every seven seconds in the United States, the safety and convenience of CK makes it an attractive option for those seeking "lunch-time" rejuvenation, especially those Baby Boomers who tend to be more risk-averse than their younger counterparts who flocked to procedures like LASIK.

CK Bucks Economic and Ophthalmic Industry Downturn -- "My patients are not the only people benefiting from CK," said Dr. McDonald. "The procedure's popularity among Baby Boomers has balanced out reduced consumer spending in other areas of refractive surgery and prevented my office from instituting layoffs." CK's market success runs in contrast to other refractive procedures in the ophthalmic industry. According to **Market Scope**, a St. Louis-based ophthalmic research firm, the LASIK market has been in a downward slide for the past two years, ending 2002 down 12.5%, compared to 2001. That may be due to the fact that prior to CK, very few people between the ages of 40 to 60 had considered vision treatment surgery because they were waiting for a safe, less-invasive option, according to consumer research. It didn't help that as vision correction procedures progressed, Baby Boomers were essentially left behind: RK, PRK, even LASIK initially, were all treatments solely for the younger and nearsighted. CK is one of the first procedures designed specifically for the Baby Boomer generation.

"In 2003, I expect to perform more CK procedures than LASIK, which is remarkable for such a new treatment," said Daniel Durrie, MD, associate clinical professor, University of Kansas. "Many Baby Boomers who consider LASIK too risky are attracted to CK because it is minimally invasive and can be performed in-office in under three minutes." Physicians nationwide see promise in CK's ability to attract the Baby Boomer demographic. A recent survey of the *American Society of Cataract and Refractive Surgeons* reported that 35.5% of those physicians who were not currently performing CK planned to do so in the future, compared to less than 10% one year ago.

"For me, wearing glasses was a nuisance, and they made me look and feel older than I am," said Pamela Larson, a CK patient. "Thanks to CK, I feel at least 15 years younger, and that makes me more confident in everything I do. It's the best investment I've made in a long time."

6/10 Liz Davila, CEO of **VISX**, gave a presentation at the **Goldman Sachs** Healthcare Conference. In her presentation, Ms. Davila discussed the pricing for CustomVue procedure cards, noting that the separate enhancement cards included in the purchase package, were meant for the 5%-10% of people that might seek enhancement of their original LASIK procedure. During the Q&A session, she noted that 400 of their laser customers had the WaveScan device and that certification for CustomVue could be done online. She expected that most doctors would pass along the additional costs of the custom procedure with about a 2x markup, also noting that in Canada, their experience has been that most patients go for the upgrade. VISX will begin a PR campaign to support CustomVue, running newspaper and magazine ads, along with providing doctors with marketing materials. She also felt that analysts modeling for penetration of custom ablation seemed reasonable. As for the refractive market, she felt that the CustomVue message would result in a high level of awareness and interest. Along with better signs for the economy and with consumer confidence going up, the market can only get better.

6/10 **Anamed, Inc.** announced that the FDA had allowed the Phase II expansion of the clinical trial with its PermaVision intracorneal lens for the correction of hyperopia up to + 6 diopters. The agency agreed that Anamed could enroll, with immediate effect, an additional 100 eyes in up to five different sites. The company earlier announced that all patients authorized for Phase I of this study had been enrolled and that the U.S. National Institute of Health (NIH) had awarded the company a $ 1.44 million Phase II Small Business Innovative Research grant to help fund its US clinical trials.

"The PermaVision lens is designed to offer an outstanding solution to hyperopia, especially in the higher ranges. The lens also offers the advantage of being removable, an important option in today's refractive surgery environment," said Dr. Stephen Slade, MD, director of The Laser Center of Houston. "Now that we have better microkeratomes and what seems to be a very compatible artificial material, I think we are well on the path to making keratophakia a powerful alternative to current tissue removal vision correction procedures."

The PermaVision intracorneal lens is implanted in a sutureless surgical procedure. A flap is created in the cornea (just like in LASIK), the micron-precisioned lens is placed under the flap and centered over the pupil. The flap is then folded back over the lens and the eye. Fluid dynamics keeps the lens and the flap in place. No stitches are necessary. Unlike LASIK, which removes tissue, this procedure is additive, allowing the lens to be removed or exchanged.

PermaVision Process -- PermaVision lenses work differently than other vision correction techniques. Unlike laser vision solutions such as LASIK, where corneal material is irreversibly removed to alter the surface of the eye, the PermaVision lenses change the refractive power of the eye in predetermined increments through the addition of material, thereby making the solution removable and adjustable. "I think it shows a lot of promise and will probably become a serious contender for LASIK, especially in that it is adjustable and reversible, which LASIK is not," according to Dr. Jan Venter, MD, who

has clinically evaluated the procedure during the past two years. Dr. Venter practices in South Africa and the United Kingdom.

Availability -- An international multi-center study on simple hyperopia was opened in December 1999. The intracorneal lens, which is marketed under the PermaVision trademark, received the CE Mark in 2001 and is now commercially available to the general public in Western Europe, the Middle East and South Africa.

6/11 **Paradigm Medical Industries, Inc.** released the following open letter to shareholders to provide a state of the company and to announce initiatives that have been undertaken since Dr. Poore's arrival. This progress report details the company's current conditions, strategies to exploit un-met market opportunities, and objectives for precise execution.

Dear Shareholders,

When I accepted this position on March 23, 2003, I did so on the assessment of the strength of the company's intellectual property. I found products and instruments that had been built or purchased over recent years to address essential ocular needs. During my professional career I have been involved in a number of organizations but few have had the wealth of unique technologies I found at Paradigm. Notwithstanding, my arrival was preceded by a shortfall on previously envisioned market opportunities and the company was facing serious financial challenges. Available cash for company operations was severely limited and Sales, General, and Administration expenses were consuming resources at a significant rate. After numerous difficult choices, the company is discernibly stronger today than it was when I arrived. I am encouraged that these initial efforts will realize demonstrable increases both in market penetration and financial stability and I believe our future looks promising.

Two months into the process I have the following details to report: Since March 23, 2003, I have initiated the following:

-- company expenses have been reduced:
-- Annual payroll has been reduced by over $800,000.
-- Total burn-rate has been reduced by approximately 20%.
-- The company can become cash flow positive on monthly sales of approximately $550,000.
-- A corporate financing has been initiated to raise $2 million.
-- These resources are earmarked specifically for product enhancement, focused sales, and marketing campaigns to highlight profitable Paradigm products and to leverage economies of scale within our distribution channels.

-- Product Focus

-- Our ocular products are highly competitive. We have selected and are streamlining our efforts to increase revenues on the product lines returning the most immediate and

profitable margins. We believe this will aid in managing staffing, calculating inventory needs, and managing service obligations in support of these products.

-- A partial list of core products that we believe enables distribution include:

-- Ocular Blood Flow Analyzer
-- Medicare in many states is currently reimbursing the Analyzer. A primary objective is to broaden reimbursement in the remaining states.
-- Ultrasonic BioMicroscope
-- Our four-stage workstation provides ultrasound resolution for imaging.
-- Microkeratome
-- Pachymeter
-- Autoperimeter LD 400 and TKS 5000
-- Corneal Topographer CT 200
-- A-B Scan
-- Additionally, The Photon Laser, around which so much of this company was developed, remains in a supplementary data stage before the FDA. While we intend to remain focused and use our current resources for the sales and distribution of our established products, we believe that the laser can represent a significant market opportunity and are evaluating how to bring this innovative technology to market.

-- Product Evaluations

-- We have initiated a market assessment campaign to further evaluate and raise awareness of our high margin ocular products. Feedback from evaluations at an established eye institute has been positive. Subsequent clinical evaluations are being planned that we intend to use to stage more effective national rollouts.

-- Sales Initiatives

-- We have restructured our commission program and developed realistic product related goals for our distribution partners. Our plan calls for complete dedication to our group of focus products. We are working to increase sales by strengthening our current distribution while moving to an independent representative and distributor sales force which, for a company our size, will be more manageable.

-- Strengthened executive management.

-- We have recruited Greg Hill as CFO. Hill's corporate experience at **Lineo**, **Quark** and **Tyco**, as well as his education at MIT and The Harvard Business School, make him eminently qualified for this position. Moreover, Greg is indicative of the level of talent that we intend to engage in this organization. His financial contributions are already having an impact.

-- Raymond Cannefax has joined Paradigm as our VP of Marketing and Sales. He brings years of experience and leadership to the sales team. Ray has already been successful in signing new Distribution agreements both domestic and international.

-- Communications

-- We will endeavor to communicate future company developments in a timely manner. As shareholders you understand the extraordinary challenges that we have already overcome. We are committed to the highest level of integrity.

We have made significant progress and believe that our current market valuation neither accurately values our group of products nor the opportunities that we envision for them. The actions that we are taking are both considerable and measured. Our primary objective is profitability. We intend to accomplish that goal proximately. We appreciate the patience of our investors. As this letter indicates we are both focused and market oriented and will pursue courses to increase lasting value to this organization and it's shareholders. We encourage your inquiries and again appreciate your patience as we finish the reshaping of this organization.

Dr. Jeffrey F. Poore
President and CEO
Paradigm Medical Industries, Inc.

6/12 **IRIDEX Corp.** announced the publication of two additional clinical studies using the company's IRIS Medical OcuLight SLx laser that further validate the effectiveness of transpupillary thermotherapy (TTT) for the treatment of wet age-related macular degeneration (AMD). One study, principally authored by Dr. Allen Thach, appears in the current issue of *Archives of Ophthalmology* and the second study, principally authored by Dr. Peep Algvere, is in the current issue of *Acta Ophthalmologica Scandinavica*.

The Thach study, from the Retinal Consultants of Arizona, Phoenix, treated 69 patients with predominantly occult wet AMD and followed them for at least 6 months. The aim of this study was to describe the outcome of patients with predominantly occult choroidal neovascularization (CNV) when treated with TTT spot sizes up to 6 mm. At the 6-, 9-, and 12-month follow-up visits, 71% of patients have stable or improved visual acuity. (Stable defined as plus or minus 1 Snellen line.) The study concluded that large-spot TTT is effective in stabilizing the visual acuity in those patients who have occult CNV due to AMD.

The Algvere study, from the Karolinska Institute of Stockholm, Sweden, treated 113 patients with predominantly occult CNV and followed them for at least 12 months. The aim of this study was to assess whether occult with minimally classic CNV responds to TTT and to compare the outcome with that of occult with no classic CNV. Laser spot sizes up to 3 mm were used. In all 113 treated eyes, 59.3% avoided moderate vision loss (3 line loss) and 82.3% avoided severe vision loss (6 line loss) at the 12-month follow-up

examination (using ETDRS visual acuity). The study concluded that TTT generally prevents moderate and severe visual loss at 12 months in predominantly occult CNV. Eyes with occult and no classic CNV tended toward a better outcome. Eyes with minimally classic lesions with a greatest linear dimension of less than 3.0 mm also show the same positive outcome. These results compare favorably with published data on the natural course of the disease. However, minimally classic lesions of greater than 3.0 mm responded poorly in this treatment setting.

Both studies were prospective, non-randomized, non-masked case series that were performed using the company's IRIS Medical OcuLight SLx 810 nm Laser System and Large Spot Size Slit Lamp Adapter. Theodore Boutacoff, president and CEO of IRIDEX, commented, "These studies represent another step forward for TTT that may be an important treatment for AMD. Since there are no current widely accepted treatment options for occult AMD, TTT could prove to be a clinically significant and cost effective advance in fighting wet AMD. We look forward to the results of the randomized TTT4CNV clinical trial, which completed enrollment in April 2003."

6/12 **STAAR Surgical company** announced that it had entered into definitive agreements to sell 1 million shares of newly issued common stock at a purchase price of $9.60 per share in a private placement to institutional investors. The offering is expected to close within two business days.

6/18 **Refocus Group, Inc.** announced that Health Canada had determined that the sample size submitted in the company's application for a license to market its PresVIEW device for the surgical treatment of glaucoma and other ocular disorders in Canada, is insufficient for approval. The company has pledged to work closely with Health Canada authorities to obtain approval and is currently exploring its options, which could include the re-filing of the application supplemented with additional data from experience with the device and procedure outside Canada.

"It is not uncommon for regulators to ask for a larger sample size of patients in a medical device application," said Terry Walts, president and CEO of Refocus Group. "However, while we have previously indicated that Health Canada's approval was not assured from our initial application, their decision is unexpected. We plan to provide all information required to obtain approval from Health Canada to market the PresVIEW device in Canada."

The application was based on promising clinical results from a study of 24 patients with either primary open-angle glaucoma or ocular hypertension, which was conducted by Aaron Rifkind, MD, associate clinical professor of ophthalmology at McMaster University in Hamilton, Canada. These results were recently presented at the April meeting of the *American Society of Cataract and Refractive Surgery* in San Francisco. In the two-year follow-up exam, the 24 eyes in the study had a mean intraocular pressure (IOP) decrease of 7.7 mm Hg overall, which was 1.1 mm Hg lower than the pre-surgery mean baseline value with the use of glaucoma medication. Elevated IOP is a risk factor

for glaucoma as elevated pressure can cause damage to the optic nerve tissue, which can lead to blindness. Presbyopia, or the inability to focus on near activities such as reading a book, was also evaluated in those patients and it was found that there was an overall four lines of vision improvement in patients' near visual acuity at 20 cm. There were no significant surgical complications.

Refocus Group had originally anticipated Health Canada approval for the PresVIEW device in the second or third quarter of 2003. In March 2003, Refocus Group closed a private placement with commitments totaling $12.5 million to be funded in stages. One of several criteria for funding $5.75 million of the commitment is approval to commercialize the device for the treatment of primary open-angle glaucoma and/or ocular hypertension in Canada. While Refocus Group is currently assessing its options regarding next steps to obtaining this approval, Health Canada's decision could delay the timing of that portion of the commitment.

Subject to Health Canada approval, Refocus Group still plans to open several commercial or clinical sites in Canada for surgically treating primary open-angle glaucoma and other ocular disorders by the end of 2003. "The important finding of my clinical study is the consistent maintenance of IOP control over two years with no daily dependence on glaucoma drugs," noted the clinical trial investigator, Dr. Rifkind. "While there are very effective medications available to treat elevated IOP in ocular hypertensive and primary open-angle glaucoma patients, some of the medications' limitations are side effects, requirement of daily patient compliance which often does not happen, gradual loss of IOP control just before re-medication and cost. The PresVIEW device may offer ophthalmologists an exciting new surgical treatment in helping patients more effectively achieve and maintain target IOP's -- either without or with significantly reduced medications -- thereby helping preserve their vision."

6/19 Michael Lachman of **ThinkEquity Partners**, issued a followup report on **VISX's** launch of its CustomVue customized ablation process, entitled, "ThinkEquity/EYE: Expecting a Solid Q2 Report Following Launch of CustomVue". Some of the highlights of the report were:

We expect VISX to report a strong second quarter following the recent approval and launch of CustomVue. We expect rapid conversion to CustomVue technology, although the impact on Q2 will be limited given the late quarter approval. Our recent field checks with LASIK service providers have provided generally positive feedback regarding the tone of business, reflecting a rebound in market dynamics over the past several weeks and overall cautious optimism regarding the outlook for the remainder of 2003. While we're not expecting a blowout quarter, we think there could be a penny or two of upside to our $0.07 EPS estimate, and in this note we review earnings sensitivity to a number of business parameters. We also provide clarification regarding the company's pricing structure for CustomVue procedures, which we view favorably.

Investment Thesis

VISX is the clear leader in the laser vision correction (LVC, or LASIK) market, with sustainable competitive advantage and significant earnings leverage to industry-wide procedure growth. After two years of declining procedure volumes, we see potential for a rebound driven by improving consumer confidence, the demise of the deep-discount service providers, and an important new product cycle. We expect rapid adoption of CustomVue wavefront-guided treatment, which was recently approved by the FDA and should provide VISX with the opportunity to significantly raise procedure-based pricing as customers convert to this new technology.

In the report, Lachman provided some clarity on the VISX pricing for CustomVue:

"Prior to approval of CustomVue, VISX management had suggested and we had modeled a procedure fee of $200 per eye, a 100% premium to the $100 fee for standard LASIK. while the actual pricing structure that VISX has introduced (described below) is a bit more complex than a straight $200 per eye, we view the $200 fee in our model as a reasonable estimate, with the potential for some upside over time.

-- Rather than selling CustomVue VisionKey cards for $200 each, VISX will sell a set of 10 CustomVue cards along with two "enhancement" cards for $2,450. The CustomVue cards can be used to treat the full range of approved corrections (myopia up to -6D with astigmatism up to -3D). The additional (enhancement) cards can be used to treat up to -1D of myopia with astigmatism up to -0.5D.

-- So, if surgeons and centers use both of the additional cards for every package of 10 regular CustomVue cards they purchase, they will get 12 procedures for $2,450 and effectively pay $204 per procedure. If they use neither of the additional cards, they will get 10 procedures for $2,450, resulting in a $245 average price. For reasons we describe below, we believe that most of these cards will be used and that average effective pricing will be at the low end of the $204-245 range.

-- These additional cards are intended primarily for revision/enhancement procedures, for patients that do not reach their desired visual outcome after their initial CustomVue procedure. The cards may also be used to provide a CustomVue "touch-up" to patients previously treated with standard LASIK that are unhappy with their results.

-- We believe that these cards will also be used "off-label" by surgeons to effectively expand the range of myopia and astigmatism that may be treated with CustomVue. In effect, this practice will expand the opportunity for CustomVue conversion to a wider range of patients. Our field checks indicate that surgeons will be able treat patients with as much as -9D of myopia by combining cards. While some surgeons will treat off-label patients by having them return for enhancements three months following their initial treatments, other surgeons will likely perform "both" ablations (initial plus enhancement) simultaneously.

-- Note that for the past three years VISX has been charging the standard $100 procedure fee even for revision procedures. For CustomVue, VISX will not sell full-priced VisionKey cards for enhancement procedures, but instead will capture enhancement revenues through higher pricing ($245) on the regular CustomVue cards.

-- Re-treatment rates for LASIK today stand at roughly 7%, implying that for each set of two enhancement cards that are sold to customers (along with the 10 regular cards) 0.7 will be used for traditional enhancements. The other 1.3 cards will be used primarily to expand the treatable patient base, as described above. Most of the providers with whom we have spoken expect to use most of these enhancement cards, making our $200 estimate of CustomVue procedure pricing a reasonable approximation. Assuming that the pricing structure of CustomVue cards stays steady over time, there is upside to the average pricing going forward as the more precise CustomVue technology itself leads to lower re-treatment rates and as CustomVue receives approval for a wider range of corrections (eliminating the need for off-label expansion of the range)."

6/20 **LaserSight Incorporated** announced that it had been advised by **GE Healthcare Financial Services, Inc.**, as successor-in-interest to **Heller Healthcare Finance, Inc.**, (GE) that its loans to LaserSight are currently in default due to an adverse material change in the financial condition and business operations of LaserSight.

As previously announced in its most recently filed 10-Q Quarterly report, the company had minimal cash and was unable to manufacture products due to limited inventories and unfavorable financial relationships with its vendors. At that time, the company also reported that it was in continued negotiations with the holder of approximately 97% of its Series H Preferred Shares for a cash infusion. LaserSight is currently in negotiations GE for a modification and restructuring of its defaulted loans and these negotiations have progressed to the "term sheet" stage. The company hopes that negotiations with the holders of the Series H Preferred Shares and GE will be completed in the near term.

6/23 **WallStreet Research**, a prominent equity research boutique led by Alan Stone, Managing Director of **Alan Stone & Company, LLC**, announced that it had initiated coverage of **VisiJet, Inc.** The complete analyst research report on VisiJet, together with the risks associated therewith and additional information about WallStreet Research, is available at **www.WallStreetResearch.org**.

VisiJet, Inc., incorporated in 1997 and headquartered in Irvine, California, is a medical device company focused on the development and marketing of innovative ophthalmic applications that will result in faster, safer and more efficacious procedures in two of the largest surgical markets in the world: refractive and cataract surgeries. VisiJet's lead products, the HydroKeratome and Pulsatome, utilize the company's proprietary and patented waterjet technology that uses a high-pressure micro beam of water the diameter of a human hair to cut ocular tissue. The FDA-approved HydroKeratome uses the waterjet technology to cut the cornea as required in LASIK surgery. The Pulsatome,

currently under development, is a device that uses waterjet technology to remove cataracts -- the most performed surgical procedure in the world.

6/24 **LaserSight Incorporated** announced that it had executed an agreement with **Shenzhen New Industries Medical Development Co. (Shenzhen New Industries)**, **Shenzhen**, the People's Republic of China and its Hong Kong based-affiliate **New Industries Investment Consultants (H.K.) LTD (New Industries Investment Consultants)**. Shenzhen New Industries is a company that specializes in advanced medical treatment services, medical device distribution and medical project investment and New Industries Investment Consultants is the holder of LaserSight's Series H Convertible Preferred Stock issued during 2002.

As announced on August 16, 2002, LaserSight and Shenzhen New Industries entered into a strategic relationship that included the purchase of at least $10 million worth of LaserSight products during a twelve month period ending in August of 2003, distribution of LaserSight products in mainland China, Hong Kong, Macao and Taiwan, and a $2 million equity investment in LaserSight Incorporated by New Industries Investment Consultants. The investment in LaserSight was in the form of the purchase of Convertible Preferred Stock, the Series H Stock that, subject to certain restrictions, is convertible into approximately 40% of LaserSight's Common Stock. Prior to the execution of the agreement announced today, Shenzhen New Industries had purchased approximately $4.5 million worth of LaserSight products.

As previously announced in its most recent 10-Q Quarterly Report, the company had minimal cash and was unable to manufacture products due to limited inventories and unfavorable financial relationships with its vendors. The company and Shenzhen New Industries executed this agreement in order to start to implement a rescue plan for LaserSight and a restructuring of LaserSight's governance, management and operations. The company has recently adjusted its business strategy to focus on sales of the company's products in China, one of the world's largest markets for laser vision correction treatment. Under this new business strategy the company's operations will be streamlined to improve efficiency and cut costs. The successful implementation of the new strategy and this restructuring is the key to improving the company's cash flow and operating results.

Under the terms of the agreement, Shenzhen New Industries shall proceed with further purchase orders and will make efforts to provide necessary advance payments according to a schedule to be agreed upon between the parties. If LaserSight's operations are proceeding substantially in accordance with its restructured business plan, Shenzhen New Industries has indicated that it intends to purchase additional LaserSight products above and beyond the $10 million in product purchases previously agreed to.

The company also announced that Francis O'Donnell, MD and David Peroni had resigned their positions as members of LaserSight's Board of Directors and that Dr. O'Donnell had resigned as chairman of the company's Board of Directors. Xianding Weng was elected

chairman of the Board. Weng had been a LaserSight director since October 2002 and founded New Industries Investment Co., Ltd in Shenzhen, China in 1993 serving as its president and CEO. This reorganization will facilitate the ability of the company to focus on the China market. As previously announced in the company's most recent 10-Q Quarterly report, the company and its Chinese strategic partner continue to discuss the implementation of a long term business strategy for China that will allow the company to share in the recurring revenue stream generated from the operation of the company's products.

6/26 **Paradigm Medical Industries, Inc.** announced that the company had successfully closed escrow on $225,000 of a private placement financing of up to $375,000 and has commitments for an additional $125,000. Dr. Jeffrey Poore, president and CEO, remarked, "This latest financing is the first step, mentioned in my recent letter to shareholders, of obtaining funding for working capital to move the company forward. These funds provide Paradigm the benefit of a strengthened balance sheet while extending financial flexibility. Moreover, the monies are a vote of confidence in our efforts and enable us to vigorously pursue current business objectives." The company also announced that over recent weeks the company's cash position had improved by the conversion of certain outstanding warrants. The financing represents a part of the funds that the company has outlined for working capital requirements. With the cost of money at historic lows, the company noted its intention to continue to pursue the favorable capital markets environment to empower company initiatives. Concurrently, the board acknowledged and welcomed the new shareholder base that over recent weeks has made a considerable investment in the company through the purchases of common stock.

The company also announced that it had transitioned from the Nasdaq Small Cap market to the OTC Bulletin Board. Effective June 26, 2003, the company's common stock and warrants will trade on the OTC Bulletin Board under the respective symbols: PMED and PMEDW.

6/27 **Miravant Medical Technologies** and **Pharmacia AB**, an indirect, wholly-owned subsidiary of **Pharmacia Corporation** have entered into an agreement to provide the parties with a 30-day period in which to discuss a long-term resolution of issues concerning Miravant's payment of a debt due under the parties' existing $10 million credit agreement. **Pfizer Inc.** acquired Pharmacia on April 16, 2003, and Pharmacia is now a wholly-owned subsidiary of Pfizer. This agreement provides that the $5 million, plus interest, payment that would have been due June 30, 2003 is now due on July 30, 2003. During this 30-day period, the parties intend to discuss the terms for payment of the debt.

6/30 **NovaMed Eyecare, Inc.** announced that it had entered into a new, three-year $30 million credit facility with **National City Bank** as agent, and **LaSalle Bank** and **The Northern Trust Company** participating. These three financial institutions were all involved in the company's previous facility. NovaMed intends to use the credit facility primarily for the acquisition and development of surgical facilities as well as for general corporate purposes. "I am very pleased with the terms of our new credit facility and the strength of

our relationship with these financial institutions," said Stephen Winjum, NovaMed chairman, president and CEO. "With no current outstanding borrowings, this new credit facility will provide us with plenty of capacity to execute our growth strategy which includes acquiring and developing both ingle-specialty and multi-specialty surgical facilities."

OPHTHALMIC LASER UPDATE -- July 2003

7/1 **Schwind eye-tech-solutions** introduced the all new ORK WAVEFRONT ANALYZER. This new Hartmann Shack wavefront device is fully compatible with the gaussian small spot (0.8mm) fast speed (200 Hz) Schwind Esiris Excimer Laser and ready to use for `Customized Ablations'. Accuracy and reliability of wavefront measurements are critical to the achievement of desired surgical outcomes. The new ORK Wavefront Analyzer is produced in cooperation with **Wavefront Sciences Corporation**, a world leader in wavefront analysis. The device boasts the highest resolution (210 microns) and largest number of measuring points (1452) of any currently available wavefront device. With such high resolution and large number of measurements the ORK Wavefront Analyzer is ideal for enhancement procedures of post LASIK patients as well.

The company also noted that with the introduction of the new Carriazo Pendular Microkeratome, it completes it's `Perfect Refractive Package'. Along with the small flying spot (0.8 mm), high speed(200 Hz), high performance eye tracker Esiris Excimer Laser, Schwind has added the all new Hartmann-Shack ORK Wavefront Analyzer. The eye-tech-solutions package also offers the choice two high quality topographic systems and software links for both Topography and Wavefront guided Customized Ablation.

7/1 **STAAR Surgical company** announced that the Pre-Market Approval Application (PMA) for its Implantable Contact Lens (ICL) had been accepted for substantive review by the FDA and was granted an expedited review status. The official filing date for the ICL PMA was May 8, 2003. According to the FDA Center for Devices and Radiological Health (CDRH), "Expedited review will generally be considered when a device offers a potential for clinically meaningful benefit as compared to the existing alternatives...or when the new medical device promises to provide a revolutionary advance...over currently available alternative modalities." In notifying the company of the expedited review, the FDA said, "We believe that the Collamer Implantable Contact Lens (ICL) for Myopia may provide a clinically meaningful advantage over existing technology in terms of increased effectiveness for patients with high myopia."

"Although the granting of expedited review status does not guarantee that the application will be approved it does mean that the ICL will receive a priority review," said Helene Lamielle, MD, vice president of Scientific Affairs at STAAR. "The ICL's application will be reviewed before other pending applications and placed at the beginning of the appropriate review queue," she said. "We are delighted that the FDA has accepted the PMA for our ICL so quickly after our submission," said David Bailey, president and CEO of STAAR Surgical. "The acceptance of this third and final module of our PMA

brings us one step closer to commercialization of the ICL in the U.S., and we continue to believe we will be the first to market this technology in the United States. We have always asserted that the ICL would represent the next paradigm shift in refractive surgery and consider the granting of expedited review status by the FDA an underscore of this belief."

7/2 According to *Dow Jones Business News*, **CustomVis plc**, of Australia, which designs and markets customized surgical laser vision equipment, announced the successful completion of the placing relating to its admission to AIM, a market operated by the London Stock Exchange. Twelve million six hundred new ordinary shares were placed with U.K. institutional investors at the Placing Price of 91 pence per share. The amount of new money raised for the company totals GBP11.5 million (gross). The company will have a market capitalization of GBP31.6 million at the Placing Price, including the GBP11.5 million (gross) proceeds. Proceeds from the placing will be used to: increase the scale and production capacity for the CustomVis System; expand the company's existing sales, service and marketing infrastructure; fund further research and development develop and commercialize the CustomVis System. Plans are underway to seek FDA approval, enabling access to the United States market. Dealings in the ordinary shares are expected to commence on Tuesday 8 July 2003.

7/3 **STAAR Surgical company** announced that it had been added to the Russell 2000 equity index, effective July 1, 2003. STAAR's index membership will remain in place for at least one year. "We are very pleased to be included in the Russell index and regard this occasion as another milestone for the company," said David Bailey, president and CEO of STAAR Surgical. "We are delighted that the market has recognized our focus on continuing to build shareholder value." Membership in Russell's 21 U.S. equity indexes is determined primarily by market capitalization rankings and style attributes. Russell indexes are widely used by managers for index funds and as benchmarks for both passive and active investment strategies. About $250 billion is invested in index funds based on Russell's indexes and an additional $850 billion is benchmarked to them. Investment managers who oversee these funds purchase shares of member stocks according to that company's weighting in the particular index.

7/3 **CIBA Vision Surgical** announced that it had submitted a pre-market notification to the FDA for approval of an epikeratome device to be used for sub-epithelial separation. The EpiEdge sub-epithelial separator is used as part of a new refractive surgical procedure called Epi-LASIK. Epi-LASIK was developed by Ioannis Pallikaris, MD, the renowned Greek ophthalmologist who helped introduce LASIK to the world.The EpiEdge is also compatible with the Centurion SES microkeratome device, introduced by CIBA Vision Surgical in April of this year. The Centurion SES device will be sold with two blades, one for use in traditional LASIK procedures (microkeratome) and one for use in Epi-LASIK procedures (epikeratome). The EpiEdge epikeratome is not a blade per se, but a separator that produces an epithelial sheet, thereby eliminating the need for alcohol used in some refractive laser procedures, such as PRK and LASEK.

CIBA Vision anticipates launching the EpiEdge epikeratome in the U.S. later in 2003, pending FDA approval.

7/8 **Paradigm Medical Industries, Inc.** announced that its Board of Directors approved an extension of the expiration date for exercising the company's Class A warrants and the **Kenneth Jerome** warrants by six months to January 10, 2004. These warrants would have expired on July 10, 2003. The exercise price of the 1,000,000 Class A warrants is $7.50 per share. In connection with the company's initial public offering in 1996, Paradigm issued and sold to its underwriters, Kenneth Jerome & company, Inc., warrants to purchase 200,000 shares of common stock exercisable at prices ranging from $7.50 to $8.125 per share.

7/9 Ted Huber of **Wachovia Securities**, issued a report on the medical device arena that he follows. The title of the report was: "Q2 Preview: Strong New Product Cycles But Historically Rich Valuations." Some of his comments included:

* Industry Thesis: We remain bullish on selective Medical Device stocks though we do not expect this group as a whole to outperform given relative valuations near historic highs. As the market is increasingly expecting a cyclical recovery, we note that Medical Devices is a secularly driven industry. We expect continued outperformance from companies with strong new product cycles (COO, RESP, EYE), international expansion (COO, RESP), leverage to the improving economy (EYE) and overly discounted valuations (BAX, BOL).

* 2Q03 Outlook: We expect "in line" or better EPS performance from all 9 of our coverage companies. Given the strong new product cycles and another quarter of positive currency contributions, we ascribe a low probability to any EPS shortfalls this quarter. ACL, BOL, AVO, BSTE and COO are our leading candidates to beat consensus 2Q03EPS estimates. ACL, BOL and AVO are poised to benefit most from the continued intra quarter weakening of the U.S.$.

* Possible EPS Revisions: The best chances for rising consensus estimates exist for COO, BOL, AVO and BSTE. The increases are driven by improving fundamentals at BOL and COO. AVO's revisions should be driven largely by non-operating items and are discounted into current valuation. BSTE's consensus estimates remain conservative for 2003 but aggressive for 2004 and 2005. Though EYE estimates remain overly cautious for 2004, they appear full for the balance of 2003; the market may be expecting model increases given EYE's 18% rise since 6/24. Our bias on consensus EPS for BAX and CTMI (2004) remains negative.

* Valuation: Medical Technology stocks have handily beaten the market so far this year. With the S&P up 12% though July 3, our Large Cap Medical Device universe has risen 18%, Small Cap Value Devices are up 24% and Small Cap Growth Devices are up 61%. Our Large Cap Medical Device Universe now trade at 1.36x the S&P vs. a 10 year historic mean of 1.2x and max of 1.4x.

7/14 **Refractec, Inc.** announced it had raised an additional $9 million to assist the company in expanding its CK (Conductive Keratoplasty) vision correction procedure for Baby Boomers throughout the United States. The funds -- which exceeded Refractec's financing goal of $5 million -- are a continuation of a preferred series D round of financing. To date, Refractec has secured approximately $35 million for the successful launch of CK. Investors in this round of financing include four venture capital firms that provided funding in previous rounds -- **THLee**, **Putnam Capital Management, LLC** (Boston, Mass.); **The Entrepreneurs' Funds of R.B. Webber & Company** (Mountain View, Calif.); **Brentwood Venture Capital** (Menlo Park, Calif.); and **Delphi Ventures, Inc.** (Menlo Park, Calif.) -- plus a new investor, **Versant Ventures** (Menlo Park, Calif.).

CK is the first non-laser vision procedure for Baby Boomers who struggle to read the newspaper, a menu or see to drive at night. Since CK was approved by the FDA in April 2002, more than 16,000 procedures have been performed by physicians across the country, at an average cost of $1,500 per eye. Refractec recently completed Phase III clinical trial for use of CK in the treatment of presbyopia, a condition commonly referred to as "aging eyes," that affects most people by the age of 40 and all of us by the age of 51. Refractec anticipates filing for pre-market approval with the FDA later this year, with approval expected sometime in early 2004.

"CK has brought life's details back into focus for thousands of people with vision problems, and with the continued support of the investment community, Refractec can expand the availability of this technology to even more patients," said Mitchell Campbell, Refractec's president and CEO. "We are especially pleased to add Versant Ventures to our prestigious group of investors. The partners at Versant Ventures have a distinguished history of focused business efforts in the medical device industry, and its investment signifies a strong and growing acceptance of CK in the marketplace."

Some 60 million Americans (a full 55% of adults over age 40) struggle with glasses, making it the most common vision disorder in America. Because their vision began to deteriorate later in life, many Baby Boomers view glasses as an unwelcome sign of aging. With its exceptional safety profile, CK is attracting a growing number of Baby Boomers who are typically more averse to the risks posed by laser surgery such as LASIK.

7/16 **Eyemakers, Inc.** announced that talks are continuing for the previously announced signing of a letter of intent (LOI) with a public company that provides LASIK corrective eye surgery to its patients in the Southwest. This LOI sets the stage for Eyemakers to acquire a company which has projected 2003 revenues of over $2 million. Eyemakers feels a decision is very close and that the two companies are now in the process of finalizing a share purchase agreement which will be announced in coming weeks.

Ernest Remo, chairman and CEO of Eyemakers, Inc., stated "If completed as planned, this acquisition will provide Eyemakers with immediate access to a growing revenue

stream, healthy margins and an expanding customer base. This is just the first of several actions we plan to take this year to build the company and improve shareholder value."

7/21 **QLT Inc.** reported that its alliance partner, **Novartis**, announced global Visudyne (verteporfin) sales of approximately US$89.2 million for the quarter ended June 30, 2003. This represents an increase of 25% over sales in the second quarter of 2002.

7/21 **Bausch & Lomb** announced that it had entered into a licensing agreement with Dr. Faezeh Mona Sarfarazi for the development, marketing and production of an innovative proprietary accommodating intraocular lens technology that she invented. Dr. Sarfarazi's technology is a single-piece molded silicone lens with a dual-optic design, which has the potential to provide presbyopic patients with good distance vision as well as the ability to read without reading glasses.

"As an eye health company with a 150-year heritage of technological innovation, the opportunity to provide good presbyopic correction without the use of spectacles for patients after cataract surgery is of great interest to us," said Kamal Sarbadhikari, vice president of global strategy for the surgical businesses of Bausch & Lomb. "While the ultimate results of a complex development process cannot be predicted at this time, we believe this is very promising technology and that we have the core competencies in biomaterials, ocular science, optical design and technology transfer to facilitate its development."

Under the terms of the agreement, Bausch & Lomb will fund research and development costs, make a series of milestone-based license fee payments to Dr. Sarfarazi and will pay royalties on product sales upon successful commercialization of the product. No other details of the transaction are being disclosed.

Faezeh Mona Sarfarazi, MD is the president of **Shenasa Medical LLC** and **Shenasa Inc.** She did her residency in ophthalmology, followed by a fellowship in contact lens, at Moorfield Eye Hospital in London, England. She had fellowship training in Anterior Segment, Cataract and Glaucoma at the New England Glaucoma Foundation and the Massachusetts Eye & Ear Infirmary in Boston, where she was a clinical assistant in Ophthalmology.

7/22 **IRIDEX Corporation** announced that sales for the quarter ended June 28, 2003 were $7.4 million, at the same level when compared to the corresponding quarter in 2002. The company reported a net loss for the second quarter of $299,000 (4 cents per share) compared to a net loss of $447,000 (7 cents per share) for the corresponding quarter in 2002. The improvement in earnings in the second quarter of 2003 compared to the corresponding quarter in 2002 was primarily due to lower operating costs resulting from the company's reduction-in-force completed during the second quarter of 2002.

Sales of ophthalmology products during the quarter were $6.0 million, an increase of 6% from the equivalent quarter of 2002. Due to weak market conditions in the aesthetic

market, sales of aesthetics products were $1.4 million, a decrease of 19% from the corresponding quarter in 2002. Theodore Boutacoff, president and CEO commented, "Based on the continuing difficult economic climate, we are somewhat pleased that earnings per share improved $0.03 when compared with the same quarter in 2002. Although we are not satisfied with our current revenue trends, we are encouraged by the introduction of new products and further validation of clinical applications. Over the long term and as overall market conditions improve, the company expects to increase total revenues by continuing to supplement our existing product lines with additional new product introductions, thus helping to reach our goal of returning to profitability."

"During the quarter we began shipping two new previously announced products, a 50 micron slit lamp adaptor and a 25 gauge single-use EndoProbe. Our 25 gauge EndoProbe allows ophthalmologists to treat diabetic retinopathy, retinal breaks and detachments using newly introduced "suture-less" vitrectomy systems. This new 25 gauge probe, along with our tapered, angled, fluted, and recently introduced BriteLight EndoProbe devices are compatible with IRIDEX and other validated laser photocoagulator systems."

On the clinical application front, earlier this quarter the company announced the publication of two additional clinical studies using the company's IRIS Medical OcuLight Slx laser that further validate the effectiveness of transpupillary thermotherapy (TTT) for the treatment of wet age-related macular degeneration. There are now 15 states with written reimbursement coverage policies on TTT.

During the first six months of 2003, the company generated $1.8 million in cash provided from operations primarily as a result of accounts receivables decreasing by $1.6 million. At the end of second quarter 2003, cash, cash equivalents and available for sale securities equaled $13.1 million, a decrease of $169,000 from the ending first quarter 2003 balance. The accounts receivable balance of $6.4 million at the end of second quarter 2003 was approximately level with the first quarter 2003. In addition, inventory decreased $321,000 during the first half of this year, while second quarter 2003 inventory decreased by $212,000 from first quarter 2003.

Current market conditions continue to make it difficult to offer accurate guidance, but the company now expects total 2003 revenues to be flat compared to total reported revenues for the 2002 fiscal year. The company currently believes that earnings per share will be slightly negative for the year 2003. As previously mentioned, the company will continue to place a high priority on its asset management efforts to further increase its cash position.

7/23 **LCA-Vision Inc.** reported net income for the second quarter ended June 30, 2003 of $1.8 million (17 cents per share). This compares with a net loss of $2.3 million (21 cents per share) in the second quarter of 2002. Laser refractive surgery revenues for the second quarter of 2003 grew 24% to $20.2 million compared with $16.3 million in the second quarter of 2002. Procedure volume rose 11% to 16,432 and average price realization per procedure rose 12% to $1,231, compared with the second quarter of 2002. On a

sequential quarter basis, average price realization per procedure increased 5% from $1,173 in the first quarter of 2003.

For the six months ended June 30, 2003, the company reported net income of $3.6 million (33 cents per share) compared with a net loss of $1.1 million (10 cents per share) for the first six months of 2002. Laser refractive surgery revenues increased 15% to $40.2 million for the first half of 2003, compared with $35.1 million for the comparable six-month period in 2002. Net cash provided by operations in the first half of 2003 was $5.4 million. As a result, cash and short-term investments increased to $23.1 million as of June 30, 2003, up from $18.3 million as of December 31, 2002.

Stephen Joffe, chairman and CEO of LCA-Vision, stated, "We reported excellent financial results during what is historically a seasonally softer quarter, as we carefully managed costs and performed strongly against all our key metrics. We are particularly optimistic about procedure volume growth as consumer confidence is increasing and we are profitably gaining market share. Additionally, we are pleased to have exceeded our per-procedure goals of average price realization over $1,200 and holding marketing and advertising costs below our stated goal of $200 per procedure. We are currently offering the new custom LASIK correction procedure in five markets, and will have expanded this offering to all our markets before year end. Approximately 3% of second quarter procedure volume was attributable to this customized procedure. In light of the new custom procedure together with strong year-over-year growth in procedure volumes, we are raising our full-year 2003 EPS guidance to $0.45 to $0.50 per share."

7/23 **VISX** announced financial results for the second quarter ended June 30, 2003. VISX also announced that Douglas Post, formerly VISX's executive vice president, operations, had been appointed president and COO.

Second quarter revenues were $32.0 million compared with $36.6 million for the comparable period of the prior year. Net income was $4.1 million (8 cents per share) compared with net income of $5.9 million (11 cents per share) in the comparable period of the prior year. CustomVue procedures exceeded expectations for the quarter, driving licensing revenue higher than VISX projected. At the same time, international laser system sales were weak due to political tensions and SARS related issues in the Asia Pacific region. This weakness was offset by the strong license revenue, which exceeded the company's seasonally strong first quarter license revenue and contributed to healthy gross margins of 64.4% and earnings per share at the high end of the company's guidance.

Liz Davila, chairman and CEO of VISX, stated, "We are only beginning to see the effects of CustomVue procedures on our business. The demand for CustomVue is strong and we are also seeing increased demand for procedures overall. We believe this is directly related to the excellent results of early CustomVue treatments, the increased media attention to laser vision correction, and to an improving economic environment. I am

confident that the coming quarters will see a positive impact of licensing revenue from CustomVue."

Revenue for the six months ended June 30, 2003, was $66.4 million compared with $73.2 million for the comparable period of the prior year. Net income was $9.6 million (19 cents per share) in the first six months of 2003 compared to net income of $12.4 million (23 cents per share) in the comparable period of the prior year.

Financial Outlook:

For the third quarter of 2003, VISX believes that revenue will increase, with total revenue in the range of $34.5 to $36.0 million. Earnings per diluted share are also expected to increase and be in the range of $0.10 to 0.12 cents for the third quarter of 2003.

Organizational Announcement:

VISX also announced today that Doug Post, formerly VISX executive vice president, operations, had been named president and COO. Post joined VISX in 1992, when **Questek**, VISX's excimer laser manufacturer, was acquired. In 1996 he was named vice president, operations and customer support. Post was promoted to executive vice president, operations, in 2001, at which time his role was expanded to include global marketing and sales. Commenting on Post's appointment, Liz Davila, chairman and CEO stated, "Under Doug's leadership, VISX built a customer service and field support organization which is a cornerstone of our market leadership. He then expanded manufacturing to supply STAR lasers and now WaveScans to our growing customer base. In recent months, he has directly overseen all aspects of the CustomVue launch. We are fortunate to be able to promote from within someone with Doug's broad executive talents and comprehensive understanding of our business. His ongoing leadership will be key to our success as we maximize the CustomVue opportunity."

Other Highlights:

VISX began shipping its CustomVue procedure for laser vision correction within three weeks of its FDA approval on May 23, 2003. VISX is the first U.S. supplier of custom laser vision correction for the treatment of myopia and astigmatism. CustomVue offers more precise measurement and correction of vision, enabling for the first time the potential to improve vision beyond correction with contacts and glasses.

Following the release of financial data, Ted Huber of **Wachovia Securities**, released an updated research report entitled: "EYE: Custom Drives Growth and EPS: Increasing Estimates and Valuation". Some of his comments included:

* June brought growth and custom mix: We estimate that VISX's Q203 procedure volumes were down 1% yr/yr and custom mix was 5% vs. our estimates for a 10%

volume decline and 1% custom mix. The June 13 launch of VISX's custom LASIK drove a resurgence of growth. Where volumes were down 10% to 15% in April and May, they accelerated to near 22% in June. We estimate the June custom mix was 12%.

* Q203 Results: VISX Q203 EPS of $0.08 beat consensus by a penny. Total revenues were weak (down 13% and 1% below our forecast) but better than expected license revenue (up 5%) drove better margin performance (64.4% vs. our 60.4% target) and more than offset weak international hardware sales. A one time $1mm financing gain generated the penny of EPS upside.

* Increasing Estimates: VISX Q303 guidance of $0.10-0.12 is driven by 35% to 40% yr/yr growth in licensing revenue (driven in turn by 15% to 20% Custom mix). These estimates are reasonable based on the June results and July trajectory. We are increasing our Q303 EPS to $0.11 based on 10% procedure growth and 17.5% mix. We are increasing our 2004 EPS estimate from $0.68-0.74 to account for a faster conversion to Custom LASIK procedures (average 26% vs. 22%).

Michael Lachman of **ThinkEquity Partners** also released a report on VISX's second quarter results entitled: "EYE: Raising Estimates, Upside Bias Remains Intact". His comments follow:

We reiterate our Overweight rating on VISX and raise our price target from $22 to $27 after a strong Q2 report. The strong quarter was driven by higher than expected LASIK procedure volumes and rapid initial adoption of the recently approved CustomVue procedure, which are the two cornerstones of the VISX growth story. Even though we are raising our estimates, we believe that the bias is still to the upside, driven primarily by the potential for above-forecast procedure growth and further market share gains resulting from the broad range of approved indications for CustomVue, which includes astigmatism.

Investment Highlights

VISX reported a strong second quarter, with EPS of $0.08 at the high end of the $0.06-0.08 guidance range and a penny ahead of our estimate and consensus. On first glance, the quarter might appear to be of just medium quality, with weak hardware sales and with a one-time interest income gain of about $1 million from the sale of long-term notes that contributed a penny to earnings. Our take on the quarter is much more positive -- the strength in the licensing revenue line overshadows the weakness in laser system sales, and the one-time gain in interest income was offset by a similar-sized one-time expense related to the proxy fight versus Carl Icahn. We are raising our estimates. Our forecast for Q3-03 licensing revenues of $22.5 million is at the high end of management guidance, up 12% sequentially (vs. guidance of 8-12% sequential growth) and up 41% over prior year (vs. guidance of 35-40% growth). For Q3, our total revenue estimate goes from $35.7 million to $36.2 million, just above the high end of the Q3 guidance range of $34.5-36.0 million. Our Q3 EPS estimate goes from $0.10 to $0.12, also at the high end

of guidance ($0.10-0.12). For the full year 2003, our revenue and EPS estimates go from $139.1 million and $0.40 to $141.4 million and $0.45. For 2004, our revenue and EPS estimates go from $159.1 million and $0.67 to $169.0 million and $0.74. For 2005, our revenue and EPS estimates go from $180.5 million and $0.88 to $189.1 million and $0.96.

Even more important than the above-consensus EPS number was the procedure licensing revenue line that came in well above expectations. Growth in the ultra-high margin procedure-based revenue line is central to the VISX growth story. There were two key contributors to the 14% upside in licensing revenue versus our Q2 forecast: overall LASIK procedure volume and uptake of the recently approved CustomVue technology. These are the two key earnings growth drivers for VISX, and the company's Q2 results provided encouraging data points on both metrics.

Total LASIK procedures exceeded our expectations. We estimate that the total number of royalty-generating LASIK procedures performed on VISX lasers in Q2 was 184,000, down an estimated 2% both sequentially and versus prior year, compared to our forecast of 169,000 (down about 10%). Earlier in the day, service provider **LCA-Vision** (LCAV - $12.34 - Not Rated) reported a strong Q2 procedure number that was down only about 3% sequentially, consistent with the VISX results. VISX management commented that during April and May, procedure volumes were tracking in-line with the forecasted 10% decline, but volumes picked up in early June even before the first CustomVue cards were shipped and further accelerated after the mid-June CustomVue launch. Looking forward, we are forecasting total VISX procedures in H2-03 to come in about 2% ahead of H1 sequentially, compared to our prior forecast of a 2.5% sequential decline. Given the stronger than expected Q2 procedure volume, our new forecast calls for H2-03 procedure growth of 21% over H2-02, an increase from our prior forecast of 12% year-over-year growth. For the full year 2003, our forecast for total VISX procedures goes from 705,000 (-1%) to 752,000 (+6%).

CustomVue got off to a roaring start in Q2. VISX's new wavefront guided ablation technology was approved by the FDA on May 23 and was formally launched on June 13. VISX is well positioned to capitalize on this launch and take share from its competition, because the vast majority of VISX customers have upgraded to the necessary hardware and VISX's CustomVue is the only wavefront-guided system that has been approved to treat astigmatism (about 75% of LASIK patients fall within the current CustomVue labeled indications). Although **Alcon's** (ACL - $50.60 - Not Rated) CustomCornea system was approved last October, it has not been approved to treat astigmatism and the rollout of system upgrades has been slow. We estimate that premium-priced CustomVue procedures accounted for about 5% of total Q2 VISX procedures, versus our forecast of 3%. Performance of this important new product exceeded management expectations as well, although the company did not quantify any of the CustomVue numbers for Q2. The initial uptake of CustomVue was almost certainly boosted by pent-up demand following FDA approval, and the percentage of CustomVue cards sold during the second half of June should not be extrapolated into a Q3 forecast. However, the reorder rate appears to

be solid so far, with over half of customers that placed initial orders for CustomVue cards already reordering. Given the stronger than expected initial adoption, we are modestly increasing our already high-on-the-Street CustomVue conversion assumptions going forward. Our CustomVue adoption forecast for Q3-03 goes from 15% of VISX procedures to 18%, Q4 goes from 25% to 30%, and our full year 2004 estimate goes from 42% to 47%.

We also believe that average CustomVue procedure pricing was strong in Q2. Our reverse engineering of the Q2 licensing revenue number also indicates to us that average CustomVue procedure pricing came out toward the upper end of the possible range. Recall that VISX sells a set of 10 regular CustomVue procedure cards plus two enhancement cards for $2,450. Depending upon how many of these enhancement cards are used by surgeons and centers, the average price per CustomVue procedure can vary from as low as $204 to as high as $245. We estimate that the average CustomVue fee came in at about $230, which seems reasonable given the late quarter launch of CustomVue and the limited amount of time for enhancement procedures to be performed. We are assuming that these enhancement cards will be well-utilized by surgeons over time, and are forecasting that the average fee will settle at closer to $200.

Total revenues of $31.99 million came in 2% below our forecast of $32.56 million but in the top half of the company's $31.0-32.5 million guidance range. The downside versus our estimate resulted primarily from weakness in laser system sales, particularly in Asia (attributed to political unrest in South Korea and SARS). Laser hardware is the least strategically important revenue line for VISX, as lasers are sold by VISX at relatively low margins. Laser sales outside the U.S. are of even less strategic importance than are domestic laser sales, as international lasers generate little or no procedure-based revenues. Sales of WaveScan diagnostic units remained strong in Q2, and we expect another strong quarter in Q3.

Even though we are raising our estimates, we believe that the bias is still to the upside. Although our estimates for Q3 reside at the upper end of management guidance, we have attempted to temper our enthusiasm in a number of areas and note that further upside is possible. We feel that our forecast of 6% industry-wide LASIK procedure growth for each of the years 2003, 2004, and 2005 is reasonably conservative, but also note that the industry is coming off of two down years in 2001 and 2002. The overall rebound in the laser vision correction market remains the biggest swing factor in the VISX growth story, but Q2 results are encouraging. We have forecasted VISX's share of U.S. LASIK procedures to remain steady at 63-64%, and believe that there is upside if the company can capitalize on its lead in custom ablation indications. We have also forecasted the average CustomVue procedure fee to quickly fall to the $200 level, and it is too soon to know if this assumption will prove to be too conservative.

Valuation and Price Target

We are increasing our price target for VISX from $22 to $27, based on our revised earnings estimates and higher P/E multiples for comparable small-mid cap medical device stocks. Following its recent strong performance, VISX is currently trading at 30x our 2004 EPS estimate of $0.74, a slight premium to the 28x average multiple for small-mid cap medical device stocks (this average stood at 25x when we established our $22 price target). Looking forward one year and using 2005 estimated earnings as a guide, we arrive at our new 12-month price target of $27 by applying a group-average 28x P/E multiple to our 2005 EPS estimate of $0.96. This target implies 22% appreciation from the current price, which is consistent with our Overweight rating.

Risks to Target Price and Investment Thesis

Laser vision correction (LVC) procedure fees generate a majority of VISX's profits. Risks to procedure volumes include continued sluggishness in the U.S. economy and any resulting impact on consumer confidence, market share losses to competitors, and saturation of the potential market of patients interested in LVC. Any reduction in the per-procedure fee that VISX receives, and/or any limitation in the company's ability to garner a premium fee for CustomVue ablations, would also impact procedure-fee revenue. Slower than expected customer conversion to CustomVue would impact procedure revenue forecasts. Any such challenges in the market for LVC procedures would also likely impact the company's hardware business as well.

Any regulatory action against VISX, resulting from real or perceived clinical complications, could limit the company's ability to sell hardware or receive procedure fees. Because LVC is an elective procedure, regulatory scrutiny could be more intense than normal for a medical technology, and the company could suffer a marketing backlash even in the absence of formal regulatory action. As the LVC market leader, VISX could be affected by problems experienced by a competitor.

7/23 **QLT Inc.** reported financial results for the second quarter ended June 30, 2003, and updated guidance for 2003. Sales For the three months ended June 30, 2003, Visudyne sales were $89.2 million. This represents an increase of 25% over sales in the second quarter of 2002. Visudyne sales in the U.S. for the quarter were $45.2 million, representing 51% of total sales for the quarter. This represents an increase of 6% over U.S. sales in the second quarter of 2002. The remaining $44 million sales in the rest of the world are up 54% over the same period last year.

Q2 2003 Earnings per Share (EPS) -- EPS in the second quarter of 2003 was $0.16, up $0.10 from the prior year's second quarter and compares to First Call Analysts' consensus estimate of $0.11 for the quarter. The increase was mainly due to the strong Visudyne sales performance and increased profit share from the Visudyne alliance.

2003 Annual Guidance -- Based on the strong Visudyne sales results in the first half of 2003, the company is updating its Visudyne sales guidance from $320-$335 million to $335-$350 million, or top-line growth over 2002 of 17% to 22%. The company has also

updated its EPS guidance for 2003 to $0.50 to $0.60 or growth over 2002 EPS, before special charges, of approximately 60% to 90%. This update in EPS guidance reflects the new top-line sales guidance and incorporates the shift in timing and priorities of our development pipeline.

"We are very pleased with the strong growth in Visudyne sales generated by the alliance and look forward to the continued strong performance," said Paul Hastings, president and CEO. "We are committed to setting realistic expectations for the business and meeting those expectations while maximizing Visudyne and continuing to build a strong proprietary pipeline for our long-term success."

Q2 Results - Revenues -- The company's revenues reached $36 million in the second quarter, growing by 46% from the second quarter of 2002. QLT's share of Visudyne net profit (excluding the recovery of manufacturing and other costs) from the QLT/**Novartis** alliance for the second quarter came in ahead of guidance at 31% of Visudyne sales. The company has revised its forecast of its share of profit from the alliance from 28%-30% to 29%-30% of total Visudyne sales for 2003.

Research and Development (R&D) -- Expenditures for R&D of $12 million were 16% higher in the second quarter compared to the same period in 2002. The increase was due mainly to tariquidar development and unfavorable foreign exchange impact.

Selling, General and Administrative (SG&A) -- For the second quarter of 2003, SG&A expenditures were $3.4 million representing a decrease of $1.5 million or 30% over the second quarter of 2002. The decrease was a result of lower consulting and legal fees, improved inventory absorption effects, reduced staffing and relocation costs.

Cash -- The company's cash reserves rose from $232.4 million to $268.5 million during the second quarter of 2003.

Clinical Update -- The *Association for Research and Vision in Ophthalmology (ARVO)* conference took place during the second quarter. Highlights from the conference included positive one-year data from the Visudyne Phase II trial in minimally classic age-related macular degeneration (AMD) along with several other presentations and posters on Visudyne. Based on this positive data, QLT and Novartis plan to start a Phase III clinical trial for minimally classic during the third quarter of 2003.

Results from the Phase III early retreatment (VER) trial will be available in the fourth quarter of this year and we expect to complete patient enrollment for the Phase III Visudyne in Occult (VIO) trial in the third quarter of 2003. The Phase I/II diabetic macular edema (DME) trial results showed no safety issues in treating patients with DME but no significant benefit in visual acuity results with Visudyne. Therefore, we do not plan to pursue further studies with Visudyne in this indication. Discussions are ongoing with the Japanese health authorities and timing is still on track for Visudyne approval in Japan before the end of the year.

In May, QLT discontinued the Phase III tariquidar trials in non-small cell lung cancer following the recommendation of the Independent Data Safety Monitoring Committee. Enrollment in the Phase II refractory breast cancer study has now been sufficiently completed at 17 patients with preliminary data on 11 patients presented at this year's *American Society of Clinical Oncology (ASCO)* meeting as a poster. The preliminary data showed that reversal of resistance was achieved in only one patient. QLT will not be enrolling new patients in the breast cancer trial and has no specific plans on the clinical development of this product at this time as the analysis of P-glycoprotein expression in the lung cancer studies is still pending.

QLT has negotiated with its partner Novartis for a return of all rights associated with the use of verteporfin in multiple basal cell carcinoma (MBCC). In exchange for the return of rights, QLT will assume total development and commercialization control of this opportunity. With the Alliance focused strictly on Visudyne in ocular disease, QLT will be able to capitalize on a potential commercial opportunity with this proprietary phase III program. The MBCC program is currently in Phase III clinical trials with an expected launch in 2007.

All QLT0074 initiatives are on-track. QLT expects to start enrolling patients in the third quarter of 2003 for the Phase IIb androgenetic alopecia trials and the Phase I/II benign prostatic hyperplasia trial has been initiated and is currently enrolling patients.<p>QLT is actively pursuing opportunities with a clearly defined strategy to help strengthen the development and commercial pipeline.

7/24 *Reuters* reported that shares of **QLT Inc.** extended recent gains on Thursday morning as analysts raised earnings expectations for the company after record sales of its anti-blindness treatment Visudyne powered quarterly results. QLT shares rose C$1.65, or 7.7%, to C$23.20 on the Toronto Stock Exchange, marking their highest level since reaching C$23.51 in April 2002. And with more than 500,000 shares changing hands before midday in Toronto, the shares were trading 48% above their 90-day average volume.

Raymond James analyst Brian Bapty upped his 6-12 month target price for QLT shares by 15% to $15.00 and maintained a "market perform" rating on the company's shares. Bapty, who expects Visudyne sales in 2003 to reach $347 million, raised his 2004 earnings forecast 11% to 88 cents a share.

"We expect that the stock will continue to perform well over the coming months," **National Bank** financial analyst Dimi Ntantoulis, said in a note following a 10% jump in QLT's stock price on Wednesday. Ntantoulis, who stuck with a "sector perform" rating and $14.00 target price for QLT, raised her earnings per share estimates for 2003 by about 21% to 58 cents a share.

Analyst David Martin of **Dundee Securities** raised his target price for QLT shares to $16.50 with a "market perform" rating on expectations for stronger sales next year. Martin increased sales estimates for QLT in 2004 to $463 million from $454 million.

7/24 *Reuters* also reported that **Pfizer Inc.** might sell the surgical ophthalmology business it obtained with its $60 billion acquisition of **Pharmacia** earlier this year. Pfizer said it is considering strategic options for the unit, including a possible sale. Pfizer and many other big drugmakers have shed medical products businesses that don't sell high-margin prescription drugs. Pharmacia's eye surgery unit, which makes equipment used in cataract procedures, had sales of about $150 million last year. The business includes Healon, a line of visco-elastic products used in ocular surgery, and CeeOn and Tecnis intraocular lenses, used in cataract surgery.

To assist the company in exploring its strategic options, Pfizer has retained **Morgan Stanley** as its investment bankers.

7/24 **STAAR Surgical company** reported that the July/August 2003 edition of the *Journal of Refractive Surgery* had published the findings of a study comparing the retinal image quality and postoperative aberrations of patients of LASIK with patients that were implanted with STAAR's ICL. The article entitled "Image Quality in Myopic Eyes Corrected with Laser in situ Keratomileusis and Phakic Intraocular Lens" authored by Edwin Sarver, Donald Sanders, MD, and John Vukich, MD, concluded that eyes that were treated with the LASIK procedure had on average, up to three times more aberrations than eyes that were implanted with the ICL. These aberrations can cause images to appear hazy or blurred and slightly out of focus. The prevalence of these aberrations tends to be higher in procedures involving the cornea, such as LASIK, as opposed to those that preserve the cornea, such as ICL surgery. Once induced, these aberrations cannot easily be corrected. They would not necessarily affect the ability of the patient to read the lines on an eye chart but would affect the clarity of that image.

(The study compared ICL use to "standard LASIK", not the new "custom LASIK" that has less induced higher orders of aberrations.)

7/24 **Bausch & Lomb** reported earnings per share of $0.53 for the quarter ended June 28, 2003, representing a 33% increase over the $0.40 per share reported in the prior-year period. Worldwide sales of $512.5 million grew 12% (or 4% on a constant-currency basis) over the $458.4 million reported in 2002. First-half 2003 net sales were $960.5 million, an increase of $87.9 million or 10% over the same 2002 period, and a 3% increase excluding currency. Earnings per share from continuing operations were $0.84, compared to $0.57 in 2002, which included the impact of restructuring charges and other non-recurring items. Excluding these items, comparable first-half 2002 earnings per share from continuing operations were $0.65.

Calling the company's second-quarter performance "solid," Bausch & Lomb CEO Ronald Zarrella said, "The financial results we announced today were slightly ahead of our

expectations on a currency-neutral basis, with sales gains generated in nearly every product category, and despite the negative impact of the SARS outbreak. We estimate that our constant-currency growth would have been between 5% and 6% were it not for SARS." Zarrella continued, "Our profitability improvement programs remain on or ahead of schedule, and were a major factor behind our improved gross margins this quarter. We continue to believe we will attain the expected savings from these programs and achieve our previously communicated longer-term financial targets."

Bausch & Lomb also indicated that it expects full-year 2003 sales growth and earnings per share to be higher than previously communicated. Zarrella commented, "We expect the positive business trends to continue over the remainder of the year, particularly in our contact lens and pharmaceuticals categories, and to generate mid-single-digit constant-currency growth for the full year. Although there may be some lingering effects from the SARS outbreak in the third quarter, we believe that the most significant impact is behind us. Further, the foreign exchange rate assumptions used to develop our original guidance have proven to be conservative through the first six months of the year. Taking all of these factors into account, we now project full-year reported revenue growth approaching ten percent and earnings per share of approximately $2.20."

Revenues from products used in refractive surgery declined in each geographic segment, reflecting lower sales of lasers and microkeratome products, partly offset by higher sales of per procedure cards. (Refractive revenues were down 9% from the same quarter a year ago, to $30.5 million.)

7/24 The *American Academy of Ophthalmology* reported that people who previously were not considered good candidates for LASIK because of large pupils can now get the procedure, according to a study appearing in the July issue of *Ophthalmology*, the clinical journal of the AAO. By using a larger laser treatment zone on the underlying layers of the cornea, surgeons can avoid inducing night vision disturbances such as haloes and glare that patients with large pupils often experience.

In this study, the first to evaluate laser treatment zones larger than 6.5 millimeters, 352 eyes of 186 patients underwent LASIK for correction of nearsightedness and nearsightedness with astigmatism. The treatment zones varied from six to eight millimeters, depending on the size of the patient's pupil, degree of astigmatism and amount of needed correction.

Among patients with nearsightedness, nearly 56% achieved uncorrected visual acuity of 20/20 or better; among those with nearsightedness with astigmatism, nearly 62% achieved 20/20 or better. In addition, preoperative best-corrected visual acuity and best spectacle-corrected contrast sensitivity were maintained.

Brian Boxer Wachler, MD, co-author of the study and a faculty member at the UCLA Medical Center, Jules Stein Eye Institute, said, "We know that corneal aberrations and night vision disturbances after LASIK are directly proportional to the degree of

nearsightedness corrected and the size of the clearance zone -- that is, the difference between pupil size and the optical zone treated by the laser. With this study, we now know use of large optical zones is safe and effective in preventing nighttime glare and haloes in patients with large pupils."

"This study shows using ablation zones from six to eight millimeters did not pose a problem in terms of safety. If anything, the larger optical zones had a higher percentage of eyes achieving 20/20 and 20/40 uncorrected visual acuity than the smaller zones," said Academy spokesperson James Salz, MD, clinical professor of ophthalmology at the University of Southern California and attending ophthalmic surgeon at Cedars-Sinai Medical Center in Los Angeles. "A subjective report on the patients' satisfaction with their night vision outcomes and measuring these treated eyes with wavefront studies to determine the level of postoperative higher order aberrations would be a good follow-up to this study."

Dr. Boxer Wachler estimates that 50% of patients who have the LASIK procedure done have large pupils and would benefit from large laser treatment zones because they would be less likely to have night vision disturbances.

OPHTHALMIC LASER UPDATE -- August 2003

7/30 **Alcon, Inc.** reported sales of $925.4 million for the second quarter of 2003, an increase of 14.3% over sales in the second quarter of 2002, or 10.1% excluding the impact of foreign exchange fluctuations. Net earnings for the second quarter of 2003 increased 9.5% to $178.2 million (57 cents per share) compared to $162.8 million (53 cents per share) for the second quarter of 2002. During the second quarter of 2002, Alcon had the temporary use of the cash proceeds raised in its initial public offering for about 50 days before repurchasing preferred stock owned by its majority owner, **Nestle, S.A.** As a result, net interest expense was reduced by approximately $9.5 million ($6.4 million after-tax) in the second quarter of 2002. Without this non-recurring impact, Alcon's proforma net earnings for the second quarter of 2002 would have been $156.4 million. On this basis, net earnings for the second quarter of 2003 would have been 13.9% above proforma net earnings for the second quarter of 2002.

For the first six months of 2003, Alcon reported global sales of $1,732.5 million, an increase of 14.3% over sales of $1,516.0 million for the first six months of 2002, or 10.3% excluding the impact of foreign exchange fluctuations. Net earnings for the first six months of 2003 increased 20.1% to $308.4 million ($1.00 per share) compared to $256.8 million (87 cents per share) for the first half of 2002. Tim Sear, chairman, president and CEO of Alcon, commented, "We had an excellent quarter and first half of 2003, especially because we felt the same periods in 2002 were very healthy in terms of both top and bottom line growth. As important as our positive financial results are, we believe the key to our growth going forward is the ability to bring new products to the market. I am happy to say that the first half of this year has been a banner period for us, with the unveiling of the Infiniti vision system for cataracts at the *American Society of*

Cataract and Refractive Surgery Annual Symposium and launches of the LADARVision CustomCornea refractive surgical system, Vigamox ophthalmic solution for eye infections and Systane dry eye therapy. On June 24, we received approval from the FDA of our AcrySof Natural blue light filtering intraocular lens for cataract surgery, and just a few days ago we received FDA approval of CIPRODEX Otic solution for both middle ear infections in children with ear tubes and outer ear infections. We are proud of this portfolio of exciting new products, which we expect will support our sales growth for the balance of the year and into 2004."

For the full year 2003, the company expects sales to be in the range of $3,360 to $3,390 million and diluted earnings per share to be in the range of $1.85 to $1.90. Because of the timing of new product launches, management expects sales to be slightly higher in the fourth quarter than in the third quarter.

Refractive revenues were $19.1 million for the second quarter of 2003, 1.5% below refractive revenues of $19.4 million for the second quarter of 2002. For the first six months of 2003, refractive revenues were $37.6 million compared to $39.2 million for the first half of 2002, a decline of 4.1%. Growth in procedural revenues, driven by the premium charged for custom surgery, was offset by declines in the number of LADARVision excimer laser units sold in the first half of the year.

Ted Huber of **Wachovia Securities** issued an updated research report entitled: "ACL: 4th Straight Quarter of 20%+ Pharma Growth, Slowdown Ahead". Some of his comments included:

*** Pharma Results Drive Upside:** 25.4% growth in pharma offset weak surgical growth (2% CC) to pace a 14.3% revenue growth quarter (10.1% CC). EPS of $0.58 beat consensus by $0.07 and our target by $0.06. Against a tough Q2 2002 comparison, Alcon grew operating profit 10.1% and pro forma EPS 15%. Gross margins improved from the product launch in Q1 2003 to 71.1%, up 170 bps sequentially.

*** Solid Pipeline but Signs of Slower Growth Ahead:** Alcon has now put up four consecutive quarters of 20%+ growth in pharma. While several incremental launches (most notably Ciprodex Otic label expansion, Patanol in Europe, and Vigamox) and recent sales force investments support more growth, Alcon's expects its torrid pace of recent share gains to slow; we agree. With the risk of some distributor loading during Q2 2003, and another soft quarter in cataract surgery, we are now modeling overall CC revenue growth of 7.6% for Q3 2003, down from 10.1% Q2 2003.

*** Estimate Changes:** Given the size of Q2 2003 upside, Alcon's new $1.85-1.90 2003 EPS guidance essentially lowers their profit forecast for H2 2003. We are lowering our H2 2003 estimate by $0.02 and are now forecasting 2003 EPS of $1.90 on revenue of $3.4 billion (just above the high end of the range). Our new 2004 EPS estimate is $0.02 higher at $2.16, representing 13.5% growth over 2003. We expect EPS growth to accelerate in 2005 to 16.5% on the strength of new pharma product launches.

7/31 **IntraLase Corp.** announced the placement of 22 lasers in the second quarter of 2003. This milestone marks the company's strongest quarter since the commercialization of its INTRALASE FS laser in early 2002. The company's proprietary femtosecond laser, and accompanying IntraLASIK software, replaces the handheld microkeratome device traditionally used to create the corneal flap as the first step in LASIK vision correction surgery. "IntraLase Corp. is rapidly gaining market share among refractive surgeons," reported Robert Palmisano, IntraLase president and CEO, at the recent **EDF Ventures** Annual Meeting. "This outstanding performance represents a 144% increase over Q2 2002, bringing our total placements to 64 at quarter end. Based on excellent clinical results reported by surgeons employing the INTRALASE FS laser, this new surgical approach is providing a high degree of surgeon confidence and satisfaction. Surgeons consider the laser an essential technology for optimal patient care, noting exceptional precision and improved visual results. By significantly improving the accuracy of flap creation, the INTRALASE FS laser may even contribute to the predictability and improved outcomes of the new customized vision correction technologies."

In more than 69,000 surgeries using the IntraLase product, no severe complications have been reported in U.S. clinical experience. This is a dramatic improvement over traditional microkeratome procedures which have associated vision-threatening complications in 1% to 3% of procedures. **MarketScope, LLC**, an industry research organization, estimates that the INTRALASE FS laser was used in 7% of all U.S. vision correction surgeries in Q2 2003, up from 5% market share that was reported in Q1.

"As preference for the INTRALASE FS laser continues to grow clinically, we are also seeing the impact of the technology on surgeon practices and revenue enhancement," noted Palmisano. "It is literally changing the standard of care in many practices across the vision correction industry."

Typically, surgeons charge a premium of $250 - $500 more per eye for the procedure with the INTRALASE FS laser due to the higher acquisition cost of the new technology. Refractive surgeon Herman Sloane, MD, echoed the achievement of IntraLase Corp. as he recently proclaimed Q2 as his highest volume quarter since the events of 9/11. Dr. Sloane, a private practice surgeon in Chicago, attributed this uptick directly to the conversion to IntraLase technology in his practice: "Since acquiring the INTRALASE FS laser a year ago, more patients are electing to go ahead with the surgery. Response from our patients is extremely positive before and after surgery."

Perry Binder, MD of Gordon Binder Vision Institute in San Diego added, "In choosing the IntraLase approach for their vision correction surgery, patients readily understand and appreciate the potential safety and reduction of risk factors. The contribution of the INTRALASE FS laser to surgeon control and precision in creating the corneal flap produces markedly predictable and accurate flaps, and exceptional patient peace of mind. This laser, combined with wavefront guided vision correction developments, provides the optimal platform for truly customized vision correction surgery."

Separately, Palmisano announced that IntraLase Corp. had entered into its first international distribution agreements, marking the introduction of the INTRALASE FS laser to the global market. First international placements have been established in Japan, and shipments to Korea are anticipated for September 2003. "New technologies such as the INTRALASE FS laser re-kindle patient interest in vision correction surgery and enable surgeons to continually improve on the quality of patient care," remarked Palmisano. "IntraLase Corp. is very pleased with such rapid clinical adoption and will strive to make its technology widely available this year throughout the U.S."

A European launch is envisioned for early next year.

7/31 **STAAR Surgical company** announced financial results for its second quarter which ended July 4, 2003. Total product sales for the quarter were $13.0 million, up 8% from the comparable period one year ago. Total revenue for the quarter was $13.0 million up 7% from $12.1 million reported in the same period one year ago. The difference between total revenue and product sales are royalties generated from previously licensed technology that terminated as of March 31, 2003. Gross margins improved for the fifth consecutive quarter and continued to be above 54% which compared favorably with the 49.8% reported in the same period one year ago. Comparable operating expenses (which exclude charges related to subsidiary closures during the second quarter of 2002) increased by 3% to $8.0 million, compared with the same period one year ago and reflect a 41% increase in spending for research and development as well as increased costs related to clinical and regulatory activities. However, general and administrative expenses were down 3.5% in the quarter from second quarter 2002 levels primarily as a result of a decrease in legal fees and other professional services.

Net loss for the quarter was $1.1 million (6 cents per share). This compares with a net loss of $3.9 million (23 cents per share) during the same period one year ago. During the second quarter of 2002, the company incurred a $1.2 million charge in conjunction with subsidiary closures that were primarily related to the recognition of deferred losses resulting from the translation of foreign currency statements in U.S. dollars. Without the charge, net loss for the second quarter of 2002 would have been $2.7 million (16 cents per share).

For the six-month period, total sales were $25.7 million up 9% from the comparable six-month period of 2002. Total revenues for the same period increased 8 % from the same period of 2002. Net loss per share for the six-month period ended July 4, 2003 was $0.10, an improvement from the net loss of $0.29 per share reported during same period for last year. Without the costs related to the subsidiary closures, net loss for the six-month period ended June 28, 2002 would have been a loss of $0.27 per share.

"During the second quarter, international sales remained strong, particularly with the ICL," said David Bailey, president and CEO of STAAR Surgical. "Total international sales were up 19% from the second quarter of last year and were led by a 38% increase in ICL sales. International ICL sales were also impacted favorably by an increase in

Toric ICL sales. In addition, year to date ICL sales also improved with revenues up 42% from the same period last year. The U.S. market continued to be challenging during the quarter. Despite a 3% decline in U.S. sales as compared to the second quarter of 2002, we were encouraged that sales were actually up 3% sequentially and further, that the second quarter year-over-year comparison was more favorable than the yearly comparison for the first quarter of 2003, when U.S. sales declined 6%. We continue to generate operating efficiencies, which led to our fifth consecutive quarter of gross profit margin improvements and we believe we are well positioned to capitalize on a recovery in the U.S. IOL market."

"Once again, unit sales of our specialty Toric and collamer one-piece lenses in the U.S. grew during the quarter. In fact, growth in unit sales of the collamer one-piece lenses have accelerated both sequentially and year over year. In addition we are working on the introduction of an improved injector system for the three-piece collamer lens that we believe will eventually help us grow market share in the U.S. ICL development continues to reach and surpass milestones. Obviously, the biggest news of the quarter was the FDA's acceptance of our ICL PMA with an expedited review status. We believe we are on track with the timeline that we outlined for shareholders during the first quarter, and would expect to be included on a panel this year with a target of commercializing the ICL in the U.S. early in 2004."

"We also continued to gain additional mindshare among the scientific and medical communities with the publication of two significant articles based on two different studies. Among other findings, the articles highlighted the efficacy, safety, predictability and overall better image quality that the ICL offers compared with LASIK. Another important outcome of one of the studies was the creation of a mathematical model whereby doctors and patients will now be able to generate an actual image that will pictorially illustrate the superior image quality that the ICL offers over LASIK. We believe that image quality is a key component of postoperative patient satisfaction and will encourage patients to choose ICL as their vision correction procedure."

Looking ahead, Bailey offered the following outlook for the full year 2003. "We believe we will continue to generate double-digit sales growth in international markets while the U.S. market will remain a challenge until we bring to market, perhaps late in the third quarter, our state of the art injector system for the three-piece collamer IOL product. We believe our new injector system will begin to meaningfully impact IOL sales starting in the beginning of 2004. Overall, we believe we can achieve sales growth in the high single digits to low double digits for the full year compared to 2002. We will continue to remain vigilant about expenses, but with the accelerated regulatory review progress on the ICL for the U.S. market, we will ramp up sales and marketing expenses over the next two quarters in anticipation of a robust 2004 launch for the product. As a result, we now expect operating profitability during the first half of next year, assuming a 2004 U.S. launch of the ICL."

Kate Sharadin of **Pacific Growth Equities, LLC** issued an update report on the company, "EPS fall short due to spending but top line handily beats our estimate". Some of her comments included:

* STAA reported revenues ahead of our low $12.6 million coming in at $12.9 million on stronger currency tailwinds which added $1 million -- almost $400K ahead of our thinking
* IOL business still challenging in the US but international, particularly Germany, is robust
* Total international sales were up 19% but International ICL business is tracking ahead of our estimates and posted solid gains of 38% for the quarter and 42% year to date
* US, however, is still showing improvements and posted declines of 3% vs. double that a year ago but posted a sequential gain of 3% over Q1:03
* International ICL sales are a good barometer for the upcoming potential US market, in our view
* Gross margins fell short of our estimated 55% coming in at 54.5% due to weaker US sales than anticipated and currency gains don't tend to add to the margin
* Management is accelerating some programs, particularly ICL related, but also the development of some injector products that have faced some development challenges
* Spending will increase, mainly in R&D but also a bit in SG&A
* Estimated EPS loss increases for 2003 to ($0.22) from ($0.06) on no revenue changes for H2:03
* We are leaving our EPS estimates of $0.10 unchanged for FY:04 on slightly higher revenues of $62.4 million vs. our previous estimate of $60 million—mainly coming from International ICL
* Although it's a bit of a mixed bag on the financials due to related spending for ICL, we believe it's the right thing for management to do
* We would be aggressive buyers of the stock at current levels based on our belief that STAA has significant growth opportunities ahead, which we believe are not yet factored into the stock

OUTLOOK -- We still believe there is a very good chance of ICL approval by year end and the chance to raise our estimates significantly, in our opinion, since our model doesn't reflect any US revenues in 2004 (which by the way, management thinks is a $47 million opportunity once at an annual run rate). That being said, if the company could generate $47-$50 million in revenues from ICL we believe EPS could approach $1.00, by our calculations. $47 million in ICL revenues would, by our estimation, be close to 80,000 units (40,000 patients) or about 5-6% of the estimated LASIK procedures that would be done in 2004. However, we don't believe that this figure would reflect the actual market share relating to LASIK and believe that the ICL would represent a lower percentage of LASIK procedures primarily because we believe many of the ICL procedures will be outside of the approved LASIK ranges (or those ranges that surgeons opt not to treat.) Regardless, we believe ICL can capture some significant revenues and still be modestly penetrating the LASIK market.

8/3 **OptiStock** reported that **Refocus Group's** PresVIEW Scleral Incision System, which includes a hand piece, blade and control box, received European CE Mark approval, which allows the sale of the product in the European Union. The commercial launch by CIBA Vision in certain European markets begins at the end of the year. FDA Phase II clinical trials of the Scleral Spacing Procedure for presbyopia treatment is also scheduled for the latter part of 2003, subject to FDA approval. The PresVIEW was developed for surgical treatment of presbyopia, primary open angle glaucoma, and ocular hypertension.

8/5 **Dow Jones Business News** reported that the Food and Drug Administration plans to shave 10% off the time it takes to review brand-new medical devices -- a move the agency said will get innovative, new implants, diagnostics and other products on the market sooner and ultimately reduce costs. The FDA wants to invite medical-device makers to meet with it while the firms develop new products so the agency can tell the companies early in the process what will be necessary to sell the item in the U.S. Early communication, the FDA said, will improve the quality of applications submitted and eliminate the need for the agency to ask for more information or reject submissions.

Groups representing device makers said the industry is eager to work closer with the agency's device center. Speedier reviews are needed to encourage companies to develop new types of devices, said Mark Leahey, executive director of the *Medical Device Manufacturers Association*, a group of about 160 device makers. "We hope this will reduce costs," he added. "Time will tell." Pam Bailey, president of *AdvaMed*, an association of more than 1,100 medical- device makers, agreed. When medical products take longer to get to market, she said patients suffer and costs go up. "It is most important that review times come down," Ms. Bailey went on to say.

The FDA plans to reduce time it takes to review original premarket-approval applications, which companies submit when they want a brand-new type of product on the market. In fiscal 2002, the agency received 48 such applications, down 23 from a year earlier. In fiscal 2002, it took an average 364 days from the time the FDA received a premarket application to the time a decision was made. That was down from the prior year's 411-day average. The FDA plans to further reduce the time by one month for applications submitted from fiscal 2005 to 2007. The benchmark will be how long it took to review devices that made it through the process the quickest in fiscal 1999 to 2001.

To help cut review times, the FDA said it will work with outside experts to create clear guidelines to steer device companies in the right direction when developing and testing in new fields.

8/6 **NovaMed Eyecare, Inc.** reported results for the second quarter and six months ended June 30, 2003. Net income from continuing operations in the second quarter of 2003 was $790,000 (4 cents per share). Net income from continuing operations in the second quarter of 2002 was $1.2 million (5 cents per share). The second quarter 2002 results included a pre-tax gain on the sale of minority interests of $436,000 (1 cent per share) after tax. Net income from continuing operations for the first six months of 2003 was

$1.3 million (6 cents per share) as compared to $2.2 million (9 cents per share) for the first six months of 2002. Net income, including discontinued operations and the cumulative effect of a change in accounting principle, was $1.4 million (6 cents per share) in the first six months of 2003 as compared to $513,000 (2 cents per share) in the first six months of 2002. The first six months of 2002 results included a charge of $1.8 million (7 cents per share) as a cumulative effect of a change in accounting principle related to the impairment of goodwill.

For the quarter ended June 30, 2003, total net revenue was $14.0 million compared to $13.5 million for the prior year second quarter. Net revenue from surgical facilities was $9.3 million, up 11% from $8.3 million in the prior year second quarter, primarily due to a 25% increase in cataract procedures and a 59% increase in other procedures. This growth in procedures more than offset the 30% decrease in laser vision correction procedures. Surgical facilities revenue from procedures other than laser vision correction increased 25% over the prior year second quarter and 6% on a same-facility basis, which excludes revenue from our 2002 acquisitions. On a same-facility basis, which excludes procedures from our 2002 acquisitions, cataract procedures grew 7% and other procedures grew 35% over the prior year second quarter. Product sales and other revenue was $4.7 million in the second quarter of 2003, a decrease of 9% over the prior year second quarter. The majority of this decrease is due to a decline in sales at our wholesale lab business over the prior year that, we believe, is largely due to economic conditions.

For the six months ended June 30, 2003, total net revenue was $27.5 million compared to $26.8 million for the same period last year. Net revenue from surgical facilities was $17.8 million, up 10% from $16.2 million in the prior year six-month period, primarily due to a 31% increase in cataract procedures and a 40% increase in other procedures. This growth more than offset the 40% decrease in laser vision correction procedures. In the first six months of 2003, revenue from laser vision correction procedures represented approximately 10% of our surgical facilities revenue as compared to 25% for the same period last year. Surgical facilities revenue from procedures other than laser vision correction increased 31% over the prior year six-month period and 11% on a same-facility basis, which excludes revenue from our 2002 acquisitions. On a same-facility basis, which excludes procedures from our 2002 acquisitions, cataract procedures grew 12% and other procedures grew 16% over the prior year six-month period. Product sales and other revenue was $9.7 million in the first six months of 2003 as compared to $10.6 million for the same period last year.

"I am pleased with our results for the second quarter and year-to-date," commented Stephen Winjum, chairman, president and CEO. "Our same-facility revenue and procedure growth in our core surgical facilities segment, other than laser vision correction, remains strong and we are encouraged by this performance. We currently have two new surgical facilities under construction that we anticipate opening in the third quarter. We are continuing to pursue other acquisition and development opportunities," said Winjum. As of June 30, 2003, NovaMed had no outstanding borrowings under its recently negotiated $30 million credit facility and approximately $2.6 million in cash.

8/5 Jason Mills of **First Albany Corporation** issued a RESEARCH ALERT, cutting his **VISX** rating to "neutral" from "buy" citing "material exposure to a financially troubled healthcare finance company", that he gleaned from a reading of VISX's 10K. His comments:

* We are downgrading our rating on EYE to Neutral from Buy based on the company's material exposure to the financially troubled healthcare finance company, **DVI Inc.** (DVI-$1.40-Not Rated). We do not believe VISX has fully reserved for the DVI business and remains exposed to a potential default by the company. While DVI has not missed a payment to the company, we believe VISX could either take a one-time write-off for uncollectible accounts receivable associated with DVI or management could raise its allowance for doubtful accounts on the DVI business. We believe the write-off could be approximately $2 million and $0.03 to $0.04 in EPS. If the company raises its bad debt allowance to account for DVI, we believe this negative $0.03 to $0.04 EPS impact could be allocated into 2H03 or 2004. Due to the lack of visibility into DVI and how management will decide to resolve this issue, we are not changing our 2003 or 2004 revenue or EPS estimates at this time.

* DVI accounted for approximately 14% and 6% of VISX's total accounts receivable as of June 30, 2003 and December 31, 2002, respectively. In dollar terms, DVI currently accounts for about $3.5 million to $4.0 million of A/R, which has increased from approximately $1.5 million at year-end 2002. We believe the company has not increased its allowance for doubtful accounts to reflect the current fiscal condition of DVI, due to the company's historically good payment track record (DVI paid VISX as recently as the end of June). We estimate VISX's bad debt reserve at about 8.5% (of A/R) as of June 30 versus 9.5% at year-end 2002, and would argue that the lack of visibility into DVI's current fiscal condition would facilitate an increase in bad debt reserve for the DVI business. We estimate the current exposure VISX has to DVI, net bad debt reserve, is approximately $2 million (5.6% of total revenue estimated in 3Q03), or about $0.03 to $0.04 per share.

* Our rating downgrade is based on the increased risk profile of the company and the application of a lower P/E multiple to reflect the company's exposure to DVI. We would argue that a 30x multiple of 2004 EPS of $0.75 is appropriate to discount the stock due to this near-term uncertainty. This 30x forward EPS multiple would imply a new 12-month price target of $22.50 versus our old price target of $25, on which we applied a 33x multiple, or 1x our 3-year EPS CAGR estimate. The 10% reduction in target multiple is our way of accounting for the risk promulgated by this discovery. This new price target implies a 2% potential price appreciation from current levels and based on First Albany's disciplined valuation approach, that requires us to downgrade our rating of the stock to Neutral.

* While we remain positive on the current overall business dynamics occurring in the Laser Vision Correction (LVC) marketplace, we need to gain visibility into the potential risk associated with DVI going forward. We believe a write-off of existing A/R would

be the most conservative method to account for the uncertainty regarding DVI. We are confident that a potential DVI bankruptcy, the worst-case scenario, will not impact VISX's future revenue stream due to the plethora of healthcare equipment financing options available. We also believe the potential financial terms with any potential financing companies would not be materially different from its current agreement with DVI.

* Should the stock pull back to the high teens on this report, we would once again be buyers of the stock based on the strong fundamentals of the company, including: 1) conversion to CustomVue which is tracking ahead of our estimates, 2) return to growth in the LVC procedure market beginning in the third quarter, and 3) dominant market share in the United States (>50% installed base, >60% procedure share). We would revisit our rating once we gain a clearer understanding of the financial health of DVI Inc. or the stock pulls back to the $18 range, once again creating an attractive risk/reward profile including this additional information.

Who is DVI and what is the exposure?

DVI Inc. is a publicly traded specialty finance company based in Jamison, Pennsylvania, that provides asset-backed financing for healthcare providers worldwide with an outstanding portfolio of $2.8 billion of managed assets. DVI Equipment Finance, provides lease and loan financing for a variety of "large ticket medical equipment, such as laser machines, with a unit cost ranging above $100,000. DVI recently defaulted on the interest payments for its 9 7/8% Senior Notes due 2004 held by U.S. Bank National Association. On Friday Aug. 1, 2003, after the close, Standard & Poor's Ratings Services lowered its counter-party credit and senior unsecured debt ratings on DVI Inc. to `D' from `CCC-' and removed it from CreditWatch, where it was placed on July 17, 2003.

8/10 According to the July issue of *Ophthalmic Market Perspectives*, refractive surgeons have embraced the new wavefront-driven LASIK technology, with availability expanding rapidly across the U.S. The newsletter notes that as of the first week of July, an estimated 300 sites have been trained and adopted the new technology, with most of the increase attributed to the May approval of the **VISX** CustomView. OMP estimates that about half of the Alcon LADARVision U.S. sites have now completed the the wavefront upgrade, or about 120 sites, and now offer the premium service. Most surgeons, according to OMP, charge a premium for the service, ranging from $300 to $700 per eye, with most in the lower range. Adoption rates are still difficult to measure, with some centers reporting numbers as high as 50%, while most are noting 5% to 30%. As more surgeons receive training and marketing efforts expand, adoption rates are expected to grow significantly.

The August issue of the newsletter reported that despite encouraging signs of improvement in the U.S. economy, Q2-2003 refractive procedures were down compared with a seasonally strong first quarter, and were also off compared with the same quarter last year. Total estimated second quarter procedures were 284,300, down 10.8% from

Q1-2003, and off 8.7% from Q2-2002. (It should be remembered that wavefront-driven procedures just started to kick in in the last month of the quarter.) By the end of July, about 30% of U.S. laser centers were able to perform the premium-priced procedure. Traditionally, procedure volumes also decline during Q3 and Q4, however, anecdotal evidence of increased interest in LASIK at the center level along with improving economic forecasts should lead to higher than expected demand during the last half of the year. But, Dave Harmon's forecast for procedures for 2003 remains at 1.2 million.

8/11 **QLT Inc.** announced that it intends to purchase up to US $50 million worth of its own common shares, subject to regulatory approval. The share purchases will be made as a normal course issuer bid, whereby QLT will purchase for cancellation up to US $50 million worth of common shares up to a maximum of 5 million common shares. The bid will, subject to regulatory approval, commence on August 13, 2003 and end on August 12, 2004 or on such earlier date that QLT completes its purchases. All purchases will be effected in the open market through the facilities of The Toronto Stock Exchange and/or the NASDAQ Stock Market in accordance with the rules of those markets. QLT intends to use a portion of the proceeds from its offering of convertible senior notes announced earlier today to repurchase shares pursuant to the bid. The balance will be paid for from general working capital.

The company also announced that it intends to offer US $150 million of convertible senior notes due 2023. QLT also expects to grant the initial purchasers an option to purchase up to an additional US $22.5 million aggregate principal amount of notes. The notes will be convertible under certain circumstances into QLT's common shares at the option of the holder at the determined price. QLT intends to use the net proceeds for working capital and other general corporate purposes, including potential acquisitions or investment in businesses, products or technologies. In addition, QLT intends to use a portion of the net proceeds to repurchase QLT common shares on the open market in connection with a share repurchase program announced concurrently with this press release.

8/11 **TLC Vision Corporation** announced its financial results for the three and six month periods ended June 30, 2003. For comparative purposes, investors and editors should note that results for the same three and six month periods a year ago include 45 days of the operations of **LaserVision** which was acquired in May 2002. Despite seasonal softness in the refractive industry and some delayed sales due to the timing of the commercial roll-out of CustomLASIK, cost savings achieved to-date through the merger resulted in improved operating results. Q2-03 paid laser procedure volumes were over 44,600 and total net revenues were $47.5 million. For the same three-month period in 2002, paid laser procedure volumes were 35,900 and total net revenues were $43.1 million. Consistent with TLCVision's diversification strategy, revenues from other healthcare services generated 24.5% of total net revenues in Q2-03 compared to 20.5% in the same three month period a year ago.

TLCVision reported a net loss of $3.5 million (5 cents per share) for Q2-03 compared to a net loss of $114 million ($2.22 per share) for the same period a year ago. Adjusted EBITDA for Q2-03 was positive $3.5 million (6 cents per share).

For the six months ended June 30, 2003 paid laser procedure volumes were over 98,100 and total net revenues were $101.1 million. This compared to paid laser procedure volumes of 62,200 and total net revenues of $80.1 million for the comparable period of the prior year. Revenues from other healthcare services generated 23.1% of total net revenues for first half of 2003 compared to 16.4% for the first half of 2002. The net loss for the six months ended June 30, 2003 was $2.4 million (4 cents per share) compared to a net loss of $117.7 million ($2.63 per share) for the same period last year. Adjusted EBITDA for the six months ended June 30, 2003 was positive $10.6 million (17 cents per share).

Elias Vamvakas, TLCVision's chairman and CEO, commented, "Now into our third quarter, early indications are that U.S. patients are seeing the value in opting for CustomLASIK despite its higher price. In July, the first month of full commercial availability, CustomLASIK procedures represented approximately 25% of total volumes at our TLC Laser Eye Centers locations. Center bookings for August and September suggest that adoption rate momentum is gradually building as doctors and patients become more familiar with the new procedure and its potential for improving visual acuity and quality beyond that possible with glasses or contact lenses."

During a conference call with investors, TLC Vision Corporation officers discussed its fiscal 2003 second quarter financial results. The company stated that providing a definitive update to its guidance for 2003 was difficult given the fact that it is facing an unprecedented time in its history. Never before has the company been introducing a brand new procedure to the marketplace just as it enters what has historically been its seasonally weaker second half of the year.

Management went on to explain that:

* If paid refractive procedure volumes in the second half of 2003 are 5-10% lower than the first, it expects $20 million in earnings before interest, taxes, depreciation and amortization (EBITDA) for 2003.

* If, on the other hand, the procedure volume increase that is expected due to the introduction of CustomLASIK materializes, and paid refractive procedure volumes in the second half of 2003 equal those reported for the first half, resulting in total procedure volumes of approximately 196,000, it expects EBITDA for 2003 will be approximately $30 million.

* Cost reductions achieved to-date through the merger are the primary contributor to improved EBITDA performance.

8/12 **LCA-Vision Inc.** announced that it expects to complete the installation of wavefront analyzers to provide the LasikPlus custom laser vision correction procedure in all of its U.S markets by August 29, 2003. The custom Lasik procedure uses wavefront technology to measure specific imperfections in each individual's vision, thereby allowing for customized laser vision correction. Custom Lasik equipment installations at LasikPlus facilities include the **Alcon, Inc.** LADARWave system, approved by the FDA in October 2002, and the **VISX, Incorporated** WaveScan System, which received FDA approval in May 2003. LCA-Vision has been offering the custom Lasik procedure in its Canadian facilities since October 2001, and as of June 30, 2003, in five LasikPlus U.S. markets.

"By adding custom Lasik to all of our LasikPlus markets, each of which currently offers multiple excimer lasers, we can select the optimal Lasik procedure for each patient," said Dr. Sonny Goel, who has performed over 20,000 Lasik procedures and is a member of LCA-Vision's Medical Advisory Board. "Because of distortion, some patients with multiple aberrations may not see very well, even with contact lenses or glasses. With the custom Lasik procedure, we can formulate a custom treatment plan to treat multiple aberrations, potentially resulting in sharper vision compared with other options."

"LasikPlus is one of the largest users of the most advanced laser vision correction systems. By extending the custom Lasik procedure as an option to patients in all our U.S. markets, we further demonstrate our commitment to industry leadership and customer service," stated Stephen Joffe, LCA-Vision chairman and CEO. "We are currently training our physician team on the use of this new technology, and expect custom Lasik to be commercially available in all our markets by early September 2003."

Custom Lasik was introduced to all LCA-Vision LasikPlus markets after unanimous approval by the company's Medical Advisory Board, which, in addition to Dr. Goel, includes Dr. Lewis Groden, Dr. Gerald Horn, Dr. Jay Lustbader, Dr. Vincent Marino, Dr. Jason Schmit, Dr. George Simon and Dr. David Whiting.

Joffe added, "In light of our procedure volume growth and the addition of the new custom procedure in all LasikPlus markets, in July we raised our full-year 2003 diluted EPS guidance to $0.45 to $0.50."

8/12 **Carl Zeiss Meditec AG** continued on its profitable expansion path, despite the weak economy: In the first nine months of the current financial year sales rose by 22.9% to EUR 175.9m (previous year : EUR 143.1m). An even higher rate of growth was prevented by the strong euro. Had exchange rates remained at the previous year's level, sales would have increased by 37.0% to EUR 196.0m.

By contrast, profitability was not adversely affected by currency influences. CEO Ulrich Krauss explained: "Since we also have a production plant in the USA and the volume of goods exchanged between the USA and the Euro region is more or less equal, we are able to compensate for currency fluctuations."

After nine months of the financial year 2002/2003, Carl Zeiss Meditec had generated an EBIT of EUR 19.3m (previous year: EUR 9.6m). The medical systems manufacturer also profited from the sale of the two loss-making business units Aesthetic and Dental (to units of **El.En.**). "With an EBIT margin of 10.9% we have made good a promise to our shareholders", said Krauss.

Following the sale of all peripheral activities, Carl Zeiss Meditec is now fully focusing on the growth market ophthalmology. Ninety percent of sales were apportionable to appliances and systems, 10% were generated by services. About half of the sales volume originated in the USA and about a quarter in Europe and Asia respectively. The consolidated net income is shown split up according to US GAAP, i.e., income from continuing activities (ophthalmology as a core business) and discontinued activities (Aesthetic and Dental business units sold with effect as of 1 May 2003). This is done to improve transparency and to enable a more reliable estimate of the development of future earnings of the core business. Consolidated net income grew by 5.3% to EUR 4.7m (previous year: EUR 4.5m). In the core business ophthalmology Carl Zeiss Meditec turned in considerably increased profits: Consolidated profits from continuing activities totalled EUR 7.8m (75.8% more than last year). Consolidated losses from discontinued operations amounted to EUR -3.1m for the total 9-month period, of which only EUR -0.6m were attributable to the third quarter. The remaining loss was included in reports already published for the previous quarters.

In the third quarter of the current financial year (April to June 2003) sales totalled EUR 55.4m (previous year: EUR 51.5m), representing an increase of 7.4% and EBIT stood at EUR 5.1m (previous year: EUR 4.1m) - an increase of 22.5%. The gross margin of Carl Zeiss Meditec increased to 42.9% (previous year: 36.8%). There was also a further improvement in balance sheet ratios: As of 30 June 2003 the equity ratio stood at 52.7% (30 September 2002: 49.2%). Cash and cash equivalents increased to EUR 17.3m (30 September 2002: EUR 7.2m). This represents an increase of 140.5%.

Cash flow from operating activities was almost tripled, mainly due to optimized management of accounts receivable. In the reporting period it amounted to EUR 19.2m (previous year: EUR 6.8m). Within the next five years sales are to double and the EBIT margin is to rise well into the double-digit range. Moreover, Carl Zeiss Meditec intends to expand its position as solution provider for the ophthalmic sector. The company will be focusing on the following growth options:

- introduction of intelligently networked diagnostic and treatment devices, including data management and new forms of data assessment

- necessary combination of innovative devices and consumables

- further development of diagnostic systems for early recognition of eye ailments.

Notwithstanding the high positive cash flow, a capital increase is to be carried out in autumn this year to provide the funds needed for these growth options. "Alongside funding our growth this capital increase leads to another important goal: raising the appeal of Carl Zeiss Meditec shares by increasing the free float and, related to that, to improve trading liquidity", said Bernd Hirsch, CFO of Carl Zeiss Meditec AG. "By doing so we will come close to our strategic goal of admission to the TecDAX", Hirsch explained.

8/14 **Miravant Medical Technologies** announced consolidated financial results for the second quarter ended June 30, 2003. Revenues, interest and other income for the first quarter decreased to $18,000 from $44,000 for the same period in 2002. The net loss for the quarter was $3.7 million (15 cents per share) compared to a net loss of $3.6 million (19 cents per share) for the same period last year. The company had cash of $76,000 at June 30, 2003, and $5.7 million available under a debt agreement that provides up to $1.0 million monthly through November 2003, subject to certain requirements.

Gary Kledzik, chairman and CEO, stated, "We are making a number of efforts to address our financial position and raise additional capital. We recently received an extension to August 29, 2003, of the first debt payment due to **Pharmacia**, now a wholly owned subsidiary of **Pfizer**, and we are holding further discussions regarding repayment options and terms."

During the quarter, Miravant continued preparations for its first New Drug Application (NDA) with the FDA. The filing, planned later this year, will seek marketing approval of PhotoPoint SnET2 to treat wet age-related macular degeneration (AMD). SnET2 is a light-activated drug used to destroy abnormal blood vessels at the back of the eye, a vision-threatening complication of AMD and the most common cause of blindness in adults over age 50. In July at the *2nd International Conference on Cardiovascular Medicine and Science*, Miravant presented compelling preclinical results for PhotoPoint PDT to treat atherosclerotic vulnerable plaque (VP). VP is a field of intense research focus in cardiovascular medicine and concerns rupture-prone, inflammatory plaques in arteries that are estimated to cause up to 85% of heart attacks. In the second quarter, Miravant also continued a phase II clinical trial of topical drug PhotoPoint MV9411 for plaque psoriasis. Psoriasis is a chronic skin condition in which the immune system triggers accelerated growth of the epidermis, causing inflamed, scaly skin plaques.

8/14 Jason Mills of **First Albany Corporation** issued an update report on **Bausch & Lomb**, following a meeting with management. Some of his comments:

* We recently hosted a group of investors at Bausch & Lomb’s headquarters where we met with Ron Zarrella (CEO), Steve McCluski (CFO), Gary Phillips (Head of Global Pharma), Angela Panzarella (Head of Global Vision Care), and Kamal Sarbadhikari (Head of Global Surgical). We believe the quality, breadth, and experience of the management team have vastly improved.

* The visit augmented our confidence in this management team's ability to meet or exceed the company's stated financial objectives over the next few years, specifically 15% operating margins by 2005 and the delivery of mid- to high single- digit top-line growth over the next several years, with potential upside coming from new product launches.

* Margin expansion is the key tenet of our Strong Buy rating. Management reiterated the tenets of its operating improvement plan to drive operating margins to 15% in 2005, which implies EPS power of $3.30-$3.50.

* New product launches in Contact Lenses, Pharma, and Surgical represent the most significant "leverage points" to drive top-line growth acceleration and upside to our current estimates, in our view. We point to the following near-term catalysts: 1) Japanese approval and launch of a daily disposable contact lens (expected in 4Q03), 2) FDA approval and launch of Zyoptix Custom LASIK platform (expected in September), and 3) domestic launch of ZyLet combination antibiotic in 2H04.

Specifically he had the following comments about the company's refractive surgery business:

Refractive Surgery -- Management anticipates FDA approval of Zyoptix in September 2003. That would set the stage, in our view, for two key near-term initiatives in refractive for Bausch & Lomb: 1) a drive to take laser market share in the United States to promulgate a higher share of high-margin per procedure fees, and 2) the creation of an annuity stream business model with per procedure fees outside the United States, where it is currently a capital equipment market. CEO Zarrella offered a modestly more optimistic viewpoint of the refractive business at our meeting relative to his previous commentary on the 2Q03 conference call, pointing to early experience in pre selling Zyoptix wavefront systems in the United States and his expectation that Zyoptix's treatment range (myopia and astigmatism) will exceed current indications for both VISX and Alcon. He was more optimistic about Bausch & Lomb's ability to gain both laser and procedure market share in the United States following FDA approval of Zyoptix. In the United States, the company's refractive reps will likely be told to focus on high-volume LASIK providers (TLC, LCA, and high-volume private practices), which offer the highest leverage to increasing its procedure share, in our opinion. We anticipate Bausch & Lomb could gain market share at the expense of the weaker laser competitors like Nidek, but believe it would be difficult to gain share from established players like VISX or Alcon. In any event, the company stated its plans to focus intently on these two initiatives over the next 12-18 months. We believe there is still a strong possibility that Bausch & Lomb could divest or de emphasize the refractive franchise, if incremental improvements in profitability in this business do not improve in this time frame.

On the OUS front, we believe the company's ability to convert international users to a per procedure fee would drive material improvement in the Bausch & Lomb's refractive growth profile, and likely its profitability, given the higher margins associated with

procedure fee revenue. Management estimates that 90%-95% of all Custom LASIK procedures in Europe are being done on its Zyoptix platform. European surgeons must purchase a Zyoptix procedure card to perform each one of these procedures. While we still believe a material contribution from procedure fees in Europe is a long shot, we suggest Bausch & Lomb is best positioned outside the United States to take advantage of this potential opportunity.

On the new product front in refractive, the company mentioned its plans to launch its Zyoptix 217- 100 in Europe and Asia this quarter. This laser increases the speed of the laser from 50Hz to 100Hz and employs a multi-dimensional eye tracker.

8/18 **CIBA Vision Corporation** announced that it is considering strategic alternatives for its Surgical business, which includes the potential sale of that unit.

CIBA Vision has been focused on growing its Surgical business and has announced several key licensing and development agreements in the last two years. These include new product announcements for VisThesia, a viscoelastic that includes anesthesia, which is available in Europe; the purchase of the PRL phakic refractive lens previously licensed from **Medennium**; the Vivarte Presbyopic lens; the Ex-PRESS mini glaucoma shunt; a strategic alliance with **Refocus Group** on the development of scleral expansion implants for the treatment of presbyopia and glaucoma; the Centurion SES microkeratome; and the development and filing for FDA approval of the Centurion SES EpiEdge epikeratome developed under a license from Dr. Ioannis Pallikaris.

"While the Surgical team has developed a portfolio of highly promising technologies, we do not have the scale or necessary presence in the market to fully capitalize on them," said Joe Mallof, CIBA Vision CEO. "We believe that the value of our Surgical products and technoloies can be better realized by a company focused on maximizing their growth potential. This will also allow us to focus on our core lens and lens care businesses.

"As this process continues over the next several months, it is business as usual for CIBA Vision Surgical. Product development, clinical trials and marketing efforts currently underway will continue as planned. Our focus is on our serving our customers and providing them an uninterrupted supply of quality products," Mallof added. CIBA Vision has retained **Bear Stearns** as its investment banking firm to assist in exploring strategic options for its Surgical business.

8/18 **QLT Inc.** announced completion of its previously announced offering of US $172.5 million aggregate principal amount of 3.0% convertible notes due 2023 (including the US $22.5 million initial purchaser's option which was fully exercised on August 13, 2003). QLT intends to use the net proceeds from this offering for working capital and other general corporate purposes, including potential acquisitions or investment in businesses, products or technologies. In addition, QLT intends to use a portion of the net proceeds to repurchase its common shares on the open market in connection with the share repurchase program announced earlier this week.

8/19 Ted Huber of **Wachovia Securities** issued an update following **Alcon's** press release about its positive results with the Phase II/II clinical trial of RETAANE for treating AMD. His comments:

* Positive 24 Month RETAANE Data: Yesterday, Alcon reported positive 24 month visual acuity and safety data on its RETAANE treatment for Age Related Macular Degeneration (AMD) from its phase II/III clinical trial. The 24 month visual acuity data showed 73% of RETAANE patients experienced stable or improved vision vs. 47% in the placebo arm (p=0.035). These data are consistent with 12 month results (84% and 50%). With 500 procedures performed out to 24 months, researchers report RETAANE has not resulted in any clinically significant adverse events.

* A Modest Positive but Questions Remain: The consistent visual acuity results out to 24 months in a small study population (55 patients) is a modest positive for RETAANE. But questions raised by the 12 month results (statistical methods, drop out rate, dose effect) are not addressed by Alcon's limited press release yesterday. We are working to conduct a full assessment of the 24 month trial data.

* Favorable Bias toward RETAANE:. Alcon completed enrollment for its pivotal trial Q203 that compares RETAANE to VISUDYNE in the treatment of classic wet AMD. Yesterday's results support our view that odds favor RETAANE meeting its primary endpoints and winning FDA approval 1H05. Assuming RETAANE offers a leading safety profile and comparable efficacy compared to other treatments under investigation, we expect it to compete effectively in the $500-1,000mm market for classic wet AMD.

8/21 **Paradigm Medical Industries, Inc.** reported sales and earnings for the second quarter and first six months of 2003. The company reported a net loss of $1.6 million (7 cents per share) for the second quarter, compared with a loss of $1.9 million (11 cents per share) in the year-ago period. Excluding one-time charges and adjustments, the company had a loss of $271,000 (1 cent per share) in the April-June 2003 period. The company reported second-quarter 2003 sales of $645,000 versus revenues of $1.3 million a year ago and $727,000 in the preceding three months. Dr. Jeffrey Poore, Paradigm's president and CEO, stated, "Paradigm has just completed its first full quarter under my watch, and we are very pleased to report a company that has gone from acute financial distress to a position with opportunities of considerable order. During the second quarter our total operating losses excluding one-time charges and adjustments was reduced to $266,000. Our cash position has substantially improved. The one-time charges and adjustments that we have announced will enable more accurate reporting of the company's improving financials. Our first step was to institute policies to overcome Paradigm's financial challenges. We have cut overhead, resolved some outstanding liabilities and raised capital. Our sales initiatives are beginning to take hold. We experienced increased sales in our focus product areas, particularly our Blood Flow Analyzer. We now have in place a management team with the skill to manage our current financial affairs, to build the sales infrastructure and to increase the competitive advantage of our products. Our

primary objective is to make this organization cash flow positive. As we meet internal targets we expect to reach these goals."

OPHTHALMIC LASER UPDATE -- September 2003

8/28 Amy Braunschweiger, of the *Dow Jones Newswire*, reported that **VISX Inc.'s** stock fell on word that rival **Bausch & Lomb Inc. (BOL)** received an approvable letter from the Food and Drug Administration for a competing laser eye-surgery system. Bausch and Lomb officials weren't immediately available to comment on the speculation, but the firm has previously said it expected the approval in the third quarter. **Harris Nesbitt Gerard** analyst Joanne Wuensch said Bausch & Lomb management recently told her it had received the FDA letter for the Zyoptix wavefront-guided ablation system, used in laser surgery to correct eye problems such as near-sightedness and far-sightedness. Sometimes if the FDA reaches the end of the time allotted to review something and there are still outstanding issues but the item has mostly met the agency's requirements, the FDA sends an approvable letter outlining what a company must do to sell the product in the U.S.

VISX has been the market leader in the eye-laser sector since about 1996, having made 50% to 60% of the lasers currently used by eye doctors, noted Ms. Wuensch. A VISX representative wasn't immediately available to comment on the Bausch & Lomb laser. Earlier, spokesperson Jackie Cossmon told Dow Jones Newswires that VISX held 60% of the laser-eye-surgery market, while Alcon Inc. held 20% and Bausch & Lomb held 10%.

A pending Zyoptix approval may mean more competition for VISX, but it doesn't necessarily mean Bausch & Lomb will take market share, according to some industry watchers. "It's difficult for a new entrant to make any dramatic gains in market share," said Dave Harmon, president of **Marketscope**, a St. Louis market-research company that focuses on ophthalmology. He estimated only 140 to 150 new lasers will be sold this year. Many doctors keep and frequently upgrade the VISX lasers they bought a number of years ago rather than buy a whole new laser system, said Harmon, adding, "VISX has kept their customers in the fold."

Following the Dow Jones Newswire report, Michael Lachman of **Think Equity** said, "We reiterate our overweight rating on the shares of VISX. The stock has sold off sharply this morning on speculation that Bausch & Lomb has received FDA approval for its Zyoptix wavefront guided ablation system, but has not yet announced it. Approval for BOL's system had been expected by September, so this would not be a surprise. We remind investors that laser vision correction is a business driven by an installed base of lasers. VISX lasers account for about 50% of the US installed base and roughly 64% of procedures, while Bausch & Lomb's Technolas system accounts for about 8% of lasers and about 10% of procedures. Over 70% of VISX customers have recently upgraded their systems to perform CustomVue procedures, and the conversion has been very strong so far. Even with a good label, which we expect, Bausch & Lomb's ability to impact VISX's business in the near term is limited.

8/28 The *OSN Supersite* reported that **Alcon** had initiated a recall of the software in 157 LADARWave CustomCornea units because of a software error that may lead to ophthalmologists' retrieving patient data incorrectly, according to the Food and Drug Administration. The FDA noted the recall was company-initiated, and affects the aberrometer software version 7.91 in Alcon's LADARVision System. According to the FDA information, the software error "could, under specific circumstances, allow the patient's centration images and data to be stored incorrectly."

According to an Alcon spokesperson, the company sent out a safety alert to all LADARWave owners last month. "We didn't ask anything to be returned," Mary Dulle, corporate communications director, told Ocular Surgery News. The software glitch, she said, is in the `sort by' function. "We're asking users not to sort patient data by `sort by first name' or `sort by last name'," she said. Searching by patient name or medical record is unaffected by the glitch, she added. Ms. Dulle added that of the 109 domestic units affected, every ophthalmologist is in receipt of the letter and has sent back information saying they've read the safety alert and taken appropriate precautions. Internationally, 42 of 48 sites have responded affirmatively, Ms. Dulle noted. "We are making every effort to contact the remaining sites to alert them as well," she said.

Alcon is debating whether to reprogram the `sort by' feature or eliminate it completely on future versions of its software. Daniel Durrie, MD, told Ocular Surgery News "there are several other checks in the actual procedure that would avoid actually treating the wrong eye. I am unaware of any patient problem and it has not affected patient treatment here at all."

8/29 **VisiJet Inc.** announced that they will introduce their initial product, the HydroKeratome Waterjet System at the *ESCRS* meeting in Munich Germany, September 6-10, 2003. Hands-on "wet labs" will be provided for surgeons to actually perform surgical cuts using the new technology that utilizes a high-pressure micro beam of water to cut issue. VisiJet medical and support personnel will provide educational and technical information. In addition, sales management and distributors representing countries across the world will be in attendance to take orders. VisiJet distributors who will be at the meeting and the areas they cover include: **New Tech SpA** -- Italy; **W.M. Bloss, S.A.** -- Spain; **Medillas AG** -- Switzerland; **Kestrel Ophthalmolics** -- United Kingdom; **Tradis Gat Ltd.** -- Israel; **Ioltechnologie** -- France; **Ophtec BV** -- Holland; **Polytech Ophthalmology GmbH** -- Germany; **Medicals International SARL** -- Lebanon.

"ESCRS is the largest and most important international meeting in ophthalmology and represents an excellent opportunity to demonstrate to surgeons from around the world the benefits of our new waterjet technology," said Randy Bailey, president and CEO of VisiJet. "This is the first opportunity for surgeons to personally experience the precision and ease of the device and we anticipate the results will be positive. Refractive surgeons have long told us they want something better than current mechanical microkeratomes and now it's here."

9/2 **Miravant Medical Technologies** announced that it had raised $6.0 million through a Convertible Debt and Warrant Purchase Agreement (Debt Agreement) with a select group of institutional investors, including **SDS Merchant Fund LP**, **Versant Capital Management LLC**, **Symmetry Capital Management LLC** and others. The notes are convertible into Miravant common stock at a conversion price of $1.00 per share. For every $1,000 invested, the Company issued one five-year warrant to purchase 750 shares of Miravant Common Stock at $1.00 per share. Additionally, **Pharmacia Corporation**, a wholly owned subsidiary of **Pfizer Inc.**, agreed to retire Miravant's entire outstanding $10.6 million debt for the following consideration: $1.0 million plus 390,000 new shares of common stock and the re-pricing of 360,000 warrants currently held by Pharmacia. Miravant will use the remaining $5.0 million for general corporate purposes, including working capital to prepare the New Drug Application (NDA) filing planned later this year for drug SnET2, a potential new treatment for wet age-related macular degeneration (AMD).

Gary Kledzik, chairman and CEO, stated, "This financing enables Miravant to complete the extensive documentation required for the planned NDA filing and retires the Pharmacia debt, terminating that obligation and potentially facilitating other partnering arrangements."

9/2 Ted Huber of **Wachovia Securities** issued an update report on **VISX** entitled: EYE: Early Signs of Custom LASIK Driving Growth. Some of the highlights of his report included:

* We expect 3Q03 EPS Upside: Our $0.11 EPS estimate for 3Q03 (guidance is $0.10 to $0.12 and consensus is $0.11) discounts in a 17.5% Custom mix and 9.6% y/y LASIK volume growth for 3Q03. Based on field checks we now expect VISX to modestly exceed each of these operational metrics. Our sensitivity analysis predicts EPS closer to $0.12 for 3Q03 is likely.

* Consumer Confidence Supports Growth: Consumer confidence (the economic measure most highly correlated with LASIK volumes - R=.71) at current levels support flat to modest y/y growth (up to 6%) for the coming three quarters. Any improvements in the relatively weak current consumer confidence measure (81) serves as a catalysts for more robust growth in LASIK volumes.

* Mix Shift Driving Growth: Recently approved Custom LASIK is driving volume growth by improving the risk/reward of LASIK, stimulating new physician advertising and releasing pent-up demand. Our checks reveal custom mix for many surgeons in the 30% to 50% range with most surgeons expecting increases over last year's 3Q volumes.

9/4 Following a conference call held with David Harmon of **Market Scope**, Huber issued a follow up report. Some of the comments included:

* We hosted a conference call with refractive industry consultant Dave Harman of Market Scope yesterday to review the results of his recently published annual physician

survey (400 surgeons responded, nearly 10% of the market) and take the pulse of the LASIK market.

* The attached recap includes key data and opinions offered by Dave Harman during the conference call, followed by our comments relative to the industry and the public technology companies that serve it (EYE, BOL, ACL and AVO).

Key takeaways include:

(1) 2003 Growth and Mix Forecasts: Dave Harman forecasts volume growth of 10% yr/yr in third and fourth quarter, Custom LASIK mix of 11% for Q3, 21% for Q4 and 30-35% for 2004. These growth rates are comparable to our forecasts.

(2) Bullish longer term on refractive market potential: Expect peak annual procedure volumes of 2.5mm procedures, nearly double current levels.

(3) LASIK price is rising again: now $1710, up 11% over last year, in part because docs are charging an average $364 premium for Custom LASIK.

(4) Capital expenditures for 2004 weak: Only 10% of surgeons plan to buy a new laser, down from last year (consistent with our forecast for declining hardware sales for VISX).

9/4 **Lasersight, Incorporated** announced that it had failed to timely file its second quarter SEC Form 10-Q due on August 14, 2003. The company did file a Form 12b-25 on August 14, 2003 advising that the company was still working to put together the necessary data to file the quarterly report.

As previously announced on June 20, 2003, the company had been advised by **GE Healthcare Financial Services, Inc.**, as successor-in-interest to **Heller Healthcare Finance, Inc., (GE)** that its loans to the company were in default due to an adverse material change in the financial condition and business operations of the company. The company executed a new agreement with GE on August 28, 2003 providing for an extension of its loans through January 2005. As previously disclosed in its most recently filed 10-Q Quarterly Report (Q1, May 15, 2003), the company had entered into new discussions related to the payment terms of it's License and Royalty Agreement covering its keratome products. The licensors issued a third notice of default to the company on May 6, 2003 and served legal action against the company on August 12, 2003 for the entire balance of approximately $3.3 million under the License Agreement. The company has continued its discussions, but as indicated in the 10-Q report, the company may have to seek judicial reorganization to effect relief from this accelerated license payment or other pressing matters outlined below.

Further, as previously disclosed in the 10-Q report, in order to conserve cash, the company has only been funding vendor payments necessary to support ongoing manufacturing operations. As a result, the company has been the defendant of two additional lawsuits for unpaid obligations aggregating approximately $250,000. Although

the company is in discussions with the plaintiffs on these lawsuits, there is no guarantee that the company can satisfactorily resolve these issues and as mentioned above, may have to see judicial reorganization to effect relief. As previously announced on June 24, 2003 the company executed an agreement with **Shenzhen New Industries Medical Development Co. (Shenzhen New Industries)**, Schenzhen, The People's republic of China and its Hong Kong based-affiliate **New Industries Investment Consultants (H.K.) LTD (New Industries Investment Consultants)**. Shenzhen New Industries is a company that specializes in advanced medical treatment services, medical device distribution and medical project investment and New Industries Investment Consultants is the holder of Lasersight's Series H Convertible Preferred Stock issued during 2002. As announced on August 16, 2002, LaserSight and Shenzhen New Industries entered into a strategic relationship that included the purchase of at least $10 million worth of LaserSight products during a twelve month period ending in August of 2003, distribution of LaserSight products in mainland China, Hong Kong, Macao and Taiwan, and a $2 million equity investment in LaserSight Incorporated by New Industries Investment Consultants. The investment in LaserSight was in the form of the purchase of Convertible Preferred Stock, the Series H Stock that, subject to certain restrictions, is convertible into approximately 40% of LaserSight's Common Stock. Prior to the execution of the June agreement, Shenzhen New Industries had purchased approximately $4.5 million worth of LaserSight products through May 15, 2003 and an additional $700,000 prior to the execution of the agreement for a total of $5.2 million.

As previously announced in its most recent 10-Q Quarterly Report, the company had minimal cash and was unable to manufacture products due to limited inventories and unfavorable financial relationships with its vendors. Since the June 24, 2003 announcement, Shenzhen New Industries has purchased approximately $1.0 million worth of Lasersight products. Although the original $10 million worth of Lasersight products was not delivered during the twelve-month period, approximately $6.2 million of Lasersight product was delivered and Lasersight and Shenzhen expect the balance of the $10 million to be purchased and shipped during the remainder of 2003. The company's efforts to control costs continue to move forward with the resultant payroll and overhead savings eventually bringing the company closer to a positive cash flow environment. However, the company must continue to deal with the keratome license issue, potential additional unpaid supplier lawsuits; for without a successful resolution to each of these issues, the company will exhaust its cash reserves and may have to seek judicial reorganization.

As previously disclosed in its most recently filed SEC Form 10-Q Quarterly Report (Q1, May 15, 2003) and Form 10-K Annual Report, the company indicated that it had suffered recurring losses from operations and has a significant accumulated deficit that raises substantial doubt about its ability to continue as a going concern. The financial statements included in the previously filed SEC reports do not include any adjustments that might result from the outcome of these uncertainties, including judicial reorganization.

The following day, September 5, 2003, LaserSight announced that due to the company's continued cash flow issues it was forced to file for Chapter 11 bankruptcy protection and reorganization in the United States Bankruptcy Court, Middle District of Florida, Orlando Division.

9/5 **TLC Vision Corporation** announced that it's subsidiary, **OR Partners**, had acquired a majority interest in **Phoenix Eye Surgical Center** located in Phoenix, Arizona. OR Partners develops, acquires and manages single specialty ophthalmic ambulatory surgery centers (ASCs) in partnership with physician practices. These centers provide out-patient eye surgery services in a less institutional atmosphere than can be achieved in a hospital setting and appeal to doctors seeking alternative revenue sources, improved efficiencies and financial partners. While the company's doctor partners focus on providing high levels of quality patient care, OR Partners manages the clinical services, physician recruitment, administration, business operations, licensing and certification, facility accreditation and financial reporting of the surgery center.

Led by Robert McCulloch, MD, a 20-year veteran of cataract surgery, and his partner, Daniel Feller, MD, the Phoenix Eye Surgical Center houses a state-of-the-art out-patient surgery suite where a number of ophthalmic procedures are performed. Dr. McCulloch said, "I am very excited about being associated with OR Partners. They're well capitalized, managed by a team of experienced professionals and committed to achieve results. Most importantly from a physician's perspective, OR Partners understands that patients are the number one priority in my practice."

"We expect to continue to acquire or develop similar centers in association with some of the country's most prominent ophthalmic surgeons, all of which will immediately contribute to TLCVision's cash flow and profitability," commented Jim Wachtman, TLCVision's president and COO.

9/5 **CIBA Vision Corporation**, the eye care unit of **Novartis AG**, announced that the Centurion SES EpiEdge epikeratome had received FDA 510(k) approval. The EpiEdge epikeratome is used as part of a new refractive surgical procedure called Epi-LASIK. Epi-LASIK was developed by Ioannis Pallikaris, MD, the renowned Greek ophthalmologist who helped introduce LASIK to the world. "Once again Dr. Pallikaris is at the forefront of another breakthrough in refractive surgery," said Robin Terrell, president of CIBA Vision's Surgical business. "This could change the face of LASIK as we know it."

The EpiEdge epikeratome is compatible with the Centurion SES System, introduced by CIBA Vision in the U.S. in April of this year. The Centurion SES will be sold with two separate handpieces and blades, one for use in traditional LASIK procedures (microkeratome) and one for use in Epi-LASIK procedures (epikeratome). The EpiEdge epikeratome is not a blade per se, but a blunt separator that produces an epithelial sheet, thereby eliminating the need for alcohol used in some refractive laser procedures, such

as PRK and LASEK. Since alcohol is toxic to epithelial cells, removing the alcohol application from the procedure results in faster healing and less pain for patients.

The EpiEdge epikeratome is also different from current microkeratome designs in its precision. The separator produces a precise, reproducible delamination of the epithelium. With Epi-LASIK, initial results indicate that many flap complications of LASIK will be reduced. "This is a huge step forward," said Marguerite McDonald, MD Southern Vision Institute and Clinical Professor of Ophthalmology, Tulane University, New Orleans, LA. "This device will change the way we perform refractive surgery."

9/8 **Carl Zeiss Meditec AG** said it would present its new CRS-Master and other new product developments at the most important European congress for operating eye surgeons, the *ESCRS*, to be held from 6 to 10 September 2003 in Munich. The CRS-Master intelligently connects the MEL 80 treatment laser to a high-end diagnostic system with a hitherto unrivalled degree of precision. The result sets new standards: treatment is even safer and for the first time it can be individually tailored to the needs of each patient. A further new product to be launched on the European market is the Humphrey' Matrix perimeter used for the early diagnosis and monitoring of glaucoma. Working together with an FDA-approved reference database, the STATUSOCT provides an unprecedented degree of precision in the section views of the retina it generates. The VISUCAM C is the company's newly developed digital camera for depicting the fundus of the eye, ensuring fast diagnosis and early recognition.

"We will be endeavoring to launch one new product per year and per main field of application -- vision defects, glaucoma, cataracts and retinal disorders", said Ulrich Krauss, president and CEO of Carl Zeiss Meditec AG, "Our aim is to use innovative technologies to expand and link up the various application possibilities. The CRS-Master is a good example here: it can be used both for the diagnosis of vision defects and their treatment." During the congress ophthalmologists will be able to observe an eye operation performed live using the MEL 80 laser.

At the "Carl Zeiss Wavefront Symposium" scientists and physicians will have the opportunity to compare notes on the latest findings in the field of wavefront technology, used for the detection of the smallest of vision defects. A further event, the Ophthalmology Forum, is aimed at a more general audience. Here, the latest trends in science, technology and on the growth ophthalmology market will be presented and discussed.

9/8 "An approval before year-end in the United States for the Allegretto excimer laser will increase **WaveLight's** presence to more than 33 countries for its refractive laser systems," Manfred Drax, MD, chief operating officer for WaveLight Technologies AG, said during a press conference at the *European Society of Cataract and Refractive Surgeons* meeting in Munich. The U.S. application was based on clinical data from more than 900 eyes treated for myopia and "slightly more if you include the hyperopic patients as well," said Max Reindl, president. While specific refractive error correction ranges are not allowed

to be made public before approval, Reindl said the Allegretto is "comparable to other systems on the U.S. market." The company believes the overall worldwide market for refractive lasers will continue to grow, "in the next year more in Asia than other markets," said Reindl.

"There are no serious alternatives to the excimer laser -- there are no IOLs available, there is no femtosecond technology that's a real alternative to excimer laser." As a result, he said, there is a "huge market over the next 2 to 5 years for replacement machines."

Dr. Drax spoke about the Allegretto Wave Eye-Q, the company's customized wavefront ablation machine. "We will assume a market leadership position with this product," he said. The Eye-Q differs from currently approved customized systems because "it's custom ablation with an individual approach," he said. According to company materials, the Eye-Q includes a cross line projector that "enables more precise correction of astigmatism and higher-order aberrations with a defined axis." Repetition rates on the laser have been increased to 400 Hz, allowing surgeons to perform up to 6 D of correction for myopia on a fully corrected optical zone of 6.5 mm in 15 seconds, company materials state.

Gearing up for its entry into the U.S. market, the company has opened an office in Virginia. Once the Food and Drug Administration grants marketing approval to the Allegretto, WaveLight and **Lumenis** will jointly market the laser in the United States.

9/9 **QLT Inc.** announced a favorable vote by the Medicare Coverage Advisory Committee (MCAC) regarding questions relevant to the decision to be made by the U.S. Centers for Medicare and Medicaid Services (CMS) on whether to expand the current reimbursement of Visudyne Therapy to include patients with the **occult choroidal neovascularization (CNV)** due to age-related macular degeneration (AMD), the leading cause of blindness in patients over 50.

"We are pleased that after much discussion and debate the panel overall recommended that Visudyne improved the net health outcome in the population of patients with the occult form of the disease. We recognize that the panel was also in favor of further categorizing those patients that responded best to treatment as the appropriate patients to be treated," said Paul Hastings, president and CEO of QLT Inc. "We now must wait for the CMS to consider the panel's recommendation and come to their own conclusion relative to the coverage or non-coverage of Visudyne in patients with the occult form of AMD."

MCAC is a consultative body of researchers, clinicians and consultants who advise CMS on scientific and clinical questions regarding Medicare coverage. CMS will consider the panel opinion when it evaluates whether the procedure should be covered in the population of Medicare beneficiaries who have AMD and occult with no classic CNV. Medicare already offers coverage for Visudyne therapy in AMD patients with predominantly classic lesions. A decision on the new use is expected before the end of

2003. Approximately 150,000 new cases of subfoveal wet AMD are diagnosed each year in North America and approximately 40% of these cases are in the occult form.

Visudyne therapy is developed and commercialized through the alliance of QLT and the Ophthalmics Business Unit of **Novartis Pharma AG**.

9/10 According to the September issue of *Medical Laser Report*, **Ellex Medical Lasers** (Adelaide, Australia) (known as **Laserex** in the U.S.) reportedly is shifting part of its research and development work to California. The move aims to revive U.S. sales and launch the next generation of specialist eye treatment products on world markets within 12 months. The company told the *Australia Advertiser* on September 2 that its U.S. team of five engineers has significant experience in developing laser products for the retinal market and will complement existing operations at the South Australian headquarters. According to Victor Previn, managing director, all products will still be manufactured in Adelaide. Ellex increased its R&D budget from $3.1 million to $5 million this year to expand into the retinal and glaucoma ophthalmic markets.

(I was able to confirm this move to California, as a friend at **Lumenis** confirmed that some of Lumenis' engineers had indeed shifted over to Ellex Medical.)

Also in the September issue of MLR, Kathy Kincade wrote about a startup company, **Solx**, headquartered in Boston, that is developing a new laser approach to the treatment of glaucoma. Here is her story:

Solx (Boston,MA), a young company that has spent the last three years incubating at the Boston University Photonics Center, is about to gain FDA clearance for a Ti:sapphire laser-based system developed for the treatment of glaucoma. According to Doug Adams, founder of Solx, the company applied for 510(k) clearance last December and has since responded to additional questions from the agency. Adams is confident that the FDA will give Solx the thumbs' up sometime this fall. Founded in June 2000, Solx has been developing a 790 nm Ti:sapphire laser system for laser trabecular ablation of glaucoma. According to Adams, the company's approach differs from argon laser thermal therapies and the 532 nm Nd:YAG selective laser trabeculoplasty (SLT) system offered by Lumenis, in that much higher powers are used (50–75 mJ vs. 1–2 mJ with the SLT laser) and the mechanism of action is shockwave and ablation. The result, Adams says, is a much cleaner procedure and faster results. "We use the laser to treat the trabecular meshwork and `shake the sand out of the blanket' -- that is, clean the debris out of the mesh work," he said. "The reduction in intraocular pressure (IOP) happens in less than one hour, vs. 7–10 days or even longer it can take before you see a clinical effect using other approaches. And we believe this is a repeatable technique."

In an 18-month clinical study of 67 eyes in Spain, Dr .Gabriel Simone found that those patients that were controlled for IOP using one ophthalmic pharmaceutical, 100%were removed from the drug and remained drug-free for 18 months. In addition, there was no thermal damage to tissue. Solx has also conducted two years of animal research at

Bascom Palmer Eye Institute (Miami, FL). "We think this approach is unique because this is a brand new wavelength for ophthalmology that is delivered in a traditional way (via slit lamp) so it is very familiar to doctors," Adams said. "What makes the Solx technology special is the shape of the pulse. This is why it works so quickly."

Solx has installed its first laser at Simone's clinic in Madrid and is ramping up to begin selling the laser in Europe early next year, according to Adams. Once FDA clearance is obtained, the company will begin IDEs at five sites in the United States to gain further clinical data and introduce the technology to the U.S. market. "We have units in production that we are building in an FDA approved facility," Adams said. "We are moving from a scientific/clinical effort to becoming a full operating company, and we will sell the laser ourselves."

Solx plans to remain in the Boston area and will continue to work out of the Photonics Center through December of this year. To date the company has invested $3.5 million in the development of this technology, with all of the money coming from private equity and `angel investors.' The company's long-term strategy is to establish the Ti:sapphire system for trabeculoplasty and then expand it into a single platform for additional glaucoma-related applications, such as activating a glaucoma implant and doing endoscopic surgery. Solx currently holds several apparatus and method patents and patents pending on this technology and the processes. "We have a plan where this laser evolves over time into a unique tool for ophthalmologists for the treatment of glaucoma," Adams said. "We want to expand the utilization of the technology for the doctor."

9/11 Michael Lachman of **ThinkEquity Partners** initiated coverage of three new ophthalmic device companies, in addition to **VISX**, which he already covered. The three new companies were **Alcon, Inc.**, **Bausch & Lomb**, and **Advanced Medical Optics**. In addition, he issued a "Medical Device Thinkpiece", entitled "Ophthalmology Device Sector: Keeping the Vision for Aging Boomers", announcing his coverage of the sector and giving some of his reasons why he was covering it.

I have included some of his comments from the "Think Piece", as well as his comments on the refractive industry from each of the separate reports.

Ophthalmology Device Sector: Keeping the Vision for Aging Boomers

We are initiating coverage of the ophthalmic device industry with a recommended Overweight position. The demographic tailwind of an aging global population, combined with strong device and pharmaceutical pipelines that address several age-related eye disorders, should lead to profitable growth for the leading companies. Our coverage consists of the two largest pure play companies within this space: Alcon, Inc. (ACL, $53.43, Overweight) and Bausch & Lomb (BOL, $42.05, Equal Weight). We also cover two companies that address niches within the ophthalmic device industry: Advanced Medical Optics (AVO, $17.55, Overweight) and VISX, Inc. (EYE, $19.42, Overweight).

There are life-saving medical devices and life-enhancing medical devices. The ophthalmology device industry addresses key quality of life issues. The medical device industry includes segments that address life-and-death issues (i.e., cardiology, critical care) as well as segments that address quality of life issues (i.e., orthopedics, ophthalmology). Mobility (orthopedics) and vision (ophthalmology) are arguably the most important factors that address independence and quality of life for an aging population as medical innovations keep people alive longer.

Ophthalmic devices and pharmaceuticals: large, growing, relatively concentrated markets. Ophthalmic device and pharmaceutical markets total $15 billion worldwide (excluding eyeglass lenses), growing at 7% annually. The ophthalmic market consists of predictable, slow growth segments (cataract surgery, contact lenses/solutions) and high potential, higher risk segments (refractive surgery, pharmaceuticals). Emerging treatments for AMD and other retinal diseases represent a significant potential long-term growth driver. A relatively concentrated customer base of ophthalmologists, optometrists, and opticians is served by a concentrated supplier base: the top four companies control over 50% of the global ophthalmic device/pharmaceutical market. Within each of the major market segments, concentration is even greater. Within the cataract/vitreoretinal surgery, refractive surgery, and contact lens segments, the top four companies in each segment control about 85% of the market. Within contact lens solutions, the top four companies control 73%. Within ophthalmic pharmaceuticals, the top five companies control 67% of the market.

Strong new product flow in the industry - beginning stages of a number of new product cycles. Product pipelines and recent product introductions in the ophthalmic device/pharmaceutical field include a number of first generation products, including pharmaceuticals to treat AMD (Alcon, **Pfizer**, **Genentech**), implantable lenses for vision correction (AMO, **Staar Surgical**), and accommodating IOLs for presbyopia. In addition, a number of second generation products with meaningful new features and benefits have recently been or will soon be introduced, including ocular antibiotics and dry eye treatments (Alcon, **Allergan**), custom ablations for LASIK (Alcon, VISX, and Bausch & Lomb), and multifocal IOLs for cataract/presbyopia (AMO, Alcon). Continuous, ongoing product improvement is taking place in contact lenses and solutions, phacoemulsification equipment, and IOLs for cataract surgery. Several of these new product areas are discussed in greater detail later in this report.

ThinkEquity Partners focuses on a number of megatrends that are important contributors to growth across multiple industries. The megatrends that most directly impact the medical device industry, including ophthalmology, are described briefly below and in greater detail later in this report.

Demographics: Many eye diseases are associated with advancing age, including AMD, cataracts, presbyopia, glaucoma, and dry eye. In addition, the diabetes epidemic is a growing concern among healthcare providers worldwide and is an increasing cause of blindness.

Globalization: Many ophthalmic market segments are larger and faster growing outside the US.

Consolidation: Spinouts of pure play companies (Alcon from **Nestlé**, AMO from Allergan; Pfizer and **Novartis** likely divesting ophthalmic surgical devices to focus on pharmaceuticals). Further consolidation is likely in contact lenses.

Branding: Leading players have enduring franchises and strong brands with consumers and eye care professionals.

(Comments about the refractive surgery industry from the Think Piece.)

Custom/Wavefront Guided LASIK

The launch of custom/wavefront guided LASIK in the US, along with a rebound in the economy and consumer confidence, should provide the ingredients for a laser vision correction industry rebound following two years of declining procedure volumes**.** FDA approval was received by Alcon in October 2002, by VISX in May 2003, and is expected for Bausch & Lomb by the end of Q3-03. Custom LASIK technology is beginning to generate positive PR messages for the industry, and initial adoption has been strong.

Wavefront-guided ablations customize treatment to the unique characteristics of a patient's eye, providing improved visual outcomes for many and reducing the incidence of night vision problems and other complications. Preoperative diagnostics go beyond traditional measurement of lower order refractive aberrations (measured as a number of diopters of myopia, hyperopia, and/or astigmatism) to measure the higher order aberrations particular to each eye.

"Standard" LASIK outcomes have improved significantly since the mid-1990s, as surgical techniques have been refined and as laser technology has crept forward. Surgeons now obtain 20/20 or better results in roughly 90% of cases, and 20/40 or better in nearly 100% of cases. To some extent, these outcomes make it difficult to demonstrate the advantages of custom ablation by simply comparing the percentages of patients reaching 20/20 and 20/40 visual acuity. Improved outcomes will also be expressed in terms of qualitative measures, such as quality of night vision, and by percentages of patients that achieve better than 20/20 vision (i.e., 20/16 and 20/12).

Although VISX received approval for its CustomVue system several months after Alcon received approval for its CustomCornea system, VISX has taken the early lead in this area based on its broader label (which includes astigmatism) and the company's more rapid upgrading of its customer base. We expect FDA approval for Bausch & Lomb's Zyoptix system, with a good label, very soon. However, the company's relatively small installed base in the US will limit near-term market share gains.

There are many winners in the conversion of the LASIK market to custom technology. Most patients will benefit from better outcomes. Physicians are excited about the prospect of a new technology to market to prospective patients, and are charging premiums of $300-500 per eye (on top of the current $1,600 average fee). This technology also represents a tremendous opportunity for the laser suppliers to significantly increase procedure-based pricing (by about $100) in the US, and for the first time generate procedure fee revenue outside the US.

(Comments about refractive surgery from the Bausch & Lomb report.)

Refractive Surgery: Shape Up or Ship Out Bausch & Lomb is a market leader in

refractive surgery outside the US. The highly regarded Technolas laser system, which was acquired along with the **Chiron Vision** business in 1998, is the market leader in both Europe and Asia. But the company has frustrated and disappointed US customers by failing to gain timely FDA approvals for new indications. Approvals have lagged far behind those of US market leaders VISX and Alcon, leaving the company with roughly 8% of the installed base and about 10% of procedures in the US (a distant #3 position). Because laser vision correction markets outside the US have not traditionally provided procedure-based fees to manufacturers, this has been an unprofitable business for the company.

The Zyoptix wavefront-guided system is good technology and should receive a superior label, and FDA approval is imminent. We expect that Bausch & Lomb will receive approval in the US for its Zyoptix wavefront guided laser treatments in the near-term, consistent with management guidance. The company has received an approvable letter, and final labeling discussions are ongoing. Our industry sources lead us to believe that the company could obtain a superior label versus both VISX and Alcon, with regard to both range of indications (for both myopia and astigmatism) and claims regarding the correction of higher order aberrations. We expect the current customer base to rapidly convert to Zyoptix procedures, creating a positive mix shift for the company. However, gaining market share in the US will be difficult, given the company's limited installed base and recent field upgrades to competitors' wavefront guided systems. Alcon is somewhat more vulnerable than is VISX, given that it is not as far along in the hardware conversion process.

Bausch & Lomb has been the market leader in microkeratomes for many years, but has experienced issues with blade quality in the recent past and has lost a considerable share of the market to knockoff blades. Bausch & Lomb plans to launch a new version of its microkeratome, and more importantly, newly designed precision blades later this year. The new microkeratome will feature variable hinge positioning, as well as improved flap consistency and precision. Longer-term, the company is exploring the feasibility of single use microkeratomes that could be built from this new technology.

Bausch & Lomb management has stated openly that it will exit the refractive surgery business if it cannot generate acceptable margins, and has estimated that it must increase its US share of procedures from today's 10% to about 20-25% in order to accomplish this. Management estimates that it has about a 15% share of procedures at **TLC Vision** and about 85% of procedures at **LCA-Vision**, and believes that it will have to pick up its additional market share in the roughly 200 individual practices that make up about 80% of the rest of the procedure volume in the US. Even with excellent laser technology and the possibility of a superior label, we do not believe that this is a realistic goal for Bausch & Lomb.

(Comments about refractive surgery from the Alcon report.)

Refractive Surgery: A Rare Case of Below Par Execution for Alcon Within a company that has a reputation for market leadership and solid execution, the refractive surgery business has been a notable weak spot. Unlike Alcon's other franchises, which are predominantly homegrown, the company entered the refractive segment through its acquisition of **Summit Autonomous** in mid-2000. We have followed the LADARVision technology for many years, and were in attendance the first time it went before an FDA advisory panel in February 1998. Alcon acquired a business that had good technology and a first-mover advantage in the important field of custom/wavefront-guided ablation. But Summit Autonomous had lagged behind market leader VISX in execution, particularly in the areas of manufacturing scale-up and timely regulatory approvals for important indications. The product itself has always lagged behind VISX with regard to patient throughput and ease of use. Years later, Alcon is still trying to address these same issues.

We believe that the ingredients are in place for a laser vision correction industry rebound. After two years of declining procedures that tracked trends in the overall economy and consumer confidence, punctuated by the rise and fall of deep discount LASIK providers and the negative PR that they helped generate, we believe that there is the potential for a rebound in the industry during H2-03 and the years that follow. The discounters are pretty much gone from the landscape, the introduction of custom/wavefront technology is beginning to generate more positive PR messages, and the prospect of an economic rebound could boost consumer spending on discretionary purchases like vision correction. We do note that the discretionary nature of the laser vision correction market makes refractive surgery revenues more difficult to forecast than most med-tech markets.

Alcon's LADARVision CustomCornea wavefront-guided system was approved in October 2002, and management states that CustomCornea conversion has exceeded initial expectations. But the company has been slow to place LADARWave diagnostic systems and upgrade its installed base of lasers. We estimate that the company has placed approximately 175 wavefront diagnostic units and upgraded a similar number of its LADARVision laser systems in the US. Manufacturing is now being done in-house, and the company expects to clear its backlog by early 2004. Shortly after approval late last year, Alcon had expected to catch up with its backlog by the end of Q1-03. Importantly, even before its CustomVue approval in May, VISX had already shipped about 400 WaveScan systems, representing over half of the company's U.S. installed base of lasers and a much higher percentage of procedures (over 70%). We estimate that VISX has now upgraded roughly two thirds of its US installed base of 750 lasers, representing about 80% of its procedure base.

The VISX CustomVue system currently enjoys a significant advantage over Alcon's CustomCornea with regard to labeled indications, particularly the treatment of astigmatism. We estimate that a majority of patients (50-70%) that are treated for myopia are also treated for some degree of astigmatism. Alcon's CustomCornea system is currently approved only for patients with up to -7D of myopia and up to -

0.5D of astigmatism. Some users have figured out how to use CustomCornea to treat up to -1.5D of astigmatism off-label using a field work-around, although we believe that a majority of potential candidates are still excluded from treatment at present. Alcon plans to submit additional data to the FDA in seeking a broader CustomCornea astigmatism approval by late 2003 or early 2004, and we anticipate approval by mid-2004. Until this astigmatism approval is in hand, Alcon will continue to defend its refractive market share by leveraging its strong ophthalmic surgery customer relationships. For now, Alcon remains vulnerable to additional share losses in the US to VISX, and possibly to Bausch & Lomb as well, should Bausch & Lomb receive approval for its Zyoptix system in the near-term. The next opportunity for Alcon to score market share gains in the US is likely 2-3 years out, after refractive surgeons and laser centers have paid off their investments in VISX laser upgrades and WaveScan diagnostic units.

FDA approval of Bausch & Lomb's Zyoptix system should come soon. The third major competitor in the custom ablation arena, Bausch & Lomb, filed for FDA approval for its Zyoptix system in Q3-02. We believe that approval is imminent and that the company will secure a strong label, including both myopia and astigmatism.

Alcon management appears to be committed to the refractive surgery market. While Bausch & Lomb management has stated that it would consider divesting its refractive surgery business if it cannot turn around the operation and make it profitable, Alcon management appears to be more committed to this business long-term. Management is attempting to address some of the organizational issues that have made the Summit Autonomous integration difficult (i.e., multiple locations and cultures, ineffective reporting structures), and believes that Alcon can outperform VISX on the research front long-term and achieve technology leadership.

(Comments about refractive surgery from the Advanced Medical Optics report.)

AMO is also participating, albeit in a relatively small way, in the laser vision correction market. The company's Amadeus microkeratome, marketed in partnership with VISX, had the most placements in the US last year, and has captured considerable market share (from less than 1% in 2000 to 15% share in the 12 months through Q1-03).

9/12 Ted Huber, of **Wachovia Securities**, issued an updated report on **VISX**, following a meeting held in New York City between VISX management and customers/surgeons, and investors. Some of his comments included:

* EYE meets investors: During meetings with investors in New York City yesterday (9/11), VISX management offered a bullish case for renewed volume growth and a rapid adoption of Custom LASIK.

* Custom uptake driving volume growth in NYC: Wednesday, management met with customer/surgeons who represent 70% of VISX's NYC business; these leading doctors reported a Custom mix that ranged from 30%-80% (Custom mix of 21% to 56% for NYC). Surgeons importantly noted they believe to be through initial pent-up demand and that Custom mix will continue to grow from current levels. These surgeons cited Custom and the economy as key drivers to recent procedure growth. VISX did caution that NYC may be on leading edge of the Custom adoption curve.

* Better PR and more advertising: VISX believes surgeons will spend $50-75 million in 2003 on local advertising, higher than 2002. VISX also reported that its national PR campaign has now generated 85mm Custom LASIK "hits". These factors plus a marked positive shift in the media's tone toward LASIK this year are important LASIK drivers.

* We expect 3Q03 EPS Upside: Though VISX offered no specific comments on performance relative to guidance, the foregoing supports our 8/29 analysis that called for a penny of upside to 3Q03's $0.11 consensus estimate (sensitivity analysis attached). The upside is a proforma measurement as VISX cautioned investors to expect a one time 3Q03 expense related to writedown of **DVI** receivables.

9/15 The September issue of *Ophthalmic Market Perspectives* reiterated what Dave Harmon had reported during the Wachovia Securities conference call reported above; that wavefront-driven LASIK (WFL) had raised the average price for refractive surgery to $1710 per eye as of the first week in July, up 9.8% from the $1556 average during Q-1 2003. For respondents offering the new procedure, according to Harmon's surgeon survey, the average premium for WFL was $364, with a range of $0 to $700. Harmon expects that prices will continue to rise in coming months, as wavefront is adopted by more surgeons. About 20% of those responding to the survey offered WFL. However, by years-end, he expects that WFL could grow to 70% of all refractive surgeons, and with a growing confidence level, a much higher percentage will offer the procedure to all patients that fall within the approved treatment range.

In another report, Harmon stated that adoption rates are expected to grow to 40% of all refractive procedures by the end of 2004, up from the 20% expected by the end of this year. Harmon noted that at **TLC Vision**, 25% of U.S. procedures were WFL in July, and that number is expected to increase to 45% by year-end.

In the same issue, Roy Freeman has a good article on the race for AMD pharmaceuticals. In the article, he notes that approximately 80,000 PDT procedures were performed using Visudyne last year. (I believe that number is too low, with closer to 150,000 procedures performed worldwide.)

9/15 **STAAR Surgical Company** announced that the FDA Center for Devices and Radiological Health (CDRH) had confirmed that it will review STAAR's Pre-Market Approval Application (PMA) for the Implantable Contact Lens (ICL) during the

Ophthalmic Devices panel meeting on October 3, 2003. The company announced on July 1, 2003 that its ICL filing had been accepted for substantive review by the FDA and had been granted an expedited review status. The official filing date for the ICL PMA was May 8, 2003.

9/17 Liz Davila, CEO and chairman of **VISX, Inc.** presented at the **ThinkEquity Research Conference**. In her presentation, Ms. Davila laid out a timetable for the future of the company. She expects that custom hyperopia treatments, already launched in Europe, will come to market during the second half of 2004, along with higher myopia treatments, which will be launched internationally during Q3 03. The company is also working on a customized presbyopia treatment, based on a multifocal shape on the cornea, which the company anticipated it would marketed sometime in the future.

Also, in an article in the September 15th issue of *Ocular Surgery News*, Marc Odrich, MD, medical director for VISX, described the iris-based cyclotorsion registration system that will be launched by VISX at the upcoming AAO meeting in Anaheim. The new system will allow registration of the wavefront diagnostic and the laser ablation treatment to be more tightly aligned to provide potentially better clinical results "than are seen today".

9/18 **QLT Inc.** announced that the FDA had granted fast track review status to Visudyne therapy for both the occult with no classic and the minimally classic subfoveal choroidal neovascularization (CNV) due to age-related macular degeneration (AMD) patient populations. Under the FDA Modernization Act of 1997, designation as a Fast Track Product means that the FDA will facilitate the development and expedite the review of a new drug that is intended for the treatment of a serious or a life-threatening condition and which demonstrates the potential to address unmet medical needs for such a condition.

"We are pleased that the QLT/**Novartis** alliance has reached these critical milestones, demonstrating our firm commitment to expand the market for Visudyne," said Paul Hastings, president and CEO of QLT Inc. "We are also pleased with the high level of enthusiasm and interest among physicians and patients participating in our clinical trials, as well as the rapid enrollment and completion of these important trials. We look forward to completing clinical development of Visudyne to help fight blindness in all forms of wet AMD." The alliance demonstrated continued progress in its Visudyne development programs with the completion of patient enrollment in the pivotal Phase III trial of Visudyne therapy for the treatment of occult CNV due to AMD (VIO). The VIO trial enrolled approximately 360 patients in North America at 43 centers. This was the second confirmatory Phase III trial requested by the FDA for registration of Visudyne for the occult CNV indication. QLT expects to have data available in the latter half of 2004. In addition, the first of 220 patients was initiated into the Visudyne Minimally Classic (VMC) trial. The VMC is a Phase III randomized, placebo-controlled, double-masked, multicenter clinical trial being

conducted in North America and Europe in patients with minimally classic CNV due to AMD.

Visudyne therapy is developed and commercialized through the alliance of QLT and the Ophthalmics Business Unit of **Novartis Pharma AG.**

9/18 The Management Board and Supervisory Board of **Carl Zeiss Meditec AG** decided to increase the company's share capital by up to ten percent. For this purpose, about 2.6 million new shares are to be issued from the existing authorised capital. Shareholders' subscription rights are excluded on the basis of the German Stock Corporation Act; the capital increase is to be effected against cash contributions.

The shares are to be offered to institutional investors in Europe through accelerated bookbuilding. Lead manager of this transaction is **Commerzbank**. "The course of the financial year to date has shown that Carl Zeiss Meditec is highly successful, in spite of adverse economic conditions. The planned capital increase will give us maximum flexibility, enabling us to accelerate our successful growth even more," said Ulrich Krauss, president and CEO of Carl Zeiss Meditec.

A successful placement will see the share capital of Carl Zeiss Meditec rise from its current level of EUR 25.8 million to EUR 28.4 million. In order to increase the free float as announced, the **Carl Zeiss Group** is accepting a dilution of its stake in Carl Zeiss Meditec and will not be applying for shares in the capital increase. Thus, the free float will increase from its current 19 percent to 26 percent.

A greenshoe of 400,000 shares is being made available from the shares held by the Carl Zeiss Group. The greenshoe can be placed additionally, if the investors' demand allows for it. The Carl Zeiss Group has also signed a market-protection agreement with Commerzbank. This obliges the Group to sell Carl Zeiss Meditec AG shares only with the agreement of Commerzbank over the next six months.

9/19 **Carl Zeiss Meditec AG** announced that it had successfully completed its capital increase. Within only a few hours about 2.6 million new shares of Carl Zeiss Meditec AG -- listed in the Prime Standard at the Deutsche Bourse -- were placed with institutional investors in Europe. The shares were strongly oversubscribed. The new shares emanate from a 10 percent capital increase, from which the subscription right of shareholders was excluded. The shares were placed by the **Commerzbank** and **Bankhaus Sal. Oppenheim** through accelerated bookbuilding at a subscription price of 9.70 euro. The cash inflow for Carl Zeiss Meditec amounts to about 25 million euro.

"We are extremely delighted that we have been able to inspire the confidence of many renowned investors in our company and our strategy", declared Ulrich Krauss, president and CEO of Carl Zeiss Meditec. "The successful placement of our shares is clear evidence that the combination of growth and asset value has aroused considerable interest. In future, the basis for our success will be -- as in the past -- our

strong technological position and our strong innovation power, as well as our global presence. The funds now available will expand our financial scope for exploring further growth options."

The increased share capital of Carl Zeiss Meditec now amounts to 28.4m euros. In order to increase the free float, the **Carl Zeiss Group** as the company's principal shareholder had accepted a dilution of its stake and did not apply for shares in this transaction. The free float has thus increased from 19 to 26 per cent. In addition, the Carl Zeiss Group is making a greenshoe of 400,000 shares available from its shareholdings.

With this transaction Carl Zeiss Meditec AG and the Carl Zeiss Group have -- as announced -- achieved two major goals: underpinning of the growth plans of Carl Zeiss Meditec and a boost to attractiveness of Carl Zeiss Meditec shares. "It has taken us closer to our strategic goal of inclusion in a stock exchange index in an environment where there are few comparable transactions," said Bernd Hirsch, CFO of the company.

9/23 **LCA-Vision Inc.** announced the filing of a Registration Statement with the Securities and Exchange Commission relating to the proposed public offering of 3 million shares of common stock. LCA-Vision proposes to offer 2.4 million shares and LCA-Vision's chairman and CEO proposes to offer 600,000 shares. In addition, LCA-Vision proposes to grant the underwriters an option to purchase up to an additional 450,000 shares to cover over-allotments. LCA-Vision intends to use the net proceeds from its portion of the offering to open additional laser vision correction centers, purchase additional technology and equipment, market its vision centers and the LasikPlus brand name, fund potential strategic transactions it may enter into in the future, and to provide working capital for general corporate purposes.

UBS Securities LLC and **C.E. Unterberg, Towbin** are the underwriters for the proposed offering. UBS Securities LLC is the sole book-running manager. Prospectuses relating to the offering, when available, can be obtained from UBS Securities LLC, 299 Park Avenue, New York, NY 10171, and from C.E. Unterberg, Towbin, 350 Madison Avenue, New York, NY 10017.

9/29 **VisiJet Inc.** announced positive results from the showing of their initial product, the HydroKeratome Waterjet System, at the 2003 *European Society of Cataract and Refractive Surgeons (ESCRS)* Meeting in Munich, Germany earlier this month. "About 150 surgeons actually tried the technology and numerous commented to me how impressed they were with the speed and ease of use of the HydroKeratome," stated Randy Bailey, president of VisiJet. "They were also very pleased with the resultant corneal bed after the cut."

The HydroKeratome is a patented, FDA-approved technology that uses a high-pressure micro beam of water to cut the cornea as required in LASIK surgery.

The technology offers numerous advantages over existing mechanical blade technologies. "I remain impressed with the potential of the VisiJet HydroKeratome," added Richard Lindstrom, MD, who was recently appointed medical director for VisiJet. "It is exciting that after 10 years of development we are launching this product."

In addition, during the meeting VisiJet management met with several interested distributors to discuss their selling and supporting VisiJet products in select countries around the world. Negotiations are underway to add to the current nine distributors covering international markets and complete total global coverage.

OPHTHALMIC LASER UPDATE -- October 2003

9/30 **Refractec Inc.** announced that it had filed for pre-market approval of "CK Blended Vision" for patients with presbyopia, a condition commonly referred to as "aging eyes." Presbyopia affects most people by the age of 40 and everyone by the age of 51, making it difficult to read, do hobby work or even see the time on a watch without aid of reading glasses. CK Blended Vision is the first procedure to be reviewed by the FDA specifically for presbyopic patients who want to regain their near vision. The FDA first approved CK in 2002 for those over age 40 with hyperopia. Refractec expects pre-market approval for the additional indication in early 2004.

The CK Blended Vision procedure uses radio waves, instead of a laser or scalpel, to restore patients' near vision without impacting their distance vision. There is no cutting or removal of tissue during the three-minute CK (Conductive Keratoplasty) procedure, which boasts one of the highest safety profiles in the refractive market. CK has become the fastest-growing new refractive procedure since the introduction of LASIK, according to a comparison of historical data collected from ophthalmic industry research firm **Market Scope**, and Refractec's sales to date. In just 18 months, CK has captured 14% of the U.S. refractive market in CK's approved range, and 1.3% of the total refractive procedure market, estimated to be a $2 billion industry.

"The treatment of presbyopia is the `final mile' in vision correction," said Marguerite McDonald, MD, clinical professor of ophthalmology at Tulane University, director of the Southern Vision Institute, New Orleans, La., and medical monitor for Refractec, Inc. "Prior to CK, the only option Baby Boomers had, outside invasive surgery, was the all-too-age-defining `granny glasses' or special contacts, both of which have a high hassle factor and are considered by many to be a handicap of aging."

An estimated 90 million people in the United States presently have presbyopia. The condition occurs when the lens of the eye loses flexibility, making near vision, such as the ability to focus on objects up-close, more difficult. Patients affected by presbyopia often own multiple pairs of reading glasses and must rely on them for even the most mundane of daily tasks. In the FDA clinical studies, CK Blended Vision demonstrated effectiveness in significantly improving a patient's near vision.

Data collected at the 12-month mark following CK Blended Vision, and presented to the FDA, show:

* 97% of patients could see 20/20 in the distance and read magazine- and newspaper-size print.
* 75% of patients could see 20/20 and read phonebook-size print (significantly smaller than news print).
* 96% of patients reported being satisfied with their outcome.

"CK is perfect for the millions of us who suffer from presbyopia and have been waiting for a safe, minimally invasive option," said Dr. McDonald. "The procedure's safety profile bodes well for the typically conservative, risk-averse Baby Boomer population." A recent survey of Baby Boomers conducted by **AllAboutVision.com**, a consumer vision care resource, found that two-thirds of those surveyed would choose to have an elective procedure to reduce their dependence on reading glasses. A full 42% ranked CK as their number-one choice, citing its non-invasive method and safety as the primary reasons for their preference.

Using the CK Blended Vision Procedure to Improve Near Vision

"A common side effect of most refractive procedures is an impact on depth perception and patient's ability to see contrast in day and night conditions," said Daniel Durrie, MD, associate clinical professor, University of Kansas and medical monitor for the FDA clinical trial of presbyopia. "The clinical trial data show both factors to be relatively unaffected with CK Blended Vision."

Below is additional information on the improvement in sight for a variety of daily activities before and after CK Blended Vision, collected at the 12-month post-procedure evaluation point:

ABILITY TO SEE THE FOLLOWING	Before CK	12 Mo. After CK
Street signs	88%	100%
Objects on a bookshelf	94%	100%
Computer screen	50%	88%
Menus golf score cards	13%	75%
Sewing, knitting or crafts	6%	75%
Newspaper or magazine print	7%	69%
Phonebook print	6%	73%
Fine print	0%	50%

Nominal complications and adverse events were reported in the CK Blended Vision clinical trial. "We all age, and struggling to read the newspaper or a favorite book really affects the quality of our lives," said Dr. Durrie. "CK is a very effective

treatment for restoring vision and can be done over a lunch hour, so patients can return to living their lives immediately."

CK Blended Vision is performed using a probe as thin as a human hair, which releases radio frequency energy, shrinking the tissue to reshape the cornea. The minimally invasive CK Blended Vision procedure is convenient and comfortable. It is performed in-office with only topical (eye drop) anesthesia, and takes just under three minutes; there is no cutting and no removal of tissue.

9/30 Ted Huber of **Bank of America Securities** issued an updated research report on **VISX** entitled, "EYE: Weak Consumer Confidence No Help To LASIK Market". Some of his comments included:

* Consumer confidence useful tool to track LASIK volumes: This morning, the Conference Board reported September consumer confidence weakened to 76.8 from 81.7 in August. Our analysis shows that consumer confidence is the economic measure most highly correlated with LASIK volumes (R=71%, R2=51%)(as first reported by **Market Scope**!) . We view this measure as predictive of future volume growth and therefore valuable to track.

* Our forecast does not rely on consumer confidence growth: Our forecast for 10% volume growth in 2004 assumes flat consumer confidence (near 80 for 2004). This one month of modestly lower consumer confidence does not alter our view of 2004 market growth.

* Improved custom LASIK risk/reward, advertising primary growth drivers: Custom LASIK lowers the risk of bad outcomes and offers better vision for most patients versus standard LASIK. Custom's improved risk/reward should bring new lower myopes to LASIK. VISX believes surgeons will spend $50-75 million in 2003 on local advertising, higher than 2002.

* Field checks support upside to Q303 $0.11 EPS: Field checks with refractive surgeons routinely reveal estimates of custom mix in the 30% to 50% range. Surgeons we spoke with reported flat or positive volume trends. The upside is a proforma measurement as VISX cautioned investors to expect a one time Q3 expense related to writedown of DVI receivables.

9/30 **Spire Corporation** announced that it had been awarded a $124,500 Phase I Small Business Innovation Research grant from the *National Eye Institute of the National Institutes of Health*, to develop a new fiber laser-based instrument for glaucoma surgery. Successful demonstration of this advanced technology in the Phase I grant can lead to a $1.2 million Phase II effort.

According to *Prevent Blindness America*, between two million and three million Americans aged 40 and over, or about one in every 30 people in that age group, have

glaucoma. It is a leading cause of blindness, accounting for between nine and 12% of all cases. Spire's fiber laser-based instrument provides 2.71 micrometer radiation, which is in the mid-infrared region of the spectrum where water strongly absorbs, making it an ideal surgical tool for tissue. The flexibility of the fiber allows the laser light to be easily delivered to the surgical site. This instrument will have applications in laser trabecular ablation and laser sclerectomy, as well as other glaucoma procedures. Fiber lasers are expected to lead to a whole new generation of laser-based surgical instruments.

The laser will be used in pre-clinical in vitro procedures at the University of Pittsburgh School of Medicine by Dr. Joel Schuman, Professor and Chairman of the Department of Ophthalmology, and his research team during the Phase I study. Dr. Kurt Linden, Senior Scientist of Spire Corporation, said, "With our new 2.71 micrometer fiber laser instrument we are able to provide an entirely new, portable laser instrument that has many advantages over current laser instruments. We see other applications beyond ophthalmology, such as otolaryngology, and other micromedical and microsurgical procedures."

Roger Little, president and CEO of Spire Corporation, said, "This award is a significant step forward for our Biophotonics Life Sciences group and our wholly owned subsidiary Bandwidth Semiconductor, which together, will carry out the work."

10/1 **C&C Vision**, developer of the Crystalens, an accommodating intraocular lens that enables cataract patients to see up close, far away and everything in between, announced that it had formally changed its named to **eyeonics, inc.** The Crystalens is pending FDA approval. "Our new name clearly communicates what we do and provides a meaningful statement regarding the category of vision enhancement we are committed to," said Andy Corley, CEO of eyeonics. "We wanted to establish a corporate name and an identity that defines the company as the developer of a new category of vision enhancement," he finished.

eyeonics was founded in 1998 by CEO Andy Corley and Chief Scientific Officer and developer of the Crystalens technology, Dr. Stuart Cumming, an ophthalmic surgeon, for the purpose of developing vision enhancement technologies that offer patients improved vision at all distances, without glasses. "The Crystalens, the first and only accommodating intraocular lens that enables patients to see clearly up close, far away and at all points in between following cataract removal, and is the result of more than 14 years of research and development," said Dr. Cumming.

During clinical trials, 98% of the patients who received the Crystalens greatly reduced their need for corrective lenses. By using the eye's muscle to move the lens backwards and forwards naturally, patients can focus seamlessly through a full range of vision including near, intermediate and far distances. Patients experience the same vision they had when they were younger, for most without the hassles of corrective lenses.

Currently, cataract surgery is the most common surgery performed in the U.S. today, with more than 2.7 million procedures performed annually. In addition, the National Institutes of Health estimates that 20.5 million people aged 40 and older have or are beginning to develop cataracts.

10/2 According to *Reuters News Service*, an FDA advisory panel will review data on **Staar Surgical Co.'s** implantable contact lens, a possible alternative to laser eye surgery for correcting near-sightedness. The company, based in Monrovia, California, is scheduled to present safety and effectiveness data to the panel. Earlier this year, Staar said two published studies showed the implanted lens was safer and more effective than LASIK surgery, in which surgeons use a laser to reshape the cornea. Staar's product is a refractive lens that physicians inject through a small incision and place behind the iris. The lens is designed to stay in place, but it can be removed and replaced if vision changes, the company said on its Web site. Staar has said it expects to reach profitability during the first half of next year if it wins a go-ahead to sell the lens in the United States. The FDA has the final decision, but the agency usually follows the advice of its advisory panels.

10/2 **Laser Corp.** announced that it had entered into a stock purchase agreement with **BI Acquisitions Inc.**, dba **Broadcast International**, under the terms of which the shareholders of BI Acquisitions will own approximately 98% of the issued and outstanding stock of Laser following the completion of the stock issuances required under the stock purchase agreement. Under the agreement, the officers and directors of Laser have resigned and new officers and directors have been appointed. Joyce Wickham, former president of Laser, said that the transaction was in the best interest of the Laser shareholders as the Laser business had been in a steady decline for the past couple of years and this transaction represented an opportunity for the Laser shareholders to continue to have value in their shares. Rodney Tiede, the new president of Laser and president of BI Acquisitions, related that he is pleased with the transaction as it will give BI access to the capital markets and give the Broadcast shareholders the ability to have liquidity in their stock. He also indicated that the capitalization of Laser will need to be increased to accommodate the issuances of stock required under the terms of the agreement. Broadcast International is a corporate communications technology company, which provides alternatives for solving business problems using broadband delivery technologies including satellite, Wi-Fi and Internet streaming.

10/3 Michael Lachman of **ThinkEquity Partners** issued an update report on **VISX**, entitled; "EYE: Q3 Channel Checks Support Our Above-Consensus View". Some of his comments included:

Our recent discussions with laser vision correction service providers point to an unusually strong summer season, supporting our above-consensus EPS estimate of $0.12 for Q3. Potential LASIK patients have been responding to favorable marketing messages and positive word-of-mouth on CustomVue wavefront-guided treatment,

leading to steady sequential procedure volumes during a period that is usually seasonally weak, and a rapid conversion to CustomVue. In this VISX Q3 preview, we review feedback from the channel, explore potential sources of further earnings upside, and introduce two emerging trends that could become important drivers of sustainable long-term growth.

Channel Checks Provide an Upbeat View -- Over the past two weeks, we have been in contact with laser vision correction service providers in at least 12 states, as well as leading corporate providers that offer services on a regional or national basis. Our channel checks have generated an upbeat view of the current LASIK market, with regard to both procedure volumes and the shift to CustomVue wavefront-guided ablations. The positive market dynamics are being driven by the recent introduction of CustomVue technology, and positive PR messages and word-of-mouth that have resulted. In particular, potential patients are responding favorably to the message of improved safety, particularly the reduction in complications related to night vision and quality of vision. The rebound in the economy and consumer confidence, while still a bit shaky, has contributed as well.

For perspective, our VISX model for Q3 calls for LASIK procedure volumes that are flat sequentially versus Q2, and up 18-19% versus a depressed Q3-02 comp. In most years, procedure volumes in Q3 decline sequentially due to a soft summer season. Our estimate for CustomVue conversion in Q3 stands at 18%. Our revenue estimate of $36.2 million exceeds the current consensus estimate by about $1 million, and our EPS estimate of $0.12 is a penny ahead of consensus and at the high end of the company guidance range of $0.10-0.12.

Feedback from the channel would suggest that procedure volumes have been unusually strong during the summer season, flat sequentially versus Q2 or possibly a bit higher. Procedure volumes appear to have increased sequentially in both July and August. While overall September procedures were likely down sequentially, they were still far better than normal, with pockets of sequential growth. Less than 10% of centers surveyed described what we would consider disappointing trends within their business.

CustomVue conversion has been very strong as well, with cited penetration rates in the range of 10-50% of procedures. A few very progressive practices have converted nearly all of their patients that qualify to the new treatments, comprising about 70% of total LASIK candidates. In general, providers do not report a high degree of consumer resistance to the CustomVue fee premium of $300-500 per eye. Given the fact that CustomVue was introduced shortly before the start of Q3, we are sticking with our 18% overall penetration estimate for the quarter, acknowledging possible upside, and noting that the current penetration rate exiting the quarter is likely higher.

The prevailing mood in the service channel is one of cautious optimism with regard to a long-term recovery, as service providers recognize that a downturn in the economy

and consumer confidence would negatively impact their business. With regard to the near-term outlook for October and the rest of Q4, the feedback we have received has been quite positive, lending support to our Q4 estimates of 5% sequential procedure growth and 30% CustomVue penetration.

Sensitivity Analysis: Searching for Extra Pennies in Q3

While we are sticking with our $0.12 EPS estimate for Q3, we thought it would be instructive to explore potential sources of earnings upside. The two most important levers within the VISX income statement are total LASIK procedures and the rate of CustomVue conversion. We are modeling 290,000 industry-wide LASIK procedures for Q3 (with VISX's share steady at 64%), flat sequentially versus Q2 and up 18% versus a weak Q3-02 comp. We are modeling CustomVue conversion of 18%, versus 5% in Q2.

* Holding total procedure volume constant, taking CustomVue conversion from 18% to 22% adds $0.01 to EPS and $0.8 million to revenue (although our model rounds up to $0.13 with a CustomVue conversion rate of just over 20%).

* Holding CustomVue conversion constant at 18% and VISX's share of total procedures constant at 64%, taking industry-wide LASIK procedure volume from 290,000 (flat sequentially) to 300,000 (up 3.4% sequentially) adds $0.01 to EPS and $0.9 million to revenue. Our model rounds up to $0.13 with total procedures of 296,000 (up 2.1% sequentially).

* Modeling a combination of 300,000 industry-wide procedures (versus 290,000 forecast) and 22% CustomVue conversion (versus 18% forecast) results in EPS upside of $0.02 to $0.14, and revenue upside of $1.7 million.

* To illustrate how much less leverage the hardware side of the business exerts versus the procedure fee side, we estimate that VISX would have to sell twice as many lasers as forecast (45 vs. 22) in order to add a penny to EPS in Q3. We are not anticipating a positive surprise on the hardware front in Q3.

We believe that our channel checks support our above-consensus view of VISX's Q3, and note that some upside driven by procedure volume and/or CustomVue conversion is not out of the question.

Building Conviction Around the Long Term Sustainability of Growth -- While we have highlighted what we believe is excellent visibility heading into VISX's Q3 report, we acknowledge that most of the bears on the VISX story are less concerned about Q3 results than they are about the long term sustainability of growth. Specifically, concerns persist regarding the sustainability of a recovery in the economy and consumer confidence, and regarding market saturation as the most highly motivated patients get LASIK treatment and remove themselves from the

candidate pool. We recognize that these are difficult issues to address, and that for many investors confidence will only be achieved through many quarters of demonstrated growth. We expect that VISX's Q3 will be an important first step in that process.

Emerging drivers of sustainable market-wide growth. We have identified two emerging (and related) trends that could become important drivers of long-term growth in the LASIK market. First, the average age of LASIK patients has been slowly decreasing; VISX management quotes a market survey indicating that the average age has dropped from about 42 to about 41 over the past two years. While this is certainly not a rapid shift at present, it could indicate greater acceptance among younger potential patients, which would expand the potential pool of patients over time. Second, and probably more important, the average amount of correction in LASIK procedures has also declined. Again, VISX management quotes market data indicating a decline from an average correction of -4.5D of myopia to -3.2D over the past two years, which is a fairly significant shift. Anecdotally, we are hearing that surgeons in Canada, where CustomVue treatment has been available for about three years, are beginning to treat an increasing number of patients in the -1D to -2D range of myopia. This has been driven by the improved safety profile of CustomVue treatment, particularly the reduction in complications related to night vision. With an improved risk/reward profile, more potential patients in the very-low ranges of myopia may choose LASIK treatment. This group represents a significant portion of the nearsighted population, and could be a source of market expansion. It is too soon to take either of these emerging market dynamics to the bank, but we intend to monitor them closely.

Valuation and Price Target -- VISX is currently trading at 26x our 2004 EPS estimate of $0.74, a slight discount to the 29x average multiple for small-mid cap medical device stocks. Looking forward one year, our 12-month price target of $27 is based on a 28x P/E multiple applied to our 2005 EPS estimate of $0.96. This target implies 40% appreciation from the current price, which is consistent with our Overweight rating.

Risks to Target Price and Investment Thesis -- Laser vision correction (LVC) procedure fees generate a majority of VISX's profits. Risks to procedure volumes include continued sluggishness in the U.S. economy and any resulting impact on consumer confidence, market share losses to competitors, and saturation of the potential market of patients interested in LVC. Any reduction in the per-procedure fee that VISX receives, and/or any limitation in the company's ability to garner a premium fee for CustomVue ablations, would also impact procedure-fee revenue. Slower than expected customer conversion to CustomVue would impact procedure revenue forecasts. Any such challenges in the market for LVC procedures would also likely impact the company's hardware business as well.

Any regulatory action against VISX, resulting from real or perceived clinical complications, could limit the company's ability to sell hardware or receive procedure fees. Because LVC is an elective procedure, regulatory scrutiny could be more intense than normal for a medical technology, and the company could suffer a marketing backlash even in the absence of formal regulatory action. As the LVC market leader, VISX could be affected by problems experienced by a competitor.

10/6 **WaveLight Laser Technologie AG** reported that it again recorded above-average growth. Despite the difficult economic environment, WaveLight closed its fiscal year on July 31, 2003 with excellent results. In total, the WaveLight Group generated revenues of E47.8 million. This represents an increase of 27% as against the previous year of E37.7 million.

The company also saw a significant improvement in EBIT in the past fiscal year. EBIT came to E4.4 million, up 86% against the same period last year, E2.4 million.

"In a company history that now spans seven years, we are again able to look back on an extremely successful fiscal year. We once again generated double-digit growth and demonstrably improved our earnings power," noted WaveLight Laser CEO, Max Reindl, commenting on the figures for fiscal year 2002/2003.

WaveLight Laser's Executive Committee will present the complete annual financial statements to the public on October 22, 2003 at a financials press conference.

10/6 **STAAR Surgical company** announced that the FDA Ophthalmic Devices Panel of the Center for Devices and Radiological Health (CDRH) voted 8-3 late Friday afternoon to recommend that the STAAR Implantable Contact Lens (ICL) be approved with conditions for use in correcting myopia in the range of -3 diopters to -15 diopters and reducing myopia in the range of -15 diopters to -20 diopters. The conditions recommended by the panel primarily concerned post market surveillance of the patients currently enrolled in the PMA cohort, as well as labeling recommendations that will be further defined by the FDA. The Ophthalmic Devices Panel is comprised primarily of practicing ophthalmologists with a wide range of expertise, research focus and clinical experience. Its purpose is to advise the FDA staff regarding issues they should consider when evaluating devices for approval. Although the FDA is not bound by the recommendations of its advisory panels, it has historically followed their advice.

The FDA will consider these recommendations as it completes its expedited review of the ICL Pre-Market Approval application for the -3 to -20 diopter range that was submitted on May 8, 2003. If approved, the ICL will be the first phakic intraocular lens available commercially in the United States for the treatment of myopia."We are extremely pleased with the panel's recommendation and vote of confidence and look forward to working with the FDA staff to complete the review of the ICL," said David Bailey, president and CEO of STAAR Surgical. "The panel recommendation comes

after the presentation of significant data that demonstrated extremely high patient satisfaction levels with the ICL as well as excellent post-operative visual acuity and is a great achievement for the entire STAAR team."

According to Dr. Helene Lamielle, Chief Scientific Officer of STAAR Surgical, the panel's main issue concerned endothelial cell density stabilization in patients implanted with the ICL. "We appreciate the panel's concern for longer follow-up regarding endothelial cell loss and look forward to providing a steady stream of information regarding this topic. We believe that our most comprehensive four-year data shows a trend for stabilization between three and four years after implantation, and we are committed to extending the follow-up of patients in the cohort, as recommended by the Panel."

The STAAR ICL is a phakic refractive lens that provides state-of-the-art treatment for the most prevalent sight deficiencies -- near-sightedness and far-sightedness. There are approximately 56 million Americans afflicted with near-sightedness in the U.S. Out of the 56 million patients, the company estimates that the target market for the lens, based on the range of diopters recommended for approval by the panel, is approximately 8 million people. The panel's recommendations were based on clinical three-year follow-up data in which the ICL demonstrated a 99.4% patient satisfaction rate among the PMA cohort. The data also indicated that 95% of the patients with good pre-operative vision and targeted for zero postoperative correction (emmetropia) had uncorrected visual acuities of 20/40 or better after receiving the ICL and that 57% had uncorrected visual acuities equal or better than their best corrected visual acuity preoperatively.The company is presently enrolling candidates in the clinical trial for the hyperopic ICL as well as the Toric ICL, which reduces myopia combined with astigmatism.

"We look forward to commercialization of the ICL in the US. This is a landmark recommendation -- it is the first refractive intraocular lens recommended for approval in the US market. The recommended range of -3D to -20D is exactly what our PMA requested. Our entire organization is extremely excited about this development," summarized Bailey. STAAR's ICL has received CE Marking, is approved for sale in 37 countries and has been implanted in more than 30,000 eyes worldwide.

10/8 Following the Staar announcement above, I received comments from four analysts following Staar and the refractive industry. Some of their comments were:

Larry Haimovitch, **Haimovitch Medical Technology Consultants** -- "As you know, the FDA's Ophthalmic Advisory Panel has recommended that STAA be approved for its ICL with the full range of corrections (i.e., -3 to -20 diopters). I had been expecting that Ophtec's Artisan phakic lens (which will be marketed by **Advanced Medical Optics**) would be reviewed by the panel in early November. I just found out that Ophtec has withdrawn its request to be on that Panel meeting and will not appear until January 2004 at the earliest. No exact date has been set yet. This is obviously good

news for STAA, as it will give the company a little longer to market a phakic IOL without competition from another company."

Michael Lachman, **ThinkEquity Partners** -- "On Friday, an FDA panel voted 8-3 to recommend approval of the Staar Surgical "Implantable Contact Lens" (ICL). As the first PMA for a "phakic IOL," or intraocular lens intended for vision correction, this product has implications for two of our covered companies: **Advanced Medical Optics (AMO)** and **VISX (EYE)**. AMO has a competing phakic IOL, the Verisyse lens, which will likely go to panel in early 2004. Safety issues raised at the panel suggest to us that the Verisyse lens could face a difficult road to approval, although commercial expectations for this product are already low. As the leader in the LASIK market, VISX could face a competitive threat from the Staar ICL. However, we believe that panel deliberations regarding safety support our view that the ICL is a niche product, which will be used primarily in patients for which LASIK is not an attractive option."

Some additional thoughts from Michael Lachman's report:

Highlights from the Staar Surgical ICL Panel Meeting

What we expected, and what surprised us. We expected that the FDA Ophthalmic Devices Panel would recommend approval of the Staar Surgical ICL, with conditions. We also raised the possibility in our recent ThinkPiece report that endothelial cell damage could be raised as a safety issue by the panel. However, we certainly did not expect this issue to dominate the discussion at the panel meeting. We were also very much surprised by the lack of focus by the panel on two issues that we thought would be critical parts of the deliberation:

(1) The issue of cataract formation. This has been highlighted for several years as the primary risk factor associated with the ICL, but the panel appeared to be satisfied with the cataract safety data. Because most of the cataracts in the study were observed shortly after ICL implantation and were associated with surgeons' early cases, the panel used the cataract issue to highlight the existence of a surgical learning curve, and the importance of proper surgeon training and monitoring (which could prove to be major tasks for Staar Surgical).

(2) The risk/benefit ratio of the ICL for low and moderate myopes relative to other vision correction alternatives, particularly custom LASIK. This issue was dismissed with very little discussion as well, despite the fact that the director of the FDA's Division of Ophthalmic Devices pointed out that the panel could consider such alternatives in weighing its recommendation. An initial poll of the panel resulted in a narrow 6-4 approval (with one abstention) of the ICL for the low -3D to -7D range of myopia, but in the end the panel chose not to distinguish between the low and moderate ranges. One member of panel noted that although she would not choose an intraocular device (such as the ICL) for a low-level myopic patient, she felt that as

long as the ICL data met the guidelines for FDA approval, it was not up to the panel to base its recommendation on a comparison versus LASIK or other alternatives. While it is very likely that the ICL will be approved for myopia as low as -3D, we believe that very few patients and surgeons will choose the ICL over LASIK for correction of low levels of myopia.

The 8-3 positive panel vote reflects reasonable assurance of efficacy and safety. The panel spent little time discussing the efficacy of the ICL for the correction of myopia. Efficacy data was solid, with stable visual outcomes and high patient satisfaction rates. The discussion was dominated by concerns over long-term safety, which is not surprising given the fact that the ICL is used in an elective procedure in young adults (age 21-45). The three dissenting panelists cited a lack of reasonable assurance of safety in voting against approval. It is interesting to note that in its preliminary ballot, the panel voted for approval by a narrow 6-5 margin, with the five dissenters calling for additional clinical data on endothelial cell loss prior to approval. However, after further discussion and definition regarding post-market studies (described below), the final tally resulted in a more positive 8-3 outcome.

As mentioned previously, much of the discussion focused on corneal endothelial cell loss/damage. The panel concluded that although the company presented data suggesting that endothelial cell loss diminishes to an acceptable level after three years, the data do not yet prove this conclusively. Although three of the 11 panel members concluded that this issue warranted delaying approval of the ICL until additional data could be collected, the other a panelists felt comfortable collecting this additional data post-approval. Of some concern was the fact that the mechanism of endothelial cell loss in ICL patients is not well understood, and as such it is not clear that lens removal or any other action could be taken to reverse this process. Contrast this with cataract formation, which can be treated with a straightforward cataract/lens removal. In the end, given the totality of the PMA data as well as the lack of endothelial safety problems arising from clinical use outside the US, we believe that the panel made the right call in choosing to collect additional data post-approval instead of delaying approval.

Post-market clinical studies could prove burdensome for Staar Surgical. The panel unanimously recommended that the patients in the current PMA trial be evaluated annually out to the five-year mark, with the primary goal of collecting additional data on endothelial cell loss. In addition, the panel recommended that the company and the FDA agree on the parameters for a new clinical trial with a new cohort of patients. This new study would be intended to further examine a number of safety issues, including endothelial cell loss, cataract formation, retinal detachment, increased intraocular pressure, and glaucoma.

Consideration of very high levels of myopia. There was some discussion regarding the highest proposed range of myopic correction for the ICL (-15D to -20D). This group was associated with the highest rate of complications and the lowest level of efficacy.

However, this group possesses the greatest unmet clinical need in the area of vision correction, and all of the trial patients in this group would choose to have ICL implantation again. There was some concern expressed by the panel that there is no current FDA guidance document regarding requirements for vision correction products addressing this range of myopia, and that ICL approval could turn into de facto guidance. The FDA representative at the meeting urged the panel to disregard this concern and to consider the PMA on its own merits. In the end, the panel recommended approval of the ICL for the -15D to -20D range, but for "reduction" of myopia, not "correction."

Additional labeling and screening recommendations. The panel recommended that the ICL label highlight such risk factors as glare and halos, and the unknown risks associated with intraocular pressure elevation, glaucoma, retinal damage, cataract formation, and of course, endothelial cell damage. The panel also recommended that patients be screened prior to implantation to assure normal endothelial cell density, and recommended approval only for patients with anterior chamber depth (ACD) of >3mm. Neither should prove to be major limitations.

What's in a name? It's not really an implantable contact lens. Some of panelists suggested that Staar Surgical should rename the product, as the current name could be confusing to many potential candidates.

John Calcagnini, **CIBC World Markets** -- "FDA Panel Narrowly Recommends Approval of ICL and Expresses Safety Concerns".

* STAA went in front of the FDA's Ophthalmic Device panel last Friday for its implantable contact lens (ICL) for the correction of refractive error/myopia, and the panel voted 6-5 to recommend approval with the requirement of a post-market study and expressed concerns about safety.

* We believe that the market for the ICL will be very limited as STAA will probably only have approval for high myopia of -7D to -20D, and we doubt that the device will be implanted in younger patients (likely the primary market) given concerns about endothelial cell loss.

* Additional competitors are also expected to come to the U.S. market shortly, and we note that the ICL has achieved very little traction in Europe, where the product has been available for years and did just $2.4 mm in revenue last year. We downgrade to SU (Spec) from SP (Spec).
* The panel believed that STAA did not have sufficient data to establish safety with respect to endothelial cell loss (did it stabilize at 3 years?), glaucoma, retinal detachment, and cataracts, and the FDA will require that all of these variables and more be tracked in post-market study.

Additional comments: Given all the potential complications that can occur following the invasive surgical implant of an ICL (endothelial cell loss/corneal edema, glaucoma or heightened intraocular pressure, removal and replacement/potential for the lens to be implanted incorrectly, retinal detachment, cataracts or nuclear opacity, surgical trauma), we question the available market for a cosmetic phakic implant when patients can simply wear spectacles or have Lasik, each of which are not invasive and work quite well. The mean endothelial cell loss in the trial was 8.4%-

9.7% over the four years for the few patients that were evaluated at this follow-up period, and the panel expressed a lot of concern about whether or not this cell loss would stabilize and the dangers that it could represent for younger persons in particular, which one panel member indicated would be the target market for this product. At one point, it appeared that the FDA panel was not going to recommend approval until after the four-year follow-up was completed on a larger cohort of patients to get more data on endothelial cell loss. Conditions that may limit the target market include not implanting in patients with an anterior chamber depth less than 3.0 mm or –3D to –7D patients. From an efficacy standpoint, STAA did report that approximately 81% of patients had an uncorrected visual acuity of 20/40 at 1 week. The mean measure of myopia in the trial was –10.1 Diopters. As a result of the observations above and after having learned more about the ICL from the FDA panel, which was quite thorough by the way, we come to the conclusion that STAA's ICL sales are likely to disappoint "Wall Street" over the next 12-18 months and we are downgrading the stock to Sector Underperformer (Speculative) from Sector Performer (Speculative). We note that the European market for the product is already very limited, the alternative work well (glasses and Lasik), and several competitors are coming with ICLs.

In an alternative view, Kate Sharadin of **Pacific Growth Equities, LLC**, said that "Staar Surgical: Panel Outcome Better Than Expected -- Full Range of -3 to -20 Gets Panel Vote". The highlights from her report were:

* FDA panel recommends approval of STAA ICL for complete range targeted by the company of -3D to -20D.

* Expectations were for the company to perhaps not get -3 but rather -6 and up, beyond the Custom LASIK approvals, so this is significantly better than what we anticipated.

* Recommendation is with some conditions, which we believe will have no impact on the market opportunity and will not impede the company’s ability to move product forward into the market.

* Panel wants additional long-term follow-up safety data to confirm stabilization of endothelial cell loss and a post market study to confirm cataract, retinal detachments, glaucoma, all of which were not issues in the trial but panel appears to be acting conservative since this would be first product of its kind.

* Net-net a better-than-expected outcome for STAAR with a tough panel agreeing that this novel device works.

* November panel meeting is canceled, suggesting Ophtec could not move quickly enough to respond to expedited review. We believe they will also face difficulties with the panel given the panel’s sensitivity to corneal endothelial cell loss.

DETAILS -- STAAR Surgical's FDA Ophthalmic Devices Panel meeting continued throughout the day Friday. Despite the lengthy deliberations, there was wide agreement on the data supporting STAA ICL's efficacy, with the majority of panel members voting for approval. There was virtually no discussion of efficacy as the panel appeared unanimous in their opinion that the device is efficacious, with one member suggesting that it is at least as good as, if not better than, what's on the market today. The recommendation was for approval with conditions – anterior chamber depth (ACD) > 3.00 mm and pre operative endothelial cell count normal for one's age. There were no conditions regarding refractive ranges, with approval recommended in all categories discussed (-3.00 D to -20 D), with potential labeling of the -15d to -20d as "correction" of myopia. The panel also recommended special training of physicians in the procedure, but the company has cited this issue as its number one priority should they receive approval. We do not believe that these conditions limit the market opportunity in any material way as estimates suggest that only about 5% of the entire population has ACD <3.00 mm and the company had already laid out a plan for the initial target group of physicians to perform the ICL implantation. Our assumptions are that they will target highly-trained cataract surgeons initially so that there is an element of familiarity to the procedure with added training on sizing and power calculations etc.

There was a great deal of discussion surrounding the sufficiency of the available safety data, particularly concerning long-term endothelial cell loss. The panel did not raise any safety concerns specific to the data, but rather expressed concern that the length of follow-up may not have provided sufficient data to demonstrate long-term safety on some issues. The major sticking point was endothelial cell loss. Cell density decreases normally as one ages, but the panel was concerned that cell loss was elevated following the procedure. The temporal trend in the clinical data suggest that cell loss stabilizes at three years post-implantation, but it was felt that there was probably insufficient data to confirm this despite the clinical trial implying such stability. As such, the panel recommended a post-marketing surveillance study of patients on whom baseline endothelial cell counts were done, measuring cell loss each year until five years post implant. This does not mean five additional years as some of these patients are already several years post-procedure. We believe that the panel simply wants added comfort that corneal decompensation will not occur several years post-procedure. With regard to the need for this five-year follow up on roughly 200 patients, we believe the surgeons that STAA is targeting for the ICL have all that is needed in their offices to take these measurements and that many of the patients are already out 4 years. We expect the last patient to reach 5 years post-implant by December 2006. The panel also recommended a separate post-marketing safety study to collect data on cataract development, glaucoma and raised intraocular pressure as well as retinal detachment subsequent to implantation. The recommendation was for a small study group with a trial length possibly to be determined by FDA. These were not significant issues in the study population, but the panel felt that their incidence should be monitored over a longer period of time in a more “normal” population (one

that was not picked for a trial design and is better reflective of a wider range of patients in terms of ethnicity, etc.)

We believe the opportunity for ICL is significant for STAA. Overall we feel the panel meeting went better than most expected as most people were not expecting the company to receive a vote on such a wide indication (-3 to -20), but rather perhaps in the -6 and up since that is now the cut-off for Custom LASIK. We even thought that it could have perhaps been higher (maybe in the -7D and up) as it is expected that **Bausch and Lomb (BOL)** may receive approval for a higher level of indication for Custom LASIK (perhaps up to -7D).

We believe there are roughly 2.6 million people in the US in the higher ranges of myopia who can afford the out-of-pocket procedure. We believe there are another 2.5-3 million people (conservatively) who are in the more moderate myopia ranges (-5D to -7D). Combined, we estimate the market to be at least $6.6 billion using these figures and multiplying them by two eyes. The 2004 estimate of 5,000 ICL units we assume represents only 0.05% of the market, and 15,000 units in 2005 only 0.14%. The 78,000 ICL units and $47 million run rate estimated by the Street assumes only 39,000 patients, or 0.7%, of the total patient population identified in our market assumptions. The conditions recommended by the panel would have virtually no impact on the market size, and we do not believe these figures are at all aggressive. We are not making any changes to our model at this time but anticipate projecting a higher level of revenues from the company's refractive segment upon final FDA approval. We would be buyers of the stock at these levels and believe there are still several catalysts that could drive the stock higher including Canadian and Korean Toric ICL approval, Australian ICL approval, final FDA ICL approval and potentially more peer-reviewed papers to come on the ICL.

10/9 **STAAR Surgical Company** pre-announced that revenue for the third quarter ended October 3, 2003 was approximately $11.9 million, a 7% increase over the third quarter of 2002. Total U.S. sales for the third quarter of 2003 increased by approximately 5% compared with the third quarter of 2002. The company reported that U.S. intraocular lens (IOL) sales for the period increased approximately 1.3% over the same period one year ago and international Implantable Contact Lens (ICL) sales continued their upward trend, increasing approximately 15.5% from the third quarter of last year. International IOL sales increased approximately 3.4% from third quarter 2002 levels. As previously anticipated, the company expects to report a net loss for the quarter. The third quarter final results will be issued at the close of market on Thursday, October 30, 2003.

"Our U.S. IOL sales performance during the third quarter validates our belief that the company has the ability, over time, to regain this product line's historic U.S. market share," said David Bailey, president and CEO. "Collamer and Toric IOL third quarter sales grew three percent sequentially; this is particularly encouraging as the third quarter is historically the weakest quarter of the year in the cataract business.

Compared with the third quarter of 2002, U.S. Collamer IOL sales increased 27% and Toric IOL sales increased 12%. We previously communicated to shareholders that the U.S. sales decline would be halted in the second half of 2003. With our third quarter performance, we have executed on this promise. We believe we have the opportunity to improve upon the third quarter performance as we continue to introduce new enhancements to our lens delivery systems both in the U.S. and Europe. Our ICL sales in international markets, which continued to improve during the third quarter, are also likely to be positively impacted going forward by the highly favorable FDA Panel recommendation issued on October 3, 2003."

Following the pre-announcement of earnings, Jayson Bedford of **Adams, Harkness & Hill** issued an update report on the company, entitled, "STAA: Preannounces 3Q; ICL Remains the Driver". Some of his comments included:

* Preannounced 3Q results below our (and Street) estimates. Revenue will come in at roughly $11.9M (+7%). Assuming a similar cost structure, we estimate the net loss will be $(0.10). STAA will report final 3Q results on October 22.

* A greater-than-anticipated summer slowdown in Europe led to the softness in the quarter. Encouragingly, domestic sales showed signs of life and grew 5% in the quarter. ICL sales grew 15% overseas. We also lowered our 4Q estimates given the softness in 3Q.

* STAA should have a significant headstart in the ICL market as competitor Ophtec will not have a Panel meeting until 2004; if approved, we feel the ICL launch will get off to a quick start, as we believe STAA has already trained over 200 physicians in the Dominican Republic and Canada.

* Concerns from Panel meeting seem overblown. Physicians on the call seem ready to integrate the ICL into their practice and noted that:

1) training will not be an issue,
2) endothelial cell loss is not a concern, and
3) there is a "substantial" waiting list of patients.

* We still believe in the long-term story at STAA and feel the ICL is the growth driver.

10/10 Jason Mills of **First Albany Corporation** issued a third quarter preview of **VISX**, entitled, "3Q03 Preview - CustomVue? Procedure Growth? DVI?". Some of his comments included:

Action -- We remain Neutral on EYE at this time, as we await results on Conversion to CustomVue (CTC) and more visibility into potential recurring impact from DVI exposure. VISX will report 3Q results on October 22 (after the market close).

Key Points

• VISX will report 3Q03 results on Wednesday, October 22, after the market close.

• We expect top-line results in line with to modestly above our revenue estimate of $35.5 million (upside would most likely come from system sales). We expect EPS in line with our $0.12 estimate (Street at $0.11).

• We believe management needs to discuss and quantify any potential write-off of presumably noncollectible receivables from **DVI**, which is in bankruptcy proceedings. We estimate the unreserved balance of DVI receivables at about $2 million and a negative EPS impact of $0.03-$0.04 (see note dated 8/5/03).

• We also need clarification on the potential recurring P&L impact relating to the DVI exposure -- e.g., any rebates recorded by VISX from DVI in recent years and/or need to increase allowance for doubtful accounts going forward.

• Three most important metrics to watch (excluding DVI) in 3Q are conversion to CustomVue (CTC) ratio (we estimate 25%), growth in total procedures Y/Y (we estimate 15.4%; 168,378 procedures), and gross margin (we estimate 65%).

• We expect in-line CTC and procedure growth estimate relative to what we believe are strong expectations. Gross margin upside/downside depends on system sales to license revenue mix.

10/10 The October issue of *Ophthalmic Market Perspectives* headlined the Ophthalmic Device Panel discussion of the PMA for **Staar Surgical** for its implantable contact lens, which, as described above, finally gained a recommendation for approval by the panel. In addition, Bill Freeman covered the recently concluded *European Cataract and Refractive Surgeons (ESCRS)* meeting held in Munich. His discussion mainly covered information about the phakic, accommodating, standard, and multifocal IOLs presented at the meeting, a little about micro incision phaco, and a few paragraphs about the wavefront LASIK discussions and other refractive subjects, including conductive keratoplasty and epi-LASIK.

10/10 **Bausch & Lomb** announced that it had received approval from the FDA for its patented, advanced laser eye surgery system -- the Bausch & Lomb Technolas 217z Zyoptix System for Personalized Vision Correction -- now making the world's leading technology for custom laser eye surgery available in the United States.

Since 2001, surgeons have used the Zyoptix system, available throughout Europe, Asia, Latin America and Canada, to successfully perform approximately 100,000 personalized LASIK procedures. The Zyoptix system has the widest treatment range of any custom laser eye system available in the United States. Zyoptix LASIK surgery can correct up to -7.00 diopters of myopia with up to -3.00 diopters of astigmatism

and "manifest refraction spherical equivalent" equal to or less than -7.50D. MRSE is a measurement that describes the total refractive error of the eye.

Designed to provide truly personalized laser vision correction, the Zyoptix platform combines an upgraded Bausch & Lomb Technolas 217 excimer laser with the advanced diagnostics of the Zyoptix Diagnostic Workstation unit and Zylink treatment software.
"The Zyoptix technology produced superb results based on all measurements including visual acuity and quality, patient satisfaction and on my own experience," said Stephen Slade, MD, of Houston, medical director of the FDA clinical trials. "Availability of Zyoptix system vision correction should give patients the confidence to seek surgery and surgeons the advanced technology to deliver the best possible outcomes." The Zyoptix system allows the surgeon to create a precise map of both the inside and the outside surfaces each patient's cornea, and using wavefront technology, gives the surgeon the ability to measure the unique imperfections within each patient's optical system. These imperfections include higher-order aberrations, detectable in low-light conditions like driving at night, and contribute to visual disturbances such as reduced contrast sensitivity, glare or halos. Higher-order aberrations are correctable only through wavefront-guided customized laser vision correction like that offered by the Zyoptix system.

"With the Zyoptix system we found that about 40% of patients reported having better night driving vision than they did before surgery, which, in my experience, is an unprecedented result," said Scott MacRae, MD, a surgeon who participated in the clinical trials, and professor of Ophthalmology at the University of Rochester Medical Center and professor of Visual Science at the Center for Visual Science at the University of Rochester in Rochester, N.Y.

The U.S. clinical study was the basis for the company's FDA submission. It was conducted at three centers in the United States: Houston (with Dr. Slade), Rochester, N.Y. (with Dr. MacRae) and Overland Park, a suburb of Kansas City, Kan. (with Dr. Dan Durrie). Clinical trial results are based on a cohort of 340 eyes with a combination of myopia and astigmatism.

Highlights include:

After surgery with the Zyoptix system:

– 91.5% of patients had unaided 20/20 vision or better (Uncorrected Visual Acuity);
- 70.3% of patients had unaided 20/16 vision.
- More than 94% of subjects maintained or improved from their best-corrected vision six months post-operatively.

Six months after surgery with the Zyoptix system:
- 99.0% of subjects reported that they were satisfied with the results;

- 99.7% indicated improvement in quality of vision, of which more than 40% reported improvement in night vision while driving.
- No patients reported dissatisfaction with their outcomes.

Following the Bausch & Lomb announcement, Ted Huber of **Wachovia Securities** issued an update report. Some of his comments included:

• BOL stated Friday (October 10) it received FDA approval of its Zyoptix Custom LASIK platform. The BOL label (myopia up to -7.0D with up to -3.0D of astigmatism) is marginally broader than VISX (up to -6.0D myopia with up to -3.0D astigmatism). Additionally, the Zyoptix label includes correction of some higher-order aberrations, a capability inherent to VISX laser though not specified in the VISX FDA label.

• Not a source of significant share shift: Given (1) limited label advantage over VISX (2) VISX's label expansion plans and (3) significant barriers for doctors to switch laser platforms, we do not expect this approval to result in significant share shifts.

• Potential EPS upside: With procedure growth just in line with the market at 10%, and a custom mix averaging 25% in 2004, refractive profitability has the potential to provide an incremental $0.06 to the consensus model for BOL in 2004.

• Expect 2004 label extensions: Bausch, Alcon, and VISX are all moving to get FDA label extensions to enable Custom LASIK for high myopes and hyperopes. These extensions are likely 2004 events, with first-mover advantage accruing to the winner.

Commenting on the label differences, Huber noted:

As expected, BOL announced on October 10 that it received FDA approval for the Zyoptix Custom LASIK platform. The BOL label (myopia up to -7.0D with up to -3.0D of astigmatism) is marginally better than VISX (up to -6.0D myopia with up to -3.0D astigmatism). Additionally, the Zyoptix label includes correction of some higher-order aberrations, a capability also offered by the VISX laser though not mentioned in the VISX FDA label. UCVA results from the clinical data Bausch submitted to the FDA were roughly comparable to data submitted by VISX, as detailed in the table below.

Comparison of 6 Month BOL, EYE Custom LASIK Clinical Data

	UCVA		**# Eyes**	**% With Equal or Better BSCVA**
	20/16	20/20		
Zyoptix (BOL)	70.3%	91.5%	340	94%

CustomVue (VISX)	74.0%	94.0%	351	97%

Source: company reports

Following the Bausch & Lomb announcement, Jason Mills of **First Albany Corporation** also issued an update report, entitled, "3Q03 Preview; Zyoptix Receives FDA Approval". Some of his comments included:

Reiterate Strong Buy rating. We expect Bausch & Lomb to report a seventh straight quarter of strong results in line with or higher than our estimates. Report date is October 30 before the market opens.

Key Points

• We model revenue of $515mn (+10%), driven by double-digit growth in contact lenses (+12.5%) and pharma (+15.3%), augmented by a continuing foreign currency tailwind. Upside potential could come from pharma (generic brimonidine, ocular vitamins) or cataract (easy comps, reclaiming lost accounts).

• Operating margins are expected to expand sequentially to 11.8% from 11% in 2Q03, spurred by product mix shift and continued COGS cost reduction. We note our out-year margin estimates are still below guidance of 15% by 2005.

• We look for EPS of $0.58 (+21%), in line with consensus expectations, with upside possible, in our view, from higher sales, margins, and/or FX benefit. BOL beat consensus 2Q03 estimates by 5 cents (half operating, half FX).

• Looking ahead to 4Q and 2004, new product launches in contact lenses, pharma, and surgical represent leverage points to drive top-line upside: 1)Daily disposable lens launch in Japan (1Q04E), 2) Launch of Zyoptix Custom LASIK (FDA-approved 10/10), and 3) ZyLet combination antibiotic (2H04E).

• We are reiterating our Strong Buy rating and are raising our 12-month price target to $51 from $48, as we are now giving BOL a multiple in line with our 3-year CAGR assumption (i.e., 20%) applied to our 2004 EPS estimate of $2.53.

Refractive - FDA (Finally) Approves Zyoptix -- The company announced on Friday morning (10/10) the FDA approval of its Custom LASIK technology, Zyoptix. While the approval came later than we anticipated, the approved indications and data are important competitive data points. The Zyoptix system was FDA-approved for the widest treatment range of any custom laser eye system available in the U.S (-7 diopters of nearsightedness and up to -3 diopters of astigmatism), which compare favorably to VISX's wavefront custom technology -- FDA approved to treat -6 diopters of nearsightedness and up to -3 diopters of astigmatism, and Alcon's

LadarWave (-7 diopters and 0.5 diopters of astigmatism). As far as the clinical results, post-Zyoptix procedure, 91.5% of patients had unaided 20/20 vision or better and 70.3% had unaided 20/16 vision. This also compares favorably to VISX's CustomVue data by a small amount (91.3% 20/20) and Alcon by a lot (low 80% range). Importantly, 6 months post surgery, 99% of patients reported that they were satisfied with the results. With the company's strong clinical data, we anticipate Bausch & Lomb will gain market share from Nidek and Alcon at first. Alcon's recall (3Q03) of software in 109 domestically placed LADARWave CustomCornea units (storage/software error) boosts our confidence that Bausch can gain domestic market share from it. Over time, BOL will undoubtedly set its sights on VISX, specifically the very high-volume surgeons, as this is pertinent to gain meaningful share in the U.S. market for procedures. However, we note that VISX is a tough competitor in the U.S., and it will be difficult to gain immediate share from VISX.

We believe the approval sets the stage for two key near-term corporate initiatives:

1) a drive to take laser market share in the United States to promulgate a higher share of high-margin per procedure fees, and

2) the creation of an annuity stream business model with per procedure fees outside the United States, where it is currently a capital equipment market. In the U.S., the company has been able to upgrade most of its existing customers with the ZyWave aberrometer and the OrbScan Corneal Topographer, both of which are necessary to perform the Custom Zyoptix procedure. We anticipate the company will focus now on sending technicians into the field to install the necessary software components. We anticipate 75%-100% of existing customers will be fully ready to go by the end of 2003.

10/12 *CL Today* reported that the FDA granted HUD designation for Intacs. **Addition Technology, Inc.**, maker of Intacs prescription inserts for surgical vision correction, said that it had received the humanitarian use device (HUD) designation for Intacs use in certain keratoconus patients. The HUD designation is the first part of a two-step process in obtaining regulatory approval for a specific product and indication. According to the company, the HUD specifically covers Intacs inserts for the reduction or elimination of myopia and astigmatism in patients who have keratoconus to restore functional vision in those who are no longer able to achieve adequate vision with contact lenses or glasses.

10/13 As reported by *EyeWorld Week Online*, the FDA approved **WaveLight Laser Technologie's** excimer laser system, the Allegretto Wave, for LASIK myopic treatments of up to 12 D sphere and 6 D cylinder. The approved system will provide 6-mm and 6.5-mm optical zones and an ablation zone of up to 9 mm. A separate hyperopia application is pending. (Apparently, this is not so. See WaveLight News Release below.) The system will be marketed in the United States by **Lumenis Inc.**, Santa Clara, Calif. The FDA decision was based on studies of 819 myopia patients

with almost a year of follow-up in which 83% achieved at least 20/20 best-corrected visual acuity and 56% had 20/16 BCVA or better. The trials determined that 86% of patients were within 0.5 D, and 55% gained at least one line of vision and 12% gained two lines.

10/13 **WaveLight Laser Technologie AG** announced that it had been granted FDA approval for its ALLEGRETTO WAVE Excimer Laser System for use in LASIK for the correction of myopia and hyperopia, both with astigmatism. "The FDA approval for the ALLEGRETTO WAVE is the most important milestone that we have reached this year and one of the most important ones in our overall company history. The entire team at WaveLight has devoted tremendous time and effort to make this happen.", said Max Reindl, founder and CEO of WaveLight.

After the completion of final market preparations, the laser will be marketed and used in medical practice in the USA. The official market launch is scheduled for the AAO (American Academy of Ophthalmology) Annual Meeting on November 15 to 18, 2003 in Anaheim.

Overall, the clinical trials required by the FDA lasted for more than three years. During this period, the ALLEGRETTO WAVE was validated for its performance in regards to efficacy, safety and predictability for myopia, hyperopia and astigmatism. 11 clinical sites in the United States treated almost 1200 eyes (myopia: 900, hyperopia: 300). In addition, the FDA assessed the processes and documentation concerning development, construction and manufacturing of the ALLEGRETTO WAVE and validated its findings with a final on-site audit at the facility in Erlangen.

As a result, the ALLEGRETTO WAVE was finally deemed "effective" and "safe" for the treatment of nearsightedness, farsightedness and astigmatism (myopia up to --12.0 diopters/astigmatism up to -6.0 diopters; hyperopia up to +6 diopters/astigmatism 5.0 diopters with a maximum manifest refraction spherical equivalent (MRSE) of +6 D).

The company said that the ALLEGRETTO WAVE has been a strong success story. In Europe, for example, a growing number of refractive clinics and private practices are adapting to this new technology. Most new installations in the current business year will be in expanding markets like China, India and Korea. In the future WaveLight hopes for similar success in the US market as well: "Our dynamic growth, fueled by the ALLEGRETTO WAVE, will be accelerated even further with the US approval and opens doors to new market opportunities", says Reindl.

For Myopia: Approval of the premarket approval application is for the WaveLight ALLEGRETTO WAVE Excimer Laser System to perform LASIK treatments in patients 18 years of age or older for the reduction or elimination of myopic refractive errors up to –12.0 diopters of sphere with and without astigmatic refractive errors up to -6.0 D; and in patients with documented evidence of a stable manifest refraction

defined as ≤0.50 D of preoperative spherical equivalent shift over one year prior to surgery.

Approval of the application was based on clinical trials in the United States with 901 eyes treated, of which 813 of 866 eligible eyes were followed for 12 months. Accountability at 3 months was 93.8%, at 6 months was 91.9%, and at 12 months was 93.9%. The studies found that of the 844 eyes eligible for the uncorrected visual acuity (UCVA) analysis of effectiveness at the 3-month stability time point, 98.0% were corrected to 20/40 or better, and 84.4 % were corrected to 20/20 or better without spectacles or contact lenses.

The clinical trials showed that the following subjective patient adverse events were reported as "moderate to severe" at a level at least 1% higher than baseline of the subjects at 3 months post-treatment: visual fluctuations (12.8% at baseline versus 28.6% at 3 months).

Note that the complete label for myopic treatment with this ophthalmic laser is "WaveLight ALLEGRETTO WAVE Excimer Laser System for laser assisted in situ keratomileusis (LASIK) treatments of myopic refractive errors up to –12.0 diopters (D) of sphere with and without astigmatic refractive errors up to –6.0 D at the spectacle plane".

For Hyperopia: Approval of the premarket approval application is for the WaveLight ALLEGRETTO WAVE Excimer Laser System to perform LASIK treatments in patients 18 years of age or older for the reduction or elimination of hyperopic refractive errors up to +6.0 diopters of sphere with and without astigmatic refractive errors up to 5.0 D at the spectacle plane, with a maximum manifest refraction spherical equivalent (MRSE) of +6.0 D; and in patients with documented evidence of a stable manifest refraction defined as ≤0.50 D of preoperative spherical equivalent shift over one year prior to surgery, exclusive of changes due to unmasking latent hyperopia.

Approval of the application is based on clinical trials in the United States with 290 eyes treated, of which 100 of 290 eligible eyes were followed for 12 months. Accountability at 3 months was 95.2%, at 6 months was 93.9%, and at 12 months was 69.9%. The studies found that of the 212 eyes eligible for the uncorrected visual acuity (UCVA) analysis of effectiveness at the 6-month stability time point, 95.3% were corrected to 20/40 or better, and 67.5 % were corrected to 20/20 or better without spectacles or contact lenses.

The study showed that the following subjective patient adverse events were reported as "much worse" by at least 1% of the subjects (in order of increasing frequency) at 6 months post final treatment: glare from bright lights (3%); night driving glare (4.2%); light sensitivity (4.9%); visual fluctuations (6.1%); and halos (6.4%).

Note that the complete label for the treatment of hyperopia for this ophthalmic laser is "WaveLight ALLEGRETTO WAVE Excimer Laser System for laser assisted in situ keratomileusis (LASIK) treatments of hyperopic refractive errors up to +6.0 diopters (D) of with and without astigmatic refractive errors up to 5.0 D with a maximum manifest refraction spherical equivalent (MRSE) of +6.0 D".

10/13 **Lumenis Ltd.** announced that it has received marketing clearance from the FDA for its Novus TTx, 810 Nanometer Infrared Diode Photocoagulator. "Novus TTx combines the power of an 810 nanometer infrared laser with Lumenis' exclusive and highly-adaptable user interface, giving ophthalmologists an advanced device to treat even the most complicated retinal conditions, such as choroidal neovascularization, age-related macular degeneration, retinopathy of prematurity and intraocular tumors" stated Avner Raz, president and CEO. "With the addition of Novus Ttx to our existing photocoagulator, SLT, photoactivator and photodisruptor platforms, Lumenis offers a minimally-invasive option for nearly every major eye disease."

The only ophthalmic 810 nm diode photocoagulator with four energy delivery modes, Novus TTx allows ophthalmic surgeons to precisely control the amount of energy used during each customized laser treatment. The portability and high-energy delivery potential of the TTx 810 nm photocoagulator makes it suitable for both the outpatient clinic and operating room.

10/16 **QLT Inc.** and **Novartis Ophthalmics**, the eye health unit of **Novartis AG** announced that health authorities in Japan had approved Visudyne (verteporfin) for the treatment of the "wet" form of age-related macular degeneration (AMD), the leading cause of blindness in people over age 50. Specifically, Visudyne has been approved for the orphan indication of AMD with all types of subfoveal choroidal neovascularization (CNV). Patients with this serious condition lose their ability to read, drive and recognize faces in a few months.

"The approval in Japan is a significant step in our efforts to expand the Visudyne franchise," said Paul Hastings, president and CEO of QLT Inc. "We will now focus our efforts on securing reimbursement to ensure that this treatment is available to the thousands of AMD patients in Japan who previously had no other option due to the lack of any effective means to treat this disease."

Approval was based on the results of a well-designed 12-month clinical study conducted in Japan, which confirmed the efficacy and safety profile of Visudyne as demonstrated in 3 large randomized controlled trials conducted in the rest of the world. In fact, approximately 2 patients out of 3 participating in this study either maintained or improved their vision as a result of Visudyne therapy. The submission of a new drug application in Japan for Visudyne was made in April 2002. Visudyne was evaluated in Japan as a therapeutic drug for the wet form of AMD following its designation as an orphan drug in June 1997.

"We are thrilled that Visudyne has been approved in Japan," said Flemming Ornskov, MD, Head, Ophthalmics Business Unit, Novartis. "This is another milestone in our continued efforts to bring Visudyne, the standard of care in AMD treatment, to patients worldwide." In Japan, **Carl Zeiss Co., Ltd.**, and **Lumenis Japan, Ltd.** have submitted approval applications for laser devices, which would be used in Visudyne therapy.

10/17 Joanne Wuensch of **Harris Nesbitt Gerard** issued an update report on **VISX**, entitled: "Custom Ablation Taking Hold; Upgrade to Neutral from Underperform". Some of her comments included:

Event -- We are upgrading VISX to NEUTRAL from UNDERPERFORM on physician accounts that the adoption of wavefront technology is beginning to gain traction and improvement in the overall economic environment that could lead to increased discretionary spending on items such as laser vision correction.

Impact -- Several near-term investor events could continue the year-to-date momentum in the stock: the company's 3Q03 report on October 22, analyst meeting on November 7 in New York City, and the American Academy of Ophthalmology meeting on November 15-18 in Anaheim, CA.

Forecasts -- We have made no change to our revenue and EPS forecasts. We maintain our 3Q03 and 2003 EPS estimates of $0.11 and $0.41.

Valuation -- Valuation appears rich, trading at 35.1x our 2004 EPS estimate of $0.60. EYE is within its historical multiple (30x) and above the ophthalmology (21.5x) and mid- to large-cap medical technology (24.2x) peer groups. Applying a two-year average growth rate of 34.7x our $0.60 estimate, leads us to a 12-month price target of $21.

Recommendation -- We are raising our rating on the stock to NEUTRAL from UNDERPERFORM.

10/19 *OptiStock* reported that privately held **Addition Technology** reported Q3 2003 sales of Intacs increased 48%, compared to the prior year, and 14.6% over Q2 2003. Intacs are prescription inserts for surgical vision correction.

10/20 **CIBA Vision Corporation**, the eye care unit of **Novartis AG**, announced its much anticipated Centurion SES EpiEdge epikeratome had received CE Mark approval. The EpiEdge epikeratome is used in Epi-LASIK, developed by Ioannis Pallikaris, MD, the renowned Greek ophthalmologist who helped introduce LASIK to the world.

"The EpiEdge's ability to create intact sheets of epithelium versus standard stromal cuts and its compatibility with wave front, customized ablation make it a valuable new

tool for refractive surgeons," said Pallikaris. "It's very exciting to have this technology available to surgeons."

The EpiEdge epikeratome is compatible with the Centurion SES System. The Centurion SES System is sold with two separate handpieces and blades, one for use in traditional LASIK procedures (microkeratome) and one for use in Epi-LASIK procedures (epikeratome). The EpiEdge epikeratome is not a blade per se, but a blunt separator that produces an epithelial sheet, thereby eliminating the need for alcohol used in some refractive laser procedures, such as PRK and LASEK. Since alcohol is toxic to epithelial cells, removing the alcohol application from the procedure results in faster healing and less pain for patients. The EpiEdge epikeratome is also different from current microkeratome designs in its precision. The separator produces a precise, reproducible delamination of the epithelium. With Epi-LASIK, initial results indicate that many flap complications of LASIK are reduced.

The Centurion SES EpiEdge Epikeratome performs a mechanical, instead of alcohol-assisted, separation of the epithelium by substituting a disposable, oscillating, PMMA block for the usual blade of a microkeratome.This technique allows for a 'no cut' epithelial separation. In addition, the separation takes place under the basement membrane, thus preserving its integrity. Histological studies have shown that the epithelial basement membrane remained intact, basal epithelial cells showed no irregularities and the hemidesmosomes were not adversely affected by the procedure. The Centurion SES Microkeratome is designed with a proprietary cutting system which integrates both the blade and cartridge into one component. Additionally, it achieves applanation, or flattening, of the cornea through a unique bar applanator.

10/20 Ted Huber of **Wachovia Securities** has issued a newly published 100 page report on the refractive surgery industry, entitled, "Custom LASIK Headlines A Refractive Renaissance". The report brings data and comprehensive analysis to bear on key questions investors are asking about this industry, including:

* Can the U.S. refractive surgery market grow again? (yes)
* Will emerging refractive surgery technologies slow LASIK growth? (no)
* Will the industry's competitive balance shift in the wake of Custom LASIK and other technology evolution? (no)

"Of our coverage companies, we believe **VISX** is the best way for investors to play these trends. Others that benefit include refractive surgery technology suppliers **Bausch & Lomb**, **Advanced Medical Optics**, **Alcon**, and **STAAR Surgical company** (STAA, $9.90, Not Rated), as well as laser center operators **TLCVision, Inc.** (TLCV, $7.30, Not Rated) and **LCA-Vision, Inc.** (LCAV, $14.88, Not Rated)".

(A copy of the report can be obtained directly from Huber at: **theodore.huber@wachovia.com**)

10/20 **QLT Inc.** reported that its alliance partner, **Novartis**, announced global Visudyne (verteporfin) sales of approximately US$89.8 million for the quarter ended September 30, 2003. This represents an increase of 28% over sales in the third quarter of 2002.

10/21 **LCA-Vision Inc.** announced that it will open its 34th U.S. LasikPlus facility on October 28 in Las Vegas. The new facility will serve a metropolitan population of approximately 1.5 million. The new Las Vegas LasikPlus Vision Center will be equipped with technologically advanced **Bausch & Lomb** Technolas and **VISX** CustomVue technology systems. Dr. Richard Maw, a board-certified eye surgeon specializing in laser vision correction, will head the new facility's medical team.

LCA-Vision operates 37 laser vision correction centers, including 34 wholly owned LasikPlus vision centers located in large metropolitan markets throughout the United States, two joint ventures in Canada and one joint venture in Europe.

10/21 **IRIDEX Corporation** announced that sales for the quarter ended September 27, 2003 were $8.3 million, a 23% increase compared to sales of $6.7 million in the corresponding quarter in 2002. The company reported a net profit for the third fiscal quarter of $261,000 (4 cents per share) compared to a net profit of $206,000 (3 cents per share) for the comparable quarter in 2002.

Improved profitability from operations was responsible for this quarter's increase in net income when compared to third quarter last year, as operating income for the third quarter 2003 rose to $212,000 compared to the operating loss of $5,000 in the third quarter last year. Based on the company's year to date tax exposure, no tax expense was recorded in third quarter 2003, while a tax benefit of approximately $242,000 was included in the third quarter of 2002 results. Sales of ophthalmology products during the third quarter of 2003 were $6.9 million, an increase of 27% from the equivalent quarter of 2002. Sales of dermatology products were $1.4 million, an increase of 5% from the corresponding quarter in 2002.

"We are very pleased with our overall revenue growth this quarter as exemplified by solid sales increases in both our ophthalmology and dermatology product lines," commented Theodore Boutacoff, president and CEO. "Our international sales increased by 36% in the third quarter of 2003 compared to the third quarter in 2002, resulting from the continued world wide acceptance of our ophthalmology products combined with strong performances from most of our international distributors. Our return to profitability in the current quarter, increased new product shipments and continued progress on the asset management front stands out as key accomplishments this quarter."

During the first nine months of 2003, the company generated $3.4 million in cash, cash equivalents and available for sale securities primarily as a result of accounts receivables decreasing by $1.8 million and $1.3 million contributed from lower

inventory levels. At the end of third quarter 2003, cash, cash equivalents and available for sale securities equaled $14.9 million.

10/21 **Lumenis Ltd.** announced that its strategic partner **WaveLight Laser Technologie AG** of Erlangen, Germany had received FDA marketing clearance for the ALLEGRETTO WAVE Excimer Laser which provides treatment of myopia (nearsightedness) and hyperopia (farsightedness) (see the WaveLight announcement above). The ALLEGRETTO WAVE is the first refractive laser to receive clearance for both indications with treatment ranges for myopia of up to -12 diopters and with astigmatism of up to -6 diopters. The approval for hyperopia was granted for up to +6 diopters and with astigmatism of up to +5 diopters, not exceeding a mean spherical equivalent of +6 diopters.

"Lumenis is pleased to extend its 30-year track record of pioneering ground breaking laser systems to the ophthalmic industry by delivering the next generation of refractive technology to the U.S. market," said Avner Raz, president and CEO of Lumenis. "The excellent performance and results demonstrated in FDA clinical studies we attribute to the laser's unique ablation profile, which has the capability to achieve unparalleled clinical results in standard LASIK procedures. We believe that the ALLEGRETTO WAVE system will set a new benchmark for standard LASIK treatment in the United States and meets our goal of providing physicians with the highest quality laser products in the marketplace."

"The FDA approval for the ALLEGRETTO WAVE is the most important milestone that we have reached this year and one of the most important ones in our overall company history. The entire team at WaveLight has devoted tremendous time and effort to make this happen," stated Max Reindl, founder and CEO of WaveLight Laser.

Lumenis will be the exclusive sales agent in the U.S. responsible for all sales, marketing and field service efforts required to support the ALLEGRETTO WAVE in the U.S. market, in accordance with an exclusive representative agreement with WaveLight Laser Technologie AG. Discussions are continuing regarding licensing arrangements covering the sale of the ALLEGRETTO WAVE in the United States. The existing partnership between Lumenis and WaveLight Laser Technologie AG has successfully captured significant market share of global refractive sales outside the U.S. over the last two years. FDA clearance will allow ophthalmologists to access the German-engineered laser for the first time in the United States, the world's largest refractive surgery market.

Clinical studies evaluated by the FDA involved treating over 800 eyes with myopia and 290 eyes with hyperopia for refractive vision correction with the ALLEGRETTO WAVE at 11 U.S. clinical sites. The laser will be officially launched at this year's annual *American Academy of Ophthalmology (AAO)* meeting, the largest professional

conference for ophthalmologists and medical doctors for eye treatments, in Anaheim, California next month.

10/22 **LCA-Vision Inc.** reported net income for the three months ended September 30, 2003 of $1.5 million (14 cents per share) compared with a net loss of $810,000 (8 cents per share) for the three months ended September 30, 2002. For the third quarter, laser refractive surgery revenues grew approximately 52% to $20.5 million, compared with $13.5 million in the third quarter of 2002. Procedure volume rose approximately 28% to 15,965 and average price realization per procedure increased 19% to $1,281, both compared with the third quarter of 2002. On a sequential-quarter basis, average price realization per procedure grew approximately 4% from $1,231 in the second quarter of 2003.

For the nine months ended September 30, 2003, the company reported net income of $5.1 million (47 cents per share) compared with a net loss of $1.9 million (18 cents per share) for the first nine months of 2002. Laser refractive surgery revenues grew approximately 25% to $60.7 million for the first nine months of 2003, compared with $48.5 million for the comparable nine-month period in 2002. Net cash provided by operations during the first nine months of 2003 was $8.4 million. Cash and short-term investments were $25.3 million as of September 30, 2003, up from $18.3 million as of December 31, 2002.

Stephen Joffe, chairman and CEO of LCA-Vision, commented, "We reported another quarter of solid financial results as we continued to execute well against our key operating and financial metrics. We exceeded both our average price realization and our marketing cost targets in the third quarter, with our price realization averaging $1,281 per procedure and our marketing costs averaging $190 per procedure for the quarter. We enjoyed 28% growth in volume of procedures at our LasikPlus vision centers in the third quarter 2003 compared to the comparable period last year. Custom LASIK represented approximately 7% of our third quarter procedure volume, up from 4% Custom LASIK penetration in the second quarter of 2003. The Custom LASIK procedure has been available in all LasikPlus markets since early September, and we expect it will continue to favorably impact our procedure volume and average pricing. We are also pleased to have passed yet another milestone in the company's history in the third quarter having now performed over 300,000 laser vision correction procedures at our vision centers."

Given LCA-Vision's financial results through September 30, 2003, the company is again raising its full-year diluted EPS guidance to $0.52 - $0.57, up from our prior EPS guidance of $0.45 - $0.50. This new guidance is based on diluted shares outstanding of approximately 11.0 million as of September 30, 2003. In September 2003, LCA-Vision filed a registration statement with the SEC relating to a proposed public offering. This guidance does not give effect to the additional shares that would be outstanding if the offering is completed.

10/22 **VISX, INCORPORATED** announced financial results for the third quarter and nine months ended September 30, 2003. Third quarter revenues increased 28% to $39.3 million from $30.6 million for the comparable period of the prior year. The increase was driven by strong sales of VISX CustomVue procedures, which increased license and other revenue by 51% from $15.6 million in the third quarter of last year to $23.5 million in the third quarter of 2003. VISX reported a 25% increase in earnings per share for the third quarter, in spite of a charge to earnings. Net income was $4.9 million (10 cents per share) compared with net income of $4.5 million (8 cents per share) in the comparable period of the prior year.

Net income was in line with VISX guidance for the quarter, but was impacted by a non-recurring charge of $2.3 million associated with an accounts receivables balance with **DVI Inc.**, a financing company that has filed for Chapter 11 bankruptcy protection. This charge negatively impacted the company's earnings per share by approximately $0.03. Without this charge, VISX would have exceeded its earnings guidance for the quarter.

Liz Davila, chairman and CEO of VISX, stated, "Our third quarter results show the significant impact that CustomVue can have on our revenue and earnings. In its first full quarter of introduction, CustomVue procedures represented 39% of the $23.5 million in licensing revenue. And at 96% gross margins, this clearly contributed to our strong results in the quarter. Enthusiasm to adopt the CustomVue procedure is strong. We reported a record 145 WaveScan System sales in the quarter, beating our estimate of 115 units by a wide margin. Procedure volume was up over the second quarter, a positive sign since the third quarter is typically a seasonally weak quarter. We believe this increase in volume is the result of enthusiasm by doctors and patients for the individualized treatments that CustomVue offers, as well as the early signs of an economic recovery."

Revenue for the nine months ended September 30, 2003, was $105.7 million compared with $103.8 million for the comparable period of the prior year. Net income was $14.4 million (28 cents per share) in the first nine months of 2003 compared to net income of $16.9 million (31 cents per share) in the comparable period of the prior year.

Financial Outlook: For the fourth quarter of 2003, VISX believes that revenue will be in the range of $37.0 to $38.0 million. Fourth quarter earnings per share are expected to increase and be in the range of $0.13 to 0.15 cents.

Following the release of financial data several analysts issued updated reports. Their comments are noted below:

Joanne Wuensch of **Harris Nesbitt Gerard** -- "EYE--Custom Ablation Drives Impressive 3Q03 Results". Some of her comments included:

* Event -- VISX reported impressive 3Q03 results. Revenue hit $39.3 million (up 28.5%) beating our $34.8-million estimate. Excluding a one-time receivable charge, EPS were $0.13, or $0.02 above both our and Street consensus.

* Impact -- We believe VISX is beginning to benefit from the introduction of high-margin customized ablation procedures. Strong demand for this technology drove 3Q03 procedure and license/other revenues up 53.2% to $23.5 million.

* Forecasts -- For 4Q03, we are keeping our $37.1-million revenue estimate, but increasing our EPS by $0.02 to $0.14. In 2004 our revenue estimate increases to $154.5 million from $149.4 million, while our EPS estimate increases to $0.63 from $0.60. Our 2005 revenue estimate is increased to $164.9 million from $158.8 million with EPS rising to $0.79 from $0.74.

* Valuation -- EYE is currently trading at 36x our 2004 EPS estimate of $0.63. We "see" the bull story: that the adoption of customized ablation could provide powerful leverage to the income statement. On the bear side, we are yet to see the turn in the economy (especially economic reports regarding the jobless recovery) translate into sustained increased procedure counts, and the stock looks expensive.

* Recommendation -- We maintain our NEUTRAL rating.

Michael Lachman of **ThinkEquity Partners** -- "EYE: The LASIK Rebound - So Far So Good". His comments included:

We maintain our Overweight rating on VISX shares following a Q3 report that featured strong CustomVue conversion and the initial signs of a rebound in the LASIK procedure market. The numbers came in very much as expected, with earnings upside driven by above-forecast conversion to CustomVue. Excluding the impact of the write-off of $2.3 million in accounts receivable from the now-bankrupt DVI, EPS of $0.13 exceeded our estimate by a penny and beat consensus by $0.02. The Q3 upside was driven primarily by faster-than-expected conversion to CustomVue, although longer-term growth will have to be driven by growth in the overall market for LASIK procedures. Fine-tuning our model results in modest increases in EPS estimates: a penny in each of the years 2003, 2004, and 2005. Upcoming catalysts include the November 7 investor presentation in New York and the November 16-19 American Academy of Ophthalmology conference in Anaheim.

Investment Highlights

We maintain our Overweight rating on VISX shares following a Q3 report that featured strong CustomVue conversion and the initial signs of a rebound in the LASIK procedure market. The numbers came in very much as expected, with earnings upside driven by above-forecast conversion to CustomVue. Excluding the impact of the write-off of $2.3 million in accounts receivable from the now-bankrupt

DVI, which we are modeling as a one-time charge, EPS of $0.13 exceeded our estimate by a penny and beat consensus by $0.02.

We are not making significant changes to our estimates at this time. We are increasing our EPS estimates by a penny in each of the years 2003, 2004, and 2005. Although VISX outperformed in Q3, the upside was driven primarily by faster-than-expected conversion to CustomVue. We have been forecasting all along a high level of eventual adoption of this new technology, so a steeper-than-expected adoption ramp boosts current period earnings more than it does future periods. Longer-term growth will have to be driven by growth in the overall market for LASIK procedures. VISX's Q3 results are encouraging on this front: the company reported a slight (low single-digit) sequential increase in procedures, versus our forecast of flat sequential procedure volume during a season that is usually weaker than the one before.

We are maintaining our procedure volume forecasts at current levels, and increasing our forecast for CustomVue conversion slightly in Q4. Given the upside in CustomVue conversion in Q3 (24% of procedures versus our 18% forecast), we are increasing our Q4 forecast of 30% conversion to 31%, ahead of management's high 20's guidance. Like the LASIK service providers and ophthalmic surgeons with whom we have spoken, VISX management remains cautiously optimistic regarding recent procedure growth trends, recognizing that it is closely tied to the continuing rebound in the economy and consumer confidence.

We have fine-tuned our model, which yields an additional penny to EPS in each of the years 2003, 2004, and 2005. Our Q4-03 revenue estimate goes from $38.8 million to $37.9 million, which is at the upper end of management guidance ($37-38 million). Our Q4-03 EPS estimate, also at the high end of guidance of $0.13-0.15, increases from $0.14 to $0.15, mostly as a result of reduced SG&A spending.

For the full year 2003, our estimates go from $141.4 million to $143.6 million in revenues and from $0.45 to $0.46 in EPS. For 2004, our revenue estimate is now $166.0 million, compared to $169.0 million previously, and we have increased our EPS estimate from $0.74 to $0.75. For 2005, our revenue estimate goes from $189.1 million to $188.1 million and our EPS estimate increases from $0.96 to $0.97.

Upcoming catalysts include the November 7 investor presentation in New York and the November 16-19 American Academy of Ophthalmology conference in Anaheim. On November 7, VISX management will provide updated financial guidance and market growth forecasts for 2004. At both events, investors should get in initial look at CustomVue clinical data in the areas of high myopia, hyperopia, and presbyopia.

<u>VISX Q3 Financial Highlights</u>

CustomVue conversion was very strong during the first full quarter following the launch of this new technology. CustomVue accounted for 24% of all VISX procedures in Q3 (versus our 18% forecast) and 39% of all license/other revenue.

We are modeling the write-off of $2.3 million in accounts receivable from DVI, Inc. as a one-time charge, because we believe that this situation was unique to DVI and that VISX has obtained satisfactory alternative sources for customer financing of capital equipment purchases. In fact, given the current rebound in the LASIK market, we view the ability of customers to pay their bills as an improving situation, and not a deteriorating one. Including this charge, VISX reported EPS of $0.10 in Q3.

On the hardware front, the market for lasers remains weak and highly competitive. For the second quarter in a row, VISX placed only 20 new systems. However, the market for WaveScan diagnostic systems was robust, with 145 placements exceeding guidance of 115 and our forecast of 120. Without the full-time resources in place to install all of these diagnostic units and train customers in their use, VISX incurred higher-than-normal expenses (contained within the COGS line) that offset some of the CustomVue upside in the quarter.

Risks to Target Price and Investment Thesis

Laser vision correction (LVC) procedure fees generate a majority of VISX's profits. Risks to procedure volumes include continued sluggishness in the U.S. economy and any resulting impact on consumer confidence, market share losses to competitors, and saturation of the potential market of patients interested in LVC. Any reduction in the per-procedure fee that VISX receives, and/or any limitation in the company's ability to garner a premium fee for CustomVue ablations, would also impact procedure-fee revenue. Slower than expected customer conversion to CustomVue would impact procedure revenue forecasts. Any such challenges in the market for LVC procedures would also likely impact the company's hardware business as well.

Any regulatory action against VISX, resulting from real or perceived clinical complications, could limit the company's ability to sell hardware or receive procedure fees. Because LVC is an elective procedure, regulatory scrutiny could be more intense than normal for a medical technology, and the company could suffer a marketing backlash even in the absence of formal regulatory action. As the LVC market leader, VISX could be affected by problems experienced by a competitor.

Ted Huber of **Wachovia Securities** -- "EYE: LASIK Growing, Custom Mixing: Raising Estimates". His comments included:

* Q303 Strong on All Fronts: LASIK volume (15%), Custom mix (24%) and EPS ($0.13) all beat our estimates. As expected, VISX took a one time charge ($0.03) associated with a write down of DVI receivables. Excluding this item, EPS were $0.13, vs. consensus and our estimate of $0.11. And cash flow was strong, with both

receivable days (57) and inventory days (73) coming back to historic levels and generating cash from operations of $13 million, 2x net income.

* Strong Operating Results: The near 96% margin licensing and other revenue line was up 50% y/y driven by 15% y/y LASIK volume growth (vs. our 10% estimate) and 24% Custom mix (vs. our 17% estimate). VISX now has near 80% of surgeons (weighted by volume) trained and equipped for Custom LASIK.

* New Guidance and increasing estimates: VISX Q403 guidance calls for 5%+ volume growth and "high 20s" Custom Mix to drive EPS of $0.13 to $0.15. We have increased our Q404 estimates by $0.02 to $0.15; our 15% volume growth (unchanged) and 28% Custom mix drives operating margins of 30.7%. We also increased our 2004 EPS forecast to $0.79 from $0.74 on an increased Custom mix assumption (to 33% from 26%).

And finally, Jason Mills of **First Albany Corporation** -- "EYE: DVI Charge Drives EPS Miss; Remain Neutral". His comments included:

* DVI Charge Drove an EPS Miss. Reported EPS were $0.10 versus our $0.12 estimate. Netting out the one-time write-off of $2.3 million in DVI (DVIXQ.PK-$0.08-Not Rated) receivables, VISX reported pro forma 3Q EPS of $0.13.

* First Glance Seems Decent... At first glance (excluding DVI), 3Q results seem decent: upside to revenue ($39.3mn vs. $35.5mn estimate), pro forma EPS ($0.13 vs. $0.12 estimate), and procedure volume (174K vs. 168K estimate).

* ...But Red Flags Aplenty. Drilling down into the numbers (and guidance), VISX's 3Q results set off some definite red flags (gross margin and SG&A much lower than expected). While 4Q EPS guidance was $0.13-$0.15, (consensus was at $0.13), the "upside" is entirely from lower SG&A spending. Moreover, the company did not provide any guidance for 2004.

* Risk to Forward Estimates. We question VISX's ability to meet forward estimates. Guidance insinuates CustomVue conversion is tracking below our estimates, and there is little visibility into 2004 system sales or procedure growth.

* Valuation Extended. Valuation is already extended, in our view, and we do not expect multiple expansion from the current 30.3x P/E multiple on our 2004 estimate of $0.74.

* Maintain Neutral rating and $22.50 12-month price target (30x forward P/E).

10/22 **Alcon, Inc.** reported global sales of $822.7 million for the third quarter of 2003, an increase of 10.6% over global sales in the third quarter of 2002, or 7.6% excluding the

impact of foreign exchange fluctuations. Reported net earnings for the third quarter of 2003 increased 22.4% to $153.1 million (49 cents per share) compared to $125.1 million (41 cents per share) for the third quarter of 2002.

For the first nine months of 2003, Alcon reported global sales of $2,555.2 million, an increase of 13.1% over global sales of $2,259.9 million for the first nine months of 2002, or 9.4% excluding the impact of foreign exchange fluctuations.

The primary reason for the improvement in the quarter was a shift in the mix of products toward higher margin products, especially intraocular lenses and glaucoma products compared to last year's third quarter. Refractive sales had a negative impact on surgical sales growth, as increased procedural revenues arising from the rapid adoption of higher priced custom procedures were not sufficient to offset declines in the total number of procedures and equipment purchases.

Tim Sear, chairman, president and CEO, commented, "Our performance in the third quarter and so far this year demonstrates the ability of our people to execute our plans consistently to date, and gives us confidence that we will be able to do so in the future. We have grown constant currency sales in our targeted range of 8-10% and translated that growth into even faster operating and net profit growth. The value of the diversification of our product lines was evident this quarter, as we overcame a temporary slowdown in U.S. pharmaceutical sales growth with strong pharmaceutical sales performance outside the U.S. and also with increases in sales of intraocular lenses, cataract equipment and consumer eye care products. With the wave of new products we have introduced this year, and with an extensive slate of new product applications expected in 2004, Alcon is at the beginning of a new product cycle that we believe will support top and bottom line growth for many years to come."

Refractive sales were $16.7 million, down 13% from the $19.1 million sales in the second quarter, and down 8% from the $17.9 million in the same quarter a year ago.

Joanne Wuensch of **Harris Nesbitt Gerard** had some pre-teleconference thoughts based on the financial results, "Quick thoughts on the 3Q03 results; OUTPERFORM". She commented:

* Revenue and EPS were $822.7 million (up 10.6%; up 7.6% on a constant-currency basis) and $0.49 (up 22.7%). Results beat our expectations for $814.2 million and $0.47, respectively. Street consensus was also for $0.47.

* Total surgical sales were $380.6 million (up 10.5%), besting our $365.4 million estimate. Sales were driven by demand for the company's intraocular lenses (IOLs) and the full product launch of its Infiniti phacoemulsification machine.

* Total pharmaceutical sales were $313.5 million (up 11.7%), lower than our $324.1 million estimate. The pharmaceutical division faced tough year-over-year

comparables, particularly in its otic (ear) products. Strong growth was noted in Travatan and Azopt products.

* Consumer sales increased 8.2% to $128.6 million, slightly higher than our $124.7-million estimate. OUS demand for lens care products and continued success of the company's Systane dry eye treatment were highlights in the quarter.

* Management increased full-year 2003 guidance: sales in a range of $3.37-$3.39 million and EPS in the range of $1.88 to $1.91 (previous range for $1.85 to $1.90). It also cautioned that current consensus for 2004 EPS ($2.21, also our estimate) is "somewhat above" our expectations. Given company history of beating consensus estimates, we believe this is somewhat built into the consensus estimate for 2004.

* Alcon ended the quarter with $1.2 billion cash on the balance sheet, up from $968 million at the end of 2002. Inventory days sequentially increased to 179 days from 145 days, but not outside the historical range. Receivable days remained in their historical range at 69.7 days.

* Maintain OUTPERFORM rating and $64 price target, based on 29 times our 2004 EPS estimate of $2.21. Our price target could be at risk should the company's significant product pipeline not materialize as anticipated.

Following the analyst teleconference, she further commented, in her update report, "ACL--Estimate Changes; "See Today, Tomorrow, and in the Future":

Event -- Alcon reported 3Q03 revenue and EPS of $822.7 million (up 10.6%; up 7.6% ex-FX) and $0.49 (up 22.7%). Results beat our expectations for $814.2 million and $0.47, respectively. Street consensus was also for $0.47.

Impact -- Although the company once again beat Street estimates, management set expectations for investors not to become accustomed to this trend and cautioned that current consensus for 2004 EPS was "somewhat above" expectations. We believe that 2004 should be a transition year for the company, paving the way for significant product launches in 2005 and 2006.

Forecasts -- We have increased our 4Q03 revenue estimate to $820.5 million (up 9.5%) from $815.1 million, but decreased EPS to $0.42 from $0.44. Our 2004 revenue and EPS estimate is $3.665 billion (up 8.6%) and $2.14 (up 12.0%), down from $3.7 billion and $2.21, respectively.

Valuation -- Applying 29x our 2004 EPS estimate, our new 12-month price target is $62 (down from $64).

Recommendation -- We maintain our OUTPERFORM rating and recommend that investors take advantage of the stock pullback to establish and/or add to positions in ACL

Ted Huber of **Wachovia Securities** also had some comments in his report, "ACL: 2004 As A Transition Year - Now In Focus":

* Surgical Business Drives EPS Q303 Upside: Constant currency revenue growth of 7.6% met our target (Alcon's worst showing since going public 6 quarters ago) but positive mix drove margin and EPS upside. Alcon's $0.49 beat our model by $0.03 and consensus by a penny. Surgical revenue growth of 10.5% was paced by 13.7% growth in high margin IOLs. This, plus 91% yr/yr TRAVATAN growth made up for important weak spots in Pharma growth (11.4% anti-infectives growth and Otic sales down 1.7%).

* Pulling in the Reigns on 2004: Management sent a clear signal that consensus of $2.21for 2004, though achieveable, was aggressive. By our math, the CILOXAN patent expiration takes out near $0.02, new IOL manufacturing another $0.01, and increased spending related to 2005 product launches (Patinase and Retaane) another $0.02. With very difficult pharma comps (20%+ for the next three quarters) and a dearth of key new products, we expect double digit surgical division growth to take up the slack.

* Wachovia Model: We are reducing our Q403 EPS target by $0.03 to $0.41 (full year stays at $1.90) and are lowering 2004 EPS by a $0.01 to $2.15, on reported revenue growth of 9.6% (including 1.5% of currency). We expect 2004 earnings growth to be front end loaded due to 2003 product launches and increased launch spending and the CILOXAN patent expiration weighing down H204 results.

10/23 **QLT Inc.** 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 Sales -- For the three months ended September 30, 2003, Visudyne 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."

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.

10/23 Refractive surgeons in high-volume surgery practices are more likely to face malpractice claims and lawsuits than their colleagues. This is one of the conclusions of a study published in the November 2003 issue of *Ophthalmology*, the clinical journal of the *American Academy of Ophthalmology*. Study author Richard Abbott, MD, said, "This is the first published study that identifies and correlates statistically significant predictors and risk factors with malpractice liability claims and lawsuits following laser in-situ keratomileusis (LASIK) and photorefractive keratectomy (PRK) surgery."

In the retrospective study, physician demographics and practice pattern data of 100 consecutive LASIK and PRK claims and lawsuits reported to the **Ophthalmic Mutual Insurance Company (OMIC)** were compared with demographics and practice patterns from all refractive surgeons insured by OMIC between 1996 to 2002. The study found that high patient volume was the greatest risk factor for increased chances of incurring malpractice claims or lawsuits. High patient volume, when coupled with other risk factors, increased the likelihood of being sued.

Other risk factors included:

-- Prior claims or lawsuits;
-- Male gender of the surgeon;
-- Advertising;
-- Time spent with patients;
-- Co-management with optometrists.

"For the first time, a methodology has been developed that identifies the risk factors," said Dr. Abbott, a professor of ophthalmology and co-director of corneal and refractive surgery at the University of California, San Francisco. "The methodology will impact malpractice liability underwriting in the short term and will allow for improved patient care and risk management guidelines in the long term. It is hoped the study results lead to higher quality of care for patients through guidelines that emphasize an improved informed consent process, more preoperative time between the patient and the surgeon, fewer communication errors with co-managing providers and less aggressive advertising." In its conclusion, the study states, "Ultimately, the results of this study should help improve the overall quality of care provided to refractive surgery patients and alter the image this procedure has acquired within the legal community and the public."

OPHTHALMIC LASER UPDATE -- November 2003

10/30 **Bausch & Lomb** reported earnings per share of $0.60 for the quarter ended September 27, 2003, compared to $0.17 per share reported in the prior-year period. Worldwide sales of $508.8 million grew 9% (or 5% on a constant-currency basis) over the $466.7 million reported in 2002.

For the first nine months of 2003, net sales were $1.47 billion, an increase of $130.0 million or 10% over the prior year, and a 3% increase on a constant-currency basis. Earnings per share from continuing operations were $1.44, compared to $0.74 in 2002. Excluding the impact of non-recurring items, comparable-basis 2002 earnings per share from continuing operations were $1.13.

Bausch & Lomb chairman and CEO Ronald Zarrella said, "We are pleased with the positive momentum in our company's financial performance. Our third-quarter results demonstrated sustained solid growth in the majority of our businesses, combined with continued progress in executing our cost-saving initiatives as well as a favorable currency environment. Based on our expectation that underlying trends will continue, we foresee comparable-basis fourth-quarter earnings per share of approximately $0.79." Zarrella continued, "Looking ahead to next year, our revenues should grow in the mid-single digits. Additional savings from ongoing profitability initiatives, combined with lower interest expense following the recent refinancing of debt, should yield 2004 earnings per share in the range of $2.50 to $2.60."

In the refractive surgery category, constant-dollar revenue declines were noted in each geographic region. Higher per-procedure card and service revenues were more than offset by lower sales of capital equipment and microkeratome blades. The company anticipates substantial fourth-quarter refractive revenue growth, due in part to higher equipment and per-procedure revenues following the recent United States approval of its Zyoptix system for customized refractive surgery.

Refractive revenues for the quarter were $28.5 million, compared to $30.2 million for the same period last year, and $30.5 million in the preceding quarter. For the nine-month period, revenues were $89.0 million, compared to $94.5 for last year.

Following the release of financial information, several analysts provided their opinion of the B&L results.

Jason Mills of **First Albany Corporation** reported, **"Upside (Again) in 3Q; Raising Forward Estimates and Price Target to $58"**. Some of his comments included:

• Beat EPS (Again) -- This is the seventh straight quarter in which Bausch & Lomb met/beat expectations, reporting EPS of $0.60 versus our estimate and the consensus of $0.58.

• Margins and Guidance Strong -- Third-quarter results were highlighted by margin expansion and strong guidance ($2.50-$2.60 per share for 2004), which exceeded both the consensus estimate and our higher-than-consensus expectation. Constant currency revenue (up 5%) was in line with our projection; revenues were $509 million versus our $515-million estimate.

• Bullish on Vision Care -- Contact lenses grew 13%; 8% on a constant-currency basis. The Americas region (ex-PureVision) grew a stellar 15%, above the market rate. Bausch & Lomb received approval to launch the daily lens in Japan, a $320-million market (10% of the worldwide soft contact lens market), growing 15% annually. Lens care solutions were up a strong 5% in constant currency and took share.

• We are raising our EPS estimates (again) -- We are leaving our 4Q03 estimate unchanged at $0.79; raising our 2003 EPS estimate to $2.24 from $2.22 (reflects upside surprise in 3Q); raising our 2004 EPS estimate to $2.59 from $2.53; and raising our 2005 estimate to $3.01 from $2.97.

• Raising Price Target to $58 per share -- We are raising our 12-month price target to $58, owing to a higher 2004 EPS target and higher target multiple. We believe the multiple on BOL shares should expand to 22.5x our 2004 estimate, or 1x our two-year CAGR estimate (2003 and 2004 compounded) of 22.5%.

Refractive -- Refractive growth in 3Q was below our estimate, as expected frankly given Zyoptix Custom LASIK was not approved until October 2. On the other hand, BOL guided to "strong" growth in 4Q, and will put a lot of effort in sales and marketing Zyoptix in the US over the next 12 months. We are cautiously optimistic about the refractive business (much more so than a year ago), and believe growth in this business could exceed our relatively conservative 2004 estimates (+7.3% y/y).

Joanne Wuensch of **Harris Nesbitt** in her report, **3Q03 Results; Less-Than-Expected Top Line, Yet Cost Controls Boost Bottom Line**, commented:

Event -- Bausch & Lomb reported 3Q03 financial results with revenues of $508.8 million (up 9.0%; up 5% on a constant currency basis) and EPS of $0.60 (up 25.6%). Revenues were below our estimate of $514.4 million, but EPS exceeded our estimate of $0.57 and the First Call consensus of $0.58. Impact Despite lighter-than anticipated revenues, the company relied on judicious cost controls to generate a better-than-expected bottom line result.

Forecasts -- We have slightly reduced our 4Q03 revenue estimate to $515 million (up 7.9%) from $526.6 million, while our EPS estimate has also been reduced to $0.79 (up 31.9%) from $0.80. We have lowered our 2004 revenue estimate to $2.116 billion (up 6.6%) from $2.168 billion, but increased our EPS estimate to $2.53 (up 14.2%) from $2.49 to reflect cost savings. Our 2005 revenue estimate was slightly reduced to $2.253 billion (up 6.5%) from $2.342 billion. Our EPS estimate increased to $2.85 (up 13.7%) from $2.80.

Valuation -- BOL is trading at 19.0x our new 2004 EPS estimate, below the ophthalmology peer average (22.8x) and the mid-large cap medtech group average of 25.7x, yet well above its growth rate. We believe the multiple adequately reflects the company's turn and deleveraging story.

Recommendation -- Our price target is $46. We maintain our **NEUTRAL** rating.

The refractive surgery business continued to be a weak performer for the company as sales decreased 5.6% (down 9% on constant currency) to $28.5 million. Even though procedure card and service revenues strengthened in the quarter, these gains were offset by a shortfall in capital equipment purchases. However, weakness in the refractive surgery unit is expected to subside with the early October FDA approval of the company's Zyoptic wavefront guided LASIK procedure, which is expected to command up to a $150 procedure fee upcharge that could once again restore growth to this business line. During the quarter, US procedure card sales increased 60%, while other geographies had a more difficult quarter with European sales down 8% (down 15% on constant currency) and Asian sales declining 5% (down 7% on constant currency).

Michael Lachman of **ThinkEquity Partners**, in his report, **"BOL: Lower Financing Costs Drive Improved Outlook"**, commented:

We are maintaining our Equal Weight rating on Bausch & Lomb shares, and increasing estimates and our 12-month price target, from $47 to $53. EPS of $0.60 beat our estimate by a penny and consensus by $0.02, and management provided 2004 earnings guidance above our previous forecast. Revenues of $509 million were in-line with expectations, as was operating income when corrected for an accounting item

that caused both SG&A spending and interest income to be overstated by about $3 million. As we see it, the real driver of upside in both the reported quarter and in 2004 earnings guidance relative to our prior model is interest expense that is below our previous estimates. We still view Bausch & Lomb as a successful turnaround story that is facing serious product pipeline challenges. Going forward, we believe that cost cutting and top line comparisons will get more difficult.

Investment Highlights -- Bausch & Lomb reported Q3 EPS of $0.60, beating our estimate by a penny and consensus by $0.02. Revenues of $508.8 million were essentially in-line with our estimate of $509.2 million and consensus of $510.6 million. Sales upside was generated in some of the higher margin contact lens and lens care segments, driving a favorable product/margin mix. Putting the penny of EPS upside under a Bausch & Lomb lens. While revenues were in-line with expectations, there were many moving parts among operating and other expenses that netted to the penny of upside versus our forecast. Gross margins were 30bp ahead of expectations, contributing about $0.02 to EPS. R&D as a percentage of sales was below forecast by 120bp, contributing $0.08. This is not the most desirable source of upside for a company that is attempting to revive its product pipeline, and we do expect spending to increase. Rounding out the operating items, SG&A came in 210bp above expectations, reducing EPS by $0.13. However, SG&A was inflated by about $3 million in Q3 (as was interest income) due to an accounting recognition issue related to international deferred compensation, and correcting for this reduces the SG&A variance to about 150bp, worth about $0.10. These variances (adjusted for the unusual item) net out at the operating income line, with the adjusted operating margin in-line with our 12.6% forecast.

Surgical sales were chiefly driven by higher IOL sales in Europe and US sales of LASIK procedure cards in the refractive segment. Within the Surgical business, the cataract/vitreoretinal segment reported $77.5 million in sales (+6%, +2% constant currency) and the Refractive segment reported $28.5 million (-5%, -9% constant currency). In the cataract/vitreoretinal segment, weakness in system sales in Asia (-22%, -26% constant currency) continues to offset improving sales volumes in the Americas (+3%) and in Europe (+22%, +13% constant currency). We expect overall Surgical sales growth of 6.5% in 2004, based on in-line market growth rates in the cataract segment and increased refractive segment sales due to the rollout of the Zyoptix wavefront guided LASIK system. Bausch & Lomb has set pricing of $250 per custom procedure, which is in-line with that of competitors and $100 more than standard treatments. The company anticipates upgrading between 50-60% of the existing system base by year-end, representing 80% of procedure volume, which would be a significant accomplishment given that the upgrades just began in Q3.

10/30 **STAAR Surgical company** announced financial results for its third quarter which ended October 3, 2003. Total product sales for the quarter were $11.9 million up 7.6% from the comparable period one year ago. Excluding the impact of changes in currency exchange rates, product sales were up 2% from the comparable period one

year ago. Total revenue for the quarter was also $11.9 million up 6.5% from $11.2 million reported in the same period one year ago. Last year's difference between total revenue and product sales was the result of royalties previously generated by technology licenses that terminated as of March 31, 2003.

Comparable operating expenses increased to $8.7 million, or 23%, compared with the same period one year ago and reflect a 32% increase in spending for research and development activities as well a 26% increase in marketing and selling expenses. The increased spending in research and development related to increased headcount, new and existing product development, and costs associated with the FDA panel meeting to review the ICL and the potential upcoming launch of the product in early 2004. The increased spending in marketing and selling was the result of increased salaries and travel, one-time employee relocation costs, a loss on disposal of a trade show booth and consulting and promotional activities in preparation for the potential launch of the ICL.

"To help offset this increase in expenditure we continue to rigorously streamline our U.S. operating infrastructure. The integration of our phacoemulsification business at **Circuit Tree Medical** will provide substantial annual savings to counterbalance this planned increase in sales and marketing expenses," said David Bailey, president and CEO of STAAR Surgical. "During the third quarter, we began to achieve our goal of turning around the U.S. base cataract business. Total U.S. sales were up 5% from the third quarter of last year. This performance was led by a 28% increase in Collamer lens sales, where growth has continued to accelerate. Toric lens sales also continued to gain momentum and were up 10% during the quarter."

"In our international business, sales were flat compared to the same quarter last year when excluding the impact of exchange. This reflects a higher than normal impact from the seasonality we expect in Europe during the summer months. Despite this, international ICL unit sales increased by 15% versus the same quarter last year, led by growth in selected international geographies including Australia. International revenue represents 53% of our total revenue for the first nine months of the year," continued Bailey.

"We also achieved our goal of appearing before the FDA Ophthalmic Devices panel on October 3, 2003. Obviously, we are delighted with the panel's recommendation to approve the ICL for commercialization in the U.S. for the full diopter range requested in our PMA. Although the FDA is not bound by its decision, we believe that the panel's exhaustive review of the ICL and the subsequent vote of confidence are important steps in the approval process. We believe we remain on track to commercialize the ICL in the U.S. during early 2004. Our technology is extremely complementary to existing treatments for near-sightedness and in cases involving extremely high levels of myopia will offer the only treatment available."

"With potential FDA approval pending, we are also beginning to see the build-up of interest from U.S. doctors. This is further evidence of the critical scientific and medical mindshare that the ICL continues to garner. As evidenced by the increase in marketing and selling expenses, we are strategically preparing for an early 2004 commercial launch. There is clearly a significant potential market opportunity for the ICL. We intend to fully capitalize on this opportunity by carefully planning and effectively executing in the U.S. market. The entire STAAR team is committed to this goal. More than 300 doctors have already signed up for a symposium at the upcoming AAO conference in Anaheim in November designed to educate doctors about the use of phakic IOLs like our ICL as a compliment to corneal refractive surgery."

"We will have a major presence at the conference and have planned a variety of presentations during the meeting that will span topics ranging from the biocompatibility of our patented Collamer material to insight on how doctors can achieve successful results in the implantation of the ICL."

Looking ahead, Bailey offered this outlook for the full year 2003. "For the full year we believe that we will generate single digit sales growth overall, with the U.S. market continuing to grow during the fourth quarter. This positive trend in the U.S. will continue to help drive gross margin. We will continue to allocate an appropriate portion of our R&D budget to further develop new injector systems and build a true core competence within STAAR Surgical to complement our implant technology. This will have a lasting impact on implant sales going forward. As we continue to ramp up sales and marketing expenses for the U.S. ICL launch, we will remain focused on containing other expenses. Given all that is happening with the ICL we believe that we will reach operating profitability during the second half of next year, assuming an early 2004 U.S. launch of the ICL."

Three analysts added their comments.

Jason Bedford of **Adams, Harkness & Hill** wrote, **"STAA: Reports 3Q, In line w/Preannouncement"**. Some of his comments:

Key Points:

* 3Q revenue came in at $11.9M (+7%) in line with the earlier pre-announcement; ICL sales grew 15% in the quarter and U.S. growth was 5%, the first quarter of domestic growth in two years.

* Net loss was $0.13/ share, higher than our revised $(0.10) estimate but included roughly $0.5M in non-recurring costs.

* We have lowered our FY04 earnings estimate solely to reflect increased spending associated with the ICL rollout; we now expect profitability in 3Q'04 and model FY04 EPS of $0.03, down from our prior $0.11 estimate.

* We model FDA approval in 1Q'04 but believe it may come sooner; STAA is in labeling discussions with the agency; we believe the ICL opportunity remains compelling and represents the long-term growth driver for the company.

* Reiterate our Strong Buy rating & $15 price target.

Joanne Wuensch of **Harris Nesbitt Gerard** wrote, **"STAA-- 3Q03 Results: Messy Quarter, but Turnaround and ICL Story in Check"**. Her comments included:

* Event -- STAAR Surgical reported 3Q03 revenues of $11.9 million (up 6.5%; up 2% constant currency) and a loss per share of $0.13. Revenues were slightly below our $12.0 million estimate, while the loss per share exceeded our loss estimate for $0.03 and the First Call consensus for a loss of $0.08. The loss included higher-than-anticipated legal, trade show, and relocation expenses.

* Impact -- The third quarter was a bit messy, in our view, as the company sifted through one-time charges, legal expenses and financial restatements. But, we believe the STAAR story remains the same: the turn of its cataract business and the launch of its implantable contact lens (ICL) in the US.

* Forecasts -- The company delivered minimal guidance only noting that full-year revenue should be 6%-7% growth over the previous year (our 7.3% estimate is slightly above guidance). In preparation for the ICL launch, the company will spend $1.1 million in 2003 (about half in the third quarter) and $2.5 million in 2004. At this time, we maintain our estimates.

* Valuation -- Applying a multiple of 4x-5x 2005 estimated revenue and discounting back 20% for half a year, we arrive at a 12-month price target range of $14-$17

* Recommendation -- Although we expect the stock will mark time in the near term, early uptake of the ICL and the introduction of the Collamer IOL injector should move STAAR along its path. We maintain our OUTPERFORM rating.

John Calcagnini of **CIBC World Markets** said **"STAAR Surgical company Misses 3Q03 EPS Estimates, Revenues In-Line; Maintain Sector Underperformer"**

His comments included:

* We reiterate our Sector Underperformer (Spec.) rating on STAAR following the company's 3Q03 earnings release. Revenues for 3Q03 were up 6.5% to $11.9M versus $11.2M a year ago, in line with our estimate.

* Net loss was higher than we expected at $2.3M, or $0.13 per share, versus our estimated net loss of $1.1M or $0.06 per share, primarily due to increased SG&A in the quarter.

* SG&A, as a percentage of sales, for the quarter was 61.8%, up from 54.3% a year ago, due to clinical and regulatory expenses related to the company's preparation for the FDA panel meeting on the ICL.

* We are lowering our 4Q03 rev & net loss estimates slightly to $13.7M and $0.04 per share from $13.9M and $0.03 per share. Our net loss estimate for 2004 remains unchanged at $0.03 per share.

Implantable Contact Lens (ICL) -- On October 3, an FDA advisory panel recommended approval of the company's ICL product for the correction of refractive error/myopia. While the time frame for final FDA approval is unclear, the company hopes for notification in early 2004. As a result, the company has continued ramping up sales and marketing expenses related to the launch.

10/31 Ted Huber of **Wachovia Securities** published an update report on **VISX**, entitled, **"EYE: Let's Get Real About 2004 EPS"**. Some of his comments included:

Key Points:

• Expect Consensus to Rise: We expect consensus estimates to rise after VISX rolls out its first 2004 guidance at an investor meeting this Friday. Our new 2004 sensitivity analysis (attached) illustrates how the consensus model discounts in overly cautious operating assumptions given VISX's solid Q303 results (share gains, 15% LASIK volume growth and 24% Custom mix) and recent improvements in the economy (consumer confidence rose to 81.1 in October).

• No Change to Estimates but Bias is Positive: We are sticking with our "street high" 2004 EPS forecast of $0.79 but the attached scenario analysis illustrates why we view this as a conservative case. We believe the most likely case is for VISX to generate EPS nearer $1.00 in 2004.

• Probability Weighted Valuation Scenario Analysis: This analysis demonstrates the attractive risk reward that remains at VISX's current share price in spite of the stock's significant appreciation ytd. Our conservative case cautions a 19% share price decline for VISX owners but our bullish case forecasts 93% appreciation potential in the year ahead.

Valuation Range: $29 to $32 -- Our new $29-$32 forward valuation range is 37-41x our $0.79 estimate of VISX's 2004 EPS, in line with 2003 peer multiples (mean 40.0x). Our probability weighted scenario valuation (attached) assigns a $31 forward value to VISX shares. We rate VISX as an attractively valued growth story given its significant EPS upside potential. Key risks include custom mix and volume growth.

Investment Thesis -- The U.S. refractive surgery market is showing early signs of growth, driven by new Custom LASIK technology and an improving economy. With

an extremely leveraged P&L, market leader VISX is best positioned to benefit from this acceleration and the 145% Custom LASIK price increase. We expect VISX to beat consensus EPS and for its shares to rise as evidence mounts of renewed market growth and a shift to Custom LASIK.

Summary and Investment Conclusion:

We expect VISX's consensus EPS estimates to rise following Friday investor meeting which will feature first time 2004 guidance from the company. Though our published estimates are "street high" at $0.79 for 2004, we view this as a realistic downside scenario for VISX. VISX's Q303 was characterized by market share gains, 15% volume growth, 24% custom mix in its first quarter following launch. This and the rebounding economy all point to LASIK volume growth and exceptional EPS expansion in 2004. Our updated and expanded 2004 sensitivity analysis illustrates how the consensus model is discounting in overly cautious operating metrics. Our model forms the "realistic downside" scenario in the attached scenario analysis. We view $1.00 of 2004 EPS as the most likely outcome for VISX earnings and do not believe upside north of $1.30 is unreasonable. The expected value of these scenarios yields a forward stock price near $31, with a range of $19 to $47. We are increasing our valuation range to $29 to $32 to straddle this probability weighted valuation estimate. The increase in our range is supported by recent signs of a strengthening economy and EPS upside potential and likely increases in consensus estimates we see ahead.

Updated Sensitivity Analysis:

We have updated our sensitivity analysis (attached on the following page) along three fronts:

1) Broader range: We now are looking at 2004 Custom mix ranging from 30% up to 60% and 2004 growth ranging from 0% up to 40%. The low end of the mix variable is set at 30% given VISX achieved 24% Custom mix in its first quarter following product launch (Q303). Recall that current regulatory labels cover only about 65% to 70% of total LASIK candidates. We have expended the top end of our growth range to 40%. This level of growth is possible (though not the most likely case in our view) given 15% volume growth Q303 and a rebounding economy.

2) Partially variable expenses: Where our previous sensitivity analysis held operating costs fixed, given the broader range of volume growth and mix we are now considering, it seems reasonable to allow operating costs to rise with revenue, though at a slower rate. Where VISX will spend an estimated $56.4mm on operating costs (SG&A and R&D) in 2003, our published model forecasts spending of $62.7mm in 2004. The range of 2004 spending extends from near $60mm up to $70mm in our sensitivity analysis. Note that VISX has managed operating expenses down an average 7.5% a year since they peaked in 2000 at $71.5mm.

3) Expanded outputs: Output tables on the following page now include 2004 EPS, revenue, operating margin and operating spending. This model assumes COGS are fixed and incremental volume growth and Custom mix (collection of $245 per procedure vs. $100) flows through to the gross profit line. VISX maintains margin on procedure fees is near 95%. We believe this is a calculation loaded with allocations of fixed costs and that profit on incremental volume is closer to 100%. Note that the operating margin ramp is so steep in part due to the very sluggish capital equipment sales we forecast for 2004. These products are currently sold near cost and so can drag down margins significantly.

The Wachovia model, at $0.79, discounts in LASIK volume growth of 10.5% and a Custom mix of 33%. This assumes operating expenses of $56.4mm and operating margin near 37%. Consensus estimates near $0.70 seem to discount in a comparable mix estimates but no 2004 LASIK volume growth.

11/5 **NovaMed Eyecare, Inc.** reported results for the third quarter and nine months ended September 30, 2003. Net income from continuing operations in the third quarter was $797,000 (4 cents per share) as compared to $909,000 (4 cents per share) for the third quarter of 2002. The third quarter 2003 results included a pre-tax loss on the sale of minority interests of $188,000. The third quarter 2002 results included a pre-tax gain on the sale of minority interests of $101,000 and $443,000 in other income from the settlement of an antitrust class action lawsuit against a joint venture of two laser manufacturers. Net income from continuing operations for the first nine months was $2.1 million (10 cents per share) as compared to $3.1 million (13 cents per share) for the first nine months of 2002. Net income, including discontinued operations and the cumulative effect of a change in accounting principle, was $2.2 million (10 cents per share) in the first nine months of 2003 as compared to $1.4 million (6 cents per share) in the first nine months of 2002. The first nine months of 2002 results included a charge of $1.8 million (7 cents per share) as a cumulative effect of a change in accounting principle related to the impairment of goodwill.

For the quarter, total net revenue was $14.4 million compared to $13.3 million for the prior year third quarter. Net revenue from surgical facilities was $9.4 million, up 13% from $8.3 million in the prior year third quarter, primarily due to a 19% increase in cataract procedures and a 65% increase in other procedures. This growth in procedures more than offset the 17% decrease in laser vision correction procedures. Surgical facilities revenue from procedures other than laser vision correction increased 22% over the prior year third quarter and 13% on a same-facility basis. On a same-facility basis, cataract procedures grew 11% and other procedures grew 56% over the prior year third quarter. NovaMed measures same-facility results using only those facilities that it has owned and operated for the entire current and prior year periods reported. Product sales and other revenue was $5.0 million in the third quarter of 2003, a slight increase over the prior year third quarter.

For the nine months, total net revenue was $41.9 million compared to $40.1 million for the same period last year. Net revenue from surgical facilities was $27.2 million, up 11% from $24.5 million in the prior year nine-month period, primarily due to a 27% increase in cataract procedures and a 49% increase in other procedures. This growth more than offset the 35% decrease in laser vision correction procedures. In the first nine months of 2003, revenue from laser vision correction procedures represented approximately 9% of our surgical facilities revenue as compared to 21% for the same period last year. Surgical facilities revenue from procedures other than laser vision correction increased 27% over the prior year nine-month period and 11% on a same-facility basis. On a same-facility basis, cataract procedures grew 12% and other procedures grew 31% over the prior year nine-month period. Product sales and other revenue was $14.7 million in the first nine months as compared to $15.6 million for the same period last year. The majority of this decrease is due to a decline in sales at our wholesale lab business over the prior year that, we believe, continues to be largely due to economic conditions.

"I am pleased with our results for the third quarter and the continuing strong same-facility revenue and procedure growth in our core surgical facilities segment," commented Stephen Winjum, NovaMed chairman, president and CEO. "In September, we opened an ambulatory surgery center in Kansas City, Missouri that we developed in partnership with a local ophthalmologist. We are also awaiting final licensure approval for a new pain management ambulatory surgery center in New Albany, Indiana that we hope to obtain in the fourth quarter. With these two additions we will have 18 ambulatory surgery centers in our portfolio."

NovaMed currently owns and operates 17 ambulatory surgery centers and provides services under eight fixed-site laser services agreements. NovaMed's executive offices are located in Chicago, Illinois.

11/7 *The Associated Press* reported that two medical organizations were warning consumers to beware of mobile clinics offering low-cost laser eye surgery and are calling on the state to help protect the public by overseeing them. The calls for action came from the *Pennsylvania Academy of Ophthalmology* and the *Pennsylvania Medical Society*.

Both groups said roadside units, often 18-wheel trucks outfitted with surgical equipment, have stopped in smaller cities statewide such as Scranton, Altoona, Erie and Harrisburg. They also operate in dozens of other states. This year, more than a million people in the United States are expected to undergo the surgery, which typically costs more than $1,000 per eye in an ophthamologist's office but only about $300 per eye at a mobile clinic. Prospective patients should know the mobile clinics, in Pennsylvania and elsewhere, usually are staffed by physicians who don't have established practices and therefore probably won't be available to provide follow-up care or treat post-surgery complications, said Dr. Ernest Kornmehl, a Boston ophthalmologist and spokesman for the *American Academy of Ophthalmology*.

"The whole idea of these discount-type centers is outrageous," Kornmehl said. "This is surgery -- and patients need eye examinations, preoperative evaluations ... or they're really prone to problems." Most patients who undergo the Lasik procedure get sharper vision, but recent studies estimate that 1 percent to 5 percent suffer side effects including glare, halos or starbursts of light.

Pennsylvania doesn't have oversight over the mobile clinics because they did not exist when the regulations governing laser surgery were written, said said Dr. Michael J. Azar, president of the Pennsylvania Academy of Ophthalmology. The Department of State, which regulates all doctors' offices, and the Department of Health are looking into possible oversight of the mobile clinics, said Jay Pagni, Health Department spokesman.

11/7 **VISX, Inc.** hosted its 2003 Analyst Day, featuring presentations by recognized ophthalmologists and VISX management. VISX also provided preliminary guidance regarding the company's projected financial performance for 2004.

Ophthalmologists presenting at the meeting included Bruce Jackson, MD, University of Ottawa Eye Institute, Coleman Kraff, MD, Kraff Eye Institute, Robert Maloney, MD, Maloney Vision Institute, and Marc Odrich, MD, Odrich, Odrich, Greenberg. Presentation topics ranged from incorporating VISX CustomVue technology into ophthalmic practices, to new product enhancements, to early clinical trial results from CustomVue treatments of patients with presbyopia.

VISX management presented preliminary revenue guidance for 2004 of $167 to $171 million, representing a year-over-year revenue increase of 16% to 19%. Management also estimated that 2004 earnings per diluted share would be in the range of $0.70 to $0.74, representing a year-over-year increase of 63% to 72%. The company emphasized that these estimates are preliminary and that the company's results could be lower or higher than these ranges.

Following the presentation, several analysts released their comments about the company's guidance.

Jason Mills of **First Albany Capital** -- **"EYE: 2004 Guidance Is Fair; Remain on the Sidelines"**

* CustomVue-centric meeting -- CustomVue dominated the VISX's 2003 analyst meeting agenda in NYC on Friday, including presentations offered by some of the most successful LASIK surgeons in the U.S. on additional, potential CustomVue indications (high myopia, hyperopia, and presbyopia).

* Guidance Disappoints... --Investors were fixated on management's 2004 outlook, and the forecast disappointed relative to some overly optimistic prognostications (not the fault of management).

* ...But Fair in Our Book -- We believe guidance for revenue ($167-$171mn), EPS ($0.70-$0.74), CustomVue conversion (33%-37%) and procedure growth (8%-12%) was fair and essentially in line with our pre-meeting thinking.

* Our 2004 estimates and presumably guidance take into account not only the upside of the CustomVue opportunity (i.e., potential for revenue growth and margin expansion); but also very "real" risks, such as competition (i.e. Bausch & Lomb's [BOL-$48.18-Strong Buy] Zyoptix), worsening gross margins on system sales, and uncertainty about the U.S. economy.

* Some may say management is "sandbagging"; we disagree. In past years, management has avoided offering forward-year guidance due to the inherent uncertainty in predicting overall LASIK market demand, and the seemingly positive correlation between this elective procedure and consumer sentiment. Willingness to do so now is commendable, but should not intimate that 2004 will be a cakewalk for VISX, in our view.

Ted Huber of **Wachovia Securities** -- **"EYE: Conservative EPS Guidance Provides Buying Opportunity"**

* New Guidance: Friday, VISX issued its first 2004 EPS guidance; EPS of $0.70 to $0.74, on revenue of $167mm to $171mm assuming 5% to 9% expense growth. Key operating perimeters behind this range include LASIK market volume growth of 8% to 12% and Custom mix of 33% to 37%.

* Healthy View of LASIK Market: 4 leading VISX surgeons and investigators presented anecdotal clinical results and market impressions at the meeting. Custom mix among this limited sample varied from 40% to 50% and was trending flat. Surgeons cited Custom as a significant driver of growth in their practices. VISX also announced it expects to expand its Custom LASIK label to include high myopia and hyperopia during 2H04.

* No Change to 2004 Model: We remain comfortable with our 2004 EPS target of $0.79 on revenue of $169mm (volume growth of 10.5% and mix of 33%). VISX's lower EPS guidance on similar operating statistics, in our view, bakes in a fair bit of conservatism.

Joanne Wuensch of **Harris Nesbitt Gerard** -- **"EYE--Analyst Day Review"**

* Event -- On Friday November 7, 2003, VISX hosted its first ever analyst day in New York City that was well attended by over 50 individuals from the investment community. The upbeat meeting included several physician presentations regarding their experiences and outlook for custom ablation, followed by a business overview and 2004 guidance provided by Liz Davila, VISX's CEO.

* Impact -- The company set 2004 guidance for revenues of $167 million to $171 million and EPS for a range of $0.70 to $0.74, which is above our estimate for revenues of $155 million and EPS of $0.63. The First Call EPS consensus is $0.70.

* Forecasts -- We maintain our estimates.

* Valuation -- EYE is trading at 38.6x our 2004 EPS estimate, or 32.8x management's upper end for guidance of $0.74, which still appears to make the stock a bit pricey when compared with its ophthalmology peer group average of 22.1x and the mid to large cap medtech group average of 24.9x.

* Recommendation -- We continue to believe that the technology of custom ablation can drive improved financials for VISX, but the uncertainty surrounding many moving parts (i.e., status of economy and custom ablation conversion) make the magnitude somewhat difficult to predict; therefore, leading to our slightly more conservative outlook. Given the valuation, we maintain our NEUTRAL rating with a POSITIVE sector outlook.

Michael Lachman, **ThinkEquity Partners** -- **"EYE: VISX Provides Above-Consensus 2004 Guidance; Reiterate Overweight"**

We reiterate our Overweight-2 rating on shares of VISX, and raise our 12-month price target from $27 to $29, following solid preliminary guidance for 2004. Earnings guidance of $0.70-0.74 reflects upside to 2004 consensus of $0.70, and we are maintaining our above-guidance estimate of $0.75. While some investors were likely expecting a more aggressive outlook from the company at Friday's analyst meeting, we believe that this management team has a bias toward cautious guidance. We also note that no one, including VISX management, can reliably predict consumer confidence trends and economic conditions several quarters out, and these factors will certainly impact company performance in 2004. While there was little real clinical data presented at the meeting on new indications for CustomVue, we are encouraged by the potential for hyperopia and high myopia to begin contributing to procedure volumes in H2-04, and the longer term potential for hyperopic presbyopia.

Investment Highlights -- Preliminary 2004 earnings guidance of $0.70-0.74 reflects upside to the consensus estimate of $0.70, and we are maintaining our above-guidance estimate of $0.75 at this time. Some investors were likely expecting a more aggressive outlook from the company at Friday's analyst meeting, with whisper numbers ranging from the $0.80 range to as high as $1.00. We would have been surprised by such aggressive guidance, as we don't believe that current business trends support such forecasts at this time. We have observed over many years that this management team has a bias toward cautious guidance and usually attempts to set expectations that it feels it can overachieve. We also note that no one, including VISX management, can reliably predict consumer confidence trends and economic conditions several quarters out, and these factors will certainly impact company performance in 2004. In the

following paragraphs, we review the components of the preliminary 2004 guidance and highlight where our expectations differ from company forecasts.

Preliminary 2004 revenue guidance of $167-171 exceeds our current forecast of $166 million. We are not concerned by this difference, as we believe we have been conservative in our hardware revenue assumptions for 2004, and hardware sales can have a large impact on the top line without impacting earnings. Company management acknowledges that the laser hardware market is saturated and price-competitive, and has projected flat laser hardware sales and declining WaveScan diagnostic sales for 2004. The company also believes that it can maintain small but positive profit margins on its hardware business. Our forecast calls for modestly higher laser hardware sales (+8%) in 2004, and a dramatic decline in WaveScan sales (-57%). Our $166 million revenue forecast would reach the low end of guidance with an additional $1 million in revenue, which could be achieved (with little or no EPS impact) by selling an additional seven lasers or an additional 25 WaveScan units.

VISX management is forecasting market-wide procedure growth of 8-12% in 2004, based on a "modest" economic recovery, with market share holding steady at 60%-plus. Our more conservative forecast calls for 6.3% market-wide procedure growth, along with a slight increase in market share from 63% to 64%, resulting in VISX procedure growth of 7.5%. In our model, each point of procedure growth impacts 2004 EPS by just over a penny. Our lower market growth forecast results in a negative variance of $0.04 versus guidance (range of $0.01-0.07).

VISX management is projecting CustomVue conversion of 33-37% for 2004, versus a maximum possible conversion rate of 70-75% given the currently approved indications. Our more aggressive forecast calls for a 47% blended conversion rate for the year. In our model, each point of CustomVue conversion impacts 2004 EPS by about a penny. Our higher conversion forecast results in a positive variance of $0.12 versus guidance (range of $0.10-0.14).

Projected growth in operating expenses of 5-9% suggests SG&A plus R&D of $62-64 million, versus our forecast of $65.6 million. The company is still in the planning stages and provided few specifics regarding its spending targets for 2004. Our higher spending forecast results in a negative variance of $0.03 versus guidance (range of $0.02-0.04).

Taken together, these variances between our current estimates and management projections suggest that our EPS estimate for 2004 should be about $0.05 above guidance, which is very close to the $0.03 difference between our current $0.75 estimate and the midpoint of the guidance range of $0.70-0.74. The 2-cent difference (between the $0.05 and $0.03 variances) could arise from any of a number of small modeling factors. We are always working to fine-tune our VISX model, and we are currently focusing on refinements to (1) our cost-of-goods model, (2) our modeling of

net procedure fee revenues in light of changes to the accounting for cooperative promotion expenses, and (3) our modeling of procedure volumes given the transition to CustomVue (for which VISX does not charge a procedure fee for small enhancements).

Company management cited encouraging market data. According to data from VisionWatch, which conducts large-scale consumer research within US eye care markets, 39% of potential LASIK patients have very high awareness of the procedure, and another 51% are somewhat aware. In addition, concerns over such factors as safety, outcomes, and cost of laser vision correction have fallen. Within the important 18-34 age group, which represents the next wave of potential patients given that the current average patient age is around 40, 17% of respondents indicated that they definitely or probably will have vision correction surgery, and another 33% say they might have it in the future. In addition, data from MarketScope indicates that the average level of myopic correction in LASIK fell between 2000 and 2002, from -4.5D to -3.2D, indicating that the procedure is becoming more popular among the very large group of low myopes.

While there was little real clinical data presented at the meeting on new indications for CustomVue, several of VISX's clinical investigators highlighted positive progress on a number of fronts. We are encouraged by the potential for CustomVue approvals for hyperopia and high myopia to begin contributing to incremental procedure volumes in H2-04, and by the longer term potential for hyperopic presbyopia. The currently approved indication, low-to-moderate myopia with astigmatism, encompasses 70-75% of the current LASIK patient base. CustomVue for hyperopia (farsightedness) was launched in Q2-03 internationally, and US approval is targeted for H2-04. A hyperopia indication would expand CustomVue availability to about 90% of the current LASIK population. For high myopia, CustomVue is being launched internationally this month, and US approval is targeted for H2-04. Importantly, these new indications are not incorporated into the company's preliminary 2004 guidance.

We believe that CustomVue treatment for hyperopia will represent an improvement over current standard treatment. The clinical investigators at the analyst meeting presented only case studies, reserving the real clinical data for a future clinical conference. However, the investigators believe that the CustomVue ablation pattern for hyperopia represents an improvement over the standard treatment pattern. (We have heard from clinicians close to the company that the currently approved CustomVue for myopia/astigmatism also incorporates an improved ablation pattern, which provides clinical benefit incremental to the wavefront-guided diagnostic feature.) Enrollment in the US hyperopia trial has been completed. The treatment protocol includes punctal occlusion, to address the dry eye issue often seen in hyperopic LASIK patients. The physicians at the meeting commented that hyperopes are some of the most satisfied CustomVue patients, since many never had to wear glasses until they reached their 40s or 50s. In addition, they are seeing many of their

CustomVue hyperopic patients achieve their final visual outcomes more quickly than with standard LASIK, and higher amounts of hyperopia seem to be treated more effectively.

CustomVue for presbyopia (the need for reading glasses in aging eyes) is at an early stage but is showing progress. We've been skeptical about the use of LASIK to treat presbyopia, and we still believe that the emerging accommodating and multifocal IOL technologies will still be the preferred approaches for most patients. But VISX does seem to be making progress in one segment of the presbyopia market: hyperopic presbyopia, or presbyopia combined with farsightedness. It should be noted that there are far more nearsighted presbyopes, and this is a more difficult condition to treat with LASIK (VISX and its clinical investigators still have not devised an effective ablation pattern for this condition). For hyperopic presbyopia, the hyperopia is corrected in the usual way, by steepening the curvature of the cornea, and an additional steepening is performed in the central optical zone to provide near/reading-vision. About 37 patients have been treated since August 2001 in Canada, and an ablation pattern is close to being finalized.

Encouraging initial data on eight eyes treated this year was presented at the analyst meeting. At three month follow-up, all eight eyes achieved distance vision of 20/25 or better and near vision of J3 (ability to read a phone book) or better. The lead investigator reports that there does not seem to be an issue of patient adaptation to the treatment, and believes that both the hyperopic and presbyopic corrections can be enhanced in future treatments. CustomVue for hyperopic presbyopia could be launched internationally in H1-04, and a US trial could begin next year. VISX claims to have broad patent coverage on LASIK with multifocal ablations, but we have not reviewed the patents. We are not aware of other companies pursuing the presbyopia indication with laser technology.

CustomVue is being used today to correct disastrous visual outcomes from previous LASIK surgeries. While case studies were presented that highlight the capabilities of CustomVue technology, this is not a commercially important application, since these sorts of problems occur in a very small number of LASIK cases (estimated to be well under 0.5%).

Valuation and Price Target -- We reiterate our Overweight-2 rating on shares of VISX, and raise our 12-month price target from $27 to $29. Our previous $27 price target, set on July 24, was based on a then-current peer-group average P/E multiple on 2004 EPS of 28x and our previous 2005 EPS estimate of $0.96. Since that time, the average comparable-company P/E on 2004 EPS has moved to 30x, and our 2005 EPS has edged up to $0.97, suggesting a new 12-month target of $29, which represents 19% appreciation from the current price.

11/10 The November issue of *Ophthalmic Market Perspectives* featured the third quarter refractive procedures. Dave Harmon reported that total U.S. estimated procedures for

the quarter were 265,300, up 7.6% over the same quarter last year, but down 5.3% sequentially compared to a strong second quarter. Sales of new lasers has also slowed, as 29 systems were sold during the quarter, compared to 39 in the first quarter and 25 in the second. According to Market Scope, there was a net gain of 5 new laser centers in operation during at the end of the third quarter, leading to a total of 1197 laser centers doing refractive procedures.

Wavefront-driven LASIK continues to grow, with both Alcon and VISX reporting that about 25% of procedures done on their lasers were custom. Custom-LASIK capability also continues to take hold, with about half of U.S. centers now capable of performing wavefront procedures. This rapid adoption should continue, as many surgeons will make the decision to upgrade at the upcoming AAO meeting in Anaheim.

According to Harmon, historically, procedure volumes have been roughly equal during the third and fourth quarters of the year. Assuming that this trend holds, 2003 total procedures will be down somewhat compared to 2002, at 1.15 million. However, a large increase in the Consumer Confidence Index during the fourth quarter could lead to an unexpected increase in demand. In fact, Harmon is forecasting 360,000 procedures for the first quarter of next year, based on an assumption of the Consumer Confidence Index reaching 95.

11/11 **NIDEK Co. Ltd** announced the submission of the NIDEK EC-5000 Excimer Laser System's Customized Aspheric Treatment Zone (CATz) for CE Marking in the treatment of myopia with and without astigmatism. The CATz ablation algorithm employs smooth treatment zones to create a seamless transition from the treated cornea to nascent (untreated) cornea in order to achieve a faster visual recovery period and better visual acuity. The use of this approach potentially increases optical performance and reduces the emergence of imperfections, or aberrations, that result in visual blur and other undesired visual phenomena.

The CE Mark is an indication that a company has met essential health, safety, and environmental requirements detailed in 22 European Directives covering an array of products including medical devices. Once a company has met the requirements, it can affix the CE Mark to its products and sell them throughout the European market. Compliance to EU Directive requirements is certified by a notified body, which is nominated by an EU member government and notified by the European Commission. The notified body for NIDEK is **TUV Product Service GMBH**, Germany. "By submitting the CATz algorithm data for permission to affix the CE Mark to a Class IIb device, NIDEK has taken an exciting step forward in providing our European customers and patients with the best possible clinical outcomes in the market today for laser vision correction.

"This is an exciting development that will enable large numbers of patients to benefit from better vision and excellent clinical outcomes," said Hideo Ozawa, president of

NIDEK. With the submission of documentation that would permit the use of the CE Mark, NIDEK can clear the way to market the product in Europe, providing ophthalmologists with an innovative system designed to improve effective outcomes for their patients seeking visual correction for high degrees of myopia and astigmatism.

Furthermore, Ozawa stated, "The study data for CATz has demonstrated the efficacy of the algorithm. By using CATz, ophthalmologists can now offer further customization and provide better patient outcomes in enhancing visual quality for their patients and decreasing higher order aberrations." The CATz ablation algorithm employs smooth treatment zones to create a seamless transition from treated cornea to nascent cornea. The use of this approach potentially increases the effective optical acuity and decreases the induced spherical aberration post ablation, thus addressing two major issues in refractive surgery: induced spherical and other higher order aberrations. The CATz study reported excellent clinical outcomes with 93% of patients having an uncorrected visual acuity of 20/20 or better. Furthermore, 20% of patients gained at least one line of best-corrected visual acuity. 97% of patients reported results within 0.50 D of the targeted refraction. Root mean square value of all the higher order aberrations, coma, and spherical aberrations were all lower than pre-operative levels. The average contrast sensitivity was maintained three months post-operatively, indicating the potential of excellent quality of vision after the procedure.

11/12 **TLC Vision Corporation** announced its financial results for the three and nine month periods ended September 30, 2003. Q3-03 paid laser procedure volumes were over 39,500 compared to 40,700 in the same period a year ago. This result was due to strong same-store volume growth in the owned and managed centers of 15% offset by merger consolidation, the closing of unprofitable centers, and a 8.7% volume decline in the lower margin contribution access business.

CustomLASIK procedures represented approximately 32% of this quarter's owned and managed center volumes. Higher pricing and gross margins associated with CustomLASIK procedures, combined with lower break-even refractive volume requirements led to significantly improved operating performance. Q3-03 total net revenues were $46.0 million, up from $43.8 million in Q3-02. Revenues from other healthcare services continued to demonstrate steady growth and represented 26.6% of total net revenues in Q3-03 compared to 22.8% in the same three month period a year ago. TLCVision reported a net loss of $4.1 million (6 cents per share) in the third quarter of 2003 which included $975,000 in research and development expense related to the company's ongoing investment in **Vascular Sciences Corporation**. TLCVision reported a net loss of $2.5 million (4 cents per share) for the same period a year ago which included a non-recurring gain of $6.6 million (10 cents per share) related to the settlement of a class action antitrust case with two laser manufacturers. Excluding this one-time gain, the Q3-02 loss was $9.1 million (14 cents per share).

Elias Vamvakas, TLCVision's chairman and CEO, commented "Now out of the third quarter, our weakest period of the year, early indications in the fourth quarter are that CustomLASIK adoption rate momentum is continuing to gradually build in the center business while seasonal strength in total refractive volumes is materializing. With the combination of margin expansion and volume growth, we feel confident that we are on track to deliver significantly improved financial performance."

11/12 **IntraLase Corp.** announced its expanding acceptance as an essential component of LASIK vision correction surgery, with its laser placement and procedure results for the third quarter ended September 30, 2003. Additionally, the company announced a significant milestone, as the 100,000th laser vision correction procedure, since inception, was performed with the INTRALASE FS laser.

The company placed 14 additional INTRALASE FS lasers for revenue in the third quarter, bringing the installed base to 80 INTRALASE FS lasers at quarter end. The INTRALASE FS laser was introduced in the United States in late 2001. In addition to laser placements in major metropolitan areas in the United States, INTRALASE FS lasers have been placed in Canada, Puerto Rico, Japan and Korea. Developed and manufactured by IntraLase Corp., the proprietary femtosecond laser replaces the handheld surgical blade device traditionally used to create the corneal flap, the first step in surgical vision correction, with unique safety and precision, and the predictability of a computer-controlled laser.

Robert Palmisano, IntraLase's president and CEO said, "Our new laser placements demonstrate the enthusiastic market acceptance of IntraLase technology among refractive surgeons. As clinical data continues to accumulate, IntraLase is being recognized for providing an essential component in better vision, and for making the laser vision correction procedure better."

The company's installed laser base performed 22,164 procedures to create the corneal flap, the first step in LASIK surgery, during the third quarter 2003, an increase of 15% from the previous quarter and an increase of 147% from the comparable quarter a year ago. According to **MarketScope**, a leading market research firm reporting on the industry, IntraLase procedures commanded a 9% market share in the U.S. market during the third quarter ended September 30, 2003. Palmisano commented, "Increased procedure volume in the third quarter of 2003 was driven by continued new laser placements with leading LASIK surgery practices."

11/13 **Advanced Medical Optics, Inc.** announced several important Educational Forums to be featured at the company's venue during the upcoming annual meeting of the *American Academy of Ophthalmology* being held November 15-18, 2003, in Anaheim, California. These presentations will highlight AMO's commitment to continuing education and technology, which provide practitioners with innovative products to increase their options, improve efficiency and deliver better patient results.

The key Educational Forums include doctor presentations and panel discussions on AMO's proprietary Sovereign phacoemulsification system with Whitestar technology; a discussion and update on the StabilEyes capsular tension ring and Verisyse phakic intraocular lens (IOL); and a presentation on the quality of vision with IOLs, including AMO's OptiEdge advanced lens design. These presentations are just several of the 20 Educational Forums the company is featuring during the AAO meeting.

Refractive Technology -- A panel discussion will be held on the Verisyse phakic IOL, an emerging refractive technology. Phakic IOL implantation is viewed by many surgeons as becoming an alternative refractive treatment method for myopia, hyperopia and astigmatism. With its unique fixation method and favorable historical European experience, this technology is an exciting development and important innovation that addresses a significant unmet need for patients whose refractive options may otherwise be limited. Approved only in Europe, the product is currently under expedited review by the U.S. FDA. AMO is the exclusive distributor for the product in North America and Japan under an agreement with **OPHTEC USA**.

11/13 **NIDEK Inc.** announced that it had received FDA approval for commercial sales and marketing of the NIDEK GYC-1000 Green Laser Photocoagulator in the United States. The NIDEK GYC-1000 is the industry's smallest and most versatile green laser photocoagulator. The product will be officially launched at this year's *American Academy of Ophthalmology (AAO)* meeting being held in Anaheim, California, from November 15 to 18. The NIDEK GYC-1000 is the world's smallest green laser on the market, offering the user the greatest performance and versatility. With compact design and extreme portability, the unit can be integrated with various laser delivery systems. The NIDEK GYC-1000 delivers a solid-state green laser with 1.7 watts of energy and plugs into any standard wall outlet, offering the user a simple plug-and-play feature. The unit also offers many delivery options for slit lamps, indirects and endophotocoagulation. This highly feature-rich green laser photocoagulator has a dimensional size that makes it extremely portable and easy for mobile use. Weighing less than 15 lbs, the unit weighs much less than other green lasers currently offered in the marketplace.

"We are very pleased and excited with this approval and with the introduction of this product in our product portfolio at NIDEK Inc.," stated Ted Shimomura, executive vice-president & General Manager of NIDEK Inc. "With the NIDEK GYC-1000, NIDEK will offer to the ophthalmologist, and specifically the retina specialist, an advanced laser platform, fully loaded with excellent features and capabilities. The product has gone through rigorous development and testing to offer retina surgeons a state-of-the-art photocoagulator system for their practice and clinical needs." With the introduction of the new NIDEK GYC-1000, NIDEK will offer a complete suite of laser systems and diagnostic products for the vision care professional.

11/14 **Bausch & Lomb Incorporated** and **Oasis Medical, Inc.**, have agreed to settle a lawsuit involving a patent relating to blades used in pivoting microkeratomes -

instruments used in the LASIK refractive laser surgery procedure. The settlement agreement resolves the patent infringement lawsuit filed by Bausch & Lomb against Oasis in October 2000 in U.S. District Court in Los Angeles. The settlement terms, in acknowledging the validity and infringement of the Bausch & Lomb patent, included an agreement by Oasis to stop manufacturing and selling blades for the Bausch & Lomb Hansatome microkeratome, and an agreement by Bausch & Lomb to license its patented technology to Oasis to manufacture pivoting microkeratome blade assemblies for non-Bausch & Lomb microkeratomes.

In exchange for other financial consideration, Bausch & Lomb acquires the Oasis microkeratome blade patent issued by the U.S. Patent and Trademark Office on April 1, 2003, and licenses the Oasis proprietary manufacturing technology for microkeratome blades. Under the settlement agreement, both parties have agreed that no further details will be provided.

11/14 **eyeonics inc.** announced that it had received FDA approval to market the Crystalens, the first and only accommodating intraocular lens that allows patients to focus automatically and seamlessly at all distances.

"Crystalens is a revolutionary new breakthrough in vision enhancement," said Andy Corley, chairman and CEO of eyeonics. "It is an intraocular lens replacement for cataracts that accommodates like the eye's natural lens, allowing for seamless focusing up close, far away and at all distances in between, giving patients their best possible vision." The ability to provide patients with clear vision at all distances is a significant technological breakthrough in the competitive field of intraocular lens technology.

"Unlike standard IOLs, the Crystalens restores vision at all distances and in most cases eliminates the need for glasses and contacts for everyday tasks. Giving people the ability to focus at all distances is a singular advantage over all current cataract procedures," Corley stated.

The Crystalens is the result of more than 14 years of research and development by Stuart Cumming, MD, chief scientific officer of eyeonics inc. and developer of the Crystalens technology. Early in his research, Cumming noted that the ciliary muscle in the eye did not stop functioning in older patients. Therefore he created a lens that works by moving in a backwards and forwards motion along the axis of the eye in response to pressure changes in the front and back of the eye that result from relaxation and contraction of the ciliary muscle. This muscle inside the eye is responsible for focusing the eye in younger patients. As a result, patients experience the vision they had when they were younger, for most without the hassles of corrective lenses. In contrast, standard intraocular lenses restore only distance vision -- therefore patients may still require glasses or contacts to see up close and all points in between.

"Most people don't realize how much vision occurs at arm's length and at in-between distances," said Cumming. "In between vision means you can sit at your computer, read a magazine or engage in a hobby, even use a golf scorecard, in most cases without corrective lenses." Market potential for the Crystalens is significant with 20.5 million Americans aged 40 and over suffering from cataracts (National Institutes of Health).

"During clinical trials, we greatly reduced or eliminated the need for glasses in patients when both eyes were implanted -- the impact on someone's life is dramatic when they get back to the best vision possible enjoying the activities that used to be a challenge such as reading, driving, sports, hobbies or even reading the instructions on a bottle of medicine," Cumming stated.

U.S. Clinical Trials -- During clinical trials, 497 eyes were implanted with the Crystalens over a two-year period. "This lens brings us one step closer to the eyes we were born with," said Paul Koch, MD, a leading ophthalmic surgeon in Rhode Island and one of the clinical investigators. "I've never seen such positive response from my patients, in most cases they are returning to the hobbies and activities they love without distance or magnifying glasses or other corrective lenses. Crystalens helps the patients to look their best and to experience a freedom and empowerment that will allow them to feel their best."

11/14 **Miravant Medical Technologies** announced consolidated financial results for the third quarter ended September 30, 2003. The net income for the quarter was $1.2 million (5 cents per share) compared to a net loss of $3.9 million (19 cents per share) for the same period in 2002. Interest and other income for the third quarter increased to $4.8 million from $38,000 for the same period in 2002. The increase in net income and interest and other income is directly related to the settlement of the company's debt to **Pharmacia Corporation**, a wholly owned subsidiary of **Pfizer, Inc.** The company had cash and cash equivalents of $1.6 million at September 30, 2003, and $5.7 million available under its 2002 convertible debt agreement that provides the company the ability to borrow up to $1.0 million per month through June 2004, not to exceed $12.0 million, subject to certain requirements.

On August 28, 2003, the company entered into a $6.0 million financing through a Convertible Debt and Warrant Purchase Agreement with a group of private accredited investors. In addition, using proceeds from the $6.0 million financing, the company settled its $10.6 million debt to Pharmacia Corporation with a cash payment of $1.0 million, 390,000 shares of Miravant Common Stock and an adjustment to the exercise price of Pharmacia's existing warrants. The balance of the proceeds are being used to prepare the planned New Drug Application (NDA) with the FDA, seeking marketing approval of PhotoPoint drug SnET2 as a treatment for wet age-related macular degeneration, and for general corporate purposes. Regarding the planned NDA filing, favorable phase III safety and efficacy results for SnET2 will be presented on Monday, November 17, 2003, at the *American Academy of Ophthalmology (AAO)*,

Anaheim. Efficacy data will also be presented on Saturday, November 15, at the *Retina and Refractive Surgery Subspecialty Day Meeting*, Anaheim. PhotoPoint SnET2 is a light-activated drug in late-stage development to treat wet AMD, the most common cause of blindness in adults over age 50.

In its cardiovascular development programs, Miravant had two presentations during the quarter. In July, preclinical results were presented at the *2nd International Conference on Cardiovascular Medicine and Science*, Bethesda. In September, the company announced new preclinical results suggesting that PhotoPoint PDT can potentially benefit a wide range of coronary and peripheral atherosclerotic disease indications, including diffuse disease, long lesions and life-threatening vulnerable plaque. Presented at the *Vulnerable Plaque Symposium*, *Transcatheter Cardiovascular Therapeutics (TCT)*, Washington DC, the preclinical data suggest that PhotoPoint PDT: (a) may reduce vessel blockage by decreasing the atherosclerotic plaque burden and (b) stabilize rupture-prone vulnerable plaque by eliminating inflammatory cells and returning vessels to a more normal cellular state.

11/14 **Surgilight, Inc.** issued its quarterly report.

Revenues -- The revenues from equipment sales for the quarter ended September 30, 2003 (2003 Quarter) increased by 62% to $202,485 from $125,000 for the quarter ended September 30, 2002 (2002 Quarter) and decreased 35% to $767,985 for the nine-month period ending September 30, 2003 as compared to $1,175,778 for the nine-month period ending September 30, 2002 (2002 Period). The 2003 Quarter increase in revenue is primarily due to increased sales of the OptiVision Laser.

Net Income (Loss) from Continuing Operations -- The net loss from continuing operations for the 2003 Quarter was $224,347 (0 cents per share) as compared to a net loss of $227,488 (0 cents per share) for the 2002 Quarter. The favorable decrease in the net loss over the quarters was attributable to the overall decrease in expenses reported. The company has severe liquidity problems which compromises its ability to pay principal and interest on debt and other current operating expenses in a timely manner. The company is seeking additional sources of financing, which may include short-term debt, long-term debt or equity. There is no assurance that the company will be successful in raising additional capital. In November 2002 the company received a commitment letter for a $10 million line of credit secured by the company's inventory and accounts receivable. The terms require obtaining a bank guarantee at a cost of $585,000, $92,500 of processing fees to be paid prior to closing, and an additional $153,000 to be paid at time of closing the transaction. The line of credit is for a term of ten years and accrues interest at a fixed rate of 4.75% for amounts utilized. The company has been negotiating the final agreement with the lender. However, there is no guarantee that the debt financing will be received or if received will be according to these terms. The company's ability to meet its working capital needs will be dependent on the ability to sign additional distribution and licensing arrangements,

achieve a positive cash flow from operations, achieve and sustain profitable operations, and obtain additional debt and/or equity capital.

During the last year, we had experienced a slowing of sales resulting from the foreign, particularly European, slowdown in business due to the overall economic downturn. In addition, due to litigation with AMLSI, we have been unable to utilize the existing escrowed cash assets to fund current operations. The result of these two events has created very tight cash flow for us. Failure to raise additional financing or achieve and maintain profitable operations may result in the inability to successfully promote our brand name, develop or enhance the medical eye laser technology or other services, take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on our financial condition and results of operations or existence as a going concern.

11/15 Nicole Nader, writing in the November 15th issue of *OCULAR SURGERY NEWS*, reported that surveys show patient satisfaction high and night vision improved with custom ablation. Most patients treated with the three FDA-approved wavefront-guided systems report improvements in glare, halos and quality of night vision.

Patients in the clinical trials of the **Alcon**, **Bausch & Lomb** and **Visx** wavefront-guided custom ablation systems reported higher satisfaction with their postoperative nighttime visual results than their preoperative night vision, according to investigators of all three systems. Surveys of patients in the clinical trials for approval of the Alcon CustomCornea, Bausch & Lomb Zyoptix and Visx CustomVue wavefront-guided customized ablation systems all found decreases in many patients' night vision problems, according to investigators.

"These improvements are possible because wavefront-guided LASIK corrects higher-order aberrations without inducing new aberrations," Daniel Durrie, MD, medical monitor of the Alcon CustomCornea clinical trial, told Ocular Surgery News. Researchers found decreases from preoperative levels in patients' complaints related to poor night vision with all three systems, as well as increases in overall satisfaction with vision.

"The overall satisfaction of patients' visual outcome appears to be higher when compared to my standard LASIK patients," said Colman Kraff, MD, a lead investigator in the Visx CustomVue clinical trial. "Issues relating to night vision really went against the grain of traditional thought about LASIK," Dr. Durrie said. "People say, `LASIK causes dryness, glare and halos at night.' But these patients told us that wavefront-guided LASIK did not induce significantly more glare and halo."

"Patients said that their night vision improved, and they had absolutely no complaints postop," agreed Stephen Slade, MD, medical monitor of the clinical trial for Bausch & Lomb's Zyoptix system.

Wavefront patients report less dry eye

LASIK patients treated with the Alcon Custom Cornea wavefront system reported an improvement or no change in their dry eye symptoms, said Daniel Durrie, MD. Dr. Durrie called the results "impressive" when compared to standard LASIK patients, who often complain of heightened dry eye after surgery.

In the Alcon FDA clinical trials, 2% of patients reported "significantly worse" dry eye symptoms 6 months after surgery compared to 7.4% at 3 months. As symptoms decreased, improvements increased. Six percent of patients reported "significantly better" symptoms at 3 months postoperatively; 8.1% reported the same level of improvement at 6 months postoperatively. "Surface ablation causes temporary dryness that improves over time," Dr. Durrie said. "We need to tell our patients that at 3 months, dry eye symptoms may persist, but by 6 months, they usually resolve."

"This new data gives surgeons the ability to say with much more confidence that the likelihood of having significant problems with wavefront with respect to night vision, glare and halos is potentially minimized," Dr. Kraff said.

Taken together, more than 1,100 eyes were treated in the phase 3 clinical trials of the three customized ablation systems. Researchers distributed questionnaires to more than 500 patients in the three trials. Among other responses, patients subjectively graded their preoperative and postoperative experience of glare, halo and their quality of night vision. Questionnaire results from patients treated with each system are reviewed in this article.

Improving night driving vision

In a survey of patients in the Alcon trial, quality of vision was reported as unchanged, better, or significantly better by 89.8% of patients at 3 months and 88.3% of patients at 6 months. "Eighty-five percent of patients at 3 months and 79.4% of patients at 6 months were satisfied or extremely satisfied with their results," according to an Alcon CustomCornea LASIK Physician's Booklet. Night driving difficulty was reported as improved from preoperatively by 6.6% of patients and significantly improved by 12.5% of respondents to the Alcon survey. No change in night driving difficulty was reported by 61.8% of patients. Eighteen percent of patients reported worse night driving difficulty, and 0.7% said it was significantly worse.

"You have two extremes here," Dr. Durrie said of the Alcon respondents; "6.6% of people were significantly better with wavefront-guided LASIK, while only 0.7% were significantly worse with it. The grid's been shifted; people are coming out with positive outcomes. The trend in visual disturbances is decreasing."

Among the Alcon respondents, halos were rated as better than preoperatively by 6.6% and significantly better by 5.1%. No change was reported by 75% of respondents, and

13% reported worse halos. None reported significantly worse halos. "We can say that no patient in the Alcon clinical trial had significantly worse halos after surgery, and 5.1% had a significant decrease in halos," Dr. Durrie said.

He said these results suggest it is "very unlikely" that a CustomCornea patient's visual problems at night, resulting from glare and halo, would become significantly worse after surgery.

Large pupil patients happy

Similar responses were seen from patients in the Visx clinical trials. Preoperatively, patients were asked about their satisfaction with their night vision when wearing correction; 65% of respondents said they were either satisfied or very satisfied. At 6 months postoperatively, the patients were asked about their satisfaction without correction; at that time, 85% of respondents said that they were satisfied or very satisfied with their postoperative night vision without correction, Dr. Kraff noted.

Regarding night vision with glare, 81% of postoperative patients were satisfied or very satisfied, compared to 60% before surgery, he said. Dr. Kraff noted that about the same percentage of patients in the Visx survey, 76%, said they experienced halos around lights "rarely or never" both before and after surgery, so there was no reported increase in this symptom. Dr. Kraff noted that the improvement in night vision was also seen in people with large pupils treated with the Visx system.

"In the past, these patients have been the hardest to please," Dr. Kraff said. "People with larger pupils are often more dissatisfied with their nighttime vision. You would expect this group to have the largest complaints, but this was not the case. People with the largest pupils were the happiest with their nighttime vision. This was very surprising."

The questionnaire responses were analyzed in relation to preoperative pupil size. Patients were categorized into three groups: small pupils (6 mm or less), average-sized pupils (6.1 mm to 7.5 mm) and large pupils (greater than 7.5 mm). Preoperatively, 69% of patients with small pupils and 65% of patients with average-sized pupils were satisfied or very satisfied with their night vision. Of patients with large pupils, 58% were satisfied or very satisfied with their preoperative night vision.

"After surgery, satisfaction jumped from 58% to 89% of large pupils who were happy with their night vision," Dr. Kraff said. Similarly, 87% of patients with small pupils and 83% of patients with average-sized pupils reported satisfaction with their night vision.

Similar outcomes occurred in regard to glare. In the largest pupil group, 81% reported satisfaction after surgery as compared with 51% preoperatively, Dr. Kraff said. He

attributed the high level of satisfaction in large-pupil patients to the variable spot scanning of the Visx system and the use of wavefront data to correct higher-order aberrations.

Improved contrast sensitivity

Patients in the Bausch & Lomb Zyoptix wavefront trials also answered questionnaires. According to company materials, about 40% of patients reported having better night driving vision 6 months postoperatively than they did before surgery. Dr. Slade noted that in addition to the subjective survey results, clinical tests also seemed to confirm this improvement in night vision. While survey results on night vision are encouraging, he cautioned, they should not be equated with scientific findings.

"We had an improvement in contrast sensitivity (that) was statistically significant," Dr. Slade said. He said no other clinical study he is aware of has demonstrated a statistically significant improvement in contrast sensitivity by 2 units of measurement. Improvement in contrast sensitivity can significantly improve a patient's night vision, Dr. Slade said.

"Patients are able to see lighter contrasts. They can see things that they didn't see before in a variety of low light settings," he explained. According to Dr. Slade, contrast sensitivity correlates with aberrations in the eye. "Contrast sensitivity is one of the best measurements we have to determine the practical effect of aberrations on the eye," he said. "For instance, we will be able to objectively grade what 0.1 µm of spherical aberration means. Contrast sensitivity can show you how much aberration exists in a patient's eye."

11/17 Results of a new **Gallup** poll reported at the Annual Meeting of the *American Academy of Ophthalmology* pointed to current misperceptions about LASIK surgery, and demonstrated that the public's understanding of laser vision correction was not keeping pace with technological advances in the field. The survey, involving 1,000 men and women who wear eyeglasses or contact lenses and who have never had laser eye surgery, showed that:

-- The majority (85%) of all survey respondents who have considered LASIK say that it is somewhat important or very important to alleviate their dependency on eyeglasses or contact lenses.

-- The majority (86%) of all survey respondents who have considered LASIK appear to be waiting for a safer laser eye surgery procedure, and roughly one in five are actually fearful of the potential side effects or pain that they believe can be associated with laser vision correction.

-- More than half (56%) of all people polled who have considered LASIK admit that they actually have never spoken with a doctor about the procedure.

-- Most people (73%) participating in this Gallup poll admit that they know nothing at all about new advances in the field, and more than 67% actually say that they know little or nothing at all about LASIK in general.

"These survey results are important because they show that people are not taking the right steps to stay informed, or to make informed decisions about laser eye surgery," explains Andrew Caster, MD, clinical instructor of ophthalmology, UCLA Jules Stein Eye Institute and medical director, Caster Eye Center. "LASIK is a virtually painless procedure, but fears about side effects, such as glare, halos and night vision problems, were significant concerns in the past. Today the potential for these unwanted side effects is significantly reduced because new wavefront-guided LASIK makes visual outcomes more predictable than with traditional LASIK."

The majority (73%) of both eye glass and contact lens wearers surveyed by Gallup say that they are unaware of this new wavefront technology -- a technology that eye surgeons have been using for more than a year to improve both the quantity and quality of a person's vision, and to reduce long-standing concerns about glare, halos and night vision problems. According to Dr. Caster, he has performed the new CustomCornea wavefront-guided LASIK procedure on more than 400 patients, and, following surgery, these patients report that they are satisfied or very satisfied with their vision, and most report that their overall vision is far better now than they ever expected it could be.

"Roughly 50 million people in this country are potential candidates for laser vision correction, and the number of people who will undergo this procedure is expected to increase significantly in the future," Dr. Caster explains. "Anyone who might be considering LASIK needs to learn about the new technologies now available to them, and how these technologies can improve outcomes. Most importantly, people need to keep in mind that, as with any surgery, there can be risks involved with LASIK. A qualified eye surgeon can address their questions and determine if they are a good candidate for the procedure. Most often, people who have had problems with LASIK were not good candidates for the surgery in the first place."

Other Survey Findings In this Gallup poll -- the first nationally representative, major public opinion poll to evaluate perceptions about laser eye surgery among potential candidates for the procedure -- respondents also were asked to identify some of the primary obstacles associated with their eye glasses and contact lenses. Additional findings revealed by this survey, which was commissioned by **Alcon, Inc.**, included:

-- Nearly 40% of eye glass wearers who have considered LASIK say that they lost their glasses at least once in the preceding year, with more than half (56.4%) of all eye glass wearers saying that they just set their glasses down wherever they are when they remove them.

-- Forty-four percent of all eyeglass wearers who have considered laser eye surgery say that their glasses broke or required repair within the past 12 months.

-- Among eyeglass wearers who have considered laser eye surgery, about half (48%) say that they had pain at the bridge of their nose or the back of their ears in the past year due to their glasses, and 21% say that they suffered headaches as a result of their glasses.

-- Contact lens wearers report that, within the past year, they most frequently lost their contacts down the drain (28%) and in the shower (12%).

-- Forty four percent of all contact lens wearers say that dry eyes or irritated eyes caused by their contacts are the worst things associated with contact lens use.

-- One-quarter (26%) of all contact lens wearers who have considered LASIK say that they have suffered an eye infection in the past year due to their contacts.

"Eye glasses and contact lenses can really interfere with a person's daily routines, and when they cause problems, such as headaches, irritated eyes, or eye infections, people really should talk to an eye doctor about their options for vision correction," says Mark Speaker, MD, says Mark Speaker, MD, PhD, associate clinical professor of ophthalmology, New York Medical College. "Given the tremendous impact of new wavefront technology, people no longer need to put up with the hassles that can go hand-in-hand with corrective eye wear."

The Gallup Organization conducted this public opinion poll in September and October 2003. The 1,000 men and women who participated in this eight- minute telephone survey were screened to include only eyeglass and contact lens wearers, between the ages of 18 and 60, who had never had laser eye surgery. For results based on samples of this size, at the 95% confidence level, the error attributable to sampling and other random effects could be plus or minus three percentage points. Copies of the full Gallup poll findings can be obtained by contacting Erin Boyd, at 602.618.7938.

11/17 **Miravant Medical Technologies** announced the safety results of two phase III clinical trials of investigational drug SnET2 for wet age-related macular degeneration (AMD). The results were presented by Carl Regillo, MD of the Wills Eye Hospital, Philadelphia, at the *American Academy of Ophthalmology*, Anaheim. Dr. Regillo presented a summary of the study-emergent adverse events, concluding that the proposed clinical dose of SnET2-PDT was well tolerated and demonstrated a very favorable safety profile in the study population. Miravant is preparing a New Drug Application (NDA) for submission to the FDA to seek marketing approval for the SnET2 treatment. "Overall there was a very low incidence of drug-related adverse events relative to placebo in the SnET2-PDT clinical trials," Dr. Regillo stated. "We did not identify safety issues of concern to physicians and patients given the potential vision benefits of the treatment. Of particular interest were the low numbers of

photosensitivity events, which were predominantly mild to moderate and transient, and the extremely low incidences of infusion-associated back pain and acute post-treatment vision loss."

The company also announced the efficacy results of the two phase III clinical trials of investigational drug SnET2 for wet age-related macular degeneration (AMD). The results were presented by Edgar Thomas, MD of Los Angeles, at the *American Academy of Ophthalmology*, Anaheim. Dr. Thomas presented data analyses that will form the basis of the company's planned New Drug Application (NDA) with the FDA, seeking marketing approval for the SnET2 treatment. The results showed that, relative to placebo, 0.5mg SnET2/kg stabilizes visual acuity in a statistically significant number of patients with wet macular degeneration, the leading cause of blindness in adults over age 50. Dr. Thomas stated, "Currently, the majority of patients suffering from wet AMD have very little recourse to treatment. These two studies indicate that SnET2-PDT is a potentially valuable therapy for a large group of these patients, in fact, representing the entire range of classic AMD lesions, with or without occult component."

11/17 **QLT Inc.** reported from the *American Academy of Ophthalmology (AAO)* meeting in Anaheim that limited Phase III results were presented from the anti-VEGF aptamer, Macugen, and appear to provide no improvement over Visudyne Therapy for patients with choroidal neovascularization (CNV) due to age-related macular degeneration (AMD), the leading cause of blindness in patients over 50. "The Phase III Macugen data presented at the AAO, as well as data presented in the Eyetech S1 update on Friday do not appear to offer any treatment benefit over Visudyne with the additional risk of repeated injections directly into the eye," said Paul Hastings, president and CEO of QLT Inc. "We look forward to exploring the detailed data, when it becomes available, for evidence to support adding this agent to Visudyne, to provide an improved treatment option for patients with this serious disease."

Although the complete data were not presented at the AAO or in the Eyetech S1, the anti-VEGF aptamer data appear no better than Visudyne's original TAP data in all lesion types.

11/17-
11/19 Several analysts were kind enough to provide me with their AAO roundup reports. In the following paragraphs are summaries of what they learned at the meeting.

Joanne Wuensch of **Harris Nesbitt** -- Report 1 -- **Hot Topics at a well-Attended AAO Meeting**

* This year's AAO meeting has been well attended by physicians with hot topics that include emerging therapies for age-related macular degeneration (AMD) and custom ablation.

* Clinical data on Macugen (a competing AMD therapy to Alcon's Retaane) was reported with statistically significant results on visual acuity (losing less than 15 letters). Even though the data were good, it appears to be less robust than anticipated. Much like oncologist treating cancer, we believe physicians will use combination therapies to treat AMD. We reiterate our OUTPERFORM rating on Alcon with a $64 price target.

* Custom Ablation remains a popular topic. Some physicians are using the technology on 100% of the applicable patient pool, with others using it to differentiate their practice. Building on the urban ophthalmology leaders that seem to have embraced the technology, this conference has appealed to a broader physician group thus further disseminating wavefront education.

* The conference showed to us significant momentum in the uptake of customized ablation and, with a potential economic turnaround, leads us to believe that VISX is on its way. We maintain our NEUTRAL rating in a POSITIVE sector, based on valuation.

Report 2 -- **AAO Monday Highlights: STAAR and Bausch & Lomb Business Updates**

* Monday's AAO meeting continued to create positive vibes, specifically for STAAR and Bausch & Lomb, as we gained further insight into each company’s business lines.

* We believe STAAR's phakic IOL, Visian (formerly called ICL) is on track for FDA approval late in 1Q04.

* With considerable physician interest in phakic IOLs at AAO and STAAR already having 32 clinical investigators trained, Visian appears to be getting primed for launch.

* We maintain our **OUTPERFORM** rating on STAA believing there is good potential for Visian and that the company is well positioned to continue the turnaround of its core, cataract business.

* During AAO, Bausch & Lomb displayed its Zyoptix laser with custom ablation technology that recently received FDA approval on October 10. The company appears well positioned to take share in a LASIK market that seems to be rebounding.

* Bausch & Lomb appears to have turned the corner, and the deleveraging story appears to be on track. The question for us now is what products can accelerate its top line from the relatively languished mid-single digit rate? We maintain our **NEUTRAL** rating on BOL with a positive sector rating.

Ted Huber of **Wachovia Securities -- AAO Report: Custom LASIK and Macugen Underwhelm; Retisert Goes 1 For 2**

* Custom LASIK - adoption continues but no standard of care: For refractive surgeons slow to adopt Custom LASIK, AAO offered a dearth of compelling new data to advance the argument that Custom treatments should be the standard of care for Myopes. Nonetheless, Custom should continue to take share in 2004, driven by surgeon profit, higher rates of patient satisfaction, better quality of vision. A VISX software upgrade (Q104) and label expansion to include hyperopia and high myopia (H204) are important Custom Mix drivers. Custom Mix should advance into the 40-50% range in 2004, but not beyond, given ongoing debate about the new technology.

* Disappointing Macugen data opens up AMD field: The opportunity for Alcon's Retaane (anecortave acetate) opened up significantly with Saturday's disappointing Macugen pivotal trial data. Macugen data showed efficacy just modestly better than current "standard of care" treatment Visudyne, though it appears effective across more subsets of AMD patients. Given the significant dosing disadvantage of this drug (8 needles in the eye per year) and safety data that got a mixed review (1.2% annual chance of infection) its adoption should be concentrated in subsegments where Visudyne shows limited efficacy (minimally classic legion group).

* BOL's Retisert - Uveitis moves ahead, DME looks finished: Data from the first of BOL's two Phase III Retisert for uveitis trials showed strong efficacy (3% recurrence vs. 44% for control). Surgeons seemed satisfied that these benefits outweighed a difficult adverse event profile (9% IOP surgery and 13% cataract surgery rates) and that the drug could be approved on these data. Retisert for DME showed no visual acuity improvement and 43% serious adverse event rate. This program appears ready for the gang plank; BOL's decision is due by January.

* Cataract - Looks Like Alcon's Year: Alcon's unprecedented new product line up in Cataract surgery looks to be the driver for the business in 2004 as pharma growth takes a breather. Alcon is selling around 100 Infinity units per month, its production capacity; the premium priced Acrysof Natural is gaining acceptance, though remains controversial. Surgeons reacted favorably to the latest data on Acrysof Restore, Alcon's multifocal IOL. While AMO might cede some share to this new product onslaught, BOL's cataract business looks most vulnerable.

* Expect Consolidation in 2004: The cataract businesses of Ciba and Pharmacia are each being shopped and industry players are thinking about deals. With significantly improved balance sheets across the board, and accelerating growth from new product cycles in Cataract and Refractive, this industry appears poised for consolidation in 2004.

Michael Lachman of **ThinkEquity Partners -- EYE: AAO Update - New Products to Keep CustomVue Fresh in 2004**

We reiterate our Overweight-2 rating on shares of VISX following a weekend at the AAO meeting in which the company once again demonstrated its dominance of the resurgent LASIK market. The rebound in the laser vision correction market is being driven by improving consumer confidence and the custom LASIK technology cycle. VISX's exclusive focus on this market, with a heavy emphasis on customer service, product reliability, and continuous improvement, make it difficult for the company's more diversified ophthalmic competitors to gain share. At the AAO, VISX is introducing a number of new products that are slated for US launch in 2004: enhancements to the WaveScan diagnostic system to make it more precise and surgeon-friendly, and upgrades to the Star S4 laser to make it track more accurately and perform treatments more quickly.

Investment Highlights

At the American Academy of Ophthalmology meeting, which is currently being held in Anaheim, there is a great deal of excitement about the current prospects for the laser vision correction (LVC, or LASIK) market, driven by a rebound in the economy along with the custom-LASIK new technology cycle. Procedure volumes appear to be solid in the current quarter, and could accelerate meaningfully in the seasonally strong month of January: surgery schedules are already filling up in busy practices as prospective patients are setting aside flex-spending dollars for the new year. If January procedure volumes are strong as expected, it remains to be seen whether procedure volumes will soften in mid-to-late Q1 or whether a word of mouth "echo" will contribute to procedure volumes in the months that follow.

As always, a walk around the AAO exhibit floor demonstrates VISX's clear leadership within the laser vision correction market. We believe that VISX has a huge organizational advantage within the LASIK market: the company has a 60%-plus share of procedures in the US, and is the only one of the major suppliers to this market that is totally focused on laser vision correction. This high level of focus, along with strong customer service, laser system reliability, and continuous product improvement, have made it difficult for competitors to gain ground. The #2 and #3 players, Alcon (ACL - $54.14 - Overweight-2 - $62 price target) and Bausch & Lomb (BOL - $48.25 - Equal Weight-4 - $53 price target), are larger and more diversified ophthalmic suppliers, and it becomes very clear at meetings such as this that refractive/laser surgery is of limited strategic importance to either company. Even at the Bausch & Lomb booth, where the recent FDA approval of the Zyoptix wavefront guided system should be creating a buzz, there seems to be little activity around the Technolas laser. The LADARVision station within the bustling Alcon booth is an unusually quiet spot as well.

CustomVue wavefront guided technology appears to be generating in improved clinical outcomes for most LASIK surgeons. While most surgeons tell us that they do not have to perform many enhancement procedures following CustomVue ablations, there are surgeons that have not yet compensated for an under-correction in the current CustomVue algorithm and are currently performing a larger number of enhancement procedures.

New Products to Enhance the CustomVue System

CustomVue remains the primary new product story for VISX, but the company continues to develop and introduce product enhancements. There are clearly areas for potential improvement to the current CustomVue system. The following new products, which are currently being detailed to surgeons at the AAO, are likely to reach the US market in 2004.

WaveScan Software, Version 3.5. The next significant software update for the WaveScan diagnostic system could reach the US market by Q2-04; it is already available internationally, and the company plans to file soon with the FDA. This will likely be a free upgrade to VISX customers with service contracts. Some of the key features of this software package are outlined below:

* A new algorithm to translate the WaveScan wavefront diagnostic data into a laser ablation pattern that is more precise than the one currently generated using the Zernike polynomial approach. This feature will make a more meaningful difference for complex eyes than for normal, uncomplicated eyes. The current VISX laser is already precise enough to treat eyes using this more precise algorithm.

* Wavefront diagnostic capability out to a 7 mm pupil size, versus the current 6 mm pupil size. It is worth noting that VISX supplies the only major wavefront system that does not require pupil dilation during the diagnostic procedure and/or laser treatment, which improves diagnostic accuracy and patient throughput.

* Three-dimensional versions of wavefront diagnostic maps.

* The ability for surgeons to do wavefront treatment planning on a laptop computer, unlike the current software, which can only be used directly on the WaveScan system. Wavefront planning usually takes about 15-20 minutes per patient, and we have heard from a number of surgeons that they regularly have to stay late at the office calculating treatment plans. The ability to take this task home should prove to be a popular new feature.

Cyclotorsional/Iris Registration. This new feature, which is an enhancement to the system on the Star S4 laser that tracks eye movement during surgery, will allow the laser to lock onto the "iris fingerprint" of the patient and track rotational movements of the head and/or eye. Rotations on the order of 2° during a LASIK procedure are not

uncommon, and even a 5° misalignment between the wavefront diagnostic pattern and the actual patient position during treatment can cause problems. Today, surgeons must monitor head and eye movements manually, which is an imprecise process.

Variable spot scanning (VSS) with variable repetition rate (VRR). These improvements to the laser should allow many treatment times to be reduced, and enable delivery of more precise ablation patterns. This feature, and the cyclotorsional/iris registration feature described above, are upgrades to the Star laser hardware platform and will be paid for by laser owners. These upgrades could be introduced in the US by Q3-04, but like the rest of VISX's hardware product line, should not contribute meaningfully to the company's profitability.

New Procedural Indications to Expand the CustomVue Market

We are encouraged by the potential for CustomVue approvals for hyperopia and high myopia to begin contributing to incremental procedure volumes in H2-04, and by the longer-term potential for hyperopic presbyopia. The currently approved indication, low to moderate myopia with astigmatism, encompasses 70-75% of the current LASIK patient base. CustomVue for hyperopia (farsightedness) was launched in Q2-03 internationally. Three-month follow-up data should be filed with the FDA shortly and US approval is targeted for H2-04. A hyperopia indication would expand CustomVue availability to about 90% of the current LASIK population.

At the November 7 VISX analyst meeting, Dr. Colman Kraff discussed CustomVue for hyperopia, but presented only case studies. At the AAO meeting, he presented clinical data from his series of patients that were part of the US FDA clinical trial. Among 26 eyes at three-month follow-up, 31% reached 20/16 visual acuity or better, 77% reached 20/20 or better, and 100% reached 20/40 or better. 89% of the eyes were within 0.50D of their intended correction, and 100% were within 1D. The percentage of patients that were either satisfied or very satisfied with their night vision increased from 50% preoperatively to 92% postoperatively. Similarly, the proportion of patients that were either satisfied or very satisfied with their night vision, including glare, went from 23% pre-op to 77% post-op.

CustomVue for presbyopia (the need for reading glasses in aging eyes) is at an early stage but is showing progress. We've been skeptical about the use of LASIK to treat presbyopia, and we still believe that refractive lens exchange using the emerging accommodating IOL technologies will be the preferred approaches for most myopic presbyopia patients. At the AAO, we have been both surprised and impressed by the potential for RF-based conductive keratoplasty (CK) to address the needs of presbyopes that are neither nearsighted nor farsighted. VISX does seem to be making progress in one segment of the presbyopia market: hyperopic presbyopia, or presbyopia combined with farsightedness. We believe that LASIK could become the procedure of choice for this segment of the presbyopia market and that VISX is well positioned to take the lead in this area.

Phakic IOLs, implantable lenses for vision correction, are a major focus at the AAO but do not represent a major threat to the LASIK market. With first-of-their-kind new products likely to reach the US market in 2004 from both Staar Surgical and Advanced Medical Optics (AVO - $18.86 - Overweight-3 - $21 price target), we are paying a lot of attention to these products at this conference. We believe that these implantable lenses will be used primarily in nearsighted patients beyond -10D, which represents a very small percentage of the myopic population and one that may not even be addressable with CustomVue technology.

Jason Mills of **First Albany Capital** -- **Reflections following the 107th American Academy of Ophthalmology Meeting**

Summary

Discussion of key takeaways from the Annual American Academy of Ophthalmology (AAO) meeting held in Anaheim, California (November 15-18, 2003). Recommend purchase of Bausch & Lomb (BOL) shares.

Key Points

* **AAO OK.** The 2003 AAO meeting showcased several ophthalmic devices that we would characterize as "step-forward" innovations - Custom LASIK, laser microkeratomes, back-of-the-eye therapies, phakic, and accommodative IOLs.

* **Custom LASIK** - Back to Reality. Presentations by top surgeons, conversations with practicing doctors, and corporate center feedback suggest Custom LASIK, while better than conventional, has a distance to go to become standard of care (>50%).

* **Bausch and Lomb (BOL-$47.70-Strong Buy) Momentum Continues.** Clear interest in Zyoptix Custom, favorable data on Retisert -Posterior Uveitis ($100mn opportunity), and our discussions with management and reps give us confidence BOL can meet or exceed our 4Q03, 2004, and 2005 EPS estimates of $0.79, $2.59, and $3.01, respectively. We recommend purchase of BOL.

* **VISX (EYE-$22.84-Neutral) - CustomVue Wave.** VISX doctors presented incremental data on additional indications (high myopia, hyperopia, and hyperopic presbyopia), which looked favorable, but patient cohorts were too small, and follow-up too short to draw conclusions on either approval timelines (2H04E, although risk to this) or growth impact (estimates include modest revenue in 4Q04).

* **Improvements in Flap Creation.** We noted high traffic volume at the Intralase booth for its laser microkeratome. Our discussions with surgeons suggest creating the corneal flap is an acute area of interest, and IntraLASIK's ability to reduce error is becoming increasingly compelling.

Discussion

The 2003 American Academy of Ophthalmology (AAO) meeting showcased several ophthalmic devices that we would characterize as "step-forward" innovations, not necessarily "step-function," or paradigm-changing technologies, specifically, custom LASIK, laser microkeratomes, back-of-the-eye therapies, and phakic and accommodative IOLs.

On the Custom LASIK front, we think projections and prognostications of conversion must come back to reality, following a spurt of prognostications in the marketplace suggesting Custom LASIK would take over the world in short order. Presentations by several surgeons, conversations with high-, medium-, and low-volume doctors, and feedback from corporate centers suggest that Custom LASIK - while better than its "conventional" predecessor - still has a long way to go to become the standard of care (i.e. > 50% conversion).

Strong-Buy-rated Bausch and Lomb continued to show steady but sure momentum at the conference. Our conversations with surgeons and perceptions at the booth indicated a clear interest in the Zyoptix custom technology and the Millennium modular cataract/vitroretinal system. Also, favorable data on Retisert for Posterior Uveitis ($100mn opportunity; no sales estimated), coupled with our discussions with management and sales reps, give us comfort that BOL will meet or exceed our 4Q03, 2004, and 2005 EPS estimates of $0.79, $2.59, and $3.01, respectively. We recommend purchase of BOL shares at current levels.

Moreover, **VISX continues to ride the CustomVue wave** . Following last week's analyst meeting that provided more sizzle (i.e., potential incremental indications for CustomVue) than steak (i.e., forward guidance), the AAO was more of the same, albeit VISX continues to have the largest and most impressive LASIK presence. VISX surgeons presented only incremental data on additional indications (high myopia, hyperopia, and hyperopic presbyopia). Initial follow-up data for hyperopia and high myopia look favorable, but the patient cohorts were too small, and follow-up too short to draw meaningful conclusions on either potential approval timelines (2H04E, although there is risk to this) or growth impact (our estimates include modest revenue from these indications in 4Q04).

Phakic IOLs have a place in the market, in our view . We contend Phakic IOLs from Ophtec/Advanced Medical Optics (AVO-$18.40-Not Rated) and Staar Surgical (STAA-$10.65-Not Rated) - FDA approval soon - will not materially impact the LASIK industry, yet will develop an important niche market for high myopes over -8 D. We peg the achievable annual market in the U.S. at roughly $50 million in 2005, and potentially higher in later years, pending approval for astigmatism and/or hyperopia.

Finally, improvements in flap creation are becoming increasingly important in order to derive the optimal benefits from Custom LASIK . We note high traffic volume at the booth of laser microkeratome manufacture Intralase. Our discussions with surgeons lead us to believe that creating the corneal flap is an acute area of interest and IntraLasik technology's ability to dramatically reduce error is becoming increasingly compelling.

Bausch and Lomb. Our conversations with key sales reps and management provide us with additional visibility into the solid momentum of overall business, as well as specific product lines, such as contact lens and refractive surgery. We also believe the clinical data presented on Retisert for posterior uveitis (PU) was favorable. While our 10-year forward revenue model for the company does not include any revenue from any Retisert indication, we now believe approval for Retisert-PU is possible in 2005, and could represent upside potential to both top- and bottom-line 2005 estimates of $2.12 billion and $3.01 EPS, respectively. We estimate BOL could take a leadership role in the posterior uveitis therapy market, which we conservatively peg at $50 million to $100 million, assuming the product is approved in 2005.
* **Refractive Surgery (Zyoptix).** With the October FDA approval of its custom LASIK technology, Zyoptix, the company has begun an aggressive marketing campaign to gain domestic market share of installed systems and LASIK procedures. Judging from our conversations with sales reps at the AAO conference, the company seems to be on track with its goal of doubling its current domestic market share in LASIK installed systems (we estimate the company has a high-single-digit percentage market share). Anecdotally, one LASIK system trainer mentioned he could not remember the last time he was home. Even with this positive anecdotal feedback, we believe it is too early to call market share shifts in the custom LASIK marketplace.

VISX (EYE-$22.84-Neutral). We were impressed with the VISX presence at the AAO meeting, clearly demonstrating management's focus on the CustomVue LASIK opportunity, yet our takeaways from the conference are not significantly different from the company's analyst day (November 7). The company continues to focus on improving the LASIK system with incremental improvements to both its hardware and software components. Product improvements that will be launched in 2004 include: 1) variable spot scanning and repetition rate, which incrementally improves the treatment outcome through more precise and quicker tissue ablation, 2) improved software for WaveScan, and 3) software that aids the system in tracking the patients' iris (registration).

* **CustomVue for Hyperopia (Progress Update).** Incremental clinical data on additional indications, particularly hyperopia, demonstrated that LASIK does benefit the hyperope population. We note that historical LASIK results in the hyperope population has never achieved the same high-quality results demonstrated in the myope population, yet hyperope results are improving. Limited data was presented at the AAO (see chart below). VISX doctors presented incremental data on additional indications (high myopia, hyperopia, and hyperopic presbyopia), which looked

favorable, but patient cohorts were too small, and follow-up too short to draw conclusions on either approval timelines (2H04E, although risk to this) or growth impact (estimates include modest revenue in 4Q04).

	Follow Up		
	1 month		3 months
N =	26		26
20/40 or better	100%	100%	
20/20 or better	65%		77%
20/16 or better	19%		31%

Source: Dr. Colman Kraff and the Kraff Eye Institute

Jeff Johnson, Suey Wong, and Valeri Braun of **Baird U.S. Equity Research** -- **Highlights from the 2003 American Academy of Ophthalmology Meeting**

We attended the American Academy of Ophthalmology (AAO) meeting, where the primary focus was on custom cornea laser surgery, the treatment of age-related macular degeneration (AMD), and the surgical correction of presbyopia. We believe BOL is well positioned to capitalize on at least two of these areas long-term and continue to recommend the company with an Outperform rating. In the following pages, we provide highlights from this year's AAO meeting.

Summary

* After attending this year's American Academy of Ophthalmology meeting, we remain convinced that BOL, with the recent approval of its Zyoptix custom cornea laser system and the ongoing strength in its ocular vitamin line, is well positioned to capitalize on a number of the leading issues currently being encountered in eye care.

* Except in the area of macular degeneration treatment, there was little in the way of new data presented at this year's meeting. Instead, the meeting was more of an opportunity for manufacturers to show off their latest technology and surgeons to compare a number of recently introduced products.

* A pharmacological treatment for macular degeneration will likely be available over the next 12-18 months and could generate upwards of $1-$2 billion annually in the coming years. Although Eyetech Pharmaceuticals appears to lead the current three-company race, data presented at this year's meeting was not as promising as many had hoped.

* With the heightened awareness surrounding the treatment of AMD, we believe the sale of ocular vitamins will likely continue to grow. Given BOL's dominance (70%+ market share) in this market segment, we continue to project solid pharmaceutical growth for the company in Q4-03 and throughout 2004.

* Custom cornea laser surgery was a major topic of discussion, with BOL's Zyoptix system and VISX's CustomVue appearing to draw the largest surgeon interest. We continue to believe that these two systems both have the potential to increase their share of the domestic market over the next few quarters.

* We hosted a roundtable discussion at this year's AAO meeting, during which we discussed a number of new technologies with surgeons from some of the leading ophthalmology programs, including Harvard, Yale, Duke, Bascom Palmer and the University of Michigan as well as from private practice and the U.S. Air Force. A number of the thoughts presented throughout these pages represent feedback we received from these top surgeons.

(I have copies of all of the above reports and can send PDF efiles of them to those who might be interested in seeing the complete report.)

11/18 **Refocus Group, Inc.** announced the filing of an investigational device exemption (IDE) with the FDA to obtain approval for initiating Phase II clinical trials of the company's Scleral Implants and Scleral Spacing Procedure for the surgical treatment of presbyopia. "Having completed over two years of development, much in conjunction with our strategic partner, Refocus Group is enthusiastic about the prospect of moving forward with our potential new treatment option for presbyopia," said Terry Walts, president and CEO of Refocus Group. "Presbyopia is a vision disorder that affects virtually 100 percent of the population over the age of 40, and developing an effective treatment is considered by many to be the next major frontier in refractive surgery. To date there remains no widely accepted surgical alternative for presbyopia, but our mission is to change that."

Subject to FDA approval, Phase II clinical trials would involve up to five investigators and sites. The clinical trials would utilize the redesigned Scleral Spacing Procedure (SSP), which incorporates a newly redesigned mechanical incisional hand piece, disposable blade and control box. The updated procedure and protocol also incorporates ultrasound mapping designed to simplify and better ensure placement of the Scleral Implants at a precise location and depth. Refocus Group believes the re-designed SSP device and protocol will simplify the surgical procedure and will produce highly consistent outcomes, all subject to confirmation in the upcoming clinical trials.

Refocus Group filed the IDE in conjunction with its strategic partner, **CIBA Vision**, the eye care unit of **Novartis AG**. As previously disclosed, CIBA Vision announced in August 2003 that it is seeking strategic alternatives for its Surgical Business Unit, including the sale of that unit which would likely include the assumption of its contractual obligations, including its license with Refocus Group (subject to Refocus Group's approval). While the process of the potential sale of the Surgical Business Unit continues, both companies are conducting "business as usual" -- as pledged by

CIBA Vision in its August announcement. The filing of the IDE is just one example of continued project support.

11/20 **TLC Vision Corporation** announced that it had arranged a $15 million revolving line of credit from **GE Healthcare Financial Services**. "We had several bidders for the financing, but in the end, GE Healthcare Financial Services had the best proposal," said Elias Vamvakas, TLCVision chairman and CEO. "Consistent with TLCVision's growth strategy, we plan on opening or acquiring a number of new ambulatory surgery centers (ASCs) in partnership with local doctors over the next few years. This line provides the company with greater flexibility with respect to the timing of those investments and acquisitions."

"We are delighted to provide financing for a leader in eye care services," said Robert McCarrick, senior vice president of Corporate Finance for GE Healthcare Financial Services. "Our healthcare experience enabled us to understand TLCVision's varied lines of business and provide the structure that best fit the company's needs. Our healthcare knowledge, combined with our range of offerings and financial stability, helps GE Healthcare Financial Services provide the right financing solutions for healthcare companies."

11/24 Michael Lachman of **ThinkEquity Partners**, issued an updated report of the recent AAO Meeting: **"AAO Recap: Bullish Meeting of Eye Docs Supports Positive Industry View"** A summary of the report stated:

The American Academy of Ophthalmology (AAO) meeting, which took place last week, was very upbeat and well-attended, with optimism based on the resurgence in the refractive surgery market and the numerous emerging treatments for retinal diseases. Our top pick in the space is VISX (EYE - $22.79 - Overweight-2 - $29 price target), which is benefiting from an economic rebound and the custom LASIK technology cycle. We also highlight Advanced Medical Optics (AVO - $18.18 - Overweight-3 - $21 price target), based on a meeting with management that reaffirmed our growth expectations. Alcon (ACL - $56.64 - Overweight-3 - $62 price target) has already moved up considerably in response to competitive developments at AAO. Bausch & Lomb (BOL $47.51 - Equal Weight-4 - $53 price target) remains a successful turnaround story, but we found little to get excited about at AAO.

<u>Investment Highlights</u>

The American Academy of Ophthalmology (AAO) meeting was held last week in Anaheim. In this report, we highlight major developments at the conference, and discuss their impact on our universe of ophthalmology device stocks. VISX (EYE - $22.79 - Overweight-2 - $29 price target): The company's refractive surgery franchise is benefiting from an economic rebound and the custom LASIK technology cycle. Positive near-term fundamentals make VISX our top pick in the ophthalmology device sector. Advanced Medical Optics (AVO - $18.18 - Overweight-3 - $21 price

target): Our meeting with management reaffirmed our view that this is a company that will find ways to achieve above average top and bottom line growth in the slow but steady markets in which it competes. We view AMO as the likely acquirer of the Pfizer cataract surgery business. Alcon (ACL - $56.64 - Overweight-3 - $62 price target): The most important company development during the AAO was the publication of disappointing Phase III data for a competitive drug (Macugen from Eyetech/Pfizer). The stock has already moved up considerably on this news, so while we still view Alcon as the best single way to play growth in the ophthalmology sector, valuation conscious investors may wish to wait for a lower entry point. Bausch & Lomb (BOL - $47.51 - Equal Weight-4 - $53 price target): This remains a successful turnaround story, but we found little to get excited about at the AAO with regard to new products or business momentum.

Report Contents:

VISX: New Products Should Keep CustomVue Fresh in 2004
Advanced Medical Optics: Meeting with Management Reaffirms Growth Strategy
Alcon: Macugen Data Just OK, Leaves Door Open for Alcon's RETAANE
Bausch & Lomb: Still Mostly an Operational Turnaround Story
Phakic IOLs: Plenty of Buzz as Products Near US Approval
Presbyopia Correction: A Key Product Approval Introduces an Important New Market Segment (accommodating IOLs)
Femtosecond Laser: Complementary Technology That Is Improving Custom LASIK Outcomes

(As with the other AAO reports, anyone wishing a copy of this update, please contact me.)

OPHTHALMIC LASER UPDATE -- December 2003

11/25 Marilyn Much, of *Investor's Business Daily*, wrote about **LCA Vision** in her story entitled, "Eye-Surgery Provider Sees Improving Market".

After three years of dragging its heels financially, LCA Vision Inc. has begun to pick up the pace. The company runs 37 laser corrective eye surgery centers under the name LasikPlus, including 34 wholly owned units in large metro U.S. markets, two joint ventures in Canada and one in Europe.

Laser eye surgery is a 15- to 30-minute procedure that corrects vision problems such as near-sightedness so patients can get rid of glasses and contacts lenses forever. It costs almost $1,300, and is typically not covered under medical insurance. LCA-Vision supplies the equipment, facilities and support services. It either directly employs ophthalmologists and optometrists or exclusively contracts for their services. Like a lot of its peers, the firm got hurt by the decline in demand for this high-priced surgical procedure during the economic downturn. Last year LCA-Vision's volume

fell to 57,104 procedures from 72,032 in 2001 and 59,144 in 2000. It wound up losing money each year between 2000 and 2002.

Thanks to a restructuring plan, increased marketing efforts and implementation of new technology, LCA-Vision moved into the black in this year's first quarter and has grown ever since. Executives wouldn't comment, noting the company is in a quiet period before an upcoming secondary offering. Analyst Lee Schafer of **Fieldstone Research** credits the upturn to plain old business sense. "They're one of the guys that saw the value in tweaking their business model...when (the lofty) growth projections for the industry didn't happen," he said.

One thing LCA-Vision did was lessen the financial hit for customers by offering a financing plan through an outside provider. It also offers a payment installment plan. Management has been particularly deft in its approach to marketing, Schafer says. In the past three years, LCA-Vision has stepped up its brand-awareness efforts. It takes a multimedia approach, using print, TV, radio and direct marketing to promote its centers and raise awareness of its LasikPlus brand name. The company targets upper-middle-class consumers in their 40s and 50s. In most ads, LCA-Vision gives prospects its toll-free number and Web site address. Call center employees screen callers and input names into its database for mailings.

Once they record the patient's information, reps try to schedule appointments with local doctors to see if the patient is a candidate for the procedure. "Once they get you in their system...their sales staff is after you," Schafer said. LCA-Vision competes with companies such as **TLC Vision Corp.**, a firm with about twice as many centers. While rivals do some promoting, LCA-Vision is much more visible, Schafer says. Improved marketing has been a key growth driver recently. In the third quarter, LCA-Vision earned 14 cents a share, up from a 28-cent loss the prior year. Revenue for the quarter climbed 52% to $20.5 million.

Another growth driver is new technology. In March, LCA-Vision started using gear that performs a new technique called "custom Lasik." It's a highly customized approach to laser eye surgery that offers improved sharpness of vision to a broader range of patients. This gives them a better shot at 20/20 vision, according to analyst John Nobile of **Taglich Bros.** The procedure costs about $500 more per eye than traditional laser eye surgery. "The new custom procedure offers LCA-Vision tremendous growth potential," Nobile wrote in a recent report.

LCA-Vision recently upgraded its lasers in all markets to perform custom procedures. In the third quarter, these procedures accounted for 7% of LCA-Vision's volume. The company has also added new customers to the mix. In August, it scored a major win when it inked a pact with **OptiCare Eye Health Network**. Under terms of the deal, LCA-Vision provides OptiCare's 2 million covered benefit patients with access to its laser center network. In a statement, LCA-Vision Chief Executive Stephen Joffe called the deal an "important milestone." "(It adds) another significant block of new

potential patients, many of whom have already expressed a desire for laser vision correction," he said.

The contract comes as LCA-Vision moves into its next growth phase. The company went public in 1996. It lost money from 1996 to 1999 as it built up its network and developed its brand. Over the past seven years its only annual profit came in 1999, when LCA-Vision earned 84 cents a share. Yet the company's latest rebound might well stick. Analysts polled by First Call expect profit for all 2003 to reach 56 cents a share, up from last year's 57-cent loss. They see 2004 earnings gaining 39% to 78 cents. "The climate for the industry seems to be positive and moving in the right direction," Schafer said. As the industry expands, he expects companies that operate laser surgery centers to take share from individual practitioners and health care organizations.

12/3 Daniel Rosenberg, of *DOW JONES NEWSWIRES*, wrote, "Stronger US Economy Could Lift Vision Correction Market".

Recent eye-popping U.S. economic data could mean it is time for another look at laser-vision companies, which stand to gain as people opt for expensive, elective medical procedures. Companies that stand to benefit include **VISX (EYE)**, **Alcon Inc.**, **LCA-Vision Inc.** and **TLC Vision**. The last few years were lean ones for the industry, but there are signs of improvement. In 2000, 1.4 million Lasik procedures were performed in the U.S., according to data from VISX, which has a 60% share of the market. That number fell to 1.2 million in 2001 and 1.1 million last year. Procedures are expected to hold steady at 1.1 million this year, but could rise 8% to 12% in 2004 if the economy continues to rebound, said Liz Davila, chief executive of Visx. She added that first-half Lasik sales were down slightly compared to 2002 while second-half sales have been up slightly. "We believe an expanding economy will have a positive impact on our business," Davila said in a telephone interview Wednesday. "When consumers are feeling more comfortable with truly discretionary purchases, they'll come in greater numbers for vision correction. If times are iffy, people feel less financially secure and put off an expense that can be put off."

Doug MacHatton, vice president for investor relations at Alcon -- the second biggest Lasik company -- agreed that a growing economy is "closely correlated" with an increase in demand for vision-correction procedures. However, Alcon hasn't seen any sign of a rebound yet, and it could take time to develop. "The correlation isn't with GDP growth; it's with consumer confidence," MacHatton said. "We expect a flat to small increase in demand, not a dramatic jump. Some of that is caution. We don't know how long a recovery will last or when that will translate to consumer confidence." Though MacHatton feels cautious, it is already apparent to some that demand has turned a corner.

Dr. Colman Kraff, an eye-care physician in Chicago who does several thousand Lasik procedures a year, said business began improving last June. And based on all the

preliminary office visits he has been getting lately, he expects January -- traditionally a big month -- to be a very busy time for his practice. "Clearly the last two and a half months it's been busier than it's been in a long time with new patient consultations," Kraff said. "I compare it to a year ago and our scheduled patients are way ahead. I guess we'll be up 20% to 30% over last January." Kraff charges $2,300 to $2,800 an eye for Lasik, a relatively high price. Most procedures are in the area of $1,300 to $1,500 an eye. But much of Kraff's practice now revolves around CustomVue, a Visx procedure that is more precise than the traditional Lasik and carries a major price premium. The procedure, which promises clearer and sharper vision than other laser methods, utilizes WaveScan technology to map the unique characteristics of an individual's vision, and costs more than twice the price of traditional Lasik. It has been available since May. Though some of the improving business is driven by CustomVue, Kraff believes the main factor is consumers' deeper pockets. "I am a believer in that the three most important things for making this a popular procedure are the economy, the economy and the economy," Kraff said. "New technology is important, but the economy really drives this procedure." At one point during the recent recession, procedures at his practice in downtown Chicago fell 35% from their peak. "It clearly bottomed last year," Kraff said.

January Could Be A Big Month Ben Andrew, analyst with **William Blair & Co.**, noted that January is often an important month for Lasik companies because that is when people have money once again in their companies' medical savings accounts. "People can put $3,000 to $4,000 pre-tax aside in a medical savings account and use that to pay for laser vision correction," Andrew said. "This year the January effect could be more pronounced, thanks to a very strong economy." He rates Visx a market perform and doesn't own shares. There is no banking relationship. Lasik is currently the most common type of laser vision correction procedure. It is an outpatient procedure suitable for low, moderate and higher prescriptions, and is currently one of the most commonly performed healthcare procedures in North America. It isn't covered by most insurance carriers. Andrew estimates the market for Lasik equipment providers to be in the range of $200 million to $250 million. The most pure-play investment in Lasik equipment providers is Visx. Lasik represents just 3% of Alcon's business. Centers that perform Lasik procedures -- notably TLC and LCA-Vision -- also might see their sales rise if procedures swell.

"People are more willing to spend money on themselves when the economy is improving than when it's weak," said Stephen Kilmer, spokesman for TLC. "In short, yes -- we expect an improving economy to help propel sales." Judging by these companies' stock prices, many investors already are parking money in this sector hoping for improved sales. Shares of Alcon, which closed Wednesday at $58.75, are near their 52-week high of $59.50. Visx closed Wednesday at $23.83, well above the 52-week low of $7.82 and not far from the 52-week high of $26.40. TLC shares, which closed at $5.87 on Wednesday, are well below their 52-week high of $7.74 but have come a long way from the 52-week low of 85 cents. And LCA closed Wednesday at $17.61, compared with a 52-week high of $19.50 and a 52-week low of

$2. The price-to-forward-earnings ratio for Visx is on the high side at 32. Alcon at 27 is closer to in-line for its large medical technology peers, Andrew said. TLC has a price-to-forward-earnings ratio of 18.3 and LCA has a price-to- forward-earnings ratio of 22.5. Those are significantly higher than in the recent past, he added. Andrew doesn't cover Alcon, TLC or LCA.

12/4 Jayson Bedford of **Adams, Harkness & Hill**, issued an update report on **Staar Surgical**, entitled, "STAA: Believe Concern over Cataracts Overdone: Reiterate SB rating" Some of the key points were:

* We believe concern over a study in the November issue of *Ophthalmology* contributed to the weakness in the stock yesterday; while the study acknowledges that the implantable contact lens (ICL) produced favorable and predictable results, it highlights the risk of cataract surgery longer term (11% in this 45-patient study).

* We feel these results could be related to 1) the use of older technology, or 2) an older patient population; we remind investors that complication rates in STAA's pivotal trial (369 eyes @ 3 years) were low with only three cataract extractions (<1%).

* We believe discussions with the FDA are continuing to move along well and expect final ICL approval in late Q1'04; we remain comfortable with our $3.2M estimate for domestic ICL sales (2,650 procedures).

* Interest remains high as 340 physicians have already been trained (outside the U.S.) and will be prime candidates to be proctored upon FDA approval; at the recent AAO, an additional 295 physicians expressed interest in being trained, which provides a robust pipeline of physician interest.

Reiterate SB rating and $15 PT.

12/4 **LCA-Vision Inc.** announced the pricing of its previously announced public offering of 3 million common shares, representing 2.4 million newly issued shares to be sold by the company and 600,000 shares to be sold by the company's CEO, at a price of $16.50 per share. Proceeds of this offering to LCA-Vision are expected to be approximately $37.2 million. In addition, the selling stockholder has granted the underwriters a 30-day option to purchase up to an additional 450,000 shares to cover over-allotments. **UBS Securities LLC** and **C.E. Unterberg, Towbin** are the underwriters for the offering. UBS Securities LLC is the sole book-running manager.

12/4 **NIDEK Co. Ltd.** announced that it has received CE Mark approval for its Customized Aspheric Treatment Zone (CATz) software for the NIDEK EC-5000 Excimer Laser System. This regulatory milestone clears the way for NIDEK to market its laser and custom treatment algorithm, known as CATz, throughout European Union for the correction of myopia with or without astigmatism. "With this approval, NIDEK takes

an exciting step forward in providing our European customers and patients with the best possible clinical outcomes in the market today for laser vision correction," said Hideo Ozawa, president of NIDEK Co., Ltd. "NIDEK can now provide an innovative system designed to improve refractive outcomes for patients in Europe with wide ranges of myopia and astigmatism," added Ozawa.

CATz uses a proprietary ablation algorithm based on topography data that employs smooth treatment zones to create a seamless transition from the treated cornea to nascent (untreated) cornea. Aberrations based on corneal irregularities can result in visual blur and other undesired visual phenomena are reduced with this ablation algorithm. This results in a shorter visual recovery period and better post-operative visual acuity. The clinical data submitted to gain CE mark approval showed excellent clinical outcomes with 93% of patients having an uncorrected visual acuity of 20/20 or better. In addition, 20% of patients gained at least one line of best-corrected visual acuity. Ninety-seven percent of patients were within 0.50 diopters of the targeted refractive correction. Root mean square values of all the higher order aberrations including, coma and spherical aberrations were lower than pre-operative levels. Average contrast sensitivity was maintained three months post-operatively, indicating the potential of excellent quality of vision after the procedure. Additionally, none of the patients lost two or more lines of BSCVA post-operatively.

"The use of CATz in excimer laser vision correction potentially increases the quality of vision while addressing two major issues in refractive surgery: induced spherical and other higher order aberrations that can occur post-ablation. We expect an unsurpassed level of patient and physician satisfaction with this improvement in refractive surgery," noted Ozawa. The CE Mark is an indication that a company has met essential health, safety and environmental protection requirements detailed in 22 European Directives covering an array of products including medical devices. The CE Mark allows products to gain access to the EU market, assuring physicians and patients of the safety of the product.

12/9 Michael Lachman of **ThinkEquity Partners** issued an update research report on **Advanced Medical Optics**, entitled, **"AVO: Raising Price Target: Improving Visibility on Earnings Upside"**. Some of his comments included:

We reiterate our Overweight-2 rating on shares of Advanced Medical Optics (AMO), and raise our 12-month target from $21 to $23, as we expect improving visibility on earnings upside in 2005 and beyond. We view AMO as the likely acquirer of the **Pfizer** cataract business, and in this note we model the potential financial impacts of this deal. We see the potential for about $0.14 of earnings accretion by 2005 and about $0.30 by 2006, and possibly more if AMO can achieve a lower purchase price than we are modeling. On December 16, AMO management will host a conference call in which it will provide additional insight into how it plans to achieve its profitability initiatives. The company is targeting a 15% operating margin exiting

2005, versus our 11% forecast for the full year. We note that each point of margin upside to our model adds $0.13 to 2005 EPS.

Investment Highlights -- We reiterate our Overweight-2 rating on shares of Advanced Medical Optics (AMO). Our recent meeting with management at the AAO reaffirmed our view that this is a company that will find ways to achieve above average top and bottom line growth in the slow but steady markets in which it competes. We are raising our 12-month price target from $21 to $23, based on a slightly higher P/E multiple (19x versus 18x) applied to our 2005 EPS estimate of $1.19. We justify the target P/E increase based upon an uptick in comparable company P/Es, as well as improving visibility on earnings upside in 2005 and beyond. Our $23 price target represents 19% upside from the current price.

We view AMO as the likely acquirer of the **Pfizer/Pharmacia** cataract surgery business, and in this note we model the potential financial impacts of this deal. We also note that in one week, on December 16, AMO management will host a conference call in which it will provide additional insight into how it plans to achieve its profitability initiatives. Finally, we review the recent patent complaint by AMO against Alcon (ACL - $56.97 - Overweight-3, $62 price target), and conclude that the suit is unlikely to prove material to either company.

Modeling the Likely Acquisition of the Pfizer/Pharmacia Cataract Surgery Business -- We believe that AMO is in a unique position to be an ophthalmology industry consolidator. We view the company as the likely acquirer of the Pfizer/Pharmacia cataract surgery business, as do most of the industry insiders with whom we have spoken. While AMO management certainly cannot confirm that they are bidding on this business, they do not deny that they have the strategic intent and the financial flexibility to pursue this sort of transaction.

This acquisition would be an excellent strategic fit for AMO: about $125 million of the $150 million in annual Pfizer cataract revenues are derived from the high margin Healon line of cataract surgery viscoelastics, a product category in which **Alcon** is the market leader and in which AMO does not have a strong product offering. Viscoelastics are used in cataract and vitreoretinal surgery in order to maintain the shape of the eye and protect tissues. We estimate that Alcon has a 50%-plus share of this $400 million worldwide market segment (a little over half of that in the US), and that the segment is growing in the mid-single digits, in-line with the larger cataract surgery market. **Bausch & Lomb** (BOL - $51.89 - Equal Weight-4 - $53 price target) is the #3 player.

The other $25 million in sales consists primarily of IOLs, including the unique Tecnis wavefront-modified prolate aspheric lens. Acquiring the Pfizer cataract business would increase AMO's cataract surgery revenue base by roughly 50%, and the overall company revenue base by roughly 25%. We believe that the Pfizer cataract product line carries high gross margins (80%-plus), and thus would raise AMO's overall

corporate gross margin and provide a significant opportunity for incremental operating leverage.

Recognizing that we have little specific information regarding the Pfizer cataract business, and even less insight into any negotiations that may be taking place between the companies, we have attempted to model the deal anyway. Our assumptions are as follows:

* Current annual revenues of $150 million ($125 million viscoelastics, $25 million IOLs)

* Annual revenue growth of 5% post-acquisition

* Cost of incremental debt for AMO of 6%; incremental cash flow is used to reduce debt

* Opportunity for cost synergies: 10% of target company total expense base, including COGS, by the end of the third year

* 20% of cost savings realized in 2004, 50% in 2005, and 80% in 2006

In our view, the key variables/unknowns in the equation are the current operating margin of the Pfizer cataract business, and the multiple of profits that AMO would have to pay for the business.

* In our analysis, we model operating margins as low as 10% (in-line with AMO's current operating margin) to as high as 30% (in-line with the most profitable medical device companies). Our baseline case assumes operating margins of 15-20%.

* We model purchase prices as low as 16x net earnings to as high as 24x. Net earnings are calculated by applying AMO's 34% tax rate to operating earnings under various scenarios. Our baseline case assumes a purchase price of 18-20x net earnings, consistent with the current P/E valuations for both AMO and Bausch & Lomb.

Results of our sensitivity analysis (earnings accretion and dilution in 2004-2006 given various combinations of operating margin and purchase price P/E) are attached to this report. Our conclusions are as follows:

* On a price-to-sales basis, we forecast that AMO would most likely pay 1.8x-2.6x for this business, equating to a purchase price range of $270-$390 million ($325 million expected value).

* If a $325 million purchase price were added to AMO's current debt of $230 million, the total debt level of $555 million would represent 18x our 2004 proforma net income forecast of $31 million. AMO initially spun out from Allergan with a debt

level of $300 million, which at the time was the same 18x multiple of 2002 net income of $17 million. By the end of 2006, we estimate that debt would be reduced to about $440 million, or about 8x estimated 2006 net income of about $54 million. We note that the current debt level of $230 million is 10x our forecasted 2003 net income of $23 million.

* For 2004, we estimate that the deal would be dilutive to earnings by $0.03-0.13 without synergies ($0.08 expected value), and $0.07 dilutive to $0.02 accretive with synergies ($0.03 dilution expected).

* For 2005, we estimate that the deal would be $0.04 dilutive to $0.07 accretive without synergies ($0.01 accretion expected), and $0.09-0.19 accretive with synergies ($0.14 expected value).

* For 2006, we estimate that the deal would be $0.04-0.16 accretive without synergies ($0.10 expected value), and $0.25-0.36 accretive with synergies ($0.30 expected value).

A number of factors should help AMO achieve a favorable acquisition price. We believe that the management and board of directors of AMO will prove to be disciplined acquirers, and suspect that our purchase price estimates could prove conservative. While AMO management will not discuss its detailed financial criteria for an M&A transaction, they claim that they will not do a deal that would be so expensive or dilutive that it would preclude another subsequent deal. In addition, we believe that the competition for this deal will be minimal as there are few natural, synergistic acquirers of the Pfizer cataract business. Alcon has the financial capability to acquire this business but would run into antitrust roadblocks, and in our view Bausch & Lomb is too focused on internal operational improvements and debt reduction to consider an acquisition of this size. Finally, we have heard that there has been some field sales force disruption and flattening of growth in the Pfizer cataract business in the months since the announcement by Pfizer that this business was for sale, which is not an unexpected occurrence in the medical device industry. This should work in favor of any serious bidder for this business.

(Also see his further comments, below, following AMO's investor teleconference held on December 16th.)

12/9 **LCA-Vision Inc.** announced that it had successfully closed its previously announced public offering of 3 million common shares, representing 2.4 million newly issued shares sold by the company, and 600,000 shares sold by the company's CEO, at a price of $16.50 per share. Proceeds of this offering to LCA-Vision were approximately $37.2 million. LCA-Vision intends to use the net proceeds of the financing to open additional laser vision correction centers, purchase additional technology and equipment, fund potential strategic transactions, and provide working capital for general corporate purposes.

UBS Securities LLC and **C.E. Unterberg, Towbin** were the managers for the offering. UBS Securities LLC was the sole book-running manager.

12/9 **Ophthonix, Inc.**, a vision care company developing enhanced visual correction systems, announced that it debuted its new vision optimization technology to a very enthusiastic industry at the *American Academy of Optometry* in Dallas, TX, December 4-6. The Ophthonix technology will deliver the Z-Lens eyeglasses, which are designed to provide "high definition vision" -- up to 20/10 visual acuity with clarity and crispness -- to the millions of consumers who require vision correction. The Z-Lens, is the first ever fully customized approach to eyeglasses and will capitalize on the $15 billion spectacle lens market.

"The Ophthonix approach is the first major industry transformation in single vision spectacle lenses since their invention and can also be applied to contact lenses," said Andreas Dreher, CEO and co-founder. "What makes the Ophthonix system such an advance is its ability to exactly determine and customize correction to the patient's specific optical needs, thus providing high definition vision. The potential for optimized vision is tremendous." Dr. Dreher explained that the human eye is an imperfect optical instrument and that no two eyes are alike. Today's refraction focuses only on traditional sphere, cylinder and axis, which allow correction for nearsightedness and farsightedness. Current technologies are not able to separately measure and correct high order aberrations -- which include coma, trefoil, spherical aberration, quadrefoil, distortion and increasing levels of astigmatism. As a result, even if patients see 20/20, their clarity and crispness of vision may be compromised or they may experience double images, shadows, halos, or poor contrast. Often those with 20/20 vision have difficulty driving at night. "The high order aberrations are central to the concept of no two eyes being alike, much as with fingerprints, and until these are addressed in refraction and correction, the patient will always be in a position of vision compromised and not optimized," said Dreher.

Dreher added that the Ophthonix technology is a fully integrated system. "It includes the eye exam, the measurement and correction of aberrations in the eye and the way lenses are produced," he said. He explained that the exam is conducted with the Z-View aberrometer, an objective, through-lens, binocular instrument that is based on theory of wavefront measurements. The Z-View measures second order and high order aberrations, producing a digital prescription that is programmed into the Z-Lens eyeglasses. The programmer operates much as a CD burner would, actually adding information to the lens, which is completely different than the molding or grinding processes of today. The exam is quick, taking only two minutes to complete, compared to an average of 15 to 20 minutes for traditional refraction, and completely objective, requiring no input from the patient. Dreher went on to note, "the objective approach of the Z-View exam also makes it ideal for use in screening vision with young children and infants."

At the debut, Ophthonix's Professional Advisors, a group of renown and influential doctors, presented clinical data on the Ophthonix lens, demonstrating significant vision improvement in myopic, emmetropic and LASIK patients. Ophthonix plans further clinical trials during the first half of 2004, leading up to its formal market introduction in the fall 2004.

Dr. Dreher summed up the response from Academy attendees as overwhelmingly positive. "The enthusiasm we received from eye care practitioners was beyond our expectations. They saw the importance of the Ophthonix concept and the benefits it will bring to their patients and their practices."

12/10 **TLC Vision Corporation** announced that the company will be added to the S&P/TSX Composite Index effective after the close of trading on December 19, 2003. TLCVision will also be added to the S&P/TSX Small Cap and S&P/TSX Capped Healthcare sub-indices.

12/10 Jason Mills of **First Albany Capital**, released an update research report on **Bausch & Lomb**, based on comments made at the *First Albany Capital Growth Conference*. Some of his comments included:

* The SofLens multi-focal lens line is exceeding our expectations. Multi-focal lenses have penetrated a de-minimus percentage of the applicable patient population and we believe this line bodes well for the company's contact lens segment.

* Early indications from Zyoptix launch give us confidence BOL can double its domestic share of LASIK procedural market.

* Accommodating IOL in development offers a substantial, incremental revenue opportunity beyond 2004. Bausch's dual optic design can improve vision by 4 diopters versus 2 diopters in competitive products available or in development.

Refractive Surgery (Zyoptix). With the October FDA approval of its custom LASIK technology, Zyoptix, the company has begun an aggressive marketing campaign to gain domestic market share of installed systems and LASIK procedures. Judging from our conversations with management at our conference, the company seems to be on track with its goal of doubling its current domestic market share in LASIK-installed systems (we estimate the company has a high-single-digit percentage market share). We reiterate our 12-month price target of $58/share owing to a 22.5x multiple of our 2004 estimate, or 1x our 2-year CAGR estimate (2003 and 2004 compounded) of 22.5%. We note this target multiple remains a discount to the company's peer group average - FAC Mid-Cap medical device group - 2004 P/E of 23.7x. A modest discount is justified, given the lower top-line growth versus its peers, while BOL's operating leverage and good visibility into numbers is a positive, in our view.

12/11 The December issue of *Ophthalmic Market Perspectives* featured a review of the recent AAO annual meeting. As Dave Harmon noted, Wavefront-driven diagnostic equipment and wavefront-driven LASIK (WFL) were popular topics during the scientific presentations...although interest in this technology is still strong, presentations and hallway discussions lacked the intensity of past meetings. A handful of presenters suggested that WFL technology was far from meeting expectations and improvements were required to make it the standard of care. Others reported that improvements in subjective quality of vision and lower levels of surgically induced higher-order aberrations were strong arguments to make WFL the standard of care.

12/11 **Carl Zeiss Meditec AG** announced that sales increased by 16.7% in the past financial year 2002/2003 with its financial structure considerably improved. In the financial year 2002/2003 (ending 30 September) the company, which has a Prime Standard listing on the Deutsche Bourse, further improved its market position and significantly increased its profitability. The Group was able to realize an increase in sales of 16.7% to E235.7 million despite the weak global economy. On the basis of constant exchange rates, sales would have risen by 29.4% to E261.4 million. Accounting for 52.4% of sales, America is still the most important sales market, ahead of Asia (23.7%) and Europe (17%).

Earnings before interest and taxes (EBIT) increased by 147% to E24.7 million (previous year: E10 million), representing an EBIT margin of 10.5% (previous year: 5%). This was due primarily to globally successful products and reduced manufacturing costs. Ophthalmology, Carl Zeiss Meditec's core business, turned in considerably increased profits: the net income was E10.8 million (previous year: E4.7 million).

Consolidated net income nearly doubled to E6.6 million (previous year: E3.4 million) including the loss from the peripheral operations, Aesthetic and Dental, which have been disposed of. In the financial year 2002/2003 these two divisions contributed a loss of E4.2 million to the result for the last time. Ulrich Krauss, President and CEO: "Despite a depressed economy we have lived up to our forecasts and kept our promises. For us this represents a sound basis for achieving our growth targets."

Thanks to savings in costs of goods sold and profitable new products, the gross margin increased by 8.7 percentage points to 43.5% (previous year: 34.8%). The financial power of Carl Zeiss Meditec increased in parallel to the growth in sales and revenue: Cash and cash equivalents increased to E45 million after E7.2 million by the end of the previous financial year. Operative cash flow reached 80 28.1 million (previous year: E22.7 million). Net debt decreased by 70.8% to E24.2 million (previous year: E83 million).

On September the company placed 2.6 million new shares throughout Europe at a price of E9.70 in a heavily oversubscribed issue. In the last twelve months the company completed its integration with the former Asclepion-Meditec AG and, by

selling the Aesthetic and Dental operations, shifted the focus to the core ophthalmic business. Also, the successful start of the company's own sales organization in Japan significantly increased its competitiveness there, and this year also saw the extension of the product range with the launch of the new MEL 80 laser.

As of 30 September 2003 Carl Zeiss Meditec had 752 employees and 24 trainees (previous year: 869 employees and 26 trainees). The reduction is largely due to the sale of the peripheral operations.

Carl Zeiss Meditec believes it is now well equipped for the future. Ulrich Krauss, President and CEO: "The results of the financial year have strengthened our conviction that the path we have chosen is a successful one and that we should stay on it." The Group aims to double its sales in the next five years and to achieve an EBIT margin of at least 15%. Carl Zeiss Meditec has also set itself the target of fulfilling the criteria for inclusion in the TecDAX index in the near future.

12/11 **Carl Zeiss Meditec AG** and its Japanese subsidiary can now offer their successful VISULAS 690s laser to doctors and patients in Japan. After completing a twelve-month clinical study the Japanese health authorities have granted the necessary market approval to the Zeiss photodynamic therapy (PDT) laser, the only device of its kind to be licensed. The laser can be used to help patients suffering from wet Age-Related Macular Degeneration (AMD). People with this disorder often lose the ability to read, drive or recognize faces within just a few months. Ulrich Krauss, president and CEO of Carl Zeiss Meditec AG, said, "We are proud of the fact that our device can help Japanese patients to obtain treatment for a disorder for which, up to now, there has been no satisfactory therapy. We are therefore continuing to pursue our strategy of providing eye specialists with innovative systems for maintaining vision. The Japanese approval is confirmation of the innovative power of our products. Our direct presence in this important market has been a major factor in obtaining the approval."

Doctors estimate that roughly 500,000 people contract AMD each year. The disorder is therefore the main cause of blindness in people over 50 in the industrialized countries. Age-Related Macular Degeneration is accompanied by the formation of abnormal blood vessels (choroidal neovascularisations) which grow over the central part of the retina, the macula. This destroys the central vision. Treatment (PDT) is possible using the VISULAS 690s in combination with medication. In contrast to conventional treatment, the sensitive receptor layer of the retina is not damaged. During the treatment, the patient is first given an injection of light-sensitive dye (Visudyne from **Novartis**) which is deposited selectively only in the neovascularisations. The dye is activated in the subsequent laser treatment; it reacts with the oxygen in the tissues and destroys the diseased cells, thereby closing off abnormal vessels. The result of such treatment is the arrest of further loss of visual acuity. By receiving its approval in Japan, the VISULAS 690s and Visudyne therapy

has once again demonstrated its effectiveness and safety: this means that the quality of life for many people all over the world can now be significantly improved.

12/15 As reported in *Optoelectronic Report*, medical-laser manufacturer **WaveLight Laser Technologie** announced plans to establish its U.S. headquarters in Virginia. Through a $5 million investment, the company will create 30 new jobs. Virginia successfully competed with Illinois and Maryland for the project. "With our decision to locate our U.S. headquarters in Virginia, we have chosen the best possible location," said Max Reindl, CEO of WaveLight. "Both the transportation links and the growth opportunities have convinced us that the location we have chosen is the ideal starting point for our U.S. market entry, and we will manage all U.S. activities from here in future. Overall, we are expecting to strengthen our market position as a high-tech laser manufacturer in the field of medical technology, especially in the United States."

In October 2003, WaveLight received FDA approval to market its Allegretto Wave excimer laser system in the United States for use in LASIK surgery procedures. The company develops, produces and markets laser systems in the fields of ophthalmology, aesthetic surgery, urology, and industrial applications.

"WaveLight is a valuable addition to the business climate of Loudoun County and Northern Virginia," said Virginia Governor Mark Warner. "The Common-wealth continues to maintain strong business partnerships with German companies through the Virginia Economic Development Partnership's Frankfurt (Germany) office."

12/16 Writing the *STREET WISE* column for *Business Week Online*, Amy Tsao commented on "Cosmetic-Services Stocks Pretty Up". Some of her comments about refractive surgery included:

Recovery means folks are more willing to splurge on dental work or Botox. And companies that meet such demand are now alluring Earnings, stocks, and economic data are all pointing in the same direction -- toward a recovery with some real momentum. Finally. So, many Americans might be feeling flush and ready to splurge again. And to more than a few, that might mean a little dental work or cosmetic surgery is in order.

Cosmetic procedures usually aren't covered by health insurers, so when the economy is sluggish and job security uncertain, it's easy for people to put them off. But now that growth has perked up, a rebound in demand for these services could materialize. Vision-correction surgery has declined over the last several years but is expected to increase next year. Breast augmentation, injections of collagen and wrinkle-smoother Botox, teeth whitening or straightening, and other dental and orthodontic procedures also are expected to be on the upswing.

"When people's outlook on the world is positive, they say: I'm going to do this really special thing for myself," says Liz Davila, chief executive of **VISX (EYE)**, the country's biggest provider of lasers used in vision-correction surgery.

This year, VISX introduced a new, more expensive custom vision-correction procedure. Shares of VISX are up more than 100% year-to-date. "Now that we're seeing fourth-quarter signals on the economy that are mostly positive, people will become more confident of economic recovery, and you'll see more upside on most of these stocks," predicts Weidong Huang, vice-president of New York-based **Times Square Asset Management**. (Huang owns shares in **LCA Vision (LCAV)**.) Moreover, he points out that these businesses have significant operating leverage, which means their profit margins are likely to rise faster than revenues because fixed costs don't change much as sales rise.

SEEING GAINS. VISX, for one, is expecting 60% earnings growth in 2004, though revenue should expand in the high teens. It reported earnings of $15 million on $140 million in revenues in 2002. Davila says ophthalmologists have been booking more procedures for the new year than in recent years. A new custom procedure will also help the top line in 2004, probably accelerating growth: VISX receives a $235 payment for each custom procedure, vs. $100 per traditional correction.

In November, the higher-priced custom procedures accounted for only 10% of total sales, but Davila sees that rising to 30% next year. Michael Lachman, analyst at **ThinkEquity**, says VISX' valuation of 32 times 2004 earnings is only slightly higher than its historical average of 30. He has a price target of $29 on the stock, which would be up 22% from the current price of $23 and change. (Lachman doesn't own shares. His firm has no relationship with VISX.)

Smaller concerns that should benefit from better vision care include LCA Vision, which runs vision-correction centers and has just raised $37 million in a secondary stock offering. "They now have money to build new facilities," says Allen Klee, fund manager at **First Investors**, noting that few other chains are currently expanding. (Klee's fund owns shares of LCA Vision and VISX.)

12/16 **Advanced Medical Optics** held an investors teleconference to announce a corporate restructuring to provide cost savings. Following the call, several analysts provided their views on the announcements.

Ted Huber of **Wachovia Securities** -- **"AVO: An Early Look at 2004 Restructuring for 2005 Cost Savings"**. Some of his comments included:

* A PLAN TO LOWER SG&A: Yesterday (12/16), AVO hosted a conference call outlining a 4 point plan to improve operating margins to a 15% run rate by the end of 2005. Highlights of the new program include:

(1) a re-organizing along functional lines, including a global marketing structure and 4 sales regions (vs. 3 today)
(2) a global procurement program and
(3) a small headcount reduction.
(4) Management also reviewed previously announced manufacturing cost reduction initiatives.

* POTENTIAL 2005 EPS UPSIDE: Though no official guidance was offered, management's internal financial goals (50-75 bps annual GM expansion and SG&A at a 40% run rate by the end of 2005) imply 2005 EPS $0.20 to $0.25 above current consensus. We note every 100 bps improvement in 2005 SG&A margin equates to $0.20 of incremental EBITDA per share and $0.14 of incremental EPS. These various reorganizations are also likely to bring more one time charges to AVO's P&L; expect more detail on the plans and charges on the Q403 earnings call.

* NO CHANGE TO MODEL: GAAP earnings are likely to fall shy of the $1.02 we model for 2004 but exceed the $1.20 we forecast for 2005, assuming AVO executes these new cost savings plans. Our model remains unchanged at this point pending additional detail on the charges and plans.

Michael Lachman of **ThinkEquity Partners** -- **"AVO Profitability Initiatives"**. Some of his comments included:

We maintain our Overweight-2 rating on Advanced Medical Optics (AMO) following a conference call in which management provided a roadmap for improved profitability in 2005 and beyond. As expected, there was no change to guidance for 2004. Management reiterated its 15% operating margin goal exiting 2005 and heading into 2006. We're currently modeling an 11% operating margin for the full year 2005, so there should be some margin upside even if margin gains in 2005 are back-end loaded. We estimate that each incremental 100bp of operating margin is worth about $0.13 to 2005 EPS. The organizational realignment will result in some non-recurring charges in 2004 and 2005, but these have not been quantified. We still believe that an (accretive) acquisition of **Pfizer's** cataract business could be in the works, as one of the stated goals of the realignment is to be able to better integrate acquisitions.

Investment Highlights -- We maintain our Overweight-2 rating and 12-month price target of $23 on shares of Advanced Medical Optics (AMO) following a conference call in which management provided a roadmap for improved profitability. Most of the impacts of the company's initiatives will be seen in 2005 and beyond, and we believe that there is improving visibility to earnings upside after next year.

As expected there was no change to 2004 guidance, and we are focusing more on operational execution than on earnings outperformance next year. Revenue guidance for 2004 remains $605-615 million, and proforma EPS guidance remains at $0.98-1.00. Our estimates for 2004 coincide with the top end of those guidance

ranges. Given all of the activities that will be taking place in 2004, such as the initiation of the company realignment program, along with the previously announced Madrid plant start-up and Hangzhou plant expansion, we are more focused on operational execution and achievement of milestones in 2004 than on earnings upside. We are maintaining our $1.00 EPS estimate for 2004, but rebalancing the quarterly progression in line with the company's ongoing efforts to remove historical seasonality: Q1 through Q4 EPS estimates go from $0.04, $0.27, $0.30, $0.38 to $0.09, $0.26, $0.27, $0.38.

Management reiterated its profitability goals: 50-75bp annual gross margin improvement, and exiting 2005 with SG&A at 40% of revenues, a mid-30's tax rate, and operating margin of 15%. The 15% operating margin goal should be viewed as a year-end 2005 target, not a full-year 2005 average, positioning the company for a 15%-plus operating margin in 2006. We're currently modeling an 11% operating margin for the full year 2005, so there should be some margin upside even if margin gains in 2005 are back-end loaded. We estimate that each incremental 100bp of operating margin is worth about $0.13 to 2005 EPS. Our current 2005 EPS estimate stands at $1.19, and we would look to increase this forecast as we obtain greater visibility on successful execution of the company's plans.

The areas of focus for productivity improvement should not come as a surprise. The sources of cost reduction are what would be expected for a company that spun out of a larger organization (Allergan) 18 months ago, and maintains remnants of a legacy organizational structure. The company's new operating model will be instituted beginning in early January and be implemented over a 12-24 month period, and consists of four key components:

* The organization will be realigned along functional lines, to better leverage support functions and reduce administrative costs. At present, the company operates largely as a corporate headquarters plus three separate regional businesses (Americas, Europe, and Asia/Pacific). Each regional business has its own infrastructure (i.e., marketing, finance, support functions). Many of the support functions will be centralized in an effort to reduce costs. The bulk of near-term savings should result from centralized procurement, in areas of indirect/G&A expense such as T&E, freight, and computer hardware. Other functions to be centralized, with an eye toward longer-term cost savings, include customer service (including order processing and fulfillment) and finance/shared services. Management characterizes the IT-related risk as low: the company is not instituting a new global IT platform, but rather fine-tuning its existing SAP-based infrastructure by instituting best-practices across the organization. R&D was not highlighted as a source of savings on the call, and is still viewed by management as an area for increased investment.

* At the same time, a global marketing structure will be established. The new centralized marketing organization will incorporate individuals who reside within the current regional business units. A global positioning strategy will be pursued for each

of the company's major brands and product lines, although tactical marketing and sales support will still take place at the regional level.

* The three current sales regions will be expanded to four, highlighting the non-Japan portion of the Asia/Pacific region, particularly China, as a distinct sales region. In addition, because many of the support functions will be centralized, each of these sales organizations should be able to focus entirely on sales and service to its customer base.

* Global manufacturing will be emphasized as a core competency. The company is already making progress against the manufacturing strategy that it outlined at the time of the spinout in mid-2002. The Madrid contact lens solutions plant, purchased last month from Alcon (ACL - $57.86 - Overweight-3), will begin production in H1-04 and should allow the company to phase out of Allergan as a supplier in 2005. The Hangzhou, China plant will also be expanded in 2004. Some pressure on gross margins is still expected in H1-04 due to the manufacturing scale-up. One of the new initiatives within manufacturing will be a focus on streamlining the global supply chain, which should follow procurement as a source of near-term cost savings. Management will focus on reducing inventories at various points in the channel, possibly reducing the number of facilities, and speeding the flow of product through manufacturing and distribution. One of the stated goals of this effort is to improve the company's scalability and ability to integrate acquired businesses, supporting our view that a significant deal could be in the works.

On a separate note, management confirmed that Verisyse phakic IOL will go before a February 5 FDA panel. Our expectations are modest for this product, although FDA approval would expand the company's footprint in the refractive surgery market.

12/17 **LCA-Vision Inc.** announced plans to open LasikPlus vision facilities in Houston, TX in late December and Orlando, FL in early January. The new centers are the first LasikPlus facilities in these markets. Both new centers will be equipped with technologically advanced lasers and diagnostic equipment, offering customers a choice of laser for LASIK and Custom LASIK procedures. Federico Mattioli, MD and Lewis Groden, MD, will head the Houston and Orlando medical teams, respectively.

"We are capitalizing on the strength of our proven business model, our sales and marketing expertise, our solid cash position and exciting new market opportunities to expand into targeted domestic markets," stated Stephen Joffe, LCA-Vision chairman and CEO. "We have reached our objective of opening four LasikPlus vision centers in 2003, and we look forward to further expansion of our LasikPlus network in fiscal 2004 and beyond."

LCA-Vision has recently opened LasikPlus vision centers in Louisville, Cleveland, Indianapolis and Las Vegas, and currently operates 39 laser vision correction centers,

including 36 wholly owned LasikPlus vision centers located in large metropolitan markets throughout the United States, two joint ventures in Canada and one joint venture in Europe.

12/22 **OPHTEC USA, Inc.**, a privately held medical device manufacturer and subsidiary of **OPHTEC B.V.** (Netherlands), and **Advanced Medical Optics, Inc.** announced that the FDA had confirmed that it will review the Pre-Market Approval (PMA) application for the Verisyse phakic intraocular lens on February 5, 2004. The companies announced on August 22, 2003, that the PMA application had been accepted by the U.S. FDA and been assigned expedited review status.

AMO holds global distribution rights to the Verisyse phakic intraocular lens, which it launched in Europe in 2002, and is the exclusive distributor of the product in North America and Japan. OPHTEC markets the product outside of North America and Japan under the brand name of ARTISAN.

12/22 **IRIDEX Corporation** announced that HGSAdministrators (HGSA), the Medicare Part B Carrier for Pennsylvania, published a Local Medical Review Policy (LMRP) that will allow reimbursement to ophthalmologists performing Transpupillary Thermotherapy (TTT) treatment of wet age-related macular degeneration (AMD) and certain intraocular tumors effective December 29, 2003. The TTT protocol primarily uses the IRIS Medical OcuLight Slx laser by IRIDEX to treat AMD and tumors. TTT may be a more cost effective method to treat AMD than alternative methods.

The HGSA policy (S-135) states, "TTT has been proposed as an alternative to photodynamic therapy, as TTT is not associated with the high expense of a photosensitizing drug. TTT has also been proposed as an alternative to laser photocoagulation due to its ability to treat the leakage with less overlying retinal damage...Based on peer-reviewed literature, payment will be allowed for TTT as a treatment method for certain intraocular tumors such as small choroidal melanomas, exudative CNV (wet AMD) and retinoblastoma."

Theodore Boutacoff, president and CEO of IRIDEX, commented, "We believe that a growing body of evidence of favorable clinical outcomes and enthusiasm from ophthalmologists in Pennsylvania provided HGSA with sufficient information to cover the TTT treatment method. We are especially pleased that Medicare is covering TTT for wet AMD because the treatment will provide a cost effective alternative that otherwise might not be available to certain AMD patients." Medicare coverage and payment for TTT has been determined on a carrier-by-carrier basis since September 2000 when the Centers for Medicare and Medicaid Services (CMS) issued a program memorandum listing these procedures. As elaborated in the 2001 Federal Register, Medicare Part B Carriers were given the freedom to establish relative value units and payment amounts for these services, generally on a case-by-case basis following review of documentation such as an operative report. There are now 16 states with written reimbursement coverage policies on TTT: Alaska, Arizona, California,

Colorado, Hawaii, Iowa, Idaho, North Carolina, North Dakota, Nevada, Oregon, Pennsylvania, South Dakota, Tennessee, Washington and Wyoming.

12/22 **Refocus Group, Inc.** announced the closing of $2.2 million in interim financing through a private placement of 4.4 million shares of common stock, along with warrants to purchase an additional 2.2 million shares at an exercise price of $2.00 per share. Proceeds will be used to help fund planned FDA Phase II clinical trials of the company's Scleral Implants and Scleral Spacing Procedure for the surgical treatment of presbyopia, as well as for continuing operations.

"This financing allows us to move forward with the planned Phase II clinical investigation for our promising surgical treatment of presbyopia, which is a vision disorder that affects virtually 100 percent of the population over age 40," said Terry Walts, president and CEO of Refocus Group. "It also provides us with additional operating capital during the short term as we work through the implications of the pending sale of **CIBA Vision's** Surgical unit, our current strategic partner, as announced by CIBA Vision in August."

The potential market for a surgical treatment of presbyopia remains significant. For example, an article in the Dec. 15, 2003 issue of *Review of Optometry*, which updates the leading research on procedures for the treatment of presbyopia, including Refocus Group's Scleral Spacing Procedure, states, "The potential market for a consistent and predictable procedure [for presbyopia] is tremendous. Consider that there are about 76 million Americans in the baby boom generation, the group currently between the ages of 39 and 57, as defined by the U.S. Census Bureau. Baby boomers, the generation that instituted instant gratification, don't want to bother with readers if they can avoid them."

The securities sold by Refocus Group in the private placement have not been registered under the Securities Act of 1933 and may not be sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act.

12/29 **VisiJet Inc.** announced that it had entered into an investment banking relationship with **Capital Investment Services Inc. (CIS)**, one of the premier investment banking and investor relations firms in the Southeast United States. "We are pleased to have this agreement with CIS, a company known for its expertise in international and institutional investors," said Randy Bailey, president and CEO of VisiJet. "We believe their knowledge and experience will assist us in becoming better known, and hopefully increase our market capitalization at the same time as our revenues and market share increase."

Robert Escobio, president of CIS stated, "We are pleased to begin working with VisiJet. We have followed this company and its management for over a year. They have assembled a top-level team to complement their state of the art technology.

Based upon our involvement with investment banking and investor relation activities with VisiJet, CIS will be able to closely monitor its business as it develops and introduce the company to major institutional investors in Latin America, Europe and the U.S."