OPHTHALMIC LASER UPDATE -- January 2005

12/28 **LCA-Vision Inc.** announced the opening of a new LasikPlus vision center in Salt Lake City, Utah, its first facility serving this region of the United States. The new center is equipped with technologically advanced lasers and diagnostic equipment, including **Bausch & Lomb**, **VISX** and **Alcon** lasers, offering patients a wide choice of traditional laser vision correction and advanced custom wavefront procedures. Sally Thompson, MD, a board-certified ophthalmologist, will lead the LasikPlus Salt Lake City team of health care professionals.

"With the opening of our Salt Lake City vision center, we have now opened seven vision centers in 2004, meeting our previously announced target for new vision center openings in 2004," commented Stephen Joffe, LCA-Vision's chairman and CEO. "We have specific criteria for vision center locations, including the expectation that a site can reach a breakeven point within six months of opening. To date, the response we have received in our new markets has been strong, and our new vision centers have reached profitability well ahead of our six-month target."

Joffe continued, "Approximately 150 million Americans require eyeglasses or contact lenses with 63 million currently eligible for laser vision correction surgery. Since FDA approval of laser eye surgery in the United States in 1995, approximately 4.5 million patients have been treated. We believe the potential market remains largely untapped, and the pool of potential patients continues to grow faster than the number of treatments performed. This highly fragmented market should provide significant growth opportunities for us, in both new and existing markets. We believe we are in a strong position for continued expansion, and have plans to open 10 to 12 vision centers in 2005."

12/31 According to *Cataract & Refractive Surgery Today*, on December 17, 2004, the *Department of Veterans Affairs (VA)* rescinded **VHA Directive 2004-045, Laser Eye Procedures**, which allowed optometrists to perform laser eye surgery at its facilities under the supervision of an ophthalmologist. It was replaced by new legislation issued by VHA Undersecretary Jonathan Perlin, MD. VHA Directive 2004-070 ensures that only ophthalmologists will be permitted to perform therapeutic laser eye surgery.

Many actions have been taken by the *AAO* and the *Veterans Eye Treatment Safety Coalition* in an attempt to reverse the controversial ruling made in August, 2004. According to an AAO press release, Dunbar Hoskins MD, executive vice president of the AAO, stated that the collective effort had paid off. "It could not have been done without the veterans themselves -- their concern and the involvement of their congressional representatives were instrumental in achieving this protection for veterans. In addition, Academy members and staff also fought for our veterans with their contributions of time and dollars at extraordinary levels."

Governor Brad Henry's ruling on October 4, 2004, established Oklahoma as the only state in the US where optometrists are authorized to perform scalpel eye surgery. Whether this

recent development in the VA system will have any impact on the present situation in Oklahoma is unknown. However, Cynthia Bradford, MD, who serves as Secretary for State Affairs on the AAO's Committee of Secretaries, hopes that "the Governor and the Oklahoma legislature will consider that the VA, after more then 1 year of deliberation, has determined that it is not in the best interest of patients to allow optometrists to perform laser eye surgery." Dr. Bradford believes that it is the responsibility of the state government to ensure the protection of patients. "I consider this ruling a precedent-setting decision made by the largest medical system in the country. A standard set for the medical care of veterans should not be lowered for the public."

1/7 The January issue of *Ophthalmic Market Perspectives* headlined the 2004 Refractive Highlights. As noted by Dave Harmon, global demand for refractive surgery grew approximately 14% to 3.4+ million procedures, from 3.0 million in 2003. (In a graphic accompanying the Refractive Highlights story, Harmon projects that worldwide demand for refractive surgery will top 3.5 million procedures in 2005.) Demand for LASIK and other excimer-based procedures grew by about 13%, while the smaller segment of other refractive technologies, including phakic IOLs, accommodating IOLs, multifocal IOLs, and CK grew by more than 48% to 119,000 procedures. The global market for refractive surgical products, at the manufacturers level, grew 23% to $756 million, up from $614 million in 2003. This increase was driven by higher procedure fees for wavefront-guided LASIK and laser microkeratomes.

Improving global economic conditions led to healthy growth in LASIK procedures in most market areas. Refractive surgery in Asia increased to approximately 24% of worldwide procedures due to rapid growth in demand in China, India, and other developing Asian economies. Growth was also strong in the U.S., where improved consumer confidence and interest in new wavefront technology boosted demand by 17%. Demand was slower in Europe and South America due to a combination of weaker economic conditions and negative news stories in those areas.

Economic forecasts remained positive at year's end, with growth expectations high in most wealthy nations. U.S. consumer confidence rebounded in December, climbing above average levels and positioning the industry for a stronger than expected start in 2005. The tsunami-earthquake disaster in Southeast Asia, while tragic, is expected to have little or no impact on the demand for refractive surgery in the coming year.

Global sales of new excimer lasers grew slightly in 2004 to an estimated 512 systems. Growth was due to a combination of factors, including growth in the number of new laser centers, replacement of older models, and availability of new lasers in some markets. Demand for new lasers in the U.S. was up slightly as corporate laser centers renewed expansion plans and **WaveLight** (gaining regulatory marketing approval in late 2003) established a measurable market share. Demand outside the U.S. also was relatively static, with gains in the Asian markets offset by declines in Europe and South America.

U.S. adoption of wavefront-driven LASIK provided the economic highlight for the industry by increasing average prices and manufacturer procedure fees for LASIK. However, early in 2004, the share of wavefront-driven LASIK procedures leveled off at about 43%. Further penetration is expected in 2005, with additional surgeon training and new regulatory approvals expanding treatment ranges.

IntraLase made significant progress in convincing surgeons of the value of its premium-priced femtosecond laser keratome, with its share of U.S. procedures growing to approximately 15% of total U.S. LASIK procedures by years end. In addition, the product made solid progress outside of the U.S., with approximately 25 systems installed.

1/11 **NovaMed, Inc.** announced that it had opened its new pain management center located in New Albany, Indiana. NovaMed will initially own 36% of the **NovaMed Pain Management Center of New Albany** and has an option to acquire an additional 15% starting in September 2005. "We are pleased to have received final state licensure approval for our new pain management center," said NovaMed chairman, president, and CEO Stephen Winjum. "Our new center will provide services to physicians and their patients in the greater northern Kentucky and southern Indiana markets," commented Mr. Winjum.

NovaMed acquires, develops and operates ambulatory surgery centers in partnership with physicians. With the opening of this new center, NovaMed now has ownership interests in 25 surgery centers located in 13 states. NovaMed's executive offices are located in Chicago, Illinois.

1/12 Ted Huber of **Wachovia Securities** released his comments on a telephone conference call with Dave Harmon of **Market Scope** on the outlook for the refractive surgery: **Refractive Surgery Conference Call -- LASIK Growth Cools-off During Q4 2004**

*** SURVEY SAYS...**In an investor conference call yesterday, Dave Harmon released preliminary results from Market Scope's recent U.S. refractive surgeon survey (100 practices reporting so far) which indicates LASIK volume growth in the 8-10% range for Q4 2004 with Custom LASIK mix flat at 40%. This estimate compares to mid-teens growth earlier in 2004 and is a few points behind our 13% estimate (10% for VISX) for Q4. The flat mix target is in line and consistent with prior quarters. In addition, the survey indicates modest early uptake on the Verisyse phakic IOL (AVO) and additional (sample too small to quantified) share gains for the femtosecond laser (ILSE).

*** MARKET SCOPE PREDICTIONS FOR 2005:** Market Scope is projecting 8-10% LASIK volume growth in 2005 with Custom Mix climbing near 10 points to 50% due to expansion into hyperopia and marketing efforts by the manufacturers. Wachovia's current model calls for 11% volume growth and a 10 point rise in Custom Mix. Harmon does not expect competing refractive surgery technologies (Epi-LASIK, Phakic IOLs, multifocal and accommodating IOLs, CK) to take significant share from LASIK (90% of all

refractive surgery today). Surgeons reportedly view most of these technologies (Epi-LASIK aside) as complementary, not competitive to LASIK.

*** 2005 REFRACTIVE MARKET UNKNOWNS:** Market Scope's forecast assumes consumer confidence (c.c) averages 100 in 2005 (currently at 102.3) with significant sensitivity to this measure (1 c.c. point = 1 growth point). Harmon also cited proposed regulation of LASIK in the U.K. in response to concerns with poor outcomes/inappropriate procedures as a risk factor - particularly for European market growth, for 2005. We note that the U.S. popular press turned negative on LASIK in 2002 and, we believe, contributed to the sharp deceleration in LASIK growth that year. With an impressive array of new refractive technologies coming to market, and improving outcomes and surgeon selectivity (related factors), we do not expect negative popular press to plague the U.S. market in 2005.

*** PHAKIC IOLS:** Market Scope's survey captured 4% share of surgeons doing Phakic IOLs with a penetration rate of 2% of their practices' respective refractive volume (AVO's Verisyse lens was launched early Q404). Pricing to patients range from $2-4.5k (LASIK average is just under $2k). Near one-third of surgeons reported favoring a posterior, foldable lens like Staar Surgical's product (waiting for approval). Near 1/4 of surgeons favored an anterior, iris fixed, non-foldable lens like AVO's recently launched Verisyse lens.

1/13 **IntraLase Corp.** announced that *Health Canada* had granted a device license amendment for the company's INTRALASE FS femtosecond. The company plans to immediately commercialize the INTRALASE FS laser in Canada. This will expand its global presence to 18 countries worldwide. As of Sept. 30, 2004, 180 INTRALASE FS lasers were installed in ophthalmic practices worldwide, resulting in a 15 percent market share of all corneal flap procedures in the United States for the quarter. To date, more than 250,000 IntraLase-initiated LASIK procedures have been sold worldwide.

"Expanding IntraLase's presence in the Canadian market is an exciting opportunity and further demonstrates the global potential of the INTRALASE FS laser technology," said Robert Palmisano, president and CEO of IntraLase Corp. "We are pleased that Canadian practitioners can offer the clinically-proven safety and improved visual outcomes of IntraLase-initiated LASIK to their patients."

1/18 Ted Huber of **Wachovia Securities** commented on the **IntraLase** Canadian marketing approval: IntraLase announced Health Canada's approval of its femtosecond laser, expanding IntraLase's presence to eighteen countries. We view the Canadian approval as a modest incremental positive but note that it will take a while for the expanded presence to translate into additional procedure volumes considering the learning curve and the decision time.

1/18 Michael Lachman of **ThinkEquity Partners** on **TLC Vision**: **TLCV: Resuming Coverage with a Buy Rating and $12 Price Target**

We are resuming coverage of TLC Vision, following the OccuLogix IPO, with a Buy rating and 12-month price target of $12. Our new 12-month price target represents a combination of the company's core service businesses (target of $8.50), and TLC Vision's 51% stake in OccuLogix (RHEO - $9.35 - Buy - $12 Price Target), which translates to a target of $3.50 per TLCV share. These two 12-month targets sum to $12, which is our new target for TLC Vision shares. With 32% upside from current levels, a Buy rating is appropriate.

Investment Highlights: We are resuming coverage of TLC Vision, following the OccuLogix IPO, with a Buy rating and 12-month price target of $12. Our new 12-month price target represents a combination of the company's core service businesses (target of $8.50), and TLC Vision's 51% stake in OccuLogix (RHEO - $9.35 - Buy - $12 Price Target), which translates to a target of $3.50 per TLCV share.

Based on valuation multiples of comparable healthcare service companies, we view a 12-month price target of $8.50 for the core LASIK and cataract service business as appropriate. This reflects the average of: (1) a $10 price target resulting from a 16x P/E applied to estimated 2006 EPS of $0.64, and (2) a $7 price target resulting from a 7.5x EV/EBITDA applied to estimated 2006 EBITDA of $64.7 million.

In addition, TLCV's 51% stake in OccuLogix and our new 12-month price target of $12 for RHEO shares translate into a valuation of $3.50 per TLCV share in 12 months.

Combining the targets for the core business ($8.50) and the OccuLogix stake ($3.50) results in our new 12-month price target of $12.

With 32% upside to our new 12-month price target from current levels, a Buy rating is appropriate.

1/18 **eyeonics, inc.** announced that more than 13,000 crystalens were implanted in the U.S. during the company's first year in the U.S. market. "Demand for the crystalens by ophthalmologists and their patients has been much higher than anticipated," commented Andy Corley, chairman and CEO of eyeonics. "As a result of this demand we tripled the number of employees in the field during 2004, and we will continue to increase our field personnel in 2005. The 13,000 implants in the U.S. during our first year have provided doctors a new source of revenue due to the unique and superior solution offered by the crystalens," said Corley.

Dr. Harvey Carter, a prominent ophthalmologist in Dallas, Texas, and one of the world's leading crystalens implanters, having implanted more than 500 crystalens, commented, "Integrating the crystalens into my practice has significantly increased surgical revenue, and, more importantly, has given my private patients the best technology option for rejuvenating their vision. My patients with crystalens often comment that they've never seen better."

The crystalens, which is the result of more than 14 years of research and development by Stuart Cumming, MD, Chief Scientific Officer of eyeonics, received FDA approval in November 2003. During the clinical trial, all of the patients who received the crystalens greatly reduced their need for corrective lenses or glasses. The patented crystalens technology is designed to allow the lens to move in the eye in a manner similar to the natural lens. By using the eye's muscle to move the lens backwards and forwards naturally, patients can focus through a continuous range of vision including near, far and intermediate vision. All other intraocular lenses are designed to remain fixed in the eye.

1/18 Jason Mills of **First Albany Capital** commented on the recent tax ruling about foreign revenues and its impact on **Bausch & Lomb. BOL: Repatriation Guidance Favorable; Reiterate Buy**

* **Repatriation Details Released.** The AJAC repatriation provision gives American companies a one-year window to bring home foreign earnings heretofore parked off-shore at a discounted tax rate of 5.25%.

* Updated guidance released Friday permits these funds to go toward the following: R&D, debt repayment, contributions to employee benefit plans, and acquisitions.

* By contrast, the provision restricts share buybacks, dividend payments, portfolio investments, and payment of taxes.

* Bausch & Lomb is largest beneficiary of this provision in our coverage group. BOL has just under $500 million of cash and more than $300 million of permanently invested profits overseas. The company has yet to decide how much it will repatriate, although we would expect most, if not all.

* **Highest Priorities:** we expect debt repayment, R&D spending and acquisitions. BOL will likely repay debt coming due in August 2005, which would lower its debt level by an additional $100 million. Debt repayment could contribute to improved profitability in the near term, while acquisitions and increased R&D spending could position the company for accelerated top-line growth in years to come.

* Reiterate Buy rating. We think BOL will continue to reap the fruits of improvements made over the past few years in terms of product focus, a strengthening pipeline, and cost cutting. BOL possesses 2005 earnings power that could portend upside to our 2005 EPS estimate of $3.40.

1/20 **QLT Inc.** reported that its alliance partner, **Novartis**, announced global Visudyne (verteporfin) sales of approximately US$124 million for the quarter and US$448 million for the year ended December 31, 2004. Visudyne sales for the fourth quarter and the full year represent increases of 29.3% and 25.6% over sales in the fourth quarter and annual sales in 2003 respectively. QLT will release its full financial results on Wednesday, February 23, 2005.

1/24 Larry Haimovitch, reporting for *Medical Device Daily*, from the *Royal Hawaiian Eye Meeting* on new developments for treating macular degeneration: **Macular degeneration grows as subject of interest in sector**

The annual Royal Hawaiian Eye Meeting, which took place here last week, has become an excellent venue for ophthalmologists and industry to meet in a casual atmosphere, while hearing the most up-to-date clinical information. Record attendance of about 1,000 physicians from all over the U.S. was testimony to its growing importance. The treatment of age-related macular degeneration (AMD) has become a very important topic in the past few years, as new pharmaceuticals have become available. Given their availability and the bias toward medical management in retinal diseases, it is not surprising that drug strategies dominated the sessions.

The first FDA-approved drug, Visudyne, developed by **QLT** (Vancouver, British Columbia) and marketed by worldwide by **Novartis Ophthalmics** (Basel, Switzerland), registered global sales of about $445 million in 2004, in spite of modest efficacy and reimbursement issues.

Last month's FDA approval of Macugen, developed by **Eyetech Pharmaceuticals** (New York) and to be marketed by **Pfizer** (New York) (Medical Device Daily, Dec. 20, 2004), has set the stage for a heated marketing battle this year.

Two other pharmaceutical agents are likely to play a key role in the future management of AMD. Kenalog (or its generic equivalent, triamcinolone acetonide) is an injectable synthetic corticosteroid that has long been used to treat inflammation in certain disease states. It has been off patent for many years and is an extremely inexpensive drug, particularly relative to the high price tag of both Macugen and Visudyne. It is not expressly approved for ophthalmic use.

Since Visudyne's approval, some retinal physicians have been experimenting with combination therapy, with intravitreal Kenalog injected after Visudyne is infused intravenously. In a talk on **"Combination Therapy with Visudyne: Current and Future Treatment Strategies,"** Philip Rosenfeld, MD, associate professor of ophthalmology at the Bascom Palmer Eye Institute of the University of Miami School of Medicine (Miami), noted that his use of Kenalog has significantly reduced the need for the standard three-month interval called for in re-treatment with Visudyne and, importantly, also has lowered the risk of severe vision loss, which occurs in about 4% of patients post-Visudyne administration.

Kenalog is "especially good for Visudyne non-responders," Rosenfeld said to a packed room of retinal specialists. Citing an article in the August 2003 issue of *Ophthalmology* written by Richard Spaide, et al., on the successful use of combination therapy, Rosenfeld said that Kenalog safely works by reducing inflammation and collateral damage, as well as preventing the up-regulation of VEGF. Increased VEGF can lead to the formation of troublesome new blood vessels in the macula and cause vision loss.

“This combination approach has become first-line therapy at our institution,” Rosenfeld said. A couple of larger, controlled, prospective clinical trials, known as VISIT and VisTA, are now under way to determine if this combination therapy is superior to PDT alone.

His comments set the stage for heated debates on various case studies that were presented to the panel and the audience. Several times, panelists stated “I don’t know” or "we'll have to wait and see,” when it came to deciding which therapy was best for the patient. The imminent launch of Macugen in the U.S., which demonstrates excellent safety and better efficacy than Visudyne, finally offers retinal physicians meaningful choices to treat AMD, although their exact regimen has yet to be determined.

It should also be noted that the wave of enthusiasm for another potentially important new AMD contender that was initially reported (MDD, Oct. 26, 2004) after last fall’s *American Academy of Ophthalmology (AAO)* meeting has continued to build. Lucentis, an anti-VEGF compound developed by **Genentech** (South San Francisco, California) has completed enrollment of its two key Phase III pivotal trials and one-year follow-up data on the large MARINA trial is expected in the second quarter. FDA approval is not likely until late in 2006 or early 2007.

Every clinical investigator who has been interviewed by MDD in the past few months has been effusive in their enthusiasm. A typical comment, expressed by Peter Kaiser, MD, of the Cleveland Clinic Foundation (Cleveland) at an evening symposium here, was that Lucentis has “great promise and looks like the best agent yet developed for AMD.” He cautioned, however, that the ultimate fate of the drug would rest on safety and efficacy in its pivotal trials.

Controversy and uncertainty also marked presentations on device-based AMD therapies. Elias Reichel, MD, associate professor of ophthalmology at the New England Eye Center of Tufts University School of Medicine (Boston) and study chairman of the Transpupillary Thermotherapy for Choroidal Neovascularization (TTT4CNV) trial, provided a more detailed analysis on the results of this multi-center, randomized, prospective, double-masked 303- patient study. The initial, bare-bones results of this trial, which were disappointing and caused **Iridex’s** (Mountain View, California) stock to plunge, were presented at the AAO in late October (MDD, Oct. 25, 2004).

Since release of the results, a vigorous sub-group analysis has been under way in order to determine which patients will benefit from TTT, which was FDA-approved several years ago under a 510(k) designation as a “kinder, gentler” laser therapy for wet AMD.

While this analysis has not been completed, Reichel stated that “there is definitely a sub-group of patients that will benefit from TTT therapy.” Indeed, early analysis of the data is showing “dramatic” benefits (defined as a gain in three lines of vision) for about 10% of the population treated by TTT.

One of the key advantages of TTT is that it achieves clinical benefits in a very cost-effective way, requiring just one or two laser sessions. Its total cost is dwarfed by the high cost of medical management. Indeed, Allen Ho, MD, associate professor of ophthalmology at Thomas Jefferson University (Philadelphia), saluted TTT therapy during a panel discussion, saying, "this is a simple, low-cost and attractive therapy." Not surprisingly, TTT is more widely used outside the U.S., where cost considerations are of higher importance.

The final sub-group analysis of the TTT4CNV trial data will be presented at *The Macula Society* (Cleveland) annual meeting Feb. 25 and 26.

Perhaps the most controversial therapy for AMD is rheopheresis, which is being developed by **Occulogix** (Toronto), a recent new public company. Rheopheresis is an advanced form of plasma therapy called membrane differential filtration, which removes from the plasma excess amounts of certain macro-proteins and fatty components (such as cholesterol and fibrinogen) that have been implicated in plaque formation, clotting, and blood vessel inflammation.

Because the exact mechanism of action is still not completely understood and there is limited clinical data thus far, rheopheresis has been a controversial technology. However, according to world-renowned refractive and cataract surgeon Richard Lindstrom, MD, of the Minnesota Eye Consultants (Minneapolis), rheopheresis is worthy of serious consideration.

Lindstrom, a member of the board of Occulogix, presented the results of three clinical trials which demonstrated that rheopheresis is both safe and effective in improving vision. These three trials, while small and insignificant on their own, collectively demonstrate that rheopheresis may be valuable in treating patients with late-stage dry AMD, which is vastly underserved relative to the final stage of the disease wet AMD.

The company recently said that it had completed enrollment of its pivotal MIRA-1 trial. According to a report written by Mike Lachman, a respected ophthalmic industry analyst with investment bankers **ThinkEquity** (San Francisco), it appears that the company will be prepared to file a premarket approval application with the FDA in a year or so, leading to final approval before the end of 2006.

Rheopheresis has come a long way in the past few years and is gaining credibility. Summarizing this new attitude, Ho suggested that "ophthalmologists should keep an open mind on this technology."

1/26 **Advanced Medical Optics, Inc.** announced preliminary financial results for the year ended December 31, 2004. The company expects to post net revenue for 2004 of approximately $740 million, representing a 23% increase over net revenue of $601.5 million last year. Excluding the effect of currency, AMO expects 2004 net revenue growth of approximately 17%, compared to 2003.

AMO expects earnings per share (EPS) for 2004 to be approximately $1.24, including a $0.01 reduction related to adoption of Emerging Issues Task Force (EITF) Issue No. 04-8, "The Effect of Contingently Convertible Debt on Diluted Earnings Per Share," and excluding special charges. Under Generally Accepted Accounting Principles (GAAP), the company expects to report a net EPS loss for 2004 of approximately $3.89. The loss for 2004 is attributable primarily to special charges and costs associated with the acquisition of the Pfizer ophthalmic surgical business and the related recapitalization, which are outlined later in this release.

AMO had previously indicated that it expected 2004 net revenue to be between $715 million and $725 million and 2004 adjusted diluted EPS to be between $1.20 and $1.25, excluding special charges and the impact of adoption of EITF 04-8.

"These preliminary results demonstrate the significant strides AMO made in 2004 to build a company capable of solid, sustained growth in sales, cash flow and earnings," said Jim Mazzo, president and CEO. "In 2004, we streamlined our global operations through a new centralized operating model, implemented a comprehensive eye care manufacturing strategy, grew market share across all businesses, introduced numerous new technologies to surgeons and patients around the world and completed the acquisition and integration of the **Pfizer** ophthalmic surgical business. Our global team continued to execute with skill and discipline, providing outstanding financial performance to shareholders while creating a robust platform for future growth that we believe will be further enhanced by our planned acquisition of **VISX, Incorporated** in early 2005."

AMO announced in November that it had reached an agreement with VISX, the global leader in laser vision correction, to acquire the company for a combination of cash and stock. The transaction requires approval of both companies' shareholders. AMO expects to close the transaction in the first quarter of 2005.

1/26 Jason Mills of **First Albany Capital** presented a preview of **Bausch & Lomb's** fourth quarter results: **BOL: 4Q Preview - Expect Solid Quarter - Reiterate Buy**

* We expect 4Q to be another solid quarter, in which BOL meets or exceeds our revenue and EPS estimates of $599.6M (+9% Y/Y) and $0.92 (in line with the consensus), respectively.

* We expect solid Vision Care growth led by contact lenses (new products, strong market and easy 4Q comp). We model CL sales of $179M (+16%) and LCS sales of $140M (+3%)

* For Surgical, we model $146M in sales (+10% Y/Y), including continued strength in Refractive (+11% Y/Y) and steady growth in cataract (9% Y/Y).

* We estimate total pharma sales of $134M (+7%), led by ocular vitamin sales.

* We model gross margin expansion of 80 bps Y/Y to 57.8%, driven by product mix and continued yield improvements. We expect operating margins to expand 30 bps Y/Y to 14.4%. We model lower SG&A spending (35.6% of sales, down 40 bps), offset by higher R&D spending (7.7% sales, up 80 bps).

* 4Q Conference Call Areas of interest: 1) Sales guidance for 2005 by product category, 2) potential uses of $800M in cash and permanently reinvested profits which BOL is eligible to repatriate, 3) New product launches in 2005 (e.g. PureVision, Zylet, Retisert PU, Akreos aspheric IOL-OUS).

* We reiterate our Buy rating.

1/26 **QLT Inc.** reported that the United States District Court for the District of Massachusetts had issued a decision correcting the inventorship of the patent that is at issue in a lawsuit commenced by **Massachusetts Eye and Ear Infirmary ("MEEI")** on May 1, 2001 (Civil Action No. 01-10747-EFH). Judge Edward Harrington granted QLT's summary judgment motion to add QLT founder and Scientific Advisory Board Executive Chair Dr. Julia Levy as a joint inventor of United States Patent No. 6,225,303 (the "'303 Patent"). With this ruling, QLT becomes a co-owner of the patent in question.

The lawsuit by MEEI alleges infringement of the '303 Patent, originally issued to MEEI. The '303 Patent claims a method of treating unwanted choroidal neovasculature in a shortened treatment time using verteporfin.

In his judgment, Judge Harrington writes: "Based on the undisputed facts, the Court rules as a matter of law that Dr. Levy significantly contributed to the conception of the upper end of the irradiance range claimed in the '303 patent. As such, the Court orders that the '303 patent be corrected to include QLT's Dr. Levy as a joint inventor."

"This judgment validates our longstanding belief that Dr. Julia Levy was a key inventor of Visudyne therapy for the treatment of age-related macular degeneration and reinforces her role in helping more than 300,000 patients who have been treated with the therapy," said Paul Hastings, President and Chief Executive Officer of QLT Inc.

This judgment follows the dismissal of all claims in a previous related lawsuit by MEEI against QLT in 2002.

1/27 Randy Bailey, CEO of **VisiJet, Inc.** was interviewed by television stations across the country concerning the efficacy of various methods of corrective vision surgery and the company's lead product, the EpiLift System, that enables a safer, superior method of surgery - Epi-LASIK. Television stations that interviewed Bailey included KFTY San Francisco, KTVO St. Louis, MO and WFLA Tampa, FL, among others.

During the interviews, Bailey discussed the differences between various methods of corrective vision surgery and how Epi-LASIK offers a viable alternative to people

considering the procedure who are concerned about the risks associated with traditional LASIK.

1/27 **Bausch & Lomb** reported results for its full year and fourth quarter ended December 25, 2004.

Full-Year Results: Full-year worldwide net sales of $2.23 billion increased 11% from $2.02 billion in 2003, and were up 6% excluding the positive benefit of changes in foreign currency exchange rates. Growth was reported for all product categories in each geographic segment.

Full-year earnings per share were $2.93 in 2004. In 2003, earnings per share were $2.34 and included certain significant items as well as the cumulative effect of a change in accounting principle. Excluding those items, 2004 earnings per share increased 29% on a comparable-basis from 2003.

Full-year comparable-basis operating margins increased to 12.5% of sales in 2004 from 11.6% of sales in the prior year. Gross margins expanded to 58.1% of sales from 57.5% of sales in 2003. This improvement, combined with lower selling, general and administrative expenses as a percentage of sales, was partially offset by higher investment in research and development. For the full year, comparable-basis research and development expense increased 13% to $162.5 million, or 7.3% of sales.

Fourth-Quarter Results: Fourth-quarter net sales of $606.6 million represented a 10% increase (or growth of seven% on a constant-currency basis) over the prior-year period. Gains were reported in every product category in each of the Company's geographic business segments except for an anticipated decline in sales from refractive surgery products in the Americas region.

Fourth-quarter earnings per share were $0.94. In 2003, fourth-quarter earnings per share of $0.92 included certain significant items. Excluding those items, earnings per share increased 13% on a comparable basis in 2004.

Comparable-basis operating margins were 13.9% of sales in the fourth quarter of 2004 and 14.1% of sales in 2003. Gross margins increased to 57.9% of sales compared to 57.0% of sales a year ago, reflecting benefits from cost improvement initiatives as well as sales shifts to higher margin new products. Gross margin expansion was partially offset by increased investment in research and development. Fourth-quarter research and development expense was $48.8 million, and represented 8% of sales.

"We are very pleased with the strong results reported for both the fourth quarter and all of 2004, which clearly demonstrate that the Company is beyond the turnaround stage," said Bausch & Lomb chairman and CEO Ronald Zarrella. "Led by improved operational performance, we surpassed the earnings per share expectations we established at the

beginning of the year and exited 2004 with increased momentum. We are well positioned for accelerated sales growth and continued strong financial performance in 2005."

Refractive Surgery: As anticipated, overall declines in fourth-quarter refractive surgery revenues were attributable to lower laser sales in the Americas region. The company launched the Zyoptix system for customized laser surgery in the United States in the fourth quarter of 2003. As a result, 2004 revenue comparisons are against an unusually high prior-year sales base. These declines more than offset higher shipments of per procedure cards and microkeratome blades, reflecting market growth and share gains achieved by Bausch & Lomb in 2004. Total refractive sales revenues for the quarter were $43.0 million, compared with $43.9 million in the same quarter last year, and $34.7 million in the third quarter of 2004.

Company Expectations for 2005: Bausch & Lomb provided the following projections regarding its 2005 financial performance:

* Total Company constant-currency sales are expected to grow between 6 and 7%. Should foreign currency rates remain at current levels, the Company estimates that full-year reported sales growth would be about two percentage points higher. Constant-currency sales growth projections by product category are as follows: contact lenses, 10 to 12%; lens care, 2 to 4%; pharmaceuticals, 7 to 9%; cataract and vitreoretinal surgery, 5 to 7%; and refractive surgery, 3 to 5%.

* Consistent with its ongoing operating objectives, management anticipates continued expansion in gross margins and further reductions in selling, general and administrative expenses as a percentage of sales, with investment in research and development growing at a higher rate than sales. As a result, further operating margin expansion is anticipated.

* Full-year net financing expense should total between $30 million and $32 million.

* A tax rate of 33%.

* Full-year earnings per share at the high end of the previously communicated range, or approximately $3.40 per share.

* First-quarter and first-half sales growth rates are expected to be lower than the full-year average, since several product introductions are planned to occur in the second and third quarters of 2005.

* Earnings per share growth is expected to be at or above the full-year average rate in the first, third and fourth quarters. Second-quarter EPS growth is projected at approximately 10%, reflecting the timing of expenses associated with new product launches.

* Cash flow from operations is expected to total approximately $270 million, with capital spending of approximately $120 million.

1/28 Several analysts reported in on **B&L's** fourth quarter announcement:

Ted Huber of **Wachovia Securities**: **BOL: Ends 2004 On A Solid Note, 2005 Pipeline Looks Full**

* Q404 RESULTS: EPS of $0.92 beat expectations by $0.02 on c.c. revenue growth that accelerated in all business (ex. refractive) over Q304. Q404 revenue grew 7.3% c.c. vs. a 6% average for all of 2004. Q404 R&D spend was up 28% yr/yr holding back EBIT growth to 8.4%. Currency contributed 3% to top line and $0.02 to EPS. Improved Q404 working capital velocity paced FCF or $166mm for full year 2004, 106% of net earnings and 138% of management's original target.

* BREADTH AND DEPTH: BOL posted 5% U.S. and 8% c.c. OUS growth, led by Asia at 11% c.c. Q404 revenue growth exceeded market rates in contact lenses, lens care and cataracts. 12% c.c. contact lens growth was driven by Silicon Hydrogel PureVision in Europe and one day lenses in Japan. ReNu with Moistureloc, launched Q3 and Q4, drove 4% cc lens care growth. Cataract growth of 7% c.c. was the year's best, paced by IOL share gains in Europe.

* GUIDANCE, PIPELINE & MODEL: Management expects a back end loaded 2005 with EPS near $3.40 on revenue growth of 6% to 7% cc. A strong pipeline anchored by Zylet (Q105), Purevision (Q205), Retisert (H205), and several ocular nutritionals launches support the back end loaded revenue and EPS growth. We are maintaining our 2005 EPS target at $3.40, but increasing 2006 to $3.90 on c.c. revenue growth near 6.5% in each year. These targets leave room for upside.

Jason Mills of **First Albany**: **Strong 4Q; Positioned for Growth Acceleration; Raise PX to $77; Reiterate Buy**

* **Strong 4Q** - Revenue of $607M beat our $600M estimate (up 10%; 6% ex-FX). EPS of $0.94 were higher than our/consensus $0.92. While currency helped by 2 pennies, BOL spent considerably more on R&D (up $11M sequentially to 8% sales), which is important for long-term growth. The gross margin came in line (57.9%). The operating margin (13.9%) was up Q/Q but flat Y/Y due to higher R&D and SG&A.

* **Contact Lenses, Pharma, LCS and Cataract Sales Performed Above Plan.** Contact lens growth of 16% (12% ex-FX) was strong and above market rates. Pharma (+11%; 8% CC) outperformed via nutritionals and proprietary drugs, while new product launches drove upside in cataract(+11%;7%CC). Refractive sales fell 2% owing to difficult comps.

* **What about 2005?** Management guided 2005 EPS to $3.40 (top end of range-$3.30-$3.40). Ex-FX, revenue growth guidance of 6%-7% seems conservative to us, as does EPS guidance, as we expect gross margin expansion, SG&A leverage, and further debt repayment, partially offset by ramping R&D spending, could portend upside to our 2005 and 2006 estimates of $3.41 and $4.03, respectively.

* **Plenty of Dry Gun Powder.** With debt/cap at its lowest level in several years (31%), further operating leverage likely, and eligibility to repatriate up to $800M in overseas cash/profits, we think BOL has the wherewithal to consummate accretive acquisitions, which could accelerate growth.

* Reiterate Buy and raise price target to $77.

Michael Lachman of **ThinkEquity Partners**: **BOL: Mostly In-Line Q4 - Raising Price Target to $79**

We maintain our Accumulate rating on Bausch & Lomb shares, and raise our 12-month price target from $71 to $79, following a quarter that delivered EPS upside on mostly in-line operating performance. Bausch & Lomb beat our and Street consensus estimates for both revenues and EPS in Q4, although revenue upside was likely currency-driven and EPS upside came from below-the-line items. The company upped 2005 EPS guidance to top end of prior $3.30-3.40 range, versus our prior estimate of $3.36 and consensus of $3.35. We are increasing our EPS estimates for 2005 and 2006 to $3.43 and $3.94, respectively. Our new 12-month price target of $79 is based on today's 20x forward P/E multiple for the stock applied to our new 2006 EPS estimate. With 8% upside to our new target, we maintain our accumulate rating.

Investment Highlights: Bausch & Lomb beat our and Street consensus estimates for both revenues and EPS in Q4, although revenue upside was likely currency-driven and EPS upside came from below-the-line items. Q4 revenues were $606.6 million (+10%, or 7% constant currency), exceeding our estimate of $587.3 million (+7%) and consensus of $593 million (+8%). Contact lenses, lens care solutions, pharmaceuticals, and cataract surgery all modestly outperformed our expectations. Refractive surgery sales declined due to high prior year laser hardware comps.

EPS of $0.94 (+13%) also beat our estimate of $0.91 (+10%) and consensus of $0.92 (+11%). Compared to our model, earnings upside in Q4 was driven by a positive variance in below-the-line items (interest income, foreign currency gains, and investment gains) which contributed about $0.06 to EPS. Although gross margin of 57.8% fell 70 bp short of our forecast, this was likely due to the weak dollar, as the company outperformed on the gross profit line. Most of the EPS upside resulting from gross profits and below-the-line items was offset by higher operating expenditures. R&D spending reached 8% of sales for the first time in at least four years (as far back as our model goes) -- recall that in Q3, the company beat estimates largely due to light R&D spending (6.8% of sales). Management expects R&D spending to increase going forward as a percentage of sales, which we view in a positive light. SG&A also came in higher than expected, at 36.0% of sales versus our 35.5% forecast.

Valuation and Price Target: We are increasing our 12-month price target on Bausch & Lomb shares from $71 to $79. The increase is driven primarily by the transition from 2005 to 2006 as the EPS basis for our target valuation, with a contribution from higher

EPS estimates as well. Bausch & Lomb shares are currently trading at 20x our new 2005 EPS estimate of $3.43. Although this multiple is below the mid-20s multiples for many of the company's ophthalmic device industry peers, including Alcon (ACL - $79.02 - Accumulate - $75 Price Target) and **Advanced Medical Optics** (AVO - $42.68 - Buy - $47 Price Target), we believe that the discount is justified based on a less robust new product flow and earnings growth outlook. Applying the 20x forward P/E multiple to our new 2006 EPS estimate results in a new 12-month price target of $79. With 8% upside to our new target, we maintain our Accumulate rating on Bausch & Lomb shares.

Changes to Estimates and Modeling Assumptions: Given the updated guidance, we are increasing our 2005 revenue and EPS forecasts from $2.37 billion (+7.2%) and $3.36 to $2.42 billion (+8.6%) and $3.43, respectively. Our new revenue estimate is in-line with company expectations of revenue growth in 8-9% range (including 2% from FX, assuming currency rates hold at current levels), but our EPS estimate exceeds the company's guidance of $3.40 (the top end of prior $3.30-3.40 range). At constant currency, the company is guiding to revenue growth of 6-7%, based on constant currency growth in contact lenses of 10-12%, lens care of 2-4%, pharmaceuticals of 7-9%, cataract and vitreoretinal of 5-7%, and refractive of 3-5%. Without the foreign currency impacts, our estimates are within those ranges. We are now modeling gross margin expansion in 2005 of 90 bp, versus our prior expectation of 80 bp and company guidance of about 100 bp. However, we have increased our SG&A forecast, based on anticipated spending in preparation for new product launches in Q2; we have SG&A declining as a percentage of revenue by 40 bp year-over-year versus 80 bp previously. Our 2005 R&D spending estimate remains at $187 million; this is 20 bp lower as a percentage of sales versus our prior model, driven by our increased revenue estimate, although we still project a 40 bp increase over 2004 R&D spending. For the full year, we now assume a 33.0% tax rate, down from 33.5% previously.

We maintain our long-term growth outlook for the company, with revenue growth of 6.6% and EPS growth of 15% still projected for 2006. For 2006, our revenue estimate goes from $2.53 billion to $2.58 billion and our EPS forecast goes from $3.86 to $3.94. We continue to believe that cost savings generated from the IT platform redeployment could provide additional operating margin upside in 2006.

The company's guidance does not include the potential impacts of repatriating off-shore cash (accretive) or from the implementation of the new FASB rules regarding options expenses (dilutive). Management has the option of repatriating at least a portion of its $450 million offshore cash, and could borrow cash internationally in order to repatriate up to $350 million more in permanently reinvested offshore earnings, at an effective tax rate of approximately 5.25%. The timing of this event is most likely late in this quarter or early in Q2, and the amount has not yet been determined. Given the number of years that Bausch & Lomb's large offshore cash position has been considered a strategic issue for the company, we would expect management to be relatively aggressive with respect to cash repatriation. In the past, the company has highlighted debt retirement, share repurchase, and M&A funding as potential uses of this cash. Management now indicates

that share repurchases will mostly likely be prohibited as a use of repatriated cash, and that retirement of debt will be the first priority. In Q3, the company will be impacted by the new FASB accounting rules regarding stock option expenses but management hasn't yet decided on how it will adopt the standard. In 2004, the dilutive impact of options expense on EPS would have been approximately $0.06-0.07 per quarter, and management does not expect the impact for 2005 to be materially different.

Q4-04 Business Segment Highlights: Contact lens revenue of $180.0 million (+16%) represented robust constant currency growth of 12%. Even disregarding the 2% upside to Americas sales generated by favorable comps from the timing of co-operative advertising spending, constant currency growth in the quarter exceeded that seen in recent quarters and for full year 2004 (+8%). Both the Americas (+13%, +12% constant currency) and Europe (+19%, +10% constant currency) continued to benefit from the SofLens Toric and SofLens Multifocal franchises, with growth in Europe also boosted by the expanded launch of PureVision in certain markets in the quarter. Sales in Asia (+17%, +14% constant currency) rebounded from the negative impact of switching distributors in Japan (+15% constant currency this quarter) in Q3. In Japan, Bausch has gained 5% share in the one-day lens market in the two quarters since the Medalist one-day was introduced, and continues to hold over 50% share in disposable toric lenses. The greatest product focus in 2005 remains the re-introduction of PureVision in the US, although the company continues to view Japan, where it plans on launching the Medalist II (SofLens 59) in Q2 and SofLens multifocal late in 2005, as a significant opportunity. The company plans to re-launch PureVision after April 27 th in the US. Prior to being taken off the market, PureVision had been generating sales at a $20 million run rate, and the company is hopeful that it could surpass that level, based on the product's favorable reception in European markets. Including the impact of royalty payments, gross margins on PureVision in the US should be roughly equivalent to those of Bausch's other specialty lenses.

With sales of $143.8 million, contact lens care (+6%, +4% constant currency) rebounded from Q3 underperformance, which was largely a matter of the timing of customer orders ahead of the ReNu with MoistureLoc launch. By geography, lens care revenues were up 2% in the Americas, 15% (+8% constant currency) in Europe, and 7% (+5% constant currency) in Asia. ReNu with MoistureLoc has received positive acceptance in the US, the major markets in Europe, and select markets in Asia (Hong Kong, Singapore and Malaysia) where the product has recently launched. Further rollout of ReNu in major markets and the launch of ReNu MultiPlus in Japan in Q2 could allow Bausch to maintain share position worldwide in 2005 and offer the potential to take share in Japan.

Pharmaceuticals revenues came in at $141.0 million (+11%, +8% constant currency) in the quarter. With growth of over 35%, the ocular vitamin franchise again drove growth in the Americas (+12%), benefiting from incremental sales from the Q3 launch of PreserVision in soft-gel form. The proprietary pharmaceutical business demonstrated robust trends as well, evidenced by the double digit growth delivered by both Lotemax and Alrex. FDA approval for Zylet was received late in December,and we anticipate

some impact to Q1 sales as initial orders were shipped last week. As expected, in Europe (+9%, +1% constant currency), sales continued to be negatively impacted by the policy changes taking place in Germany (-4% constant currency). As in the US market, OcuVite and PreserVision vitamins are expected to be key drivers of growth. Bausch is also making some headway in expanding its pharmaceutical franchise into the Asia market, however sales are not yet at a meaningful level. For 2005, growth contributors include the growth ramp of Zylet, the Lotemax expansion into European markets, launch of ocular vitamins in Japan, and the potential 2H launch of Retisert for posterior uveitis. Management noted that some sales for Retisert are included within the formal guidance, but has not disclosed a specific forecast for the product. We expect to gain more clarity following FDA approval, the publication of the product label, and the announcement of pricing. In advance of the launch of Retisert, and other new products, the company is doubling its US pharmaceutical sales force to approximately 65-75 reps.

The cataract and vitreoretinal business posted sales of $98.8 million (+11%, +7% constant currency), in-line with prior quarters and slightly above our expectations. The company noted strong sales of phaco products and IOLs, with overall IOL sales growing 10% constant currency, and positive reports for the SofPort with advanced optics IOL launched in Q4. Viscoelastics sales were weak, however, due to Q3 customer purchases in advance of a September 1 price increase. Sales were strong across the board in both Europe (+20%, +11% constant currency) and Asia (+18%, +15% constant currency). Growth drivers in 2005 include the launch of an advanced optics version of Akreos outside US, a new inserter for the SofPort IOL, the continued rollout of SofPort IOLs, and the growing adoption of recently introduced hardware and software enhancements to the Millennium phaco system.

Facing difficult comps due to the launch of Zyoptix last year, the refractive business declined -2% year-over-year (-6% constant currency) with sales of $43.0 million. In the Americas, sales were down -13% (-14% constant currency) based primarily on the impact of lower hardware sales, given the strong Q4-03 launch of Zyoptix wavefront-guided LASIK in the US. However, the procedure business was robust, with sales of per-procedure cards in the US up about 50%, based on an over 55% increase in sales of PlanoScan (standard LASIK) cards an approximately 30% increase in Zyoptix card sales. Zyoptix currently represents about 15% of Bausch's US LASIK procedures, consistent with Q3 levels. Both Europe (+10%, 2% constant currency) and Asia sales (+2%, 0% constant currency) were essentially flat. Planned product launches for 2005 include a new microkeratome blade in worldwide markets and the z100 laser in the US. While margins in the refractive business are still below the company average, progress has been made, and margins should continue to improve as per-procedure revenues become an even larger part of the business. While management has spoken in the past about a possible divestiture of the refractive business, we see this as unlikely, given that (1) with the pending AMO acquisition of VISX (EYE - $26.91 - Accumulate - $25 Price Target), both of Bausch's leading competitors will have competitive refractive offerings, and (2) we see few natural or synergistic buyers of the Technolas/Zyoptix business.

1/28 **Refocus Group, Inc.** announced the closing of an additional interim financing in the amount of $500,000. The proceeds of this financing will be utilized by the company to fund the continued evaluation of the FDA Phase II clinical trial of its Scleral Spacing Procedure for the surgical treatment of presbyopia, and for general corporate purposes. The new interim financing involved the issuance of secured debt.

OPHTHALMIC LASER UPDATE -- February 2005

2/1 **Carl Zeiss Meditec AG** announced that it had closed on the transaction of acquiring a 62.69% shareholding in the French ophthalmic surgery specialist **IOLTECH**. The preconditions for the closing, such as the approval of the transaction by the German anti-trust authority, have been fulfilled. Carl Zeiss Meditec and IOLTECH's main shareholder, Philippe Tourrette, first announced the signature of an agreement relating to this transaction on 17 December 2004.

IOLTECH, specializes in the production and distribution of intra-ocular lenses (IOLs). The purchase price paid to the majority shareholder is based on a value of about E110 million for 100% of the IOLTECH shares, equivalent to E91.78 per IOLTECH share. This represents a premium of 15.6% on the average weighted IOLTECH share price in the three months prior to the announcement of the takeover decision.

Carl Zeiss Meditec AG intends a complete takeover of IOLTEC. To this end, by the end of February 2005 Carl Zeiss Meditec will submit a cash bid of the same price (E91.80 per share) to the remaining IOLTECH shareholders. If holding at least 95% of IOLTECH's voting rights after this bid, Carl Zeiss Meditec AG will file a buy-out offer followed by a mandatory squeeze out of the remaining shareholders of IOLTECH. The terms of both bids, however, are subject to the approval of the French securities commission AMF (Autorité des Marchés Financiers). The way is now clear to merge IOLTECH's recognized high level of expertise in the surgical treatment of cataracts with Carl Zeiss Meditec's know-how in the diagnosis and post-operative treatment of eye diseases at an operative level. A special integration team consisting of experts from both companies will shortly begin its work.

2/2 **VisiJet, Inc.** closed on a financing of $4.9 million. VisiJet plans to use the funds to support marketing and sales of its lead product, the EpiLift System, and to improve its short-term debt structure. The EpiLift System is a new, safer refractive surgery technique that enables ophthalmologists to perform EpiLASIK surgery with fewer postoperative complications than existing methods. Six firms participated in the financing, including **Renaissance Capital**, **Corsair Capital**, **Roaring Fork Capital Management**, **Alpha Capital AG**, **Little Gem Life Sciences**, and **Liberty View Capital**.

"This financing gives VisiJet the resources to make the EpiLift system widely available and drive sales growth, " said Bob Pearson, senior vice president at Renaissance Capital. "The FDA approved EpiLift product is a strong offering in the refractive surgery space, and is already gaining traction in the market."

"The financing comes at an opportune time for VisiJet. We received FDA approval for the Epilift system in September 2004, and with this round of financing, the company will have the ability to fund a sales and marketing program to support this unique product. We are determined to build a sales team with the ability and focus to drive the rollout both in the United States and internationally," "said Randy Bailey, CEO of VisiJet Inc.

2/2 **Miravant Medical Technologies** announced that it will conduct a phase III confirmatory clinical trial of PHOTREX (rostaporfin, formerly known as SnET2) for wet age-related macular degeneration (AMD), based on a Special Protocol Assessment by the FDA. The FDA requested this single confirmatory study in its Approvable Letter issued September 2004, after reviewing the company's New Drug Application (NDA). The placebo-controlled trial, to be conducted outside of the United States, is designed to enroll a broad range of wet AMD patients, including patients with predominantly classic, minimally classic and occult lesions. According to the protocol, each study patient will receive PHOTREX (or placebo) treatments over the course of nine months. The company currently plans to conduct a primary efficacy endpoint analysis at 12 months (one year after initial treatment) which, pending positive results, will be submitted for FDA review and subsequent marketing approval. Patients will continue to be evaluated for a second year to confirm the longer-term results established in previous PHOTREX phase III studies. Miravant expects to commence patient enrollment in mid-2005.

"I am pleased to update the market on our plans to move forward with the PHOTREX clinical trial after our discussions with the FDA," said Gary Kledzik, chairman and CEO. "The trial will be used to confirm the results of two pivotal studies that suggested PHOTREX could stabilize vision in a range of patients with this debilitating eye disease."

Dr. Kledzik added, "We are also planning to initiate additional studies of PHOTREX PDT in combination with other therapeutic agents for wet AMD, reflecting current trends in clinical practice where we expect photodynamic therapy to be a mainstay procedure."

Wet AMD is a major health problem with an estimated 500,000 new cases each year worldwide. The disease is characterized by abnormal blood vessels at the back of the eye that leak fluid and blood and can lead to retinal scarring and severe loss of central vision. PHOTREX PDT uses a light-activated drug intended to selectively destroy these abnormal blood vessels and stabilize vision loss.

2/7 The February issue of *Ophthalmic Market Perspectives* reported on Q4 2004 refractive procedures. According to editor David Harmon, growth in refractive surgery, which had been growing at more than 19% for the first three quarters, slowed during Q4. He remarked that the slowdown was primarily due to weakening consumer confidence during October and November, that delayed decisions for potential LASIK patients. He estimated that the total U.S. laser refractive procedures for the fourth quarter were 276,000, up 7.3% when compared with the 257,200 procedures performed during Q4 2003. When non-laser procedures, including conductive keratoplasty, refractive lens exchange, and phakic IOLs are included, U.S. refractive procedures increased 11.5%. In

addition, an estimated 6200 patients traveled to Canada and Mexico bringing total Q4 procedures to 298,200, an overall increase of 11.1%. Overall, Q4 2004 procedures declined 5.1% compared to a seasonally stronger Q3 2004.

The numbers of U.S. refractive surgeons and laser centers were up slightly compared to preceding quarters, with a total of 1233 laser centers in operation during Q4, compared to 1229 in Q3, and 1227 during Q4 2003.

Growth was significantly higher for non-laser procedures, in particular for CK, which grew more than 30%. Increases in the number of phakic IOL surgeries and refractive lens exchanges also boosted growth.

Demand for new lasers was at a lower level, with an estimated 30 new lasers sold during the fourth quarter, compared to 45 during Q4 of 2003.

Wavefront-driven LASIK continues to grow, up from the languishing 40% for the past three quarters, with a further boost expected from VISX's recent regulatory approval for hyperopia. Surgeons reported that wavefront-driven procedures at all sites grew to 43.4% during the fourth quarter, up from 42.2% during Q3. Wavefront procedures at wavefront capable centers grew to 49.9%, up from 48.9% during Q3.

The average price for LASIK slipped $42 during Q4 to $1814, reflecting increased competition in the face of slowing market growth. Surgeons reported charging an average $377 premium per eye for wavefront-driven LASIK during the quarter.

As reported by Harmon, the refractive industry experienced healthy growth during 2004, growing 16.5% compared to 2003. A combination of improving consumer confidence, new technology, and increased advertising reinvigorated demand for refractive surgery during the year. These trends are expected to continue in 2005, with Harmon's current forecast for Q1 2005 at 410,100 total U.S. refractive procedures, up 9.0%, compared to the same quarter a year ago. Overall, for the year, Harmon expects refractive procedures to grow by 8.5% to 1,450,000.

2/8 **Advanced Medical Optics, Inc.** announced financial results for the fourth quarter and full year of 2004. Earnings for the fourth quarter were $10.1 million (26 cents per share) compared to $9.7 million (28 cents per share) in the same quarter one year ago. For the full year, the company recorded a loss of $129.4 million ($3.89 per share) compared to net earnings of $10.4 million (35 cents per share) for 2003. Adjusted net earnings for the year, which excludes adjustments, were $46.4 million, ($1.24 per share) compared to adjusted net earnings of $24.0 million (77 cents per share) in 2003.

Net revenue for the fourth quarter rose 34.6%, including a 5.3% increase related to foreign currency, to $224.7 million, compared to the fourth quarter of 2003, reflecting continued growth in the company's ophthalmic surgical and eye care franchises, and the benefits of the **Pfizer** acquisition. For 2004, net revenue was $742.1 million, compared

to $601.5 million in 2003, representing a 23.4% increase, including a 6.2% increase related to foreign currency.

"Throughout 2004 our focused strategy continued to transform AMO into a stronger global enterprise capable of delivering sustained growth," said Jim Mazzo, president and CEO. "Our 2004 sales and operating results demonstrate that our strategy is working. We acquired and integrated the Pfizer ophthalmic surgical business, while delivering a broad set of technologically superior products that improve practitioner productivity and patient outcomes. We also continued to streamline our global operations to improve productivity and profitability and remained on track to execute our comprehensive eye care manufacturing strategy by mid 2005. Building on our momentum in 2004, we expect our planned acquisition of **VISX** to further expand growth and position AMO as a powerful leader in the global medical technology marketplace."

AMO announced in November 2004 that it had reached an agreement with VISX, Incorporated, the global leader in laser vision correction, to acquire the company for a combination of cash and stock. The transaction requires the approval of both companies' shareholders. AMO continues to work toward closing the transaction in the first quarter of 2005.

As previously announced, AMO expects the transaction to be neutral to its 2005 earnings-per-share guidance of $1.65 to $1.75, and expects 2006 earnings per share to be in the range of $2.20 to $2.30. The company's earnings-per-share guidance excludes any charges associated with the VISX acquisition, option expensing or the unrealized gains or losses on derivative instruments.

Ophthalmic Surgical: Ophthalmic surgical revenue grew 56.0% in the fourth quarter, including a 5.9% increase related to foreign currency, to $135.0 million, compared to $86.5 million in the year-ago quarter. Quarterly highlights included:

* Total intraocular lens (IOL) sales rose 20.2% to $68.4 million, compared to $56.9 million in the fourth quarter of 2003. The increase reflects primarily the acquisition of the Pfizer ophthalmic surgical business and the strength of the company's promoted IOL technologies, the Tecnis and Sensar lenses. The Tecnis lens, which AMO acquired as part of the Pfizer ophthalmic surgical acquisition, has a proprietary modified prolate design that reduces spherical aberrations and improves contrast sensitivity. It is the only lens on the market with a unique FDA claim for improved functional vision. The Sensar lens is AMO's top selling IOL with a patented edge design to reduce halos, glare and the incidence of posterior capsular opacification.

* Sales of viscoelastics rose more than nine-fold during the quarter to $37.1 million, compared to $4.0 million one year ago. This rise reflected the addition of the Healon family of viscoelastics, which AMO acquired as part of the Pfizer transaction, as well as continued growth of AMO's existing Vitrax brand.

* Sales of phacoemulsification products grew 4.4% during the quarter to $20.9 million, compared to $20.0 million one year ago. Growth was led by the company's Sovereign Compact system with WhiteStar technology, as well as recurring revenue from the consumable surgical packs used during every phacoemulsification procedure performed with an AMO machine.

For the full year 2004, ophthalmic surgical revenue grew 34.9%, including a 6.3% increase related to foreign currency, to $413.4 million, compared to $306.5 million in 2003.

Ted Huber of **Wachovia Securities** on **Advanced Medical Optics**: **AVO: Downgrade On Slowing Cataract Growth And Opaque Financials**

*** THE DOWNGRADE:** With a low quality "in-line" Q404, decelerating cataract performance (0%-1% Q404 c.c. organic revenue growth), waning 2005 EPS upside potential, and increasingly opaque financials, we no longer see a compelling reason to buy AVO shares at current levels.

*** Q404 RESULT "IN-LINE" WITH SOME HELP:** One time other income contributed $0.03 to drive adjusted EPS of $0.55, in line with consensus. Growth was strong in eye care (7% cc) but weak in cataracts. SG&A spending was $9mm+ over target and increased $6mm+ sequentially, resulting in EBIT margin 200 basis points below our target.

*** CATARACT GROWTH SLOWS FURTHER:** Revenue from AVO's legacy cataract franchise fell 1.2% c.c. We estimate 2-6% Pfizer cataract organic growth. Combined, AVO's cataract franchise grew 0-1% c.c. organic. Competitor BOL is growing near 7% and ACL is in the low teens. Management cites tough comps and phasing out of certain IOLs but seems pleased with its competitive performance. We expect the share losses to continue in the first half of 2005.

*** GUIDANCE AND MODEL UNCHANGED**: Our GAAP EPS estimate remains $1.79 for 2005, in line with consensus and $0.04 ahead of guidance. Our 2006 EPS of $2.25 is at the mid point of AVO's guidance range.

2/8 **Norwood Abbey Limited** subsidiary, **Norwood EyeCare** announced that as part of the global expansion of its ophthalmic product line it had appointed distributors for its Norwood EyeCare Epi-keratome system for Epi-LASIK in Spain, Austria, Czech Republic, Slovakia and Taiwan. These join existing distributors in Italy, Belgium, Netherlands, Luxembourg, Ireland, UK, Mexico, Korea and Turkey. The European distributors appointed are responsible for territories within Europe that account for in excess of 200,000 procedures annually. Spain is the largest market in Europe with an average of 180,000 vision correction procedures annually. Taiwan is a smaller market with approximately 35,000 procedures annually.

As previously stated, Norwood EyeCare utilized very strict selection criteria for the ideal distributor profile including:

* Existing portfolio of complimentary refractive surgery products
* "Best in class" in sales, marketing and technical support
* Well-established, strong reputation within the clinical community
* Breadth of market coverage in the specific country/region

In 2003 the worldwide ophthalmology market was US$17.8 billion of which laser vision correction (LVC) is a key subset. As stated in an ophthalmic industry report, in recent years LVC has witnessed a resurgence based on an improved economy and the introduction of wavefront-guided technology procedures that have allowed physicians to customize or individualize a patient's treatment.

2/9 **Alcon, Inc.** reported global sales of $952.7 million for the fourth quarter of 2004, an increase of 11.9% over global sales in the fourth quarter of 2003, or 8.5% excluding the impact of foreign exchange fluctuations. Reported net earnings for the fourth quarter of 2004 increased 39.9% to $187.3 million, or $0.60 per share on a diluted basis, compared to $133.9 million, or $0.43 per share, for the fourth quarter of 2003.

For the full year, Alcon reported global sales of $3,913.6 million, an increase of 14.9% over 2003 global sales or 11.1% excluding the impact of foreign exchange fluctuations. Full year 2004 reported earnings per share on a diluted basis was $2.80. Excluding the $0.18 per share favorable impact recognized in the second quarter of 2004 related to the filing of amended federal income tax returns to claim research and experimentation tax credits for prior years and to the resolution of several significant tax audit issues, earnings per share increased 36.5% over the prior year to $2.62 per share.

Cary Rayment, Alcon's president and CEO, commented, "This was an outstanding year for Alcon as we demonstrated continued growth across all our major businesses, expanded market share of key new products and capitalized on our established infrastructure to grow profits faster than sales. In addition, we made progress in our research pipeline with the submission of several new drug and device applications in the U.S. and other key markets."

Fourth Quarter Sales Highlights: Highlights of sales for the fourth quarter of 2004 are provided below. Unless otherwise noted, all comparisons are versus the fourth quarter of 2003.

* U.S. sales grew 10.2% to $455.8 million, accounting for 47.8% of total sales.

* International sales grew 13.4% to $496.9 million, accounting for 52.2% of total sales. Excluding the impact of foreign exchange fluctuations, international sales grew 6.9%.

* Pharmaceutical sales grew 14.9% to $346.6 million and contributed 36.4% of total sales.

* Sales of glaucoma products increased 11.9%, led by a 31.7% rise in sales of Travatan ophthalmic solution, which continued to build share on a global basis.

* Sales of allergy products, including Patanol ophthalmic solution, rose 12.9%. Patanol has maintained its number one share position in the U.S., accounting for 67% of total ocular allergy prescriptions in the year, despite new competitive entries, and gained share in international markets.

* Sales of infection/inflammation products rose 1.9%, led by growth in sales of Vigamox ophthalmic solution, the number one prescribed fluoroquinolone in the U.S. Overall category growth was reduced by a decline in Ciloxan ophthalmic solution, which lost patent protection in the second quarter of 2004.

* Sales of otic products increased 30.5% led by Ciprodex otic suspension. The otic franchise gained six market share points in the U.S. for the year.

* Surgical sales rose 10.9% to $472.9 million, accounting for 49.6% of total sales.

* Sales of intraocular lenses increased 13.5% to $154.2 million. Sales growth was attributable to market share gains, continued adoption of the AcrySof Natural lens and global conversion from multi-piece to single-piece intraocular lenses. In the month of December 2004, the AcrySof Natural lens accounted for 43% of AcrySof units sold in the U.S.

* Sales of cataract and vitrectomy products rose 10.7%, with sales of the Infiniti cataract removal system a key driver of growth in this sector.

* Refractive revenue declined 8.8% to $14.6 million, as growth in procedures and conversion to higher-priced custom procedures did not offset lower sales of equipment. Custom procedures accounted for 45% of total Alcon procedures in the U.S. in the fourth quarter of 2004.

* Consumer eye care sales increased 7.8% to $133.2 million, accounting for 14.0% of total sales.

* Sales of contact lens disinfectants increased 2.1% led by growth outside the U.S. from Opti-Free disinfecting solution.

* Sales of artificial tears products increased 22.0% due to share gains and new market introductions of Systane lubricant eye drops.

Financial Guidance: Financial guidance for the full year 2005 and factors impacting this guidance are provided below.

* Sales are expected to be between $4,275 million and $4,375 million.

* Diluted earnings per share are expected to be between $3.08 and $3.14.

* In 2005 the company will resume funding certain research and development in the U.S. As a result, its effective tax rate for 2005 is expected to be between 24% and 25%.

* The company plans to begin expensing stock options in the third quarter of 2005 in accordance with recent financial accounting standards. The impact on diluted earnings per share for 2005 is expected to be approximately $0.06, which is included in the above guidance.

Ted Huber of **Wachovia Securities** weighed in on Alcon's results: **ACL: Q404 Upside From Currency And Tax--2005 Guidance Tops Cons.**

*** Q404 BEATS CONSENSUS WITH TAX AND CURRENCY HELP:** EPS of $0.60 benefited from lower tax rate; at normal tax, EPS was $0.52 vs. consensus of $0.53. Revenue growth was 11.9%, vs. our forecast of 11.7% (consensus was 11.3%) on a larger than expected currency contribution (3.4% vs. our forecast of 2.3%). Constant currency grow of 8.5% was 90 basis points behind our forecast. EBIT margin was up 140 b.p y/y and EBIT growth was 18.6%.

*** REVENUE HIGHLIGHTS:** Cataract surgical revenue growth was 7.8% c.c. by our math. Increased sales of Alcon's Infiniti Phaco system and IOLs (up 9.7% c.c.) led growth. Pharma revenue growth (14.9%, 12.0% c.c.) was led by otic anti-infective (+30.5% yr/yr) and Travatan (+37.1%). Ocular anti-infectives grew just 1.9% (c.c. decline of 1.0%) due Ciloxan's Q204 patent expiration. Patanol grew 10% c.c. (12.9% overall).

*** INTRODUCED 2005 GUIDANCE:** ACL provided 2005 revenue guidance of $4.3-4.4 billion (ahead of consensus though growth ex. currency is likely in line) and EPS of $3.08-3.14 vs. current consensus of $2.92. New guidance includes a lower tax rate (25%) and expensing of stock options starting Q304 ($0.06 impact). On terms consistent with current models (higher tax and no options expense) EPS guidance looks to be $2.95 to $3.01.

*** R&D UPDATE:** Filing of Patanase on schedule is a positive. Another Hete 15 trail that missed end points and delay of enrollment completion for the Retaane risk reduction trial (from 3/31/05 to year end 2005) are negatives.

*** AND A DIVIDEND:** ACL's Board Proposed a $0.97 dividend. 37% pay out ratio and 1.2% yield.

2/9 Jason Mills of **First Albany** previewed **VISX's** fourth quarter announcement: **EYE: 4Q04 Preview; Survey Results Suggest Modest Q/Q Procedure Growth Uptick**

* 4Q Preview. We model 4Q revenue and EPS estimates of $39.8M (+4%) and $0.18 (+6%), respectively (consensus: $39.7M and $0.19, respectively).

* We model declining system revenue of $7.6M (-20.5% growth Y/Y), offset by license revenue of $25.3M (+11.7% Y/Y) and service/royalty revenue of $6.9M (+14.5% Y/Y). We expect procedure volume to accelerate modestly sequentially to 7.5% Y/Y following a difficult 3Q:04 (+4%).

* We anticipate gross margins of 76.5% versus 69.9% a year ago, reflecting a continued mix shift to CustomVue procedures (36.5% CTC estimate vs. 29% in 4Q03). We model operating margin of 37.7% (up 100 bps Y/Y).

* **Advanced Medical Optics** announced its plans (November 9) to acquire VISX in a cash-and-stock deal valuing EYE at a market capitalization of $1.27 billion, or $26.52 per share.

* The acquisition offered fortuitous timing and robust valuation premium for VISX, which we believe faced an uncertain business environment with unpredictable Conversion to CustomVue ramp and slowing procedure growth.

* Strong Product Pipeline. The recent FDA approval of CustomVue Hyperopia and launch of Iris Registration technology, coupled with upcoming approval for CustomVue High Myopia/Astigmatism (2H:05), represent a solid pipeline.

2/10 **IntraLase Corp.** reported revenues for the fourth quarter ended December 31, 2004 increased 85% to $19.2 million versus $10.3 million for the comparable period in 2003. This progress was led by global sales of the INTRALASE FS laser, with the company placing for sale or lease 37 lasers compared to 26 lasers in the year-ago fourth quarter. Laser revenues for the period rose to $11.5 million versus $6.9 million in 2003. Reflecting the increasing utilization of the company's technology, sales of per-procedure disposable patient interfaces more than doubled, reaching $6.2 million compared to $2.8 million for the last three months of 2003. Per-procedure revenues include the sale of disposable patient interfaces required for creating corneal flaps in the first step of each LASIK procedure. Revenues from laser maintenance contracts increased to $1.4 million in the fourth quarter compared to the year-ago amount of $0.6 million.

Robert Palmisano, president and CEO of IntraLase, said today, "During the fourth quarter, we experienced further significant growth in refractive surgeon inquiries about our femtosecond technology and the superior clinical outcomes it is enabling. Seeing an opportunity to accelerate our momentum in the marketplace, we increased our spending for technical and clinical support services, sales, marketing and production, and are gratified to report that our laser installations were at the highest level by far for any three

month period in the company's history." Palmisano further noted that demand for INTRALASE FS lasers continued to build in markets outside the U.S., with more than 40% of laser revenues for the quarter attributable to new installations in Europe, Asia and other international locations. "We exited the year with a significant number of orders being received, and we are confident that the first quarter of 2005 will see further rapid growth in laser sales throughout the world."

IntraLase highlighted these additional developments occurring during the 2004 fourth quarter:

* Per-procedure patient interface unit sales exceeded 52,000 for the period compared to 27,000 a year ago.

* IntraLase's share of the U.S. corneal flap market grew to an estimated 16% compared to 10% at the 2003 year end.

* Australia became the latest international market to be served by the company. IntraLase lasers are now available in 18 countries.

* The company released clinical guidelines extending the use of INTRALASE FS lasers to therapeutic applications involving the treatment of diseased corneas.

* IntraLase completed its second installation at the Bascom Palmer Eye Institute at the University of Miami. The company's lasers have now been adopted as the new standard of care at 11 leading refractive surgery teaching institutions throughout the U.S.

* Professor Thomas Neuhann, an internationally recognized refractive surgery pioneer, marked his adoption of IntraLase's femtosecond technology with a live satellite broadcast of a corneal flap procedure in Munich, Germany. Also acquiring lasers in Germany were opinion-leading surgeons Dr. Michael Knorz and Dr. Armen Scharrer.

* The company successfully completed an initial public offering of common stock and exited 2004 with cash and securities of $92.0 million and no debt.

The company incurred a net loss of $3.1 million (12 cents per share) for the 2004 fourth quarter versus a loss of $2.3 million ($1.07 per share) in 2003. The 2004 loss, exclusive of stock-based compensation expense of $2.1 million, declined to $1.0 million versus a comparably adjusted $2.2 million for the 2003 quarter and included the impact of approximately $1.0 million in additional discretionary spending to support the rapid adoption of the company's laser in key markets. Net loss per share calculations for the two periods reflect weighted average shares outstanding of approximately 25 million in the 2004 fourth quarter following the company's initial public offering and 2.1 million in the 2003 quarter.

IntraLase's gross margin increased from 34.9% for the 2003 fourth quarter to 43.5% for the 2004 fourth quarter based on higher sales and favorable comparisons in average selling prices for lasers and disposable per-procedure patient interfaces. This progress was offset by the increase in stock based compensation expense and higher discretionary spending for research and development and activities supporting the global sale and installation of the company's lasers.

For the 2004 full year, revenues were $60.0 million versus $25.4 million the prior year. Laser revenues of $33.2 million more than doubled from the comparable figure of $14.8 million, while sales of per procedure disposable patient interfaces increased to $22.3 million versus the 2003 amount of $9.1 million. Maintenance revenues totaled $4.5 million for the 2004 full year compared to the year-ago total of $1.5 million. The net loss for 2004, including incremental stock-based compensation expense of $4.5 million, totaled $10.2 million versus $12.0 million in 2003. The loss per share for 2004 was $1.28 based on 8 million weighted average shares outstanding compared to a loss of $5.66 per share based on 2.1 million weighted average shares outstanding in 2003. Excluding stock-based compensation expense, the 2004 loss declined to $5.7 million or $.72 per share versus a loss of $11.7 million or $5.51 per share in 2003.

Further commenting on IntraLase's financial performance, Palmisano said, "The emphasis given to winning acceptance of our technology and increasing our share of the corneal flap market will continue in 2005, but will be matched with an equal emphasis on operating profitably, including during the first quarter. Demand for our lasers and related disposable products remains strong and current trends indicate that first quarter installations will rise sharply over 2004." He went on to say, "We are committed to deliver more of the economic value inherent in our business model and high rate of growth, and expect this will occur through further improvements in the company's gross margin and reduced SG&A spending as a percent of sales."

In providing guidance regarding 2005, IntraLase said today it is anticipating the U.S. LASIK market will grow in a range of 6%-8% for the year, but that the company's revenues will rise at a far faster rate as it continues to win market share away from microkeratome-based corneal flap procedures and further accelerates its installation of femtosecond lasers throughout the world. Revenues are anticipated to exceed $95 million compared to the $60 million attained in 2004. This level of sales should lead to net earnings in a range of $10 million to $12 million or $.33 to $.37 per share, with the fourth quarter of the year accounting for approximately half that amount due to seasonal demand trends impacting revenues and margins.

Palmisano concluded his remarks by saying, "We are looking forward to 2005 with great anticipation and expect our first full year as a public company will be characterized by strong worldwide growth in revenues, further rapid adoption of our technology by refractive surgeons and their patients, positive cash flow and net earnings that begin to reflect the company's outstanding potential."

Ted Huber of **Wachovia Securities** on **IntraLase**: **ILSE: After A Sloppy Q404, Bar Is Low In Q105 Then Rises Quickly**

*** Q404 A MIXED BAG:** Revenue of $19 million beat our forecast and consensus ($17.3 million). Laser sales drove the upside, covering a procedure volume shortfall. IntraLase reported Q404 loss per share of $0.12 ($0.04 ex. stock comp expense) vs. consensus estimates of $0.00. SG&A spending was $3.1 million above target on investments in international sales/infrastructure.

*** LASERS DRIVE REVENUE:** IntraLase placed 37 lasers in Q404; our forecast was 30. Laser ASPs were near $312K (vs. $298K target) on fewer leases/more purchases. 43% of placements were OUS, reflecting management's increasing focus on and investment in the overseas opportunity. Procedure volumes grew to 52k, shy of our 58k target. U.S. volumes were flat for the 2nd quarter in a row as LASIK industry growth decelerated (we estimate mid-single digits yr/yr) and 3 high volume IntraLase surgeons hit Q404 speed bumps in their practices. Laser utilization fell to 241 procedures/quarter. An ongoing trend of sales to lower volume U.S. surgeons contributed to this.

*** 2005 GUIDANCE** (newly issued) is net income at $10-12mm on revenue of $95+mm, in line with our existing model. But the degree of back end loading management expects (1/2 of EPS and near 1/3 of procedures in the seasonally weak Q4) seems highly improbable. In contrast, Q1 targets seem overly cautious (25% procedure sequential growth where **Market Scope** expects U.S. LASIK industry sequential growth nearer 40% - the normal seasonal pattern). We expect IntraLase to handily beat Q104 consensus but are cautious on H2 2005 volume expectations. While our aggregate top and bottom line forecasts are largely unchanged through 2008, international growth is a more prominent driver of our model.

2/10 **VISX, INCORPORATED** announced financial results for the fourth quarter and twelve months ended December 31, 2004. Fourth quarter revenues increased 6% to $40.4 million from $38.2 million for the comparable period of the prior year. Net income was $5.9 million and included merger-related expenses of $3.1 million. This compares with fourth quarter 2003 net income of $8.8 million which was favorably impacted by an insurance reimbursement.

Merger-related expenses reduced fourth quarter 2004 net income by approximately $0.06 per share which resulted in earnings per share for the quarter of $0.11. In the fourth quarter of the prior year, an insurance reimbursement increased net income by $0.04 per share, resulting in earnings per share of $0.17.

Revenues for the twelve months ended December 31, 2004, were $165.9 million compared with $143.9 million for the comparable period of the prior year. License revenue, which is the key driver for the company's profit, grew 34% in 2004 compared with 2003. Net income, despite merger-related charges, rose over 65% to $38.4 million

(76 cents per share) in the twelve months of 2004 compared with net income of $23.3 million (46 cents per share) in the comparable period of the prior year.

Liz Davila, chairman and CEO of VISX, stated, "In Q4 we saw solid growth. License revenue was up 13% and system sales were the strongest of the year. Aside from the impact of merger expenses, earnings were in line with our expectations, but at the low end due to delays related to FDA approvals. We are awaiting Iris Registration approval, which we now anticipate in Q1. Our CustomVue hyperopia approval came late in the quarter and is now contributing to a strong start in 2005. In January, our conversion to CustomVue procedures increased and worldwide license revenue was up more than 20% over last January."

Davila continued, "We look forward to joining forces with **AMO** and are working to close the transaction in the first quarter. We believe AMO's strength in international markets and broad product portfolio, together with VISX's leadership in refractive surgery and strong market position in the U.S., will enable our combined company to accelerate growth worldwide."

Two analysts provided input on VISX's results.

Jason Mills of **First Albany** on **VISX**: **VISX: 4Q Results In-Line; Details on Key Metrics Held Close to the Vest**

* 4Q revenue and EPS from continuing operations were $40.4M (+5.7% Y/Y) and $0.18, respectively. Revenue was higher than our $39.8M estimate and EPS were in line. Merger-related expenses reduced reported EPS by $0.06.

* Declining system revenue of $7.9M (-16.8% growth Y/Y) was offset by U.S. license revenue of $25.3M (+11.7% Y/Y) and service/royalty revenue (including international procedure fees) of $7.2M (+20.1 Y/Y). System revenue was higher than our $7.6M estimate, license revenue was in line, and service/royalty revenue was higher.

* Management did not report procedure growth, conversion to CustomVue (CTC) or laser unit sales, but we estimate these metrics came in line with our estimates - U.S. procedures up 7.5% Y/Y; CTC of 36.5% (up 120 bps Q/Q); 32 U.S. lasers; 5 International lasers; and 45 WaveScan.

* Gross margins were 71.5%, 160 bps higher Y/Y but below our 76.5% estimate. The operating margin was 34.2%, lower than our 37.7% estimate. SG&A and R&D expenses were $9.9M and $5.2M (excluding merger-related expenses of $3M).

* We estimate VISX lost share in the quarter in U.S. procedure volume, while the CTC ramp was modestly ahead of the broader launch of CustomVue hyperopia in 1Q.

Ted Huber of **Wachovia Securities** on **VISX**: **EYE: VISX Goes Out With A Whimper, Q404 Volume Growth Near 1%**

*** LASIK MARKET GROWTH SLOWS** to mid single digits for Q404. VISX grew at a slower rate (details no longer disclosed by management); we estimate VISX LASIK volume growth at 1% yr/yr for Q404. Mix appears to be up by 1% at best. We had estimated 10% VISX volume growth following a weak, storm affected Q303 with yr/yr volume growth of 4%.

*** VISX Q404 RESULTS:** VISX hit the low end of guidance on both revenue and EPS (revenue of $40.4mm and EPS of $0.17 excluding $0.06 of merger-related costs). Hardware sales upside offset a shortfall in license revenue (up 11.4% vs. guidance of 20%)

*** LOWERING FORECAST:** We expect the VISX/AVO merger to close in late March or April but offer an updated forecasts of VISX as a standalone business. Management offered no update to 2005 guidance but did comment that January license revenue was up 20%. We now model 16% growth for that key driver of VISX profitability for 2005 and 10% for 2006. This is the product of 2005 procedure volume growth of 8.5% (down from prior 11.9%), 2006 volume growth of 7.5% and Custom Mix averaging 48% by 2006 (exited 2004 near 35%). These cuts to our procedure volume forecast result in EPS of $0.94 for 2005, down $0.03 from our prior forecast.

2/11 In the first quarter of the financial year 2004/2005 (1.10.-31.12.2004) **Carl Zeiss Meditec AG** continued its positive business development and increased its sales by 6.1% over the previous year. Total sales of the medical technology amounted to E61.9 million (previous year: E58.4 million). This shows that the company successfully compensated for the adverse currency effects resulting from the ongoing weakness of the US dollar. Had exchange rates remained constant, sales would have increased by 11.9% in comparison to the previous year, to E65.3 million. "We are most satisfied with the start to the new financial year. The latest acquisitions have scarcely impacted on the first quarter, which shows just how strong our internal potential for growth is," says Ulrich Krauss, president and CEO of Carl Zeiss Meditec.

Earnings before interest and tax (EBIT) also significantly improved by 10.9% over the previous year (E6.1 million) to E6.8 million. Consolidated net income came in even stronger: rising by 16.7% to E4.0 million (previous year: E3.5 million), it increased more sharply than sales. Earnings per share rose to E0.14 (previous year: E0.12).

Innovative diagnostic systems for ophthalmologists accounted for just under three quarters of Carl Zeiss Meditec's sales (E45.8 million). About 17% of the first quarter sales were attributable to laser therapy systems (E10.2 million). Services accounted for almost 10% of the company's sales.

Carl Zeiss Meditec succeeded in considerably expanding its market position in Asia and America in particular. Sales there were up by 31% and 8% respectively, compared to the previous year. America accounted for the majority of Carl Zeiss Meditec's total sales. At 54%, the company posted over half its sales there. The remaining sales were distributed almost equally amongst Asia and Europe. Thanks to the positive development of the net income and the continuing reduction of trade receivables, the operative cash flow was about a third higher than in the equivalent period last year. It amounted to E6.6 million (previous year: E5.0m).

As of 31 December 2004 the Carl Zeiss Meditec Group employed a workforce of 897 (previous year: 800).

"Carl Zeiss Meditec aims to hold steadfastly to its current course of profitable growth in this financial year", announced president and CEO Ulrich Krauss. During the course of the last financial year Carl Zeiss Meditec successfully put into place the right internal conditions for expanding its business. The Company has taken advantage of attractive external growth options with its recent acquisitions of the US glaucoma specialist **Laser Diagnostic Technologies, Inc.**, the surgery business of Carl Zeiss in Japan and the French eye surgery company **IOLTECH S.A.** By taking these steps Carl Zeiss Meditec has considerably improved its position in different ophthalmic market segments and in lucrative national markets. At the same time, the market to which Carl Zeiss Meditec now has access has almost doubled in size. "Overall, in the last few months we have moved a good deal closer to reaching our goals of doubling our 2002/2003 sales by 2007/2008 and increasing our profitability," said Krauss.

2/15 **Advanced Medical Optics, Inc.** and **VISX, Incorporated** announced that they now expected to complete their proposed merger during the second quarter of 2005. Earlier the companies had indicated they were working to complete the merger during the first quarter of 2005. The companies are awaiting the completion of their respective year-end audited financial statements, which are now required to be included in their joint proxy statement/prospectus under applicable securities laws, prior to scheduling their respective stockholder meetings and mailing the joint proxy statement/prospectus to their stockholders.

2/15 **IRIDEX** announced sales for the fourth quarter ended January 1, 2005 of $9.1 million, up 4% from $8.8 million reported in the fourth quarter of 2003. The sales increase in the fourth quarter was facilitated by the strong market acceptance of the company's new dermatology dual laser system, VariLite. Net income for the fourth quarter of 2004 was $202,000 or $0.03 per share, compared with net income of $491,000, or $0.07 per share, in the corresponding quarter of 2003. For the full year of 2004, sales were $32.8 million, up 4% compared with $31.7 million reported for the full year 2003. The net loss for 2004 was $402,000, or $0.06 per share, compared with net income of $371,000, or $0.05 per share, for 2003. The net loss for 2004 included a one-time charge of $1.0 million taken in the second half to establish a reserve for state sales taxes.

Sales by Product and Geography: For the fourth quarter, dermatology sales were $1.5 million, up 20% compared with the corresponding quarter in 2003. Ophthalmology sales totaled $7.6 million, compared with $7.5 million in the fourth quarter of 2003. International sales totaled $3.4 million, up 8% from the corresponding quarter in 2003, and domestic sales grew slightly to $5.7 million compared with $5.6 million in the fourth quarter of 2003. Since international sales are denominated in US dollars, foreign currency fluctuations had no material impact on sales growth.

For the full year 2004, ophthalmology sales totaled $27.8 million, a 6% increase from $26.2 million reported for the full year 2003. Sales of dermatology products totaled $5.0 million in 2004, compared with $5.5 million for 2003. Sales in the United States were $19.9 million in 2004, down 1% from 2003. International sales in 2004 increased to $12.9 million, an 11% increase from $11.6 million in the prior year.

"Our fourth quarter sales growth was primarily the result of the market's strong and positive response to the company's new dermatology dual laser system, the VariLite," said Theodore Boutacoff, president and CEO. "Based on current market conditions we were pleased with our yearly sales growth in ophthalmology. We believe that the recent introductions of the IQ 810 in ophthalmology and the VariLite in dermatology will play major factors in achieving our goal of doubling our 2004 revenue growth rate in the year 2005. While the future success of the IQ 810 is somewhat predicated on the greater acceptance of infrared laser protocols such as Transpupillary Thermotherapy (TTT), we have a high level of confidence in the future performance of the VariLite as it provides greater flexibility in cosmetically treating undesired veins on the face and legs."

New TTT Results: Earlier this quarter at the *Royal Hawaiian Eye Meeting* in Kona, Hawaii, updated interim results from the TTT4CNV Clinical Trial for occult wet age-related macular degeneration (AMD) were presented. These results included an overview of the per protocol analysis (PPA), a commonly used evaluation of only the subset of enrolled patients who meet all the key eligibility criteria of the study.

"The interim PPA results presented were similar to the interim intent-to-treat data reported at the *American Academy of Ophthalmology* meeting in October 2004 with the exception that the PPA showed a higher percentage of treated patients with improvement in vision," continued Mr. Boutacoff. "For example, at 12 months, 24% of TTT treated eyes improved, compared with only 5% of sham treated eyes. This vision improvement was statistically significant. Further subgroup analyses are underway that may help us understand the effect of TTT treatment on patients with different baseline characteristics, such as levels of visual acuity."

"Clearly there are patients who benefit from TTT. We look forward to a complete analysis of the study data, which may provide clarity regarding the type of patients who will benefit most from the TTT protocol. Additional results will be presented at The Macula Society on February 25, 2005," concluded Boutacoff.

Additional Financial Results: "For the full year gross margin increased to 45.4% in 2004 compared with the 44.4% reported for the full year 2003. Gross margin in the fourth quarter of 2004 increased to 48.1% compared with 47.0% reported for the fourth quarter of 2003," commented Larry Tannenbaum, CFO and Senior vice president. "Expenses in the fourth quarter were higher than anticipated primarily due to the development and initial launch costs for the IQ 810 and VariLite. The balance sheet remains strong with cash, cash equivalents, and available for sale securities of $18.0 million, inventory turns improving to 2.0 for the year and accounts receivable days at 76. If sales continue to grow at a similar pace to what we achieved in 2004 and the newly introduced products continue to meet our average selling price expectations, gross margin and profitability should also continue to improve in 2005."

2/16 **NovaMed, Inc.** reported results for the fourth quarter and twelve months ended December 31, 2004. Net income from continuing operations in the fourth quarter of 2004 was $1.2 million (5 cents per share) as compared to $1.3 million (6 cents per share) in the prior year fourth quarter. The fourth quarter 2003 results included a pre-tax net gain on the sale of minority interests of $966,000 which contributed $0.03 per share. For the fourth quarter total net revenue increased 28% to $17.5 million from $13.6 million for the prior year fourth quarter. Net revenue from surgical facilities was $13.2 million, up 44% from $9.2 million in the prior year fourth quarter. This revenue increase was primarily due to a 50% increase in total surgical procedures performed in the fourth quarter of 2004 as compared to the same period in the prior year. On a same-facility basis, surgical facilities net revenue increased 10% over the prior year fourth quarter. Product sales and other revenue was $4.2 million in the fourth quarter of 2004, down 4% from the prior year fourth quarter. Operating income in the fourth quarter of 2004 increased 91% to $3.5 million, or 20% of net revenue, from $1.8 million, or 13% of net revenue, in the same period last year. Minority interest in the fourth quarter of 2004 was $1.5 million, up 116% over the prior year fourth quarter. This increase is due to the sale of minority interests in existing surgical facilities in 2003 and 2004, as well as surgical facilities acquired in 2004.

For 2004, net income from continuing operations was $3.8 million (17 cents per share) as compared to $3.5 million (16 cents per share) for 2003. The 2004 results included a pre-tax net gain on the sale of minority interests of $99,000 which contributed 1 cent per share and the 2003 results included a pre-tax net gain on the sale of minority interests of $892,000 which contributed 3 cents per share.

For 2004, total net revenue increased 16% to $64.6 million from $55.5 million for 2003. Net revenue from surgical facilities was $46.6 million, up 28% from $36.4 million in 2003. This revenue increase was primarily due to a 32% increase in total surgical procedures performed in 2004 as compared to 2003. On a same-facility basis, surgical facilities net revenue increased 8% over the prior year. Product sales and other revenue was $17.9 million in 2004, down 6% from the prior year. Operating income in 2004 increased 52% to $11.2 million, or 17% of net revenue, from $7.4 million, or 13% of net revenue, in 2003. Minority interest in 2004 was $4.9 million up 86% from 2003.

"I am pleased with our fourth quarter results and the growth we are achieving in our core surgical facilities business, particularly our strong same-facilities revenue growth of 10%, our 91% increase in operating income and our seven percentage point increase in our operating margin," commented Stephen Winjum, NovaMed chairman, president and CEO.

"In 2004, we invested over $26 million in seven surgery center acquisitions and ended the year with net debt of less than $5 million, leaving us with plenty of available capacity under our $50 million credit facility," said Winjum. "We entered 2005 with a continued focus on producing growth within our existing portfolio of 25 surgery centers as well pursuing attractive acquisition and development opportunities to continue our growth momentum," said Winjum.

2/21 Gene Marcial, writing in his **INSIDE WALL STREET** column in *Business Week*, **Iridex May Open More Investors' Eyes**

Nothing hurts a stock more than disappointing results -- from earnings or a new drug or medical product. That's what torpedoed Iridex (IRIX), a maker of laser systems to treat eye ailments: It dived from 7.19 on Oct. 20 to 3.95 within days after initial results of clinical trials on Iridex' TTT (transpupillary thermotherapy) product -- for age-related [wet] macular degeneration (AMD), a leading cause of blindness -- disappointed investors.

Dr. Elias Reichel, an ophthalmology professor at Tufts University School of Medicine and chief of the two-year trial, said further analysis of the results was needed: He called the 47% of patients responding positively to TTT "statistically insignificant" compared with the placebo group. Larry Haimovitch, whose medical technology consulting firm owns shares, expects a more favorable interpretation of the data when Reichel elaborates on the study at a *Macula Society* conference in Key Biscayne, Fla., on Feb. 25. And recently the stock has spiked, to 5. John Porter of **Arabella Securities** sees it earning 24 cents a share in 2005 on sales of $35.5 million, and 35 cents in 2006 on 38.4 million. Haimovitch is predicting the stock price will double in 12 months.

2/22 **TLC Vision Corporation** announced that **Midwest Surgical Services (MSS)** acquired the assets of **Mobile Diagnostics Inc. (MDI)**. MSS, TLCVision's cataract subsidiary, is considered to be the largest cataract outsource service provider in the United States.

MDI, a Minnesota based corporation, provides mobile glaucoma scanning services to Optometrists and Ophthalmologists. Glaucoma is a group of eye diseases that can gradually cause loss of sight without warning and often without symptoms if not detected in time. It affects over 3 million Americans.

MDI's services provide early detection and management of glaucoma. The GDx VCC exams provide the earliest possible detection of glaucoma by measuring the health of the

retinal nerve layer. The Ocular Blood Flow Analyzer records ocular blood flow data, providing information about the vascular network of the eye.

"This acquisition is consistent with our strategy to diversify our eye care services business. Glaucoma diagnostic capability broadens our offering and allows us to expand and further leverage our current doctor relationships", commented Jim Wachtman, president and CEO

2/23 **BIOLASE Technology, Inc.** announced the signing of a fully-paid license agreement related to patents owned or licensed by **SurgiLight, Inc.** in the field of Presbyopia, which is a phenomenon of natural aging that results in the loss of near-reading ability over the age of 40 years old. According to the *Wall Street Journal* article **"Reading the Fine Print,"** published on February 14, 2005, 110 million Americans suffer from Presbyopia.

Subject to a due diligence period and satisfaction of certain terms and conditions, BIOLASE will acquire fully-paid license rights in the U.S. and International markets to patents owned or licensed by SurgiLight, Inc. in the field of Presbyopia and other patents related to the field of Ophthalmology. If certain terms and conditions are satisfactorily met, BIOLASE will pay an aggregate consideration of $2.0 million in cash, which will be paid in scheduled installments.

"We are pleased to acquire rights to this large market opportunity. We believe our technology offers distinct and strong advantages over currently known approaches to treating Presbyopia. While it is premature to discuss the specific commercial impact of this transaction to our forward business model, we are confident this agreement will open new commercial opportunities for BIOLASE's core technology," commented Robert Grant, president and CEO.

The agreement is expected to be completed in March 2005. All other terms and conditions of the transaction are confidential.

2/23 **SurgiLight, Inc.** in their announcement of the deal, said that they had executed a license agreement under which **Biolase** had obtained the rights to develop a product for the treatment of Presbyopia. Presbyopia is a condition affecting nearly every individual over 40 in which there is a decline in unaided near-distance sight. Under the terms of the agreement, Biolase will pay SurgiLight $2 million upon fulfillment of certain conditions over time. The agreement also establishes a minimum royalty rate for third parties. All other terms and conditions are confidential.

Dr. Colette Cozean, CEO of Orlando-based SurgiLight commented, "BIOLASE has demonstrated their ability to address a new market with their dental applications. In addition, the management of Biolase has significant experience in the ophthalmic field. Their investigation of the potential therapeutic treatments for Presbyopia and the clinical results for Laser Presbyopia Reversal (LAPR), led them to inquire about licensing the SurgiLight patents. We believe that not only will this funding allow SurgiLight to expand

its clinical trials in the United States and capitalize on the CE approval for the Presbyopia application we just received in Europe, but the credibility of a second player in this market will significantly grow the market. SurgiLight believes that LAPR has demonstrated its ability to restore accommodation in adults over the age of 40 and is committed to licensing this technology to other participants in the marketplace."

2/23 **LCA-Vision Inc.** announced fourth quarter and full-year financial results for the period ended December 31, 2004. All prior financial data has been adjusted to reflect the 3-for-2 stock split on December 15, 2004.

Fourth Quarter Highlights:

* EPS soared 92% to $0.23 from $0.12 in 2003's fourth quarter.
* Revenues rose 58% to approximately $33 million from approximately $21 million in 2003's fourth quarter, marking the 6th consecutive quarter of revenue growth exceeding 50%.
* Procedure volume increased 51% to 24,224, from 16,060 procedures in 2003's fourth quarter.
* Same-store revenue grew 35% at vision centers open at least 12 months, marking the 6th consecutive quarter of strong same-store revenue growth exceeding 35%.

Full Year Highlights:

* Net income, EPS and revenue reached record levels.
* EPS, which also reflect certain tax benefits, climbed 250% to $1.54 from $0.44 in 2003.
* Revenues grew 56% to over $127 million from approximately $81 million in 2003.
* Procedure volume rose 46% to 95,835 from 65,485 procedures in 2003.
* 7 new vision centers opened throughout the year -- 6 in new markets.
* 3-for-2 stock split declared in the fourth quarter.
* Quarterly dividend initiated in the third quarter.

Net Income & Earnings Per Share: In the fourth quarter of 2004, net income increased 121% to approximately $4.9 million from approximately $2.2 million in the fourth quarter of 2003. Earnings per diluted share increased 92% to $0.23 from $0.12 in the fourth quarter of 2003. For the full year of 2004, net income was approximately $32.0 million, or $1.54 per diluted share, compared with approximately $7.3 million, or $0.44 per diluted share for the full-year of 2003.

2004 financial results include a one time $16.4 million income tax benefit to utilize and reverse the valuation allowance of the company's deferred tax assets. Excluding this tax benefit, full-year 2004 net income was approximately $15.6 million (75 cents per share) compared with net income of approximately $7.3 million (44 cents per share) for the full-year of 2003. To facilitate a more meaningful comparison between 2004 and future

periods, the company believes it is helpful to exclude the utilization and reversal of the tax deferred valuation allowance from net income and earnings per share.

Stephen Joffe, chairman and CEO of LCA-Vision commented, "We are pleased to report another quarter and year of exceptional financial and operational performance. We reported higher levels of net income and earnings per share for both the quarter and the year, even with a higher effective tax rate. Quarterly and annual revenues grew to record levels, and procedure volume also exceeded all prior levels. Quarterly revenue growth surpassed 50% for the sixth consecutive quarter and for the second year in a row, fourth quarter revenues exceeded first quarter revenues, an accomplishment we are particularly proud of given the historical seasonality of our business.

"Throughout the year, LCA-Vision saw favorable growth trends in the laser vision correction industry, and we believe we continued to gain market share in virtually all the LasikPlus markets we serve. We opened seven vision centers in 2004 -- six in new markets. The response we received in these markets has been strong, with each vision center reaching profitability ahead of the six-month target we establish. Same-store revenues at vision centers open at least 12 months increased 35% over 2003's fourth quarter, reflecting successful execution of our marketing strategies, as well as continued strong demand for laser vision correction procedures. We remain focused on growing same-store revenues as well as expanding into new markets, and plans are currently underway to open 10 to 12 vision centers throughout 2005."

Strong Revenue Growth Driven by Record Procedure Volume: In the fourth quarter of 2004, revenues increased 58% to approximately $32.7 million from approximately $20.8 million in 2003's fourth quarter. The operating margin was 17.2% compared with 10.8% in the fourth quarter of 2003. Fourth quarter procedure volume increased 51% to 24,224 from 16,060 procedures performed in the fourth quarter of 2003, and revenue per procedure increased 4% to $1,351, from $1,293 in the fourth quarter of 2003. For the full-year of 2004, revenues increased 56% to approximately $127.1 million from approximately $81.4 million in 2003. The operating margin was 19.0% compared with 8.8% for 2003. The number of procedures performed in 2004 increased 46% to 95,835, from 65,485 procedures performed in 2003.

Balance Sheet Positioned to Support Long-Term Growth: Cash provided by operations for the full year of 2004 increased to approximately $28.5 million as of December 31, 2004 from approximately $12.5 million as of December 31, 2003. Cash and cash equivalents increased to approximately $86.6 million as of December 31, 2004 from approximately $64.9 million as of December 31, 2003.

Board of Directors Approve Dividend Payment: LCA-Vision's Board of Directors approved a dividend of 8 cents per share, payable on March 14, 2005 to shareholders of record as of March 7, 2005.

2005 Guidance: LCA-Vision is increasing its earnings guidance for 2005. The company now expects 2005 earnings per diluted share to be in the range of $1.00 to $1.05, compared with prior guidance of $0.97 to $1.02. The effective tax rate for 2005 is expected to be between 40% and 41%.

2/23 **QLT Inc.** reported its financial results for the fourth quarter ended December 31, 2004 and full year 2004 and issued its guidance for 2005, reflecting the merger of QLT Inc. and **Atrix Laboratories, Inc.**, which closed November 19, 2004.

2004 Earnings Per Share (EPS): Full year pro forma (non-GAAP) EPS for QLT stand-alone was $0.95 compared to $0.59 ended December 31, 2003, an increase of 62% and three cents above the Company's 2004 EPS guidance range of $0.87 to $0.92. Excluding the extraordinary gain related to the acquisition of Kinetek and excluding the other gain related to a milestone from a former business, pro forma (non-GAAP) EPS for QLT stand-alone would have been $0.78 for 2004. Fourth quarter pro forma (non-GAAP) EPS for QLT stand-alone was $0.21, up 58% from $0.13 in the fourth quarter of 2003.

On a GAAP basis, calculated in accordance with U.S. generally accepted accounting principles, QLT reported a loss of $2.62 in the fourth quarter and a loss of $2.26 for the full year 2004. The fourth quarter and full year losses were primarily due to a $236 million charge for purchased in-process research and development resulting from the merger with Atrix Laboratories, Inc. Exhibits 1 and 2, attached, show the components of GAAP EPS.

Adjusted pro forma (non-GAAP) EPS for the fourth quarter was $0.13 and full year was $0.54, reflecting the post transaction fully diluted 105.2 million outstanding shares. Exhibits 3 and 4, attached, reconcile from GAAP EPS to adjusted pro forma (non-GAAP) EPS.

2004 Annual Sales: As previously announced, Visudyne sales for the fourth quarter were $124 million, an increase of 29% over sales in the fourth quarter of 2003. Worldwide Visudyne sales were $448 million for the full year 2004, 26% higher than for 2003. Foreign exchange effects accounted for six percentage points of the full year gain.

For the full year 2004, Eligard sales were $84 million worldwide, an increase of 100% over nine months of sales in 2003. This figure represents sales through our marketing partners.

2005 Annual Guidance: Based on recent events and current trends in Visudyne(R) sales, QLT is projecting that Visudyne sales will range from $500 million to $530 million in 2005. The company is projecting Eligard sales will range from $140 million to $160 million in 2005. Total 2005 sales from all QLT products, including dermatology, are forecasted to be between $650 and $700 million, assuming exchange rates remain approximately the same.

The company projects its 2005 adjusted pro forma (non-GAAP) EPS (excluding amortization of acquired intangible assets and restructuring charges) will be $0.63-$0.77 or 17-43% growth over the adjusted pro forma (non-GAAP) combined company full year EPS of $0.54.

"The key achievement of the year has been the successful integration of our merger, transforming QLT into a stronger more diversified company," said Paul Hastings, president and CEO. "We now have a broader marketed products portfolio with stronger growth prospects, a full pipeline of products and three drug delivery platforms from which high value therapeutics can be developed with both strategic alliances and by QLT alone. Investing in our future by increasing our focus on advancing promising products through our pipeline ensures continued growth that will benefit shareholders as well as physicians and their patients."

2/24 **IRIDEX Corporation** announced a significant clinical benefit in a subset of patients with wet age-related macular degeneration (AMD) who were treated with the transpupillary thermotherapy (TTT) laser protocol when compared to the sham treated control group in the TTT4CNV Clinical Trial. The results showed that in a subgroup of patients with baseline visual acuity of 20/100 or worse, 22% of treated eyes improved vision by one or more lines compared with none of the eyes in the untreated control group. Furthermore, at 18 months, there was a 2 line benefit in preserving vision in this subgroup when compared to sham treated eyes. Specifically, TTT treated eyes on average lost 2 lines of visual acuity while sham treated eyes lost 4 lines. Both of these findings were statistically significant.

Dr. Elias Reichel, Study Chairman of the TTT4CNV Clinical Trial and Associate Professor of Ophthalmology at the New England Eye Center, Tufts University School of Medicine, will be presenting these results Friday, February 25 at *The Macula Society Meeting* in Key Biscayne, Florida.

Dr. Reichel commented, "These subgroup results are very important. TTT clearly benefits patients with vision that is 20/100 or worse. Within the TTT4CNV Clinical Trial about 42% of the patients enrolled had baseline vision of 20/100 or worse. On average, in this group of patients, the TTT treated patients lost two lines less than the sham treated group at 18 months. Remarkably, at 18 months, one-fifth of treated patients showed some improvement in vision compared to their vision prior to the TTT treatment. This compares to no vision improvement for patients in the sham treated control group. These results support a role for TTT in the treatment of a significant fraction of patients with occult wet AMD worldwide."

Theodore Boutacoff, president and CEO of IRIDEX said, "We are excited about these results and the significant contribution they can make in the clinical care of patients with occult wet AMD. TTT has the potential to offer physicians a clinically effective, cost efficient procedure that is easily incorporated into practice and can benefit many patients since it targets the early occult stage of the disease."

2/24 **WaveLight Laser Technologie AG.** released an update of current events:

Capital increase implemented successfully: We were very pleased with the successful implementation of the capital increase. Over the next two years, the E20 million or so raised by the capital increase will be used judiciously to expand our core competencies of ophthalmology and aesthetics. The enclosed Story Book will provide you with an overview of our planned activities.

Annual General Meeting on January 12, 2005 supports growth strategy: Over 240 shareholders, as well as numerous bank representatives, journalists and guests, were greeted by the Supervisory Board and Executive Committee of WaveLight Laser Technologie AG at the Company's fifth Annual General Meeting, held on January 12, 2005 in Erlangen. CEO Max Reindl commented on the past fiscal year 2003/2004 in his report, focusing on key events that were of particular significance for the operating activities of WaveLight Laser Technologie AG during previous months.

The shareholders again voted by a large majority to create an Authorized Capital I. This means that the Executive Committee is now authorized to implement capital increases of up to 50 percent of the current share capital in the next five years with the approval of the Supervisory Board.

Publication of half-yearly report on March 9, 2005: WaveLight Laser Technologie AG will continue its growth course in the coming months. On March 9, 2005, we will report on the results for the first six months of fiscal year 2004/2005, which end on January 31, 2005.

2/25 In connection with the takeover of French ophthalmic surgery specialist **IOLTECH S.A.**, **Carl Zeiss Meditec AG** submitted the relevant documents to the French securities commission *AMF (Autorité des Marchés Financiers)* for approval. In doing so, the medical technology provider has paved the way for the previously announced public takeover bid of the remaining IOLTECH minority shareholders. As of 1 February 2005, Carl Zeiss Meditec had acquired about 63% of the IOLTECH shares from its former principal shareholder Philippe Tourrette.

As previously announced, the takeover bid to the remaining IOLTECH shareholders, who still hold about 37%, provides for a cash payment of E91.80 per share.

The investment bank **Natexis Bleichroeder**, which is handling the public takeover bid, has evaluated the fairness of the offer. In its expertise the bank concludes that the price Carl Zeiss Meditec will offer to IOLTECH minority shareholders is fair. This has been confirmed in an additional fairness opinion, an assessment of the reasonableness of the offer by an independent expert.

As before, Carl Zeiss Meditec has its sights set on a complete takeover of IOLTECH. The takeover bid for the remaining IOLTECH shareholders will be published as soon as the French securities commission has approved the submitted documents.

2/24 **Visient Therapeutics** announced that it had enrolled the first patient in a newly commenced Phase 1 clinical trial evaluating Litx in patients with advanced age-related macular degeneration. Ophthalmologist Gary Edd Fish, MD, treated the patient at Texas Retina Associates in Dallas. The FDA accepted an Investigational New Drug (IND) application in 2004. This permitted Visient Therapeutics to begin an open-label, dose escalation safety trial using the light-activated drug LS11 (talaporfin sodium) to treat patients with advanced age-related macular degeneration (AMD). In this study, LS11 will be administered to patients intravenously, and then activated selectively in diseased portions of the eye by non-coherent light.

"Beginning our ophthalmic clinical trials for AMD is a significant accomplishment for Visient," said Albert Luderer, president of Visient Therapeutics and president and CEO of parent company, **Light Sciences**. "The quick acceptance of our IND by the FDA really underscores the safety profile that we have seen with this compound. We believe that our unique approach may solve many of the major problems associated with currently available therapies, such as poor response rates, inadequate durability of visual stabilization and uncomfortable drug delivery mechanisms."

AMD is the leading cause of irreversible blindness for those aged 55 and over. Nearly 200,000 people are diagnosed with AMD in the United States every year.

About Visient Therapeutics: Visient Therapeutics is wholly owned subsidiary of Light Sciences Corporation. Light Sciences Corporation, founded in 1995, is a privately owned company developing Light Infusion Technology (Litx), a proprietary combination product comprising a photo-reactive agent (LS11) activated by non-coherent light infusion devices. Litx represents an important step forward in the clinical application of light activated drugs in cancer, cardiovascular, eye and many other diseases. For additional information about Light Sciences, please visit **http://www.lightsciences.com/**

2/28 **SOLX Inc.**, a **Boston University Photonics Center Company** that develops glaucoma treatment systems, commenced commercial operations after conducting four years of research and product development in the Photonics Center's Business Acceleration Program. SOLX's DeepLight Glaucoma Treatment System, which combines its Titanium Sapphire Laser and Gold Shunt, provides physicians a new approach to decreasing intraocular pressure (IOP), the primary risk factor for glaucoma. The new treatment system reduces compliance problems common in glaucoma sufferers.

SOLX held its first training session for ophthalmologists on February 11th and 12th, 2005 in Madrid, Spain, where the system has already been approved for investigational use on patients. Glaucoma specialists from six nations gathered together to learn how to put the treatment into practice. The training was sponsored by SOLX and headed by Gabriel

Simon, MD., Director of Ophthalmic Research at the Boston University Photonics Center and lead developer of the DeepLight System. The multi-national group of ophthalmologists observed the DeepLight Treatment being performed on glaucoma patients. To date, over 250 patients from Europe, Israel, and the United States have been successfully treated using the SOLX system.

"Physicians use any combination of laser or the shunt to reach a patient's target IOP; this gives physicians a wide range of pressure reduction options while reducing or eliminating the need for glaucoma medications," said Dr. Gabriel Simon. "This new approach to treating Glaucoma was made possible only with the support of the Boston University Photonics Center and its Business Acceleration Program. The Photonics Center provided the lab space, equipment, engineers and start-up resources that SOLX required to develop the DeepLight Glaucoma Treatment System."

Professor Shlomo Melamed, Director of the Glaucoma Center at the Tel Aviv Medical School also shared his clinical experience with the DeepLight system. "This system shows great promise as a substitute for other lasers as well as a treatment option substituting for primary drug therapy," said Professor Melamed.

"Every time one of our Business Accelerator Companies like SOLX launches a new product, it reaffirms the Photonics Center's mission to facilitate product development within our light-based technology companies and speed up their time to market," said Dr. Donald Fraser, Director of the Photonics Center at Boston University. "The Photonics Center's Business Accelerator is well-equipped to provide photonics companies like SOLX with the resources they need to be successful."

OPHTHALMIC LASER UPDATE -- March 2005

3/1 Bridget Marx, writing in *Optoelectronics Report*, about consideration of changes in producing tougher standards for refractive surgery in the UK: **Britain considers more stringent eye-laser laws**

The British Parliament has taken the first step towards passing a law requiring tougher standards, formal training, and accreditation for laser eye surgeons and clinics. In mid-February, Member of Parliament (MP) Gwyneth Dunwoody used the 10 Minute Rule Bill -- by which individual MPs can speak for 10 minutes in support of new legislation they would like to see introduced -- to ask the House of Commons to bring in a Bill to regulate laser eye surgery. The Bill is the result of a report from a committee of MPs, the *All Party Parliamentary Panel of Enquiry on Laser Eye Surgery*, who set themselves the goal of making the United Kingdom the safest place in the world to have laser eye surgery.

The panel had the help of laser eye surgery pioneer Professor John Marshall. Its report highlighted what it saw as worrying gaps in patient counseling, advertising, patient consent forms, and physician training. The panel concluded that British patients are not adequately protected at present, and Dunwoody summarized their main recommendation,

saying: "It is essential for each clinic to have a senior consultant with specialist knowledge, training, and experience in cornea and refractive techniques. We considered it important for all surgeons in this specialty to be suitably trained to an agreed standard. It is essential to have a United Kingdom-wide training program for ophthalmologists, and the Royal College of Ophthalmologists (RCO) should approve individual clinic and manufacturer system-based training."

It seems that there is a move from all sectors of the industry, led by the RCO, to implement key recommendations from the report ahead of legislation. It is reported that the RCO plans to have a surgeon curriculum and accreditation program ready for implementation by the autumn. This is the second call for tighter regulations in just a few months. In December 2004 the *National Institute for Clinical Excellence (NICE)* issued guidance on laser in situ keratomileusis (LASIK). The institute raised concerns about the procedure's safety in the long term and decided that "current evidence does not appear adequate to support its use within the National Health Service without special arrangements for consent and for audit or research." NICE also called for adequate training to be undertaken by all practitioners. *The Eye Laser Association*, which represents the companies that carry out the majority of the UK's eye laser treatments, has commented on both the NICE guidance and the new Bill. Christopher Neave, chairman of the ELA, said, "We applaud the level of interest and awareness shown by NICE but we do wish to make it clear that, since 1990, some 280,000 people in the UK have been treated and we estimate that fewer than 0.1% have experienced persistent problems."

Adding that ELA also applauded the efforts of the panel and the RCO, he said, "Our priority, like that of the Royal College, is patient safety. Through the combined efforts of expert surgeons, clinics, laser manufacturers, and consumer lobby groups, we will see a better regulated more stable and vibrant industry. That's ultimately the best outcome for the consumer and the industry." Dunwoody's bill is due to be read for the second time on March 18. If voted through, it will go on to the committee stage before receiving its third and final reading in the House of Commons.

3/2 **VISX, Inc.** announced that it had received approval from the FDA to market and sell Iris Registration technology, the first fully automated method of aligning and registering wavefront corrections for CustomVue treatment. Iris Registration is designed to replace the current means of registration, which involves manual marking of the eye to assess rotational movement. Julian Stevens, MD, of Moorfields Eye Hospital, London, England, stated, "Iris Registration adds another level of sophistication to wavefront guided laser vision correction. By automatically adjusting the treatment for the eye's rotation, Iris Registration provides more individualized adjustments that improve the precision of laser vision correction. This further enhances the quality of vision we achieve with the procedure."

Liz Davila, VISX chairman and CEO, stated, "We are committed to providing products that advance the capabilities of CustomVue laser vision correction. We are first to market with a fully automated Iris Registration product, which follows two other groundbreaking

products introduced at the end of last year, our Fourier Software and CustomVue Hyperopia."

Davila continued, "As shown in FDA clinical studies, CustomVue has the potential to offer vision better than what can be achieved with glasses and contacts. Our continued advancements make the CustomVue procedure more precise and personalized."

Iris Registration is a hardware and software product enhancement that is a field installed upgrade to the VISX WaveScan and VISX STAR laser systems. VISX intends to begin U.S. shipment of Iris Registration in the second quarter.

3/2 **Refocus Group, Inc.** reported the closing of the first half of a financing commitment totaling $14 million from **Medcare Investment Fund III, Ltd.** of San Antonio, Texas (Medcare). At the first closing on March 1, 2005, the company issued to Medcare 280,000 shares of its newly authorized Series A-1 Convertible Preferred Stock for an aggregate offering price of $7 million. The Series A-1 Convertible Preferred Stock is convertible into Common Stock at $0.25 per share. As part of this transaction, Medcare has committed to purchasing an additional 280,000 shares of the company's newly authorized Series A-2 Convertible Preferred Stock for an aggregate offering price of an additional $7 million at a second closing to occur no sooner than 12 months after the initial closing and upon the company's achievement of an FDA clinical trial milestone, and subject to other customary closing conditions. The Series A-2 Convertible Preferred Stock is convertible into Common Stock at $0.25 per share. Finally, Medcare was additionally granted a two-year warrant to purchase up to 133,334 shares of the company's newly-authorized Series A-3 Convertible Preferred Stock for an aggregate exercise price of up to $4 million. The Series A-3 Convertible Preferred Stock is convertible into Common Stock at $0.30 per share. This closing in total has the potential of providing Refocus Group with up to $18 million in aggregate financing between now and March 2007 (assuming the close of the second offering as well as the exercise of all warrants granted as part of this closing).

As of the March 1 closing, Medcare is the beneficial owner of greater than 50% of the outstanding voting stock of the company. Medcare has the option to nominate up to one-half of the board of directors. Effective as of the closing, David Williams and Chuck Edwards have resigned from the company's board of directors, and Thomas Lyles, and Doug Williamson have joined the company's board.

The company will use the net proceeds of the first closing for the repayment of debt, for expansion of its scleral spacing procedure (SSP) clinical trials program and for capital expenditures and general corporate purposes. Following this closing, Refocus Group plans to explore the possible termination of the company's financial reporting obligations under the Securities and Exchange Act of 1934 (i.e., explore "going private") in order to reduce costs directly relating to such reporting obligations, such as annual audit, legal, insurance and other expenses.

3/4 **STAAR Surgical company** announced that its Board of Directors had initiated a process to explore a range of strategic and financial alternatives. The company has retained **Morgan Stanley** to assist the Board in its review. No decision has been made as to whether the company will engage in a transaction or transactions as a result of the Board's consideration of alternatives, and there can be no assurance that any transaction or transactions will occur or, if undertaken, the terms or timing. The company assumes no obligation to make any further announcements regarding its exploration of these strategic alternatives unless and until a final decision is made.

3/7 **TLC Vision Corporation** announced its financial results for the three and twelve month periods ended December 31, 2004.

2004 Highlights:

- Revenues improved 24% year-over-year, to $242.2 million

- Net income increased $53.1 million for the year and generated EPS of $0.61 compared to a loss of ($0.15) per share in 2003; 2004 includes a favorable impact from **OccuLogix** IPO participation

- Cash position rose 179%, year-over-year, to $84.5 million; $144 million after consolidating OccuLogix's cash balance of $60 million

Revenue: Revenues for the 4th quarter and the year increased as a result of higher refractive procedure volumes, growing custom mix and continued strong performance from the other healthcare services segment.

Full year total revenues for 2004 increased 24% to $242.2 million from $195.7 million in 2003. Total revenues for the 4th quarter 2004 rose 15% to $55.7 million compared to $48.5 million for the same period a year ago.

For the full year, refractive revenues were up 21% to $177.4 million. Refractive revenues for the 4th quarter 2004 increased 13% to $39.2 million compared to $34.7 million in 2003.

Other healthcare revenues continued to demonstrate steady growth of 19% for the 4th quarter year-over-year comparisons and an increase of 31% for the full year. This was led by ambulatory surgery center (ASC) business revenues which increased 84% over 2003 levels, due to additional investments in surgery centers combined with higher surgical volume. Overall, revenues from other healthcare services generated 27% of total net revenues compared to 25% in the 2003 twelve-month period.

Earnings: TLCVision experienced record earnings for the quarter and the year which is attributable to refractive and cataract procedure volume increases, higher gross margins

and the contribution from the company's participation in the initial public offering of **OccuLogix Inc.** in December 2004.

Net income increased $53.1 million for the year to $43.7 million or $0.61 per share. For the same twelve month period in 2003, TLCVision recorded a net loss of ($9.4 million) or ($0.15) per share. Net income rose $29 million in the 4th quarter to achieve $26.1 million or $0.36 per share. TLCVision reported a net loss of ($2.9 million) or ($0.04) per share for the same period a year ago. Without the impact from our age-related macular degeneration (AMD) business segment, earnings per share reached $0.29 for the year compared to a loss of ($0.11) for 2003, and $0.02 for the 4th quarter compared to a loss of ($0.03) for the same period last year.

"This has been an outstanding year for the company as we achieved record earnings and all of our business segments grew at an impressive rate," commented Jim Wachtman, president and CEO. "TLCVision is well positioned to grow the business for the long term with strong financials, extensive geographic coverage and a disciplined operating system."

Other Refractive Operating Metrics:

Volume: The 4th quarter refractive procedure volumes from the same store centers business increased 12.6% year-over-year, which out-performed the estimated industry average of 11.5%. Total paid laser procedures increased to 42,200 compared to 38,600 in the same period a year ago. Overall procedures grew 9.3% and access procedures were up by 5.2%. The procedure volume mix in Q4-04 was 60% centers and 40% access.

For the full year, 196,000 refractive procedures were performed, which is 11.5% higher than the 2003 results. The centers business procedure volume grew 18.3% for the year, on a same store basis, and out-performed the industry average of 16.7%.

CustomLASIK: Higher pricing and gross margins associated with CustomLASIK procedures continue to support TLCVision's strong operating performance. CustomLASIK procedures represented approximately 58% of Q4-04 center volumes, up from 55% in the prior quarter and 43% in the same period in 2003.

Margins: Refractive gross profit margins, for 2004, increased 5.6% to 29.4% due to higher refractive volume and improved custom and centers mix. Refractive margins, in the 4th quarter, increased 3.6% to 23.3%.

Cash: The company ended the twelve-month period in a strong financial position with cash and short-term investments totaling $84.5 million on December 31, 2004, 179% higher than the level in 2003. With consolidation of OccuLogix's cash position, TLCVision's cash balance totaled $144.5 million.

Operating cash flow per share, fully diluted, for the full year increased significantly to $0.50 compared to $0.07 in 2003. For the 4th quarter, operating cash flow per share rose 212% to $0.09 from $0.03 in the same prior year period.

Q1 2005 Financial Outlook: For Q1-05, based on preliminary financial analysis, the company expects to report net earnings per fully diluted share in an approximate range of $0.13-$0.15, excluding the impact of the AMD business. The company expects operating cash flow per share to be in the range of $0.14-$0.16. Actual Q1-05 results could vary and will be announced in early May.

Full Year 2005 Operating Metrics: For full year 2005, the company expects to achieve the following growth trends and target ranges, before considering the impact of the AMD business:

- Refractive Procedure Growth:

* Industry: 6.2%-8.5%
* Centers: 8-10%
* Access: flat to low single digits

- Refractive Seasonality: Follows historical trends, Q1 is highest volume and decreases each sequential quarter

- Custom: 65-70% in Centers business by end of 2005

- Revenue Growth in Other Healthcare Services: 20% to 25%

- Operating Expenses: $3.5-$4.0 million additional spend, due principally to additional marketing, staffing and $1.4 million of stock option expense in the last half of 2005

- Operating Cash Flow: Continued cash generation well in excess of earnings

3/7 The March issue of *Ophthalmic Market Perspectives* featured an article on the high demand for the **IntraLase** femtosecond laser outside of the United States. As written by Dave Harmon, the fourth quarter report indicated that the installed base of IntraLase laser users had grown to 166 centers in the U.S. and (surprisingly) 51 sites in the rest of the world by the end of 2004. According to the company, almost one-third of the $350K devices sold during the year went to doctors and clinics outside of the U.S. In addition, IntraLase reported that more than 20% of Q4 2004 IntraLase-based LASIK procedures were performed outside of the U.S. (According to **Market Scope**, at the end of 2004, IntraLase-based procedures held approximately a 14.3% share of the U.S. LASIK market, and about 4% of the OUS market.)

As Harmon reported, although the percentage of procedures is still small in relation to the total LASIK procedures done outside of the U.S., the average procedures performed

per IntraLase laser, are similar to those done in the U.S., roughly 250 procedures per laser during the fourth quarter. He also points out that IntraLase's success to date defies conventional wisdom regarding both reasons for adoption of the more expensive technology and the willingness of surgeons in non-U.S. markets to pay a per procedure fee. LASIK marketing outside of the U.S. is significantly lower key, with regulatory limitations on advertising medical services and cultural barriers that limit market potential. Other laser manufacturers, including **VISX**, **B&L**, and **Alcon** have been relatively unsuccessful in generating significant revenues from per use fees for wavefront-guided LASIK outside of the U.S. This lack of success is typically attributed to a combination of resistance to per use fees and the marketing restrictions that limit the ability to promote the more technologically advanced procedure.

Success for IntraLase in markets outside of the U.S. is expected to continue to be an important component to growth in 2005. There are approximately 3200 laser centers in those markets, currently performing a total of 1.9 million annual procedures.

3/8 **Miravant Medical Technologies** announced that it had finalized a convertible debt line-of-credit agreement for up to $15.0 million with a long-standing Miravant investor. The funds will be available at the company's discretion in increments of up to $1.0 million per month, with any unused monthly borrowings to be carried forward. The borrowings are convertible into shares of Common Stock based on a premium of 110% of the average monthly closing price of the month preceding each borrowing request. Additionally, we will issue a warrant to purchase one-quarter of a share of Common Stock for each convertible share of Common Stock issued. The exercise price of each warrant will also be equal to 110% of the average monthly closing price of the month preceding the borrowing request.

Gary Kledzik, chairman and CEO, stated, "We are very pleased to secure this financing to support our PhotoPoint development programs. This line of credit will provide funding for the PHOTREX confirmatory phase III clinical trial for age-related macular degeneration, in which we expect to begin patient enrollment next quarter."

3/9 **STAAR Surgical company** announced financial results for its fourth quarter and full year 2004, which ended December 31, 2004. Total product sales for the fourth quarter were $14.0 million compared with $12.8 million for the same quarter last year and $12.1 million for the third quarter of 2004. Excluding the impact of changes in currency, fourth quarter 2004 total product sales were $13.4 million, an increase of 4% over the fourth quarter of 2003. During the fourth quarter, international ICL sales increased 56% compared with the fourth quarter of 2003 and 31% compared with the third quarter of 2004.

Total product sales for the year ended December 31, 2004 were $51.7 million compared with $50.4 million for 2003. Total revenue for 2003 was $50.5 million, which included royalties from technology licenses that terminated as of March 31, 2003. Excluding the impact of changes in currency, total product sales for 2004 were $49.5 million, a decrease

of 2% over 2003. For 2004, international sales of the ICL increased 38% compared with 2003. In addition, international sales of the company's pre-loaded silicone IOL continued to gain momentum in the market.

Net loss for the fourth quarter of 2004 was $4.4 million (21 cents per share) compared with a net loss of $3.5 million (19 cents per share) for the same period last year and a net loss of $2.3 million (11 cents per share) for the third quarter of 2004. Net loss for 2004 was $11.3 million (58 cents per share) compared with a net loss of $8.4 million (47 cents per share) for 2003. Net loss for the fourth quarter and full year 2004 included a $500,000 reserve against the partially collateralized notes of a former director. The reserve represents approximately $0.02 of the loss recorded during the fourth quarter and full year.

STAAR exited the fourth quarter with approximately $9.3 million in cash, cash equivalents and short-term investments compared with $11.8 million in cash and cash equivalents at October 1, 2004 and $7.3 million at January 2, 2004. STAAR's bank debt at the end of the fourth quarter of 2004 was approximately $3.0 million. Total current liabilities, including the bank debt, were $13.5 million.

Due to the company's recurring losses and negative cash flows, the company believes it is likely to receive an opinion from its independent public accountants on its financial statements for the year ended December 31, 2004, stating that there is substantial doubt about the company's ability to continue as a going concern. The company is taking steps to aggressively reduce operating expenses and increase its revenues while at the same time reviewing other strategic alternatives; however, there can be no assurance that these measures will be successful.

With revamped and stronger teams in the areas of R&D, regulatory and quality assurance, the company began reducing its reliance on outside consultants during the fourth quarter of 2004. This reduction in spending is expected to save the company approximately $1.0 million annually. In early February 2005, the company implemented additional cost reduction strategies, including the reduction in size of its direct sales force, which is expected to result in another $1.0 million in annualized cost savings. The company will continue to pursue other cost savings opportunities with the goal of realizing a total of $3.0 million in annual cost savings.

The company does not expect to realize significant benefits from the cost reductions in the first quarter of 2005 and estimates it will use approximately $3.5 million of cash for operating activities in that quarter. While the benefit of the cost reductions will be fully implemented in the second quarter, a continued decline in U.S. sales could offset some of the savings for future periods. As a result of the level of cash available to the company to fund ongoing operations as well as new product initiatives, STAAR Surgical is exploring opportunities to raise additional resources. These opportunities are in addition to those the company is exploring with **Morgan Stanley**, its investment banker.

"As we disclosed last week, our Board of Directors is working closely with Morgan Stanley, to evaluate a number of strategic and financial alternatives, including acquisitions, mergers, licensing agreements and divestitures," said David Bailey, president and CEO of STAAR Surgical.

"In addition, we are in the process of implementing further cost-cutting strategies," continued Bailey. "These coupled with the cost-cutting strategies we implemented in the fourth quarter of 2004 and in February 2005, should lead to annualized cost savings of approximately $3 million. Despite these aggressive actions and considering our level of cash burn, we will need to raise additional money to fund our ongoing operations. We are in the process of evaluating all of our options to accomplish this goal.

"Regarding receiving approval for our Visian ICL by the FDA, timing remains uncertain," continued Bailey. "Following our meeting with the FDA on January 27, 2005, we believe that our Monrovia, California facility will be re-audited, although we have not yet requested a re-audit and the timing has not been determined. However, we were encouraged by the recent approval from the Office of Device Evaluation in Washington, DC of our application to allow our trial investigators to continue enrollment of up to 75 eyes each month in the ICL clinical investigation while the pre- market approval is pending.

"Although international sales of our ICL and pre-loaded IOL continue to meet or exceed our internal expectations, domestic IOL sales remain challenging," continued Bailey. "Sales of our IOLs were down 11% during the fourth quarter of 2004 compared with the same period last year. However, we are optimistic regarding our ability to bring to market our three-piece Collamer IOL and insertion system, which is scheduled for shipment in the second quarter of 2005. We continue to believe that the introduction of this new lens and injector system will greatly enhance our ability to compete in this market."

Gross profit margin was 47.2% for the fourth quarter of 2004 compared with 56.6% for the same quarter last year and 50.2% percent for the third quarter of 2004. The decline in gross profit was primarily due to increased costs of manufacturing engineering and quality assurance, an increase in inventory provisions, higher unit costs due to process changes and reduced volume, and a shift in geographical and product mix.

Gross profit margin for the year ended December 31, 2004 was 50.6% compared with 55.2% for 2003. Essentially, the same factors affecting the quarter affected the year.

Total selling, general, and administrative expenses in the fourth quarter increased 8% to $10.4 million compared with the same period last year. Marketing and selling expense decreased 3.3%, on lower promotional costs in the U.S. partially offset by the negative impact of foreign exchange rate changes.

R&D expense (which includes the expense of regulatory and quality assurance activities) increased nearly 10% in the fourth quarter compared to the same period last year,

primarily due to costs related to consultants utilized for the company's ongoing interactions with the FDA and to the costs of the redesign of the three-piece Collamer IOL and insertion system. These expenses were partially offset by the decreased R&D costs of subsidiaries as the company consolidated these activities into one location. R&D expense for the fourth quarter of 2004 decreased 11% compared with the third quarter 2004.

General and administrative expenses for the fourth quarter of 2004 increased 13.2% compared with the fourth quarter of 2003 primarily as the result of professional fees associated with compliance with the Sarbanes-Oxley Act, increased legal fees and insurance premiums.

"We are committed to protecting and enhancing shareholder value," continued Bailey. "While we remain focused on resolving the issues with the FDA to pave the way for an ICL approval in the U.S. as well as rejuvenating sales of our cataract products, we feel it is prudent to also consider strategic and financial alternatives. We believe that there may be several strategic and financial alternatives available to us, and we are working diligently to explore as many of them as possible."

3/9 **LaserSight Incorporated** executed a worldwide non-exclusive license agreement, with **WaveLight Laser Technologie AG** to use and reproduce the Lin Scanning Patents for products to be used in ophthalmic surgery, which became effective on March 3, 2005, and an option to acquire a license to the Registrant's Apple Patents. Both the non-exclusive license and the option include certain WaveLight co-enforcement rights. As consideration for the license, the Registrant has received a $300,000 payment and will receive another $600,000 prior to October 15, 2005. The agreement terminates when the patents expire, or earlier in the event of the occurrence of certain events of default, including the failure of the Licensee to make required payments.

3/10 **Miravant Medical Technologies** announced that it will conduct a confirmatory Phase III clinical trial for PHOTREX (rostaporfin, formerly known as SnET2) at investigational sites in Central and Eastern Europe (CEE) and the United Kingdom. Miravant has selected **Kendle**, a leading international contract research organization with locations worldwide, to provide clinical development services for the Phase III trial. The randomized, placebo-controlled study, reviewed by the FDA under a Special Protocol Assessment, will evaluate a range of patients with wet age-related macular degeneration (AMD), including both classic and occult lesions.

"Miravant selected Kendle based on its significant Phase III experience and expertise in Europe, particularly its patient access capabilities in CEE," said Gary Kledzik, chairman and CEO. "These countries are proving to be desirable locations for conducting pharmaceutical clinical trials, with motivated, cost-effective research centers and high patient productivity. We are confident that Kendle's integrated study teams can efficiently manage the trial and satisfy our strategic regulatory requirements."

Alan Boyce, vice president, Europe for Kendle added, "We are extremely pleased to be working in partnership with Miravant to conduct this late-stage clinical trial for a major disease indication and significant medical need. PHOTREX is a promising drug with an already substantial body of clinical evidence. Kendle is committed to deliver timely patient recruitment and high quality clinical data to Miravant, providing expert regulatory and clinical guidance."

The FDA requested this single confirmatory study in its Approvable Letter for PHOTREX issued September 2004. The trial will be conducted at approximately 50 investigational sites in CEE and the UK. The company currently plans to conduct a primary efficacy endpoint analysis at 12 months (one year after initial treatment), and expects a total of approximately 600 patients to be analyzed.

3/11 Ted Huber of **Wachovia Securities** commented on **IntraLase's** fourth quarter results:
ILSE: Making Sense Of Q4 2004 Results And 2005 Guidance

· **SURGEON DOUBLE DIPPING EXPLAINS A LOT:** Our field checks have unearthed instances of surgeon reuse of patient interface device (the IntraLase consumable revenue stream) that may have reduced Q4 2004 U.S. procedure volumes by 5-10%. Starting Q4 2004, IntraLase embarked on an Internet system upgrade that ensures the company will collect for each procedure. The patch should be fully implemented by mid-2005. Knowledge of this situation helps makes sense of several incongruities in IntraLase's Q4 2004 conference call, including weak Q4 2004 volumes, a sharp rise in Q4 2004 SG&A spending beyond plan, and an inexplicably back-end loaded 2005.

· **EXPECT A POSITIVE ASCRS:** We expect a positive ASCRS trade show for ILSE given clinical research that on balance advances the case of Intralase's superior safety and visual outcomes and news of key customer converts. Of 13 Intralase clinical data presentations in ASCRS abstracts, 7 are positive on IntraLase, 3 appear neutral, and 3 appear negative. We expect one of the highest profile refractive surgeon/researchers -- and heretofore an IntraLase naysayer -- to announce his purchase of an IntraLase device at next month's ASCRS trade show.

· **MORE COMFORTABLE WITH 2005 GUIDANCE:** Our knowledge of the surgeon double dipping -- and IntraLase's aggressive action to protect its consumable revenue stream, plus the likely positive ASCRS, increases our confidence in ILSE's back-end loaded 2005 model.

3/15 On March 4, 2005, **Refocus Group, Inc.**, was served with a lawsuit filed on February 24, 2005, in the United States District Court, Central District of California by **Biolase Technology, Inc.** In the complaint, Biolase is seeking a declaratory judgment that the company's patent titled "Treatment of Presbyopia and Other Eye Disorders" is invalid, unenforceable and not infringed upon by Biolase. This patent relates to the company's methods for the treatment of presbyopia and protects the company's principal products. The company is currently seeking approval to commercialize those products.

In the fourth quarter of 2004, the company was contacted by Biolase regarding a potential license of the company's patent that is the subject of this lawsuit. The company, consistent with its stated intent to pursue all alternative sources of financing, entered into negotiations for a license, but continued negotiations for alternative sources of financing. The company's negotiations with Biolase did not conclude in any license being granted to Biolase, and the company, instead, finalized the previously announced financing with **Medcare Investment Fund III, Ltd.** This lawsuit was filed by Biolase immediately prior to the completion of the financing obtained from Medcare Investment Fund III, Ltd.

The company believes that the claims asserted by Biolase lack both procedural and substantive merit. Although the company is unable to predict the ultimate outcome of this matter, the company believes that its patent rights are valid and enforceable. Accordingly, the company intends to vigorously defend this patent against this declaratory relief action.

3/15 Since winning FDA approval for the ALLEGRETTO WAVE in October 2003, **WaveLight Laser Technologie AG** has continued to record substantial success on the largest medical market in the world, the U.S.A. Following an outstanding market entry in the U.S.A., the Erlangen-based medical laser manufacturer has further cemented the market position it established and installed 56 laser systems for refractive surgery. In addition to sales revenues, WaveLight generates revenues amounting to roughly USD 1 million per month from the "per procedure fee" that users of the ALLEGRETTO WAVE in the U.S. pay the medical technology company for every laser treatment.

Less than 17 months after FDA approval, 5 percent of all eyes treated in the U.S.A. in the field of refractive surgery are operated on with the ALLEGRETTO WAVE. This success is largely due to WaveLight's U.S. subsidiary **WaveLight, Inc.**, which has established itself as a key player on the U.S. medical laser market within an extremely short space of time. "The proven technology of the ALLEGRETTO WAVE, its high degree of user friendliness, and our ongoing support for the physicians performing the treatments ensure that our customary high quality standards are maintained and reliable treatment for the patient guaranteed," said Max Reindl, CEO of WaveLight Laser.

3/15 Ted Huber of **Wachovia Securities** issued an update on **IntraLase**: **ILSE: A Day With Management**

· **CONFIDENCE IN Q1 AND 2005:** Management reiterated comfort with current 2005 consensus estimates and acknowledged that Q1 guidance might be conservative. Intralase cleared a "double digit" laser backlog early in Q105 (our target for the quarter is 32). Management is on track implementing an internet based procedure counting system by June in the U.S. and year end for OUS. The estimated 2k procedures patient interfaces re-use took away from Q404 comes back in during 2005.

· **THE LONG VIEW:** Management believes 60% penetration of the U.S. LASIK opportunity is doable in time. Key to this level of penetration is development of a new lower cost laser platform to penetrate the discount segments of the LASIK market. This

appears to just be on the drawing board at this point (2+ years out). Our model, which forecasts penetration near 40% exiting 2008, doesn't incorporate such a new system.

· **LOCK-UP EXPIRY CARRIES RISK AND OPPORTUNITY:** Management expects as many as 9 million shares to become available soon after the April 6 lock-up expires. While this greater float should attract new holders and allow larger positions, it also may create a near term overhang for ILSE shares. ILSE is fairly valued today, in our view, balancing the overhang against likely Q105 upside

3/16 **VisiJet Inc.**, is rebranding the company and will now be doing business as **Advanced Refractive Technologies, Inc. (ART)**. As a developer and marketer of innovative technologies for the ophthalmic surgical market, the name change will more closely align the company with its product focus. VisiJet is unveiling the Advanced Refractive Technologies name to the ophthalmic community through a series of advertisements in leading ophthalmic trade journals.

ART's lead product is the EpiLift System; an FDA approved medical device and the cornerstone of a newer, safer method of the popular LASIK corrective vision surgery called EpiLASIK. The company is also developing Pulsatome, an emulsifier that uses the company's proprietary waterjet technology for cataract removal surgery.

"We wanted our company name to reflect our expertise in commercializing and marketing sophisticated technologies for refractive procedures," said Randy Bailey, CEO. "Advanced Refractive Technologies captures our company identity and now, as we ramp up sales of our EpiLift product, is the ideal time to unveil the new name."

3/16 **LCA-Vision Inc.** announced the opening of a new facility in Sacramento, California. The new vision center is the first LasikPlus vision center serving the greater Sacramento area, and the fourth vision center located in Northern California.

The new LasikPlus vision center is equipped with technologically advanced lasers and diagnostic equipment, including Bausch & Lomb, VISX and Alcon lasers, offering patients a wide choice of traditional laser vision correction and advanced custom wavefront procedures. James Abrams, MD, a board- certified ophthalmologist, will lead the LasikPlus Sacramento team of health care professionals.

Stephen Joffe, LCA-Vision chairman and CEO commented, "We are excited to offer consumers in the Sacramento region the many benefits LasikPlus provides, including our ability to provide patients with a broad selection of advanced laser and diagnostic equipment and excellent clinical outcomes at an affordable price. As more consumers learn about the benefits of laser vision correction and choose to have the procedure, we believe there continues to be tremendous growth opportunities for LasikPlus going forward. We will continue to capitalize on the strength of our proven business model, our sales and marketing expertise, and our solid cash position to expand the LasikPlus brand in targeted markets throughout the United States."

3/19 As reported by Clifford Carlsen of **The Deal.Com**, after two rounds of angel funding and eight years of trial and error, **IntraLens Vision Inc.** went to investors with a new business plan for its proprietary eye surgery technology and won $12 million in its first institutional funding co-led by veteran Menlo Park, Calif.-based venture capital firms **Canaan Partners** and **InterWest Partners**.

Lake Forest, CA-based IntraLens, formerly **Anamed Inc.**, landed the blue-chip Sand Hill Road firms on the strength of a polymer for implants used in refractive eye surgery, and a re-jiggered business plan a serial ophthalmology entrepreneur put in place. Randy Alexander joined the company as a consultant last February after stretches with **IntraLase Inc.** of Irvine, CA, and the **ChironVision** unit of Emeryville, CA-based **Chiron Corp.** He engineered IntraLens' new funding and became CEO with the close of the new financing.

IntraLens raised a combined $12 million in two previous angel rounds, and the new round comes at a slight decrease to previous rounds, putting a $12 million pre-money assessment on the company. Alexander said the company recruited him after potential investors had urged it to recruit more professional management.

"Anamed had approached venture capitalists before, and their recommendation had been to bring in an experienced CEO," Alexander said. "The previous CEO was a scientist, but I have more of a marketing approach."

Gil Kliman, a general partner with InterWest Partners, said he had been studying the company's technology for a few years, and became immediately interested in investing after IntraLens recruited Alexander. InterWest was an investor in IntraLase, which Alexander built into a company with $25 million in sales that eventually went public and now has sales of $60 million and a market capitalization of $454 million. Kliman said Alexander came to the same conclusion that he had after looking at the company, believing that the polymer it had developed was suited for implants, but only under certain conditions. The company had won approval in Europe for marketing implants for hyperopia, a farsighted condition caused by damage to the cornea, and had focused U.S. clinical trials on the condition.

But Alexander said presbyopia, a farsighted condition that occurs naturally with age, represents a larger market than hyperopia. Moreover, he argued that presbyopia is not suited for Lasik surgery, which is commonly used to treat hyperopia. Alexander said that upon joining the company last February he spent a few months developing a lens for presbyopia and testing it, then began fundraising in August. "Investors were very receptive to the whole concept of treating presbyopia, and we didn't have a lot of difficulty attracting venture capitalists," he said.

IntraLens used no outside financial adviser for the deal, and called on Bruce Feuchter of law firm **Stradling Yocca Carlson & Rauth PC** in Newport Beach, Calif. Barbara

Kosacz and Ryan Naftulin of **Cooley Godward LLP** in Palo Alto, Calif., represented the investors.

Wende Hutton, a venture partner with Canaan Partners, called IntraLens' proprietary materials and surgical processes a "game changing technology," and said its new focus on developing procedures to use in new areas will enable it to bring products to market fairly quickly. "They had developed a terrific polymer, but had spun their wheels a bit with a launch in Europe," Hutton said. "We had looked at a number of companies in the ophthalmology space, but we liked this technology because we felt the polymer is unique and completely biocompatible with corneal tissue."

Alexander said the new capital will allow the company to complete Phase II trials of its technology for treating hyperopia, which the company will continue to pursue to bring that product to market in 2008. IntraLens will begin Phase II trials for its presbyopia technology late this year, with a product expected to hit the market within 18 months of the hyperopia product.

As reported by *Cataract & Refractive Surgery Today*, Anamed, Inc., which has been rebranded as Intralens Vision, Inc. by the firm's new president and CEO, Randy Alexander, is working toward FDA approval of its intracorneal lens, which is currently undergoing clinical trials in the US for hyperopic corrections of up to +6.00D. Intralens Vision intends to develop, manufacture, and market intracorneal lenses composed of its unique microporus hydrogel material.

3/21 **VisiJet, Inc.** dba **Advanced Refractive Technologies (ART)** has received approval from the *Health Ministry of Japan* to market and sell its EpiLift System, a medical device that enables a potentially safer form of laser eye surgery called Epi-LASIK. The EpiLift System, approved by the FDA in late 2004, is the cornerstone of Epi-LASIK, a new method of the popular LASIK corrective vision procedure. Unlike LASIK, Epi-LASIK allows the eye to heal completely post-operation, minimizing the risk of complications such as dry eye or vision impairment.

"The Japanese market is particularly concerned about safety with these kinds of procedures, which, to some extent, delayed and limited LASIK's penetration into the Japanese marketplace," said Randy Bailey, CEO. "The Health Ministry's approval of our EpiLift system is a huge validation. We are excited to be able to offer this exciting technology to the Japanese ophthalmic community."

3/21 **NovaMed, Inc.** announced that it had acquired a 51% interest in **The Cataract Specialty Surgical Center**, an ambulatory surgery center located in Berkley, Michigan. This acquisition represents NovaMed's first acquisition in Michigan. "This acquisition provides us with the opportunity to enter the metropolitan Detroit market in partnership with three highly respected local ophthalmologists," said NovaMed chairman, president and CEO Stephen Winjum. "In the last 12 months approximately 3,500 ophthalmic surgical procedures were performed at this surgery center and we expect this acquisition

to be immediately accretive to our earnings. In addition, we believe there are opportunities to attract new ophthalmologists to this surgery center and look forward to working with our new partners to realize the center's full growth potential, " said Winjum.

NovaMed acquires, develops and operates ambulatory surgery centers in partnership with physicians. With this acquisition, NovaMed now has ownership interests in 26 surgery centers located in 14 states. NovaMed's executive offices are located in Chicago, Illinois.

3/21 **VISX, Inc.** announced that it had received approval from the FDA to market and sell CustomVue treatments for mixed astigmatism. With this CustomVue approval, VISX leads the industry in wavefront-guided treatment for all forms of astigmatism, including nearsightedness with astigmatism, farsightedness with astigmatism and mixed astigmatism. Douglas Koch, MD, of Baylor Vision at Baylor College of Medicine and a principal investigator for the VISX mixed astigmatism clinical trial, stated, "CustomVue has provided far better quality of vision than the excellent results we were getting with the standard procedure. The continued expansion of labeling for CustomVue allows me to treat more patients with what I believe is the very best procedure on the market today. Mixed astigmatism patients are especially challenging for ophthalmologists because their vision is often difficult to correct with glasses and contacts. The CustomVue treatment may give these patients the opportunity to see better than they could ever see with glasses or contacts."

Liz Davila, VISX chairman and CEO, stated, "VISX is now the only U.S. provider of a wavefront driven treatment for all forms of astigmatism. This reflects our continued commitment to provide doctors with a full spectrum of CustomVue treatments and to make CustomVue the standard of care for laser vision correction."

3/23 **VisiJet, Inc.**, dba **Advanced Refractive Technologies (ART)**, has signed agreements with three different distributors to market and sell the EpiLift System in Japan, Thailand, Indonesia, Singapore, Malaysia and Brunei.

The EpiLift System, already approved for sale in Europe and in the United States, recently received approval from the Health Minister of Japan. The system is the cornerstone of Epi-LASIK, a new method of the popular LASIK corrective vision surgery. Unlike LASIK, Epi-LASIK allows the eye to heal completely post-operation, minimizing the risk of complications such as dry eye or vision impairment.

To access the Japanese market, VisiJet has entered into an agreement with Tokyo based distributor, **Japan Focus**. Japan Focus has been in business since 1978, and is a member of the Japan Federation of Medical Devices Association and the Japanese Society of Medical Instrumentations.

VisiJet has retained **Supreme Products Co. LTD**, prominent distributors of ophthalmic devices in Thailand to market and sell the EpiLift System there. The company has also

signed **Ning Kwong Optical company LTD**, to distribute the product to Singapore, Malaysia, Indonesia and Brunei.

"East Asia and Southeast Asia are important growth markets for a safe corrective vision surgical device," said Randy Bailey, CEO. "Our recent approval from the Health Ministry of Japan and our new distributorships give us solid footing as we ramp up our sales program in this region."

3/23 From LaserSight's 10Q -- **LaserSight** is principally engaged in the manufacture and supply of narrow beam scanning excimer laser systems, topography-based diagnostic workstations, and other related products used to perform procedures that correct common refractive vision disorders such as nearsightedness, farsightedness and astigmatism. Since 1994, we have marketed our laser systems commercially in over 30 countries worldwide and currently have an installed base of approximately 434 laser systems, including over 234 of our LaserScan LSX laser systems. We are currently focused on selling in selected international markets; primarily China.

We have significant liquidity and capital resource issues relative to the timing of our accounts receivable collection and the successful completion of new sales compared to our ongoing payment obligations and our recurring losses from operations and net capital deficiency raises substantial doubt about our ability to continue as a going concern. We have experienced significant losses and operating cash flow deficits, and we expect that operating cash flow deficits will continue without improvement in our operating results. In August 2002, we executed definitive agreements relating to our China Transaction.

Bankruptcy: On September 5, 2003 the company filed for Chapter 11 bankruptcy protection and reorganization. Under Chapter 11, certain claims against the company in existence prior to the filing of the petitions for relief are stayed while the company continues business operations as debtor-in-possession. The company operated in this manner from September 5, 2003 through June 10, 2004, when a final bankruptcy release was obtained. As a result of the bankruptcy re-structuring, the company has recorded credits for debt forgiveness of approximately $15.3 during the three months ended June 30, 2004. Additionally, the company recognized charges of approximately $8.0 million during 2003 for patent impairment, accounts receivable, and inventory write offs. The company canceled all of its outstanding common and preferred stock, including warrants and options, and issued 9,997,195 new common shares on June 30, 2004. The company emerged from bankruptcy with approximately $0.7 million in unsecured liabilities, approximately $2.1 million in secured debt to **GE**, approximately $5.4 million in deferred revenue and approximately $1.0 million of DIP financing provided by **NIIC**, as part of the approved bankruptcy plan. NIIC converted $1.0 million of the DIP financing for additional 6,850,000 common shares. $66,000 and $450,000 were paid for bankruptcy related professional fees for legal, financial advisor, bankruptcy trustee, transfer agent, new stock certificates, priority claims, printing and postage for the three and nine months ended September 30, 2004, respectively.

China Transaction: In February 2004, we received a commitment to purchase at least $12.0 million worth of our products during the 12-month period ending February 2005, to distribute our products in Mainland China, Hong Kong, Macao and Taiwan.

From February 2004 through September 30, 2004, approximately $3.5 million worth of products were sold under these agreements and subsequent modifications. The purchase agreement provides for two one year extensions.

Results of Operations: Three Months Ended September 30, 2004, Compared to Three Months Ended September 30, 2003

Revenues. Net revenues for the three months ended September 30, 2004 decreased by $685,000, or 33%, to $1.2 million from $1.9 million for the comparable period in 2003.

During the three months ended September 30, 2004 refractive products revenues decreased $685,000, or 42%, to $0.9 million from $1.6 million for the comparable period in 2003. This revenue decrease was primarily the result of higher sales of lasers offset by lower sales of parts for laser systems. During the three months ended September 30, 2004, excimer laser system sales accounted for approximately $0.7 million in revenues compared to no revenues over the same period in 2003. During the three months ended September 30, 2004, three laser systems were sold compared to none for the comparable period in 2003. During the three months ended September 30, 2004, parts revenues accounted for approximately $0.1 million in revenues compared to $1.4 million in revenues over the same period in 2003.

Net revenues from patent services for the three months ended September 30, 2004 remained the same at $235,000 for the comparable period in 2003.

Geographically, China has become our most significant market with $0.9 million in revenue during the three months ended September 30, 2004, as compared to $1.4 million for the three months ended September 30, 2003.

Cost of Revenues; Gross Profit. For the three months ended September 30, 2004 and 2003, gross profit margins were 46% and 72%, respectively. The gross margin decrease during the three months ended September 30, 2004 was primarily attributable to lower margins on parts sales.

Research, Development and Regulatory Expenses. Research, development and regulatory expenses for the three months ended September 30, 2004 decreased approximately $19,000, or 30%, to $43,000 from $61,000 for the comparable period in 2003. While decreasing our expenses, we continued to develop our AstraMax diagnostic workstation.

Other General and Administrative Expenses. Other general and administrative expenses for the three months ended September 30, 2004 decreased $1.4 million, or 67%, to $0.7

million from $2.2 million for the comparable period in 2003. This decrease was primarily due to a decrease of cost reductions to the sales and marketing, customer support, administration, and professional services departments.

Selling-Related Expenses and allowed warranty claims. Selling-related expenses consist of those items directly related to sales activities, including commissions on sales, royalty or license fees, warranty expenses, and costs of shipping and installation. Commissions and royalties, in particular, can vary significantly from sale to sale or period to period depending on the location and terms of each sale. Selling-related expenses for the three months ended September 30, 2004 decreased $3.2 million, or 96%, to $118,000 from $3.3 million during the comparable period in 2003. This decrease was primarily attributable to a $3.2 million decrease in costs of license fees, 2003 included $3.5 million of license fees primarily related to future keratome license fees due immediately because of a default on our agreement and a increase of $0.3 million of warranty expense. A $4.6 million expense for warranty claims allowed in bankruptcy was taken in the three months ended September 30, 2003.

Amortization of Intangibles. Costs relating to the amortization of intangibles for the three months ended September 30, remained substantially unchanged from the comparable period in 2002. Items directly related to the amortization of intangible assets are acquired technologies, patents and license agreements.

During 2003, the company wrote off approximately $4.1 million of impaired intangibles, leaving approximately $500,000 of un-impaired intangibles. Accordingly, the company expects future amortization amounts to be minimal, although the company will continue to review the carrying values for further impairments on a periodic basis.

Loss From Operations. The operating loss for the three months ended September 30, 2004 was $337,000 compared to the operating loss of $8.9 million for the same period in 2003. This decrease in the loss from operations was primarily due to reductions in warranty costs, in 2003 $4.6 million was expensed due to allowed claims in bankruptcy, and cost reductions to the sales and marketing, customer support, administration, and professional services departments.

Other Income and Expenses. Interest and other income for the three months ended September 30, 2004 was $275,000, an increase of $265,000 over the comparable period in 2003. Interest and other income were earned from the investment of cash and cash equivalents and the proceeds from a shareholder derivative lawsuit. During the three months ended September 30, 2004, interest expense increased by $132,000, or 224%, from $59,000 to $190,000 as a result of increased borrowings and penalties and fees as part of our re-structuring.

Income Taxes. During the three months ended September 30, 2004 and 2003, we had no income tax expense.

Net Loss. Net loss for the three months ended September 30, 2004, was $251,000 compared to a net loss of $8.9 million for the comparable period in 2003. The decrease in net loss for the three months ended September 30, 2004 can be primarily attributed to reductions in warranty costs and license fees.

Loss Per Share. The loss per basic and diluted share was $0.03 for the three months ended September 30, 2004 and $0.34 for the comparable period in 2003. However, as previously announced the company canceled all of the common and preferred stock outstanding, including options and warrants, at September 30, 2004. On September 30, 2004 the company issued 9,997,195 new common shares.

Nine Months Ended September 30, 2004, Compared to Nine Months Ended September 30, 2003:

Revenues. Net revenues for the nine months ended September 30, 2004 decreased by $1.4 million, or 23%, to $4.6 million from $6.0 million for the comparable period in 2003.

During the nine months ended September 30, 2004, refractive products revenues decreased $1.4 million, or 26%, to $3.9 million from $5.3 million for the comparable period in 2003. This revenue decrease was primarily the result of higher excimer laser unit sales offset by lower parts revenue. During the nine months ended September 30, 2004, excimer laser system sales accounted for approximately $3.0 million in revenues compared to $2.3 million in revenues over the same period in 2003. During the nine months ended September 30, 2004, 14 laser systems were sold compared to 11 laser systems sold during the comparable period in 2003. During the nine months ended September 30, 2004, parts revenues decreased $1.9 million to $0.5 million from $2.4 million for the comparable period in 2003.

Net revenues from patent services for the nine months ended September 30, 2004 remained the same at $704,000 for the comparable period in 2003.

Geographically, China has become our most significant market with $3.7 million in revenue during the nine months ended September 30, 2004, from $3.9 million for the comparable period in 2003. We expect China to continue as our most significant market.

Cost of Revenues; Gross Profit. For the nine months ended September 30, 2004 and 2003, gross profit margins were 44% and (13%), respectively. The gross margin increase during the nine months ended September 30, 2004 was primarily attributable to a charge of $3.6 million which was recorded for inventory obsolescence reserve during the three months ended June 30,2003. The company's reorganization plan, as confirmed by the bankruptcy court, called for a refocus of the company's products lines and the reduction of keratome and other obsolete inventory.

Research, Development and Regulatory Expenses. Research, development and regulatory expenses for the nine months ended September 30, 2004 decreased approximately $219,000, or 62%, to $135,000 from $355,000 for the comparable period in 2003. While decreasing our expenses, we continued to develop our AstraMax diagnostic workstation.

Other General and Administrative Expenses. Other general and administrative expenses for the nine months ended September 30, 2004 decreased $5.5 million, or 71%, to $2.2 million from $8.0 million for the comparable period in 2003. This decrease was primarily due to a decrease of approximately $4.5 million related to cost reductions to the sales and marketing, customer support, administration, and professional services departments, a $0.2 reduction in depreciation expense and a reduction of $0.8 million in bad debt expense.

Selling-Related Expenses and allowed warranty claims. Selling-related expenses consist of those items directly related to sales activities, including commissions on sales, royalty or license fees, warranty expenses, and costs of shipping and installation. Commissions and royalties, in particular, can vary significantly from sale to sale or period to period depending on the location and terms of each sale. Selling-related expenses for the nine months ended September 30, 2004 decreased $9.0 million, or 95%, to $0.5 million from $9.2 million during the comparable period in 2003. This decrease was primarily attributable to a $4.2 million decrease in costs of license fees, a decrease of $4.6 million of warranty expense primarily related to the terms on our excimer laser system sales and a decrease of $0.2 of shipping expenses related to the cost of shipping our finished products.

Amortization of Intangibles. Costs relating to the amortization of intangibles for the nine months ended September 30, 2004 decreased $213,000, or 89%, to $25,000 from $238,000 during the comparable period in 2003. Items directly related to the amortization of intangible assets are acquired technologies, patents and license agreements. During 2003, as a result of bankruptcy related re-structuring costs the company wrote off approximately $4.1 million of impaired intangibles, leaving approximately $500,000 of un-impaired intangibles. Accordingly, the company expects future amortization amounts to be minimal, although the company will continue to review the carrying values for further impairments on a periodic basis.

Impairment of Patents. In the second quarter of 2003 the company recorded an impairment loss of approximately $4.1 million related to Keratome, acquired technology and diagnostic patents. Management decided to write-off the assets due to a lack of a potential market for its acquired technology.

Loss From Operations. The operating income for the nine months ended September 30, 2004 was $0.9 million compared to the operating loss of $22.3 million for the same period in 2003. This decrease in the loss from operations was primarily due to the

reductions in warranty claims and license fees, inventory write offs and patent impairment charges.

Other Income and Expenses. Interest and other income for the nine months ended September 30, 2004 was $331,000, an increase of $282,000 over the comparable period in 2003. Interest and other income were earned from the investment of cash and cash equivalents and proceeds from a shareholder derivative lawsuit. During the nine months ended September 30, 2004, interest expense increased by $187,000, or 87%, from $215,000 to $419,000 as a result of increased borrowings and related loan cost.

Income Taxes. For the nine months ended September 30, 2004, we had no income tax expense. For the nine months ended September 30, 2003, income tax benefit amounted to approximately $58,000, which was related to a refund the company received from a settlement with the IRS on its 1995 return.

Net Income (Loss). Net income for the nine months ended September 30, 2004, was $14.3 million compared to a net loss of $22.4 million for the comparable period in 2003. The decrease in net loss for the nine months ended September 30, 2004 can be attributed to reductions in warranty expense, license fees, inventory write offs and patent impairment charges offset by the gain on extinguishment of debt.

Loss Attributable to Common Shareholders. For the nine months ended September 30, 2003, the company's loss attributable to common shareholders was impacted by the accretion of the value of the conversion discount on the Series H Preferred Stock. This discount was fully accreted as of December 31,2003. The Series H Preferred Stock was canceled as part of the company's re-organization plan in bankruptcy.

Income (Loss) Per Share. The income (loss) per basic and diluted share was $0.66 and $0.42, respectively, for the nine months ended September 30, 2004 and ($0.88) for the comparable period in 2003. As a result of the September 5, 2003 chapter 11 petition, the company canceled all of its outstanding common and preferred shares, including options and warrants. On September 30, 2004 the company issued 9,997,195 new common shares.

Inflation and Currency Fluctuation: Inflation and currency fluctuations have not previously had a material impact upon the results of operations and are not expected to have a material impact in the near future.

Liquidity and Capital Resources: On September 5, 2003 the company filed for Chapter 11 bankruptcy protection and reorganization. Under Chapter 11, certain claims against the company in existence prior to the filing of the petitions for relief are stayed while the company continues business operations as Debtor-in-possession. The company operated in this manner from September 5, 2003 through September 10, 2004, when a final bankruptcy release was obtained. As a result of the bankruptcy re-structuring, the company recorded credits for debt forgiveness of approximately $15.6 during the three

months ended June 30, 2004 for patent impairments, accounts receivable and inventory write offs. Additionally, the company recognized re-structuring charges of approximately $7.0 million during 2003. The company canceled all of its outstanding common and preferred stock, including warrants and options, and issued 9,997,195 new common shares on September 30, 2004. The company emerged from bankruptcy with approximately $0.7 million in unsecured liabilities, approximately $2.1 million in secured debt to GE, approximately $5.3 million in deferred revenue and approximately $1.0 million of DIP financing provided by NIIC. NIIC converted $1.0 million of the DIP financing for additional equity.

With the new revenues being generated from the China Group and projected sales to other customers, management expects that LaserSight's cash and cash equivalent balances and funds from operations (which are principally the result of sales and collection of accounts receivable) will be sufficient to meet its anticipated operating cash requirements for the next several months. This expectation is based upon assumptions regarding cash flows and results of operations over the next several months and is subject to substantial uncertainty and risks beyond our control. If these assumptions prove incorrect, the duration of the time period during which LaserSight could continue operations could be materially shorter. We continue to face liquidity and capital resource issues relative to the timing of the successful completion of new sales compared to our ongoing payment obligations. To continue our operations, we will need to generate increased revenues, collect them and reduce our expenditures relative to our recent history. While we are working to achieve these improved results, we cannot assure you that we will be able to generate increased revenues and collections to offset required cash expenditures.

Our expectations regarding future working capital requirements and our ability to continue operations are based on various factors and assumptions that are subject to substantial uncertainty and risks beyond our control, and no assurances can be given that these expectations will prove correct. The occurrence of adverse developments related to these risks and uncertainties or others could result in LaserSight incurring unforeseen expenses, being unable to generate additional sales, to collect new and outstanding accounts receivable, to control expected expenses and overhead, or to negotiate payment terms with creditors, and we would likely be unable to continue operations.

On March 12, 2001, we established a $3.0 million term loan and $10.0 million revolving credit facility with **GE**. We borrowed $3.0 million under the term loan at an annual rate equal to two and one-half percent (2.5%) above the prime rate. Interest was payable monthly and the loan was required to be repaid

As of September 30, 2004, the outstanding principal on our term loan is approximately $1.9 million. Under our credit facility, we had the option to borrow amounts at an annual rate equal to one and one-quarter percent (1.25%) above the prime rate for short-term working capital needs or such other purposes as approved by GE. Borrowings were limited to 85% of eligible accounts receivable related to U.S. sales. Eligible accounts receivable were to be primarily based on future U.S. sales, which did not increase as a

result of our decision to not actively market our laser in the U.S. until we receive additional FDA approvals.

Borrowings under the loans are secured by substantially all of the company's assets. The term loan and credit facility required us to meet certain covenants, including the maintenance of a minimum net worth. The terms of the loans originally extended to March 12, 2003. In addition to the costs and fees associated with the transaction, we issued to GE a warrant to purchase 243,750 shares of common stock at an exercise price of $3.15 per share. The warrant expired on March 12, 2004. On August 15, 2002, GE provided a waiver of our prior defaults under our loan agreement pending the funding of the equity portion of the NIMD transaction. Upon receipt of the equity investment in October 2002, revised covenants became effective that decreased the required minimum level of net worth to $2.1 million, decreased minimum tangible net worth to negative $2.8 million and decreased required minimum quarterly revenues during the last two quarters of 2002 and the first quarter of 2003. In exchange for the waiver and revised covenants, the company paid $150,000 in principal to GE upon the receipt of the equity investment in October 2002 and agreed to increase other monthly principal payments to $60,000 in October 2002 and to $40,000 during each of November and December 2002 and January 2003, with the remaining principal due on March 12, 2003.

3/23 **Alcon, Inc.** announced that the FDA had granted approval of its AcrySof ReSTOR intraocular lens (IOL) for cataract patients with and without presbyopia. This innovative lens uses a revolutionary apodized diffractive technology to give patients a full range of quality vision (near, intermediate and distance) that greatly increases their independence from glasses after surgery. The clinical studies supporting the approval showed that 80% of patients who received the AcrySof ReSTOR lens did not use glasses for any activities after cataract surgery.

The clinical results also showed that 84% of patients who received the AcrySof ReSTOR lens in both eyes achieved distance visual acuity of 20/25 or better and near visual acuity of 20/32 or better without correction by contacts or glasses while only 23% of the conventional or monofocal control group achieved this level. Near visual acuity of 20/32, or J2, means patients can read the very small stock quotes in the newspaper.

"Approval of the AcrySof ReSTOR lens is a significant event for Alcon that validates the extensive development work we have done to make it the best lens possible for all of a patient's vision needs. We expect AcrySof ReSTOR to be a contributor to our growth in the coming years," said Cary Rayment, president and CEO of Alcon, Inc.

Clinical investigators and other surgeons will make several presentations on the AcrySof ReSTOR lens in conjunction with the annual meeting of the *American Society of Cataract and Refractive Surgeons* in Washington next month. The company will begin training surgeons on the lens in April and expects U.S. commercial shipments to begin in May.

Ted Huber of **Wachovia Securities** commented on the ReStor approval for **Alcon**: **ACL: ReStor Approved - Potential $1B Market But Expect Slow Ramp**

· **FINANCIAL IMPACT BY 2006:** In spite of the significant market potential of the new product, two key factors point to a measured revenue ramp: (1) careful surgeon training, patient selection and patient management training are critical, in our view, to attaining the type of outcomes that supported this approval (2) Medicare reimbursement is not approved for this more expensive lens (about one-quarter of cataracts are pre-Medicare) and current regulations prohibit surgeons from "upcharging" for the lens. Depending on reimbursement and the pace of Alcon training, we believe this can be a $20 million+ incremental revenue contributor in 2006.

· **EXPECT PREMIUM PRICING AND A MEASURED LAUNCH:** Management has indicated it will price ReStor at a significant premium over existing IOLs (premium acrylic IOLs sell for near $140) - we expect a price between $700-800. We expect Alcon to begin U.S. surgeon training at the upcoming ASCRS meeting (April 15-20) and that the US ReStor will be launched will come at a measured pace, but faster than its cautious ReStor launch in Europe (received CE mark in 2004). We count 11 ASCRS abstracts on ReStor, a mix of case series reviews and non-randomized comparison trials, mostly out of Europe and Latin America. All 11 studies report generally positive results.

· **FDA APPROVAL FOR RESTOR - A MAJOR IOL SEGMENT:** The new FDA label specifies the ReStor intraocular lens (IOL) as a cataract lens for patients with (and without) presbyopia -- a condition that over 90% of cataract patients have. Alcon cited trial data in which 80% of patients were glasses free and 84% had 20/25 distance vision plus J2 near vision. Full study data with comprehensive visual outcome and safety data is not yet available. ReStor is now the second presbyopia IOL on the U.S. market and addresses a potential near $1 billion new U.S. IOL market opportunity.

3/28 **Advanced Medical Optics, Inc.** added to its market-leading portfolio of refractive intraocular lenses (IOLs) with the announcement that the FDA had approved the ReZoom multifocal refractive IOL for cataract patients.

The ReZoom IOL is a new design and next generation acrylic three-piece multifocal IOL. The ReZoom IOL Balanced View Optics distribute light over five optical zones for enhanced restoration of visual function, providing distance, intermediate and near vision for reduced spectacle dependence. This allows the lens to match its performance characteristics with the lifestyle demands of the patient.

"The ReZoom multifocal lens adds to our portfolio of refractive IOLs that already includes innovative technologies such as the Verisyse phakic IOL and the Tecnis Multifocal lens, which is currently being evaluated in a clinical trial in the U.S.," said AMO president and CEO Jim Mazzo. "With our expansive portfolio of refractive IOLs, AMO's strategy is to lead in building the burgeoning global refractive marketplace."

Both the ReZoom and Tecnis Multifocal IOLs have CE Mark approval in Europe for treatment of presbyopia.

3/28 **NovaMed, Inc.** announced that it had successfully completed the buy-out of an option to purchase its 51% interest in the **Overland Park Eye Surgery Center** located in Overland Park, Kansas from its two physician-partners in this center. As previously disclosed, Dr. John Hunkeler and Dr. Cliff Cokingtin, who together own 49% of the Overland Park Eye Surgery Center, had an option to purchase NovaMed's 51% interest on April 15, 2005. NovaMed purchased this option from its partners which resulted in the termination of the option and NovaMed continuing to own a 51% interest in the surgery center. With the termination of this option, NovaMed has no remaining option agreements with physician-partners that provide them with the right to purchase NovaMed's majority interest in any of its surgery centers.

"We are delighted to retain the Overland Park Eye Surgery Center in our portfolio," said NovaMed chairman, president and CEO Stephen Winjum. "In 2004, over 4,400 ophthalmic surgical procedures were performed at this surgery center contributing over $4.5 million in net revenue. I am very pleased that we will remain partners with Dr. Hunkeler and Dr. Cokingtin, who each have outstanding reputations. I look forward to the continued growth of this center," said Winjum.

"I have had a successful and mutually rewarding relationship with NovaMed for more than eight years," said John Hunkeler, MD. "I look forward to continuing this relationship and consider NovaMed a valuable partner in the operation and growth of our surgery center."

"NovaMed has proven to be a valuable partner in the success of our surgery center so we decided to continue our relationship," explained Cliff Cokingtin, MD. "I believe our surgery center has significant growth potential and our partnership with NovaMed puts us in a good position to realize our full potential."

OPHTHALMIC LASER UPDATE -- April 2005

3/28 Ted Huber of **Wachovia Securities** wrote about the reimbursement issues for the new technology IOLs recently approved for both **Alcon** and **Advanced Medical Optics**: **CMS Denies NTIOL Status For ACL And AVO Lenses**

· **CMS DENIES NTIOL STATUS TO AVO'S TECNIS ALCON'S ACRYSOF NATURAL LENSES**: Citing a lack of convincing clinical data, CMS rejected AVO's application on the grounds that AVO's data only compared the Tecnis to one other IOL. CMS also denied NTIOL status to Alcon's Acrysof Natural lens citing insufficient evidence that blue light increases AMD risk. CMS is willing to reconsider the Tecnis for NTIOL status if AMO can provide additional peer-reviewed literature demonstrating the Tecnis' superiority to more than one model of IOL.

· **WHAT IS NTIOL STATUS?** NTIOL status secures a $50 payment adjustment from CMS for lenses implanted in ASCs (ambulatory surgical centers). The payment adjustment is awarded to IOLs that deliver superior outcomes and goes into effect for five years. While we had not expected Alcon's Acrysof Natural to receive NTIOL status, we had expected AVO's Tecnis to receive NTIOL status and view CMS's decision as a minor setback. We expect no change to AVO's pricing strategy for the Tecnis, but do expect it to hurt Tecnis's market share growth potential.

· **REZOOM MULTIFOCAL LENS APPROVED**: Today (3/28), AVO announced the U.S. FDA's approval of its ReZoom multifocal IOL. The ReZoom is effectively a redesigned AMO Array lens. Neither have received FDA approval for presbyopia treatment while Alcon's ReStor became the first multifocal to gain a presbyopia approval with its approval last week. While a modest improvement over the Array, the new design still has a relatively high incidence of reported glare (11%) and haloes (36%). Patient satisfaction rates between the two lenses are comparable (92% with ReZoom vs. 90% with Array).

· **AVO FOCUSED ON TECNIS LENS APPROVAL**: AVO management has consistently positioned the ReZoom lens as a modest contributor and places more emphasis on the Tecnis multifocal lens (U.S. FDA approval/launch expected by 2007). According to **Market Scope**, the Array's 2004 unit share was near 1.3% and we believe it is used off label to treat presbyopia. We note that the ReZoom approval came about six months earlier than we anticipated. While there are at least 11 papers at ASCRS dedicated to Alcon's ReStor multifocal lens, we only see two abstracts so far that discuss the ReZoom (aka Array II multifocal).

3/30 **Moria** announced that the Epi-K, its disposable epikeratome for Epi-LASIK, had received FDA approval for marketing in the United States. The device has also recently received a CE Mark authorizing sales in the European Community and has been approved for sale in Japan. The Epi-K is utilized to mechanically separate the epithelium from Bowman's membrane. The epithelial flap is then folded back prior to laser ablation, and subsequently returned to its original position. The procedure preserves the structural integrity of the stroma and is expected to minimize discomfort, shorten the length of visual recovery, and reduce the incidence of haze associated with other surface ablation procedures, such as PRK and LASEK.

In rigorous clinical trials at 13 sites in 9 countries on over 500 eyes, the Epi-K achieved excellent results. All clinical investigators reported that the device produced very high quality epithelial flaps and that postoperative pain and visual recovery compared favorably with other surface ablation procedures. Dr. Barrie Soloway, principal investigator at one of the US sites, noted that 88% of patients indicated they could return to work within three days following surgery.

Moria plans to begin filling orders for the Epi-K in late April.

4/1 **STAAR Surgical Company** announced that it had entered into a definitive agreement to sell 4.1 million shares of newly issued common stock at a purchase price of $3.50 per share to certain institutional investors. The transaction is expected to close on or about April 5, 2005, subject to customary closing conditions. **Pacific Growth Equities, LLC** acted as the placement agent for the financing.

4/6 Richard Walmsley, CEO of **Norwood Devices**, a division of medical technologies group **Norwood Abbey Ltd**, announced the company had received Therapeutic Goods Administration (TGA) approval for its Centurion SES Epikeratome -- the key component of Epi-LASIK technology, the next generation of vision correction surgery. TGA approval in Australia follows FDA and European CE Mark approvals in 2004. Walmsley said Norwood Abbey is now at the forefront of laser vision correction (LVC) in Australia, and across the World.

"Epi-LASEK is a proven technology with nearly 3,000 patients already undergoing the procedure in the USA and Europe. "The market potential in Australia is significant. There are close to 30 laser refractive centers across Australia, with an expected 30,000 patient procedures being undertaken in 2005. In 2003, there were in excess of 3 million LVC procedures performed world wide using approximately 5,700 LASIK cutting devices. "Epi-LASIK combines the benefits of current laser vision correction procedures and eliminates their disadvantages -– particularly the need to cut the eye," Walmsley said.

The next generation approach, after LASIK, Epi-LASIK treatment, uses the Centurion SES system and EpiEdge disposable separator, removing the need to cut the eye and hence eliminating associated complications. This unique instrument gently separates a thin layer of living cells, called the epithelium, on the outside of the eye, along a natural cleavage plane. The clinician then moves the epithelial sheet to one side, the laser corrects the vision and the epithelial sheet is then moved back into place with minimal surgical manipulation.

"As a medical device that relies on single-use disposable components, Epi-LASIK fits naturally within the business model for Norwood Devices. Norwood's revenues in EyeCare will come from both the sales of the Centurion SES system and the disposable separators but the real revenue and profit generator will be the single-use disposable separator. "The Devices division is forecasting revenues of AUS$14 million in the 2005 calendar year, and expects to be cash flow positive and profitable on a month by month basis by the end of 2005," (from **Market Scope's "Comprehensive Report on the Refractive Market, November 2003"**). Walmsley concluded.

4/6 **Norwood Abbey Limited** subsidiary, **Norwood EyeCare** advised that as part of the global expansion of its ophthalmic product line it had appointed distributors for its Centurion SES System with EpiEdge (disposable separator) in Japan, Thailand and Russia. Japan is an important market which has 110 laser vision correction (LVC) centers with more than 50,000 procedures carried out in 2003. Norwood's Japanese distributor has received

a license to import the product and has already installed the first units which are being used to treat patients. Established in 1998, Norwood's distributor is an importer and distributor specializing in the ophthalmology field in Japan and who is committed to the highest level of quality, service and customer support possible.

Additionally, Norwood's distributor in Thailand has placed an initial order for the system and the first patient surgeries are scheduled for the coming weeks.

As previously stated, Norwood EyeCare utilised very strict selection criteria for the ideal distributor profile including:

· Existing portfolio of complimentary refractive surgery products
· "Best in class" in sales, marketing and technical support
· Well-established, strong reputation within the clinical community
· Breadth of market coverage in the specific country/region

In 2003 the worldwide ophthalmology market was US$17.8 billion of which LVC is a key subset. As stated in an ophthalmic industry report, in recent years LVC has witnessed a resurgence based on an improved economy and the introduction of wavefront-guided technology procedures that have allowed physicians to customise or individualise a patient's treatment.

4/7 In connection with the takeover of **IOLTECH S.A.**, **Carl Zeiss Meditec AG** has significantly increased its shareholding in IOLTECH. As of 1 February 2005, Carl Zeiss Meditec had acquired in a first step about 63% of the IOLTECH shares from its former principal shareholder Philippe Tourrette. In a second step, a voluntary public takeover bid was issued to the remaining IOLTECH shareholders. The offer period started on 14 March and ended on 5 April 2005. About two thirds of the IOLTECH minority shareholders accepted this offer. Thus, Carl Zeiss Meditec holds 87.1% of the total IOLTECH share capital after the end of the public takeover bid. The company considers this result of the takeover bid as a further successful milestone on Carl Zeiss Meditec's way to the complete takeover of IOLTECH. Until the completion of this process, IOLTECH remains listed on the Euronext Stock exchange.

4/7 **Advanced Medical Optics, Inc.**, and **VISX, Incorporated** announced that the two companies had set the close of business on April 14, 2005, as the record date for determining AMO and VISX stockholders entitled to receive a notice of, and to vote at, the respective special meetings of stockholders to approve AMO's acquisition of VISX. The dates for the special meetings have not yet been set. The companies continue to expect to close the transaction in the second quarter of 2005.

AMO announced in November 2004 its plan to acquire VISX. Under the terms of the definitive merger agreement, VISX stockholders are expected to receive 0.552 shares of AMO stock and $3.50 in cash for every share of VISX common stock they own. AMO expects the exchange of shares to be tax-free to VISX stockholders. Upon completion of

the transaction, AMO's stockholders will own approximately 58.5 percent of the combined company and VISX's stockholders will own approximately 41.5 percent.

4/7 **Norwood Abbey Limited** subsidiary, **Norwood EyeCare,** advised that it had entered into an exclusive partnership for the German and Swiss markets with **Schwind eye-tech-solutions GmbH and Co.KG**, a market leading supplier of laser and surgical equipment used in laser vision correction (LVC) surgery. Schwind is recognised globally as a leading developer, manufacturer and distributor of high quality laser systems and surgical systems for ophthalmology. They supply the complete solution to the Refractive Surgeon. Schwind has the "unique" corneal wavefront technology with a very high resolution and a patented microkeratome system.

Founded in 1958, Schwind today has 190 employees and their products are sold in more than 60 countries. There are more than 450 Schwind excimer laser systems in use worldwide. The quality of the Schwind system and the reliability of their service have put Schwind in a leading position in refractive surgery. Schwind is the first of the ophthalmic companies that manufactures their own microkeratome to adopt the Norwood Epi LASIK technology. Schwind president and CEO, Rolf Schwind stated "This is and exciting partnership for us and the addition of the Norwood EyeCare epikeratome to our portfolio gives us the latest technology in refractive surgery. The technology developed by Dr. Ioannis Pallikaris is an ideal fit with our perfect refractive package. As part of their business development strategy Schwind is partnering with Norwood to incorporate Norwood's Epi LASIK epikeratome into their product portfolio for Germany and Switzerland.

Norwood Devices CEO, Richard Walmsley stated, "The significance of this partnership is the recognition by a global leader in ophthalmology of the market potential for the technology. In addition it is an acknowledgment of the clinical development and Intellectual Property Prof. Pallikaris and his team at the University of Crete and Norwood EyeCare has in place".

4/7 Doug Adams, the founder of **SOLX** will be presenting information about the pilot study data on a new glaucoma treatment developed by the company, called the DeepLight Glaucoma Treatment System -- the first combined laser and photo-titratable gold micro-shunt -- designed to provide physicians with the widest range of intraocular pressure (IOP) reduction options for open angle glaucoma at the upcoming *American Society of Cataract and Refractive Surgery (ASCRS)* meeting in Washington, DC. DeepLight was developed at the **Boston Photonics Center** and was introduced for the first time last week at the *International Glaucoma Society (IGS)* meeting in Capetown, South Africa.

The system offers a three-pronged approach to glaucoma treatment that is compatible with conventional drug therapy: 1) laser treatment, 2) implantation of gold micro-shunt and 3) photo-titration therapy (combined laser and shunt treatment):

* The DeepLight 790 Laser penetrates the trabecular meshwork deeper than SLT and without the damage of ALT.

* The DeepLight GMS Gold Micro-Shunt is an ultra-thin, bio-compatible 24-karat gold bridge that regulates the intraocular pressure (IOP) between the anterior chamber and the suprachoroidal space through open channels in the shunt wall.

* Laser photo-titration of the DeepLight Gold Micro-Shunt allows physicians (for the first time ever) to open additional microtubule channels, giving them unprecedented IOP reduction control.

According to the company, this is truly the most flexible, comprehensive and aggressive glaucoma treatment system ever introduced to the ophthalmic marketplace and this is the first time that SOLX is going public with this information. While the laser is approved internationally, U.S. clinical studies for the DeepLight System (both laser and shunt) are currently underway.

Doug Adams was available at ASCRS to tell more about DeepLight and share his company's vision -– "to eliminate the use of trabeculectomy as a treatment for lowering IOP by 2010."

4/8 Ilene Schneider, writing in the April issue of *Medical Laser Report*, provided more details about the new glaucoma treatment from **SOLX**: **Ti:sapphire laser reduces glaucoma pressure**

A new approach to decreasing intraocular pressure (IOP) may give hope to sufferers of primary open-angle glaucoma, the cause of one of the world's most common forms of blindness. Affecting about 7 million people annually, the disease occurs when fluid inside the eyeball cannot drain properly, causing internal pressure to build. IOP is the primary risk factor for glaucoma.

SOLX Inc. (Boston, MA) has begun commercial operations for its DeepLight Glaucoma Treatment System, combining its Ti:sapphire laser and gold shunt to retard or stop the advance of primary open-angle glaucoma. The system compensates for glaucoma's effects without collateral damage, according to Gabriel Simon, M.D., director of ophthalmic research at the **Boston University Photonics Center** and lead developer of the DeepLight System.

Using a combination of the laser and the shunt to reach a patient's target IOP, DeepLight is designed to prevent further visual loss and reduce or eliminate the need for glaucoma medications. This painless procedure takes between 10 and 20 minutes and can be performed in a doctor's office, according to the company. Glaucoma primarily results from the eye's inability to drain the aqueous humor properly. The drain -- the trabecular meshwork, located where the iris meets the wall of the eye -- is a sieve-like structure that can be easily obstructed. Material rubbed off the lens by the movement of the iris can

build up, causing the drain to clog and the fluid to accumulate. While there is no cure for primary open-angle glaucoma, doctors have tried halting its progress with a regimen of eyedrops taken several times daily to increase the outflow rate or decrease the production rate of fluid from the eye. Drawbacks include expense, difficulty of delivery, and potential side effects. Noncompliance can worsen the disease, and other surgical treatments may allow the problem to recur, according to Simon.

The most common type of laser surgery performed for open-angle glaucoma is argon laser trabeculoplasty (ALT), a painless, in-office treatment using argon-ion lasers at 514 nm. Selective laser trabeculoplasty (SLT) uses short pulses of low energy laser light (frequency- doubled, Q-switched Nd:YAG lasers at 532 nm) to target melanin-containing cells in the trabecular meshwork. "Ti:sapphire laser trabeculoplasty enables deeper penetration of clogged tissue with less scarring than argon laser trabeculoplasty and deeper penetration than other currently avail-able modalities," Simon said. "The 790-nm wavelength offers about four times more tissue penetration than SLT, so surgeons can treat the trabecular meshwork and the uveoscleral pathway. The DeepLight procedure is performed much like ALT, which minimizes training." DeepLight heats up the trabecular mesh-work, causing some areas to shrink and others to open, while allowing fluid to drain faster. Using a pulse-stretched, Q-switched Ti:sapphire laser, the treatment heats and expands the drain of the eye, allowing backed-up internal fluid to escape and thus relieve the internal pressure. Once this drain of the eye is opened, it allows more of the aqueous humor to escape, thereby stopping further damage to the optic nerve.

Surgeons use an infrared laser to create spots around 180 degrees of the trabecular meshwork at a depth of 200 μm, he explains. The laser energy targets a pigment and is absorbed. Under topical anesthesia, eyes receive laser energy at pulses of 25 mJ to 50 mJ 8 ms in duration through a slit-lamp ophthalmoscope and a hand-held Goldman three-mirror goniolens. The energy triggers shock waves, which ablate the tissue that collects in the trabecular meshwork and unclog blocked passageways. The surgeon then increases the energy in 25-mJ increments until achieving a clinically significant effect. The Simon implant, a 5-μm-thick gold shunt, absorbs 790-nm in a manner similar to melanin. Inserted through the cornea, the shunt enables aqueous fluid to drain from the anterior chamber through the suprachoroidal space.

DeepLight, which has received European marketing approval the system, has been used successfully on 250 patients and will be available In Europe in April. It is in Phase III trials in the United States. The shunt is in European clinical trials and should start U.S. clinical trials soon. —*IS*

4/8 As reported by *Cataract & Refractive Surgery Today*, the *AAO* announced that it was pleased that bill HB 119, which would have allowed optometrists in New Mexico to perform surgical procedures with scalpels, needles, and lasers, was stalled in a Senate committee. *The New Mexico Medical Society* and the AAO teamed up with New Mexican ophthalmologists to assure the defeat of the bill.

The New Mexico Ophthalmological Society worked hard to inform state legislators about how the legislation would affect patient safety. Public awareness was also effectively heightened by a statewide advertising campaign that focused on the issue of patient safety. According to a statewide poll conducted on March 3, 2005, 94% of participants said it was "very important" for an eye care specialist performing surgery to be a licensed medical doctor.

The AAO is committed to working with ophthalmic societies nationwide to prevent the passing of similar legislation that would allow optometrists to perform surgery in various other states, such as Texas, Puerto Rico, and Alaska.

4/8 **IntraLase Corp.** announced that on April 7, 2005, the U.S. District Court for the Central District of California granted IntraLase's request for a temporary restraining order that prohibits **Escalon Medical Corp.** from taking any action to terminate its licensing agreement with IntraLase. The Court will conduct a hearing on this matter on April 25, 2005, and IntraLase is confident that it will prevail. IntraLase has arranged a surety bond as required by the Court's order and will timely file the bond with the Court.

4/11 **STAAR Surgical Company** announced that it had closed the sale of 4.1 million shares of its common stock at $3.50 per share, for gross proceeds of $14.35 million in a private placement to certain institutional investors. **Pacific Growth Equities, LLC** acted as the exclusive placement agent for the transaction.

4/11 **VisiJet Inc.** dba **Advanced Refractive Technologies (ART)** will exhibit its main product and sponsor a symposium on the EpiLift System, for corrective eye surgery at the *2005 Symposium for Cataract, IOL and Refractive Surgery* being sponsored by the *American Society of Cataract and Refractive Surgery (ASCRS)* and the *American Society of Ophthalmic Administrators (ASOA)*. Advanced Refractive Technologies will also sponsor the **"Advanced Surface Ablation Through Precision Separation"** symposium on Sunday, April 17th, 2005 from 6 to 8 PM at the Renaissance Washington Hotel. Moderating the symposium will be Dr. Terrence P. O'Brien, Professor of Ophthalmology and Director (Refractive Eye Surgery) at the Wilmer Eye Institute at John Hopkins University School of Medicine. Panelists include Dr. Tom Claringbold from MidMichigan Physicans Group; Dr. Ron Krueger, Director of Refractive Surgery, Cole Eye Institute, The Cleveland Clinic; Dr. Douglas Koch, Professor at the Cullen Eye Institute at Baylor College of Medicine. Two other invited panelist include Dr. Dimitri Azar, Massachusetts Eye & Ear Infirmary and Dr. Scott Barnes, Womack Army Hospital at Fort. Bragg. NC.

The Symposium and Congress will also include seminars on the ophthalmic industry's most important educational programs, and will feature the latest techniques and innovations, hands-on skills training and extensive practice management and clinical & surgical staff programs in refractive surgery. The FDA approved EpiLift System, which will be the topic of seven presentations is the cornerstone of Epi-LASIK, a newer safer

method of the popular LASIK corrective vision surgery. The EpiLift system will also be included as a subject in three roundtable discussions by several of ART's investigators.

4/13 **Advanced Medical Optics, Inc.** announced several educational courses and presentations at the *American Society of Cataract and Refractive Surgery (ASCRS)* annual symposium April 16 - 19, 2005, in Washington, DC. The courses highlight AMO's commitment to continuing education and technology.

There are a total of 37 scheduled doctor presentations and panel discussions covering AMO's cataract and refractive technologies including the ReZoom, Tecnis and Verisyse IOLs, Amadeus II microkeratome and StabilEyes capsular tension ring, among others. Some of the scheduled educational courses include:

"An Update on Multifocal Intraocular Lens Use in Refractive Cataract Surgery"

Randall Olson, MD will instruct a course that will discuss considerations for use of multifocal lenses in the evolving field of cataract/refractive surgery. Topics include patient selection, biometry, limbal-relaxing incisions, and multifocal IOL advancements.

"Bimanual Micro-Phaco Cataract Surgery"

Roger Steinert, MD will instruct a course that will review the basics and introduce latest innovations in bimanual micro-phacoemulsification. Topics include transition to sleeveless bimanual micro-phaco; machine settings and instrumentation; complications and management; and clinical pearls.

"Breakthroughs in Improving Functional Vision after Cataract Surgery"

Mark Packer, MD will instruct a course to discuss innovations in measuring/improving functional vision in elderly post-phacoemulsification patients, safety benefits, optic design, spherical aberration, and Wavefront analysis.

In addition to these and other educational courses, AMO will host a series of booth presentations on its refractive, cataract and glaucoma surgical technologies.

4/13 Ted Huber of **Wachovia Securities** issued an update report on **Advanced Medical Optics**:
AVO: Upgrade On Accelerating LASIK Growth And Pipeline Progress

· **THE UPGRADE**: We believe three factors have emerged that, when combined with AVO's modest valuation, support an Outperform thesis on the stock: (1) improving refractive surgery mkt trends, (2) AVO surgical pipeline progress (ReZoom and Amadeus II microkeratome) and (3) more certain timing for close of the VISX (EYE, $23.77, Market Perform) transaction (May 24). These factors add to our confidence that AVO can hit its EPS targets. While cataract visibility remains cloudy for H105, the improving refractive trends (40% of AVO profits post close) build confidence.

· **ROBUST REFRACTIVE GROWTH**: Our recent field checks, including yesterday's conference call with **Market Scope**, support 10%+ LASIK growth vs. our published 8% Q105 VISX estimate. Further, Market Scope expects custom mix (estimated up 2-5% sequentially in Q105) to rise throughout 2005 given technology enhancements (Fourier software and Iris Registration upgrades), Custom LASIK label expansion, and customer adoption trends.

· **IMPROVING AVO SURGERY PIPELINE**: FDA approved ReZoom 6 months ahead of schedule; this multifocal IOL should be a modest H205 and 2006 driver for AVO's cataract franchise. Amadeus II with Epi-LASIK capabilities will be launched this month and should allow AVO to gain share in the microkeratome market. Other H205 drivers include a Tecnis acrylic U.S./Europe launch and a Tecnis silicone Japan launch.

· **MODEL CHANGES**: We are launching a combined AVO/VISX model given the more certain deal timing. Our 2005 GAAP EPS target of $1.73 and 2006 target of $2.25 (cash EPS is $0.40 cents higher in 2006) are within AVO's guidance. With the combined model, we have shaved $0.06 from our 2005 target due to the delayed close of the VISX transaction. We expect "in-line" Q105 results, revenue of $195 million and EPS of $0.33.

Some additional comments on refractive surgery from his report**:**

Healthy Refractive Market Provides Upside Potential In 2005

We raised our refractive procedure growth estimates to 10% in 2005-06 and note that our custom mix forecasts (43% in 2005 and 48% in 2006) could be conservative. We base our view of a healthier refractive market on four primary factors: (1) new excimer laser product upgrades, (2) improved consumer confidence, and (3) higher custom mix adoption driven by the maturation of the technology and expanding FDA label (Q404 for hyperopia and high myopia mid 2005.

Early returns from **Market Scope's** Q1 2005 survey indicate potential upside to Market Scope's 8-10% forecast for Q105, with about 45% of respondents reporting procedure growth. Market Scope's findings also indicate an uptick in custom mix (we forecast a near 5% increase) with surgeons shifting to higher custom mix penetration. Importantly, Market Scope's analysis of custom mix trends among different customer subsets indicates steady growth during 2005 vs. the rapid run up and then stall in the adoption curve during 2003/2004. Market Scope's report of overall yr/yr growth of refractive procedure is consistent with our findings from conversations with surgeons. AVO's original deal guidance assumed 7% LASIK procedure growth while our model forecast was closer to 8% in 2005.

4/14 **TLCVision Corporation** announced that **TLCVision** will implement an **Avaya** Internet-Protocol (IP)-enabled contact center solution to improve customer service and operational efficiency. A mid-sized business, TLCVision has seen a dramatic increase in the number of customer phone and email interactions over the past four years, and

required a mid-market communications solution that would provide high quality service and expanded communications options to a growing roster of customers and patients. The company turned to **Cygnal Technologies**, one of Avaya's largest Business Partners in Canada. Cygnal recommended upgrading to Avaya Communication Manager, Avaya's flagship IP telephony platform, and Contact Center Express for advanced multi-media contact center applications designed especially for the mid-market business.

"Four years ago we implemented an Avaya solution to help streamline our business communications," says Anna Austin, executive vice president, Corporate Communications, TLCVision. "It was the right decision then, and one that now allows us to build on that infrastructure to meet our growing demand. With Avaya, we can continue to grow our business, expand communications needs and compete at our own pace."

Inquires fielded by TLCVision's customer service representatives often require important medical information about laser eye surgery, including pre- and post-operative procedures, as well as general information. To TLCVision, reliable and secure contact center communications are essential for the company to manage its customer needs and growth opportunity.

"We selected the Avaya solution for our contact center because we were confident it could support growing customer demand," says Austin. "The Avaya Communications Manager and Contact Center Express solution gives us the tools we need to boost the ability of our agents to provide superior customer service, and provide a solid platform for the future."

Avaya Communication Manager enables TLCVision to gracefully migrate to IP telephony to gain cost savings and flexibility for growth. At the same time the company protects investments in existing infrastructure, endpoints and end-user training. In addition, Contact Center Express, Avaya's first pre- packaged, high-volume software solution for the mid-sized business, expands on capabilities within Communication Manager to provide intelligent routing and computer telephony (CTI), which work in tandem to route each call to the agent most suited to help each caller. TLCVision's clients will also have access to multi-channel communications options, thus allowing patients to use the most convenient and comfortable mode of interaction.

"Canadian companies are looking to IP to respond to the needs of their customers and better equip their employees with the information and resources to do their jobs effectively and efficiently," says Michael Sone, president, **NBI/Michael Sone Associates Inc.** "Avaya provides companies with an evolutionary product allowing customers to IP-enable their business without committing to the technology until their business needs demand it."

"By upgrading its contact center communications solution, TLCVision has solidified its commitment to providing customers with the best service possible," says Mario Belanger,

president, Avaya Canada. "With Avaya Communications Manager in place, TLCVision has laid a solid foundation to handle any future growth pains within their contact center."

4/15 **IOLTECH S.A.**, in which **Carl Zeiss Meditec AG** holds a controlling majority of 87%, published its sales revenues for the financial year 2004/2005 (end: February 28, 2005) in accordance with statutory provisions in France. Accordingly, during this period IOLTECH posted a turnover of E54.1 million (previous year: E44.7 m). This corresponds to an increase of 21% over the previous year. More than half of the IOLTECH revenues were generated outside its native market, France. Given the fact that integration of IOLTECH and Carl Zeiss Meditec has already commenced, both companies consider this result to be a major success.

As of 1 February 2005, Carl Zeiss Meditec, had acquired in a first step about 63% of the IOLTECH shares from its former majority shareholder Philippe Tourrette. Accordingly, from this date onwards the activities of IOLTECH are reflected in the consolidated financial statements of Carl Zeiss Meditec. In a second step about two thirds of the remaining IOLTECH shareholders agreed to the takeover by Carl Zeiss Meditec by accepting the corresponding takeover bid. Thus, Carl Zeiss Meditec now holds 87.1% of the shares in IOLTECH. Until the takeover of IOLTECH S.A. is completed by Carl Zeiss Meditec, the company remains listed on the French stock exchange Euronext.

In accordance with the statutory provisions in France IOLTECH S.A. will submit its full figures for the financial year 2004/2005 in May 2005.

4/15 **NIDEK Inc**. announced that it's new and state-of-the-art YC-1800 Ophthalmic YAG Laser System is available for sale to the U.S. market. The new laser platform will further advance and fortify NIDEK's strong leadership position in the ophthalmic laser industry in the U.S. and on a global basis. The NIDEK YC-1800 is an advanced ophthalmic laser platform, combining innovative laser delivery and output technologies, improved operability, fast operation, super adjustable Nd:YAG offset and compact design with versatility for combination laser systems.

NIDEK will release and launch the new YC-1800 laser at the *American Society For Cataract & Refractive Surgery (ASCRS)* Annual Meeting in Washington, DC, April 16th - 19th, 2005.

"The NIDEK YC-1800 is truly an innovative YAG laser system, unlike any currently available on the market on a global basis. The laser combines advanced application features, laser settings parameters and unique design to deliver to the ophthalmic surgeon a solution unlike any other. NIDEK continues to deliver solutions that offer performance, advanced features, reliability and state-of-the-art technology to the ophthalmic surgeon. We continue our long-standing partnership with the ophthalmic surgeon; dedicated to delivering solutions that will advance patient care and improve treatment," commented Hideo Ozawa, president and founder of NIDEK, at a recent product release event.

Ted Shimomura, vice-president and General Manager of NIDEK Inc. commented; “The NIDEK YC-1800 is an innovative breakthrough in ophthalmic YAG laser technology, delivering a suite of features that will provide outstanding reliability and service to the user and enable them to provide excellent patient care. With the YC-1800 Laser, NIDEK further advances and fortifies its strong leadership position in the U.S. in the ophthalmic laser market. With the introduction of this laser platform, we bring to the U.S. market our 5th generation Nd:YAG Laser solution -- over 20 years of continued innovation and excellence. NIDEK is dedicated to delivering outstanding product reliability with a keen eye on advanced technologies for the ophthalmic industry. We look forward to the YC-1800 becoming the standard of care with every ophthalmic surgeon. The 2005 ASCRS Meeting is an important one for us, as we are also in the process of introducing other ophthalmic laser solutions and furthering our strong leadership position."

4/15 **NIDEK Inc.** announced that it had received FDA marketing clearance for commercial release of its new MC-300 Multicolor Laser Photocoagulator System. The new laser will continue to establish NIDEK as a comprehensive laser provider for the fast growing retinal laser market. The MC-300 laser system has been commercially available in international markets and has received outstanding reviews and clinical results from retinal specialists in Asia and Europe. The NIDEK MC-300 is an advanced multi-color (red, yellow and green) diode-pumped solid-state (DPSS) laser system. The new laser delivers three unique laser wavelengths -- 659, 561 and 532 nm -- ideal for retinal applications, disease treatments and management. The new retinal photocoagulator features advanced software technologies for accurate and precise energy delivery to the retina. In addition, with advanced SOLIC Technology - the new system features digitally controlled instant duty cycles, permitting the laser to be used at rapid speeds and high powers for extended periods of time without failure and energy decay. The MC-300 laser can be mounted for slit-lamp delivery and requires a standard electric outlet, offering retinal surgeons with advanced delivery capabilities and versatility in either an operating room or in-office use.

NIDEK will launch the new MC-300 laser at the *American Society For Cataract & Refractive Surgery - ASCRS* Annual Meeting in Washington, DC, April 16th - 19th, 2005.

“The NIDEK MC-300 is an outstanding laser for retinal applications, delivering a suite of advanced technologies to the retinal specialist. With the introduction of the MC-300, NIDEK continues its long-standing commitment to delivering advanced solutions for all specialties of ophthalmology, including retinal applications. Together with the MC-300 and other diagnostics and laser solutions, NIDEK continues to forge ahead and build a solid franchise for delivering products and solutions that deliver on superior technology, product reliability, performance and outstanding clinical results, with a focus in the areas of cornea, cataract, glaucoma and retina," commented Hideo Ozawa, president and founder of NIDEK, at a recent product release event.

Ted Shimomura, vice-president and General Manager of NIDEK Inc. commented: “The NIDEK MC-300 is an innovative break-through in ophthalmic multi-wavelength laser

technology, delivering a solution that retinal specialists have been asking for in the U.S. market for the last few years. Today there is only one other company that delivers a solution that is really not the ideal platform for retinal laser applications; now NIDEK is introducing a solution that is better in clinical results, more reliable, user-friendly and offers newer technology for the retinal specialist. In the months ahead, we look forward to having the MC-300 becoming the de facto standard for retinal lasers. With new lasers and diagnostic solutions being introduced at this year's ASCRS Meeting, NIDEK continues to forge ahead and make stronger in-roads into the U.S. ophthalmic laser and diagnostic instrumentation market."

4/15 As reported by **IntraLase**, previously overlooked aspect of the LASIK procedure, the creation of the corneal flap, plays a significant role in the visual outcome of the procedure, according to new clinical research being presented this week at the annual meeting of the *American Society for Cataract and Refractive Surgery (ASCRS*) in Washington, D.C. Data from multiple clinical studies show statistically and clinically significant differences in the vision patients achieve when the IntraLase FS laser is used for corneal flap creation in LASIK's first step. It appears the IntraLase laser, originally designed to create a safer flap, also provides for vision better than 20/20, particularly among Custom LASIK patients.

"Until now, the role of the corneal flap has been underestimated," said Roger Steinert, MD, 2005 ASCRS president, Professor of Ophthalmology, Professor of Biomedical Engineering, Director of Cornea, Refractive and Cataract Surgery, and Vice Chair of Clinical Ophthalmology at University of California, Irvine. "When we began using the IntraLase laser to make corneal flaps, more patients achieved vision better than 20/20, to 20/15 and even 20/12.5. We found IntraLase-initiated LASIK does more than create a safer, more precise flap. These outcomes relate directly to what the IntraLase laser does below the flap: creating an optimal corneal architecture for the procedure's second step, treatment by the excimer laser. If the corneal surface is left with microscopic high and low spots, or irregular hydration, the precision of the excimer tissue ablation can be compromised, and with it the visual outcome."

Highlights of the new findings, including those being presented at ASCRS, include:

* A greater number of standard and Custom LASIK patients achieve visual results better than 20/20 to 20/15 and 20/12.5 with IntraLase-initiated LASIK. (Durrie, Faktorovich, Manche, Tanzer/Schallhorn)

* Prospective, randomized evaluation of wavefront aberrations shows the IntraLase laser induces fewer higher- and lower-order aberrations (associated with night glare and halos), allowing for a corneal surface consistent with wavefront recordings taken pre-operatively. (Lim, Tran)

* The planar architecture of the IntraLase flap and corneal bed significantly reduces the incidence of post-operative induced astigmatism - a complication that occurs with some frequency with the microkeratome. (Kezirian, Stonecipher)

* Patients who stated a preference in prospective, randomized clinical trials chose the post-operative vision of their IntraLase-treated eye up to 3-to-1 over their blade-treated eye. (Durrie, Manche)

Dr. Steinert, who also co-authored the ASCRS Eye Surgery Education Council LASIK Guidelines, added: "As surgeons, we are driven to increase our scientific understanding to ensure the best possible visual outcomes are realized by our LASIK patients. The IntraLase laser is the latest example of the new science of LASIK."

4/16 **WaveLight, Inc.** and **SurgiVision Consultants, Inc.** of Scottsdale, AZ, have introduced an exclusive new service for users of the ALLEGRETTO WAVE excimer laser system. SurgiVision DataLink (WaveLight Edition) allows surgeons to access a secure database to customize their own nomograms and compare their surgical outcomes against those of the broader ALLEGRETTO WAVE user community.

WaveLight is the first known laser manufacturer to provide a data processing and benchmarking tool of this scale its physician customers. “WaveLight’s DataLink program represents one of the most progressive approaches ever taken by a laser manufacturer to maximize the performance of its LASIK technology,” stated Guy Kezirian, MD, president and founder of SurgiVision Consultants, Inc. “We designed this program to offer ultimate ease-of-use and flexibility for the physician -- to design a starting nomogram, to make micro-adjustments to existing nomograms and to anonymously share data -- as a tool to improve his own surgical outcomes and benefit from the collective exchange of reliable data.”

SurgiVision DataLink is a secure, encrypted web-based portal that can be accessed by U.S. subscribers at any time and from anywhere in the world. The program requires minimal training or data entry effort from the physician. It allows users to access a library of nomograms to compensate for differences between surgeons, lasers, techniques and environmental factors. Entered data contribute to an aggregate pool that surgeons can use to benchmark their own results against global outcomes for similar treatments.

“WaveLight’s commitment to quality was the motivation behind our decision to develop the most robust nomogram benchmarking program available today,” said Wade Tetsuka, president of WaveLight, Inc. “SurgiVison Consultants is the only partner capable of providing the depth of knowledge and quality of services necessary to meet WaveLight’s high standards.” Development of the SurgiVision DataLink project was initiated in September 2004 and the service will be offered to all U.S. ALLEGRETTO WAVE users.

With more than 70 laser systems installed in the U.S., WaveLight physicians perform an average of 6,000 LASIK treatments per month. “Not only does this program enable our

users to obtain the best possible outcomes and lowest enhancement rates reported in the refractive industry, but WaveLight's ability to access aggregate user data will allow us closely evaluate the system's performance over time and address the needs of our physician community," Tetsuka added.

The ALLEGRETTO WAVE was the first refractive laser to receive concurrent approvals for the treatment of myopia up to -12 diopters with astigmatism of up to -6 diopters and hyperopia up to +6 diopters with astigmatism of up to +5 diopters, not exceeding a mean spherical equivalent of +6 diopters. Current studies are being completed for wavefront-guided treatments and for treatment of mixed astigmatism.

4/17 As reported by *Ophthalmology Times* from the ASCRS meeting, early results of a study evaluating wavefront-guided customized treatment using the Epi-Lift technique indicate that the **Gebauer** EpiTome (**VisiJet/Advanced Refractive Technologies**) works well to separate the corneal epithelium. However, there has been significant interpatient variability so far in the level of postoperative comfort, speed of visual recovery, and time to removal of the therapeutic soft contact lens, reported Terrence O'Brien, MD, at the *American Society of Cataract and Refractive Surgery* meeting.

Dr. O'Brien and colleagues at Wilmer Eye Institute studied an initial safety cohort comprised of 26 eyes of 13 patients and a subsequent efficacy cohort including 24 eyes of 12 subjects. All were myopes targeted for emmetropia. They had a mean MRSE preoperatively of -6.04 D. The ablation was performed with the CustomVue platform (**VISX**) using a 6-mm optical zone and 8-mm ablation zone. Preoperatively, patients were treated with oral vitamin C beginning 1 week prior to surgery. Perioperatively, they received topical anesthetic, povidione-iodine, and a fourth-generation fluoroquinolone. Two eyes with higher myopia were treated with intraoperative mitomycin-C.

After surgery, all patients received a therapeutic soft contact lens (TSCL) with an 8.9 D base curve, and they continued on vitamin C, the antibiotic, a nonpreserved nonsteroidal anti-inflammatory drug, a corticosteroid, and oral ibuprofen.

The preliminary results showed excellent large diameter, complete epithelial flaps were produced in 24 eyes. Two eyes -— one with an incomplete partial epithelial flap and a second eye with a smaller diameter flap -— were converted to PRK. The average time to TSCL removal was 4.1 days, but ranged from 36 hours to 7.2 days. The average pain score was 2.3 on a scale of 0 to 4, and four patients needed systemic narcotics. There was little to no haze.

UCVA at day 1 averaged 20/50 and ranged from 20/25 to 20/200. The average UCVA at the time of TSCL removal was 20/30, and among patients seen at 3 months, 72% saw 20/20 or better. Results from 16 eyes that underwent wavefront evaluation at 3 months showed a slight trend toward less total RMS and less spherical aberration compared with historical controls that underwent CustomVue myopic LASIK, Dr. O'Brien reported.

"In these procedures we will have to be able to control pain, have rapid visual rehabilitation, and prevent formation of haze. Therefore, I think we need to work together to figure out safe and effective pharmaceutical regimens to help accelerate patient recovery with comfort," Dr. O'Brien said.

4/17 More from ASCRS and *Ophthalmology Times*: The ophthalmic industry was given a sound bill of health in an independent analysis of the market. Kenneth Taylor, OD, provided an overview of the ophthalmic market in terms of trends, growth, and the view from Wall Street in a presentation at the *American Society of Cataract and Refractive Surgery* annual meeting.

"We will see continued growth, though a bit lower than 2004," Dr. Taylor said. A number of underlying fundamentals supporting that growth include product life-cycles, currency, reimbursement, expanded labeling and indications, and consumer confidence. "These factors should also continue to drive merger and acquisition activity as we saw this past year," he added. Dr. Taylor is managing director of **Taylor Consulting Group LLC**, Marblehead, MA.

Dr. Taylor projected that ophthalmic growth will be in the cataract (4% to 6%); pharmaceutical (8%); contact lens (8% to 10%); and refractive (12% to 15%) markets. There are a number of reasons for optimism in the cataract surgery segment, he explained. Cataract procedures continue to grow as the population ages. Also, the convergence of cataract and refractive IOLs creates new opportunist. In addition, there are numerous IOL options for presbyopia under development or becoming available.

In the refractive surgery market, improved economic conditions are providing a lift, according to Dr. Taylor. LASIK procedure volume is moving upward. The average pricing of LASIK has increased to about $1,700. In addition, there is increasing conversion -- approaching 50% for custom procedures -- and continued growth with non-LASIK procedures.

While ophthalmic pharmaceutical growth slowed a bit this past year (8% to 9%), it still outpaces the overall pharmaceutical market, he said. There was reduced growth in third-generation fluoroquinolones, and anti-inflammatory and allergy products. Higher growth was seen in glaucoma medications and dry eye products. The growing availability of new drugs for age-related macular degeneration will drive the overall segment.

From Wall Street's perspective, there has been significant financial activity in the past year with mergers and acquisitions and initial public offerings. More analysts are recommending a "strong buy" than 1 year ago, Dr. Taylor said. In summary, the ophthalmic market continues to have solid growth potential for both companies and practices. Conditions continue to be driven by changing demographics, advances in technology, and growth in non-reimbursed procedures.

4/17 **Norwood EyeCare**, a subsidiary of **Norwood Abbey Limited** announced results of three clinical studies this week at the *American Society of Cataract and Refractive Surgery (ASCRS)* meeting. All three studies employed Norwood EyeCare's Epikeratome for Epi-LASIK. The study results -- including the evaluation of visual acuity results, pain, haze and corneal sensitivity -- suggest that Epi-LASIK with the Norwood EyeCare Epikeratome is a safe and effective modality for the treatment of low and moderate myopia, based on a one-year follow up.

One study compared patients who underwent Epi-LASIK and LASIK on corneal sensitivity. Reduced corneal sensitivity is associated with dry eye and also with a decrease in the blink reflex, impediment of epithelial healing, a compromised rate of epithelial cell mitosis, decrease in tear flow, and with the onset of keratitis. The study found that corneal sensitivity in Epi-LASIK patients was only slightly decreased during the first month and was fully recovered by the third postoperative month, while after LASIK it was still decreased as late as the sixth postoperative month.

"The refractive community has already enthusiastically accepted Epi-LASIK. Clinical research like these studies, as well as histopathological data, are contributing to a substantial and growing body of evidence about the benefits of Epi-LASIK in preserving tissue integrity," explained Ioannis Pallikaris, MD, president of the *European Society of Cataract and Refractive Surgeons* and the founder and director of the Vardinoyannion Eye Institute of the University of Crete, Greece, where two of the studies were conducted. "This is especially important for conditions like dry eye, a common complication of LASIK."

Comparison of Epi-LASIK and LASIK on Corneal Sensitivity:

A prospective study by Maria Kalyvianaki and Vikentia Katsanevaki, MD, of the Vardinoyannion Eye Institute of the University of Crete, Greece ("Comparison of Corneal Sensitivity After Myopic Epi-LASIK and LASIK") compared the effects of both Epi-LASIK and LASIK on corneal sensitivity. A total of 79 eyes of 52 patients underwent Epi-LASIK for the treatment of myopia and myopic astigmatism with the Norwood Epikeratome, while a total of 74 eyes of 38 patients underwent LASIK. Patients in the two groups were matched for age and attempted correction. Corneal sensitivity was tested preoperatively and at 1, 3 and 6 months postoperatively using the Cochet-Bonnet esthesiometer.

Corneal sensitivity decreased more following LASIK than following Epi-LASIK at all postoperative intervals. In the Epi-LASIK group, mean corneal sensitivity decreased from 5.57 ±0.34 (range 4 to 6) preoperatively to 5.18 ±0.78 (range 3 to 6) 1-month postoperatively ($p=0.007$). Three months postoperatively, corneal sensitivity regained preoperative values. After LASIK, corneal sensitivity had decreased from 5.64 ±0.46 cm (range 5 to 6) preoperatively to 5.01 ±0.25 (4.5 to 6) at one month, 5.45 ±0.53 (4.5 to 6) at three months and 5.19 ±0.75 (4 to 6) at six postoperative months. The differences

in corneal sensitivity after LASIK and Epi-LASIK were statistically significant at 3 and 6 months ($p<0.05$).

Epi-LASIK in Treatment of Low to Moderate Myopia:

The second study, by Dr. Katsanevaki, evaluated the efficacy and safety of Epi-LASIK for the treatment of low myopia and myopic astigmatism, using the Norwood EyeCare Epikeratome in 95 eyes of 65 patients ("Epi-LASIK: Clinical Results of an Advanced Surface-Ablation Procedure"). Epithelial separation was successfully performed in all 95 eyes. The epithelial healing was completed within 4.85±0.87 days, a range of 3 to 5 days.

The mean logMAR UCVA on the day of re-epithelialization was 0.23 ±0.11. The spherical equivalent was -0.25D ±0.14D at one-month postoperative, -0.14 ±0.43 at three months and -0.28 ±0.5 at six months postoperatively. A total of 46% of the treated eyes gained one to two lines of BSCVA at six months after the operation. All Epi-LASIK treated eyes had clear corneas (92%) or trace haze (8%) by the sixth postoperative month.

The third study, by Efekan Coskunseven, MD, of the Dunya Eye Hospital, Istanbul, Turkey, investigated the efficacy and safety of Epi-LASIK in the treatment of low to moderate myopic patients with a follow up of 1 year ("Epi-LASIK for Low Myopia: 1-Year Results in 92 Eyes"). A questionnaire was given to the patients to assess the discomfort level postoperatively; 80% of patients reported no pain or major discomfort. The mean UCVA preoperatively was 0.14 ±0.17 and postoperatively (at 1 year) 0.91 ±0.27. Preoperatively, BCVA was 0.92 ±0.14 and postoperatively 0.93 ±0.17. Mean spherical equivalent and manifest refraction measured preoperatively at -3.92 ±1.64 and postoperatively -0.43 ±0.67 D.

U.S. Prospective Study:

Norwood EyeCare recently announced the initiation of a 3-month multi-center study of post-operative comfort, visual recovery and wave-front guided custom ablation with its Epikeratome for Epi-LASIK in the surgical treatment of myopia. Marguerite McDonald, MD, is the principal investigator and medical monitor for the study. Daniel Durrie, MD, and Lee Shahinian, MD, are clinical investigators.

"Epi-LASIK and wavefront diagnostics address two other key complications, such as stromal flap complications and higher order aberrations associated with current refractive laser procedures," explained Dr. McDonald, clinical professor of ophthalmology at Tulane University and former president of the American Society of Cataract and Refractive Surgery. "In this exciting study, we will examine how the coupling of the two technologies may impact visual outcomes."

4/17 **IntraLase** announced the new IntraLase FS30 laser and upgrade for existing IntraLase customers, which increases the speed of the laser to 30 kHz from its current 15 kHz,

allowing for faster procedure time, tighter spot placement, and lower energy. The IntraLase FS laser was commercially introduced in 2002 as the first laser available for creating corneal flaps. The laser's unsurpassed precision has now extended its use to new therapeutic applications, specifically the treatment of diseased corneas, the company said in a prepared statement.

The IntraLase laser is so uniquely sensitive to corneal physiology that it is also approved for anterior lamellar keratoplasty and intrastromal ring implantation surgeries, which like LASIK benefit from customized architecture and unsurpassed accuracy, according to the company.

4/18 Preliminary results from the ongoing FDA clinical trials of the Allegretto Wave wavefront-guided excimer laser (**WaveLight Laser Technologie AG**) demonstrate the safety and efficacy of this new platform, when compared with the approved wavefront-optimized platform, reported Steven Brint, MD, medical monitor for the FDA study, during a Sunday evening presentation at the *American Society of Cataract and Refractive Surgery* annual meeting. In a prospective, randomized study, which started in September 2004, patients were randomly assigned to treatment for myopia up to -7 D and astigmatism up to -3 D and were treated with either the wavefront-guided excimer laser or the wavefront-optimized system. The IntraLase femtosecond laser (**IntraLase Corp.**) was employed to create the flap.

So far, 240 eyes have been followed for 3 months with 122 undergoing wavefront-guided correction and 118 being treated with the wavefront-optimized approach. Uncorrected visual acuity (UCVA) of 20/20 or better was achieved in 92% of the wavefront-optimized group and 95% of the wavefront-guided group. UCVA of 20/16 or better was seen in 68% of the wavefront-optimized group and 65% in the wavefront-guided group.

The postoperative UCVA compared with the preoperative best-corrected visual acuity (BCVA) was the same or better in 80% in the wavefront-optimized group and 84% in the wavefront-guided group. Both platforms are extremely safe, with no eyes losing 2 lines of BCVA. In fact, 54% in the wavefront-optimized group and 56% in the wavefront-guided group gained 1 or more lines of BCVA, Dr. Brint noted.

In terms of induced spherical aberration, both platforms showed no difference as there was no induced spherical aberration, he said. As far as total higher-order aberrations, the wavefront-guided system started out with slightly more higher-order aberrations, not including spherical aberration. "It was not quite as high as seen in the wavefront-optimized system," Dr. Brint noted.

"Both groups did extremely well. They met the protocol targets for safety and effectiveness. We assumed they would do well and they did," Dr. Brint said, "We assumed that the eyes that had higher preoperative higher-order aberrations would be able to be treated and corrected with the WaveLight system and that was true. It seems to perform as well or better than the other (wavefront-optimized) system."

When the final testing is complete, it is hoped that this correlates to better visual acuity and contrast sensitivity in this patient group with higher-order aberrations. "We don't have the data yet to comment on this," he said.

The enrollment in the study is almost complete and FDA approval for the wavefront-guided platform should be forthcoming, Dr. Brint said.

4/19 **Bausch & Lomb** released results for the first quarter ended March 26, 2005. Total reported sales of $554.3 million increased 9% over the $510.3 million reported in the first quarter of 2004, or 6% on a constant-currency basis. The Company's lens care category led sales growth, increasing 13% in the quarter (11% in constant currency), primarily reflecting the timing of a significant order from a major U.S. retail customer. First-quarter earnings per share rose 47% to $0.63, compared to $0.43 a year ago, reflecting a favorable sales mix due to the strong lens care performance, partially offset by increased investment in research and development, and higher selling, general and administrative expenses.

"This was a solid first quarter," said Bausch & Lomb chairman and CEO Ronald Zarrella. "Strong overall operating performance generated about three cents of earnings upside compared to our expectations. That was augmented by the earnings impact from higher-than-anticipated lens care sales. While the majority of the lens care upside was associated with the timing of a major customer promotion that shifted sales from the second quarter to the first, we believe some of it was incremental to our previous expectations. As a result, we have increased full-year EPS guidance from $3.40 to $3.45."

Revenue Trends: Refractive surgery sales declines of 12% were attributed to lower laser equipment sales in the Americas and Europe regions. Total refractive sales for the quarter were $34.1 million. Prior-year results for the Americas included revenues associated with initial placements and upgrades to Bausch & Lomb's Zyoptix system for customized LASIK surgery, which had received U.S. regulatory clearance late in 2003. Non-U.S. revenues in the prior-year period had included sales associated with the launch of the Bausch & Lomb Technolas z100 laser.

Expectations for Remainder of 2005: Bausch & Lomb continues to project full-year constant-currency sales growth between 6 and 7%. At current exchange rates, reported growth is expected to be approximately two percentage points higher. The Company also continues to expect full-year 2005 gross margin improvement as compared to 2004, as well as declines in SG&A spending as a percentage of sales, and R&D expenses growing at a faster rate than sales.

Two analysts provided their take on B&L's first quarter results:

Jason Mills of **First Albany** on **Bausch & Lomb's** first quarter report: **BOL: Strong 1Q; "Triple Play" Could Drive Strong '05; Reiterate Buy**

* "Triple Play" of sorts set to drive strong 2005, in our view. Our bullish thesis on BOL is simplistic and characterized by three things: 1) strong new product flow, 2) operating leverage, and 3) financial leverage – all of which could drive additional EPS upside going forward.

* New product flow. Overall sales and gross margins throughout the balance of 2005 should benefit from a strong new product flow across all five divisions (details below).

* Operating leverage. Margins of 10.9% dwarfed our 9.1% estimate. We think product mix, manufacturing efficiencies, and SG&A leverage (offset by ramping R&D spend), could drive upside to our upwardly revised 2005 and 2006 margin estimates of 13.5% and 14.8%. 15% margins in 2006 are achievable (possibly conservative), in our view, and represent earnings power north of $4.25.

* Financial leverage. Potential repatriation up to $800M (2Q decision) and solid operating cash flow ($270M estimated in 2005) could support additional debt repayment.

* BOL beat again. 1Q revenue of $554M and EPS of $0.63 beat our $549M and $0.50 respective estimates. A large lens care solution order drove a large part of the upside (~$0.09), while strong pharma growth, solid in-line contact lenses and cataract sales, and discipled expense control drove at least $0.03 upside.

* We raise our 2005 and 2006 EPS estimates.

* We reiterate our Buy rating and raise our price target to $87.

And, Ted Huber of **Wachovia Securities**: **BOL: Renu Drives Quarter--Solid Confidence In H205 And 2006**

· **ANOTHER SOLID QUARTER WITH EPS UPSIDE**: BOL is now 13 for 13 under CEO Zarrella. EPS of $0.63 beat consensus by $0.12. $0.04 came from revenue (7% cc organic growth) and gross margin (at 58.1% up 130 b.p. yr/yr) upside; the balance came from a single large stocking order of Renu Moistureloc with (we believe) Wal-Mart.

· **STRENGTHS AND WEAKNESSES**: BOL's product cycle is strong enough that not all cylinders need fire for the company to post strong growth and beat estimates - this dynamic was on display in Q105. Renu Moistureloc gained 2 share points domestically (ex. stocking order), IOL's grew double digits in U.S. and Japan, and pharma was up 10% c.c. driven by ZyLet and Germany. Pockets of weakness (none expected to carry forward) included a one quarter lull in the UK cataract market, tough refractive comps and a vitamin backorder. Contact lens growth at 6% cc should accelerate with the US re-launch of Purevision Q205.

· **ASCRS UNDERSCORES BOL CATARACT STRENGTH**: BOL is winning skirmishes in the cataract war, a marked change from 2 years ago. Surgeon feedback on its easy load SofPort IOL injector is positive and the Q205 launch should accelerate share gains of the premium-priced Sofport AO lens. While cataract revenue (16% of total) grew just 3% c.c. Q105, we expect growth to average over 6% cc for the balance of 2005.

· **MODEL ADJUSTMENTS**: We are increasing our full year 2005 EPS by $0.05 to $3.45 (= to guidance) and our 2006 estimates to $4.01, 18% growth over 2005. Our Q2-Q305 estimates come in due to the Renu stocking order. We expect 8-9% c.c. organic revenue growth from BOL for H205 driven by Zylet (Q1), Purevision (Q2), SofPort Easy Load injector (Q2), PureVision Toric (Q3), and Retisert (Q3). Our $0.11 increase in 2006 EPS is Retisert-driven.

4/19 Topics ranging from new ways to avoid flap complications to reducing eye pain using novel approaches were several of the themes discussed at the **VisiJet** d.b.a. **Advanced Refractive Technologies (ART)** sponsored-symposium **"Advanced Surface Ablation Through Precision Separation,"** which attracted a large number of physicians who came to hear a top panel of distinguished experts in the area of surface ablation refractive surgery. The symposium took place during the height of the *American Society of Cataract and Refractive Surgery (ASCRS)* conference, the 2nd largest eye surgery meeting in the world.

Dr. Terrence P. O'Brien, The Tom Clancy Professor of Ophthalmology and Director (Refractive Eye Surgery) at the Wilmer Eye Institute at John Hopkins University School of Medicine welcomed a panel that included Dr. Ron Krueger, Director of Refractive Surgery, Cole Eye Institute, The Cleveland Clinic; Dr. Bruce Larson, Associate Professor of Ophthalmology at Loyola Medical Center, Dr. Dimitri Azar, Massachusetts Eye & Ear Infirmary and Dr. Scott Barnes, Womack Army Hospital at Fort Bragg, NC. Refractive surgery specialist and foremost expert in the field, Dr. Kerry K. Assil from the Assil Sinskey Eye Institute was also on hand to comment on the impact the EpiLift system has had on his private practice.

Dr. Krueger's presentation entitled "Can we verify inflammation experimentally?" delved in to the histology of the EpiLift system. Dr. Krueger discussed how the EpiLift system uses a precise cleaving action to separate the epithelium between Lamina densa and Lamina lucida, which requires a tolerance of 0.8 micron. Dr. Kruger's conclusion was the EpiLift system is effective and safe.

Dr. Larson shared his findings for reducing the starburst effect, which occurred in 90% of early Lasik patients. Larson spoke at length about the Larson Glareometer, which he said is an effective tool for quantifying patients' results. He also discussed the evolution of the EpiLift technique and how it has changed in recent months. One technique he shared with the audience was the use of frozen balanced salt solution in completely eliminating post operative eye pain.

Dr. Azar's presentation "From Lasek to EpiLasik" discussed the toxicity issues surrounding ethanol alcohol Lasek, and found EpiLasik a more effective method of avoiding these issues entirely.

Dr. Barnes discussed the psychological need for a procedure such as the EpiLift system in avoiding flap complications in a military setting. Dr. Barnes shared initial results from a small patient trial with subjects who have undergone contralateral procedures (1 eye Epi/1 eye Lasik). Since introducing the Eplift system in October 2004, 64 soldiers have undergone the procedure with favorable and dramatic results.

"I find that I am at my most relaxed state when I use the EpiLift System on my patients," said Dr. Assil to the audience. "Just about every patient whom I might previously have considered for PRK, are suitable candidates for EpiLift. I consider this new technology an exciting new addition to my practice," he added.

4/20 Ted Huber of **Wachovia Securities** reported on the recent *ASCRS* meeting: **Presbyopia IOLs Take Center Stage At ASCRS**

· **WINNERS AND LOSERS**: We see only winners emerging from ASCRS among our eye surgery coverage. Product cycles are strong and Medicare appears poised to open up a new $400 million+ US market for presbyopia/cataract IOLs. The blue ribbon goes to ACL for a successful unveiling of multifocal lens ReStor. BOL is winning some skirmishes in cataract surgery and should outgrow AVO's this year, though AVO's ReZoom multifocal could draft behind ReStor and make a nice contribution in 2006. We expect AVO refractive to excel in 2005 (a.k.a. VISX) given healthy LASIK market dynamics and a strong VISX new product cycle. IntraLase's FS 3000 laser and new clinical data were well received.

· **ALL EYES ON RESTOR**: 22 papers on ReStor from OUS surgeons (every one positive) and FDA trial data showing 80% "glasses free" rates portray ReStor as a successful product for the right patient. ReStor data was clearly superior to the Array (AVO's failed multifocal launched in 1998), at least as good as the limited data shown on AVO's new ReZoom lens, and comparable (on balance) to the only FDA approved accommodating IOL. ReStor's solid performance and Alcon's market power should make this product a winner (50%+ share) in a U.S. market we peg at $400 million annually. Alcon's U.S. ReStor launch (1,000 surgeons trained by May 1) is more aggressive than last year's Europe launch. The risk to this fast ramp is outcomes that do not match the well-controlled trials. Explants due to glare and halo killed Array - this is the key to watch at US surgeons evaluate ReStor in 2005.

· **CATARACT IOLS - TRENCH WARFARE**: Aspheric lenses (offered by AVO, BOL, and ACL) are gaining traction commercially, driven by well supported claims of superior quality of vision. AVO's Tecnis needs head-to-head clinical data against other aspherics to take competitive share. BOL's new easy load SofPort injector (Q205 launch) looks like a great product and source of accelerating growth. The scientific battle over the merits

of yellow lenses rages on while ACL's Acrysof Natural continues to gain ground commercially. Reimbursement dynamics remain key to this lens' success.

· **EXPECT MORE FLAPS FROM INTRALASE**: Surgeons like the speed and improved flap dynamics in the new 30 khz laser - most docs should upgrade by the end of 2007. Clinical data was positive though not revolutionary. Growth continues in the US (we found a new TLC purchase) but appears to be accelerating OUS where microkeratomes are less well accepted. EPI-LASIK clouds on the horizon notwithstanding, we exit ASCRS marginally more comfortable with the IntraLase model.

· **HEALTHY LASIK MARKET, HEALTHY VISX PRODUCT CYCLE - GOOD FOR AVO**: Surgeons were bullish on their refractive businesses. Custom LASIK and multifocal IOL FDA approvals should drive more patient visits. Data and surgeon views were positive on VISX's 2005 product cycle (iris registration, Fourier software, and custom label expansions). We look for VISX to win back a point or two of share in 2005, mostly from BOL.

4/21 **QLT Inc.** reported that its alliance partner, **Novartis,** announced global Visudyne (verteporfin) sales of approximately US$123.7 million for the quarter ended March 31, 2005. This represents an increase of 22.5% over sales in the first quarter of 2004.

4/21 In a **WaveLight**-sponsored educational symposium held this weekend during the *ASCRS* meeting in Washington D.C., Steve Brint, MD, discussed preliminary results of ongoing studies with the ALLEGRETTO WAVE wavefront-guided and mixed astigmatism LASIK systems. Both studies were initiated last September and clinical outcomes are currently being collected for review and submission to the FDA. The study is being administered by **SurgiVision Regulatory Consultants, Inc.** of Scottsdale, AZ.

The purpose of the prospective randomized wavefront-guided study is to evaluate safety and effectiveness of wavefront-guided treatments (incorporating the ALLEGRO wavefront analyzer) and to compare results to wavefront-optimized (standard LASIK) with the ALLEGRETTO WAVE wavefront-guided platform. “I told my patients in both arms of the study that they could expect to achieve excellent visual acuity, and this has proven true on all accounts,” said Dr. Brint, medical monitor of the wavefront-guided and mixed astigmatism studies and president of Brint Custom Vision in Metarie, LA. “More than 90 percent of patients in both groups achieved 20/20 vision without glasses or contact lenses, and more than 60 percent achieved 20/16 or better. For patients with few pre-existing higher-order aberrations, both platforms performed nearly identically.”

“The preliminary results in both trials are easily meeting protocol targets,” stated Guy Kezirian, MD, president and founder of SurgiVision Regulatory Consultants, Inc. “Additionally, preliminary results suggest that wavefront-guided treatments may offer certain advantages to a minority of patients with significant pre-operative higher-order aberrations, such as trefoil and coma.” The second study is being conducted to evaluate safety and effectiveness of the ALLEGRETTO WAVE for the treatment of mixed

astigmatism, a condition that shares features with both near- and farsightedness in the same eye.

WaveLight's clinical investigator group includes Stephen Brint, MD, Michael Gordon, MD, Karl Stonecipher, MD, Bennett Chotiner, MD, David Dulaney, MD and Charles Moore, MD.

4/21 **Norwood Abbey Limited** subsidiary, **Norwood EyeCare**, announced that the first patients in an Australian clinical study have been successfully treated. The clinical study, which was approved by the Royal Brisbane & Women's Hospital Human Research Ethics Committee, is being conducted under the Therapeutic Goods Administration (TGA) Clinical Trial Notification Scheme.

Epi-LASIK is the next generation in laser vision correction (LVC). It combines the benefits of current LVC procedures and eliminates their disadvantages, particularly the need to cut the eye.

Speaking at a Norwood Abbey press briefing today, Brisbane ophthalmologist, Dr. Peter Stewart, the Australian eye surgeon who used the procedure on the patients in the clinical trial, said, "Epi-LASIK is a major advancement over current LVC procedures."

Dr. Stewart also stated, "I have performed more than 15,000 LVC procedures over 10 years using current technology, and there is no doubt Epi-LASIK achieves better visual results for the patient, without the associated complications, risk or discomfort. The most significant and appealing aspect of Epi-LASIK is that the procedure does not involve the cutting of the eye or the application of alcohol, both of which can lead to complications or delay healing.

"Although thousands of Australians have already had successful LVC using current techniques, Epi-LASIK improves the visual outcome and will be much more appealing for the many people who are either adverse to, scared of, or not suited to current procedures," Dr. Stewart said.

4/21 As reported on **Forbes.com**, Jim Oberweis of the *Oberweis Report*, recommends buying shares of **LCA Vision**, the Cincinnati, Ohio-based developer and operator of laser vision correction centers. The centers conduct business under the brand name LasikPlus. The company owns and operates 42 fixed-site vision correction centers in the U.S. and three centers as part of a joint venture in Canada. LCA Vision has doctors performing surgeries at each location with excimer lasers and equipment from companies such as **Bausch & Lomb**, **VISX** and **Alcon**.

In 2004, revenue was up 56% to $127.1 million, while net income more than quadrupled from $7.3 million to $32 million, thanks in part to improved gross margins and lower operating expenses as a percentage of sales. The company produced $29.8 million in cash flow from operations and carries $918,000 of debt, with a $598 million enterprise value

and a $682 million market capitalization. LCAV has $4.27 per share in cash on the books.

Over the past year, LCAV shares are up 102% and traded as high as $35.10 on April 7. LCAV closed April 20 at $33.89 per share, 3.4% off its 52-week high but still well above its 50-day moving average of $30.31. The company pays an annual dividend of $0.32 per share, for a current yield of 0.94%.

Only three Wall Street analysts cover LCA Vision, and they expect $1.09 per share in earnings for 2005, for a price-to-earnings ratio of 31. In 2006, analysts look for EPS to climb 26% to $1.37, for a forward P/E of 24.7.

Although the market for laser vision correction is a highly competitive one, LCAV has raised its average price per procedure over the past 16 quarters, from $877 in the fourth quarter of 2000 to $1,351 in the fourth quarter of 2004. The company closest in size to LCAV is **TLC Vision**, based in Canada. Historically, the first quarter has been the strongest in terms of revenue for LCAV, due partly to the availability of funds in flexible-spending accounts. LCA Vision releases first-quarter earnings on April 27.

One caveat for buying LCA is the trend in insider sales. Insiders have decreased their holdings over the past six months by 50%, although institutions have increased their holdings by 12.2%. Insiders, including Oberweis' firm, currently own 77.8% of LCAV shares, while insiders own 8.2%.

4/21 **Alcon, Inc.** reported global sales of $1,070.5 million for the first quarter of 2005, an increase of 11.1% over global sales in the first quarter of 2004, or 8.5% excluding the impact of foreign exchange fluctuations. Reported net earnings for the first quarter of 2005 increased 30.6% to $249.5 million (80 cents per share) compared to $191.0 million (61 cents per share) for the first quarter of 2004.

"We are very pleased with the first quarter sales and profit growth," said Cary Rayment, Alcon's president and CEO. "We experienced broad sales growth on both a geographic and product line basis. At the same time, we continued to leverage our global infrastructure for even faster growth in profits. On the new product front, we received U.S. approval of the AcrySof ReSTOR intraocular lens. This exciting technology for cataract patients with and without presbyopia presents new growth opportunities for our market leading surgical franchise."

First Quarter Sales Highlights: Highlights of refractive sales for the first quarter of 2005 are shown below, compared to sales versus the first quarter of 2004.

* Refractive revenue of $17.1 million, increased 8.2% over revenue for the first quarter of 2004 of $15.8 million, due to growth in procedures and conversion to higher-priced custom procedures. U.S. procedures grew 8% and revenue from custom procedures

accounted for 55% of total Alcon procedure revenue in the U.S. in the first quarter of 2005.

Financial Guidance: Financial guidance for the full year 2005 and factors impacting this guidance are provided below.

* Sales are expected to be between $4,325 million and $4,400 million.
* Diluted earnings per share are expected to be between $3.25 and $3.30. This guidance excludes a $0.06 per share estimate for expensing stock options, included in previous guidance, as due to a recent SEC ruling the company will not be required to expense stock options until the first quarter of 2006.
* The company expects global sales of the AcrySof ReSTOR lens to be between $35 million and $45 million for the full year 2005. Estimated sales for AcrySof ReSTOR are included in the company's updated full year 2005 guidance as well as prior 2005 full year guidance.

One analyst, Ted Huber of Wachovia Securities provided his take on Alcon's first quarter results: **ACL: OUS Pharma Offsets U.S. Weakness, EPS Upside & Model Raised**

*** Q105 BEATS CONSENUS**: With EPS of $0.80 ($0.05 ahead of consensus), Alcon is now 12 for 12 vs. consensus EPS. Revenue of $1.07 billion was up 8.5% in c.c., just ahead of our 8.2% estimate. Reported revenue was up 11.1% yr/yr. Gross margins (73%) and lower R&D (down $10 million sequentially) drove the EPS upside along with international pharma strength.

*** KEY STRENGTHS IN Q105**: International pharma (near 17% of total revenue) was up 25% yr/yr (19.3% in constant currency). Domestic pharma growth slowed to 7.2% due to Ciloxan's Q204 patent expiration and slight U.S. share losses by Patanol and Tobradex. IOL revenue grew 10.1% (7.5% c.c.).

*** FULL YEAR REVENUE AND EPS GUIDANCE RAISED**: Including Q105 revenue upside, Alcon effectively raised the low end of Q2-Q4 revenue guidance by $50 million and the top end by $25 million. Alcon also provided its first ReStor estimate of $35-45 million for 2005. Alcon's new EPS range, $3.25-3.30, is well ahead of its prior $3.08-3.14 range given high margin ReStor revenue.

4/22 **NovaMed, Inc.** announced that it had entered into a definitive agreement to acquire a 51% interest in the **Colorado Outpatient Eye Surgery Center**, an ambulatory surgery center located in Denver, Colorado. NovaMed expects to complete this acquisition in May upon receiving the required licensure approvals from the State of Colorado, and upon other closing conditions being satisfied. This will be NovaMed's second surgery center in Colorado.

"This acquisition provides us with the opportunity to enter the Denver market in partnership with six highly respected local ophthalmologists," said NovaMed executive

vice president and CFO Scott Macomber. "In the last 12 months approximately 2,000 ophthalmic surgical procedures were performed at this surgery center and we expect this acquisition to be immediately accretive to our earnings upon closing. In addition, this surgery center has additional capacity and we look forward to working with our new partners to realize the center's full growth potential, " said Macomber.

4/23 As noted in *Cataract & Refractive Surgery Today eNews*, **Allaboutvision.com** reported that the cost of LASIK varies greatly between providers, although its price is rising in general. The company reported an average price per procedure of between $1,351 and $1,957 at the end of 2004. The use of a femtosecond laser for creating the LASIK flap increases the treatment's cost by an average of $344 per eye, and customization reportedly adds a premium of between $100 and $500 per eye, according to several sources cited in the article. Allaboutvision.com also obtained average prices per eye for conductive keratoplasty ($1,200 to $2,500), corneal ring segments ($1,700 to $2,600), LASEK (essentially the same as LASIK), and PRK ($1,000 to $1,800). The variability in the cost of refractive surgery is reportedly related in part to the complexity of preoperative testing and the cost of the equipment involved in screening and treatment. For the complete article, visit **www.allaboutvision.com/visionsurgery/cost.htm**.

OPHTHALMIC LASER UPDATE -- May 2005

4/25 **Alcon, Inc**. announced the launch of the AcrySof ReSTOR Intraocular Lens (IOL) at a press conference during the *American Society of Cataract and Refractive Surgery (ASCRS)* and the *American Society of Ophthalmic Administrators (ASOA)* Symposium in Washington. Approved on March 21, 2005 by the FDA, AcrySof ReSTOR is the first and only IOL that uses apodized diffractive technology to provide cataract patients with and without presbyopia a quality range of vision. In clinical trials, 80% of patients reported "never" wearing reading glasses or bifocals following bilateral cataract surgery. The vast majority of patients who undergo cataract surgery today receive traditional IOLs, which typically require patients to use reading glasses or bifocals for near vision following surgery.

The AcrySof ReSTOR lens is a foldable IOL that represents breakthrough technology because of its unique, patented optic design, which allows patients to experience the highest level of freedom from glasses ever achieved in IOL clinical trials. The AcrySof ReSTOR IOL uses a combination of three complementary technologies: apodization, diffraction and refraction, to allow patients to experience a full range of high-quality vision without the need for reading glasses or bifocals. This range of vision without glasses is achieved through the optical properties of the IOL. The benefit for patients is a high level of spectacle freedom. Alcon has patented the application of apodization technology to an IOL, making the AcrySof ReSTOR lens the first and only apodized diffractive IOL.

"In almost 40 years, the three most important developments in ophthalmic surgery have been phacoemulsification, the IOL and the AcrySof ReSTOR IOL," said Richard

Mackool, MD, clinical investigator of the AcrySof ReSTOR IOL and Director of The Mackool Eye Institute and Laser Center and Senior Attending Surgeon at The New York Eye and Ear Infirmary. "The AcrySof ReSTOR IOL is not only an innovative way to replace the human lens, but it most accurately restores the vision achieved with a normally functioning natural lens. It is the last piece of the puzzle that leads to better vision without glasses for the vast majority of patients."

AcrySof ReSTOR IOL does not rely on the ciliary muscle, which weakens with age, to enable the eye to quickly change focus to see objects at near, intermediate and far distances. This allows 80% of cataract patients with and without presbyopia (age-related vision loss) the ability to see clearly without the aid of glasses or bifocals.

Clinical trials were conducted in the United States and Europe to establish the safety and effectiveness of the AcrySof ReSTOR IOL. A total of 566 people received the AcrySof ReSTOR lens in the clinical trials. The mean patient age in the studies was 69. Since its introduction outside the U.S. in 2003, more than 11,000 AcrySof ReSTOR IOLs have been implanted in patients by more then 900 surgeons in Europe and in other countries.

Alcon has begun training U.S. surgeons on the new lens and shipments will begin in early-May. Many factors should be taken into consideration when choosing an IOL, so patients should consult with their ophthalmologist to determine if the AcrySof ReSTOR IOL is right for them. Due to current insurance and Medicare coverage, this IOL may not be available to all patients.

4/25 **Advanced Medical Optics, Inc.** and **VISX, Incorporated** announced that they have selected May 26, 2005 as the date for their special meetings of stockholders concerning their planned merger. The companies also announced that the Securities and Exchange Commission (SEC) has declared effective their Form S-4 Registration Statement. The joint proxy statement/prospectus will be mailed to stockholders of AMO and VISX on or about April 27, 2005. Stockholders of record as of the close of business on April 14, 2005 of both companies will be entitled to vote at the special meetings. The transaction is expected to close shortly thereafter.

AMO's annual meeting of stockholders is also scheduled for May 26, 2005 and will take place following the AMO special meeting. AMO stockholders will receive a separate proxy statement and proxy card relating to the annual meeting.

AMO announced in November 2004 its plan to acquire VISX. Under the terms of the definitive merger agreement, VISX stockholders are expected to receive 0.552 shares of AMO stock and $3.50 in cash for every share of VISX common stock they own. AMO expects the exchange of shares to be tax-free to VISX stockholders. Upon completion of the transaction, AMO stockholders are expected to own approximately 58.8% of the combined company and VISX stockholders are expected to own approximately 41.2%.

4/26 **VISX, Incorporated** announced financial results for the first quarter ended March 31, 2005. Total revenues increased 17% to $51.3 million from $43.8 million in the first quarter of 2004, reflecting growth in all VISX product areas. Net income increased 25% to $14.7 million (28 cents per share) compared with net income of $11.8 million (23 cents per share) in the first quarter of 2004. Net income in the first quarter of 2005 was reduced by approximately $650,000 of merger related expenses that negatively impacted earnings per share by approximately $0.01.

Highlights of the First Quarter of 2005:

* License and other revenues increased 16% over the first quarter of last year, reflecting both market growth and continuing strong conversion to CustomVue procedures.
* Strong demand for the VISX STAR Laser System drove system revenues growth of 26% from Q1 2004.
* Operating margins rose to 45% of sales compared with 44% in the first quarter of 2004.
* VISX generated cash from operations of $20.8 million, bringing cash and equivalents at the end of the quarter to $160.4 million.

Liz Davila, VISX chairman and CEO, stated, "Our 17% increase in total revenue follows a strong first quarter last year. In addition to continued growth in both procedures and CustomVue mix, which drives our license revenues higher, we are very pleased to report strong sales of the VISX STAR laser. Laser sales have exceeded our expectations in each of the past two quarters, and we have increased production. Strong demand worldwide for lasers is a healthy sign that doctors are excited about the laser vision correction market opportunity."

Davila continued, "Our recent new product introductions, which include Fourier software, CustomVue hyperopia, CustomVue mixed astigmatism, and Iris Registration, are also driving conversion to CustomVue procedures. We believe these are truly exciting times for VISX and we are looking forward to joining forces with AMO to expand further our market opportunities and breadth of products for the refractive surgeon."

New Product Introductions: VISX introduced two new products in the first quarter 2005: CustomVue mixed astigmatism and Iris Registration. This follows the introduction of Fourier software and CustomVue hyperopia in the latter half of 2004.

With the introduction of CustomVue mixed astigmatism, VISX is now the only U.S. provider to offer wavefront driven treatments for all forms of astigmatism. The Company's new Iris Registration product is the first fully automated method of aligning and registering wavefront corrections for CustomVue treatments. It is designed to replace the current means of registration, which involves manual marking of the eye to assess rotational movement.

ASCRS Highlights: At the recent American Society of Cataract and Refractive Surgeons meeting (ASCRS), data were presented by world-recognized ophthalmologists on VISX products and technological advancements.

Over 700 ophthalmologists attended the *Eye World*-supported *Refractive Surgery Symposium (RSS)*, an adjunct event to the ASCRS. Noted ophthalmologists presented data on the benefits of VISX's latest technology. In one of the presentations, Steven Schallhorn, MD, director of cornea and refractive surgery, Navy Medical Center, San Diego, presented data showing the statistically significant benefits of wavefront driven procedures compared with standard procedures. Julian Stevens, MD, consultant ophthalmologist, Moorfields Eye Hospital, London, reported further improvements in patient outcomes through the use of Iris Registration.

Also at the RSS, Colman Kraff, MD, a VISX principal investigator at the Kraff Eye Institute, and clinical instructor, Northwestern University Medical School, presented data showing positive results for patients treated in our CustomVue presbyopia U.S. clinical trial. Bruce Jackson, MD, chairman, Department of Ophthalmology, University of Ottawa, also presented longer-term data showing positive benefits of a more extensive group of patients that he has treated with CustomVue presbyopia.

VISX and Advanced Medical Optics Merger Update:

On April 25, 2005, VISX and Advanced Medical Optics, Inc. announced that they have selected May 26, 2005, as the date for their special meetings of stockholders concerning their planned merger. (AMO's annual meeting of stockholders will also be held on this date.) The joint proxy statement/prospectus will be mailed to stockholders of AMO and VISX on or about April 27, 2005. Stockholders of record as of the close of business on April 14, 2005, of both companies will be entitled to vote at the special meetings. The transaction is expected to close shortly after the May 26, 2005, stockholders' meetings.

Several analysts provided their take on VISX's first quarter results:

Jason Mills of **First Albany Capital**: **VISX (EYE-Neutral-$25.50) - Strong 1Q from VISX driven by Procedures & CTC; Good for ILSE?**

*** 1Q Results Higher Than Our Estimates.** Revenue of $51.3 exceeded our $48.7M estimate (revenue consensus was $49.3M; EPS consensus was $0.27), driven, we think, (no granular results were given) by upside in procedures and conversion to CustomVue (CTC) – more below. Pro forma EPS [excluding merger-related expenses associated with Advanced Medical Optics' (AVO-$40.07-Not Rated) near-term acquisition close of EYE] were $0.29 versus our $0.28 estimate.

*** Upside in Procedures and CTC?** The company did not provide much granularity on the top line beyond the net revenue result, but playing with our model suggests the company

produced upside to our estimates in key metrics of U.S. procedure volume, conversion to CustomVue (CTC) and international royalties.

o We estimate VISX's U.S. procedure growth in 1Q was 10.4% - higher than our 5% estimate – and faster than its three largest competitors – Alcon (ACL-$96.50-Not Rated) up 8%; Bausch & Lomb (BOL-$75.40-Buy) down 3%; and Nidek (private) estimate down 10%. All in, we estimate U.S. procedure volume grew 8% in 1Q, suggesting VISX took share, even as the largest player with a greater than 60% share.

o We estimate CTC was 38.5% versus our 37.5%, suggesting recent FDA approval and launch of CustomVue Hyperopia, as well as iris recognition and Fourier algorithm technology improvements, are driving increasing adoption.

o We estimate international per procedure royalties reached a record $2.3M in 1Q, up from an estimated $1.9M in 4Q. The company seems to be having modest, yet increasing success deriving a "per click" fee from some international surgeons who have adopted the CustomVue platform.

o System revenue of $7.7M was light of our $8.1M estimate, yet we estimate laser placements and WaveScan placements in the quarter were in line.

* AMO and VISX announced yesterday that they will hold a special meeting of stockholders concerning their planned merger on May 26. The merger is expected to close shortly after the May 26 meeting.

*** VISX results positive for ILSE?** We think VISX procedure volume growth (again this is just our estimate, given the lack of guidance to this number in the press release and no call is planned) is a positive for IntraLase. Sequentially, we estimate VISX grew procedures nearly 40%, which suggests a strong LASIK market in 1Q. IntraLase is at a much more nascent stage of its business development, but certainly market growth of procedures is important.

o Our U.S. procedure volume estimate of 60K is at the top end of consensus and guidance, and we would not be surprised to see U.S. procedures come in the 50K-60K range, representing robust Y/Y growth between 35%-60% - north of imputed market growth of 8% and VISX's strong 10.4% growth (also imputed).

o We model 31 laser placements in 1Q (compared with 17 in 1Q:04) and are looking for 1Q revenues and EPS of $20.2 million and $0.01, respectively. We think laser placements in 4Q and 1Q will set the stage for strong procedural volume growth in 2Q, 3Q and 4Q, with 3Q representing the easiest comp for ILSE and the LASIK industry in general. We also think management can execute well relative to 2005 targets including revenue over $95M (up 58% - FAC estimate of $96M) and $0.33-$0.37 EPS (FAC: $0.33).

o We reiterate our Buy rating on ILSE and price target of $25.50. Our price target is based on a target EV/Sales (2005E) multiple for ILSE of 7.5x and 2005 estimated sales of $96M. We note risks associated with achieving this price target include slowing growth in the LASIK market overall, an inability to attract new customers to its technology, and competitive pressures.

Joanne Wuensch of **Harris Nesbitt** on **VISX**: **VISX (Neutral) (EYE-NYSE) Reports Strong 1Q05 Results**

VISX reported better-than-expected 1Q05 results with revenues of $51.3 million (up 17%) that beat our estimate for $49.5 million. EPS of $0.30 (up 27%) also exceeded both our and the First Call consensus estimate for $0.27. License revenues of $37.6 million (73% of total sales) increased 16% versus our 17% estimate; however, procedure growth and custom ablation mix were not disclosed. Consequently, using trend analysis, we estimate that 1Q05 procedures increased 12% and the custom mix was 38%. System sales were better than expected, increasing 26% versus our estimated 2% decrease. Gross margins fell to 75.6% from 77.5% in 1Q04 due to a higher proportion of less profitable laser sales.

Our View:

*In light of the merger activity between VISX/Advanced Medical Optics (AMO), we believe a strong 1Q without a major hiccup was commendable. VISX will hold its shareholder vote for the proposed AMO merger on May 26, and we expect the deal to close shortly thereafter.

*While we view the overall 1Q05 financial performance as positive, we note that the first quarter has historically the strongest procedures…without additional clarity - it appears the company held LVC market share y/y.

*We maintain our NEUTRAL rating.

Ted Huber of **Wachovia Securities**: **VISX Q1 2005 Growth And Earnings In Line**

*** EPS AND REVENUE IN LINE:** VISX reported Q1 2005 EPS of $0.28, equal to our estimate and $0.01 ahead of consensus. Merger-related costs of $650,000 lowered EPS by $0.01. Revenue totaled $51.3 million, just ahead of our $50.9 million estimate. License revenue (which accounts for near 100% of VISX profit) grew at 16%, also in line with our target. Gross margin was 2.1% below our forecast due to lower hardware and service margins and slightly unfavorable mix.

*** LICENSE REVENUE GROWTH 16%:** License revenue accelerated from the 14.2% growth posted in H2 2004 but came in less than the 20% growth rate VISX reported for the month of January on its Q4 2004 conference call. We can infer that VISX license revenue growth slowed to 14% during February and March.

*** PRICE/VOLUME/MIX DYNAMICS REMAIN A MYSTERY:** VISX reported mix and volume 'were both up" but no other detail. Triangulating between the numbers, mix was likely in the 37-42% range, up 1-6 points sequentially, and yr/yr volume growth was likely 6-11%. We would view more growth and less mix in the Q1 2005 numbers as a positive indicator for the balance of 2005. If VISX made the quarter on a big jump in mix but weaker volume growth, the LASIK market may be on less sound footing than we have predicted. Note that competitors Alcon (ACL) reported 8% yr/yr volume growth and Bausch & Lomb (BOL) 3% yr/yr growth and positive mix shift. Even with VISX's limited disclosures, it appears as if the share losses it experienced during 2004 were halted in Q1 2005. We believe the Custom hyperopia approval and new software drove the improved competitive performance.

*** LIMIT VISIBILITY:** The Conference Board's consumer confidence index declined to 97.7 in April from 103.0 in March. Note that Market Scope's 8-10% 2005 procedure growth forecast is based on a consumer confidence of 100. This, combined with VISX's unwillingness to provide key operating metrics for its business (U.S. volume and mix) limit visibility. Nonetheless, we remain comfortable with VISX's prospects to grow 2005 license revenue in the midteens based on the strength of its product cycle, assuming (1) consumer confidence does not deteriorate further and (2) that AVO is able to avoid any further slips in the high myopia Custom LASIK approval (now targeted for "fall 2005" back from the prior "midyear 2005.").

*** UPDATED MODEL ATTACHED:** This is the VISX model that is rolled into our current AVO forecast, updated to include the in-line Q1 2005 results. The model forecasts 17% license revenue growth in 2005 followed by 14% growth in 2006. The slight acceleration in 2005 license revenue growth is due in large part to the easy comps VISX faces from H2 2004. EPS estimates are less useful given ongoing merger costs.

4/27 This year's Annual Meeting of the *American Society of Cataract and Refractive Surgery (ASCRS)*, was a complete success for **WaveLight Laser Technologie AG**, as in previous years. The initial results of the extended patient trial of the ALLEGRETTO WAVE were also presented at this congress, which is of global significance in the area of cataract and refractive surgery. The clinical trial, which began in September 2004, focused particularly on examining the treatment quality and safety of wavefront-guided LASIK procedures and treatments for mixed astigmatism. The eyesight of more than 90% of the patients treated during the trial improved to 100%. The visual acuity of more than 60% of the trial's participants even reached over 100% after treatment was completed. The excellent results of the ALLEGRETTO WAVE trial thus meet the figures set by the U.S. Food and Drug Administration (FDA), which are necessary for the extended range of treatments to be approved in the U.S.A.

Dialogue with users: Whereas the presentation of the high-end ALLEGRETTO WAVE Concerto laser system was a key element of WaveLight's trade fair appearance last year, the main focus this year was on the dialogue with the international user community of the ALLEGRETTO product family. Around 150 specialist physicians accepted the invitation

of the Erlangen-based laser specialists, and used the opportunity provided by the ASCRS to exchange in detail their experiences of WaveLight's diagnostic and treatment systems for refractive surgery.

In addition, WaveLight offered a further information forum especially for U.S. users as part of the congress, which supported the exchange of practical experiences and was also extremely well attended. "Once again, we intentionally used the ASCRS 2005 to make close contact with WaveLight's user community, which is growing worldwide, and are therefore able to exchange experiences directly with eye surgeons. International users confirm the excellent quality and reliability of our treatment and diagnostic systems. There is a correspondingly strong demand here in the U.S.A. for WaveLight lasers", emphasized Max Reindl, founder and CEO of WaveLight Laser Technologie AG at the ASCRS.

Success for "Vision for the World": This year's ASCRS proved equally fortunate for WaveLight in terms of its social commitment. Convinced by the idea of helping to actively support the curing of eye diseases in Third World countries, a large number of U.S. physicians immediately showed their willingness to donate one dollar to the "Vision for the World" aid project for every LASIK procedure performed using the ALLEGRETTO WAVE. WaveLight agreed to double the amount donated in this way and forward it to "Vision for the World". In addition, the financial support for this ambitious project was supplemented by the proceeds of an art auction organized by WaveLight as part of the ASCRS.

"Vision for the World" was launched by WaveLight CEO Max Reindl and by Susanne Grethlein, the head of Corporate Marketing and Investor Relations at WaveLight. The aim of the charity organization is to prevent and cure blindness in Third World countries, focusing primarily on the principle of "helping people to help themselves". Ms. Grethlein was satisfied with the outcome: "We are extremely delighted that the ASCRS was also a complete success with regard to our social commitment, for WaveLight and "Vision for the World". The donations will be channeled specifically into our aid projects".

4/27 **LCA-Vision Inc.** announced first quarter financial results for the period ended March 31, 2005.

First Quarter 2005 Highlights:

- Revenues grew 59% to approximately $50.2 million from approximately $31.7 million in last year's first quarter, marking the 7th consecutive quarter of revenue growth exceeding 50%.
- Same-store revenues grew 47% at vision centers open at least 12 months. Over the past seven quarters, same-store revenue growth has averaged over 40%.
- A record 37,578 procedures were performed during the quarter, a 55% increase from 24,270 procedures performed in last year's first quarter.

Net income was approximately $9.3 million and earnings per diluted share were $0.44 in 2005's first quarter, compared with net income of approximately $12.7 million and earnings per diluted share of $0.62 in 2004's first quarter. Included in 2004's first quarter financial results is an income tax benefit of approximately $8.6 million related to federal and state net operating loss carryforwards generated in prior years. Excluding the income tax benefit, 2004 first quarter earnings per diluted share were $0.20. The company believes that excluding the income tax benefit is a meaningful disclosure as it allows for year-over-year comparisons of financial results on a consistent basis.

Revenue Growth Driven by Continued Strong Demand for Procedures: Revenues grew 59% to approximately $50.2 million in 2005's first quarter from approximately $31.7 million in 2004's first quarter. Procedure volume increased 55% in 2005's first quarter to 37,578 from 24,270 procedures performed in 2004's first quarter. Revenues per procedure increased 2% to $1,336 in the first quarter of 2005 from $1,304 in the first quarter of 2004. Operating income increased 127% to approximately $15.3 million in 2005's first quarter from approximately $6.8 million in 2004's first quarter, and the operating margin was 30.6% compared with 21.4%.

Balance Sheet Positioned to Support Long-Term Growth: Cash provided by operations in 2005's first quarter grew to approximately $15.9 million as of March 31, 2005 from approximately $6.9 million as of March 31, 2004. Cash and cash equivalents increased to approximately $100.1 million as of March 31, 2005, from approximately $86.6 million as of December 31, 2004, and approximately $72.1 million as of March 31, 2004.

Stephen Joffe, chairman and CEO of LCA-Vision commented, "We are pleased to report solid first quarter earnings. Our impressive results are a testimony to our strong business model, the health of our operations, and the favorable growth trends in the laser vision correction industry. We reported across-the-board gains in the key financial and operational metrics we track. Revenues and procedure volume reached record levels during the quarter, and excluding the income tax benefit recorded in last year's first quarter, earnings per diluted share increased nearly 120%."

"We expect to realize strong revenue growth throughout 2005 as we continue to gain market share in existing markets and expand the LasikPlus brand into new markets. During the quarter, we opened a LasikPlus vision center in Sacramento, and plans are underway to open additional vision centers throughout the year as we continue to expand the LasikPlus footprint."

"As a result of our strong first quarter earnings and the continued strong demand for laser vision correction procedures, we are again increasing our earnings guidance for the full-year of 2005. We now project earnings to be in the range of $1.15 to $1.20 per diluted share, up from prior guidance of $1.00 to $1.05."

4/28 **Advanced Medical Optics, Inc.** announced financial results for the first quarter of 2005. Net earnings for the first quarter were $13.8 million (35 cents per share) up 133%,

compared to the same period last year. The rise is attributable to increased revenue and margin expansion. The first-quarter 2005 results also included a $0.01 benefit related to currency derivatives.

Net revenue for the first quarter rose 28.1%, including a 3.7% increase related to foreign currency, to $192.5 million, compared to the first quarter of 2004. The growth in revenue reflected the acquisition of the Pfizer ophthalmic surgical business in mid 2004 and increased sales from the company's promoted ophthalmic surgical and eye care brands.

"AMO continues to execute a focused plan for achieving sustained, profitable growth," said Jim Mazzo, president and chief executive officer. "In the first quarter, we continued to implement our strategy to expand our leadership in the ophthalmic medical device industry. This includes building on the strategic benefits of the **Pfizer** ophthalmic surgical acquisition, offering products based on advanced technologies and continued implementation of a cost-efficient business model. Looking ahead, we expect to complete our acquisition of VISX in the second quarter, placing us in the leadership position of the global refractive surgical marketplace."

AMO announced in November 2004 that it had reached an agreement with **VISX**, **Incorporated**, the global leader in laser vision correction, to acquire the company for a combination of cash and stock. Both companies' stockholders will vote on the transaction at special meetings to be held on May 26, 2005. Pending a successful outcome, AMO expects to close the transaction within two business days thereafter. As previously announced, AMO expects the transaction to be neutral to its 2005 adjusted earnings-per-share guidance of $1.65 to $1.75, and expects 2006 adjusted earnings per share to be in the range of $2.20 to $2.30. The company's adjusted earnings-per-share guidance excludes any charges associated with the VISX acquisition, the impact of option expensing and the effect of currency derivatives.

Ophthalmic surgical revenue grew 51.6% in the first quarter, including a 4.2% increase related to foreign currency, to $118.7 million, compared to $78.3 million in the year-ago quarter.

Total intraocular lens (IOL) sales rose 17.2% to $60.5 million, compared to $51.6 million in the first quarter of 2004. The increase reflects primarily the acquisition of the Pfizer ophthalmic surgical business and the strength of the company's promoted IOL technologies, the Tecnis and Sensar lenses.

Sales of viscoelastics rose to $32.6 million, compared to $4.2 million one year ago. This rise reflected the addition of the Healon family of viscoelastics, which AMO acquired as part of the Pfizer transaction, as well as continued growth of AMO's existing Vitrax brand.

Sales of phacoemulsification products grew 5.2% during the quarter to $18.5 million, compared to $17.6 million one year ago. Growth was led by the company's Sovereign Compact system with WhiteStar technology.

Eye care revenue grew 2.5% in the first quarter, including a 3.3% increase related to foreign currency, to $73.8 million, compared to $72.0 million in 2004's first quarter. The first-quarter performance was primarily impacted by a decline in sales in Japan. This was due in part to a gradual decline in hydrogen peroxide sales as a result of the market's movement to single-bottle systems.

While overall eye care sales declined, sales of multipurpose solutions rose 14% in the first quarter to $37.0 million, compared to $32.5 million one year ago. Sales of the company's flagship COMPLETE branded product line were up 16.3% for the quarter. AMO continues to expect its global eye care franchise to grow annually at a rate of 1% to 3%, excluding the impacts of currency.

Additional Operating Results: The following are additional operating highlights for the first quarter of 2005.

* Gross profit for the first quarter of 2005 was $122.1 million, compared to $90.6 million for the same period one year ago. The gross profit margin for the first quarter was 63.4%, compared to 60.3% one year ago. The rise in gross profit margin was due to increased revenue, changes in product mix and continued execution of the company's manufacturing strategy.

* Research and development expense in the first quarter of 2005 was $12.4 million, compared to $9.0 million in the same period last year, demonstrating AMO's continued commitment to investment in new technologies that provide competitive advantages. R&D expenses as a percentage of sales were 6.4% in the first quarter of 2005, compared to 6.0% for the same period one year ago.

* SG&A expense for the first quarter was $83.8 million, or 43.5% of sales. In the first quarter of 2004, the company's SG&A expenses stood at $71.1 million, or 47.3% of sales. The decline in SG&A as a percent of sales is attributable to an increase in revenue and efficiency gains related to the company's centralized operating model. On a sequential basis, SG&A declined 9.5% from the fourth quarter of 2004.

* Operating income for the first quarter was $25.9 million, compared to $10.5 million in the first quarter of 2004. The operating profit margin was 13.5% in the first quarter of 2005, compared to 7.0% for the same period in 2004.

* Pretax income for the first quarter rose to $20.9 million, compared to $7.4 million in the same period one year ago. The company's effective tax rate stood at 34% in the first quarter.

Ted Huber of **Wachovia Securities** on **Advanced Medical Optics** first quarter results:
AVO: Delivers A Penny Of EPS Upside, But It Wasn't Pretty

· **Q105 RESULTS:** AVO delivered EPS of $0.34 (excluding $0.01 benefit from currency derivatives) vs. consensus of $0.33. Revenues of $192 million, up 28% reported, were $2 million shy of consensus. At 3.8%, currency contributed 2.5 points more than we expected. We calculate c.c. organic revenue growth near flat for the quarter. AVO's 63.4%, gross margins were 1.4% ahead of our forecast; mix shift to more profitable product lines drove this upside. Q105 free cash flow was negative $24 million due to sharp increases in working capital and a doubling of Cap Ex.

· **SO WHAT WAS REVENUE GROWTH?** That question has many answers. In Eyecare, yr/yr c.c. growth was -0.8%. In surgical, reported growth was 52% yr/yr. Pro forma constant currency Surgical growth was +1% using Wachovia estimates of prior year revenues from the acquired Pharmacia cataract surgery (PCS) business. While AVO asserts it is gaining share in many of its "promoted product" categories, we note that competitors BOL and ACL posted better yr/yr and sequential growth in both their eyecare and cataract surgery divisions - detailed schedules are attached. AVO cited weakness in Japan and declining Pharmacia PMMA lenses as contributing factors. In our view, AVO's product cycle is not quite as fresh as BOL's or ACL's.

· **GUIDANCE REAFFIRMED - LOOKING FOR A BETTER H205:** AVO reaffirmed 2005-06 EPS guidance of $1.65-1.75 and $2.25-2.30 and now expects the **VISX** acquisition to close in late May. Our model stays at $1.73 for 2005 and $2.25 for 2006. AVO expects eyecare growth to return to 1-3% and surgery to 6-8% in H205 on the strength of new products. We expect the same. Tecnis geographic and line extensions, Amadeus II microkeratome, and new Japan Eyecare launches are important drivers. The new ReZoom multifocal looks like more of a 2006 driver.

4/28 **IntraLase Corp.** reported significant gains in revenue and installed base for the first quarter ended March 31, 2005, as the company's INTRALASE FS laser continues to gain acceptance among ophthalmologists worldwide. The strong revenue growth drove increased gross margin and improved operating leverage, which produced the first profitable quarter in the company's history.

Robert Palmisano, president and CEO of IntraLase, said, "I am pleased to announce that we achieved several milestones during this quarter. We set new records for revenues, laser placements and procedure fees, and continued to gain share in the U.S. corneal flap market. Most significantly, we continued to deliver on our promise of gaining rapid adoption of our technology, as well as increasing our share of the market while operating profitably."

Revenues increased 123% to $21.2 million versus $9.5 million for the 2004 first quarter, led by global sales of lasers, with the company placing for sale or lease 39 lasers versus 17 lasers in the comparable period last year. Laser revenues for the period rose to $10.4

million compared with $4.0 million in the year-ago quarter, paced by robust international placements. Reflecting the increasing utilization of the company's technology, per-procedure fee revenues grew 91%, reaching $9.0 million compared with $4.7 million for the first three months of 2004. The per-procedure fee includes the sale of a disposable patient interface required for creating the corneal flap in the first step of each LASIK procedure. Maintenance revenues increased to $1.7 million compared with $790,000 in the first quarter last year.

IntraLase highlighted these additional first-quarter developments:

* Per-procedure fees inclusive of the disposable patient interface exceeded 75,000 procedures for the period compared with 41,000 a year ago.

* IntraLase's share of the U.S. corneal flap market grew to approximately 17% compared to an estimated 12% a year ago.

* Ireland and Hungary became the latest international markets to be served by the company. IntraLase lasers are now available in the United States and 19 other countries.

Discussing the revenue mix, Palmisano said, "During the first quarter, 43% of our total revenue came from high-margin procedure fees compared with 32% in the fourth quarter of 2004. This primarily reflected strong growth in procedure volume driven by our expanding installed base and a seasonally robust quarter for procedures, increasing utilization. We continued to see new surgeons perform at least 85% of their procedures with our laser within the first 30 days of installation."

Revenue Growth Drives Margin Expansion, Bottom-Line Performance: Gross margin expanded to 52.7% from 40.7% in the comparable period in 2004 due to both higher average selling prices and reduced manufacturing costs on higher volume. Operating expenses increased 64% from the first quarter of 2004, but as a percentage of revenue, decreased to 46.1% of revenue from 62.9% in the comparable period last year. IntraLase recorded operating income of $1.4 million versus an operating loss of $2.1 million in the first quarter of 2004.

The company recorded net income of $2.0 million (6 cents per share), for the 2005 period compared with a net loss of $2.1 million (97 cents per share) for the 2004 quarter. Net loss per share calculations for the two periods reflect weighted average shares outstanding on a diluted basis of approximately 31.1 million in the 2005 first quarter and 2.2 million in the comparable 2004 period.

Outlook Affirmed for 2005: IntraLase affirmed its existing guidance. The company said it expects the U.S. LASIK market will grow in a range of 6%-8% for the year, but that the company's revenues will rise at a faster rate as it continues to capture market share from microkeratome-based corneal flap procedures and further accelerates its installation

of femtosecond lasers throughout the world. Revenues are expected to grow at least 58%, rising to greater than $95 million compared with $60 million in 2004.

IntraLase expects this level of revenues to generate net income in a range of $10 million to $12 million, or $0.33 to $0.37 per share, including expected expenses associated with non-cash, stock-based compensation. IntraLase anticipates the fourth quarter will account for approximately half of annual net income due to both seasonally high demand for lasers and revenues from the high margin per procedure fees inclusive of the patient interface increasing as a percent of revenues.

Palmisano concluded, "We are confident that we can sustain the significant global momentum we have enjoyed thus far. We continue to anticipate strong worldwide growth in revenues, further rapid adoption of our technology by refractive surgeons and their patients and expanding gross margins and earnings."

Ted Huber of **Wachovia Securities** on **IntraLase's** first quarter results: **ILSE: Becoming An International Story**

· **Q105 UPSIDE - AS EXPECTED:** Revenue of $21.1mm (up 122%) beat consensus by near $1mm on strong international laser placements and procedure volume growth. Gross margin at 52.8% were 240 bps over our target. Given lower than expected stock comp. expense, operating expenses were $0.6mm shy of our model so that EPS came in at $0.06 vs. consensus of $0.02.

· **RELATIVE INTERNATIONAL STRENGTH/DOMESTIC WEAKNESS:** ILSE's placed 39 lasers, 7 more than our model. We estimate US placements at 18, flat with the last three quarters but international were 21 for another strong sequential rise. Same story with procedures: International "patient interface kit" unit sales were 20k, up 64% sequential. Domestic volumes of 55k missed our target by 1k and were up just 25% sequentially (adjusted for a few Q404 surgeon sabbaticals). We estimate the U.S. LASIK market grew near 40% sequential, 7% y/y during Q105. It's not clear why ILSE's share was down from Q404 levels - we estimate it at 15% for Q105, down 50 bps off reported Q404 share and 200 bps from adjusted Q404 share.

· **REVAMPED MODEL - MOVING PARTS:** We have revamped our model given several emerging positive and negative factors. The net is 1) no major changes to EPS, 2) higher confidence in ILSE's 2005 targets 3) lower out-year revenue and visibility. Positives include 1) better pricing due to the new 30hz laser (launch Q305) and no competition emerging (i.e. 20/10 isn't making progress) and 2) higher international procedure volumes (190k vs. 167k in 2006). Negatives include markedly lower U.S. penetration (310k vs. 370k 2006 procedures or 21% vs. 25% of the U.S. LASIK market). Our 2005 model is positioned at the high end of management's guidance range.

4/28 **QLT Inc.** reported financial results for the first quarter ended March 31, 2005.

2005 Q1 Sales: Visudyne worldwide sales for the first quarter were $123.7 million, an increase of 22.5% over the first quarter of 2004. Visudyne sales in the U.S. for the quarter were $51.3 million, up 13% over the same period last year. Visudyne sales in the rest of the world were $72.4 million, an increase of 30% over the same period last year.

Eligard worldwide sales for the first quarter were $17.9 million, essentially flat from the first quarter of 2004. Eligard sales in the U.S. for the quarter were $10.6 million, down 33% over the same period last year. Eligard sales in the rest of the world were $7.3 million, an increase of 246% over $2.1 million in the first quarter last year.

Sales of dermatology products for the first quarter were $2.3 million compared to $0.3 million in the same period last year.

2005 Q1 Results — Diluted Earnings Per Share (EPS): Non-GAAP EPS, which excludes the restructuring charge and amortization of acquired intangible assets, was $0.19 in the first quarter, while GAAP EPS was $0.16.

For the first quarter 2004, non-GAAP EPS, excluding the charge for amortization of intangibles, was $0.11, while GAAP EPS was $0.34 including the extraordinary gain, or $0.19 excluding the gain.

Prior year GAAP results reflect operations before our merger with Atrix Laboratories in the fourth quarter last year, and do not necessarily provide the most appropriate comparison for our 2005 results. Therefore, we have provided non-GAAP (adjusted pro forma) results, which reflect ongoing results as if the merger had occurred just prior to January 1, 2004. A reconciliation between non-GAAP results and GAAP results for the first quarter of 2004 is provided in Exhibit 2.

The increase from non-GAAP EPS of $0.11 in the first quarter of 2004 to $0.19 in 2005 was primarily attributable to growth in Visudyne revenue, as well as lower operating expenses.

"We are pleased with our performance in this quarter with both Visudyne sales and EPS and remain on track to achieve our annual financial guidance," said Paul Hastings, President and CEO. "We are also announcing today the initiation of a share buy-back program because we believe that the current price of the stock does not reflect the achievements and prospects of the Company and therefore represents an excellent investment opportunity."

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QLT Revenues: The Company's revenues reached $64 million in the first quarter, up 55% from revenues in the same period last year, and up 18% compared to non-GAAP revenues in the same period last year.

Revenues from Visudyne were $50 million in the quarter, up 23% from $41 million in the first quarter last year, primarily due to strong top-line Visudyne performance. QLT's

share of profit from Visudyne sales increased from 31.8% to 33.2% compared to the same period last year.

TAP Litigation: QLT also announces the outcome of a nullity action brought by **MediGene AG**, one of our Eligard marketing partners in Europe, in the German Federal Patent Court with respect to the German part of European Patent EP 0 202 065 (the "'065 patent"). On April 20, the Federal Patent Court nullified all the claims of the '065 patent alleged by **Takeda Chemical Industries Ltd.**, **Wako Pure Chemical Industries, Ltd.**, and **Takeda GmbH** to be infringed by **MediGene AG** and **Yamanouchi Pharma GmbH** in a suit filed in the Regional Court Dusseldorf.

4/28 **STAAR Surgical Company** announced financial results for its first quarter ended April 1, 2005. Total product sales for the first quarter were $13.7 million compared with $13.6 million for the same quarter last year and $14.0 million for the fourth quarter of 2004. Excluding the impact of changes in currency, first quarter 2005 total product sales were $13.4 million, a decrease of 1.5% compared with the first quarter of 2004.

During the first quarter, international ICL sales increased 30% compared with the first quarter of 2004 and 19% compared with the fourth quarter of 2004. In addition, international sales of the Company's preloaded silicone IOL continued to increase and grew to 9% of total IOL sales compared with the first quarter of 2004 when they were 3% of total IOL sales.

Net loss for the first quarter of 2005 was $2.3 million (11 cents per share) compared with a net loss of $1.3 million (7 cents per share) for the same period last year and a net loss of $4.4 million (21 cents per share) for the fourth quarter of 2004.

STAAR exited the first quarter with approximately $5. 3 million in cash, cash equivalents and short-term investments compared with $9.3 million in cash and cash equivalents at December 31, 2004. The Company utilized approximately $2.6 million for operating activities during the first quarter, which is approximately $900,000 below the Company's previous estimate of $3.5 million. To minimize interest expense, the Company used $1.2 million during the quarter to pay down its line of credit with UBS. Total cash used during the quarter was $4.0 million. Currently, the Company believes total cash flow for 2005 will be at or favorable to 2004 levels.

STAAR's bank debt at the end of the first quarter of 2005 was approximately $1.8 million. Total current liabilities, including the bank debt, were $11.5 million.

During the second quarter of 2005, the Company sold 4.1 million shares of its common stock in a private placement transaction resulting in $14.35 million in gross proceeds. The Company plans to use the proceeds for general working capital purposes. As a of result of this financing, the Company's independent auditors re-issued their opinion on the Company's financial statements for fiscal 2004 to remove a qualifying paragraph that expressed substantial doubt about the Company's ability to continue as a going concern.

The Company has re-filed its annual report on form 10-K to reflect the removal of the qualifying language.

Gross profit margin was 47.2% for the first quarter of 2005 compared with 53.9% for the same quarter last year and equal to the 47.2% reported for the fourth quarter of 2004. The decline in gross profit from the first quarter of 2004 was primarily due to higher unit costs as a result of manufacturing process changes and reduced volume and a shift in geographical and product mix.

Selling, general, and administrative expenses for the first quarter of 2005 increased $194,000, or 2%, compared with the first quarter of 2004 and decreased $1.9 million or 18%, compared with the fourth quarter of 2004. The increase compared with the first quarter of 2004 is the result of an increase in general and administrative expenses due to increased professional fees, insurance premiums, and Board travel expenses which were partially offset by decreased marketing and selling and research and development expenses.

The $1.9 million decrease in selling, general, and administrative expenses compared with the fourth quarter of 2004 is due to a decrease in general and administrative costs associated with the implementation of the Sarbanes-Oxley Act of 2002, many of which did not recur in the first quarter of 2005, decreased marketing and selling expenses and a decrease in other charges which included a $500,000 reserve against the partially collateralized notes of a former director.

As announced earlier, as part of its cost reduction strategy, during the quarter the Company reduced its direct sales force which will result in an approximate $1 million in annualized cost savings, although the impact of this cost savings will not be fully realized until the second quarter of 2005. During the quarter, the Company successfully reduced its total marketing and selling expenses by 2% to $4.85 million compared with the first quarter of 2004 and by approximately 15% compared with the fourth quarter of 2004. The Company reduced its U.S. marketing and selling expenses by 13% compared with the first quarter of 2004, in part, due to reduced commissions on lower sales, but also due to an overall strategy to control spending. However, much of the benefit of the U.S. expense reduction was offset by the negative impact of currency on international marketing and selling expenses.

Research and development expense for the first quarter of 2005 was comparable to the first quarter of 2004 and the fourth quarter of 2004 at $1,300,000, reflecting a return to normalized levels of expense compared with the second and third quarters of 2004.

The Company also recently announced that Charles Kaufman has joined STAAR in the newly created role of General Counsel, Corporate Compliance Officer. Kaufman was formerly a member of the Corporate Practice Group at **Sheppard Mullin Richter & Hampton, LLP** and served as STAAR's outside counsel. In his role as Corporate Compliance Officer, Kaufman will oversee all compliance activities at STAAR. As a

result of this new role, the Company believes that it will be able to further reduce expenses associated with corporate governance and compliance activities as well as begin to reduce legal and professional services expenses compared with first quarter levels.

"We remain committed to enhancing shareholder value and believe that we have taken some critical steps that will allow us to reach this goal," said David Bailey, President and CEO of STAAR Surgical. "As we announced separately today, we have made some important changes to our senior management team that we believe will position us well to execute on our overall strategic plan. With Charles leading our corporate governance, compliance and legal departments, we believe that we will be able to increase efficiencies and reduce costs associated with these activities. Furthermore, with the successful implementation of several cost-saving initiatives during the first quarter, we believe that we are on track to realize our goal of achieving $3 million in annualized savings. In addition, with Don Bailey assuming the position of Chairman of the Board, I am excited that I will now be able to focus my time on overseeing the implementation of our operational strategies. With this appointment, and the dividing of the responsibilities of the chairman and the chief executive officer, the Board has demonstrated its commitment to the highest standards of corporate governance as well as its commitment to increasing our ability to successfully manage the complex set of challenges we face.

"During the quarter, we continued to work toward approval for our Visian ICL by the Food and Drug Administration, but unfortunately timing is still uncertain," continued Mr. Bailey. "As we announced in March, we are encouraged that the Office of Device Evaluation in Washington, DC has decided to allow our trial investigators to continue enrollment of up to 75 eyes each month in the ICL clinical investigation while the pre-market approval is pending. During the American Society of Cataract and Refractive Surgery (ASCRS) symposium we made several notable podium and general session presentations on the ICL and the Toric ICL that were very well received. Based upon our conversations with surgeons that attended the meeting, they remain excited about the potential approval of the ICL because they believe that the technology will be very beneficial to their patients. In addition, they are very interested and impressed with the most recent Toric ICL results, which have been very positive. Internationally we continue to see demand grow for both lenses and with approvals in additional geographic regions expected later this year, we believe demand will further increase."

"Similar to last quarter, domestic IOL sales remain challenging," continued Bailey. "Sales of our silicone and Collamer IOLs were down 11.7% during the first quarter of 2005 compared with the same period last year. However, we continue to post strong sales of our Preloaded Injector and based upon our recent activity at the ASCRS, we are very encouraged about the opportunities for our three-piece Collamer IOL. In the week prior to the ASCRS meeting ophthalmic surgeons conducted the first surgeries in a clinical setting with the new system. During the ASCRS meeting, we provided surgical demonstrations using the product and have received a lot of very positive feedback regarding the quality of the lens and injector system. Further clinical evaluations are taking place this week and we are currently building our inventory to position us to begin

shipping the lenses and injector system in the second quarter. We continue to believe that the introduction of both will greatly enhance our competitive positioning within the domestic cataract market."

4/29 **IRIDEX** announced sales for the first quarter ended April 2, 2005 of $8.1 million, an increase of 10% from $7.4 million reported in the first quarter of 2004. The sales increase in the first quarter was driven by the strong market acceptance of the Company's new dermatology dual laser system, VariLite, both in the U.S. and in international markets. The net gain/loss for the first quarters of 2005 and 2004 were approximately breakeven with $0.00 per share reported in both quarters.

Sales by Product and Geography: For the first quarter, dermatology sales were $1.95 million, an increase of 70% compared with the corresponding quarter in 2004. Ophthalmology sales totaled $6.2 million, approximately equal to sales achieved in the first quarter of 2004.

Domestic sales grew 19 percent to $4.9 million compared with $4.2 million in the first quarter of 2004. International sales totaled $3.2 million, approximately equal to the international sales achieved during the corresponding quarter of 2004. Since international sales are denominated in US dollars, foreign currency fluctuations had no material impact on sales growth.

"Our first quarter sales growth was primarily the result of the market's strong and positive response to the Company's new dermatology dual wavelength laser system, the VariLite," said Theodore Boutacoff, president and CEO. "In addition to strong domestic demand for VariLite, international sales for this system have been trending up as well. Doctors value the VariLite's flexibility which offers both 532 nm and 940 nm wavelengths in one convenient package so dermatologists and plastic surgeons can quickly and effectively target smaller superficial blood vessels as well as deeper, larger vessels with the same handpiece."

Additional Financial Results: For the first quarter, gross margin increased to 45.2 % compared with 43.5 % for the first quarter of 2004. SG&A expenses in the first quarter were $2.8 million compared with $2.2 million during the first quarter of 2004, due to incremental costs associated with additional domestic sales representatives for the dermatology segment of the business, legal costs and higher costs associated with being a public company.

The balance sheet remains strong with cash, cash equivalents, and available for sale securities totaling $16.6 million, inventory turns of approximately 2 and days sales outstanding at 78 days. Cash declined as compared with January 1, 2005 primarily due to a $900,000 non-recurring payment for previously accrued state sales taxes, associated with previous sales that the Company decided not to recover from its customers, and a $600,000 increase in inventories related to the new product introductions.

"We remain confident in our ability to increase overall 2005 Company revenues by approximately 7% over 2004 revenues," Boutacoff added. "We believe that if sales growth continues, and the newly introduced products continue to meet average selling price expectations, gross margin and profitability should also continue to trend upward during 2005," he concluded.

TTT4CNV Clinical Trial Update: "We are awaiting the final results from the TTT4CNV Clinical Trial for occult wet age-related macular degeneration (AMD), which are expected to be presented next week at The Association for Research in Vision and Ophthalmology (ARVO)," added Boutacoff. We believe that if these final results confirm the previously reported statistically significant findings, which showed a treatment benefit for patients with baseline visual acuity of 20/100 or worse, the sales growth of our ophthalmology products will be positively impacted over the long term."

Leadership Transition Plan: Boutacoff continued, "Sometime this year I will be transitioning from president and CEO to chairman of the Board. Having been intimately involved with IRIDEX as co-founder, president and CEO for 16 years, I am very proud of our accomplishments in introducing semiconductor-based laser systems into the ophthalmology and dermatology markets and in providing products which have aided in the preservation of vision for millions of patients worldwide -- from the very young to the aged. It is now time for new, fresher legs to bring new energy to lead IRIDEX to the next level.

"I believe that now is an excellent time to transition the leadership of the Company. During the implementation of our transition plan, we will be aggressively pursuing our growth opportunities. After the search for my replacement is concluded, and a new CEO is on board, I look forward to working with the successful candidate as chairman of the Board and plan to be actively involved in evaluating strategic alternatives both domestically and abroad."

5/2 **SurgiLight** reported its 10K:

Overall Operational Summary: The Company began actively promoting the sale of the OptiVision laser in late September of 2001 and the newly appointed Board of Directors and management team focused its efforts on the core business of presbyopia reversal rather than generating royalty revenue from the sale of LASIK agreements. The Company decided to sell its LASIK product line to **Tao Enterprises** in February 2002, which was one of the main sources of revenue prior to the year 2002. In addition, the Company decided to dispose of its **Plantation Laser Center**, **AMLSI** (another main source of revenue) and holdings in **EMX** to focus on presbyopia. The Company believes that the sales of OptiVision for presbyopia reversal will continue to increase.

Revenues - Our revenues from equipment sales increased 47% to $1.7 million for the year ended December 31, 2004 (2004 Year) from $1.2 million for the year ended December 31, 2003 (2003 Year). For the 2004 Year, international sales increased as

compared to the 2003 Year, particularly in the Asian region as compared to the Pacific Rim in 2003. However, U.S. sales for the same period remained flat as the Company did not initiate a new clinical trial.

Revenues from non-equipment sales increased substantially to $501,722 for the 2004 Year from $24,950 for the 2003 Year due to the following:

Refund of a previously unrecorded SEC deposit amounting to $116,337; Write off of distributor deposits due to termination of $285,333; and Vendor settlements of past due liabilities amounting to approximately $113,000.

Cost of Revenues - Our cost of revenues increased 86% to $313,221 for the 2004 Year as compared to $168,251 for the 2003 Year which is in direct relation to the overall increase in the total number of units sold.

Advertising and Selling Expenses - Our advertising and selling expenses decreased 93% to $5,458 for the 2004 Year as compared to $81,831 for the 2003 Year. The decrease is primarily a result of attending no trade shows and spending significantly less on related materials, as well as minimal expenditures on direct selling activities due to restrictive cash flow. However, upon receipt of CE approval, it is anticipated that these expenses will begin to increase as the Company attends additional tradeshows, and revises its literature to reflect results from the increased clinical activity, and expands its marketing, sales and distribution efforts throughout Europe.

Professional Fees - Our professional fees increased 91% to $666,532 for the 2004 Year as compared to $349,119 for the 2003 Year. This increase is primarily attributed to legal services performed in assisting the Company to meet the regulatory requirements necessary to expand its clinical trials.

Salaries & Benefits - Our salaries and benefits expense decreased 23% to $383,832 for the 2004 Year as compared to $499,390 for the 2003 Year. The decrease is attributable to reductions in the technical position classification, insurance benefits, and consulting fees for outside services.

Research and Development - Our research and development expense increased 12% to $267,746 for the 2004 Year as compared to $238,250 for the 2003 Year. The increase is directly attributable to the increased use of outside consultants in assisting the Company to meet the regulatory requirements necessary to expand its clinical trials.

Depreciation and Amortization - Our depreciation and amortization expense decreased 90% to $13,908 for the 2004 Year as compared to $136,807 for the 2003 Year. The decrease is a result of the Company writing off its laboratory equipment and amortizing in full its loan fees at December 31, 2003.

Administrative and Other Expenses - Our administrative and other expenses increased 3% to $485,582 for the 2004 Year as compared to $473,701 for the 2003 Year. Expenses in this category stayed relatively flat as the Company continued its use of outside consultants to assist in the FDA clinical trials expansions process while funding no other new programs.

Total Operational Expenses - Total operational expenses increased 42% to $3.0 million for the 2004 Year as compared to $2.1 million for the 2003 Year. This is primarily attributable to the significant increases in bad debt losses and legal fees.

Loss From Continuing Operations - Our loss from continuing operations decreased to $1.1 million (2 cents per share) for the 2004 Year as compared to a net loss of $1.2 million (3 cents per share) during the 2003 Year.

Liquidity and Capital Resources: As of December 31, 2004, we had a cash balance of $2,815 and a working capital deficit of $2.4 million as compared to a cash balance of $31,420 and a working capital deficit of $2.6 million at December 31, 2003. The Company had a positive $65,612 in cash flow from operating activities during 2004 and paid down $130,074 of its credit line.

The Company's future capital requirements will depend on many factors, the scope and results of pre-clinical studies and pre-clinical trials, the cost and timing of regulatory approvals, research and development activities, establishment of manufacturing capacity, and the establishment of the marketing and sales organizations and other relationships, acquisitions or divestitures, which may either involve cash infusions or require additional cash. There is no guarantee that without additional revenue or financing, the Company will be able to meet its future working capital needs. In addition, without the required regulatory approvals, the value of the Company's inventory could become impaired.

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. During February 2005, the Company generated $1,800,000 in funds from the $2 million license agreement completed with **Biolase**. The Company is also negotiating with many of its vendors to settle those liabilities with lower payments.

The Company is continuing to seek additional funding with a number of lenders. However, there is no guarantee that any financing will be received. 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.

5/3 **IRIDEX Corporation** announced that additional follow-up data confirmed a significant clinical benefit in a group of patients with wet age-related macular degeneration (AMD)

who were treated with the transpupillary thermotherapy (TTT) laser protocol when compared to the sham treated (placebo) control group in the TTT4CNV Clinical Trial.

Dr. Elias Reichel, Study Chairman of the TTT4CNV Clinical Trial and Associate Professor of Ophthalmology at the New England Eye Center, Tufts University School of Medicine, presented these results covering 305 participating patients today at the ARVO Meeting in Ft. Lauderdale, Florida.

These updated results confirmed and expanded upon the initial results reported in February 2005 that a subgroup of patients, who were enrolled into the study with baseline visual acuity of 20/100 or worse, benefitted from TTT treatment. Within the TTT4CNV Clinical Trial, about 41% of the patients enrolled had baseline vision of 20/100 or worse. Specifically, at 12 months following treatment 23% of TTT treated eyes in this subgroup improved vision by one or more lines and 14% of TTT treated eyes improved vision by three or more lines compared with none of the eyes in the placebo treated control group. Furthermore, at 18 months, there was a 2 line benefit in preserving vision in this subgroup when compared to placebo treated eyes. Specifically, TTT treated eyes on average lost 2 lines of visual acuity while placebo treated eyes lost 4 lines. These findings were statistically significant.

Dr. Reichel commented, "These less than or equal to 20/100 subgroup findings indicate that TTT is beneficial compared to natural history in eyes with subfoveal occult CNV and best-corrected visual acuity of 20/100 or worse."

Theodore Boutacoff, president and CEO of IRIDEX said, "We are pleased that these results confirm that a group of patients suffering from wet AMD can benefit from TTT treatment, a clinically effective, cost efficient procedure that is easily incorporated into a retinal practice."

5/3 **Alcon, Inc**. announced the following items were approved by shareholders at the company's Annual General Meeting of Shareholders held today in Zug, Switzerland:

* A dividend of 1.18 Swiss francs per share to be paid on May 20, 2005 to shareholders of record on May 9, 2005 (equal to approximately US$0.99 per share based on the closing US$/CHF exchange rate on May 2, 2005).

* The re-election to the board of directors of Thomas Plaskett and Dr. Wolfgang Reichenberger for three-year terms of office.

* The election of Cary Rayment, the company's CEO, to the board of directors for a three-year term of office to replace Timothy Sear, who retired as a director and chairman of the board of directors effective May 3, 2005.

The company also announced that Cary Rayment was named chairman of the board of directors in a board meeting following the completion of the Annual General Meeting of

Shareholders. Rayment has served as CEO of Alcon, Inc. since October 1, 2004. He joined Alcon in 1989 as vice president, marketing, surgical products. Since that time, his responsibilities have continued to increase in diversity as well as scope. Rayment served as vice president and general manager, surgical products 1991-1995; was named vice president and general manager, managed care in 1996; became vice president, international marketing in 1997 and returned to the surgical division as vice president and general manager in 2000. Prior to his appointment as CEO, Rayment served as senior vice president, Alcon U.S., since 2001.

5/4 **Advanced Medical Optics, Inc.** announced that it had exercised its option to acquire **Quest Vision Technologies, Inc.** Financial terms were not disclosed. The companies entered into a one-year research and evaluation licensing agreement last May to develop accommodating intraocular lens (IOL) technologies and designs to address presbyopia, which is the progressive loss of the natural lens' ability to change focus from far to near objects. At the time of the licensing agreement, AMO was given the option to acquire Quest Vision after one year.

"We have spent the past year working together with Quest Vision and a number of scientific and clinical advisors on accommodating IOL concepts," said AMO president and CEO Jim Mazzo. "Our research has been very productive and we are enthusiastic about the potential of Quest Vision's proprietary technology which is distinct from others under development in the industry because it uses the concept of a shape-changing optic to provide accommodation, rather than an axial movement used in single- or dual-optic alternatives."

Quest Vision president and CEO Bob Schulz stated, "We are very excited about the progress we have made with AMO's development team and we look forward to a successful long-term relationship."

The accommodating IOL being designed through a collaboration of AMO and Quest Vision provides accommodation through changing the shape of the optic with or without axial movement. Dr. Randy Woods' research in this area began with patents issued as early as 1988 and have continued with the combined efforts with AMO. Presbyopia is caused by the aging of the eye's natural lens and is prevalent in individuals typically over 40 years old. Recent studies indicate that presbyopia will affect 90 million people over the next 10 years. The IOL designs by AMO and Quest Vision are designed to mimic the qualities of the eye's natural crystalline lens by accommodating in response to changes in the eye's natural ciliary muscle mechanism.

The acquisition of Quest Vision gives AMO access to novel accommodating IOL technologies that could add breadth to its growing refractive IOL offering, which currently includes innovative technologies such as the ReZoom multifocal lens, which gained FDA approval in March 2005, the Verisyse phakic IOL and the Tecnis multifocal IOL. Both the ReZoom and Tecnis multifocal IOLs have CE Mark approval in Europe for treatment of presbyopia.

Quest Vision Technology, Inc. is a Tiburon, California-based research and development company founded to develop solutions for the correction of presbyopia. The technology platform was invented by cataract surgeon, Dr. Randy Woods, in 1986. Quest was formally founded in 2000 by a group of industry executives and surgeons and was privately financed. Over the last five years, the company has developed two separate accommodating lens technologies: one for the cataract market (Focus IOL) and the other for the refractive market (FlexOptic). The FocusIOL has been implanted in both animal and cadaver eyes. Quest has developed significant expertise in the area of accommodating lens technology and currently has an extensive portfolio of issued and pending patents.

5/4 **Carl Zeiss Meditec AG** achieved robust growth in sales and profits in the first half of the FY 2004/2005. This is one of the key aspects from the accounts for the first six months of the FY 2004/2005, which were completed between 3 and 4 May 2005.

In the first six months of the FY 2004/2005 Carl Zeiss Meditec achieved sales of €143.1m (previous year: €115.9m). This represents an increase of 23.4% over the previous year. On the basis of constant exchange rates and after adjustment for effects due to external company acquisitions (**IOLTECH S.A.** and **Laser Diagnostic Technologies, Inc.**) sales would have increased to € 135.4m or by 16.8% over the previous year. EBITDA and EBIT increased at a faster rate than sales. EBITDA in the reporting period rose to €19.9m (previous year: €15.7m) which amounts to an increase by +26.4%. EBIT improved by 26.6% to €16.6m (previous year: €3.1m). Consolidated net income rose by 19.9% to €7.7m (previous year: €6.5m). The corresponding earnings per share in the first half-year were - despite the slight increase in the volume of shares as a result of the IOLTECH acquisition - at € 0.27 (previous year: €0.23).

The significant increase in net income, in particular, led to a further improvement in operative cash flow to €8.6m (previous year: €8.0m).

5/4 **NovaMed, Inc.** reported results for the first quarter ended March 31, 2005. First quarter continuing operations highlights were:

* Surgical facilities net revenue increased 46% to $13.6 million
* Total net revenue increased 30% to $18.5 million
* Net income increased 65% to $1.2 million
* Earnings per share increased 67% to $0.05

For the first quarter ended March 31, 2005, total net revenue was $18.5 million, up 30% from $14.2 million in the prior year first quarter. Net revenue from surgical facilities was $13.6 million, up 46% from $9.3 million in the prior year first quarter. This revenue increase was primarily due to a 52% increase in total surgical procedures performed in the first quarter of 2005 as compared to the same period in the prior year. On a same-facility basis, surgical facilities net revenue increased 7% over the prior year first

quarter. Product sales and other revenue was $4.9 million in the first quarter of 2005, down slightly compared to the prior year first quarter.

Operating income in the first quarter of 2005 increased 95% to $3.5 million, or 19% of net revenue, from $1.8 million, or 13% of net revenue, in the same period last year. Net income from continuing operations in the first quarter of 2005 increased 65% to $1.2 million (5 cents per share) from $747,000 (3 cents per share) in the prior year first quarter. The first quarter results for 2004 included a pre-tax gain on the sale of minority interests of $190,000.

During the first quarter of 2005, NovaMed purchased a surgery center in Berkeley, Michigan. NovaMed entered into a definitive agreement in April to purchase a surgery center in Denver, Colorado and anticipates closing this transaction later this month. In addition, during April NovaMed sold a 26% minority interest in its Columbus, Georgia surgery center to eleven doctors and a 29% minority interest in its Richmond, Virginia surgery center to two doctors.

Commenting on the first quarter results, Scott Macomber, executive vice president and CFO of NovaMed, said, "We are pleased with our operating results in the first quarter and our significant year-to-year growth including our solid same-facility revenue growth of 7%. Our six percentage point increase in our operating income margin contributing to a 95% increase in operating income shows the positive leverage we can realize from our revenue growth."

"Our results so far this year show that we are successfully executing our growth strategy," added Mr. Macomber. "We continue to pursue attractive surgery center acquisition opportunities and we expect to announce additional acquisitions this year. We also remain focused on producing same-facility growth by attracting new physicians to our surgery centers."

5/5 **Lumenis Ltd.** announced that the company achieved record attendance at its symposium on Selective Laser Trabeculoplasty (SLT), during which a panel of glaucoma specialists spoke on the latest advancements in SLT therapy. Lumenis hosted this symposium at the *American Society of Cataract and Refractive Surgery (ASCRS)* meeting recently held in Washington, DC.

"We are very pleased with the strong and growing interest in SLT as evidenced by the robust sales of our exclusive SLT lasers from this meeting," commented Lumenis president and CEO Avner Raz, "particularly since glaucoma has not been a major focus for the ASCRS meeting in the past." Lumenis' family of Selecta SLT lasers received FDA clearance in 2001, and represents an installed base of nearly 1000 lasers worldwide.

Glaucoma is the second leading cause of preventable blindness worldwide and a silent disease that often goes untreated before significant damage is done. The use of SLT laser treatment has increased rapidly as it eliminates the need for consistent and repeated

medication or therapy, and directly addresses compliance concerns. After an SLT laser treatment, the body's own mechanism is activated, which lowers internal eye pressure and effectively treats the glaucoma patient.

The continued success of SLT is apparent from clinical study posters presented at the major ophthalmic conference, *The Association for Research in Vision and Ophthalmology (ARVO)*, which was held May 1st - 5th in Ft. Lauderdale, Florida. An unprecedented 14 posters were accepted, where the increased clinical application and utility of SLT in glaucoma management was discussed.

5/5 **TLC Vision Corporation** announced its financial results for the three month period ended March 31, 2005. To provide maximum transparency in the release for our shareholders, consolidated results excluding the impact of the AMD segment, principally our investment in **OccuLogix Inc.**, will be differentiated using italics text.

First Quarter 2005 Highlights:

* Revenues improved to $71 million, a 9% year-over-year increase
* Net income increased 19% to $9.6 million
* Net income increased 31% (excludes AMD)
* Earnings per share rose to $0.13 compared to $0.12 per share year-over-year
* EPS was $0.16 versus $0.12 per share year over year (excludes AMD)
* Cash and short-term investments are $142.3 million
* Cash and short-term investments are $93.3 million, up 11% from the previous quarter (excludes AMD)

Revenues: Total revenues for the first quarter 2005 rose 9% to $71 million compared to $65 million for the same period a year ago. Revenues for the first quarter increased as a result of higher refractive procedure volumes, growing custom mix and continued strong performance from the other healthcare services segment.

Refractive Revenues: Refractive revenues for the first quarter 2005 increased to $55.2 million compared to $50.9 million in 2004, led by 11% revenue growth in the corporate owned centers business.

Other Healthcare Revenues: The company continues to have strong growth from our other healthcare services. Other healthcare revenues were up 11% for the first quarter year-over-year comparisons, and generated 22% of total net revenues. The cataract business continues to drive strong growth, in both mobile and ASC operations.

Earnings: TLCVision experienced its 5th consecutive quarter of record, year-over-year earnings which is attributable to higher refractive and cataract procedure volumes and improved gross margins, increasing the leverage in the business model. First quarter earnings of $9.6 million or $0.13 per share increased 19% from the previous year. Net

income, excluding the AMD segment, was up 31% to $11.2 million versus $8.6 million last year. Earnings per share were $0.16 for the quarter versus $0.12 last year.

Cash: The Company ended the first quarter in a strong financial position. Cash and short-term investments were $142.3 million at the end of the period. Cash and short-term investments, excluding the AMD segment, totaled $93.3 million, 11% higher than at year-end. Operating cash flow was $0.08 per share for the first quarter of 2005.

Excluding the AMD segment, operating cash flow was $0.16 per share which was the same as the first quarter last year. Cash generation in the current quarter was impacted by seasonally higher working capital, which should have a positive impact on second quarter cash generation.

"This represents five consecutive quarters of record, year-over-year, earnings for the company," commented Jim Wachtman, president and CEO. "We continue to deliver impressive earnings growth as a result of higher procedure volumes and a disciplined approach to managing costs. The earnings growth coupled with strong cash flow generation has put us in a very strong financial position to drive our strategic initiatives for the future."

Other Refractive Operating Metrics: Procedure Volume and Margins: Refractive volumes and gross profit margins increased again this quarter. Total paid laser procedures increased to 58,700. Same store centers refractive volumes increased 9% year-over-year. Surgical procedures continue to favor the centers business, which represent 60% of total refractive volume. Refractive gross profit margins increased to 35% as a result of higher refractive volume and improved custom mix.

CustomLASIK: TLCVision continued to outperform the industry with respect to CustomLASIK adoption. CustomLASIK procedures represented 58% of center volumes, and exited the quarter at 61%.

The company also announced the acquisition of a leading refractive center in Greensboro, North Carolina and a mobile cataract company in Louisville, Kentucky.

Refractive Center: TLCVision has acquired the refractive assets of **Southeastern Eye Center** in Greensboro, North Carolina, one of the largest and most prestigious eye care centers in North Carolina. This refractive center performed 1800 procedures last year and has a large optometric network, which TLC will target for growth. This acquisition expands TLC's presence in North Carolina to three centers: Raleigh, Charlotte, and now Greensboro. Dr. Karl Stonecipher, who has performed over 35,000 refractive procedures, will continue as the center's Medical Director. He is a well known and respected refractive surgeon as well as a clinical investigator and consultant to a number of companies in the refractive surgery arena.

"Our refractive growth strategy is focused on partnering with leading surgeons, like Dr. Stonecipher, and bringing TLC value added services, including our optometric networking support, to an already strong practice," commented Jim Wachtman, president and CEO.

Mobile Cataract Company: TLCVision, through its **Midwest Surgical Services (MSS)** subsidiary, has acquired **Vision Surgical Services (VSS)** in Louisville, Kentucky, which provides outsource cataract surgical services to 15 mobile and fixed locations throughout Kentucky, Indiana, and West Virginia. VSS CEO, Randy Boehme, will remain with MSS in a consulting capacity. "This is the sixth acquisition of a cataract services company in the past five years, over which time MSS has seen a compound annual procedure growth rate of 29%. These acquisitions continue to leverage our infrastructure and strengthen our position as the leading provider of outsource cataract surgical services in the U.S.," said Jim Wachtman.

5/5 A **WaveLight**-sponsored charity event conducted on Sunday, April 17, during the *American Society of Cataract and Refractive Surgery* annual meeting in Washington D.C., commemorated the official launch of *American Friends of Vision for the World*, *Inc.*, the U.S. chapter of a global non-profit organization committed to preventing and curing blindness in third world countries. The gala , attended by 200 guests, including WaveLight physicians and colleagues, was held on the rooftop terrace of the Hay-Adams Hotel in Washington, D.C. During the event, more than 30 bids were placed on a selection of original paintings by New York City artist Oz El-Hai, many of which received multiple bids. Twenty percent of the proceeds raised will go to the direct support of Vision for the World.

“As a world-leading ophthalmic company, WaveLight recognizes the importance of meeting medical needs in all parts of the world,” said Wade Tetsuka, president of WaveLight, Inc. “Millions of people go blind each year for lack of access to medical attention and treatments that are readily available to the U.S. and Europe. It is our pleasure and our duty to lend our charitable support through American Friends of Vision for the World to help address this need.”

President Wade Tetsuka and Treasurer Alexander Muellerklein, of WaveLight, Inc, lead American Friends of Vision for the World. The charity’s directors include Washington D.C.-based attorney and bioethicist, Erin Williams; Cologne-based ophthalmologist, Matthias Maus, MD; and WaveLight Laser Technologie’s vice president of Marketing and Investor Relations, Susanne Grethlein.

ABOUT VISION FOR THE WORLD: Vision for the World is a non-profit organization founded in November 2002 by Max Reindl, CEO of WaveLight Laser Technologie AG, and Susanne Grethlein, vice president of Marketing and Investor Relations at WaveLight Laser Technologie AG. The organization is committed to preventing and curing blindness in parts of the world that lack adequate access to modern healthcare. The charity works

together with recognized and experienced organizations providing financial aid for selected projects.

5/6 An article in the May issue of *Medical Laser Report*, titled **"Laser-assisted cornea-transplant surgery speeds recovery,"** reports on the work underway at UC Irvine on using the IntraLase femtosecond laser to assist in performing cornea transplant surgery.

A UC Irvine (Irvine, CA) ophthalmologist and his team have invented a new laser-surgery technique to perform cornea-transplant surgery that could replace the use of traditional handheld surgical blades and potentially improve recovery time for patients. The technique was developed by Dr. Roger Steinert, director of cornea, refractive, and cataract surgery in UCI Health Sciences.

Cornea transplants are performed on the "front window" of the eye, using living tissue from donors to replace corneas in which swelling, scars, distortions and degenerations are causing blindness. While most transplants are successful in providing the patient with a clear cornea, the majority of cornea transplants take more than six months to provide good vision, and even then strong glasses or contact lenses are needed. In addition, stitches usually need to stay in place for years, because the cornea is slow to heal and, as a result, the trans-plant remains a weak spot, vulnerable to injury for the rest of the patient's life.

But Steinert and his team found that, after the laser-based transplant, suture removal may be as soon as three months, and the strength of the repaired area may be nearly 10 times that of conventional transplants. "By using the laser, a highly precise incision is created, resulting in a perfect match of the donor and the patient," Steinert said. "In addition to precision that exceeds anything that can be duplicated by even a highly skilled surgeon, the laser can create complex shapes that are impossible to achieve with conventional surgery." The study compared the results of conventional transplant surgical techniques to the results of the laser surgery. Utilizing 14 donated human corneas that were not medically suitable for transplantation, Steinert and his team performed simulated transplant surgery and then tested for the mechanical strength of the incisions and for induced distortion. They found that the initial strength of the laser incision, even before any healing, measured almost seven times higher than that of the incision from the usual transplant technique performed by hand.

The laser used to cut the cornea was a femtosecond-pulsed laser manufactured by **IntraLase** (Irvine, CA). The laser fires 15,000 pulses per second, each pulse lasting only 400 quadrillionths of a second. The location of the pulses in the cornea to create the incision is controlled by sophisticated optics and a computer so that each pulse interconnects with the next, similar to the perforations in paper sheets that allow the paper to be torn cleanly.

As many as 40,000 cornea transplants are performed each year in the United States. The most common reasons for this procedure are swelling, clouding after damage from other

eye diseases -- a distortion known as keratoconus -- and scar-ring after injuries or infections. Co-workers on this project included Dr. Ronald Kurtz, associate professor of ophthalmology at UCI and co-inventor of the laser; Dr. Melvin Sarayba, project director at IntraLase; and Dr. Theresa Ignacio, a UCI research fellow. Steinert also is a professor of biomedical engineering and vice chair of clinical ophthalmology at UCI.

Their work was presented in early May at the *Association for Research in Vision and Ophthalmology* meeting in Fort Lauderdale, FL. Clinical trials are expected to begin this summer at UCI.

5/10 The May issue of *Ophthalmic Market Perspectives* reported on Q1 refractive procedures. Dave Harmon noted that the demand was still robust during this year's first quarter with a growth of 9.7%, especially in comparison to the same quarter last year, when the growth was 16.8% -- as the market recovered from three years of weak economic conditions and demand was boosted by the excitement surrounding the availability of wavefront-guided LASIK. The total estimated U.S. laser refractive procedures for the first quarter of 2005 were 392,300, compared to the 357,450 done in Q1 2004. With non-laser procedures, including conductive keratoplasty, refractive lens exchange, and phakic IOLs are included, U.S. refractive procedures increased 9.9%. In addition, an estimated 8500 patients traveled to Canada and Mexico bringing total Q1-2005 refractive procedures to 413,500, for a total increase of 9.8%. (In an accompanying table, Harmon estimates that 12,700 non-laser procedures were done in the quarter, compared to 16,000 in Q4-2004, and 11,050 in Q1-2004.)

The newsletter also reported that the number of U.S. refractive surgeons and laser centers were up slightly in the quarter, with 789 surgeon-owned centers operating, along with 138 institutions and 320 corporate laser centers, for a total of 1247 laser centers. This was up from 1233 in Q4-2004, and up from 1210 in Q1-2004.

Surgeons reported that they performed 44.9% wavefront-guided procedures, compared to 43.4% during the previous quarter. WFL procedures at wavefront-capable centers grew to 54.7% of total procedures, up from 48.9% during Q4-2004.

The average price of LASIK increased to $1951 during Q1-2005, reflecting increased selection of wavefront-guided LASIK and a growing trend in the adoption of a single-price model by both surgeons and laser centers.

According to Harmon, growth rates are expected to slow further due to the expected softness in consumer confidence resulting from weaker economic conditions. He predicts that second quarter U.S. refractive procedures will increase by only 5.9%, and overall growth for the year should slow to about 7.0%.

The newsletter also contained an excellent review of the recent *ASCRS* meeting. Interested parties should contact **Market Scope** for additional information.

5/10 The Management Board of **Carl Zeiss Meditec AG** decided, with the approval of the Supervisory Board, to increase the company's share capital by up to 10 percent.

A total of up to 2,841,662 new no-par-value bearer shares will be offered by international private placement (no placement in the United States, Canada and Japan) by way of accelerated bookbuilding. This will see the share capital of Carl Zeiss Meditec rise by €2,841,662 from €29,682,182 to €32,523,844. The transaction will be effected by **Cazenove AG**, Frankfurt. Cazenove AG is the sole global coordinator, sole bookrunner and underwriter.

In order to increase the free float as announced, the **Carl Zeiss Group** accepted a dilution of its shareholding in Carl Zeiss Meditec AG and is not subscribing to any shares within the scope of this capital increase.

Later in the day, Carl Zeiss Meditec reported that a total of 2,841,662 Carl Zeiss Meditec AG shares were placed today within the scope of an international private placement (no placement in the United States, Canada and Japan). The order was closed early due to robust demand. The shares stem from a cash capital increase announced this noon in which subscription rights were excluded. They were placed at a subscription price of €14.30 by Cazenove AG (sole global coordinator, sole bookrunner and underwriter) by way of accelerated bookbuilding. The corresponding resolution of the Management Board establishing the price was signed today at 6:15 o'clock pm (18:15). The total transaction value amounted to about €40.6 million (before costs related to the capital increase).

The share capital of Carl Zeiss Meditec AG has now been increased to €32,523,844.00. In order to increase the free float, as majority shareholder of the company the Carl Zeiss AG had accepted a dilution of its shareholding in Carl Zeiss Meditec AG and did not subscribe to any shares within the scope of this transaction. The free float of Carl Zeiss Meditec has thus increased to a total of approx. 35 percent.

5/10 **eyeonics, inc.** announced that the crystalens procedure can now be privately purchased by Medicare beneficiaries. crystalens is the first and only FDA-approved naturally focusing (accommodating) vision-correction lens replacement for adults with cataracts and presbyopia. crystalens is the most advanced intraocular lens (IOL) currently available, yet the previous Medicare reimbursement policy did not allow its beneficiaries to opt for this advanced technology for cataract surgery. Culminating a five-year effort, eyeonics led the way in affecting this policy change, working with U.S. Congressman Christopher Cox (Newport Beach, Calif.), the Centers for Medicare & Medicaid Services, physicians and ophthalmic industry leaders.

"More than 2.2 million cataract surgeries are performed each year on patients age 65 and over," said Andy Corley, co-founder, chairman and CEO of eyeonics. "Yet as vision technologies advanced, Medicare reimbursement did not keep pace."

"This policy change means that patients will have the right to choose a vision correction technology that best meets their lifestyle and visual demands. It also gives doctors the freedom to offer innovative technologies such as the crystalens for their Medicare patients," said ophthalmologist Steven Dell, MD, of the Texan Eye Care in Austin, Texas.

Seniors on Medicare now can choose the presbyopia-correcting crystalens, which focuses and moves in the eye like the natural lens thanks to its proprietary accommodating characteristics. The crystalens is designed to treat two conditions: cataract removal with lens replacement (a procedure covered by Medicare) and presbyopia (a non-covered service). Patients who select crystalens will receive the standard Medicare reimbursement for cataract surgery, and can now pay privately for the presbyopic portion of the treatment.

Presbyopia is an inevitable age-related eye condition that makes it difficult to read or see objects up-close without the use of reading glasses. Presbyopia is the first sign of a cataract and is the most prevalent eye condition in America. It causes the crystalline lens to increasingly stiffen, lose flexibility and cloud, diminishing its focusing ability.

crystalens corrects vision at all distances and in most cases eliminates the need for glasses and contacts for everyday tasks. Its ability to focus at all distances frees most patients from the need for glasses following cataract surgery. In clinical trials, nearly three-times the number of patients (85 percent) who received the crystalens could see at all distances compared to a standard IOL.

"This ruling greatly expands the market opportunity for crystalens now that doctors can offer a presbyopic treatment to their Medicare patients with cataracts," said Corley. "This policy change would not have been possible without the support and efforts of Congressman Cox. Medicare beneficiaries now have the same access to this new technology that was previously available only to non-Medicare patients."

Cataract & Refractive Surgery Today provided some additional details about the CMS change in policy in a special email:

According to a CMS/Medicare ruling, a new policy has been enacted concerning the requirements for determining payment for insertion of presbyopic IOLs following cataract surgery. Previously, when a patient turned 65 years old and went on Medicare, Medicare took some choices away from patients, including the implantation of an accommodating or a multifocal IOL, even if the patient offered to pay for lens and the associated implantation procedure.

Before Monday, May 9, 2005, Medicare only reimbursed a surgeon $200 for a conventional IOL; however, the price for the Crystalens (Eyeonics Inc., Aliso Viejo, CA) is $825. **Alcon Laboratories, Inc**. (Fort Worth, TX) recently reported they will charge physicians $875 per lens for the Restor.

Eyeonics Inc. played an instrumental role in locking in this new Medicare ruling that allows beneficiaries to pay out-of-pocket for bifocal lens implants. Before this ruling came to be, patients who needed cataract surgery were denied access to the Crystalens and recently approved multifocal IOLs such as Alcon's Restor and **AMO's** Rezoom (Santa Ana, CA).

During the past 5 years, **Discover Vision Centers'** CEO, Jim Denning, has spent a lot of his time being an advocate for Medicare beneficiaries denied access to the accommodating IOL. Denning and Eyeonics took a position several years ago of bringing the Crystalens to the market as a refractive lens and to re-establish true value to the surgeon's skill and to the technology of lens, while simultaneously keeping it outside of the insurance realm in order to keep the lens' value, Denning said. With the current ruling, physicians will get paid a fair market value for their services while relying less on dwindling Medicare payments.

"Overall, cataract surgery fees to physicians have been reduced by about 40%, not due to cheaper technology, but because the Medicare system is running out of money," Denning said. "Medicare simply cannot pay any more than it is currently paying."

"Eyeonics deserves a lot of praise for fighting this battle solo for 5 years," Mr. Denning said. "Most gave them a zero chance of being successful, but they just kept coming back to Medicare and to congressmen and got patients involved in the advocacy."

According to Steven Dell, MD, of Austin, TX, who gave a powerful presentation to the CMS staff in Baltimore on September 7, 2004, this ruling will have an enormous impact on ophthalmology. "Economic incentive is what drives new product development," Dr. Dell told Cataract & Refractive Surgery Today. "When IOL manufacturers recognize that a vast new market was created today, they will devote resources to serve it. The net result will be an explosion of IOL technology at a pace we have not seen for many years. Our patients will be the ultimate beneficiaries of this process." For more information on this ruling, visit www.cms.hhs.gov/rulings/.

Ted Huber of **Wachovia Securities** also provided some additional comments on the CMS policy change for presbyopic lenses: **CMS Presbyopia Lens Reimbursement Change Positive For AVO & ACL**

· CMS CHANGES RULE ON PRESBYOPIA REIMBURSEMENT: The rule change enables Medicare patients to pay the difference between a premium-priced "presbyopia" IOL (ACL's Restor lists at $895) and conventional IOL payments already covered ($50-150). The rule change, effective on May 3, 2005, allows surgeons to levy an "upcharge" to the patient for both the premium-priced lens and their additional services required for the procedure. We believe it will cover both multifocal IOLs and accommodating IOLs.

· RULING OPENS UNTAPPED MARKET: Previously, Medicare rules prohibited surgeons from "upcharging" for the premium priced IOLs and effectively limited access to these products for Medicare patients. Approximately 80% of the 2.7+ million annual U.S. cataract procedures are in the Medicare aged population. We believe this rule changes increases the potential annual domestic market size for presbyopia IOLs to $400-500MM, up from $150MM (pre-Medicare age market).

· AVO SHAREHOLDERS STAND TO BENEFIT MOST: Depending on the ultimate market size and share positions (we expect 3-5 years to penetrate the opportunity), our early calculations indicate that presbyopia IOLs could ultimately drive $0.20-0.40 of annual EPS for AVO (ReZoom and Tecnis Multifocal) and $0.15-0.25 for ACL (Restor Multifocal). This represents a 12-24% increase over AVO's 2005 EPS and a 5-8% impact on ACL's EPS. While we expect ACL's Restore will lead this new market, its larger net income base (10X AVO's) and larger share base (4.5X AVO's) dilutes the EPS and growth impact of the opportunity. These estimates assume that 1) ReZoom can compete with Restore and that 2) accommodating IOLs realize a significant minority share of the market.

· TIMING OF EPS IMPACT: Given ReZoom's early approval (6 months ahead of schedule), AVO has not provided an exact launch timeframe or ASP. We expect the ReZoom ASP to be comparable to the ReStor's ($895). AMO's Array multifocal currently generates approximately $4.5 million per year in revenue. We believe the Array will still have a place among patients who want presbyopia correction but can not afford the $1,400 upcharge for premium IOLs. We expect upside to Alcon's previous ReStor revenue guidance ($35-45 million) given the now larger available patient population.

5/10 **Refocus Group, Inc.** reported that its board of directors unanimously adopted a resolution to seek stockholder approval to amend the company's Certificate of Incorporation, as amended, to effect a going private transaction involving a 1-for-2,000 reverse stock split of the outstanding shares of the company's common stock to be followed immediately by a forward 2,000-for-1 split, with stockholders holding less than one full share following the reverse stock split receiving a cash payment for the value of such fractional share. If the transactions are approved and completed, Refocus expects to have fewer than 300 stockholders of record, permitting Refocus to terminate registration of its common stock with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, and to suspend its duty to file reports with the Securities and Exchange Commission. The company intends to file for termination of such registration and suspension of such reporting requirements as soon as practicable following approval and completion of the split transactions. Once the company makes this filing, its common stock will no longer be eligible for quotation on the OTC Bulletin Board.

Refocus Group's board of directors believes de-registration would eliminate growing expenses and commitments associated with being a public company. De-registration would also allow Refocus' management to concentrate additional attention on operations

and financial management, which would further enhance the company's financial performance and stockholder value.

As discussed, if Refocus stockholders approve the proposal, stockholders holding less than one full share following the reverse stock split will receive a cash payment for the value of such fractional share. As a result, stockholders who hold fewer than 2,000 shares of Refocus common stock immediately before the split transactions will receive a cash payment equal to $0.35 per pre-split share. Stockholders holding 2,000 or more shares of Refocus common stock immediately before the split transactions will not be entitled to receive a cash payment and will continue to hold the same number of shares after completion of the reverse and forward split transactions.

Refocus Group's board of directors has received a fairness opinion from its financial advisor, **Hill Schwarz Spilker Keller LLC**, that the cash consideration to be paid as a result of the proposed reverse split transaction is fair, from a financial point of view, to Refocus' stockholders holding less than one full share subsequent to the reverse split. The proposed split transactions are subject to approval by the holders of a majority of the voting shares. Stockholders will be asked to approve the split transactions by a written consent solicitation to be conducted later this year. As reported on March 1, 2005, **Medcare Investment Fund III, Ltd.** of San Antonio, Texas, purchased 280,000 shares of the company's newly authorized Series A-1 Convertible Preferred Stock. The holders of Series A Convertible Preferred Stock are entitled to vote on all matters required or permitted to be voted upon by the holders of the common stock of the company on an "as converted" basis. As a result, Medcare is the beneficial owner of greater than 50 percent of the outstanding voting stock of the company. Medcare has indicated that it intends to vote in favor of the proposed split transactions, but has not made any formal commitment to do so.

Refocus intends to file a preliminary consent solicitation statement and Schedule 13E-3 with the Securities and Exchange Commission outlining the transaction. All stockholders are advised to read the definitive consent solicitation statement and Schedule 13E-3 carefully when the documents are available. Upon filing, stockholders may obtain a free copy of the consent solicitation statement and Schedule 13E-3 at the SEC's Web site at www.sec.gov. Refocus will also mail a copy of the definitive consent solicitation to its stockholders entitled to vote on this matter. For more information on "going private" in general, please refer to (www.sec.gov/answers/gopriv.htm).

5/11 **Advanced Medical Optics** announced that the Centers for Medicare and Medicaid Services (CMS) ruled that Medicare beneficiaries may choose to receive presbyopia-correcting intraocular lenses (IOLs) for an additional fee as part of cataract surgery. These lenses, including AMO's ReZoom multifocal IOL, provide vision for distance, intermediate and near ranges. AMO pioneered the concept of an IOL that provides distance, intermediate and near vision in the late 1990s when it received the first-ever FDA approval for a multifocal lens. In March 2005, AMO received FDA approval for its second-generation multifocal technology, the ReZoom IOL. In a

215-patient European study, 93% of ReZoom patients reported never or only occasionally having to wear glasses.

"This provides an important new opportunity for Medicare cataract patients to enjoy a full range of distance, intermediate and near vision after surgery," said Jim Mazzo, president and CEO of AMO."

The ReZoom IOL features Balanced View Optics technology that distributes light over five optic zones for enhanced restoration of visual function for reduced spectacle dependence. This allows the ReZoom IOL to match its performance characteristics with the lifestyle demands of the patients.

5/11 **WaveLight Laser Technologie AG** announced that it had installed its 500th ALLEGRETTO WAVE excimer laser. The company's laser systems from the ALLEGRETTO product family are used to correct visual disorders in ophthalmology practices, laser centers, and clinics not only in Europe, but in Canada, Latin America, Saudi Arabia, India and, above all, the USA and Asia.

The jubilee ALLEGRETTO WAVE laser was manufactured at the Company's Pressath production site. WaveLight employs state-of-the-art production and logistics standards as well as advanced building technology at this ultra-modern production facility in the Upper Palatinate region, which started operation in November 2004.

The 500th ALLEGRETTO WAVE was delivered to the Apollo Hospital in Hyderabad, India. It allows Dr. Fogla and Dr. Bansal, the two ophthalmologists who perform treatments there, to join the steadily growing global user community. They can now offer their patients procedures for correcting visual disorders with the high quality of treatment and operating safety for which WaveLight is well-known.

In the USA and particularly in Asia, WaveLight is expecting strong growth in the market for refractive surgery. WaveLight has had significant market success since receiving FDA approval to market its ALLEGRETTO WAVE excimer laser in the USA in October 2003. A total of 70 laser systems have been installed to date (in the U.S.). The FDA is currently reviewing an application to extend the indications approved, with the goal of further consolidating the system's market position in the USA.

Substantial growth potential on Chinese market: With approximately 140 ALLEGRETTO WAVE lasers installed in China, WaveLight is the country's market leader in the field of excimer lasers for refractive surgery. Going forward, the Franconian laser specialist sees substantial development potential not only on the Asian market, but also in Eastern European countries that still have ground to make up in the area of laser-based visual disorder correction.

"We are, of course, very proud of the global success we have achieved with the ALLEGRETTO WAVE to date. Above all, though, our achievement is a huge spur to us

to expand our global market position even further in the future," said Max Reindl, CEO and founder of WaveLight Laser Technologie AG.

5/11 **LCA-Vision Inc.** announced the opening of its 42nd LasikPlus vision center in the United States in Norfolk, Virginia. The new facility is the first LasikPlus vision center to serve this region of the United States. The new LasikPlus vision center is equipped with technologically advanced lasers and diagnostic equipment, including **Bausch & Lomb**, **VISX** and **Alcon** lasers, to offer patients a wide choice of traditional laser vision correction and advanced custom wavefront procedures.

Stephen Joffe, LCA-Vision chairman and CEO commented, "We continue to see favorable growth trends in the laser vision correction industry and are delighted to offer consumers in the Norfolk market the many benefits LasikPlus provides its patients. Expanding into new markets is integral to our strategy of capitalizing on the significant growth opportunities in our industry as more customers learn about the benefits of laser vision correction and choose to have the procedure. Through our LasikPlus business model, we have the ability to offer patients in this new market a broad selection of advanced laser and diagnostic technology, a range of affordable prices, and various payment programs."

5/12 **Carl Zeiss Meditec AG** confirms its preliminary figures as published last week and continues to be on target for success: in the first six months of the financial year 2004/2005 (1 October 2004 – 31 March 2005) the company's sales revenue increased by a quarter compared to the previous year to €143.1m (previous year: €115.9 m). Both internal growth and the external company acquisitions of **LDT** and **IOLTECH** have contributed to this result. Without currency effects and discounting these acquisitions, the growth in sales revenue would have been 16.1%.

There has been an even stronger improvement in the company's profitability. In the reporting period EBITDA rose by 26.4% to €19.9m (previous year: €15.7m) and EBIT improved by 26.6% to €16.6m (previous year: €13.1m). The EBIT margin has thus increased from 11.3 to 11.6%. Consolidated net income grew by 19.9% to €7.7m (previous year: €6.5m). This results in a higher profit of €0.27 per share (previous year: €0.23), although the number of shares has increased slightly compared to the previous year due to the acquisition of IOLTECH.

Cash flow from operating activities continued to increase: It rose by 9.7% to €8.7m following €8.0m in the previous year.

Sales of innovative diagnostic systems for ophthalmology showed an increase of 18.4% to €101.5m. This segment thus contributed about 71% to overall sales. Sales revenue in the segment "Laser and IOL" reached €29.7m in the first half year, representing about 21% of consolidated group sales. Growth over the previous year amounted to 49%. Services, which grew by roughly 16% to €12 million, generated about 8% of total sales revenue. Americas remains the company's focus with a revenue share of 40%. 33% of

revenue was generated in the Asia/Pacific region, the remaining 27% originated in Europe.

As of 31 March 2005 Carl Zeiss Meditec employed a worldwide work force of 1,182 (previous year: 802). The increase was for the most part due to the takeover of IOLTECH S.A. on 1 February 2005.

5/16 **Escalon Medical Corp.** filed a complaint against **IntraLase Corp.** in the Court of Chancery of the State of Delaware for breach of contract and breach of fiduciary duty arising out of IntraLase's bad faith conduct under, and multiple breaches of, a License Agreement for laser technology. Under the License Agreement, Escalon Medical granted IntraLase the exclusive right to use Escalon Medical's patented and non-patented technology in exchange for, among other things, royalty payments based on a percentage of net sales. Escalon Medical seeks declaratory relief, specified damages, and specific performance of its rights under the license agreement, including its express right under the agreement to have independent certified accountants audit the books and records of IntraLase to verify and compute payments due Escalon Medical.

Escalon Medical also announced that on May 6, 2005 the United States District Court for the Central District of California, Southern District entered judgment in prior litigation between IntraLase and Escalon Medical wherein IntraLase asked the court to validate its interpretation of certain terms of the License Agreement relating to the amount of royalties owed to Escalon Medical. The Court did not agree with IntraLase's interpretation of certain terms and declared that, under the terms of the License Agreement, IntraLase must pay Escalon Medical royalties on revenue from maintenance contracts and one-year warranties. Further, the Court rejected IntraLase's argument that it is entitled to deduct the value of non-patented components of its ophthalmic products, which it sells as an integrated unit, from the royalties due Escalon Medical. Non-patented components of the products include computer monitors, joysticks, keyboards, universal power supplies, microscope assemblies, installation kits and syringes. In addition, the Court rejected IntraLase's assertion that account receivables are not "consideration received" under the License Agreement and expressly ruled that IntraLase must pay Escalon Medical royalties on IntraLase's account receivables." The Court agreed, however, with IntraLase's position that IntraLase is not required to pay royalties on research grants. The Court also held that IntraLase must give Escalon Medical an accounting of third-party royalties.

Further, the Court agreed with Escalon Medical in finding that royalties are "monies" and default in the payment of royalties must be remedied within 15 days of written notice of the default. The Court rejected IntraLase's position concerning the effective date of the License Agreement, as amended and restated, holding that the effective date of such Agreement was dated October 17, 2000.

In October 1997, Escalon Medical licensed its intellectual laser properties to IntraLase in exchange for an equity interest in IntraLase as well as royalties on future product sales.

The shares of common stock were restricted for sale until April 4, 2005 and, according to a Fourth Amended Registration Right Agreement between Escalon Medical and IntraLase, are now able to be sold. Escalon Medical is record holder of the common stock of IntraLase. On April 22, 2005 Escalon Medical made a formal written demand to inspect certain of IntraLase's books and records pursuant to section 220 of the Delaware General Corporation Law ("DGCL"). IntraLase rejected Escalon Medical's demand.

5/16 **Miravant Medical Technologies** announced consolidated financial results for the first quarter ended March 31, 2005. The net loss for the quarter was $3.7 million (10 cents per share) compared to a net loss of $5.5 million (20 cents per share) for the same period in 2004. The Company had cash of $3.2 million at March 31, 2005. Subsequent to the end of the quarter on May 4, 2005, the Company completed a private placement led by **Scorpion Capital Partners** resulting in net proceeds to the Company of approximately $7.5 million. These funds, together with the previously announced $15.0 million convertible debt line-of-credit, provide Miravant with approximately $25.0 million in cash for operations, subject to certain conditions.

Gary Kledzik, chairman and CEO, stated, "We were pleased to make several important announcements during the first quarter, including details about the conduct and timing of the confirmatory Phase III clinical trial for PHOTREX, which is expected to begin this summer. Our recently completed financings will provide support for the confirmatory clinical trial. Miravant also welcomed accomplished new members to its board of directors."

Financings: In March 2005, Miravant announced the completion of a convertible debt line-of-credit that will enable the Company to borrow up to $15.0 million, subject to certain conditions. The funds will be available at the Company's discretion in increments of up to $1.0 million per month, with any unused monthly borrowings to be carried forward. Each borrowing will be represented by a convertible note and a warrant to purchase one-quarter of a share of Common Stock for each share of Common Stock underlying the convertible note. Subsequent to the end of the quarter, this funding was amended to specify the minimum conversion rate of $1.00 per share of convertible Common Stock or 125% of the average monthly closing price of the month preceding the conversion, whichever is greater.

In May 2005, Miravant completed an $8.0 million convertible preferred stock funding, with net proceeds to the Company of approximately $7.5 million. The Preferred Stock is convertible into Common Stock at the conversion price of $1.00 per share. The Company also issued a warrant to purchase one share of Common Stock for each convertible share of Common Stock purchased. The exercise price of each warrant is $1.00 per share.

PHOTREX Confirmatory Clinical Trial: During the first quarter Miravant announced its plans to conduct a confirmatory Phase III clinical trial for PHOTREX at approximately 50 investigational sites in the United Kingdom, Central and Eastern

Europe (CEE). Miravant appointed Kendle, an international contract research organization, to provide clinical development and trial management services for the clinical study, currently planned to commence in mid-2005. The randomized, placebo-controlled trial, reviewed by the U.S. Food and Drug Administration (FDA) under a Special Protocol Assessment, will include a range of patients with both classic and occult forms of wet age-related macular degeneration (AMD).

Miravant also disclosed that it expects to conduct a primary efficacy endpoint analysis at 12 months (one year after initial treatment), with a total of approximately 650 patients to be analyzed. Assuming the achievement of positive clinical results, the Company expects to amend its New Drug Application (NDA) to seek marketing approval while the patients are followed for a second year.

PHOTREX, Miravant's most advanced PDT drug, is in development to treat patients with wet AMD, a debilitating eye disease and leading cause of blindness in older adults. The FDA requested the confirmatory Phase III study in its Approvable Letter dated September 2004, after reviewing the Company's New Drug Application (NDA).

5/17 **LCA-Vision Inc.** announced that its Board of Directors had authorized the company to repurchase up to one million shares of its common stock, or approximately 5% of the shares currently outstanding. The share repurchases will be made from time to time in both open market and private transactions, as market conditions merit. As of March 31, 2005, the company had 20,292,434 shares of common stock outstanding, and cash and cash equivalents totaled approximately $100.1 million. Stephen N. Joffe, LCA-Vision's chairman and CEO noted, "With a strong balance sheet and cash flow, we are well positioned for continued growth. LCA-Vision continues to generate positive cash flow in excess of our capital and operational requirements, and we may repurchase shares from time to time based on market conditions."

5/19 **Standard & Poor's** will make the following changes to the MidCap 400 and S&P SmallCap 600:

S&P SmallCap 600 constituent **Advanced Medical Optics Inc**. will replace **VISX Inc.** in the S&P MidCap 400 after the close of trading on a date to be announced. Advanced Medical Optics is acquiring VISX in a deal that is still pending final approval. When added to the S&P MidCap 400, Advanced Medical Optics' GICS Sub-Industry will simultaneously change from Health Care Supplies to Health Care Equipment. **EastGroup Properties Inc.** will replace Advanced Medical Optics in the S&P SmallCap 600.

5/23 **NovaMed, Inc.** announced that it had completed the acquisition of a 51% interest in the **Colorado Outpatient Eye Surgery Center**, an ambulatory surgery center located in Denver, Colorado. On April 22, 2005, NovaMed announced that it had entered into a definitive agreement to acquire a 51% interest in this ambulatory surgery center. NovaMed now operates two surgery centers in Colorado. "Now that we have completed this acquisition, we can begin working with our six new physician-partners to realize the

center's full growth potential," said NovaMed executive vice president and CFO Scott Macomber. "This is our second surgery center acquisition so far this year and we are continuing to pursue other attractive acquisition opportunities," added Macomber.

NovaMed acquires, develops and operates ambulatory surgery centers in partnership with physicians. With this acquisition, NovaMed now has ownership interests in 27 surgery centers located in 14 states. NovaMed's executive offices are located in Chicago, Illinois.

5/24 Ted Huber of Wachovia Securities issued an update on the status of multifocal IOLs: **Multifocal IOLs: ReStor Vs. ReZoom: Early Data Show New Lenses Are Comparable, Better Than Array**

· **EUROPEAN REZOOM STUDY SHOWS SIMILAR VISUAL ACUITY AND SIDE EFFECTS AS ALCON'S RESTOR**: Based on data points from a 215 patient European trial, visual acuity outcomes and complication rates appear broadly comparable between ReStor and ReZoom. The two recently approved multifocal lenses had clinical trial rates of severe glare and halo near 5%, 1/2 to 1/3 the rate reported with Array. ReStor's near vision stands out as superior; ReZoom's intermediate vision looks best. We expect ReZoom pricing near ReStor's $900 per lens and a Q305 launch.

· **BOTH LENSES REQUIRE COMPROMISE:** ReStor seems to produces superior near vision (ReZoom 66.7% glasses free for near distance vs. 81.2% among ReStor patients). ReZoom seems to give superior intermediate vision (91.5% glasses free) compared with the ReStor (just 67% 20/40 or better). Distance visual acuity appears comparable between the two lenses. Glare and halo rates are better than Array yet higher than monofocal and accommodating presbyopia lenses. We expect both of these new multifocals to have a place in the presbyopia market, alongside accommodating IOLs. Each may be advantageous according to a patient's existing refractive error, lifestyle, and expectations.

· **ADDITIONAL CLINICAL DATA EXPECTED THIS FALL:** More extensive ReZoom clinical data should be available at *ESCRS (European Society for Cataract and Refractive Surgery)* and *AAO (American Academy of Ophthalmology)* meetings next fall. In the meantime, we expect AVO to provide a launch timeframe/strategy and to confirm pricing at its upcoming analyst day on June 9.

The following day, Huber released an update based on his meeting with the chief refractive surgery marketing executive at **Advanced Medical Optics**: **A Balanced Perspective On Multifocal IOLs**

· **A BALANCED PERSPECTIVE:** During a Wachovia-sponsored conference call yesterday (5/24), AVO's chief refractive surgery marketing executive offered an optimistic, though balanced, perspective of AVO's ReZoom lens and the presbyopia intraocular lenses (IOL) market. Underpinnings of AVO's presbyopia IOL perspective include (1) both diffractive multifocals (ACL's ReStor and AVO's Tecnis) and refractive multifocals (AVO's ReZoom) will play a role in the emerging presbyopia IOL market,

each serving different patient bases given diffractive lenses superior near vision and refractive lenses superior intermediate vision, (2) the improved optics of ReStor and ReZoom (vs. first generation Array) are necessary but not sufficient for development of a significant presbyopia lens market; better pre-op diagnostic work and better patient screening/expectation management are just as critical, (3) accommodating IOLs are the ultimate presbyopia solution, with the potential to replace multifocals. AVO believes the Crystalens set a very high bar but one that its accommodating IOL development programs might be able to improve upon.

· **NEW DATA POINTS:** The call offered color and perspective on the data profiled in our note yesterday (5/24). New data offered on the call included: (1) statement that the ReZoom FDA label negotiation is complete, producing a label comparable to ReStor that should be posted by FDA soon (2) AVO's belief that significant education and implementation efforts are needed before CMS's new presbyopia IOL balanced billing scheme is put into broad practice--this could take a few quarters, (3) AVO's plans for a full, though measured, ReZoom launch in Q3 2005. Estimates are for "hundreds" of surgeons trained out of the gate, (4) AVO plans a quick phaseout of the Array Multifocal (we estimate within a few quarters), and (5) ReZoom pricing should be on par with ReStor--with a list price near $900 per lens.

· **THE BOTTOM LINE ON REZOOM:** The data from AVO's 225-patient European ReZoom trial supports the view that this lens will compete effectively with ReStor in the emerging presbyopia IOL market. AVO's existing Array customer base should offer fertile ground (surgeons experienced in the nuances of successful multifocal IOL implantation) for initial marketing. We note that every share point in the 2.7 million lens per year U.S. IOL market is likely worth $0.07-0.11 of EPS to AVO, closer to $0.02-0.03 of EPS for ACL depending on cannibalization and margin assumptions. We note that Array's share of the U.S. IOL market is slightly less than 2%--albeit at a much lower price point.

5/25 **VisiJet Inc.** dba **Advanced Refractive Technologies (ART)**, received licensed approval from Health Canada, the federal department responsible for helping the people of Canada maintain and improve their health, to market and sell the EpiLift System in Canada. The EpiLift System is already being sold in over 30 countries including the United States, Japan and in most countries in Europe. The system is the cornerstone of Epi-LASIK, a new, safer method of the popular LASIK corrective vision surgery.

"Canada is a difficult market to enter due to its stringent safety requirements, which are very similar to those in the United States. Gaining this approval from Health Canada is further testimony to the efficacy and safety of the EpiLift device. It is also an extremely important market that will enable us to expand our North American reach." said Randy Bailey, CEO.

5/26 **Norwood Abbey Ltd** advised further developments in its plans to increase its presence in the United States. The company intends to immediately establish a US Central Office

in Boston, Massachusetts. This will facilitate interaction with key partners including Massachusetts Institute of Technology (MIT). It will also enable senior management to further foster relationships with primary supporting investors and investment bankers in the US.

As part of this increased presence in the US, Peter Hansen, Norwood's Executive Chairman and Jeff Bell, COO will be relocating to the USA. Head office, management and control of Norwood Abbey will remain in Melbourne Australia. The company has also made the decision to outsource all future product research work in relation to the Devices Division to Boston and will be under the direction of Professor Ian Hunter of the BioInstrumentation Laboratory at MIT. This extends the existing relationship with Prof. Ian Hunter's world-class group. Future product development work will be undertaken by specialist Boston-based product development firms.

The above developments form part of the process for progressing the company's proposed NASDAQ listing. The current expectation is that the company's application for listing will be filed during the third quarter of CY 2005. The company is awaiting US Securities and Exchange Commission (SEC) approval for the filing based upon the inclusion of a full financial year's accounts for the EyeCare division.

The effect of the restructuring and outsourcing will be a significant reduction in fixed overhead costs for the company. Initially, this will involve redundancies of some Australian-based staff. It is anticipated that the restructuring strategy will result in overall cost savings of approximately $1.5 million on an annual basis. The company will continue its endeavors to gain further recognition in the US market at both an operational and investor level. The recent placement to US institutions raising $5.8 million and the on-market purchase by a new US institution in the past week, are a strong endorsement of the company's strategy

The Devices Division maintains its forecast of profitability and cash flow positive on a monthly basis by December 2005.

5/26 **Advanced Medical Optics, Inc.** announced that its stockholders approved the proposed merger with **VISX, Incorporated**. The stockholder voting took place during a special meeting today in Santa Ana, California. Stockholders voted in favor of the proposal to issue shares of AMO common stock in the proposed merger, pursuant to the Agreement and Plan of Merger, dated as of November 9, 2004, as amended, by and among AMO, Vault Merger Corporation, a wholly owned subsidiary of AMO, and VISX, Incorporated. In accordance with the terms of the definitive merger agreement, VISX stockholders are expected to receive 0.552 shares of AMO stock and $3.50 in cash for every share of VISX common stock they own. AMO anticipates closing the merger with VISX within two business days of today's meeting.

Other Matters Approved: AMO also announced today that stockholders approved an amendment to the certificate of incorporation, which increases the number of authorized

shares of common stock from 120 million to 240 million. In addition, stockholders approved the AMO 2005 Incentive Compensation Plan, the Amended and Restated AMO 2002 Employee Stock Purchase Plan, and the Amended and Restated AMO 2002 International Stock Purchase Plan.

VISX, Incorporated also announced today that at a special meeting of its stockholders held this morning, the terms of the merger agreement and merger between VISX and Advanced Medical Optics, Inc. was approved by the majority of VISX stockholders. As previously announced, VISX anticipates closing the merger with AMO within 2 business days of today's meeting.

OPHTHALMIC LASER UPDATE -- June 2005

5/31 **Ophthonix Inc.**, a vision care company marketing customized, "high definition" lens vision technology that provides consumers with superior optical clarity and crispness compared to any other available vision correction, has sold its first lenses based upon the new technology. The new iZon Wavefront-Guided Lens, the only truly customized lens matching an individual's unique optical needs, is now available through a regional market launch in Southern California. "Seeing the first lens product of our vision correction technology produced and purchased by consumers is truly exciting," said Andreas Dreher, president and CEO of Ophthonix. "We saw a need and met it. We are pleased that both eye care practitioners and consumers appreciate the technology's value."

The first pairs of the new customized lenses were sold by Dr. Gregory Evans of Palm Desert, Calif. (**www.evanseyes.com**). Dr. Evans first used the Ophthonix Z-View Aberrometer to map the patient's refractive errors. This measurement was then translated by the device into a prescription that exactly matched the patient's unique optical "eye print." The customized lenses were then manufactured at the Ophthonix facility in San Diego using a proprietary manufacturing technology that incorporates the measurements into the lens. The final result was the iZon Wavefront-Guided Lens - a lens that is redefining the standard in vision correction in both contact lenses and eyeglasses.

Dr. Evans, who has a large and diverse practice offering the most up-to-date diagnostic and treatment technologies, purchased the Z-View Aberrometer - the enabling device for the lenses - to meet his, and his patients' desire for the most advanced vision correction.

"I was excited by the potential of the technology when I first heard about it," said Dr. Evans. "I knew that by matching the exact optical needs of the patient - both low and high order aberrations - the Ophthonix iZon Wavefront-Guided Lenses would provide the best acuity available."

Dr. Evans was so impressed by the technology that he prescribed the new lenses for himself. "I've seen a marked improvement in my vision. My vision is now 20/12 with a sharpness I've never experienced before. Now when patients ask me about the lenses I can relate how exciting my own experience has been with the high definition vision

provided by iZon Wavefront-Guided Lenses." Dr. Evans explained that the lenses have generated a lot of interest with many of his patients for a variety of reasons. "Older patients wanting to reduce glare or blurring associated with night driving have expressed interest," said Dr. Evans. "Also some patients involved in sports want to see if improved acuity will help their performance - such as hitting a baseball more accurately, or improving their golf game. People have many reasons to desire improved vision."

The iZon lenses are being introduced on a region-by-region basis during 2005 and early 2006. Eye care practitioners should contact Ophthonix for availability in their area.

5/31 *The Council for Refractive Surgery Quality Assurance (CRSQA)* and its subsidiary, **USAEyes.org**, released the following statement about **Altered Excimer Lasers:**

Surgeons are using excimer lasers deliberately altered to perform beyond that which the Food and Drug Administration (FDA) has approved. This correspondence is to inform you of the relevant facts surrounding this situation so you may be better prepared to respond to patient queries.

An undetermined number of US surgeons - estimated as less than 10 - have circumvented safety restrictions by hiring third-party vendors to fundamentally alter their excimer lasers to perform LASIK and similar laser eye surgery procedures beyond the parameters determined by the FDA to be safe and effective by: 1) Purchasing a laser outside of the US and having it installed in their US clinics and medical offices. These lasers are defined as 'inappropriately imported'. 2) Purchasing the laser manufacturer's non-US software and/or hardware components and installing them on a US version of the laser to alter the US laser's capabilities. These lasers are defined as 'inappropriately altered'. 3) Purchasing hardware and/or software manufactured by third parties not affiliated with the laser manufacturer and installing these third-party components on a US version of the laser to alter the US laser's capabilities. These lasers are defined as 'counterfeit'.

A doctor who alters or causes to be altered a medical device so it performs outside the US FDA approved parameters is circumventing processes and regulations designed to assure the highest level of safety and efficacy for American citizens seeking medical care. This circumstance is not the off-label use of an approved device, which use can be medically appropriate.

All medical devices are subject to the malfeasance of unscrupulous individuals, and many brands of excimer lasers have been modified outside FDA approval in the past. Currently, the **NIDEK** EC-5000 excimer laser seems to be a primary target for import, alteration, or counterfeit. The NIDEK laser distributed outside the US has the ability to correct hyperopia and astigmatism; The US version of NIDEK laser does not have the ability to correct these refractive errors; NIDEK is in the final phase of an FDA PMA trial for hyperopia and hyperopic astigmatism. By importing, altering, or counterfeiting the laser, US doctors are able to use the laser to perform these types of corrections. Unlike other laser manufacturers, NIDEK does not charge a royalty fee for each use of

their laser and therefore does not track or control the use of its lasers on individual patients. Every time a doctor uses a NIDEK laser on a patient that would otherwise require a laser that charges a royalty fee, the doctor potentially saves $200-$500, which could be passed on to the patient as a cost savings.

In early 2002 an aggressive program to install hardware and software safety blocks was initiated by the manufacturer to stop the inappropriate use of imported, altered, or counterfeit NIDEK lasers; however some doctors refused to accept these safety devices. NIDEK notified the FDA, in writing, of approximately two dozen surgeons who may have imported, altered, or counterfeit lasers and requested the FDA respond. USAEyes.org requested a copy of this letter under the Freedom of Information Act. Reportedly, eight to ten lasers used by the named doctors are now out of service or restored to US FDA approved standards. Other doctors, however, continue to use their imported, altered, or counterfeit lasers despite communications expressing concern from the FDA, NIDEK, and USAEyes.org.

Fortunately, the scope of the problem is small. The number of refractive surgeons using non-FDA approved lasers and the number of patients potentially operated by them is less than 0.05% of surgeons operating and patients receiving excimer laser surgery. Further, no specific cases of damage to patients from these lasers have been reported in the professional literature or to the FDA.

If this story is reported in the public press, it could disrupt the refractive surgery industry, including those who are not involved with the use of imported, altered, or counterfeit medical equipment of any manufacturer.

USAEyes.org is operated by the Council for Refractive Surgery Quality Assurance, a nonprofit nongovernmental patient advocacy organization, which provides the public detailed refractive surgery information and certifies refractive surgeons. Contact Glenn Hagele, Executive Director, 800/USA-EYES,
glenn.hagele@usaeyes.org, **www.USAEyes.org**

5/31 **VisiJet, Inc.,** and **UTEK Corporation**, an innovative technology transfer company, announced the signing of a strategic alliance agreement. Randy Bailey, president and CEO of VisiJet, Inc., said, "We are enthusiastic about this strategic alliance with UTEK Corporation which will enable us to identify ophthalmic technologies for acquisition."

"UTEK looks forward to working with VisiJet, Inc. to identify and potentially transfer proprietary technologies that will be synergistic with their core business," said Clifford Gross, chairman and CEO of UTEK. Through its strategic alliance agreements, UTEK assists companies in enhancing their new product pipeline with the acquisition of proprietary intellectual capital from universities and laboratory research centers. Strategic alliance agreements are generally cancelable by either party with thirty days advance written notice.

5/31 **Advanced Medical Optics, Inc.** announced that it had completed its acquisition of **VISX, Incorporated**. The strategic combination brings together two highly complementary companies with a broad range of superior ophthalmic technologies and a singular focus on serving the vision care needs of practitioners and patients around the world. AMO and VISX stockholders approved the transaction on May 26, 2005.

AMO announced on November 9, 2004 its agreement to acquire VISX in a cash and stock transaction. Under the terms of the definitive merger agreement, VISX stockholders receive 0.552 shares of AMO stock and $3.50 in cash for every share of VISX common stock they own.

"We view refractive surgery as an extremely important growth opportunity in ophthalmic devices," said AMO president and CEO Jim Mazzo. "The acquisition of VISX transforms AMO into the world's leading refractive surgical company and demonstrates our commitment to this fast-growing market. AMO pioneered the concept of refractive intraocular lenses (IOLs) and currently offers more refractive IOLs worldwide than any other competitor. As we combine VISX with AMO, we will continue to focus our R&D investment toward discovering new technologies that optimize vision for people of all ages."

AMO inherits VISX's large installed base of industry leading brands such as the STAR S4 Laser System, WaveScan Wavefront system and CustomVue custom ablation technology. These products, in conjunction with AMO's refractive portfolio that includes Verisyse, ReZoom, Array, and Tecnis IOLs and the Amadeus II microkeratome, provides the largest portfolio of refractive products in the industry.

"VISX is a company we have long admired, and I welcome our new colleagues and their superior product set and customer service excellence into the AMO organization," said Mazzo. "We have strengthened our ability to serve eye care professionals and look forward to expanding the VISX technologies globally while continuing to provide products with the same safety, efficacy, convenience and options customers have grown to expect from AMO and VISX."

AMO's stockholders now own approximately 58.5% of the combined company and VISX's stockholders own approximately 41.5%. Effective June 8, AMO expects to begin trading on the New York Stock Exchange under the ticker symbol "EYE."

Liz Davila, former chairman and CEO of VISX, has joined AMO's board of directors, while former VISX President and COO Doug Post joins AMO as president of its Americas region.

6/1 **Norwood Abbey Limited**, **Norwood EyeCare,** advised that as part of the global expansion of its ophthalmic product line it has appointed additional European distributors for its Norwood EyeCare Epi-LASIK system with EpiEdge (disposable separator). Countries added to the already extensive network of distributors are France, Czech Republic,

Slovakia, Norway and Sweden. France is an important market which has almost 200 laser vision correction (LVC) centers with more than 100,000 procedures carried out in 2003. Norwood's new distributors in Europe have placed initial orders for the system and the first patient surgeries have been successfully completed.

As previously stated, Norwood EyeCare utilised very strict selection criteria for the ideal distributor profile including:

· Existing portfolio of complimentary refractive surgery products
· "Best in class" in sales, marketing and technical support
· Well-established, strong reputation within the clinical community
· Breadth of market coverage in the specific country/region

In 2003 the worldwide ophthalmology market was US$17.8 billion of which LVC is a key subset. As stated in an ophthalmic industry report, in recent years LVC has witnessed a resurgence based on an improved economy and the introduction of wavefront-guided technology procedures that have allowed physicians to customise or individualise a patient's treatment.

6/6 **Advanced Medical Optics, Inc.** announced that, effective June 8, shares of its common stock will begin trading on the New York Stock Exchange (NYSE) under the ticker symbol "EYE." "The EYE symbol captures perfectly AMO's focus on delivering innovative vision technologies that optimize the quality of life for people of all ages," said Jim Mazzo, president and CEO. "With the acquisition of VISX, we are now a company with annual revenues in excess of $1 billion and a portfolio of refractive products second to none. This global refractive leadership complements our already strong position in the global cataract and eye care markets."

6/6 **Norwood Abbey Limited** subsidiary, **Norwood EyeCare** and **Bausch & Lomb (Australia) Pty. Ltd.** advise that they have signed an agreement for the distribution of Norwood EyeCare's Epi-LASIK system (with EpiEdge disposable separator) in Australia and New Zealand. Under the agreement, Bausch & Lomb (Australia) Pty. Ltd. will be the exclusive distributor of Norwood EyeCare's Epi-LASIK system throughout Australia and New Zealand. Financial terms of the arrangement have not been disclosed. Bausch & Lomb (Australia) Pty Ltd is a leading player in ophthalmology within Australia and New Zealand and is refractive market leader in those markets.

Craig Stamp, Managing Director of Bausch & Lomb (Australia & New Zealand) said that "Norwood's Epi-LASIK system is a good fit to our existing portfolio of refractive products in Australia and New Zealand and we are pleased to be distributing this product."

Epi-LASIK is the next generation in laser vision correction (LVC). It combines the benefits of current LVC procedures and reduces their disadvantages – particularly the need to cut the eye. Epi-LASIK received approval by the Australian Therapeutic Goods Administration (TGA) on April 6 2005 - allowing the product to be marketed in Australia.

Richard Walmsley, CEO of the **Norwood Devices group** said "The Company is now at the forefront of LVC in Australia and across the World, and it is fitting that we have one of the leading ophthalmology companies worldwide marketing our technology in the region. "The market potential for Epi-LASIK is significant. In Australia alone, there are close to 30 laser refractive centers, with an expected 30,000 patient procedures being undertaken in 2005. "We are extremely pleased to have Bausch & Lomb (Australia) Pty Ltd as our partner for this region of the world. Partnering with such a high quality company is an integral component of our strategy to launch the Epi-LASIK product into all markets quickly. Since acquiring the Epi-LASIK technology, we have had significant interest from a number of Australian clinicians and several have placed orders. With the recent TGA approval and now with a great partner, we can fill these orders", stated Walmsley.

6/6 **SCHWIND eye-tech-solutions** has installed its 500th excimer laser for refractive corneal surgery. "This round number is a huge success and an important milestone for the company", exclaimed Rolf Schwind, CEO. "This proves that our customers show enormous trust in the Schwind eye-tech-solutions technology." The "Jubilee Model" was delivered to the **Provisus Augenklinik** Essen, Germany, which is operated by Dr. Ralf Gerl and Dr. José Bautista.

The very first Schwind laser was employed in 1992 in Korea. Today the treatment quality and handling comfort of the 6th generation high-end device stands high on course with users. Schwind eye-tech-solutions works permanently on new technologies to optimize excimer laser refractive surgery. So came about the method of topography-driven corneal wavefront, making available new dimensions for individual, patient-oriented laser operation. Furthermore, new software with features such as aspheric profiles has improved post-operative results concerning visual acuity, glare sensitivity, contrast vision and the entire healing process.

The destination of the ESIRIS with the number 501 has already been established: It will go to Jordan. The Arabian and also the south Asian market still offer Schwind a significant potential for growth. Overall, ophthalmic surgeons treat their patients' visual imperfections worldwide in over 60 countries with the Schwind eye-tech-solutions platform, predominantly in Europe, Asia, Latin and South America.

6/9 **Bausch & Lomb** chairman and CEO Ronald Zarrella announced a major expansion that will nearly double the eye health company's main research and development center, located at 1400 North Goodman Street, Rochester. The $35 million project includes $25 million for new construction and $10 million for renovations, equipment and machinery. The new two-story 75,000-square-foot glass-and-brick wing will house laboratories and offices, and allow room for a future 25,000-square-foot addition. The Company is adding up to 200 research jobs over the next two years as it continues to increase its investment in new product research and development.

"One of the deciding factors to expand our worldwide R&D center here in Rochester was the outstanding assistance from New York State, **Rochester Gas & Electric**, the City of Rochester, Monroe County and facilitated by Greater Rochester Enterprise," said

Zarrella. "We thank them for their commitment to working together to improve the economic vitality of this region, and to making this an attractive location to grow our business and add jobs."

Rochester City Council will vote June 14 on legislation to include a 22-acre portion of the Optics Center campus in the City of Rochester Empire Zone, an action that, when approved by Empire State Development, will allow Bausch & Lomb to apply for various tax incentives through the Empire Zone program. Upon passage of the legislation, groundbreaking is slated for July. Construction is scheduled for completion in early 2007. The Company also is eligible to receive a capital grant from Empire State Development.

"Bausch & Lomb's expansion means more high-paying jobs for the greater Rochester area, helping to ensure that the economic base of the region remains strong," Governor George E. Pataki said. "Our economic development team is pleased to have worked with the company to bring these jobs to Rochester as part of our ongoing efforts to create a pro-business and pro-growth environment that is helping to attract new investment and new opportunities."

The Bausch & Lomb R&D expansion "demonstrates our commitment to continue to develop innovative products to help people see, and will facilitate our plans to increase our presence in the nearly $20 billion global eye-health market," said Praveen Tyle, Ph.D., Bausch & Lomb senior vice president and Chief Scientific Officer.

"Monroe County is pleased to provide incentives for this project through COMIDA, to assist Bausch & Lomb in the expansion of its research and development efforts and the creation of new jobs locally," said Monroe County Executive Maggie Brooks. "Our area is a worldwide leader in optics and I applaud Bausch & Lomb for investing in our economy and for the continued commitment to our community."

Mayor William Johnson, Jr., said, "The City of Rochester is thrilled Bausch & Lomb has decided to locate this important research and development facility and its 200 jobs in the city. This project clearly demonstrates that Bausch & Lomb is committed to the revitalization of our city and in particular, the neighborhood in and around the Company's North Goodman Street campus.

"The impact of this project on the city cannot be underestimated," Johnson added. "This is the home of Bausch & Lomb and our workforce has been vital to Bausch & Lomb's growth for more than 150 years. With this project, I'm proud to say that Greater Rochester will be a significant part of Bausch & Lomb's future as well."

According to Michael Finney, CEO of Greater Rochester Enterprise, "This announcement is another great example of collaboration among our economic development partners. Bausch & Lomb's expansion will reinforce the Greater Rochester region's reputation as an R&D hub and highlight our region's strength and leadership in biotechnology and optics."

6/10 Ted Huber of **Wachovia Securities** wrote about the analyst meeting held by **Advanced Medical Optics**: **EYE: Wait Until 2007 For Top Line Growth But Expect 2006 Upside**

· **BACK TO THE FUTURE:** We exit EYE's analyst day with (1) confidence in the model and clarity on modest upside to guidance, but (2) realization that EYE's top line growth through 2006 is less than 5% given ongoing product rationalization. EYE remains an attractively priced med-tech value stock; catalysts include ReZoom lens driven upside and dry eye license deals or acquisitions.

· **A WEAKER TOP LINE STORY:** EYE now expects 1-2% organic revenue growth for H205 and 2006; we modeled 6% previously. Management's aggressive rationalization of "non-promoted" products should keep cataract growth near 1% this year and next vs. a 5-7% market rate. We expect double-digit organic refractive growth (20.5% of total revenue) in 2006 with stronger distribution, bundling of VISX products, and ramping ReZoom lens sales.

· **BUT POSITIONED FOR UPSIDE:** Though top line targets are coming in, we believe new targets are beatable as 2006 guidance (1) excludes ReZoom sales to the Medicare population, (2) includes no dry eye revenues and (3) assumes continued weakness in cataract. While we do not believe EYE can grow revenue faster than 5%, guidance at 2% organic leaves room for potential upside.

· **GUIDANCE AND MODEL UPDATE:** For 2005 and 2006 we are cutting revenue estimates significantly ($30 million for H205 and $80 million for 2006) and are now at the top end guidance for 2005 and $10mm ahead of 2006 guidance. Our EPS remain unchanged given increases to our margin estimates and reductions in tax rate (down 3 points to 31% in 2006) in line with new guidance. 2005 EPS are more back end loaded given timing of VISX merger costs. Our new 2007 estimates ($3.05 cash EPS) are built on 6.6% revenue growth and 180 b.p. of EBIT margin expansion.

6/15 According to the June 15th issue of *OptoElectronics/Laser Report*, **Coherent, Inc.** announced at *Laser 2005* in Munich this week that it had acquired privately held **TuiLaser AG** (Munich, Germany) for Euro 22.5 million (US$27 million). TuiLaser is a designer and manufacturer of excimer and solid-state lasers for scientific, OEM medical, and industrial applications. For its fiscal year ending September 2004, TuiLaser recorded sales of Euro 24.0 million (US$29 million).

The acquisition makes sense for Coherent on many levels. It provides Coherent with a strong market presence in all classes of excimer lasers, from low to high power, in all markets with the exception of lithography. TuiLaser is one of the leading suppliers of low-end excimer lasers for medical applications; this is an interesting addition to Coherent's product mix given that the company essentially exited the medical-laser business (accept as an OEM supplier) several years ago. TuiLaser's product line also includes infrared and green solid-state lasers that compliment Coherent's solid-state laser

products. TuiLaser has established a leadership position with its solid-state laser products in the growing area of identity card marking.

"We are particularly pleased that TuiLaser has joined Coherent," said John Ambroseo, president and CEO of Coherent. "We intend to aggressively leverage our worldwide distribution net-work to expand sales opportunities, and our customers will benefit from our ability to provide the industry's broadest selection of products and solutions." According to Martin Hohla, president of TuiLaser, "Joining forces with Coherent allows TuiLaser to further expand its customer base and provides the scale necessary to grow the business faster than as a stand-alone entity."

OPHTHALMIC LASER UPDATE -- July 2005

6/27 **TLC Vision Corporation** announced that all items proposed at the annual general meeting, held on June 23, 2005, were voted on and approved by shareholders. The items approved were:

* Shareholder Rights Plan. Original plan expired in November 2004 and the new plan was adopted by the Board of Directors on March 4, 2005.
* Amendment of TLCVision's By-laws to increase the quorum at shareholders' meetings from not less than 20% to not less than 33 1/3% of the votes entitled to be cast at any such meeting, which is in compliance with NASDAQ listing requirements.
* All existing members of the Board elected to another term and new member, Michael DePaolis, OD, elected to serve in an open seat.
* Appointment of Ernst & Young LLP as auditors of TLCVision for 2005.

"We are pleased to have attracted an optometric industry leader the caliber of Dr. Michael DePaolis to our already strong Board of Directors," commented Jim Wachtman, president and CEO of TLCVision. "His extensive experience in industry affairs as well as private practice will be a great asset in guiding overall strategy for TLCVision."

Michael DePaolis, OD is a co-founder and member of DePaolis and Ryan, OD, PC, a professional optometric corporation located in Rochester, NY, since 1995. He is a Fellow of the *American Academy of Optometry* and has been the Chief Optometric Editor of *Primary Care Optometry News* since 1995. Dr. DePaolis is an Adjunct Clinical Professor of Optometry at the Pennsylvania College of Optometry and is a Clinical Associate in the Department of Ophthalmology at the University of Rochester School of Medicine. He has served as a member of the Professional Advisory Panel for Refractive Surgery Services/Data-Site and served as a Visiting Professor at the L.V. Prasad Eye Institute in Hyderabad, India. Dr. DePaolis also served on the editorial boards of *Contact Lens Spectrum* and *Review of Optometry*. He has also served as an FDA Clinical Investigator and participates in the FDA Speaker Bureau.

6/28 **NIDEK Co. Ltd.** announced that it had received CE Mark approval for its proprietary Optical Path Difference Customized Aspheric Treatment (OPDCAT) algorithm and

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 OPDCAT, throughout the world, especially in Europe and the Middle East for the correction of myopia and myopia with astigmatism with aberrations of the entire optical system.

“This is a major milestone for NIDEK and our refractive surgery business in Asia, Europe, the Middle East and South America. With this approval, NIDEK takes an advanced step forward in providing our customers around the world and their patients with the best possible clinical outcomes in the market today for laser vision correction," said Hideo Ozawa, president and founder of NIDEK Co., Ltd. “NIDEK can now provide an innovative system designed to improve refractive outcomes for patients and treat aberrations of the entire optical system, with wide ranges of myopia and astigmatism," added Ozawa.

OPDCAT uses a proprietary and revolutionary ablation algorithm based on topography and wavefront data generated by the NIDEK OPD-Scan. With a combination of slit scan and multi-point ablation, OPDCAT is intended to correct refractive errors as well as optical aberrations of the entire eye. Aberrations based on corneal and entire eye irregularities can result in visual blur and other undesired visual phenomena are reduced with this new 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 97% of patients having an uncorrected visual acuity of 20/20 or better. In addition, 86% of patients gained at least one line of best-corrected visual acuity. 86% of patients were within 0.50 diopters of the targeted refractive correction. Average contrast sensitivity was maintained three months post-operatively, indicating the potential of excellent quality of vision after the procedure.

“The use of OPDCAT software algorithm with NIDEK's excimer laser technology potentially increases the visual acuity and quality of vision while addressing two major issues in refractive surgery: treatment of aberrations of the entire optical system and reducing higher order aberrations that can occur post-ablation. NIDEK's excimer platform now offers a full suite of treatment algorithms that use wavefront and topography data from the NIDEK OPD-Scan to treat a patient's refraction needs. We expect an unsurpassed level of patient and physician satisfaction with this improvement in refractive surgery," noted Ozawa.

6/28 **VisiJet Inc.** dba **Advanced Refractive Technologies**, announced that it had scheduled an additional shareholder meeting, which will serve as a quorum for its recently approved proxy concerning the Board of Directors, to be held Thursday, June 30, 2005, at the Company's Headquarters in San Clemente. Interested investors are encouraged to come down to the Advanced Refractive Technologies building at 10 a.m. PDT to participate. Thursday's quorum will also be an opportunity for shareholders to visit the Company's

operations headquarters, learn more about the revolutionary EpiLift system and its anticipated impact on the LASIK and refractive surgical markets, participate in a question and answer session with CEO Randal Bailey and give feedback concerning VisiJet's plans to revitalize its market awareness and market capitalization.

6/29 **LCA-Vision Inc.** announced the opening of its 43rd LasikPlus vision center in the United States in the Hartford, Connecticut metro area. Like all other LasikPlus vision centers throughout the United States, the new Hartford center employs an experienced team of health care professionals, and is equipped with technologically advanced lasers and diagnostic equipment, including **Bausch & Lomb**, **VISX** and **Alcon** lasers, to offer patients a wide choice of traditional laser vision correction and advanced custom wavefront procedures.

7/1 According to *Cataract & Refractive Surgery Today*, **Alcon Laboratories, Inc.** (Fort Worth, TX), received a warning letter from the FDA based on an inspection of the company's Orlando, Florida, facility on January 10 through 18, 2005. According to the official notice, dated April 15, the FDA determined that Alcon's Ladarvision 4000 excimer laser was "adulterated under section 501(h) of the Federal Food, Drug, and Cosmetic Act, in that the methods used in, or the facilities or controls used for, the manufacture, packing, storage, or installation are not in conformance with the Current Good Manufacturing Practice (CGMP) requirements for medical devices which are set forth in the Quality System regulation, as specified in Title 21, Code of Federal Regulations (CFR), Part 820."

The FDA letter said Alcon did not establish and maintain procedures to ensure a thorough review of product complaints and that the company did not adequately review and investigate complaint records pertaining to such issues as translator malfunction and problems with tracking and firing of the laser. Furthermore, certain complaints were not submitted to the FDA in the required 30-day period following notification. In addition, the agency referenced a higher retreatment rate for surgeries that were started more than 30 minutes after calibration compared with those that were started within 30 minutes of calibration. Alcon said that the rates were 8.6% and 6.7%, respectively. The FDA's analysis focused on the relationship between calibration time and retreatment rates, and not on other surgical- and patient-related variables.

Alcon submitted a response to the FDA's initial observations on February 3, 2005. However, the FDA said it was inadequate, because complete compliance to the required corrective actions has not been fully demonstrated. The FDA has requested that Alcon address every violation that has been referenced.

Alcon continues to work with the FDA and has formally responded with comprehensive and detailed plans and solutions to address the items outlined in the letter. According to Alcon, many of the proposed changes have already been implemented in the processes and policies of the company.

7/6 **Refocus Group, Inc.** announced that the U.S. District Court for the Central District of California has granted Refocus Group's motion to dismiss a lawsuit filed by **Biolase Technology, Inc**. in Feb. 2005. In its complaint, Biolase sought a declaratory judgment that Refocus Group's U.S. Patent No. 5,489,299 entitled, "Treatment of Presbyopia and Other Eye Disorders," is invalid, unenforceable and not infringed by Biolase. The "299" patent is directed in part to Refocus Group's principal products and scleral spacing/expansion technology and medical procedures.

In moving to dismiss, Refocus argued that Biolase did not meet the prerequisites for cases brought under the Declaratory Judgment Act. In the order dismissing the case without prejudice (entered June 23, 2005) the court agreed with Refocus Group and found that Biolase failed to show that 1) it had "reasonable apprehension of suit" at the time the case was filed; and 2) it had "taken the necessary concrete steps with the intent to conduct activities which could constitute infringement." Biolase has the right to appeal the court's ruling and Refocus Group will vigorously defend any such appeal.

Biolase, a dental laser company, had announced in February 2005 (one day preceding the filing of their lawsuit against Refocus Group) a licensing agreement with **Surgilight, Inc.** regarding certain presbyopia laser patents. Concurrently, Biolase had been seeking a similar license from Refocus regarding certain patent rights including rights applicable to the use of lasers in the treatment of presbyopia.

7/6 Ted Huber of **Wachovia Securities** reported on his company's recent health care investment conference in his weekly report: **Wachovia's Eye On Ophthalmology**

NANTUCKET CONFERENCE RECAP: **EYE**, **BOL**, and **ILSE** presented at *Wachovia's 15th Nantucket investment conference*. EYE announced its ReZoom lens has begun shipping, slightly ahead of the Q3 2005 target. Management presented data showing ReZoom to be substantially equivalent to ACL's ReStor. EYE management also confirmed its international sales force has begun training on VISX products. BOL confirmed its U.S. Purevision relaunch is ahead of schedule and its plans to launch Purevision in Japan in mid-2006. ILSE reported progress with corporate LASIK provider TLCV. ILSE also confirmed it has now placed lasers in 20 countries and expects regulatory approval in China and Taiwan later this year.

7/7 **NovaMed, Inc.** joined the new **Russell Microcap Index** when **Russell Investment Group** reconstituted its family of U.S. indexes on June 24, 2005. "We are pleased to be included in the new Russell Microcap Index," said Scott Macomber, executive vice president and CFO of NovaMed. "We believe this will provide NovaMed with greater visibility among investment managers and institutional investors."

7/11 **STAAR Surgical Company** announced that it had received a letter from the FDA in response to the Company's responses, dated November 4, 2004 and February 11, 2005, to the FDA's Form 483 issued in September 2004. This letter, received on July 5, 2005, is the Agency's first formal communication to the Company since the receipt of the Form

483 following the closure of the Monrovia audit in September 2004. In the letter the FDA states, among other things, that STAAR's earlier responses reveal that the company has "failed to adequately correct numerous violations" noted on the Form 483. The FDA letter also states that the "FDA is gravely concerned about STAAR's serious, continuing violations and is prepared to seek the appropriate remedies under the Act." The FDA also indicates that this letter is its final attempt to notify STAAR of its non-compliance and gives STAAR 10 calendar days following the receipt of the letter to provide its responses and supporting documentation.

STAAR will submit its response to the FDA's letter within the 10-day deadline. The response will include, among other things, data gathered by STAAR and information about ongoing corrective actions taken by STAAR following the latest update submitted to FDA in February 2005. There can be no assurance that STAAR's responses to the most recent letter will resolve all of the open issues to the FDA's satisfaction, although STAAR is committed to using all resources to achieve that result.

STAAR cannot predict the FDA's reaction to STAAR's response, but believes that the FDA will pursue enforcement action against the Company if it finds the response inadequate. This action, if taken, would most likely have a material and adverse impact upon STAAR and its prospects.

STAAR continues to believe that the FDA will not grant final approval to market the VISIAN ICL in the United States until all compliance issues have been resolved.

7/11 According to *Ophthalmic Market Perspectives*, a new company, **Advanced Ocular Systems (AOS)** has been formed from the acquisition of **Lenstec**, the **Center of Clinical Research**, and several patents for accommodating IOLs and corneal inlays. Ken Taylor, my former associate from **Arthur D. Little**, has been appointed as CEO.

Lenstec is an IOL manufacturer based in St. Petersburg, FL, with a manufacturing plant in Barbados. The company has a full line of IOLs and also offers a phakic IOL and the Kellan Tetraflex accommodating IOL. AOS has purchased Robert Kellan’s accommodating patent portfolio. The Kellan Tetraflex is sold in Europe where more than 2500 lenses have been implanted. FDA Phase I clinical studies are underway for approval in the U.S.

AOS has also acquired the rights to several patents from Gholam Peyman, MD, including the rights to two corneal inlay designs and the related surgical procedures. Also part of the purchase is the PAI LASIK procedure, which involves an innovative photo-ablative corneal inlay, designed for placement under a LASIK flap.

In addition, AOS has acquired the Center for Clinical Research, a service organization founded by Donald Sanders, MD, that assists in designing and running FDA clinical studies.

7/11 **TLC Vision Corporation** announced that it had acquired a majority interest in the assets of **Kremer Laser Eye (Kremer)**. For over 20 years, Kremer Laser Eye has been a leading integrated eye care business in the Philadelphia market area. Their services include refractive, cataract and glaucoma surgery. TLCVision will command a leading position, as it adds Kremer to current successful operations in the market, both with strong optometric networks, highly experienced surgeons and technology leadership. With offices in the states of Pennsylvania, New Jersey and Delaware, Kremer Laser Eye includes:

- 3 Laser Vision Correction Centers

- 1 Certified Ambulatory Surgery Center (ASC)

- 7,500 Refractive Procedures/Year

- 1,500 Cataract Procedures/Year

"This acquisition is an important strategic step for us," commented TLCVision's president and CEO, Jim Wachtman. "By partnering with the surgeons at Kremer Laser Eye, we are able to expand our presence across both of our core businesses, refractive and cataract surgery, in one of the largest populated markets in the U.S. Our combined organization is very well positioned to grow its existing market share by leveraging multiple facilities and offerings with our affiliated optometrists."

For the 12 months ended 2004, Kremer Laser Eye generated over $19 million in net revenues. The acquisition is expected to add $0.03 in EPS and boost net revenues by 7%, both on an annualized basis. The net purchase price for the 82% interest was $24.3 million in cash plus the assumption of certain liabilities, subject to closing adjustments.

"Kremer Laser Eye could not have found a better partner in TLCVision, " said Kremer Laser Eye founder, Dr. Frederic Kremer. "They have successfully supported their optometric co-management model throughout their history, which has always been a cornerstone of our business. TLCVision has the reputation as the national leader, and that will help us to support the strong, premium quality brand that we have spent the past 20 years building for Kremer Laser Eye."

After the transaction, TLCVision will have an 82% ownership in Kremer, with the remaining 18% interest to be retained by the four active Kremer surgeons who will remain with the business going forward: Michael Aronsky, MD, Carol Hoffman, MD, George Pronesti, MD, and Anthony Zacchei, MD. Frederic Kremer, MD, who has served as managing partner, will be retiring. As a well recognized brand in the vision correction industry, the Kremer name will remain with the business. The acquisition is expected to be accretive and boost TLCVision's annual EPS by $0.03 and annual net revenues by 7%.

A.G. Edwards acted as the financial advisor to TLCVision in connection with the transaction.

7/12 **IRIDEX Corporation** announced a joint marketing and licensing agreement with **Innovatech Surgical, Inc.** Under the terms of the arrangement, IRIDEX has an option for worldwide distribution rights to Innovatech's current and future disposable endo ocular probes and Innovatech will license IRIDEX's proprietary probe/laser connector. This agreement will increase the consumable probe offering IRIDEX currently offers ophthalmologists giving customers more clinical versatility and a wider selection of probes compatible with IRIS Medical laser photocoagulators.

IRIDEX will immediately begin distribution of Innovatech's Illuminating endo ocular probes (Straight and Angled, 20 gauge) and Adjustable & Intuitive (20 and 25 gauge) for endophotocoagulation for the treatment of diabetic retinopathy, retinal breaks and detachments, and neovascular glaucoma. The illuminating probes combine white light illumination with laser delivery in one convenient handpiece. The illuminating probes also feature a bayonet style tip design for simultaneous wide field illumination and precise laser spots. The Adjustable & Intuitive endo ocular probes allow the fiber optic to be continuously adjusted over a wide range of angles for full coverage of peripheral retina without removing the probe from the eye.

Barry Caldwell, president and CEO of IRIDEX said, "We are pleased to partner with Innovatech as a provider of innovative probe designs for endophotocoagulation procedures. This alliance fits our strategy to expand our consumable product line and provide a wider array of laser probe options to satisfy the demands of vitreoretinal surgeons worldwide. The addition of the adjustable and intuitive probe models complements our cannula probe strategy recently initiated with the introduction of our new Stepped EndoProbe products."

"Further, Innovatech endo ocular probes will be fitted with the IRIDEX proprietary connector technology validating them for use on all IRIDEX lasers and insuring delivery of precisely calibrated laser energy and compliance with laser safety standards," continued Mr. Caldwell.

"We're thrilled to be in this relationship with IRIDEX," said Michael McGowan, Sr., president of Innovatech Surgical, Inc. "IRIDEX is recognized as a leader in ophthalmic laser photocoagulators. By licensing their proprietary connectors, our full line of probes will now be integrally compatible to IRIS Medical laser consoles. We believe this partnership presents a tremendous opportunity for Innovatech, and we look forward to strengthening this relationship across a variety of vitreoretinal surgical device platforms."

7/13 **Advanced Medical Optics, Inc.** announced the pricing of a private offering of $150 million aggregate principal amount of its 1.375% convertible senior subordinated notes due 2025. The notes were offered only to qualified institutional buyers pursuant to Rule

144A under the Securities Act of 1933. The sale of the notes is expected to close on July 18, 2005, subject to customary closing conditions.

The notes will be unsecured senior subordinated obligations of AMO and will pay interest semi-annually at an annual rate of 1.375%. Prior to June 1, 2011, the notes will be convertible, only upon specified events, at the option of the holder into cash and, in certain circumstances, shares of AMO's common stock at an initial conversion price of approximately $47.60 per share (or an initial conversion rate of 21.0084 shares per $1,000 principal amount of notes). On or after June 1, 2011, the notes will be convertible at any time prior to maturity at the option of the holder into cash and, in certain circumstances, shares of AMO's common stock at the above initial conversion rate, subject to adjustment. The initial conversion price represents a 12.53% premium to the $42.30 per share closing price of AMO's common stock on The New York Stock Exchange on July 12, 2005.

Beginning July 6, 2011, AMO may redeem any of the notes at a redemption price of 100% of their principal amount, plus accrued and unpaid interest. Holders may require AMO to repurchase the notes at a repurchase price equal to 100% of their principal amount, plus accrued and unpaid interest, on July 1, 2011, July 1, 2016 and July 1, 2021, or at any time prior to their maturity upon the occurrence of a fundamental change.

AMO intends to use the net proceeds from the offering to repay its outstanding term loan under its senior credit facility.

7/14 **QLT Inc.** reported that its alliance partner, **Novartis**, announced global Visudyne (verteporfin) sales of US$129 million for the quarter ended June 30, 2005. This represents an increase of 18% over sales in the second quarter of 2004.

7/18 Ted Huber of **Wachovia Securities**, in his weekly *Eye on Ophthalmology* email, passed along the following tidbit (which usually effects refractive surgery procedures): The University of Michigan's Consumer Sentiment index increased to 96.5 in July from 96 in July (consensus estimate was a 1 point decline to 95). Better-than-expected hiring and stock market performance offset the effect of high gas prices.

7/20 **LCA-Vision Inc.** announced the opening of its 44th LasikPlus vision center in the Milwaukee, Wisconsin metro area. Similar to other LasikPlus vision centers across the United States, the new Milwaukee vision center employs an experienced team of health care professionals and is equipped with technologically advanced lasers and diagnostic equipment, including **Bausch & Lomb**, **VISX** and **Alcon** lasers, to offer patients a wide choice of traditional laser vision correction and advanced custom wavefront procedures.

7/20 **Advanced Medical Optics, Inc.** announced financial results for the second quarter of 2005. Net revenue for the second quarter was $227.1 million, compared to $168.7 million in the same period last year. The second-quarter 2005 revenue rose 34.6% compared to the same period last year, including a 2.9% increase related to foreign currency. The

growth in revenue included the May 27, 2005 acquisition of **VISX, Incorporated**, the acquisition of the **Pfizer** ophthalmic surgical business in the third quarter of 2004 and increased sales from the company's promoted ophthalmic surgical and eye care brands.

In the second quarter, the company reported a net loss of $438.1 million ($9.53 per share) compared to a net loss of $112.5 million ($3.67 per share) in the same quarter one year ago. Operating performance in the second quarters of both 2005 and 2004 were heavily impacted by special charges. During the second quarter of 2005, the company recorded an after tax charge of $456.3 million ($9.37 per share) associated with recent acquisitions, including a $451.5 million non-cash write-off for in-process research and development. The second-quarter net loss per share also excluded the effect of dilutive instruments that equated to $0.53 per share. When combined with the charges, this had the effect of reducing the company's second-quarter earnings per share by $9.90.

The loss in the year-ago quarter was due primarily to after tax charges of approximately $121.3 million, related principally to a recapitalization. This had the effect of reducing earnings per share by $3.17. The second-quarter 2004 net loss per share also excluded the effect of dilutive instruments that equated to $0.75 per share. Together, these had the effect of reducing the company's second-quarter 2004 earnings per share by $3.92.

"AMO's strategy is to achieve sustained, profitable growth through innovative vision technologies that optimize the quality of life for people of all ages," said Jim Mazzo, AMO president and CEO. "In the second quarter, we took a major step forward in the execution of our strategy with the successful close of our acquisition of VISX, which positions AMO as the world leader in refractive surgery. We also continued to improve our global competitiveness and strengthened our foundation for future growth through increased focus on branded cataract and eye care technologies that offer clear differentiated benefits to practitioners and their patients."

Net revenue for the first six months of 2005 was $419.6 million, compared to $319.0 million in the same period one year ago. Including a 3.3% positive impact of currency, the company's revenue grew 31.5%, compared to the same period last year. The growth in revenue included the May 27, 2005 acquisition of VISX, the acquisition of the Pfizer ophthalmic surgical business in the third quarter of 2004 and increased sales from the company's promoted ophthalmic surgical and eye care brands.

The company reported a net loss for the first six months of 2005 of $424.3 million ($10.17 per share) including an after tax charge of $456.3 million, or approximately $10.27 per share, associated with recent acquisitions in the second quarter. In addition, the net loss per share for the period excluded the effect of dilutive instruments that equated to $0.62 per share. Together, these had the effect of reducing the company's earnings per share for the first six months of 2005 by $10.89. This compared to a net loss in the first six months of 2004 of $107.8 million ($3.59 per share) including after tax charges of approximately $121.3 million ($3.18 per share) related primarily to a recapitalization. The net loss per share for the prior six-month period excluded the effect

of dilutive instruments that equated to $0.81 per share. Together, these had the effect of reducing the company's earnings per share for the first six months of 2004 by $3.99.

AMO reaffirmed its guidance for 2005 of revenue in the range of $920 million to $930 million and adjusted earnings per share in the range of $1.65 to $1.75. Revenue for 2006 is projected in the range of $1,020 million to $1,040 million, with 2006 adjusted earnings per share in the range of $2.20 to $2.30. Revenue for 2007 is projected in the range of $1,080 million to $1,100 million, with adjusted earnings per share at or above $2.65. AMO's adjusted earnings guidance excludes the impact of charges related to acquisitions and debt restructurings, the impact of expensing options and the unrealized gains or losses on derivative instruments.

Ophthalmic Surgical: Ophthalmic surgical revenue grew 66.2% in the second quarter, including a 3.7% increase related to foreign currency, to $144.0 million, compared to $86.7 million in the year-ago quarter. The increase included the addition of the VISX business in the last four weeks of the quarter, the impact of the Pfizer surgical ophthalmic business acquired in the third quarter of 2004 and continuing acceptance of the company's branded surgical products.

Total intraocular lens (IOL) sales rose 19.9% to $66.9 million, compared to $55.8 million in the second quarter of 2004. The increase reflected primarily the acquisition of the Pfizer ophthalmic surgical business and the strength of the company's promoted IOL technologies, the Tecnis and Sensar lenses.

Sales of viscoelastics rose to $36.1 million, compared to $4.6 million one year ago. This rise reflected primarily the addition of the Healon family of viscoelastics, which AMO acquired as part of the Pfizer transaction.

Sales of phacoemulsification products grew 2.5% during the quarter to $20.3 million, compared to $19.8 million one year ago. The company's proprietary Sovereign system with WhiteStar technology was a key contributor to sales performance in the quarter.

Laser vision correction revenue was $13.4 million in the second quarter, reflecting the approximate four-week period that AMO owned the VISX business. Of this amount, approximately 73% was derived from licensing revenue, with the remainder from system sales and service.

Eye Care: Eye care revenue grew 1.2% in the second quarter, including a 2.1% increase related to foreign currency, to $83.1 million, compared to $82.1 million in 2004's second quarter. The second-quarter performance was impacted by growth in the company's multipurpose solutions and an offsetting decline in hydrogen peroxide sales, primarily in Japan where the contact lens care market is moving to multipurpose systems.

Sales of AMO's multipurpose solutions rose 14.8% in the second quarter to $44.2 million, compared to $38.5 million one year ago. Sales of the company's flagship COMPLETE branded product line were up 19.5% for the quarter.

Additional Operating Results: The following are additional operating highlights for the second quarter of 2005.

* Gross profit for the second quarter of 2005 was $139.6 million and included approximately $1.9 million in costs associated with recent acquisitions. This compared to gross profit of $104.7 million for the same period one year ago.

* Research and development expense in the second quarter of 2005 was $13.9 million, compared to $10.2 million in the same period one year ago.

* SG&A expense for the second quarter was $97.6 million, including approximately $2.8 million in certain charges associated with recent acquisitions and integrations. In the second quarter of 2004, the company's SG&A expenses stood at $76.9 million.

* The operating loss in the second quarter was $423.4 million, including approximately $456.2 million in charges and costs. This compares to operating income of $17.6 million in the same period one year ago.

* Non-operating expenses for the second quarter were $7.6 million, including $2.0 million in costs associated with debt restructuring charges net of a gain on currency derivatives. This compares to non-operating expenses in the second quarter of 2004 of $130.6 million, which included $126.3 million in costs associated with a recapitalization net of a gain on currency derivatives.

Debt Restructuring: On July 18, 2005, the company completed a private offering of $150 million aggregate principal amount of 1.375 percent convertible senior subordinated notes due 2025. The company plans to use the proceeds to pay off its Term B loan, which will reduce its interest expense and interest rate exposure, and enhance its financial flexibility.

Ted Huber of **Wachovia Securities** provided his take on **Advanced Medical Optics** second quarter results: **EYE: Improved Cataract Growth Offsets Weak Margins--EPS In Line**

● **Q205 RESULTS:** Adjusted pro forma EPS of $0.37 was in line with consensus. Revenue beat our targets by $6mm (3.6%) on strong cataract performance but weak gross margins and SG&A $2.4 million above our target resulted in EBIT near $32.8 million, a 14.4% margin and $1.1 million shy of our model. With lower-than-expected share count, EPS was in line. GAAP EPS was a $9.53 loss. Non-operating charged included IPR&D, cash acquisition costs, and written-off debt issuance costs.

● **OPERATING PERFORMANCE:** Given the PCS cataract and VISX refractive acquisition in the last 12 months, reported revenue growth was 32%. We estimate c.c. organic yr/yr cataract revenue growth at 3%, up near 2 points over estimated Q105 results. Strong Tecnis IOL and viscoelastic sales were key drivers. Solutions revs. were down 1% organic (weak hydrogen peroxide sales in Asia). We estimate organic growth for VISX in the high single digits, the product of mid-teens license revenue growth and declining hardware sales due to the delay until the Q305 launch of the iris registration hardware/software upgrade.

● **MODEL CHANGES:** EYE's guidance through 2007 remains unchanged. While our annual EPS and revenue growth targets stand, we have pushed more earnings into Q4 based on management comments. Given the large number of moving parts, we remain highly reliant on management to forecast this business. Last week's convert was near $0.05 accretive to 2005 EPS given its low coupon (1.375%). We have increased SG&A in our 2006 forecast to offset the now lower interest expense and keep EPS at $2.25, the mid-point of GAAP EPS guidance.

7/20 With approval of the Board of Directors, **VisiJet Inc.**, dba **Advanced Refractive Technologies**, issued the following open letter to shareholders regarding the company's recent activities. The letter appears in its entirety.

Dear Shareholders

We are pleased to provide the following results of our shareholders meeting, which was held on June 30, 2005. In the absence of our Chairman, Dr. Keates, Randal Bailey, CEO, conducted this year's assembly. Per Delaware law, voting was conducted either in person or via shareholder proxy. There were three items on the agenda, all of which passed by a majority shareholder vote:

1. Approval of an amendment to the Company's restated Certificate of Incorporation, changing the Company's name to Advanced Refractive Technologies Inc.

2. Approval of the 2005 Stock Option Plan.

3. The election of a slate of Directors:

Richard H. Keates, M.D., Chairman
Randal A. Bailey
Adam Krupp
Laurence M. Schreiber
Norman A. Schwartz

Upon adoption of the new name, shareholders will be made aware of any changes in the status of the stock. At this point no action is required on the part of shareholders. In

addition to the shareholder vote, the Chief Executive Officer provided a summary of the Company's position and progress. Highlights of the summary are included below.

Current State of EpiLift Sales: Sales have taken off slower than first expected. Reasons for this include the fact that "Missionary sales require conversion of non-believers." That is to say that initial orders for a relatively new technology require overcoming certain objections, as well as built-in resistance to the technology, the company and the sales force representing the technology. People are resistant to change, thus change happens slowly.

To overcome this challenge, the sales and marketing team have established relationships with centers of influence who, in turn, act as product champions and are key to conversion of the early adopters. Naturally, the well being of patients is a priority for our physicians who perceive the safety profile of this new procedure. In addition to our own efforts, our product champions are validating the safety profile of the EpiLift procedure. One result is that sales have been slowly increasing as awareness of benefits and safety improves.

Status of Pulsatome: Pulsatome, our cataract pulsed waterjet device, is waiting for proper funding to complete prototypes, three of which are almost ready for laboratory study. After funding, the plan is to send two prototypes to a laboratory at the University of Utah. There they will undergo approximately two months of study. Data obtained from the study will help determine a final design, which will be submitted to the FDA. Once adequate funding is obtained, we expect a 90-day FDA approval. Based on our best information, approval is expected in late First Quarter 2006.

Other Comments: The company, in order to provide future revenue streams, has several other new product ideas under consideration.

Following the summary, Bailey entertained questions and with the conclusion of the meeting, then conducted a tour of the facilities for the benefit of attending shareholders.

For further information, please contact investor relations.

Cordially,

Randal A. Bailey
Chief Executive Officer,
Advanced Refractive Technologies, Inc.

OPHTHALMIC LASER UPDATE -- August 2005

7/13 **WaveLight Laser Technologie AG** reported achieving a further milestone in its dynamic business development. With a market capitalization of over E100 million, WaveLight has now reached a stock market value that reflects the successful performance of the young

growth company. The higher market capitalization is in turn attracting increased attention from investors, and thus increasing the liquidity of WaveLight shares. As a result, the Erlangen-based medical laser producer has proven once again that WaveLight shares present a highly attractive investment for both private and institutional investors.

WaveLight shares have performed extremely well since the successful capital increase and admission of the resulting shares to trading on November 19, 2004. As a result, the share price rose by 25 percent to the current price of around E16.00. However, financial analysts believe that the shares are still trading below their value. The company' s dynamic development continues to offer upside potential, which is why the shares continue to have "buy" recommendations.

"We aim to ensure that our company's encouraging development continues to be reflected in the share price thanks to our proactive investor relations and dynamic growth path," said Max Reindl, CEO of WaveLight.

7/25 Ted Huber of **Wachovia Securities** issued an update on presbyopic IOLs: **Presbyopia Lens Update**

*** EYEONICS REPORTS MODEST MULTIFOCALS COMPETITIVE INROADS.** Eyeonics reportedly booked Q205 revenue of $3.3mm on 4100 crystal lens placements, with both revenue and lens volumes down about 7% sequentially. The modest sequential declines registered in Q205 related in part to inroads by multifocal lens competitors - mostly from Alcon's ReStore (EYE's ReZoom was just launched Q305 in the U.S.). Eyeonics reported "losing" just 3 surgeons to Alcon though near 100 (out of 450 active customers) reported trying ReStore. Eyeonics is now targeting revenue of $15mm for 2005 without significant changes to its 37 person domestic field force. Eyeonics reported accelerating volumes in June as surgeons begin to gain traction in the Medicare population.

*** EYEONICS PLANS AUGUST COUNTER PUNCH:** Eyeonics plans an August 15 launch of a key product improvement, new surgical protocol and new business terms, including a price hike from $825 to the now familiar $895 - list for ReStore and ReZoom. Eyeonics management believes that higher than desirable rates of a complication, PCO - posterior capsular opacification - has limited Crystalens adoption. A new squared edged Crystalens is designed to reduce rates of PCO. Eyeonics is also hoping to neutralize the "wow factor" advantage (immediate post operative vision improvement) of the multifocals with a new surgical protocol that obviates the need for the near 2 weeks of dilating eye drops currently used after Crystalens procedures.

*** LIMITED MARKET FEEDBACK ON MULTIFOCALS TO DATE:** Our surgeon and market sources indicate that Alcon has enjoyed modest success targeting high volume Array and Crystalens surgeons. While Alcon has trained over 1000 surgeons and EYE is now starting its launch process, we've heard no reports of advertising by surgeons or high surgery volumes (i.e., more than 20 lenses). ASP's for multifocal procedures are

averaging $3500 per eye (about $2,000 after Medicare). We've heard both positive and negative clinical feedback on the multifocals but believe it's too early to draw meaningful conclusions. The two Q305 surgical trade shows (ESCRS and ASCRS Summer Refractive Congress) could offer the first meaningful forums for review of Multifocal performance.

*** ALCON MAY NEED TO CURB STREET ENTHUSIASM:** ACL shares have run these past 6 weeks, in part due to "Street" speculation that ReStore is poised to run away with the presbyopia IOL market. Given Crystalens staying power demonstrated during Q205, we expect ACL management may attempt to rein in the Restore bulls on this week's earnings call. Given the surprise Medicare reimbursement decision in May, we now expect ACL to hit or slightly exceed its Restore goal of $35mm to $45mm in revenue this year. But we do not expect significant upside given competition from ReZoom and Crystalens. Though we expect ReStore to be a commercial success in time, we continue to view EYE as the best way to play the presbyopia opportunity with ultimate annual EPS impact of up to $0.40, about double the impact possible for ACL.

7/26 **LCA-Vision Inc.**, announced financial results for second quarter and six months ended June 30, 2005. Second Quarter 2005 Financial & Operational Highlights:

* Revenues grew 53% to approximately $48.4 million from approximately $31.6 million in last year's second quarter.
* Procedure volume rose 49% to 36,010 procedures compared with 24,093 procedures performed in last year's second quarter.
* Same-store revenues increased 39% at vision centers open at least 12 months.
* Opened two new LasikPlus vision centers in Norfolk, Virginia and Hartford, Connecticut.

Net Income & Earnings Per Share: Net income was approximately $7.8 million and earnings per diluted share were $0.36 in 2005's second quarter, compared with net income of approximately $10.8 million and earnings per diluted share of $0.52 in 2004's second quarter. Included in 2004's second quarter financial results was the reversal and usage of the valuation allowance against deferred tax assets of approximately $7.1 million related to federal and state net operating loss carryforwards generated in prior years. Excluding the change in the valuation allowance against deferred tax assets, second quarter 2004 earnings per diluted share would have been $0.18. Management believes that excluding the change in the valuation allowance against deferred tax assets is a meaningful disclosure as it allows for year-over-year comparisons of financial results on a consistent basis.

Procedure Demand Continues to Drive Revenue Growth: Revenues grew 53% to approximately $48.4 million in 2005's second quarter from approximately $31.6 million in 2004's second quarter. Procedure volume increased 49% in 2005's second quarter to 36,010 from 24,093 procedures performed in 2004's second quarter. Revenue per procedure increased 3% to $1,344 in the second quarter of 2005 from $1,310 in the

second quarter of 2004. Operating income increased 106% to approximately $12.9 million in 2005's second quarter from approximately $6.3 million in 2004's second quarter. The operating margin was 26.7% in the second quarter of 2005 compared with 19.9% in the second quarter of 2004.

"We are pleased to report another quarter of solid financial and operational results," remarked Stephen Joffe, LCA-Vision's chairman and CEO. "Revenues, procedure volumes, and operating income grew year-over-year reflecting continued execution of our business plan. Excluding the change in the valuation allowance against deferred tax assets recorded in last year's second quarter, earnings per diluted share doubled from $0.18 to $0.36."

Solid Cash Position: Cash provided by operations in the first six months of 2005 grew to approximately $24.1 million from approximately $15.0 million in the first six months of 2004. Cash and cash equivalents increased to approximately $107.3 million as of June 30, 2005, from approximately $100.1 million as of March 31, 2005 and approximately $79.6 million as of June 30, 2004.

Year-To-Date Results: In the first half of 2005, revenues grew 56% to approximately $98.6 million from approximately $63.2 million in the first half of 2004. Procedure volume in the first half of 2005 increased 52% to approximately 73,600 procedures from approximately 48,400 procedures performed in the first half of 2004. Operating income increased 117% to approximately $28.3 million in 2005's second half from approximately $13.0 million in 2004's second half, and the operating margin was 28.7% compared with 20.6%.

For the six months ended June 30, 2005, the company reported net income of approximately $17.1 million, or $0.80 per diluted share, compared with net income of approximately $23.6 or $1.14 per diluted share for the six months ended June 30, 2004. Excluding the change in the valuation allowance against deferred tax assets of approximately $15.7 million recorded in the first half of 2004, earnings per diluted share more than doubled from $0.38 to $0.80. Management believes that excluding the change in the valuation allowance against deferred tax assets is a meaningful disclosure as it allows for year- over-year comparisons of financial results on a consistent basis.

Outlook: The company is increasing its earnings guidance and now expects full-year 2005 earnings per diluted share to be between $1.25 and $1.30. Revenue growth for the second half of 2005 and for the full-year of 2006 is expected to be 30% to 40%.

Joffe continued, "We continue to see strong demand for laser vision correction procedures at our LasikPlus vision centers and we believe our growth rates will continue to exceed market growth rates. Our leading indicators remain positive and we remain optimistic that the LasikPlus business model will continue to deliver solid financial and operational performance."

7/26 Ted Huber of **Wachovia Securities** reported on **LCA Vision** and its possible connection with **IntraLase**, following LCA Vision's earnings conference call: **ILSE: LCA Steps Closer To Becoming A Customer**

*** LCA VISION RE-EVALUATING INTRALASE TECHNOLOGY:** During its Q2 2005 earnings conference call, LCA Vision management commented that it is re-evaluating IntraLase's femtosecond lasers for creation of LASIK flaps. To date, LCA has not purchased an Intralase laser. Management indicated that its medical advisory board is evaluating IntraLase's new 30 Khz laser given (1) faster procedure time and (2) less "sticky" LASIK flap bed.

*** INTRALASE ADOPTION DECISION TO BE DRIVEN BY CLINICAL DATA:** Management indicated that any decision to adopt IntraLase would require "clinical data showing superior outcomes" versus microkeratome LASIK. Intralase users have reported data showing superior outcomes though little is published in peer-reviewed forums and none is against the latest generation of microkeratomes (new devices launched by EYE and BOL this year). Watch for new clinical data on IntraLase's 30 Khz laser at the ESCRS (September) and AAO (October).

*** SIGNIFICANT POTENTIAL POSITIVE FOR INTRALASE:** With no placements at LCA, and just about a 10% penetration of TLCV sites, Intralase is under represented among corporate laser centers, the fastest-growing segment of the domestic LASIK business. With its growing installed base (LCA currently operates 42 centers) and procedure share gains, LCA represents an important potential customer. These statements significantly increase the likelihood that LCA will buy an Intralase unit in the next year, in our view. Our current model does not count on significant penetration of the domestic corporate laser center market by Intralase.

7/27 Stephen Simpson, writing for *The Motley Fool.com* about **LCA Vision**: **The Eyes Still Have It**

Whether it's vanity or convenience, there's no doubting the ongoing demand for laser vision correction. By the same token, there's no denying the break-out growth that **LCA-Vision** is producing these days. An operator of centers devoted to vision correction, LCA-Vision reported that revenue climbed 53% in the second quarter. Procedure volumes climbed 49% from the year-ago level, and a 3% increase in revenue per procedure made up the rest of the growth.

Not only is LCA-Vision zapping more eyes, but they are doing so more profitably. Operating margin improved by nearly 7% to 26.7%, and operating income was 106% higher in the second quarter. While net income, as reported, was down, the year-ago level includes $7.1 million in tax benefits that should be stripped out of the comparison.

LCA-Vision isn't the only game in town. There are numerous private practices focused on vision correction, as well as publicly traded companies like **TLC Vision** (Nasdaq:

TLCV) and **NovaMed** (Nasdaq: NOVA), but there's still plenty of room to grow. Of course, sooner or later all of the low-hanging fruit will have been picked and procedure-count growth will putter along, but that's a worry for the future -- not today.

This company does carry what I call the "Stone Philips risk." That is, the risk that a semi-sensationalized expose on the whole industry could unfairly tar a company like LCA, just because there are a few bad apples in the business. In fact, I can picture it right now: Imagine the camera panning into a procedure room, where you see a patient chair with two tiny, smoking holes spaced eye-width apart.

But even if that should happen, it would most likely prove to be a buying opportunity if LCA-Vision itself weren't implicated. Thus far, clinical data has shown these procedures to be safe when performed properly, and large numbers of people seem more than willing to accept the small risks involved for a chance at throwing away their glasses or contacts.

Despite the many times as I've kicked myself for not buying these shares a couple of years ago, I'm going to continue to let this ship sail by me without getting on board. It's not that I doubt that LCA-Vision will maintain a strong pace of growth for at least a few more years; I just don't enjoy the volatility that generally comes with these go-go momentum names. If I could buy on a nice, frightening dip, I might change my mind, but I'm not going to chase performance today.

7/27 **Bausch & Lomb** reported results for its second quarter ended June 25, 2005. Worldwide net sales of $608.3 million increased seven percent from $566.5 million in the 2004 period, and were up five percent on a constant-currency basis. Gains were reported in each of the Company's geographic segments and product categories. Earnings per share of $0.81 increased seven percent from 2004.

For the first six months of 2005, net sales were $1.16 billion, and increased eight percent, or five percent on a constant-currency basis, versus 2004. First-half earnings per share of $1.44 increased 21 percent from a year ago.

Second-quarter gross margins were 59.5 percent of sales, compared to 59.8 percent in 2004. Selling, general and administrative expenses increased seven percent from the prior-year period, mainly reflecting selling and marketing expenses associated with the launch and promotion of new products, and declined to 38.9 percent of sales as compared to 39.2 percent in 2004. Research and development expenditures rose nine percent in the second quarter, consistent with the Company's intention to invest in R&D at a faster rate than sales growth.

"We were very satisfied with our second-quarter performance," said Bausch & Lomb Chairman and Chief Executive Officer Ronald L. Zarrella, "and from an earnings perspective, first-half results were a bit ahead of our expectations. Given our performance to date, and recognizing that new products and further share gains are expected to

accelerate top-line growth in the second half of 2005, we have upwardly revised our outlook for the full year."

Excluding the sales impact of the previously announced acquisition of **Shandong Chia Tai Freda Pharmaceutical Group (CTF)**, Bausch & Lomb is now projecting full-year constant-currency sales growth of approximately seven percent, at the upper end of previous guidance, which called for growth between six and seven percent. Based on the current foreign exchange environment, currency is expected to be essentially neutral to actual-dollar full-year sales growth. Full-year earnings per share are projected at $3.50, up from previous expectations of $3.45, with the increase expected to be realized in the fourth quarter. The Company indicated that ongoing product launch related expenses and increased R&D spending will moderate earnings in the third quarter.

Refractive category growth of 7% was due to a 16% gain in sales of per procedure cards used in LASIK surgery and increased service revenue, somewhat offset by lower equipment sales. For the quarter, refractive sales were $38.1 million.

Two analysts provided their take on **Bausch & Lomb's** second quarter results:

Ted Huber of **Wachovia Securities**: **BOL: Solid Q205 Results--Poised For Revenue And Margin Lift-Off**

*** ANOTHER QUARTER WITH EPS UPSIDE:** That's 14 out of 14 under CEO Ron Zarella. Q205 EPS of $0.81, up 23% including a one time, non-cash $0.03 debt amortization cost, beat consensus by $0.02. Revenue growth of 5% c.c. exceeded our expectation by 1.5%. G.M.s of 59.5% were off 30 b.p. yr/yr on unfavorable mix. Operating cash flow rebounded to $75.3 million from $13.2 million in Q105 with improved working capital management.

*** VISION CARE AND INTERNATIONAL SHINE:** Driven by Purevision and specialty lenses, contact lens revenue grew 10% c.c. to $188 million. Europe revenue (+7% c.c.) was driven by strong lens care and contact lenses. In cataract surgery 9% IOL growth offset weak visco sales. Lower-than-expected (3% c.c.) pharmaceutical revenue growth resulted from increased generic competition in non-ophthalmic product categories and excess vitamin inventory.

*** FINANCIAL FLEXIBILITY AT A PRICE:** An $805 million offshore profit repatriation improves BOL's financial flexibility but costs BOL $0.62 in Q305 charges and near $0.03 per quarter in additional financing costs starting Q106 (Eurobond issue expected Q405). In spite of increases to 2005 EPS, we are maintaining our 2006 EPS at $4.01 because of this new cost. When the CTF acquisition closes later this quarter, another $0.05-0.10 should be layered into 2006 estimates.

*** 2005 EPS GUIDANCE UP $0.05 TO $3.50:** That is a $0.02 net increase given Q205 upside. H205 growth is weighted toward Q405 (due to product launch timing) with BOL

EPS targets at $0.90 for Q305 and $1.17 for Q405. BOL's H205 c.c. revenue growth forecast is now 9%, driven by Purevision; our model is "in line" with H205 contact lens revenue growth (14% c.c.) more than offsetting reduced pharma targets (8% c.c.). We expect EBIT margin to accelerate sharply starting Q405 (up 270 bps yr/yr) as new product launches gain traction.

And Jason Mills of **First Albany Capital**: **BOL: Solid 2Q; Raising Estimates; Repatriation Provides Flexibility/Leverage**

*** Solid 2Q.** Outperformance in vision care and refractive offset shortfalls in pharma and cataract sales resulting in $608M (+7%; 5% ex-FX) in sales vs. our $598M estimate.

* EPS of $0.81 exceeded our estimate ($0.80) and the consensus ($0.79). Excluding a one-time $3.3M convert charge, EPS would have been $0.85.

* BOL exceeded our 2Q targets facing difficult 2Q Y/Y comp, and enters 2H:05 armed with several new products and easier comps.

*** 3Q Guidance Misinterpreted by Street.** We think the consensus mistook BOL's 3Q guidance to be $0.90, when actually it is $0.90-$0.95 (confirmed post-call). We think the upper end of this range is achievable, setting up a possible upside surprise in 3Q.

* Our assessment of the state of the business exiting 2Q is positive, and we are confident management can deliver organic revenue growth acceleration (via new products) and margin expansion (via mix shift, manufacturing efficiencies and IT consolidation).

* We raise our estimates for 2005 and 2006, and initiate 2007 estimates. Our $3.52 2005 estimate is above the company's higher guidance of $3.50 (from $3.45).

*** Dry Gun Powder Aplenty.** Based on our expectations for strong net income growth and solid working capital management, coupled with $805M in repatriated funds, we think BOL has plenty of dry gun powder with which to execute acquisitions that could expand its presence in new growth ophthalmic markets, as well as be earnings-accretive.

7/27 **Alcon, Inc.** reported global sales of $1,172.0 million for the second quarter of 2005, an increase of 12.8 percent over global sales in the second quarter of 2004, or 10.1 percent excluding the impact of foreign exchange fluctuations. Net earnings for the second quarter of 2005 increased 34.5 percent to $325.0 million, or $1.04 per share on a diluted basis, compared to adjusted net earnings of $241.6 million or $0.78 per share for the second quarter of 2004. Reported net earnings for the second quarter of 2004 were $299.2 million, or $0.96 per share.

"Our strong second quarter results demonstrated successful execution of our key strategies," said Cary Rayment, Alcon's chairman, president and chief executive officer. "We benefitted from geographic expansion and continued adoption of research-based

new product technologies such as latest generation pharmaceutical and surgical products, including Vigamox, Travatan, CiproDex, AcrySof Natural, and Accurus 25 Gauge technology. At the same time, we continued to leverage our global infrastructure to further drive profit growth. We also look forward to the significant new market opportunity presented by the AcrySof ReSTOR intraocular lens, and plan to capitalize upon this to drive future surgical franchise growth."

Second Quarter Sales Highlights: Highlights of sales for the second quarter of 2005 are provided below. Unless otherwise noted, all comparisons are versus the second quarter of 2004.

* U.S. sales grew 8.2 percent to $594.9 million, accounting for 50.8 percent of total sales.
* International sales grew 17.9 percent to $577.1 million, accounting for 49.2 percent of total sales. Excluding the impact of foreign exchange fluctuations, International sales grew 12.3 percent.
* Pharmaceutical sales grew 14.1 percent to $502.6 million and contributed 42.9 percent of total sales.
* Sales of glaucoma products increased 18.4 percent, led by a 36.5 percent rise in sales of Travatan ophthalmic solution, which continued to build share on a global basis.
* Sales of allergy products, including Patanol ophthalmic solution, rose 13.1 percent. Patanol has maintained its number one share position in the U.S., accounting for 67.6 percent of total ocular allergy prescriptions through May 2005 year-to-date (YTD).
* Sales of infection/inflammation products rose 12.1 percent as sales of Vigamox ophthalmic solution offset the decline in Ciloxan ophthalmic solution, which lost patent protection in the second quarter of 2004. Vigamox is the leading ocular anti-infective in the U.S. with a 45.1 percent share of the fluoroquinolone category through May 2005 YTD.
* Sales of otic products increased 19.5 percent led by Ciprodex otic suspension. The otic franchise, including Ciprodex and Cipro HC otic suspension, increased 4.1 share points in the U.S. through May 2005 YTD, compared to May YTD 2004, to reach 29.9 percent.
* Surgical sales rose 13.4 percent to $520.8 million, accounting for 44.4 percent of total sales.
* Sales of intraocular lenses increased 16.5 percent to $172.6 million. Sales growth was attributable to market share gains, continued adoption of the AcrySof Natural lens and global conversion from multi-piece to single-piece intraocular lenses. AcrySof ReSTOR global sales in the second quarter of 2005 and June 2005 YTD were $7.4 million and $10.4 million, respectively.
* Sales of cataract and vitrectomy products rose 13.1 percent, with sales of vitreoretinal surgical accessories, cataract removal systems and cataract procedure paks being key drivers of growth in this sector.
* Refractive revenue declined 9.4 percent due to a decrease in global equipment sales. However, procedural revenue increased due to growth in procedures and conversion to higher priced custom procedures. Refractive sales for the quarter were $14.4 million.
* Consumer eye care sales increased 6.4 percent to $148.6 million, accounting for 12.7 percent of total sales.

* Sales of contact lens disinfectants declined 1.1 percent as growth from Opti-Free Express contact lens disinfectant did not offset declines in older disinfecting solutions.
* Sales of artificial tears products increased 28.3 percent as Systane lubricant eye drops continued to gain global market share.

Second Quarter Research and Development Update: Summarized below are updates on key research and development activities.

* The company filed a Pre-marketing Approval (PMA) application, with the U.S. Food and Drug Administration (FDA), for the AcrySof toric intraocular lens, designed for use in cataract patients with pre-existing astigmatism. The FDA has accepted this PMA filing for review.
* The company received an approvable letter from the FDA for its New Drug Application (NDA) for RETAANE 15 mg (anecortave acetate suspension) an investigational treatment for preserving the vision of patients with wet age-related macular degeneration. The company said it held an initial meeting with the FDA in July to discuss the approvable letter and will continue discussions with the Agency in its efforts to gain approval.
* Almost 1,900 patients have been enrolled in the two risk reduction clinical trials on RETAANE. The company expects to enroll the full complement of 2,500 patients for the trials by the end of 2005. Once fully enrolled, these studies are expected to last four years.
* The company submitted its European Marketing Authorization Application for its Travoprost plus Timolol Fixed Combination glaucoma treatment.
* The company filed a PMA application with the U.S. FDA for the treatment of hyperopia with astigmatism for its LADARVision CustomCornea system.

Financial Guidance: Financial guidance for the full year 2005 is provided below.

* Sales are expected to be between $4,350 million and $4,400 million.
* Diluted earnings per share are expected to be between $3.40 and $3.45.
* The company raised its expectations for global sales of the AcrySof ReSTOR lens to be between $45 million and $55 million for the full year 2005. These sales are included in the company's updated full year 2005 guidance.

Other Items: On May 6, 2005, the company reported that a jury in the U.S. District Court in Delaware had rendered a verdict that the company infringed two U.S. patents owned by **Advanced Medical Optics, Inc.** The amount of the verdict was $94.8 million. No judgment has been entered and the litigation continues in progress. In several motions filed in July 2005, the company has asked the court to set aside the verdict, and the company will appeal if necessary. The company's management believes that it is premature to predict the likely liability, if any, in this case, and therefore, the company's full year 2005 guidance does not include any provision for an adverse outcome.

Ted Huber of **Wachovia Securities** provided his take on **Alcon's** second quarter results:
ACL: Another Stellar Quarter, Another Increase To Guidance

*** Q205 BEATS CONSENSUS BY A DIME:** With EPS of $1.04, Alcon has now beaten EPS for 13 consecutive quarters. EBIT grew 21% and EPS 34%. Revenue of $1.172 billion increased 12.8% yr/yr (10.1% c.c.) exceeding our forecast by $6.6 million and the consensus forecast by nearly $25 million. Record-high (75.5%) gross margins drove $0.03 of upside versus our 74.5% forecast while the lower tax rate (now 23.1%) contributed an additional penny. Record-low SG&A (29.2% of sales) reflect Alcon's increased operating leverage and Patanol advertising campaign expense timing. (Q105 vs. Q204).

*** RESTOR UPDATE:** ReStor contributed $7.4 million in Q205 vs. $3 million in Q105 and Alcon raised Restor full year guidance $10 million to $45-55 million. Assuming European ReStor revenue was $4 million, about four thousand U.S. procedures were performed in Q205. Assuming $15 million of 2005 European ReStor revenue, guidance implies domestic H205 ReStor volumes between 30-41 thousand, 2.2-2.9% market share.

*** GUIDANCE CHANGES:** Alcon tightened its revenue guidance range for the full year to $4.35-4.4 billion from its prior $4.25-4.4 billion forecast. Considering the Q205 upside will offset the near $10 million negative impact from a strengthening U.S. $, there is little net change in forecasted H205 revenue growth. Alcon's full year EPS targets are now $3.40-3.45 (previously $3.25-3.30). Excluding the $0.10 upside (vs. consensus estimates) from the quarter, management effectively raised EPS estimates by $0.05.

7/28 **IntraLase Corp.** reported strong gains in revenue, its installed base, and per-procedure unit sales for the second quarter and six months ended June 30, 2005. Robert Palmisano, president and CEO of IntraLase, said: "Continued rapid adoption of our IntraLase FS laser worldwide generated strong demand for lasers and procedures, which in turn drove our financial performance. We are very pleased with our results, which have us on track to achieve our goal of operating profitably for every quarter in 2005 while expanding our global presence and increasing our market share."

Worldwide Market Penetration Continues in Second Quarter: Revenues increased 45% to $23.0 million compared with $15.8 million for the 2004 second quarter. IntraLase sold or leased 39 lasers versus 30 lasers in the comparable period last year, with the mix between domestic and international placements nearly equal in the 2005 quarter. Laser revenues for the period rose to $11.0 million compared with $9.2 million in the year-ago quarter. Reflecting the increasing utilization of the company's technology, revenues from per-procedure fees, inclusive of a disposable patient interface, grew 80%, reaching $10.1 million compared with $5.6 million for the 2004 period. Maintenance revenues increased to $1.9 million compared with $1.0 million in the second quarter last year.

IntraLase highlighted these additional second-quarter developments:

* Per-procedure unit sales saw 76% growth, exceeding 85,000 for the period compared with 48,000 a year ago.
* IntraLase's share of the U.S. corneal flap market grew to approximately 18% compared to an estimated 17% at the end of the 2005 first quarter and 16% at year-end 2004.
* In the United States, over 90% of IntraLase's customers installed over 30 days have converted to the IntraLase software upgrade to prevent disposable re-use and protect the company's per procedure revenue model.
* New customers worldwide are performing on average over 85% of their LASIK procedures with the IntraLase laser within 30 days of installation.
* Denmark and the Netherlands became the latest international markets to be served by the company. IntraLase lasers are now available in 22 countries.

Profitable Second Quarter: Gross margin expanded to 52.4% from 39.8% in the same period in 2004 due to per procedure fees rising to 44% of revenues compared with 35% in the second quarter of 2004, an increase of 26%, and lower costs for both the laser and the disposable patient interface. Operating expenses increased to $11.4 million from $8.2 million. IntraLase generated operating income of $686,000 versus an operating loss of almost $1.9 million in the comparable 2004 period.

IntraLase recorded net income of $1.3 million, or $0.04 per share on a diluted basis, for the 2005 period compared with a net loss of $1.9 million, or $0.83 per share on a diluted basis, for the 2004 quarter. Per-share calculations for the two periods reflect weighted average shares outstanding on a diluted basis of approximately 31.0 million in the 2005 second quarter and 2.2 million in the comparable 2004 period.

The 2005 period included a $1.1 million non-cash charge relating to stock-based compensation; this charge was $1.4 million in the 2004 quarter. Excluding stock-based compensation and the effect of taxes, IntraLase's net income would have been $2.5 million during the second quarter of 2005 as compared with a net loss of approximately $440,000 in the second quarter of 2004. While IntraLase does not currently expense employee stock options, stock-based compensation arises from options issued in the months before initial public offering (IPO) as a private company at prices less than the expected IPO price and consultant options, which can vary significantly from quarter to quarter based on the quarter ending stock price.

Six-Month Results: For the first six months of 2005, revenues grew 75% to $44.2 million from $25.3 million during the prior-year period. Laser revenues were up 63% to $21.5 million compared with $13.1 million, while sales of procedure fees reached $19.1 million versus $10.3 million in the comparable 2004 period. Maintenance revenues doubled, reaching $3.6 million compared with $1.8 million in the first six months of 2004.

Gross margin expanded to 52.5% from 40.1% in the comparable six-month period in 2004 due to per procedure fees increasing to 43% of revenues in the first half of 2005 versus 41% in the first six months of 2004, coupled with lower costs for both the laser and the disposable patient interface. Net income was $3.3 million, or $0.11 per share on

a diluted basis, for the 2005 period compared with a net loss of $4.0 million, or $1.78 per share on a diluted basis, for the first six months of 2004. The 2005 period included a $1.1 million non-cash charge relating to stock-based compensation; this charge was $1.5 million in the first half of 2004. Per-share calculations for the two periods reflect weighted average shares outstanding on a diluted basis of approximately 31.1 million for the first six months of 2005 and 2.2 million in the comparable 2004 period.

Outlook Affirmed for 2005: IntraLase affirmed its existing guidance. The company said that revenues are expected to grow at least 58%, rising to greater than $95 million compared with $60 million in 2004. IntraLase further expects to generate net income in a range of $10 million to $12 million, or $0.33 to $0.37 per share, including expected expenses associated with non-cash, stock-based compensation. IntraLase anticipates the fourth quarter will account for approximately half of annual net income due to both seasonally high demand for lasers and revenues from higher-margin per-procedure sales increasing as a percent of revenues.

The Company also believes it will continue to sequentially capture market share in the LASIK market throughout the balance of 2005. However, third-quarter per-procedure volumes could reflect some of the seasonality inherent in the worldwide LASIK market.

Palmisano concluded: "The continued rapid adoption of our technology on a worldwide basis, increases in market share, and the rollout of our IntraLase FS30 Laser and 30 KHz upgrades in the third quarter of 2005 give us confidence in our ability to sustain the significant global momentum we have created thus far. We expect to derive approximately 50% of our revenues from high-margin procedures by year end, to be profitable in every quarter of 2005, and to begin generating internal cash flow in the second half of the year."

Jason Mills of **First Albany Capital** provided his update on **IntraLase**, following release of its second quarter results: **IntraLase (ILSE-$21.90-Buy): 2Q Quick Take: Mixed Quarter, Although Procedures Strong; More Constructive with New Money on Pullbacks Below $20**

*** IntraLase 2Q:** Best characterization, in our view is "this quarter's top- and bottom-line results are as good a "miss" as a company can print."

*** Key Metric – Positive**... To explain, we suggest the most important metric, which is procedure volume/revenue, came in at 85,000 procedures and $10.1M, respectively versus our 82,000 and $9.9M respectively. This is a very solid result, showing ILSE gained share in the U.S. and likely grew strongly again OUS (will get U.S./OUS breakout on the call).

* However, total revenue of $23M was modestly lower than our $23.6M estimate and EPS were $0.04 vs. our $0.06 estimate (primarily it seems due to higher stock-based expense than we modeled, as GMs were in line with to a tad above 52%).

* The reason for lower revenue, in our view... Laser placements were 39 – we had been at 39 a week ago before recalibrating it up pre-release to 41, so we are happy with this result and still think the company has a 45- or 50-laser placement quarter in it within the next few quarters.

* While we won't know for sure until the call, our sense is the company either placed more of these lasers on operating lease or ASPs were a bit lower than our model, as laser revenue was $11M versus our $11.7M estimate, which makes up more than the total revenue "miss" versus our estimate (delta: $0.6M in total revenue relative to a delta of $0.7M in laser revenue alone).

*** Guidance maintained.** We have maintained that ILSE is a solid growth story, but with less upside potential than a company like FoxHollow (FOXH-$43.59-Neutral), for example. The company maintained the revenue in 2005 would be at least $95M (we are a tad above $96M). Management also maintained EPS (excluding SBC) of $0.33-$0.37 (we are $0.35).

* Maintain Buy rating, but are more constructive putting new money to work below $20/share near term. Net, the run-up in the shares recently has put the stock squarely in "wait-and-see" land with respect to new money, in our view. We would be buyers if the stock were to fall below $20/share, as we think 2H:05 will show very solid growth for ILSE. But would contemplate locking in some profits on strength above $22/share.

Ted Huber of **Wachovia Securities** on **Intralase**: **ILSE: Strong Volumes/Weak Prices In Q2--Still Cautious On H205**

*** THESIS UPDATE:** No change here. Good technology, good market but full model. Q205 share gains but revenue shortfall illustrate the thin margin for error. Possible weakness in the European refractive market and Q305 microkeratome launches by BOL and EYE add further risk.

*** Q205 A BIT SHY:** IntraLase delivered Q205 EPS of $0.04 ($0.08 ex. stock comp), $0.01 below our model. Revenue of $23 million (up 44%) was $700K shy of consensus. The miss arguably means less given management had issued no quarterly targets. Gross margins were down 140 b.p. sequentially. Procedure pricing driven lower by mix accounted for 90 b.p. of the dip, by our math.

*** STRONG VOLUME/WEAK PRICE:** Patient interface kit (the high margin consumable) volume rose 85% yr/yr and 10% sequentially off the seasonally high Q1. We estimate ILSE took 3.3 share points domestically following a 60 b.p. decline Q105. The 39 lasers placed Q2 were flat sequentially and one ahead of our forecast. Lower kit pricing was the result of unfavorable mix; lower laser ASP ($282 vs. our target of $310) owed to a higher mix of operating leases.

*** MODEL CHANGES:** Our H205 revenue and EPS are unchanged, bringing our full year forecasts to $95.7 million and $0.35 ($0.20 fully taxed), down slightly given the Q205 miss. We tweaked H205 model drivers: four fewer lasers given our concern with a weak European LASIK market offset by higher procedure volumes given the strong Q205. The forecast, in line with guidance, leaves little room for error, in our view.

7/28 **STAAR Surgical Company** announced financial results for its second quarter ended July 1, 2005. Total product sales for the second quarter were $13,910,000, up 16% compared with $12,024,000 for the same quarter last year and up 2% compared with $13,678,000 for the first quarter of 2005. Excluding the impact of changes in currency, second quarter 2005 total product sales were $13,616,000, an increase of 13% compared with the second quarter of 2004.

During the second quarter, international VISIAN ICL (ICL) sales increased 67% compared with the second quarter of 2004 and 21% compared with the first quarter of 2005 and represented 12% of total sales for the quarter. In addition, international sales of the Company's preloaded silicone IOL increased 121% and now represent 11% of total IOL sales compared to 5% in the second quarter of 2004 and 9% in the first quarter of 2005.

Total product sales for the six-month period ended July 1, 2005 were $27,588,000, up 8% over the $25,593,000 reported during the comparable period of 2004. Excluding the impact of changes in currency, revenue for the six-month period ended July 1, 2005 was $26,981,000, an increase of 5% compared with the same period of 2004. For the six-month period ended July 1, 2005, VISIAN sales grew 48% over the comparable period of 2004. Excluding the impact of changes in currency, VISIAN sales increased 47%.

Net loss for the second quarter of 2005 was $2,110,000, or $0.09 per share, compared with a net loss of $3,380,000, or $0.18 per share, for the same period last year, and a net loss of $2,338,000, or $0.11 per share, for the first quarter of 2005. Net loss for the six-month period ended July 1, 2005 was $4,448,000, or $0.20 per share, compared with a net loss of $4,680,000, or $0.25 per share for the same period last year.

"During the second quarter we successfully grew our sales year-over-year and sequentially," said David Bailey, president and CEO of STAAR Surgical. "International sales of the ICL were, once again, very strong this quarter compared with the same quarter last year and contributed to our 31% growth in the international markets. During the second quarter we announced three new marketing approvals, including approvals for our VISIAN Toric ICL (TICL) in South Korea and Canada and the approval of both the TICL and ICL in Singapore. These approvals should drive further growth in sales and market share internationally, particularly for the TICL, which accounted for 24% of total VISIAN sales during the second quarter. The ICL and TICL are now sold in forty-one countries.

"Within the large refractive surgery centers, we are beginning to see evidence that surgeons are focusing heavily on the quality of visual outcomes with the Toric ICL and the short surgery times associated with the ICL procedure," continued Bailey. "Both the ICL and the TICL have characteristics that make them easier to implant and lead to visual outcomes that are superior to competitive products. In addition our improved delivery lead-time promise with the TICL has also contributed to the increased market share of this particular product.

"Although U.S. sales were down 4% compared with the second quarter of last year, they were up 2% sequentially, reflecting our determination to maintain market share in the traditional silicone segment and sales growth in our IOL support products such as STAARVISC and Cruise Control," continued Bailey. "As previously announced, we have begun shipping our new three-piece Collamer IOL and our ONYX injector system and believe that these new products will begin to have a meaningful and positive impact on U.S. sales beginning in the fourth quarter of this year."

"While the timing of any approval for our VISIAN ICL by the Food and Drug Administration (FDA) remains uncertain, at every level of our organization, we are focused on complying with all of the rules as well as the spirit, of the regulations instituted by the FDA and other countries' governing bodies," continued Bailey. "We have recently completed an extremely rigorous review of all of our internal processes to identify actions required to achieve our goal and are aggressively implementing a program we believe will help us realize a world-class compliance system. In our communication with the FDA dated July 15, 2005, we updated the Agency on our plan, the progress we have made in specifically addressing all of its issues, and the significant resources we have devoted to achieving our goal of complete regulatory compliance. Despite the uncertainty surrounding the outcome with the FDA, we remain encouraged that our interactive dialogue with the Office of Device Evaluation concerning approval status for the ICL is progressing. Global interest in the ICL and TICL continues to grow and we remain excited about the revenue opportunities for STAAR as well as the positive treatment opportunities for doctors and their patients."

7/28 **QLT Inc.** reported financial results for the second quarter ended June 30, 2005. Visudyne worldwide sales for the second quarter were $129.0 million, an increase of 18.0% over the second quarter of 2004. Visudyne sales in the U.S. for the quarter were $50.1 million, down 3.8% over the same period last year. Visudyne sales in the rest of the world were $78.9 million, an increase of 37.9% over the same period last year.

Eligard worldwide sales for the second quarter were $24.4 million, up 10.3% from the second quarter of 2004. Eligard sales in the U.S. for the quarter were $15.5 million, down $2.1 million or 11.9% over the same period last year. Eligard sales in the rest of the world were $8.9 million, almost double sales of $4.5 million in the same period last year.

Sales of dermatology products from our **Sandoz** alliance for the second quarter were $3.5 million, compared to $2.4 million in the same period last year.

Total product sales were $157.7 million, up 17.5% over total product sales in the second quarter of 2004.

"We are pleased with the growth of our total product line in the second quarter, particularly the strong growth for Visudyne, and remain on track to achieve our annual guidance for both Visudyne and earnings per share," said Paul Hastings, president and CEO of QLT Inc. "We expect Visudyne to continue to play a significant role in the treatment of AMD, as a single agent or in combination with other approaches to treating this disease."

QLT Revenues: The Company's revenues were $63.4 million in the second quarter, up 43% from revenues in the same period last year, and up 4% compared to pro forma (non-GAAP) revenues in the same period last year.

Revenue from Visudyne was $48.8 million in the second quarter, up 13% from the second quarter last year. QLT's share of profit from Visudyne sales increased to 30.8% in the second quarter, up from 30.3% in the same period last year.

2005 Revised Annual Guidance: Based on recent events and current trends in Eligard sales, QLT is revising its Eligard sales range from $140-$160 million to a new range of $90-$115 million, which represents top-line growth for Eligard of 7% to 37% over 2004. In total, 2005 sales from all QLT products, including dermatology, are now forecast at $600 to $650 million, compared to the previous guidance of $650 to $700 million, assuming foreign currency exchange rates remain approximately the same.

Based on the revised sales guidance for Eligard, QLT is revising its revenue range from $255-$280 million to a new range of $245-$265 million, which represents growth of 32% to 42% over 2004 revenue.

7/28 **STAAR Surgical Company** reported that the U.S. Food and Drug Administration (FDA) had reviewed the Company's pre-market approval application (PMA) for the STAAR Myopic VISIAN ICL and had determined that the PMA is approvable subject to an FDA inspection that finds the Company's manufacturing facilities, methods and controls in compliance with the applicable requirements of the FDA's Quality System Regulation.

The ICL is a refractive phakic implant intended for placement in the posterior chamber of the eye. The models of the STAAR Myopic Visian ICL subject to the PMA are indicated for the correction of myopia in adults with myopia ranging from -3.0 to -15.0 diopters with astigmatism less than or equal to 2.5 diopters at the spectacle plane and the reduction of myopia in adults with myopia ranging from greater than -15.0 to -20.0 diopters with astigmatism less than or equal to 2.5 diopters at the spectacle plane, in patients 21-45 years of age with anterior chamber depth (ACD) 3.00 mm or greater, and a stable refractive history within 0.5 diopters for one year prior to implantation.

8/1 **20/10 PERFECT VISION Optische Geräte GmbH** announced that its FEMTEC product successfully performed the first femtosecond laser penetrating keratoplasty (PKP) procedures. The gentle laser cuts start from the endothelial side of the cornea, performing the procedure with significantly less mechanical stress exerted on the endothelial cells. The surgeon can choose the preferred configuration for the laser cuts without being limited by mechanical equipment. First surgeries were performed by Mark Tomalla, MD, at the **Center of Refractive and Ophthalmic Surgery of the Eye Clinic Duisburg-North**, Germany. Dr. Tomalla demonstrated with these cases, that the femtosecond laser is not only successful in treating transparent corneal tissues, but also very precise treating scarred corneal tissues.

So far four penetrating keratoplasties have been performed with the FEMTEC femtosecond laser in Duisburg. After surgery all treated patients showed improved vision. Besides laser flap preparation for LASIK procedures, the FEMTEC femtosecond workstation offers tunnel preparation for intracorneal ring segments (ICRS), as well as unique astigmatic keratotomy laser cuts (AK) with impressive postoperative results. The FEMTEC laser uses a patented curved patient interface and is fully automated.

“We are thrilled about adding this exciting new surgical procedure to our FEMTEC femtosecond workstation," commented Dr. Frieder Loesel, Managing Director of 20/10 PERFECT VISION. "This application clearly demonstrates the advantage of the FEMTEC’s curved patient interface." Dr. Loesel continued, "With our new therapeutic treatment options the FEMTEC now is the most versatile femtosecond laser on the market."

8/1 **Advanced Refractive Technologies** confirmed today that the Company had officially changed its name from **VisiJet, Inc.** The new corporate name, approved by the shareholders last month, more correctly describes the core business of the company, which is to identify, develop and market innovative technologies that will advance the various refractive and corrective, ophthalmic surgical markets.

In addition to the new corporate name, as of last Thursday, July 28, 2005, Advanced Refractive Technologies began trading in the U.S. under the ticker symbol ARFR, an Over-the-Counter, Bulletin Board listing.

Several new and improved refractive surgery techniques, such as Advanced Refractive's Epi-LASIK system, are currently revolutionizing the laser vision correction market. According to a review of new laser vision techniques on **www.allaboutvision.com**, "Since Epi-LASIK utilizes neither a blade nor alcohol... patients are likely to feel less pain than in alcohol procedures and to heal faster."

Advanced Refractive Technologies is also nearing commencement of the necessary FDA approval process for its break-through waterjet-based, cataract emulsifier -- Pulsatome. Cataract surgery is the most frequently performed surgery in the United States, and

according to the National Eye Institute (**www.nei.nih.gov**), more than half of all Americans by age 80 either have a cataract, or have had cataract surgery.

8/2 As reported by *Cataract & Refractive Surgery Today*, the outcome of a lawsuit tried in the Supreme Court of the State of New York reportedly marks the largest award in a LASIK-related case to date, according to an article on the **Law.com** web site.1 The jury ruled in favor of the plaintiff, 32-year-old Mark Schiffer, for the amount of $2.75 million in pain and suffering, and $4.5 million in lost income. Schiffer asserted that his impaired visual condition resulted after undergoing LASIK, and forced him to leave his position at **Dresdner Kleinwort Wasserstein**, an investment banking firm on Wall Street.

On October 6, 2000, Mark Speaker, MD, Medical Director of the **Manhattan TLC Laser Eye Center** at that time, performed LASIK surgery on Mr. Schiffer. The patient suffered impaired vision, which was particularly distorted in his left eye. Schiffer contended that his keratoconus was a condition that Dr. Speaker should have identified or anticipated prior to surgery, disqualifying him as a candidate for LASIK. Although Dr. Speaker was not the only party filed against in the lawsuit, he is the sole defendant mentioned in the verdict.

According to the article, the lawyers representing TLC and Dr. Speaker found fault with Schiffer's claim of keratoconus, maintaining that all preoperative tests and medical records demonstrated that the patient's cornea was healthy at the time of surgery. They questioned the severity of Schiffer's impairment, stating that he was able to drive himself to the trial. The amount requested in damages by Schiffer was also criticized by the defense attorneys, who felt that $35 million was "obscene." Furthermore, they were not convinced that vision loss was the sole reason for his departure from the Wall Street firm.

8/3 **NovaMed, Inc.** reported results for the second quarter ended June 30, 2005. Second quarter continuing operations highlights were:

* Surgical facilities net revenue increased 37% to $15,299,000
* Total net revenue increased 33% to $20,649,000
* Net income increased 67% to $1,379,000
* Earnings per share increased 50% to $0.06

For the second quarter ended June 30, 2005, total net revenue was $20,649,000, up 33% from $15,477,000 in the prior year second quarter. Net revenue from surgical facilities was $15,299,000, up 37% from $11,143,000 in the prior year second quarter. This revenue increase was primarily due to a 37% increase in total surgical procedures performed in the second quarter of 2005 as compared to the same period in the prior year. On a same-facility basis, surgical facilities net revenue increased 5% over the prior year second quarter. Product sales and other revenue was $5,350,000 in the second quarter of 2005, up 23% from $4,334,000 in the prior year second quarter. The majority of this increase was contributed by our marketing products and services business.

Operating income in the second quarter of 2005 increased 67% to $4,223,000, or 20% of net revenue, from $2,535,000, or 16% of net revenue, in the same period last year. Net income from continuing operations in the second quarter of 2005 increased 67% to $1,379,000, or $0.06 per diluted share, from $828,000, or $0.04 per diluted share, in the prior year second quarter. The second quarter results for 2005 included a pre-tax gain on the sale of minority interests of $36,000 as compared to a pre-tax loss on the sale of minority interests of $27,000 in the second quarter of 2004.

For the six months ended June 30, 2005, total net revenue was $39,150,000, up 32% from $29,703,000 for the first six months last year. Net revenue from surgical facilities was $28,937,000, up 41% from $20,492,000 for the first six months last year. This revenue increase was primarily due to a 43% increase in total surgical procedures performed in the first six months of 2005 as compared to the same period in the prior year. On a same-facility basis, surgical facilities net revenue increased 5% over the comparable period in 2004. Product sales and other revenue was $10,213,000 for the six months ended June 30, 2005, up 11% from $9,211,000 in the same period last year.

Operating income for the first six months of 2005 increased 78% to $7,733,000, or 20% of net revenue, from $4,334,000, or 15% of net revenue, in the same period last year. Net income from continuing operations for the first six months of 2005 increased 66% to $2,611,000, or $0.11 per diluted share, from $1,576,000, or $0.07 per diluted share, in the same period last year. The results for the first six months of 2005 include a pre-tax gain on the sale of minority interests of $36,000 as compared to a pre-tax gain on the sale of minority interests of $163,000 in the first six months of 2004.

During the second quarter of 2005, NovaMed purchased a 51% interest in a surgery center in Denver, Colorado and sold a 26% minority interest in its Columbus, Georgia surgery center to eleven doctors and a 29% minority interest in its Richmond, Virginia surgery center to two doctors.

Commenting on the second quarter results, Scott Macomber, executive vice president and CFO of NovaMed, said, "We are pleased with our financial and operating performance in the second quarter of 2005. The combination of our revenue growth together with improvement in our operating margin contributed to a solid 67% growth in net income."

"Our management team is very focused on continuing our growth momentum in the second half of 2005 and beyond," added Macomber. "With our current acquisition pipeline we remain confident that we will be able to announce additional acquisitions this year."

8/3 **IRIDEX Corporation** reported improved financial results for the quarter ended July 2, 2005. Revenues for the quarter ended July 2, 2005 were $9.4 million, a 16% increase from the $8.1 million reported for the second quarter of 2004 as well as a 15% sequential increase over the first quarter of 2005. The Company achieved net income of $430,000 or $.05 per share for the second quarter of 2005 compared with $133,000 or $0.02 per

share in the second quarter of 2004 and a net loss of $20,000 or $0.00 per share during the first quarter of 2005.

Revenue for the six-month period ended July 2, 2005 was $17.5 million, a 13% improvement compared with the same period of 2004. Net income for the six-month period ended July 2, 2005 was $410,000 compared with net income of $116,000 during the comparable period of 2004.

Ophthalmology sales grew to $7.7 million for the second quarter of 2005, an increase of 15% compared with the second quarter of 2004. Strong domestic VariLite product sales continued to drive growth in the dermatology unit and second quarter dermatology sales were $1.7 million, a 20% increase compared with the corresponding quarter in 2004. During the second quarter 2005, strong sales growth was seen both domestically and internationally, with domestic sales growing to $5.7 million, a 18% increase compared with the second quarter of 2004, and international sales growing to $3.7 million, a 12% increase compared to the second quarter of 2004. Since international sales are denominated in US dollars, foreign currency fluctuations had no material impact on sales growth.

"We are very proud of our strong financial results for the second quarter during which we achieved year-over-year and sequential revenue and earnings growth," said Barry Caldwell, IRIDEX president and CEO. "In addition, during the first six months of 2005, our revenue and earnings were the highest that they have been for any comparable time periods during the past five years. We believe that the investments we have made and continue to make in our core business combined with our strategic focus on building recurring revenue streams are continuing to generate positive returns."

Caldwell further commented, "As planned, the introduction of new products has enabled us to improve our gross margins and profitability. In addition, we were able to generate more than $2.0 million in our overall cash position during the quarter and increase it to an all time high of $18.7 million. Looking ahead to the full year and taking into consideration the typical seasonality we see in the third quarter, we are raising our sales guidance for 2005 from around $35 million to a range of $36 million to $38 million."

Cash, cash equivalents and available-for-sale securities as of July 2, 2005 was $18.7 million compared with $16.6 million at April 2, 2005 and $18.0 million at January 1, 2005. Inventories decreased to $9.0 million at the end of the second quarter, down from the $9.5 million at the end of the first quarter of 2005 and up $39,000 from the $8.9 million at the end of the fourth quarter of 2004. Inventory turns at the end of the second quarter were approximately 2.1 times, up from the 2.0 turns reported at the end of Q1 2005 and Q4 2004. At the end of the second quarter, accounts receivable was $7.2 million, resulting in day sales outstanding (DSO) of 68 days, compared to the 78 days reported in Q1 2005 and the 76 days reported at the end of 2004.

8/5 **Advanced Medical Optics, Inc.** announced that it had filed a registration statement on Form S-3 with the Securities and Exchange Commission (SEC). The registration statement relates to the resale by holders of AMO's 1.375% Convertible Senior Subordinated Notes due 2025, and the shares of AMO's common stock issuable upon conversion of the notes. AMO's initial issuance of the notes, in an aggregate principal amount of $150 million, was completed on July 18, 2005. A written prospectus, when available, meeting the requirements of Section 10 of the Securities Act may be obtained from AMO

8/5 As reported by *Ocular Surgery News SuperSite*, from the summer *ASCRS Summer Refractive Surgery Congress*: **Surgeons conceptualize the ideal excimer laser**

It may be a little early to start thinking of holiday gift ideas, but a few surgeons at the ASCRS Summer Refractive Congress were sharing their wish lists.

Ronald Krueger, MD, Roger Steinert, MD, and Karl Stonecipher, MD, were each asked to speak about their "ideal excimer laser" in their presentations here. Dr. Krueger said he would optimize the excimer laser spot, eye tracking system, excimer ablation pattern and delivery, and the ergonomics and external efficiency. "The pulse frequency with some of the lasers are increasing, and I think it would be nice to see most of the lasers coming out to about 400 pulses per second, if possible, in order to decrease the time," Dr. Krueger said.

Dr. Krueger cited a study that showed the relationship between spot size and ablation efficiency. "As we start going with smaller spots, in order to get a very ideal shape being ablated, you are going to have to have a very fast tracker with low latency, and that is still somewhat of a challenge," he said. To optimize the eye tracking system, Dr. Krueger said he would prefer a tracker frequency of greater than 1,000 Hz and a latency of less than 1 millisecond. A reproducible and accurate wavefront pattern, corneal wavefront overlap and Q-factor adjustment would also be ideal.

Dr. Krueger said he would incorporate a smart software algorithm or nomogram with the laser to compensate for biomechanics, wound healing and environmental factors. He would top it off with a moveable laser bed, patient auto-alignment and identification, infrared illumination and foot switch controls in a sequential menu of steps.

Dr. Steinert began his presentation by asking meeting attendees to mentally perform a rank order evaluation, which is used by marketers to prioritize needs. "There really is a thing called Disney University in Orlando, and they teach this well-known marketing technique, and in Disney they teach people the magic of how they market," he said.

Dr. Steinert asked the attendees to think about what order Disney would rank the elements — waiting times, safety in the park, environment and the shows — and revealed that safety comes first, followed by a clean environment, the shows and waiting times.

He continued by applying a rank order evaluation to lasers. "Basic attributes include accuracy, reliability, ease of use, versatility and cost," he said. "I think that is the order, actually." Dr. Steinert said he would like to see a machine that can perform a wavefront analysis as well as perform the laser treatment. "Wouldn't you really like get your wavefront done with all of your patients laying under the same laser instead of measuring in one place and doing it in another?" he asked. He said he would also like to see an increase in user-friendly items that minimize the potential for error as well as an integrated femtosecond laser.

"Cheap was listed at the bottom of the list, but you can't do everything I said and make it cheap," he said. However, patient throughput can be increased, enhancements are decreased, and patients are happier. "The ideal system is never going to be achieved, but it is certainly a worthy goal to pursue," he said. "The properties that increase accuracy are going to be the most critical. Everything else evolves from that – reliability, ease of use and versatility. Cheap will take care of itself."

Dr. Stonecipher said he would like to see real-time outcome analysis and more speed. "It's easy to have a wireless integration or link on our analyzers or topographers," he said. "It would be wonderful if you could do that in real time under the laser." "Innovation is the key to success," he said in a presentation handout. "However, technology can be our best ally in some instances or, on the other hand, our worst enemy, creating albatrosses around our neck from which we wish to be detached."

8/8 Ted Huber's weekly *Wachovia's Eye On Ophthalmology*, reported his first takes from the ASCRS Summer Congress:

ASCRS SUMMER REFRACTIVE CONGRESS TAKEAWAYS: We attended the American Society of Cataract & Refractive Surgeon's summer refractive congress in Seattle, WA last week. The conference featured no significant new clinical data but buzz on presbyopia lenses and surface ablation was positive. Based on anecdotal comments from the podium and discussions with surgeons, we believe initial outcomes with Alcon's ReStor lens are good with surgeons working through surgical and commercial protocols for now. To date, we believe that only a handful of thought leaders have begun working with AMO's ReZoom lens.

8/9 **TLC Vision Corporation** announced its financial results for the second quarter and six month period ended June 30, 2005.

Second Quarter Highlights:

CONSOLIDATED:
- Revenues were $66.8 million, up 3%
- EPS of $0.08 on net income of $5.5 million
- Operating cash flow was $7.0 million or $0.10 per share

OPERATING BUSINESS (Excluding AMD):
- Revenues were $66.3 million, up $1.7 million or 3%
- EPS of $0.10 on net income of $7.1 million, up 5%
- Operating cash flow was $11.6 million or $0.16 per share, up 36%

Six-Month Highlights:

CONSOLIDATED:
- Revenues were $137.9 million, up 6%
- EPS of $0.21 on net income of $15.1 million
- Operating cash flow was $12.8 million or $0.18 per share

OPERATING BUSINESS (Excluding AMD):
- Revenues were $136.9 million, up 6%
- EPS of $0.25 on net income of $18.4 million, up 20%
- Operating cash flow was $23.3 million or $0.32 per share, up 18%

Editor's Note: "Operating Business" (or "Operating") is defined as TLCVision's operating activities excluding the impact of the AMD segment, principally represented by our investment in **OccuLogix Inc.** To provide maximum transparency for investors, Operating Business financial results are listed separately from consolidated results in this press release.

"TLCVision delivered on the company's EPS target of $0.10 for the second quarter and grew the Operating Business net income by 20% for the first half of 2005," commented Jim Wachtman, president and CEO. "These results continue to demonstrate the tremendous income and cash generation inherent in our business model, even though revenues were not as robust as we had hoped. We're confident that our current organic and acquisition strategies will deliver both revenue and earnings growth in the second half of 2005."

REVENUES: TLCVision's quarterly Operating Business net revenues were $66.3 million vs. $64.6 million in the second quarter last year, an increase of $1.7 million or 3%. TLCVision refractive centers' revenues were up 4.5% to $38 million, driven by higher CustomLASIK mix of 61% that contributed to a 6% higher price per procedure. Overall, centers procedure volume grew by 1% for the quarter, but exited the quarter with procedure growth of 6.3% year-over-year. The access business revenues declined 6.8% during the quarter, as stronger mobile volumes (procedures up 5.3%) were more than offset by lower fixed-site volume. Resulting overall refractive procedures were 49,900, down 3.3% vs. the prior year. Other healthcare revenues grew by 4%, and MSS mobile cataract revenues grew by 17% as a result of organic procedure growth as well as acquisitions. Total revenue growth does not reflect the timing of several acquisitions whose full benefit will begin to be realized in the second half of 2005.

SOLID NET INCOME AND EARNING PER SHARE: TLCVision continues to demonstrate the leverage in its refractive business model, primarily through its centers, and realize growing contribution from its other healthcare services. Consolidated net income was $5.5 million or $0.08 per share for the second quarter. Net income from the Operating Business grew by 5%, contributing $7.1 million or $0.10 per share.

STRONG CASH GENERATION: The business model continues to demonstrate strong cash generation.

Consolidated Cash Position: Operating cash flow per share was $7.0 million or $0.10 per share, vs. $8.5 million or $0.12 per share in 2004.

With the consolidation of OccuLogix's cash position, TLCVision's cash and short-term investments totaled $141.6 million, up 193% vs. prior year.

Operating Business Cash Position: Operating cash flow per share rose 36% to $0.16 from $0.12, and demonstrates our ongoing strong cash generation.

The company continues to maintain a strong financial position, with cash and short-term investments up 91% vs. prior year and totaling $92.1 million.

SIX-MONTH FINANCIAL RESULTS: Total Operating Business net revenues were up 6% to $136.9 million compared to $129.6 million. Refractive revenues were $103 million, up 5%. Other healthcare revenues, excluding the AMD segment, were up 7% and MSS mobile cataract revenues were up 15%. Consolidated net income was up 6% to $15.1 million and contributed $0.21 earnings per share. Operating Business earnings were up 20% to $18.4 million, and contributed $0.25 earnings per share.

GROWTH THROUGH NEW ACQUISITIONS: "These new business activities continue to deliver on our strategy and position us for long term growth as a diversified eye care services provider, and to capitalize on new implantable opportunities in the refractive and cataract markets," commented Jim Wachtman. "The impact of these acquisitions will begin to be realized in the second half of 2005, and fully in fiscal 2006 and we expect to continue this strong acquisition trend in those same periods."

REFRACTIVE: TLCVision announces the acquisition of **Millenium Laser Eye** in Washington, DC, retaining a 100% ownership in this large refractive business with annual revenues of $4M and annual procedure volume of over 2000. Millenium Laser Eye is a well recognized brand in the market, with a strong co-management based model which is synergistic to our current operations. This acquisition expands TLC's already strong geographic presence in this market, the 8th largest in the country, and adds to the existing team of exceptional surgeons. Dr. Andrew Holtzman, a leading surgeon in this market, will remain with the center.

In addition, the **Kremer Laser Eye** acquisition in Philadelphia, PA, was announced in July, generating over $19M in annual revenues, and adding three refractive centers and 7,500 refractive procedures per year, plus one ASC and over 1,500 cataract procedures per year.

AMBULATORY SURGERY CENTERS: TLCVision has cleared state regulatory hurdles in the development of two new ambulatory surgery centers (ASCs) in Delaware and Oklahoma. TLCVision will have a significant minority interest in both centers, which are expected to be operational by the end of the second quarter, 2006. Both ASCs are single-specialty, two-room ophthalmic facilities, and will ultimately support other procedures for additional revenue generation. In addition, TLCVision exercised an option to buy another 5% of the **Rayner Surgery Center** in Oxford, Mississippi, increasing our ownership in that successful venture to 70%.

MOBILE CATARACT: Midwest Surgical Services completed 3 acquisitions of mobile cataract services companies, adding 42 sites in 8 states, bringing total sites to over 460 sites across 42 states. The mobile cataract acquisitions broaden our presence nationally and continue to strengthen our industry leadership position in outsourced cataract and related services.

8/10 Ted Huber of **Wachovia Securities** upgraded **IntraLase**: **ILSE: Upgrading Rating Given Shifting Tide At Corporate Centers**

*** THE UPGRADE:** Evidence of corporate laser centers' accelerating adoption of Intralase, positive surgeon feedback on the 30 kilohertz (khz) (from summer ASCRS trade show), and Q2 2005 setbacks to microkeratome share increase our confidence in ILSE's 2005 model and prospects for upside potential in the out years. We note that **Market Scope's** outlook for H2 2005 refractive surgery has improved to about 10% yr/yr growth.

*** SHIFTING TIDE AT TLC:** On the earnings conference call, TLC revealed it now has 21 Intralase lasers, up from 7 at 3/31/05; 3 were acquired with practices, 11 purchased new. We expect TLC adoption of Intralase to continue at a rapid pace. This, combined with LCA's more positive tone toward Intralase (no adoption yet), signals increasing traction with corporate centers, a key to Intralase's efforts to become a standard of care.

*** POSITIVE BUZZ ON 30 KHZ:** Comments on the 30 khz laser from the podium at the summer ASCRS in Seattle last week were positive. Upgrades are starting this quarter. We expect the faster procedure time and lower complication rates to drive increased interest in Intralase.

*** STEP CLOSER TO STANDARD OF CARE:** We view the Q2 2005 Intralase share gains (up 3 points sequential) and growth in surface ablation (from the conference call with Market Scope) as an important blow to microkeratomes as a staple in refractive surgery. With just 17% of U.S. LASIK procedures, Intralase has plenty of distance to go

before reaching standard of care status, in our view, but we see momentum building for this technology.

8/11 Ted Huber of **Wachovia Securities** provided his take on both the Summer session of the ASCRS and his recent conversation with Dave Harmon of **Market Scope**, on trends in refractive surgery: **Summer ASCRS/Market Scope CC Takeaways**

*** GOOD EARLY RETURNS ON MULTIFOCALS AT SUMMER ASCRS:** We attended the *American Society of Cataract & Refractive Surgeon's* summer refractive congress in Seattle, WA last week. The conference featured no significant new clinical data but buzz on presbyopia lenses and surface ablation was positive. Based on anecdotal comments, initial outcomes with Alcon's ReStor outcomes appear to be positive. Surgeons we queried have only worked with the lens in low volumes to date and are currently working to develop their surgical and commercial protocols. To date, we believe that only a handful of thought leaders have begun working with AMO's ReZoom lens; the company continues to move more slowly than Alcon with its multifocal lens launch.

*** TO MIX AND MATCH, OR NOT:** The debate is just getting started over whether it is clinically appropriate to use different lenses in a patient's left and right eye to achieve optimal visual outcomes; how this practice evolves is critical, in our view, to the market share battle among presbyopia lenses (ReStor, ReZoom, and Crystalens). We are not aware of any data that informs the debate but surgeons weighed in on each side of the argument at the summer ASCRS. Alcon consultants were the most vocal critics of the practice. Many thought leaders we have queried plan to implant all three available lenses at first.

*** MARKET SCOPE SURGEON SURVEY REAFFIRMS POSITIVE OUTLOOK FOR EYE REFRACTIVE BUSINESS:** Early returns from Market Scope's Q2 2005 survey indicate 9% procedure growth for Q2 2005. EYE growth appears to have been in the mid-single digits with custom mix ticking up 2 points sequentially. EYE appears to have lost procedure share to Wavelight (whose installed base lasers more than doubled to 65 during the past year) and BOL (primary laser used at No. 2 corporate provider LCA Vision). Market Scope now expects refractive laser surgery growth of 9-10% for H2 2005 given strong Q2 growth, economic strength, and new refractive options. (See the following brief for more on Market Scopes take on second quarter and year results.)

*** MICROKERATOMES ON THE ROPES:** Both Market Scope's survey and feedback from Seattle show considerable progress this summer by IntraLase and the range of surface ablation procedures (laser vision correction without the LASIK flap). Where microkeratomes were used in near 95% of excimer laser refractive procedures two years ago, that share is down to near 75% today and appears to be falling at an accelerated rate. Leading corporate laser center TLC's conversion of near 1/7th of its centers in a seven-month timeframe to IntraLase is also a meaningful data point. We view this decline of blade-based LASIK as a positive for IntraLase but not a meaningful negative

for EYE or BOL given the small financial contributions microkeratomes make to these P&Ls. It is clearly too early to liken these devices to buggy whips but we think the case is building. Surgeon response to the new microkeratomes from market leader BOL and EYE (launching H2 2005) carries great significance for the future of this technology, in our opinion.

8/11 The August issue of *Ophthalmic Market Perspectives* reported that second quarter 05 refractive procedure growth was stronger than anticipated. Dave Harmon based this on strong consumer confidence and increased advertising by refractive centers. Growth at the surgeon level was mixed, but a 3.1% increase in the number of surgeons and laser centers factored into the increase. Total estimated U.S. laser refractive procedures for the quarter was 362,400, up 9.3% compared to 331,500 for Q2 04. Including non-laser procedures, including conductive keratoplasty, refractive lens exchange, and phakic IOLs, the increase was 10.3%. In addition, 6500 procedures were done on patients traveling to Canada and Mexico for refractive procedures, bringing the total Q2 05 procedures to 382,900, an increase of 10.0% compared to Q2 04.

This total, however, was slightly down from Q1 05 procedures, which were pegged at 413,500. With demand for refractive procedures usually stronger during the first quarter, when prospective LASIK patients take advantage of employer-run medical spending accounts, demand during the third and fourth quarter historically declines. This strong seasonal pattern makes sequential quarter comparisons more complex. Q2 05 procedures were down 7.4% from Q1, but by comparison, Q2 04 procedures were down 7.5% from Q1 04.

The number of U.S. refractive surgeons and laser centers were up slightly compared to proceeding quarters, with the total for Q2 05 totalling 1253, up from 1247 in Q1 (and 1229 in Q4 04).

Non-laser refractive surgeries grew by 42.9% as demand for phakic IOLs, refractive lens exchange and CK increased. According to Harmon, this segment is expected to grow significantly during 2005 as a result of interest in new multifocal IOLs from Alcon and AMO which received regulatory approval in April 2005.

An estimated 29 new excimer lasers were sold in the U.S. during the quarter, roughly in line with recent quarters.

Wavefront-driven LASIK (WFL) continues bright, leading to an increase in average prices. However, the growth of WaveLight lasers (not yet approved for WFL) and an increase in market share for LCA Vision-LASIKPlus (with a low percentage of WFLs) combined to lower the overall wavefront-guided market penetration. Surgeons reported that their percentage of WFLs performed during Q2 slipped to 42.3%, down from 44.9% during Q1 05, but up from 39.5% in Q2 04. WFLs performed at wavefront-capable centers was estimated at 49.1%, down from 54.7% in Q1, but up from 43.5% in Q2 04.

The average price for LASIK increased $14 during Q2 05 to $1965.

Growth rates for the refractive industry are expected to continue in the range of 6% to 8% for the remainder of the year, with Dave Harmon's forecast of 335,300 procedures for Q3, up 6.7% as compared to the same quarter last year. In light of better than expected Q2 results, Harmon's full year forecast has been revised to 1,450,000, giving an annual growth of 8.5%.

(Another interesting item within Harmon's writeup is that surface ablations have increased dramatically -- from 16,550 in Q4 04, to 21,577 in Q1 05, to 36,240 in Q2 05.)

The newsletter also contains an account of the record $7.25 million LASIK malpractice award given to a one-time investment banker, who underwent LASIK surgery at the TLC center in Manhattan, performed by Dr. Mark Speaker. The claimant claimed that Dr. Speaker failed to notice that he had keratoconus and operated on his eyes anyway, resulting in distorted and blurred vision, causing him to leave his previous work. (More on this story can be found in the 8/2 brief above.)

8/12 Jason Mills of **First Albany Capital** provided an update on **Bausch & Lomb**: **BOL: Field Trip to Rochester Increases Our Positive Stance; Reiterate Buy**

* We hosted a large group of investors at BOL's headquarters in Rochester, NY, yesterday and come away with increased confidence that the company is on track to realize accelerating top-line growth, expanding margins, continued strong earnings growth, and strong cash flow.

* Following very interactive discussions with CEO Ron Zarrella and global leaders of each business, we believe the consensus estimates inadequately reflect the potential sales and earnings growth this business could produce in 2H:05 and 2006. In sum, we think estimates will increase over time.

* BOL is at a favorable inflection point, in our view. While cost cutting has been a key driver in significant margin expansion over the past three years, we think BOL still has significant cost leverage potential. We look for sales growth acceleration without the need to add infrastructure to be catalytic to margins.

* BOL has increased its in-licensing capabilities; we expect to see important in-licensing deals in 2H:05, specifically in accommodating IOLs and pharma.

* BOL sees a contact lens industry in massive transformation to silicone hydrogels, a shift that is occurring faster than anyone expected. BOL is positioned well with PureVision.

* China offers a significant growth opportunity for BOL, augmented by the recent CTF acquisition, which could augment the growth profile of each division over time.

* We reiterate our Buy rating on BOL.

8/12 **Carl Zeiss Meditec** has continued its profitable growth in the third quarter of the current financial year. The medical technology thus remains on target for success. Total sales in the first nine months of the current financial year (ending 30 September 2005) grew by a third to E222.2 million (previous year: E170.4 million). Organic growth was complemented by the external acquisitions of **IOLTECH S.A. and Laser Diagnostic Technologies, Inc**., effected in the course of the financial year. Without these acquisitions and without conversion effects of exchange rates, sales would have stood at E198.6 million and thus about 17% higher than the previous year.

Primarily due to the high proportion of innovative products, Carl Zeiss Meditec was able to further increase its profitability in the first nine months. The gross margin (gross yield margin) grew by 2.4 percentage points to 48.3% (previous year: 45.9%). There was a significant growth in earnings before interest, taxes, depreciation and amortisation (EBITDA). The latter rose by 33% to E30.3 million (previous year: E22.8 million) and the EBITDA margin improved correspondingly to 13.6 percent (previous year: 13.4%). Earnings before interest and income taxes (EBIT) likewise showed a substantial increase: at E25.1 million they were 33% higher than in the previous year (E18.9 million). Consolidated net income for the period rose by approx. 31% to E12.2m (previous year: E9.4m). Notwithstanding the increase in the number of shares in conjunction with the IOLTECH acquisition and cash capital increase of May 2005, earnings per share increased to E0.41 (previous year: E0.31). "Our results confirm that we have adopted the right course," said Ulrich Krauss, president and CEO of Carl Zeiss Meditec AG. "Besides the expansion of our core business, we are also continually developing our strategy as a supplier of complete solutions in ophthalmic surgery."

At E13.9 million cash flow from operating activities did not reach of the previous year's figure of E17.3 million. The main reasons for this temporary effect are preparations for the global launch of two products in autumn this year. Inventories were selectively increased for the purpose, which had the effect of decreasing the operating cash flow.

Innovative diagnostic systems for the four main eye disorders accounted for just under three quarters of Carl Zeiss Meditec's sales (approx. 69 percent). Overall, sales revenues in this sector amounted to E153.4 million (previous year: E123.9 million). The second most important sector (about 24% of sales) is the business with lasers and implants for the treatment of cataracts (intraocular lenses). Revenues in this segment stood at E52.2 million (previous year: E31.0 million). The above-average growth of about 68% is to a large extent attributable to the takeover of French ophthalmo-surgical specialist IOLTECH. Carl Zeiss Meditec generated E16.6 million (previous year: E15.5 million) by the provision of services. The service business thus contributed about 7% to overall sales.

America, with about 40% of total sales, remains the region with the largest sales volume. 29% of Carl Zeiss Meditec's sales revenues were generated in the Asia/Pacific region, the remaining 31% originated in Europe including Germany.

As of 30 June 2005 Carl Zeiss Meditec employed a worldwide workforce of 1,189 (previous year: 808). The increase was for the most part due to the takeover of IOLTECH S.A. on 1 February 2005.

For the current year Carl Zeiss Meditec is anticipating consolidated sales of over € 300 million. The profitability of the company is to be sustained and further improved in the future.

8/15 **Miravant Medical Technologies** announced consolidated financial results for the second quarter ended June 30, 2005. The net loss for the quarter was $4.9 million or ($0.13) per share, compared to a net loss of $3.7 million, or ($0.11) per share, for the same period in 2004. The net loss for the six months ended June 30, 2005 was $8.6 million or ($0.23) per share, compared to a net loss of $9.2 million or ($0.30) per share, for the same period in 2004.

The Company had cash and marketable securities of $7.5 million at June 30, 2005. The Company also has a $15.0 million convertible line of credit available to the Company under certain conditions and restrictions.

"Miravant's board and employees are focused on preparation and launch of the confirmatory Phase III clinical trial for PHOTREX for the treatment of wet age-related macular degeneration. Patient screening for the confirmatory Phase III clinical trial is underway and patient treatment is scheduled to begin within the next 30 days at multiple trial venues," stated Robert Sutcliffe, Miravant's chairman. "While focusing the company's efforts on this important trial, we have been able to realize significant expense reductions through a company-wide restructuring program, and we continue to assess valuation enhancement opportunities presented by our companion programs. We are gratified by the response to the progress in our programs and our PhotoPoint technology and we look forward to building on that progress with the restructured Miravant."

PHOTREX Confirmatory Clinical Trial: The confirmatory Phase III clinical trial for PHOTREX is expected to commence during the third quarter of 2005 at approximately 50 investigational sites in the United Kingdom, Central and Eastern Europe (CEE). The randomized, placebo-controlled trial, reviewed by the U.S. Food and Drug Administration (FDA) under a Special Protocol Assessment, will include a range of patients with both classic and occult forms of wet age-related macular degeneration (AMD).

Miravant also disclosed that it expects to conduct a primary efficacy endpoint analysis at 12 months (one year after initial treatment), with a total of approximately 650 patients to be analyzed. Assuming the achievement of positive clinical results, the Company

expects to amend its New Drug Application (NDA) to seek marketing approval while the patients are followed for a second year.

PHOTREX, Miravant's most advanced PDT drug, is in development to treat patients with wet AMD, a debilitating eye disease and leading cause of blindness in older adults. The FDA requested the confirmatory Phase III study in its Approvable Letter dated September 30, 2004, after reviewing the Company's New Drug Application (NDA).

Financings: In May 2005, Miravant completed an $8.0 million convertible preferred stock funding, with net proceeds to the Company of approximately $7.6 million. The Preferred Stock is convertible into Common Stock at the conversion price of $1.00 per share. The Company also issued a warrant to purchase one share of Common Stock for each convertible share of Common Stock purchased. The exercise price of each warrant is $1.00 per share.

Other Events: On June 23, 2005, the Company held its Annual Meeting of Stockholders and following individuals were elected to the Board of Directors: Rani Aliahmad, Nuno Brandolini, Michael Khoury, Gary Kledzik, David Mai, Kevin McCarthy and Robert Sutcliffe.

In July 2005, the Company implemented a significant cost restructuring program. This cost restructuring program included a detailed evaluation of all of the Company's research and operating costs. Based on the results of this evaluation, the Board of Directors concluded that a reduction in staff was necessary, as well as overall salary decrease for some of the remaining employees and executives.

In addition, the Board of Directors also accepted the resignation of Gary Kledzik, as chief executive officer, chairman and director. The Board of Directors named director Robert Sutcliffe as Miravant's new, non-executive chairman, and announced the appointment of an interim executive committee consisting of Robert Sutcliffe and director Rani Aliahmad to coordinate management functions, identify CEO candidates and recommend initiatives to increase productivity and leverage Miravant's development programs. Miravant's president, David Mai and CFO, John Philpott, will report to the interim executive committee.

8/17 **20/10 PERFECT VISION Optische Geräte GmbH** announced that it had successfully closed another round of financing in the amount of EUR 4.1 million (US$ 5 million). The funds will be used for marketing its new FEMTEC laser product internationally. The FEMTEC is a revolutionary femtosecond laser for corneal surgery, featuring the broadest variety of innovative laser procedures, including refractive laser surgery applications. The FEMTEC laser uses a unique curved patient interface and is fully automated. Existing investors (**BW-Venture**, **DIH**, **GZ-Paul**, and **Triangle**) as well as new investors (**Dutch Entrepreneurs Fund**, **French 123Venture**, and family offices) contributed to the round.

"We are delighted about the firm backing from our existing shareholders and welcome our new shareholders," commented Dr. Frieder Loesel, Managing Director of 20/10 PERFECT VISION. "The entrepreneurial spirit and strong commitment of Entrepreneurs Fund and 123Venture are a perfect fit to our very dedicated team." Dr. Loesel continued, "With this financing round 20/10 PERFECT VISION is in an excellent position to serve the world's ophthalmic surgeons with the most versatile femtosecond laser on the market." 20/10 PERFECT VISION was supported by **BioConnect AG** (Frankfurt) as financial advisor and **GREENFORT** (Frankfurt) as legal advisor.

8/24 **Advanced Refractive Technologies, Inc.**, formerly known as **Ponte Nossa Acquisition Corp** reported sales revenues for the quarters ending June 30, 2005 and 2004 of $298,310 and $54,970, respectively. The increase is principally due to the fact that the products were introduced to the market during 2004, and 2005 saw a full period of sales. The Company markets its products in the United States through a direct sales force consisting of four employees and five independent sales representatives. Internationally, our products are sold through independent distributors in each market. Products sold are the EpiLift System, sold in the United States and certain foreign markets, or a Combination Lasitome/EpiLift system, currently sold only in foreign markets. In conjunction with the systems, `disposables,' are also sold consisting of Epi-separators, Lasik blades and vacuum tubing sets that are used on a per procedure basis. Additional components of the system are sold separately, such as handpieces, Epi and Lasik heads, suction rings, etc.

Cost of goods sold for the quarters ending June 30, 2005 and 2004 was $172,586 and 26,834, respectively. Gross profit for the quarters ending June 30, 2005 and 2004 of $125,724 and 28,136 or 42.2% and 51.2%, respectively. The gross profit during 2005 was lower than normal resulting from the mix of product sold, higher fulfillment and shipping costs.

8/24 **Refocus Group, Inc.** announced it had received approval from the U.S. Food and Drug Administration to begin enrollment for the final round of clinical trial surgeries for the company's Scleral Spacing Procedure (SSP) for the surgical treatment of presbyopia. The FDA approval to expand to the final phase of the clinical trial was based on Refocus Group's submission of preliminary data from Phase II surgeries through mid-July 2005. A significant percentage of the planned Phase II total of 150 study participants have been enrolled and randomized into a 2-to-1 surgical or control group. All surgical patients received the company's Scleral Spacing Procedure (SSP) for the surgical treatment of presbyopia (the loss of reading or close-up vision impacting virtually 100 percent of the population after age 40).

"We are now advancing toward the final stages of the clinical trial process of our surgical treatment for presbyopia," said Terry Walts, president and CEO of Refocus Group. "We remain pleased with our clinical results to date, which continue to support our belief in the Scleral Spacing Procedure as a no-compromise mainstay surgical solution for the reduction or elimination of the need for reading glasses for close-up vision for many people after age 40."

8/24 Ted Huber of **Wachovia Securities** passed along his comments on the recent **Market Scope** Refractive Surgery Survey: **Refractive Market Update**

*** MARKET SCOPE DATA SHOWS SURFACE ABLATION, INTRALASE PROCEDURE SHARE GAINS:** Market Scope's Q2 2005 U.S. refractive surgeon survey data release this week (previewed in a Wachovia-sponsored conference call earlier this month) shows accelerating microkeratome procedure share losses to IntraLase and surface ablation. Up 119% yr/yr, surface ablation procedure growth exceeded IntraLase (+48.6% yr/yr) and microkeratome (-3.1% yr/yr) procedure growth. Surface ablation procedure share (of all laser vision correction procedures) increased to 10% from 5.5% in Q1 2005 while IntraLase's increased to 16.6% from 14% in Q1 2005 (IntraLase's share of U.S. LASIK procedures was 18.5% in Q2 2005).

*** EXPECT CONTINUED INTRALASE AND SURFACE ABLATION GAINS.** For IntraLase, the new 30 kHz laser addresses some criticisms of the 15 kHz (too slow and more difficult flap lift procedure versus the microkeratome) and should contribute to future IntraLase share gains. Recent IntraLase placements with TLC Vision (TLCV; 21 lasers, near 25% penetration as of mid-August) should give a boost to IntraLase's volumes and credibility. We expect continued surface ablation growth to continue for the balance of the year as (1) thought leaders are giving the topic more attention, (2) AMO and Moria are using the epi-LASIK feature as a key selling point, and (3) PRK pre-op and post-op care regimens are improving, resulting in less pain and shorter recovery time.

*** INVESTMENT IMPLICATIONS:** IntraLase's Q2 2005 share gains were an important component of our recent upgrade of its shares; we expect his trend to continue with ILSE exiting 2005 with a near 23% share of U.S. refractive procedures. While we expect EYE and BOL to face declining microkeratome revenue even with the addition of Epi-LASIK features to their devices, these products represent just near 1% and 3%, respectively, of company revenue and shouldn't have a meaningful overall effect on corporate performance. Laser center operators TLCV and LCA Vision (LCAV) are taking divergent paths with IntraLase. The market's move away from microkeratomes could put some pressure on the LCAV model, which is more reliant on blade-based LASIK.

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8/30 **Staar Surgical** reported that on August 29, 2005, representatives of the Los Angeles District Office of the United States Food and Drug Administration (the "FDA") commenced an inspection of the Company’s Monrovia, California facility. The FDA’s inspection will include both a pre-approval inspection in connection with the Company’s premarket approval application for the VISIAN ICL and an audit of the Company’s compliance with the FDA’s Quality System Regulation and Medical Device Reporting regulations.

8/31-

9/19 After publication of a brief in the July newsletter (July 11th), about the **Advanced Ocular Systems (AOS)** acquisition of **Lenstec**, I heard from its president, an old friend, John Clough. "Let me just clarify where we are at with the AOS deal. They were due to start a staged acquisition of my company on July 31st but unfortunately they could not come up with the cash to pull that off. Subsequently they tried to negotiate a binding letter of intent to make the acquisition, the only problem is that would have been the fourth binding letter we would have had. We therefore decided that perhaps they were a little short of horsepower and supplied them with a nonbinding letter of intent. This does not mean that they will have the cash by the publication date of your next newsletter, only that they are trying to find a group of VC's to put the money together. I believe the same is true of their acquisition of **CCR**, however you would have to confirm that yourself."

I told him I would check back with him prior to publication of the September newsletter and have done so. He told me that nothing had changed. I will keep you apprized of any changes in this transaction.

As far as what LensTec is doing, John provided this update: "As far as Lenstec is concerned we are about to start an FDA approved clinical trial of our accommodating IOL the "Tetraflex", we have several thousand of them in eyes in Europe with great success and hope to be the next approved accommodating IOL in the USA. We are hoping to follow this with a 3X telescope for Macular Degeneration that should go through a 4 mm incision and a new Phakic IOL that can be inserted through a sub 2mm incision. Our current line of products are available on our website at www.lenstec.com."

In his latest correspondence, John said that, "Our first patient in the US clinical trial for "The Tetraflex", accommodating lens, was implanted by David Brown MD two weeks ago in a 70 year old lady. The one week follow up showed 20/30 distance and J2 at 20 inches. He is doing another 4 or 5 this week. You are the first to know. "

9/2 **Norwood Abbey Limited** announced that it had reached agreement with US institutional investors to raise US$10 million (approximately A$13.3 million). The agreement has been completed with the assistance of **Jeffries & Co.** of New York and **BBY** of Sydney. The funds are in the form of unlisted convertible notes. **Indus Capital Partners**, a private fund management group focusing on the Asia-Pacific region, is subscribing for US$7 million of the convertible notes and **Tiedemann Global Emerging Markets** US$3 million. The notes are to be subscribed for in two tranches: US$5 million for a two year term and US$5 million for a three year term. The three year notes are issued subject to shareholder approval at an EGM to be called forthwith. The EGM notice will set out full details of the arrangements in relation to the notes and other terms.

9/6 **BIOLASE Technology, Inc.** announced that the U.S. Food and Drug Administration (FDA) is reviewing its regulatory submission related to the marketing clearance for the OCULASE MD laser, designed to perform various indications for use in the fields of ophthalmology and oculoplasty. The indications requested are for general tissue ablation, anterior capsulotomy (secondary cataract removal), skin resurfacing, and treatment of

wrinkles of tissue surrounding the eye and orbit. The Company has been conducting clinical research initiatives and multiple research projects related to its ophthalmic development over the past year in the field of ophthalmology and oculoplasty.

"We are looking forward to our market approval in the field of ophthalmology and are excited to leverage our core technology to other medical specialties. This 510k submission represents a significant milestone for the Company and its ophthalmic efforts," commented Robert Grant, president and CEO.

9/7 **Advanced Medical Optics, Inc.** announced that it had received approval from the U.S. Food and Drug Administration (FDA) to treat high myopia, also known as nearsightedness, and myopic astigmatism with the STAR S4 IR Excimer Laser System with the CustomVue procedure. The indications include the reduction or elimination of myopia and myopic astigmatism from -6.00 to -11.00 diopters with up to -3.00 diopters of cylinder.

The CustomVue procedure now has the highest range of myopia and astigmatism treatment as well as approval for treatment of hyperopia (farsightedness) and mixed astigmatism available on the market. This gives AMO the broadest range of wavefront-guided approvals in the U.S.

"This approval by the FDA further demonstrates the importance of our May 2005 acquisition of VISX, Incorporated and reinforces the value we have placed on our laser vision correction business," said AMO president and CEO Jim Mazzo. "The CustomVue procedure is one of the fundamental platforms in our refractive portfolio that includes such technologies as the Amadeus microkeratome, Tecnis and ReZoom multifocal IOLs and Verisyse phakic IOL."

Clinical studies found that 98.3% of those receiving the CustomVue high myopia treatment were corrected at six months to 20/40 or better and 84.3% were corrected to 20/20 or better without spectacles or contact lenses.

The CustomVue procedure employs the WaveScan WaveFront System, a diagnostic system that captures a comprehensive "fingerprint" of each eye and generates an individualized treatment for each CustomVue procedure. As shown in several clinical studies, CustomVue treatments have the potential to deliver better vision than is possible with contacts or glasses.

"The expansion of the CustomVue procedure for highly nearsighted and/or astigmatic individuals adds yet another level of safety, precision and personalization to the laser vision correction procedure," said Sandy Feldman, MD, who was a contributor to the clinical trials study. "In this group of individuals, the improved quality of vision is particularly significant. Almost all individuals who are eligible for LASIK surgery can now be treated with the truly personalized approach of the CustomVue procedure."

CustomVue procedures for High Myopia will be released to certified VISX Technology doctors over the next several weeks after they have completed the training and certification process.

"I'm very excited about having this option for my high myopic patients," said Colman Kraff, MD, a clinical trials contributor. "The results from the clinical trial are outstanding. No high myopic results on any other laser platform, past or present, come close to the results that were achieved in this clinical trial. My patients will greatly benefit from this technology."

Ted Huber of **Wachovia Securities** commented on the **AMO/VISX** approval: **EYE: Label Expansion Underscores Strong Refractive Pipeline**

*** RECEIVES FDA APPROVAL FOR CUSTOM LASIK HIGH MYOPIA**: Today (9/7/05), EYE announced it received FDA approval for VISX's custom LASIK high myopia procedure. During its last quarterly conference call, management indicated that it expected to receive FDA approval by the end of 2005. Our model and management guidance include a benefit from high myopia custom LASIK.

*** LABEL EXPANSION BROADENS EYE'S MARKET-LEADING REFRACTIVE PORTFOLIO**: Along with VISX's recently introduced iris registration technology and Fourier software upgrade, the label expansion adds to VISX's technological lead in laser vision correction in 2005. The label expansion allows patients with myopia of -6 to -11 diopters with up to 3 diopters of astigmatism to receive custom LASIK. While high myopia patients represent a small (roughly 3%) portion of the U.S. population, LASIK penetration is significantly higher among people with higher refractive errors. We expect LASIK to be the dominant procedure among patients indicated for both LASIK and phakic IOLs.

*** SOLID CLINICAL DATA--EXPECT INCREASE IN CUSTOM MIX**: 98.3% of patients involved in EYE's high myopia clinical trial achieved uncorrected visual acuity of 20/40 or better at six months and 84% received uncorrected visual acuity of 20/20 or better. We expect the label expansion to drive a 4% increase in VISX's custom LASIK mix by the end of Q1 2006.

9/7 **IntraLase Corp.** announced it had received a new 510K clearance from the U.S. Food and Drug Administration for use of the IntraLase FS30 femtosecond laser in creating the corneal resections performed in lamellar keratoplasty and penetrating keratoplasty procedures. The IntraLase FS30 laser is the first and only laser to receive clearance for use in penetrating keratoplasty. For the first time surgeons can use the power and precision of the laser to complete resections in a wide variety of corneal therapeutic applications. The new clearance allows use of the IntraLase FS30 laser to create deep corneal incisions and the full-thickness resections required for penetrating keratoplasty. *The Eye Bank Association of America* estimates that more than 32,000 corneal transplant procedures were performed in the U.S. in 2004.

The new application of the IntraLase FS30 laser is the direct result of the company's ongoing collaboration with the world's leading corneal surgeons to develop innovative techniques with and enhancements of the technology.

"This really opens up the door for additional uses of this extremely versatile device," said Roger Steinert, MD, professor and vice chairman of the department of ophthalmology at the University of California, Irvine, and president of the *American Society of Cataract and Refractive Surgeons*. "In our initial clinical work, we found that the laser has the ability to create shaped, full-thickness corneal transplants that are much stronger than traditional penetrating keratoplasty transplants with less induction of astigmatism. In addition, transplants created with the laser may require less suturing and faster visual rehabilitation."

IntraLase is developing commercially available software for these new applications as well as a new curved applanation lens to facilitate deep corneal dissections. The laser's current flat applanation lens provides the thin, planar flaps that have recently been shown to improve LASIK outcomes.

"This technology may have additional applications in the deep stroma, including Descemet's Stripping with Endothelial Keratoplasty (DSEK) procedures," said Francis Price, MD, of the **Price Vision Group** in Indianapolis. "The laser's flat applanation surface provides very uniform and smooth anterior resections. But for deep stromal resections, a curved applanation provides a smoother interface. In the future, IntraLase FS30 will utilize both flat and curved applanation surfaces, providing the best solution for any application."

The IntraLase FS laser was commercially introduced in late 2001 as the first laser available for creating corneal flaps. The IntraLase laser is also cleared for anterior lamellar keratoplasty and intrastromal ring implantation surgeries, which like LASIK benefit from customized architecture and unsurpassed accuracy. As of June 30, 2005, 293 IntraLase FS lasers have been installed in refractive practices worldwide and approximately 18% of LASIK procedures in the U.S. used the IntraLase laser to create the corneal flap.

9/8 In the September issue of *Ophthalmic Market Perspectives*, Dave Harmon discussed the potential impact of hurricane Katrina in the Gulf states on the ophthalmic industry for the balance of the year. As he put it, "Post-hurricane effects include the direct effects of laser center closures and surgery center closures, plus the indirect cost of rising gasoline prices and the diversion of national attention."

(Note: Harmon wrote this piece a few days before the University of Michigan released its *Consumer Confidence Index*, which fell to 76.9% from the previous month's 85.5%, as a result of the direct damage from the storm, concern with government mismanagement of the situation, and rising fuel prices. As Harmon has noted, LASIK volumes have proven to closely correlate with the CC Index more than any other economic indicator.)

Harmon went on to note that disruptions to the refractive surgery market, especially in the states effected by the storm, could also extend to the national level through higher living costs and permanent changes in life style, especially for those living in affected areas. He expects that the impact could be as high as a loss of 20,000 refractive procedures in 2005. He went on to note that there are at least 14 laser centers and 18 surgery centers within the areas most affected by Katrina were closed, and it was unclear when those centers might reopen. Expanding the area to the entire states of Louisiana, Mississippi and Alabama, the number of facilities grows to 49 laser centers and 88 eye surgery centers. There is no way to judge the impact on these centers at this time.

We will have to wait for next month's newsletter to learn the full extent of the impact of the drop in consumer confidence on the refractive market for this year, although one analyst, Ted Huber of **Wachovia Securities** (see the 9/19 brief), now expects the refractive market to be flat with last year.

The newsletter also contains an interesting article on the microkeratome challenges. It describes the new products on the market for performing refractive surgery, including the IntraLase femtosecond laser and enhancements to surface ablation including new epi-LASIK techniques and instruments. An accompanying graphic shows the rise in challengers to the mechanical microkeratome in just two years. With microkeratome procedures decreasing slightly and IntraLase, surface ablation, and non-laser techniques on the rise. For more information, see the September newsletter.

9/8 At the ESCRS in Lisbon, **SCHWIND eye-tech-solutions** presented for the first time a new software solution for laser correction of presbyopia. “The central development goal of the Presby-CAM (Custom Ablation Manager) was to provide refractive surgeons and their patients with a satisfiable therapeutic option for the treatment of presbyopia in corneal laser surgery“, says Rolf Schwind, President and CEO. With the new method, the vision of presbyopic patients is significantly improved. The innovative approach of the developers compared to existing treatment methods is that the Presby-CAM enables near and far binocular vision so that depth perception remains and contrast loss is minimized. Satisfactory vision at middle distances is thereby also assured.

Optimized Profiling Process: Presby-CAM is based on the principle of Balanced Multifocal Monovision (BMM), targeting an oblate, multifocal cornea on one eye and a prolate, multifocal cornea on the other eye. One eye is optimized through negative spherical aberration in the center for far distance vision and in the periphery for near distance vision. On the other eye, the center is optimized for near distance vision and the periphery for far distance vision with positive spherical aberrations. Depending on the distance of the seen object, different areas of each eye contribute to sharpen the vision. Thus, both eyes always provides for the binocular vision. The combination of dynamic multifocality and the correction of both eyes dependent on each other enables good near 2 and far distances vision with minimized effect on contrast sensitivity, maintaining the perception of three-dimensional vision as well as satisfactory vision, even in the middle

distance range. The Schwind approach makes it easier for the patient to overlap both retinal images and thus, to get more quickly used to the new stereoscopic vision.

Presby-CAM connects the diagnostic systems of SCHWIND eye-techsolutions with the ESIRIS excimer laser. Thereby all refractive correction procedures can be combined with a presbyopia treatment. As with the already established ORK-CAM software, the Presby-CAM software can be applied for sphero-cylindric as well as for corneal or ocular wavefront-based corrections and comes with innovative features such as aspheric profiles. The new product is currently under clinical evaluation.

9/9 **LCA-Vision Inc.** announced the opening of a LasikPlus vision center in the Phoenix, Arizona metro area. The entry into Phoenix marks the 45th LasikPlus Vision Center in the United States. LasikPlus vision centers are now located in 22 states, serving 32 markets. Over 35% of the U.S. population is located within a one-hour drive of a LasikPlus vision center. Similar to other LasikPlus vision centers across the United States, the new Phoenix LasikPlus vision center employs an experienced team of health care professionals and is equipped with technologically advanced lasers and diagnostic equipment, including Bausch & Lomb, VISX and Alcon lasers, to offer patients a wide choice of traditional laser vision correction and advanced custom wavefront procedures.

The company also reaffirmed that it remains on track to open a total of 10 to 12 new LasikPlus vision centers by the end of this year.

9/12 **NIDEK Co. Ltd.** announced that it had received CE Mark approval for its new and advanced refractive surgery laser system the – NIDEK EC-5000CXIII. This regulatory milestone clears the way for NIDEK to commercialize and market the new laser platform for refractive surgery, throughout the world, especially in Europe and the Middle East.

“This approval brings a major milestone for NIDEK, as we continue to delivery and commercialize new and innovative refractive surgery solutions to users around the world, especially in Europe and the Middle East. The new EC-5000CXIII excimer laser system brings together over 10+ years of research and development and we are extremely proud and confident of the laser platform and the clinical outcomes users will get around the world,” said Motoki Ozawa, vice president of NIDEK Co. Ltd. “The new refractive surgery platform, part of NIDEK’s NAVEX Quest System brings together advanced hardware modules and innovative software algorithms into one compact, robust and technologically advanced refractive surgery excimer laser system. We remain confident that users and treated patients around the world will greatly benefit from using this new platform,” added Ozawa.

The new excimer laser platform, part of the NIDEK NAVEX Quest System brings together advanced hardware modules, like 200 Hz eye tracking, torsion error detection and compensation, multi-point laser delivery, along with innovative and proprietary software algorithms like NIDEK’s OATz, CATz and OPDCAT for customized refractive surgery. The new laser system will work along-side NIDEK’s advanced diagnostic

platform the NIDEK OPD-Scan and NIDEK's Final-Fit Software for performing customized and personalized refractive surgery procedures. NIDEK also offers a microkeratome system – the NIDEK MK-2000 Keratome System as part of the overall NAVEX Quest Platform. The NAVEX Quest Platform provides a complete treatment platform for primary, highly aberrated eyes and Post-LASIK eyes with suboptimal outcomes. Future add-ons for the new platform will be software algorithms for treating presbyopia with the excimer laser – an area of great research and development at NIDEK.

"The NIDEK EC-5000CXIII Excimer Laser System delivers a compact, highly efficient, robust and reliable excimer surgery platform for users around the world. With close to 1,100 units installed world wide, NIDEK users have been asking for a new platform that beings together the advancements and extensive research that NIDEK has undertaken for the last 10+ years. The new EC-5000CXIII continues to be an upgradeable platform as technology continues to advance and new advancements are made, NIDEK will be able to introduce modules that would be easily added to the new EC-5000CXIII platform – these could include both hardware and software upgrades. New and advanced softwares will include presbyopia treatment solutions that will be add-ons to the existing laser platform. Extensive field-testing has been done with the new platform and the patient outcomes have been stellar and outstanding and the reliability of the new units have been excellent. We continue our long-standing commitment to delivering outstanding solutions for refractive surgery around the world and we look forward to making the new EC-5000CXIII Laser System a great success in Europe, Middle East and Asia," noted Motoki 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.

9/15 The September issue of *Refractive Eyecare* contains a lead article providing the expert opinion of Marguerite McDonald on what she sees as the important advances in refractive surgery. As she noted, "There are three recent advances in excimer laser surgery that are noteworthy. One of these, the changeover in some excimer laser systems from a Zernike polynomial-based ablation algorithm to a Fourier transform-based algorithm, greatly increases the mathematical processing power of the system..."

She goes on to state that the Fourier system provides more data points to give a more detailed wavefront map and clinically superior results, especially for highly aberrated eyes. She also noted that automated iris registration (VISX) makes it possible for the surgeon to compensate for the cyclotorsional movement that occurs when the patient goes from the upright to the supine position during surgery.

She also provided some comments about flap making techniques, commenting that the femtosecond laser "is performing beautifully as a flap-making device". She also said that control problems with the water jet may spell its end as a flap maker.

Marguerite, although she admires the results with the IntraLase, has gone almost completely to LASEK, using an alcohol-free technique (that I believe she developed). She believes that surface ablation has an appealing side benefit: the complete absence of worries about button-holes, striae, epithelial ingrowth, and diffuse lamellar keratitis. As she said, "This isn't why I made the change to surface ablation, but the added peace of mind is appreciated."

The full article is worth your time. It will be found online at **www.refrctiveeyecare.com**.

9/15 **Norwood Devices**, a division of medical technologies group **Norwood Abbey Ltd** , advised that the company had received approval from the Russian Ministry of Health to import and sell the Norwood EyeCare Epi-LASIK system, the next generation of laser vision correction (LVC) surgery.

With the addition of the Russian approval, the product now has approval in all major territories in North America, Europe and Asia. Richard Walmsley, CEO of Norwood Devices stated, “The market potential in Russia is significant. There are 75 laser refractive centres across Russia, with approximately 75,000 patient procedures being undertaken per year.”

The first Norwood EyeCare Epi-LASIK systems have been sold in Russia and will be commissioned for routine patient use shortly. Since 1989, when the first LVC procedures were carried out, more than 1.5 million patients have undergone laser surgery in Russia. In 2003, there were in excess of 3 million LVC procedures performed world wide using approximately 5,700 LASIK cutting devices.

Epi-LASIK combines the benefits of current laser vision correction procedures and eliminates their disadvantages – particularly the need to cut the eye. Current vision correction surgery, called LASIK, has two stages. The first stage of preparing the eye for the laser procedure currently relies on a cutting device called a ‘microkeratome’ to create a stromal ‘flap’ on the surface of the eye, which is then peeled back. The second stage is the laser treatment to correct the patient’s vision, which has been used for a number of years and is a widely accepted and proven technology. Finally, the stromal ‘flap’ is replaced. Industry statistics* indicate that complications occur in a percentage of patients as a result of cutting the eye.

The next generation approach, Epi-LASIK treatment, uses the Norwood EyeCare system and EpiEdge disposable separator, removing the need to cut the eye and hence eliminating associated complications. This unique instrument gently separates a thin layer of living cells, called the epithelium, on the outside of the eye, along a natural cleavage plane. The clinician then moves the epithelial sheet to one side, the laser corrects the

vision and the epithelial sheet is then moved back into place with minimal surgical manipulation.

9/15 According to *Reuters*, **Staar Surgical Co.** said that the U.S. Food and Drug Administration had completed an inspection of its Monrovia, California, facility and it does not expect enforcement action by the FDA is likely at this time. Staar, a maker of implantable contact lenses and products used in cataract and glaucoma surgeries, also said that final approval of its VISIAN ICL implant is subject to review of the recent inspection by FDA's Center for Devices and Radiological Health.

The company's statement follows:

On September 14, 2005, representatives of the Los Angeles District Office of the United States Food and Drug Administration (the "FDA") completed an inspection of the Company's Monrovia, California facility, which began on August 29, 2005. The inspection included both a pre-approval inspection in connection with the Company's premarket approval application for the VISIAN ICL (the "PMA") and an audit of the Company's compliance with the FDA's Quality System Regulation and Medical Device Reporting regulations.

At the conclusion of the inspection the inspectors issued three Inspectional Observations on FDA Form 483 (the "Observations"). One of the Observations was annotated as "corrected and verified," and the Company promised to correct the remaining two. Based on the Company's corrections to the quality system issues identified by the FDA in previous inspections and the findings of the FDA in this inspection, the Company does not believe that enforcement action by the FDA is likely at this time.

The Company believes the outcome of the inspection reflects the Company's efforts to enhance its compliance systems over the past 20 months and the FDA's evaluation of that work.

9/19 The new RONDO microkeratome from **WaveLight Laser Technologie AG** celebrated its official market launch at this year's international *ESCRS (European Society of Cataract and Refractive Surgeons*) meeting in Lisbon. Europe's biggest trade fair for ophthalmology, held from September 11 to 14, gave the international audience of specialists the opportunity to learn in detail about the Erlangen-based company's new product.

Several years of development work and the systematic implementation of experiences from and the requirements of medical practice went into the design of the RONDO, a mechanical microkeratome that meets WaveLight's usual high quality standards and fits perfectly into the Erlangen-based medical technology specialist's refractive product range.

The numerous professional attendees were not only interested in the RONDO's unique high precision and outstanding reliability – the new microkeratome's ergonomic design was equally compelling. Integrated quality assurance rounds off the RONDO's design features, guaranteeing the high level of treatment safety during surgical procedures that is typical of WaveLight.

"Our new RONDO was developed with the aim of providing ophthalmologists with the high treatment quality and safety they have come to expect from WaveLight in the area of microkeratomes as well. The RONDO rounds off our product range in the field of refractive surgery, and is another part of our full-service offering", said Max Reindl, founder and CEO of WaveLight Laser.

The product name RONDO is borrowed from the Italian and, in music, means the repetition of the main theme. In refractive surgery, RONDO now stands for recurrent, consistent maximum quality and precision in the treatment of visual disorders.

Another trade fair highlight was the scientific symposium chaired by Prof. Theo Seiler, held as part of the ESCRS on Saturday evening at the trade fair center in Lisbon, and attended by over 150 ophthalmologists. Specialist lectures gave the international participants an opportunity to familiarize themselves with the latest developments in refractive surgery.

9/19 Ted Huber of **Wachovia Securities** provided an update on **IntraLase**: **ILSE: Downgrading On Soft LASIK Market And Potential Competition**

*** THE DOWNGRADE**: At the heart of our changed view on ILSE shares are concerns with H205 softness in the domestic LASIK market, the source of 60%+ of ILSE profit. Likely exhibition at *AAO (American Academy of Ophthalmology 10/16)* by three upstart femtosecond laser competitors also creates a new headwind for both new IntraLase laser sales and investor sentiment. Beyond near term investor sentiment, each of these new factors creates uncertainty around 2006 growth.

*** REFRACTIVE SURGERY MARKET**: We now expect flat domestic refractive surgery market growth for H205 (did expect mid single digit growth) given reports of declining September volumes (yr/yr) and weak October bookings we picked up from surgeons this weekend coupled with Friday's sharp drop in consumer confidence. Impacts on 2006 growth are unclear at this point.

*** FEMTOSECOND LASER COMPETITION**: We now expect **WaveLight** and **Ziemer** to be promoting new femtosecond laser technologies at next month's AAO, for release OUS in 2006. **20/10** showed its first human eye data at last week's *ESCRS*. ESCRS also featured several new IntraLase clinical papers which on balance presented a positive view of the technology. The new 30 Hz laser remains a positive.

*** MODEL CHANGES**: As a result of the softening domestic market, we model three fewer lasers for Q405 (now 19 domestic) and 4K fewer procedures, resulting in $1.5mm lower revenue and $0.02 less EPS. We have not changed 2006 estimates - visibility into 2006 domestic LASIK growth prospects should improve during Q405 with more consumer confidence data.

Huber also provided his update on the refractive market following the unexpected downfall in consumer confidence announced recently: **Signs Of Slowing Refractive Market**

*** EXPECT WEAK H205 REFRACTIVE SURGERY MARKET**: Based on conversations over the weekend with refractive surgeons and industry participants and Friday's sharp dropoff in the Consumer Expectations Index, we now expect a weak H205 U.S. refractive surgery market. Where we were expecting mid single digit procedure volume growth, we now expect volume to be flat with H204. The slowdown seems related to consumer confidence (CC), Katrina, and gas prices. It's not clear at this point whether the slowdown will be sustained or a temporary phenomenon.

*** SURGEONS REPORT WEAK SEPTEMBER VOLUMES AND OCTOBER BOOKINGS**: Conversations with a handful of surgeons across the country offer a consistent view of Q305 domestic surgery volumes down vs. last year. Doctors we spoke to are not sure why business is weak though they expect a continuation of the trend in the near term given weak bookings into October. Note that we have not talked to the public corporate laser centers regarding their Q305 growth.

*** CONSUMER CONFIDENCE PLUMMETS**: Friday's *Michigan Consumer Expectations Index* fell to 76.9 for August from 85.5 for July, a 13-year low. Economists believe that beyond the direct damage from the storm, images of the catastrophe, concern with government mismanagement of the situation, and rising gas prices will combine to temporarily drive down CC. We note that LASIK volumes have proven to be more closely correlated with CC than any other economic indicator. Industry consultant Market Scope believes CC explains 60% of the movement in the LASIK market. **Market Scope** predicted 4% less growth for H205 in its 9/8/05 newsletter (note that this was prior to the release of the latest CC data).

*** IMPACT ON COVERAGE STOCKS**: ILSE has the most direct exposure to the domestic LASIK market. Near 50% of H205 GP comes from domestic consumable sales and hardware is also tied, in our view, to business conditions at refractive surgery centers. EYE's VISX business derives 80%+ of its gross profit from domestic refractive surgery (near 18% of EYE's corporate total). We estimate that every 5% point change in domestic refractive surgery growth translates into a $0.013 per quarter profit impact for EYE. We expect EYE can cover this likely few cent H205 profit headwind with cataract and multifocal IOL business.

9/20 Jason Mills of **First Albany Capital** also provided his update on **IntraLase**: **ILSE-$15.51-Buy - Take a Longer Term Perspective; "Micro Fundamentals" Are Strong Even Though "Macro Events" Are Tough**

*** The Event**. A competitor downgraded IntraLase yesterday to Hold from Buy citing primarily: 1) expected softness in the U.S. LASIK market in 2H:05, and 2) potential new competition in international markets in the future, suggesting a few of these competitors would be showcasing their laser microkeratomes at the upcoming American Academy of Ophthalmology (AAO) in Chicago in mid-October.

*** Our Thoughts**. We continue to prefer to focus on the "micro fundamentals" of the ILSE business model, which we think are robust (more on this later) as opposed to the "macro events" in the economy presently.

- With respect to the latter (macro events), Hurricane Katrina is obviously having and will likely continue to have (in the near term, in our view) an impact on "elective-surgery" med-tech markets, of which LASIK is certainly included. Consumer Confidence numbers released Friday showed a considerable fall – not surprising given what is going on in the country right now. Consequently, it is not a stretch to expect overall LASIK procedural market growth to slow in 3Q on a year-over-year basis - potentially to flat to up modestly Y/Y versus our current market model, which anticipates high single digit growth for the market Y/Y.

- With respect to the former (micro fundamentals of the business), however, we continue to believe that IntraLase's femtosecond laser microkeratome technology will eventually become standard of care for "cutting the flap" in LASIK. We again remind investors about our view (based on our sensitivity analysis) that Laser Placements are more important to ILSE's business model at this stage in the game than is overall market growth – albeit market growth helps/hurts incrementally, depending on the trend at any specific time (which right now is hurting, as we mentioned above). We expect surgeon demand for the lasers to be more robust in 4Q than any quarter this year – in both the U.S. and OUS markets. Finally, we suggest that Laser Placements drive ILSE procedures, and procedures drive revenue growth and margin expansion (procedure margins 2.5x higher than laser margins), which drives earnings growth.

*** Upcoming AAO** – another opportunity for ILSE. We think the upcoming AAO meeting presents another opportunity for ILSE to reach its target customer base. There will be several papers presented on the technology, which we think will net out to be positive on the technology and serve to drive sales. On the flip side, we do expect international competition to "show their wares," and we do expect competition OUS at some point in the next 12 months. However, ILSE holds a strong IP position in the U.S. (including what it purports to be a "blocking" patent) and also has done a good job of seeding the OUS market in recent quarters.

*** Our recommendations**. We are not changing our estimates and recommend investors use the weakness in the stock to build positions in ILSE. However, we think investors will have to take a longer-term perspective on this stock, as we do think near-term "macro issues" will weigh on the market and these shares, but as we mentioned above, we think the fundamentals of this business will shine through and continue to drive growth in this model, which we think will drive appreciation in these shares once we get past the near-term macro issues.

- From a valuation perspective, ILSE is attractively valued at current levels, in our view, on both an EV/Sales and P/E metrics. With respect to EV/Sales, the broad med-tech group of companies (many of which we remind you face the same "macro issues" currently facing ILSE) are trading at 5.5x 2005 Sales. ILSE is trading at just over 3.7x EV/2005 sales (we would also note that sales growth expectations for ILSE are higher than its peer group). On a P/E basis, the broad small cap med-tech group is trading on average at 58x 2005 EPS estimates. ILSE is trading at a discount to that (~45x after today's pullback). We would note that ILSE trades at even a steeper discount to the comp group based on 2006 estimates; however, given the near-term "noise" and "concern" in this market, we thought it more applicable to point out the current year estimates.

9/20 **QLT Inc.** announced that preliminary analysis of the intent to treat population of the Visudyne in Occult (VIO) trial did not achieve the primary end point at the two year time point. VIO is part of a broader series of trials conducted with Visudyne in patients with predominantly occult CNV. Two earlier trials, VIP (Visudyne In Photodynamic Therapy) and VIM (Visudyne in Minimally Classic), had previously demonstrated evidence of efficacy in this patient population. The company is still conducting further analyses on relevant subgroups. The results of the full efficacy and safety analyses together with the combined evidence from the three trials will be discussed in the upcoming meeting of the Data and Safety monitoring committee (DSMC) and in advisory boards.

The DSMC is an independent panel of experts who are not participating in the studies. The primary responsibility of the DSMC is to oversee the studies and safeguard the interests of current and future participants in this trial.

The VIO trial was a Phase III, multi-center double-masked randomized trial to determine if photodynamic therapy with Visudyne can reduce the risk of vision loss in wet age-related macular degeneration (AMD) patients with subfoveal occult with no classic choroidal neovascularization (CNV). Visudyne is marketed by **Novartis Ophthalmics**, a division of **Novartis AG.**

9/26 **Refocus Group, Inc.** has presented new summary data of its U.S. Food and Drug Administration randomized Phase II clinical study of the company's Scleral Spacing Procedure (SSP) for the surgical treatment of presbyopia. At the September *European Society of Cataract and Refractive Surgeons Congress (ESCRS)* in Lisbon, Portugal, Dr. Barrie D. Soloway - a professor at New York Eye and Ear Infirmary and Refocus

Group's Medical Director - presented clinical results of the first 44 eyes at six months from patients undergoing Refocus Group's SSP procedure for presbyopia. These patients, along with 23 randomized, non-surgical control patients at six months, were monitored for reading and near acuity vision using standard near vision reading charts pre-operatively and at three- and six-month intervals. SSP patients experienced a median of three lines of improvement at six months, though several patients showed improvement of five lines or better. As expected, control patients not undergoing the SSP procedure showed no improvement in their close-up reading vision. About 90 percent of the surgical patients reported that their close-up vision was either better or significantly better. No patient in either group showed any deterioration of uncorrected distance acuity or contrast sensitivity.

"We are very pleased with these latest results," said Terry Walts, president and CEO of Refocus Group. "They demonstrate again to us that the SSP procedure appears to be a safe and effective method of improving close-up vision without affecting distance vision or inducing certain vision compromises in order to reduce or eliminate one's dependence on reading glasses. This is not generally the case for any of the alternative surgical procedures for presbyopia available or under development today."

"In addition, we were pleased that these results were persuasive enough to result in the recent FDA approval to expand the clinical study to the final phase, as we announced on Aug. 24," Walts continued.

As previously announced, Refocus Group has filed preliminary consent solicitation materials to seek stockholder approval to amend the company's Certificate of Incorporation to effect a transaction to take the company private. These preliminary materials are subject to the SEC review process. More information is available in the company's filings at **www.sec.gov**.

Ophthalmic Laser Highlights - October 2005

9/8 **Ellex Medical Lasers Limited ("Ellex")** announced the Company had achieved a satisfying full year result in line with expectations and has completed a restructuring plan expected to result in strong performance in FY2006. In announcing the results, Ellex CEO, Mr Peter Falzon, said that the Company has completed its aggressive investments in R&D and is now focusing on driving the sales and marketing activities of the company to gain share against competitors. With the newest designs available in key market segments, Ellex has a competitive advantage to leverage in the global marketplace.

Total Revenue was $28.5 million up from $26.6 million in the prior comparable period. Strong revenue growth in Europe and Japan offset reductions in OEM revenues. Average gross margins increased from 38% in the prior comparable period to 43% in FY05 reflecting a higher proportion of Laserex branded sales. NPAT after all charges was a loss of $1.1 million compared to a loss of $0.2 million for the prior comparable period

and NPAT pre Goodwill Amortisation was break-even which was consistent with guidance and the first half result.

Total R&D spend for the year was $3.9 million ($4.9 million including all associated overheads) compared to $3.7 million in the prior comparable period. This spend will reduce to a level around 10% of revenue going forward with the restructuring of R&D and in particular the savings by transferring R&D functions from California to Adelaide.

June 2005 Full Year Release: Cash flow from operating and investing activities for the year was negative $3.4 million compared to nil last year. Continuing investment in Japan, R&D and funding the production of the new photocoagulator product line were the key factors.

Key Accomplishments: During the FY2005 financial year, Ellex accomplished several strategic milestones that reposition it for growth in the coming years:

• Introduction of the Solitaire product expanding the company's offering in the retinal market segment which represents a doubling of the company's available market.

• Further progress in Japan where the company received regulatory approval to market its innovative SLT technology for glaucoma management.

• A significant decrease in reliance on revenue from OEM products to our own higher margin products, down from 45% to 36% of total product revenues year on year.

In summary, Ellex CEO, Peter Falzon, commented that we are pleased with the financial results of FY2005. We exit the year with a stronger product offering and a healthy shift in our revenue mix from reliance on OEM products to Ellex branded higher-margin products. Clearly the shipment of 30 Solitaire systems in the latter part of the half year signifies a strong entry into a lucrative new market. We enter FY2006 with a new management team focused on building Ellex's brand value in our marketplace. We are also pleased with the transition of our founder, Victor Previn, from Managing Director to Chairman of the Board. The combination of a new management team focused on increasing market share and profitability combined with technical guidance from our founder and Chairman position Ellex to increase performance in the coming years.

9/26 **IRIDEX Corporation** announced that it had introduced its new OcuLight OR (532 nm) green laser which expands its existing OcuLight product line offering and allows the Company to enter the Ear, Nose and Throat (ENT) market. This new, solid-state laser system can be used in the operating room environment by otologists for otosclerosis and by ophthalmologists for retinal photocoagulation which will allow hospitals to use one standard laser platform across specialties and one laser console to satisfy operating room needs.

Barry Caldwell, president and CEO of IRIDEX, said, "The OcuLight OR laser capitalizes on our experience with ophthalmic solid-state laser technology and our presence in the operating room, allowing us to serve both ophthalmic and ENT needs. Our technology will allow operating rooms to standardize one laser platform across both medical specialties. We believe this new system could potentially expand our laser console sales while allowing us to evaluate additional opportunities for our technology within the ENT market."

The laser was shown to otologists for the first time this past weekend at the *American Academy of Otolaryngologists* meeting held in Los Angeles, California. It was very positively received by the otology subspecialty.

The OcuLight OR laser is the newest addition to the OcuLight green product family manufactured by IRIDEX. The OcuLight family is widely accepted for its reliability, performance, ease of use, and portability and it makes up the world's largest installed base of solid-state ophthalmic lasers. The OcuLight OR laser was specifically designed for the operating room environment and contains a user-friendly control interface. The laser features bright LED displays and large easy-to-read labeling. The laser is energy efficient and does not require regular laser maintenance or special electrical or plumbing as seen with older tube-based technology.

The OcuLight OR is compatible with laser indirect ophthalmoscopes and endophotocoagulation probes as delivery device options for ophthalmologists to perform retinal photocoagulation procedures. The OcuLight OR is also compatible with short and long angle probes for otologists to perform stapedectomy/stapedotomy procedures. A variety of filter models with superior color balance and tissue visualization are also available.

9/26 **CooperVision Surgical**, a division of **CooperVision Inc.**, announced that it had entered into an agreement with **Gebauer Medizintechnik GmbH** for worldwide distribution rights of the Epi-LASIK products produced by the German engineering and medical device firm. Terms of the agreement were not disclosed. The EpiVision, distributed by CooperVision Surgical, is an innovative refractive surgery product used in a LASIK surgery advancement called Epi-LASIK. Epi-LASIK combines the most desirable features of today's popular refractive techniques -- LASIK and PRK. It produces virtually instant visual results like LASIK but with the stable long-term visual outcomes of PRK.

During the Epi-LASIK procedure, the top layer of the cornea (the epithelium) is separated into an intact sheet of viable tissue. This tissue is temporarily lifted away from the cornea so that a laser can be applied to reshape the corneal bed. Once this is completed, the epithelial sheet is returned to its natural position on the eye. Key attributes the EpiVision System brings to this new surgical procedure are accuracy and control. It precisely and safely separates the epithelium from the next layer of corneal tissue, Bowman's membrane. In traditional LASIK, a microkeratome cuts a permanent flap into

the center layer of the cornea (stromal layer). By eliminating the cutting of stromal flaps, the EpiVision eliminates the No. 1 cause of LASIK complications.

"We're pleased to provide the EpiVision to refractive surgeons," said Dave Fancher, president, CooperVision Surgical. "The EpiVision is one example of the novel and advanced products we anticipate bringing to the surgical market."

CooperVision Surgical, a unit of CooperVision Inc., was formed in February 2004. Current products include AlphaCor, an artificial cornea, and AlphaSphere, a soft orbital implant. Web address is: **www.coopervisionsurgical.com**.

9/28 **LCA-Vision Inc.** announced the opening of a LasikPlus vision center in Austin, Texas. The entry into Austin marks the 46th LasikPlus vision center in the United States and the third LasikPlus vision center in the state of Texas. LasikPlus vision centers are located in 22 states, serving 33 markets. Over 35% of the U.S. population is located within a one-hour drive of a LasikPlus vision center. Similar to other LasikPlus vision centers across the United States, the new Austin LasikPlus vision center employs an experienced team of health care professionals and is equipped with technologically advanced lasers and diagnostic equipment, including **Bausch & Lomb**, **VISX** and **Alcon** lasers, to offer patients a wide choice of traditional laser vision correction and advanced custom wavefront procedures.

9/28 **WaveLight Laser Technologie AG** announced investments in two companies in the field of intraocular surgery. Firstly, WaveLight is acquiring all shares in **ACRIMED GmbH**, a pharmaceutical and medical technology company founded in 1995 by Dr. Frank Klemm as a family enterprise in the Berlin region. The distribution company currently employs 24 staff, and specializes in the development and distribution of intraocular lenses. Building on an intelligent network of scientific research and industrial development, the company provides operating ophthalmologists with proven end to-end solutions for performing surgical eye procedures.

"We are extremely pleased to have signed this agreement. I am convinced that our future cooperation as part of the WaveLight Group will benefit both sides, and that we will be able to further optimize our user- and patient-oriented work. Customer satisfaction will continue to be the incentive for what we do", said Dr. Frank Klemm, the founder and CEO of ACRIMED GmbH.

Secondly, WaveLight is acquiring a 30% interest in the Netherlands-based **MDP (Medical Device Production) B.V.** The Dutch company, located in Eerbeek near Arnheim, is an innovative production company specializing in the development and manufacture of high-quality intraocular lenses and implantation aids. The manufacturer of forward-looking intraocular surgery technology was founded in 1974, and currently employs 15 staff. The company's two managing directors, Ben Wanders and Derk van der Spek, previously held 100% of the shares in MDP via **Procornea Holding**, which was founded in 1975. The purchase price for the shares in ACRIMED GmbH and the 30%

interest in MDP amounts to €5.2 million, and will be paid in cash and through the issue of 163,140 new WaveLight shares by way of a non-cash capital increase from authorized capital. The two WaveLight Laser Technologie AG investees are specialists in their respective areas of cataract surgery, and their product offering will expand WaveLight's range in the field of ophthalmology.

The acquisition of ACRIMED GmbH and the investment in MDP B.V. are an important precondition for rapid entry into the cataract surgery market. With it, Wavelight is systematically expanding its recently launched Intraocular Surgery Business Unit in addition to its existing Refractive Surgery operations, where the Erlangen-based medical laser manufacturer is already established as a full-service provider "High innovative strength, consistent customer orientation, and extensive quality management were the driving forces for our strategic investments in ACRIMED GmbH and MDP B.V. These two highly valuable partners will accelerate our entry into the market for cataract surgery", said Max Reindl, CEO of WaveLight Laser Technologie AG.

NOTE: The press release above was issued to the European press. Please be advised that the partnerships with ACRIMED GmbH and MDP (Medical Device Production) B.V., referenced herein, are intended to expand WaveLight Laser Technologie AG's presence in the European ophthalmic marketplace and are not applicable to the U.S. market at this time.

WaveLight Laser Technologie AG entered into these partnerships in order to support its growth strategy outside the U.S. and to expand its ophthalmic product offering to its international customers. The lens-based products developed, distributed and manufactured by ACRIMED GmbH and MDP (Medical Device Production) B.V. are not approved by the U.S. Food and Drug Administration. WaveLight Laser Technologie AG has no plans at this time to leverage these products into the U.S. marketplace. Its Sterling, VA-based U.S. subsidiary, **WaveLight, Inc.**, will continue to remain focused on sales of the ALLEGRETTO WAVE excimer laser and other emerging laser platforms.

10/4 **Lumenis Ltd.** announced the sale of the one-thousandth Selecta SLT Laser for selective photo therapy of glaucoma. Glaucoma is the second leading cause of preventable blindness worldwide and a silent disease that often goes untreated before significant damage is done. "We're pleased with the growing interest in SLT for its potential to prevent blindness. Achieving this important milestone in terms of sales of our systems is a solid indication of the expanding acceptance of SLT as a preferred treatment for glaucoma," commented Lumenis president and CEO, Avner Raz. "Clinical data and patient satisfaction continue to convince doctors that SLT is an effective treatment for their glaucoma patients, both in terms of optimal patient compliance and overall therapy cost. While we have made significant progress in the United States, we strive to increase the use of this important sight-preserving alternative in our other global regions, since they represent the vast majority of glaucoma prevalence worldwide."

Dr. Mark Latina, the inventor of SLT, stated, "I knew this would be a breakthrough technology and embraced by the ophthalmic community. SLT has become a widely accepted glaucoma treatment and popular enough that patients ask me about it by name. Patients are now using less medication or no medications, and proactively asking for the SLT treatment. To me, that is the ultimate goal - patient satisfaction."

The use of SLT has increased rapidly, since Lumenis' family of Selecta laser systems gained FDA clearance in 2001. This new therapy has demonstrated to clinicians the ability to reduce the need for on-going and repeated medication or therapy, which directly addresses patient compliance concerns. After an SLT treatment, the body's own mechanism is activated, which lowers eye pressure and effectively treats the glaucoma patient.

While adoption of SLT in the US has been remarkably high, Lumenis has identified and will pursue the untapped markets in Asia Pacific and Europe. Avner Raz further noted, "Available estimates suggest there are 70 million glaucoma patients worldwide and open-angle glaucoma is the most common form of this condition. Only 3 million of these glaucoma patients are in the United States. Furthermore, the incidence of glaucoma is expected to increase as the global population ages. We are uniquely positioned to address this growing global need."

10/6 **TLC Vision Corporation** announced that it had completed its share repurchase program by acquiring a total of 2 million shares of TLCVision common stock. "The Company continues to believe the current share price does not reflect TLCVision's performance or its future prospects," says Jim Wachtman, TLCVision's president and CEO. "We have aggressively executed this repurchase program to demonstrate our commitment to strengthening shareholder value while we continue to invest for long-term growth."

10/7 The October issue of *Ophthalmic Market Perspectives* basically is a preview of the American Academy of Ophthalmology Annual Meeting, to be held in Chicago from Friday, October 14th (the pre- meetings) until Tuesday, October 18th. Upwards of 14,000 ophthalmologists from the U.S. and around the world (and a total attendance of about 25,000) including close to 500 exhibitors, makes this the largest ophthalmic gathering in the world.. The newsletter notes that the focus will be on the latest clinical data on cataract, refractive and retinal products, as well as surgical techniques, will dominate the meeting, with special attention to presbyopic and refractive IOLs, laser refractive surgery enhancements, AMD drug treatment, and the trend toward micro-incision cataract surgery.

The newsletter also features articles on **WaveLight's** entry into the medical device market, with its acquired stakes in two European IOL companies, the purchase of **Acrimed, GmbH**, and a 30% interest in **Medical Device Production BV.**

The newsletter also has an article on the new competition facing IntraLase, with the introduction of the DaVinci femtosecond laser by ophthalmic pioneer **Zeimer**

Ophthalmics, the producer of the Amadeus microkeratome. Also expected to be at the meeting is **20/10 Perfect Vision's** Femtec femtosecond laser, and possibly one from **WaveLight**.

10/10 **Advanced Medical Optics, Inc.**, announced that it is accelerating its previously announced rationalization and repositioning designed to enhance the company's leadership in the refractive surgical ophthalmic market. AMO began to rationalize certain non-core offerings in 2004 and had originally expected to conclude the process in the latter half of 2006. AMO now intends to broaden the scope and speed of the rationalization by discontinuing all non-core cataract and eye care products and eliminating non-core assets related to these products by the end of 2005. Concurrently, AMO is increasing its investment in the growth of its refractive product line. These actions are designed to maximize AMO's competitive advantage as the global refractive leader and better leverage its suite of superior cataract, refractive and eye care brands.

"Over the past three years, we have taken numerous steps to transform AMO into a major industry force that can deliver sustained, profitable growth," said Jim Mazzo, president and CEO. "Today, our comprehensive cataract offering is strong and competitive, our integration of VISX is complete, the market opportunity for our refractive implants is expanding as a result of positive Medicare changes regarding presbyopia-correcting lenses and we are actively pursuing entry into the artificial tear market. To seize these key opportunities, we have decided to put the distraction of the rationalization and repositioning behind us more quickly and focus our global resources on the big growth drivers, our R&D investment on the truly innovative products and our operations on maximum efficiency."

AMO's rationalization of non-core products and emphasis on premium products with competitive strengths are part of a broad repositioning strategy that began in June 2002 when AMO spun off from Allergan, Inc. Since that time, the company acquired the Pfizer ophthalmic surgical business and VISX, Incorporated, while increasing investment in R&D and securing various technologies through strategic alliances and corporate development. AMO also recapitalized its balance sheet, significantly upgraded its global information systems, expanded its manufacturing capabilities and introduced a centralized global operating structure to support its three strategic business units.

Commenting on AMO's current business conditions, Mazzo said, "We are pleased with the overall performance of our laser vision correction business and are making excellent progress with our expansion plans in selected international markets. More importantly, we are increasingly convinced of the fundamental role this business plays in the execution of our global refractive strategy. Growth trends remain favorable for our promoted cataract and refractive implant brands, especially our recently launched ReZoom multifocal lens. Our eye care business continues to be challenged by the shrinking hydrogen peroxide market, which we are de-emphasizing in favor of the stronger multipurpose solution market. We expect the actions we are taking to mitigate current challenges, while also fortifying our longer-term growth potential."

The company will elaborate on the size and scope of the accelerated rationalization and repositioning when it releases third-quarter results on November 2, 2005.

Guidance: AMO's previous and current 2005-2007 guidance for both revenue and adjusted earnings per share is shown below. Reflected in these changes are AMO's current estimates of the performance of its businesses, the costs related to the accelerated rationalization and the increased spending to support the company's refractive products.

	2005	2006	2007	
			Previous	Current
Revenue (in millions)	$920-$930 (Unchanged)	$1,020-$1040 (Unchanged)	$1,080-$1,100	$1,100-$1,120

	Previous	Current		
Adjusted EPS	$1.65-$1.75	$1.45-$1.50	$2.20-$2.30 (Unchanged)	$2.65+ (Unchanged)

The accelerated rationalization and repositioning will include certain write-offs and charges, which AMO cannot accurately estimate at this time. The adjusted earnings per share guidance above excludes the impact of charges related to acquisitions, reorganizations, rationalizations and debt restructurings, the impact of expensing options and the unrealized gains or losses on derivative instruments.

10/10 **Miravant Medical Technologies** confirmed that patient enrollment is underway in its Phase III clinical trial of PHOTREX (SnET2) for wet age-related macular degeneration (AMD). This multi-center, placebo controlled study is a confirmatory trial designed to fulfill the requirements for additional clinical data as outlined in an "approvable" letter received from the FDA following its review of the company's NDA submission.

Miravant has contracted with **Kendle**, a leading global full-service clinical research organization, to provide clinical development and trial management services for this trial, which is being conducted at approximately 50 investigational sites in the United Kingdom, Central and Eastern Europe. This randomized, placebo-controlled trial, reviewed by the U.S. Food and Drug Administration (FDA) under a Special Protocol Assessment (SPA), includes a range of patients with both the classic and occult forms of wet AMD. Miravant expects to conduct a primary efficacy endpoint analysis at 12 months (one year after initial treatment), with a total of approximately 650 patients to be analyzed. At that time, the Company expects to amend its New Drug Application (NDA) to seek marketing approval while patients are followed for a second year.

"Kendle is pleased to have been selected to provide clinical development services for this pivotal Phase III trial," said Alan Boyce, vice president, Europe, for Kendle. "We look forward to providing Miravant with access to our significant experience and patient access capabilities, both in the Central and Eastern European region and globally."

The FDA granted an approvable status to PHOTREX in September 2004, which included a request for this confirmatory clinical trial. The new clinical protocol was reviewed by the FDA under a SPA. Wet AMD is a debilitating eye disease that is the leading cause of blindness in older adults.

10/10 Jason Mills of **First Albany Capital** released an update on **IntraLase**, prior to the upcoming *American Academy of Ophthalmology* meeting in Chicago: **ILSE: Putting Recent Concerns into Context; Reaffirm Buy**

We reaffirm our Buy rating on ILSE and recommend investors revisit the name at current levels. While we fully expect 2H:05 results to be impacted by macro issues (e.g., hurricanes) out of the company's control, we believe investors have lost sight of solid core fundamentals underlying this business model, which we expect to play out over the next few years and become especially evident beyond in 2006.

Key Points:

• Near-Term "Bear Case" Impacting ILSE Shares. Hurricanes Rita and Katrina, which correlate with higher energy prices, have impacted consumer confidence and have driven investor concern regarding discretionary spending, which we fully expect to impact ILSE's near-term U.S. results.

• Medium/Long-Term "Bull Case" Being Overlooked. ILSE possesses next-generation technology that elicits better clinical outcomes, is still early in its "market penetration cycle," possesses a global business model (not just U.S.-centric as VISX was), and is poised for accelerating profit margins vis-a-vis continuing mix shift from equipment sales to procedure sales.

• International Business Still Under-Appreciated. Important, yet overlooked, is that macro issues expected to impact the domestic business in the near term do not impact ILSE's OUS business, which we believe is robust. Furthermore, OUS competition, about which investors have recently become more concerned, is more "noise" than substance, in our view, for at least another 12-18 months.

• Recalibrating our model; taking a step back gives perspective on what we believe is a compelling risk/reward buying opportunity. At the stock's current trading levels, we suggest the market has "priced in" overly conservative expectations. We have decided to recalibrate our estimates lower and emphasize that the revenue and EPS growth rates, not to mention relative valuation, portended by our new estimates promulgate what we believe is a compelling risk/reward buying opportunity.

Valuation: We moderate our 12-month price target to $20.50, supported by both EV/Sales and P/E analyses.

EV/Sales Methodology. Frankly, we believe ILSE deserves to trade at a premium to the mean EV/Sales multiple for the broad small-cap group (5x). However, reflecting conservatism, we acquiesce to this mean, which implies an EV/Sales-derived target of $23/share in 12 months, using a fully diluted share count of 31.3M, a net cash position of $65.3M, and 2006 estimated sales of $132M. P/E Valuation. The small-cap group trades at 38.7x, which when applied to our 2006 EPS estimate of $0.48 (fully taxed, even though ILSE won't pay taxes until at least 2007) suggests an $18 fair value. [We note the group mean applied to our "as reported" 2006 EPS estimate of $0.80 would suggest a $30/share target.]

Averaging the two targets derived from both valuation methodologies, we set a 12-month price target of $20.50/share - implying over 40% potential upside from current levels.

10/11 Results from the first head-to-head contralateral study comparing the outcomes of the latest **Bausch & Lomb** microkeratome technology against the ***Intralase*** *Femtosecond* (FS) device found that the new Bausch & Lomb *Zyoptix* XP microkeratome was statistically significantly more accurate with respect to intended flap thickness, produced on average thinner corneal flaps and had a comparable standard deviation in flap thickness. The study also found that uncorrected and best-corrected visual acuity under high- and low-light contrast conditions were equivalent.

"The results of this controlled, prospective study are contrary to claims that the *Intralase* laser is somehow inherently superior to advanced microkeratome technology, and that it some how enhances visual outcomes," said lead investigator Hung Ming Lee, M.D.

The prospective, randomized, controlled, contralateral eye study compared flap thickness as measured by both conventional ultrasound pachymetry and optical coherence pachymetry. The study results, based on 98 eyes of 49 patients, will be reported on Saturday, Oct. 15 at the American Academy of Ophthalmology Annual Meeting in Chicago.

Highlights of the study include:

* The *Zyoptix* XP microkeratome demonstrated statistically significant greater accuracy and produced thinner flaps on average than the Intralase FS device;
*The *Zyoptix* XP microkeratome demonstrated the same level of precision in flap thickness deviation as the *Intralase FS* device;
*The *Zyoptix* XP microkeratome required significantly less suction time than the *Intralase FS* \device;
*The *Zyoptix* XP microkeratome required significantly less surgery time than the *Intralase FS* device*;*

*The *Zyoptix* XP microkeratome's uncorrected and best corrected refractive outcomes under high- and low-contrast conditions were equivalent to those of the *Intralase FS* device.

The study was conducted at the internationally-renown Eye Institute at Tan Tock Seng Hospital in Singapore. The research hospital gained global attention in 2003 when it was designated as the sole treatment center for the SARS epidemic in Singapore.

The sum of our findings suggests that surgeons who use mechanical microkeratomes will experience an overall reduction in LASIK surgical time. And less time means less potential for unanticipated intraoperative events that could affect surgical outcomes," said Dr. Lee.

Refractive surgeon Robert Maloney, M.D., of the Maloney Vision Institute in Los Angeles added, "This study provides strong evidence that the new *Zyoptix* XP microkeratome is as precise and even more accurate in terms of intended flap thickness, than the *Intralase FS* device."

10/12 **IntraLase Corp.** announced at the *American Academy of Ophthalmology* Annual Meeting (continuing through Oct.18) that a half-million blade-free LASIK vision correction procedures, only possible with the IntraLase FS (femtosecond) laser, have been sold. This milestone represents an approximate seventy five percent increase in LASIK procedures with the IntraLase Method during the past year and marks a shift toward blade-free LASIK as the procedure of choice for the correction of myopia (nearsightedness), hyperopia (farsightedness) and astigmatism.

Available commercially in the U.S. since 2001, the IntraLase FS laser attained widespread distribution in 2004 and by the second quarter of 2005 was used in approximately 18 percent, or nearly one in every five, LASIK procedures, in the United States. With its excellent record of safety, patient comfort and superior visual outcomes, the IntraLase Method is among the fastest-growing refractive surgical techniques. Conversely, traditional LASIK procedures using a microkeratome (metal blade) are declining, according to research from **Market Scope's** Q2 2005 Refractive Quarterly Update. Rapid growth of the all-laser LASIK procedure is expected to increase further as more doctors and patients discover the benefits of the IntraLase laser over the bladed microkeratome, and as more teaching institutions switch to IntraLase in training future ophthalmologists. The top two ophthalmic teaching institutions, University of Miami's Bascom Palmer Eye Institute and Johns Hopkins' Wilmer Eye Institute along with 14 other leading teaching centers have already adopted IntraLase as their technology of choice.

"The growing body of clinical evidence is convincing: LASIK with the IntraLase Method delivers unparalleled safety, precision and predictability, which for patients means superior visual outcomes, faster visual recovery and improved quality of vision compared to procedures using a microkeratome," said Richard Lindstrom, M.D. of Minnesota Eye Consultants in Minneapolis, MN, who recently acquired the IntraLase technology. "With

IntraLase, more of my patients achieve 20/20 vision or better almost immediately after the procedure, which is fast – about 30 seconds per eye – comfortable and requires little or no recovery time."

10/12 **IntraLase Corp**. and **Tissue Banks International** announced the execution of an agreement to install an IntraLase FS laser for the preparation of corneal allografts at The National Eye Bank Center, TBI's new state-of-the-art facility in Memphis, Tenn. TBI will be the first large-scale eye bank organization to use the IntraLase FS (femtosecond) laser for preparation of corneal allografts for transplant. The laser will be used to prepare allografts for posterior lamellar, anterior lamellar, and full thickness corneal transplants. Initial clinical work suggests that allografts prepared with IntraLase's femtosecond laser are stronger than those prepared with traditional penetrating keratoplasty, with less induction of astigmatism.

"We are very excited about this new application for the IntraLase femtosecond laser and delighted to see it utilized by TBI at The National Eye Bank Center," said Bernard Haffey, executive vice president and chief commercial officer of IntraLase. "Based on initial results with other donor bank users, we believe that corneal surgeons will be pleased with the advantages for their patients provided by a precisely prepared corneal allograft," Haffey explained.

"TBI is proud to be on the cutting edge of eye-banking with the installation of the femtosecond laser," said Gerald Cole, president and CEO of Tissue Banks International. "The preparation of precision-cut corneal allografts was one of the primary reasons we established The National Eye Bank Center. The efficiencies of our centralized processing and the transportation advantages of our Memphis location mean we can provide surgeons with their requested allografts quickly."

Beyond the installation of the femtosecond laser, IntraLase and Tissue Banks International have plans to collaborate on future applications and improvements as part of both TBI's and IntraLase's commitment to maximizing the benefits of this exciting technology.

The femtosecond laser is an extremely precise laser that received FDA clearance for the preparation of corneal allografts on Sept. 7, 2005. The ultrashort pulses the laser uses to cut tissue are too brief to transfer heat or shock, which means that cutting occurs with virtually no damage to surrounding material.

The National Eye Bank Center is a state-of-the-art facility designed to centralize the screening, evaluation, and shipping of eye tissue for sight-restoring corneal transplant surgery. The first such Center in the world, the multi-million dollar project will offer surgeons and their patients the largest concentration of ocular tissue and pre-cut grafts for ocular surgery. The Center ensures tissue's safety, quality, and rapid and efficient distribution to surgeons and researchers in the U.S. and overseas.

10/13 **Lumenis Ltd.** announced that it had received FDA clearance to market the new Selecta family of lasers and will introduce a total of eight new ophthalmic lasers and delivery devices on October 15th at the *American Academy of Ophthalmology (AAO)* Annual Meeting in Chicago, Illinois. Avner Raz, Lumenis president and CEO, stated, "This accomplishment represents the first time in Lumenis history that a market introduction of this magnitude has occurred in the ophthalmic arena. This industry-leading achievement stems from Lumenis' 40-year history of technology research and development in Ophthalmology. In 1970, we were the first company to introduce a laser in this field. Since then, we have followed with a series of additional sight-preserving milestones, including the "first" laser photocoagulator, laser indirect ophthalmoscope, multicolor photocoagulator, photodynamic therapy laser, selective laser trabeculoplasty system and solid state multicolor laser."

"As previously announced, Lumenis recently received the 2005 Technology Leadership Award from Frost & Sullivan. At this year's AAO Meeting, we simply continue this long-standing tradition as we proudly showcase the newest additions to our existing and already full line of ophthalmic lasers - a new and complete set of ophthalmic laser solutions. Our Selecta family of lasers for the complete ophthalmic practice offers it all - from ultimate simplicity, to choice of therapy with maximum flexibility. Our new laser delivery devices are specifically designed to provide superior visibility and performance, as well as improve physician comfort during procedures," said Avner Raz.

New Product Introductions:

* Selecta 1064 nm Nd:YAG Base Platform - An essential tool for ophthalmologists treating the anterior segment of the eye, as in the elimination of secondary cataracts and performing peripheral iridotomies. The Selecta platform offers multiple upgrade options that are simple and straightforward.

* Selecta Duo - Adding the S-Link LaserLink to the Selecta platform creates the Selecta® Duo, a versatile Nd:YAG and 532 nm Photocoagulator combination laser that extends treatment capabilities to procedures involving both the anterior segment and posterior pole of the eye.

* Selecta Duet - A Q-switched frequency-doubled 532 nm laser combined with the Selecta platform YAG laser expands treatment options to include Selective Laser Trabeculoplasty (SLT) for open-angle glaucoma.

* Selecta Trio - The pinnacle in the family, combining the Nd:YAG, diode-pumped solid-state (DPSS) 532 Photocoagulator and Q-switched frequency-doubled 532nm laser (SLT) and offering maximum flexibility in choice of therapy.

* Novus 3000 (Pending FDA clearance) - A fully-integrated and powerful 532 nm Operating Room Photocoagulator with reliable DPSS technology and simplified operation using a touch screen interface and remote control. This unit comes standard with built-in

storage for a laser indirect ophthalmoscope (LIO), remote control, foot switch and other accessories.

* Lumenis 1000 Integrated Slit Lamp - Fully-integrated biomicroscope slit lamp laser delivery system, complete with built-in LaserLink, parallel optics, magnification changer, micromanipulator and multicolor automatic eye safety filters.

* Lumenis 950 Slit Lamp - Zeiss-style diagnostic slit lamp biomicroscope with parallel optics and offering a choice of automatic or fixed eye safety filters for multiple wavelengths.

* Coaxial Multicolor LIO - World's first coaxial multicolor LIO provides precise laser delivery with repeatable outcomes, as well as maximum treatment options and physician safety.

10/13 **IntraLase Corp**. commented on recent claims made in a head-to-head study concerning the comparative outcomes of **Bausch & Lomb's** bladed microkeratome device versus IntraLase's Femtosecond (FS) laser instrument. A Bausch & Lomb sponsored study performed by Dr. Hung Ming Lee (Tan Tock Seng Hospital, Singapore) demonstrated superior precision for the IntraLase FS laser and equivalent short term visual results, even though the newest IntraLase model was not used. Moreover, the setting selected for the IntraLase flap thickness was unusually high. In fact after this study Dr. Lee now uses the IntraLase FS laser in the majority of his LASIK cases.

The study, which is being presented at a Bausch & Lomb sponsored symposium, is not part of the peer-reviewed annual meeting of the *American Academy of Ophthalmology* being held this week in Chicago. Data released by B&L compared standard refractive results and contrast sensitivity at one day, one week, and one month post-operatively. Patients participating in the study had flaps created in one eye by the Zyoptix XP and in the fellow eye by the IntraLase FS laser operating at 15 kiloHertz (the older model). Intraoperative measurements revealed the achieved flap thickness averaged 118 microns in the Zyoptix eye, but was 30% thicker (156 microns) in the IntraLase eye.

Unlike a mechanical microkeratome, the IntraLase FS is computer controlled and can be set to achieve a wide range of flap thickness. In several peer reviewed clinical studies (and in general clinical practice) a much thinner flap thickness is programmed into the laser and achieved, usually between 100 and 120 microns. Thicker flaps have been reported to result in slower visual recoveries, more significant biomechanical effects and optical aberrations. Two separate prospective, contralateral eye studies done in the United States at the US Navy Medical Center and at Stanford University comparing the IntraLase FS laser and mechanical microkeratomes are being presented at the AAO Refractive Subspecialty Meeting, and the main AAO Annual Meeting, both peer reviewed meetings. In these two studies, Dr. Edward Manche (Stanford University) and Drs. Steven Schallhorn and David Tanzer (U.S. Naval Medical Center) achieved flaps of 110 and 100 microns, respectively.

In both studies, statistically significant improvements in contrast acuity and uncorrected vision were seen with the IntraLase FS.

More Good News for IntraLase: Despite the use of a flap thickness setting that was 50% greater than a typical IntraLase setting, and over 30% thicker than the thickness selected for the Zyoptix XP, the IntraLase flap achieved a 30% reduction in standard deviation versus the mechanical device. In the IntraLase eyes, a standard deviation of 9.5% was achieved, while for the Zyoptix XP the standard deviation was 12.3% of the average flap thickness. If equivalent flap thickness had been used in the study, a standard deviation of 11 microns would have been expected with the IntraLase, versus 15 microns with the Zyoptix XP. This 11 micron extrapolation is consistent with several previous peer-reviewed publications of the IntraLase FS. (Data on file)

IntraLase FS Laser Creates Planar Flap: Creation of a planar flap has been suggested as one of the primary reasons for superior visual results with the IntraLase FS. While a mechanical microkeratome produces an irregular flap that is thinner centrally and thicker peripherally (meniscus shaped), the IntraLase FS creates a uniform thickness flap. Therefore, even a uniformly thicker IntraLase flap may better preserve the integrity of the peripheral cornea and introduce fewer biomechanical effects and optical aberrations than a centrally thinner mechanical one. The equivalent visual results between IntraLase planar 156 micron flaps and Zyoptix XP 118 meniscus-shaped flaps are consistent with this hypothesis.

Core Computer Technology Continues to Evolve: The study reports a two fold increase in suction time. With the current model IntraLase FS30 the suction times would be roughly equivalent (56 sec for FS30 vs. 44 sec for XP). Moreover the highest volume LASIK surgeons in the world use IntraLase as their standard of care dispelling any myths of prolonged surgery time. And the core computer technology used in the IntraLase platform continues to increase in speed.

The Bottom Line: "After using both the new Bausch & Lomb XP and the IntraLase FS30, I am convinced the 30 kHz IntraLase provides both better control of flap thickness and flap architecture and drives better visual outcomes. Our patients definitely prefer the laser over the blade. This is why we use IntraLase on essentially all of our patients," states Jon Dishler MD of the Laser Institute of the Rockies.

IntraLase congratulates Dr. Lee on his clinical study with Bausch & Lomb. We are especially pleased to note that, after his comparison study, he uses the IntraLase FS laser on the vast majority of his LASIK cases.

10/13 **WaveLight Laser Technology AG** announced it had increased its revenues by 30% in fiscal year 2004/2005 compared to the previous year. The company reported revenues of € 80.860 million at its fiscal year ending July 31, 2005 up from € 62.041 million reported in the prior year.

Earnings before interest and taxes (EBIT) grew substantially prior to the previous year (€ 6.149 million) to €8.789 Million, reflecting a 43% increase. WaveLight will keep the earnings from the fiscal year 2004/2005 in the corporation to further invest in dynamic growth and product development. Therefore, the company will refrain from paying dividends to its shareholders this year.

WaveLight's ophthalmic division contributed the largest revenue share this year. With revenues of € 61.967 Million, the division comprised 77% of the company's entire revenues. Compared to the previous year, the growth of the eyecare division increased by nearly 43%. These developments underscore WaveLight's growing position that the international ophthalmic marketplace.

The company also improved the performance of the aesthetic division, compared to the previous year. Whereas revenues at the end of the 2003/2004 fiscal year were at €8.759 Million, the division generated a 10% increase to €9.623 Million in the fiscal year 2004/2005. The aesthetic segment contributed to 12% of the overall corporate revenues. The urology and industrial divisions did not generate a revenue increase and achieved a combined results of €9.090 Million (prior year €9.969 million). The executive management has confirmed that it will separate from these two divisions shortly.

For the first time, WaveLight filed its annual report based on the International Financial Reporting Standards (IFRS) in order to comply with a corresponding European directive that enforces this standard for publicly noted European companies as of January 1, 2005.

Dynamic growth for the future: Based on the success in the past fiscal year, WaveLight plans to further grow its global market position with a strong focus on expansion into the ophthalmic market segment. Based on its recent international partnerships with **Acrimed GmbH** and **MDP (Medical Device Production) B.V.**, WaveLight intends to expand its ophthalmic division to include cataract and lens surgery product lines in the near future.

Important enhancements where made to the aesthetic-dermatological division in fiscal year 2004/2005. Using new light sources, e.g. LED based technology, WaveLight is expanding its aesthetic product offering and also adding a cost efficient alternative to laser based treatments. Based on these strategies, WaveLight expects to increase revenues of 92 Million Euros for the current fiscal year 2005/2006 with an EBIT of 12%.

10/13 **NIDEK Co., Ltd.** announced today that its two wholly owned subsidiary companies -- **NIDEK Technologies America (NTA)** and **NIDEK Inc.** would merge and consolidate business activities in the U.S. market effective April 1st, 2006. NTA, with a focus in commercializing advanced ophthalmic diagnostic instrumentation for corneal and retinal applications, will merge with NIDEK's U.S. sales and marketing organization -- NIDEK Inc. This consolidation and merger is being undertaken to further harmonize and harness commercial synergies and solidify NIDEK's strong and growing business in the U.S. vision care and ophthalmic industry. The company sees this strategic move as a way to further its product marketing and distribution goals and objectives in the United States.

“This is an exciting time for NIDEK's business operations in the U.S., as we continue our strong focus on harnessing business and product distribution synergies in the U.S.," stated Hideo Ozawa, president and Founder of NIDEK Co., Ltd. “With this merger / operational consolidation, we want to focus our efforts on the strong synergies that both NTA and NIDEK Inc. bring to the marketplace. Bringing the two groups together will allow NIDEK to offer one source for its advanced diagnostics and surgical ophthalmic instrumentation to the visioncare professional in the U.S. Additionally, through this consolidation we aim to streamline business operations -- sales, marketing, accounting, customer and product service -- enabling NIDEK to focus and achieve its short and long-term goals and objectives. Under one business unit, 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 close to 25 years," added Ozawa.

“Harnessing synergy is our objective here -- by bringing together the two commercial business operations, NIDEK as a company will be able to focus on leveraging core competencies of each group and continue to develop and market new and innovative advanced ophthalmic diagnostic instrumentation to the U.S.," stated Phillip Buscemi, OD, vice president and General Manager of NIDEK Technologies America. “To our existing and new customers, the business change will be seamless and transparent. We will transfer product marketing, sales, service, and customer support to our sister operation at NIDEK Inc. in Fremont, CA. The goal here is to harness commercial, distribution and operational synergies between the two groups and continue our long standing partnership with our users in the United States," added Buscemi.

“As we see our business and company dealings in the U.S. grow, its important that we bring together akin and analogous business operations together and by doing this, we continue to harness synergies and organizational core competencies to continue to deliver products and technologies to our customers in the United States and around the world. At NIDEK we want to focus on key strategic areas -- diagnostic technologies being one of those. By bringing NTA and NIDEK Inc. together, we will continue to drive the advancement of technology and enable NIDEK to continue its strong business history in the U.S. and the global ophthalmic and vision care markets. Our end goal here is to continue to deliver products that offer visionary performance to our users around the world," added Hideo 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. NIDEK'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. NIDEK's 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.

10/14 As reported by *Ophthalmology Times* from the *AAO* meeting, **IntraLase** president and CEO Robert Palmisano pointed out how refractive surgeons can improve both the business and clinical sides of their practices by utilizing the IntraLase femtosecond laser, during a press briefing Friday morning.

Palmisano shared the podium with Steven Slade, MD, of Houston, and Richard Lindstrom, MD, of Minneapolis. Palmisano discussed the business aspects, while Drs. Slade and Lindstrom discussed the medical aspects.

Palmisano reviewed the findings of a recent customer survey conducted by **SM2 Consulting**, which showed that physicians using the IntraLase laser improved the bottom line of their practices. "It's very favorable economics," he said.

The survey showed that the average fee increase for practices with an IntraLase laser was $350 per patient across the board, and higher for physicians who were at a lower price point. The survey also showed IntraLase surgeons increased the number of their procedures (15% on average), while average price increases were 22%, and overall revenue increases were 41%.

Palmisano added the results showed that when physicians incorporated an IntraLase laser into their practice, they were using the technology 88% of the time. The survey also found that physicians who marketed the laser had an impact on their closure rates. Prior to IntraLase, 65% of 100 potential patients underwent LASIK. With IntraLase, closure rates increased to 78% of 100 potential patients.

Palmisano then discussed the growth of IntraLase as a global company. IntraLase has a presence in 22 countries. In addition, the company recently received approval to market the laser in China and hopes to move into South America early next year.

Worldwide, IntraLase has units in 3,230 practices outside the United States and in 1,270 practices in the United States.

Dr. Slade explained how physicians can now customize the flap using the IntraLase laser. He said the custom flaps offer perfect centration, true diameter, controlled depth, true lamellar flap, shaped edge, and adjustable hinge position. Custom flaps offer several advantages, including 40% small diameters (from 7 to 9 mm), reduced surgical time, less suction time, potentially reduced dry eye, and increased structural integrity. Dr. Slade concluded that more studies are needed on customized flaps.

Dr. Lindstrom said he was not an enthusiastic believer in the IntraLase laser when it became available commercially. Since then, he and his practice, Minnesota Eye Consultants, have turned 180˚ in favor of the unit after conducting an in-practice study of its patients.

Dr. Lindstrom found that the IntraLase laser has produced better visual acuity outcomes, lowered complication rates, increased practice revenues, improved the practice's LASIK volume, and resulted in better flap thicknesses for patients. "Surgeons are happy; patients are happy," Dr. Lindstrom said. "There is less stress on the physicians and patients are less nervous."

10/14 **IntraLase Corp.**, **The Northwest Lions Eye Bank** and *The Cornea Research Foundation of America* announced today at the *American Academy of Ophthalmology* Annual Meeting in Chicago, Illinois, preliminary study results that indicate uniform thickness posterior corneal allografts can be successfully prepared and stored for use in novel corneal transplant procedures. Dr. Frank Price will present the initial laboratory results during course LEC246 "Anterior and Posterior Lamellar Keratoplasty Techniques" on Sunday, October 16th. The study to be presented is part of a growing effort to make superior laser-cut cornea tissue available for posterior endothelial keratoplasty, known in layman's terms as partial-thickness cornea transplants. These procedures have gained significant interest among corneal surgeons due to their potential to speed visual recovery and reduce complications compared to the current standard surgery, in which a full thickness corneal transplant is performed. "Our team has been impressed with the Northwest Lions Eye Bank's ability to make this innovation a reality," said Dr. Ron Kurtz, Medical Director at IntraLase. "Their sophisticated approach to sight care has created bridges between the corporate and non-profit world that will continue to make a real impact on corneal surgery."

To accomplish the testing and validation necessary before distribution, Northwest Lions Eye Bank senior staff and technicians are using an IntraLase FS Laser located in the eye bank's Seattle laboratories. Following the completion of the studies, laser prepared tissue should be available as a replacement for manually prepared tissue for use in patients with diseases that affect the back portion of the cornea, the largest group requiring corneal transplantation in the U.S. NLEB is the first eye bank to use the IntraLase FS Laser to create posterior corneal grafts.

"Preliminary results on 28 corneas indicate that the IntraLase laser can be used to create partial thickness grafts that are uniformly about 200 microns, an ideal shape and size for these new surgical procedures. Importantly, early results also indicate that the tissue can be stored and sent to the surgeon in a convenient form without developing excessive tissue swelling. This would allow the surgeon to reduce operating times now spent preparing the tissue themselves, while also providing better quality grafts," said Dr. Frank Price, president of the Cornea Research Foundation of America.

As one of the leading eye banks in the world, the Northwest Lions Eye Bank has placed more than 30,000 corneas with surgeons for sight-restoring transplants. "We are excited to pioneer this innovative step for corneal transplantation and eye banking," said Northwest Lions Foundation for Sight & Hearing president and CEO Monty Montoya. "Corneal surgeons and eye banks alike should be impressed by IntraLase's commitment

to this project. Without their passion for serving surgeons and their patients' this breakthrough technology would not be possible."

10/14 As reported by *Ophthalmology Times* from the *AAO* meeting, CE approval has been granted for **SOLX's** 24-karat DeepLight Gold Micro-Shunt (GMS), which is available for sale outside the United States for the first time. GMS results to date have shown remarkable IOP reduction without a bleb, according to the company. The announcement was made during a press briefing Friday at the American Academy of Ophthalmology.

GMS clinical results submitted to the European Agency for the Evaluation of Medicinal Products (EMEA) included 70 eyes with primary open-angle glaucoma failed on maximum medical therapy as well as at least one surgical intervention. During a minimally invasive procedure, the ultra-thin GMS was inserted through a 4-mm wide incision connecting the anterior chamber and the suprachoroidal space. Eyes in the study were followed up for 2 years and have demonstrated more than 34% reduction compared with best medicated baseline. Complications and adverse events with the GMS were low and transient in almost all cases, especially as compared with the reported complications and adverse events associated with blebs.

"We consider CE approval of the gold micro-shunt to be a major milestone for SOLX," said Doug Adams, president and CEO of SOLX. "Now that both components of the DeepLight Glaucoma Treatment System—the 790 Titanium Sapphire Laser and Gold Micro-Shunt—have been approved by the EMEA, SOLX is one step closer to our goal of a future in which no glaucoma patient is required to take more than one medication."

10/16 **Ziemer Ophthalmic Systems AG** announced the debut of its Da Vinci femtosecond surgical laser. The laser incorporates a design concept that seamlessly integrates with LASIK and corneal surgery procedures. The second-generation femtosecond surgical laser system is so small and compact that it can be used in any combination with any of the current excimer laser systems, thus obviating the need for moving the patient from one laser to another intraoperatively.

As the system's laser energy is deployed from a handheld laser head, which is placed on the patient's eye and guided by the surgeon, a procedure results that resembles the operation of a traditional microkeratome. Held in place by a vacuum suction ring, the bimanual handpiece gives the surgeon superior tactile and visual control of the procedure through the excimer laser microscope. For fixation, the handpiece incorporates a vacuum suction ring. The delivers a precisely controlled vacuum generated by a computer-controlled vacuum system.

Ziemer Ophthalmic Systems will be accepting purchase orders for the Da Vinci unit at the AAO Meeting. Shipments will commence in the second quarter of 2006. The laser is not currently available for sale in the United States, pending 510(k) clearance.

10/17 **Refractec Inc.** announced the preliminary clinical results presented at the *American Academy of Ophthalmology (AAO*) meeting here affirming the safety and efficacy of its NearVision CK (conductive keratoplasty) treatment for presbyopic patients with a history of LASIK surgery. Some 90 million Americans age 40 and over either have presbyopia or will develop it in the next decade, and many have had LASIK surgery to correct other vision problems earlier in their lives.

"Those baby boomers who were among the first to enjoy the benefits of LASIK to correct the vision problems of their youth now face the gradual reduction of near vision as they age," said Dr. Daniel Durrie, M.D., lead investigator of the study, who presented his findings at the AAO Annual Meeting in Chicago. "Fortunately for these post-LASIK patients, initial results from this study indicate NearVision CK may be a good treatment option."

NearVision CK is a quick (three-minute) treatment that uses radio waves, instead of a laser or a scalpel, to bring near vision back into focus without cutting or removing any tissue. Boasting one of the highest safety profiles in the refractive market, NearVision CK already has U.S. Food and Drug Administration approval for the treatment of presbyopia and hyperopia (farsightedness). Refractec is seeking expanded approval to improve near vision in post-LASIK patients.

The Phase Three multicenter post-LASIK clinical trial will involve 150 patients who, other than suffering from presbyopia, had normal vision. Preliminary results of the first 23 patients compiled one month after the treatment showed excellent safety (no flap complications or adverse events) and outstanding visual outcomes for the entire range of vision:

* 96% of patients could read J3 (phonebook-sized print) or better
* 96% of patients achieved binocular intermediate vision of 20/20 or better, compared to 65% pre-operatively
* All of the patients -- 100% -- achieved a binocular UCVA of 20/25 or better at distance
* More than 90% achieved binocular UCVA vision to read J2-sized print or smaller
* These results contributed to an enthusiastic response from patients, with 96% reporting being satisfied or very satisfied with their post-operative vision.

The clinical trial, now underway, involves more patients at additional centers, and includes longer-term follow-up data. Researchers hope to complete enrollment of the study in mid-2006.

"NearVision CK already plays an important role in the refractive practice, offering patients and surgeons a minimally invasive option for the treatment of presbyopia," said Mitchell Campbell, Refractec's president and CEO. "We are confident that the results of this Post-LASIK study will demonstrate our technology's ability to address the needs of presbyopic patients with a history of vision procedures."

Clinical Trial of NearVision CK with LightTouch Begins: Also at the AAO meeting, Refractec announced the launch of an Investigational Device Exemption (IDE) study, recently approved by the FDA, of NearVision CK with LightTouch. The announcement marks an important phase in the company's efforts to obtain supplemental pre-market approval for LightTouch, a neutral-compression technique that delivers even more consistent, repeatable results.

"As the LightTouch technique enhances the absorption of the radiofrequency energy, it appears that we can generate results with fewer spots," said Durrie, who also is lead investigator of the LightTouch IDE study. "My initial work with LightTouch indicates that it may reduce the frequency of CK-induced astigmatism and achieve more immediate vision correction -- similar to the 'wow factor' that many patients report post-LASIK."

10/17 **WaveLight, Inc**. announced the closure of the 100th ALLEGRETTO WAVE excimer laser system sale in the U.S. Michael Sheety, MD, acquired the ALLEGRETTO WAVE for his new practice, Sierra Eye and Laser Center in Fullerton, Calif., scheduled to open on December 1, 2005.

"Before purchasing the ALLEGRETTO WAVE for my new center, I assessed all current laser platforms. This system offers the most superior outcomes, tracking system and beam profile," said Dr. Sheety. "With this laser, I know that I will be offering my community the single most advanced technology available. As I counsel patients, I can look them in the eye and tell them this is the laser I would have my own eyes treated with."Dr. Sheety was officially honored during a WaveLight-sponsored gala reception during the AAO meeting in Chicago.

WaveLight introduced the ALLEGRETTO WAVE excimer laser system to the U.S. in October 2003, following FDA approval. According to **Market Scope**, an independent market research company, WaveLight gained 20 percent of the U.S. market share in refractive laser sales within the first year. From 2004 to 2005, installations have nearly doubled.

"Reaching this milestone in less than two years represents WaveLight's growing role in the U.S. refractive market," said Wade Tetsuka, president of WaveLight, Inc. "With each laser installation, WaveLight brings increasing value to the physician's practice by introducing a new standard-of-care in laser vision correction."

The ALLEGRETTO WAVE was the first refractive laser in the U.S. to receive concurrent approvals for the treatment of myopia up to -12 diopters with astigmatism of up to -6 diopters and hyperopia up to +6 diopters with astigmatism of up to +5 diopters, not exceeding a mean spherical equivalent of +6 diopters.

10/17 At an instructional course conducted this morning at the 109th *American Academy of Ophthalmology (AAO)* annual meeting in Chicago, Bill Bond, MD , presented three- and six-month clinical results comparing wavefront-optimized and wavefront-guided

treatments with the ALLEGRETTO WAVE excimer laser. Both treatment approaches achieved nearly identical visual outcomes post-operatively, and neither treatment induced higher-order aberrations.

The prospective randomized, controlled multi-center study was initiated in September 2004 to evaluate the safety and effectiveness of wavefront-guided treatments (incorporating the ALLEGRO wavefront analyzer) and to compare results to wavefront-optimized (standard LASIK) with the ALLEGRETTO WAVE. Myopic patients (up to +7 D with up to +3 D of astigmatism) were eligible to participate in the study. Approximately 82% of all patients reported post-operative visual acuity better or equal to pre-operative BCVA and 55% of patients gained one or more lines of vision. No loss in contrast sensitivity was observed with either platform.

In addition, 81% of eyes presented with £.3 microns of pre-operative higher-order aberrations (HOAs) and achieved equivalent outcomes with either wavefront-guided or wavefront-optimized treatments. For the remaining 19% of patients presenting with significant HOAs (>.3 microns), HOA's were reduced slightly more with wavefront-guided treatments than with wavefrontoptimized treatments. On average, neither platform was shown to induce HOAs following treatment.

"This study demonstrates the tremendous benefits of applying wavefrontguided principles into a conventional LASIK treatment," said Bill Bond, MD, of Bond Eye Associates of Pekin, IL. "Wavefront-optimized LASIK provides considerable benefits to all patients without inducing spherical aberrations. Only a small proportion of patients benefit from wavefront-guided treatments and it still unclear to how much benefit is achieved."

WaveLight's clinical investigator group includes Stephen Brint, MD, Michael Gordon, MD, Karl Stonecipher, MD, Bennett Chotiner, M., David Dulaney, MD and Charles Moore, MD. The study is being administered by **SurgiVision Regulatory Consultants, Inc.** of Scottsdale, AZ.

The ALLEGRETTO WAVE was the first refractive laser to receive concurrent approvals for the treatment of myopia up to -12 diopters with astigmatism of up to -6 diopters and hyperopia up to +6 diopters with astigmatism of up to +5 diopters, not exceeding a mean spherical equivalent of +6 diopters.

10/17 **IntraLens Vision, Inc**. has changed its name to **ReVision Optics, Inc. (RVO)** to align with its strategy to enter the large presbyopia market. Randy Alexander, ReVision Optics president, stated, "We feel our new name ReVision Optics, perfectly suits both our corporate mission and our products. ReVision Optics will be targeting the refractive surgery market with an emphasis on the surgical correction of presbyopia via an intracorneal lens."

Research Collaboration with IntraLase Corp.: "IntraLase has agreed to develop specialized software that will enable us to develop the collateral products we need to move

forward aggressively in the marketplace," Alexander said. The software will enable ReVision Optics to produce two types of customized flaps that will assist eye surgeons to easily inject the company's intracorneal lenses. The company's lenses are undergoing clinical trial in the U.S.

Robert Palmisano, president and CEO of IntraLase, said, "While continuing to gain global market share of corneal flaps for LASIK, an integral part of our strategy is to also establish our laser as enabling technology for corneal applications which include corneal inlays, rings and therapeutic procedures." As part of this agreement with ReVision, IntraLase will acquire full rights to the name IntraLens.

ReVision Optics will develop, manufacture, and market intracorneal lenses to correct and maintain vision. Its lenses are made from its proprietary micro-porous hydrogel material and will be trademarked under the name PresbyLens.

The company's initial goal is to gain approval in the United States to tap into the huge market for surgical correction of presbyopia. Presbyopia, a condition affecting most individuals over the age of 40, is the loss of flexibility of the eye's lens, making it more difficult to focus on near objects.

ReVision Optics' intrastromal approach is anticipated to correct a wide range of vision correction needs, and its main product, PresbyLens, could provide a minimally invasive solution to presbyopia in all ranges. In addition, the lens has been extensively studied for the correction of hyperopia (farsightedness), for which there are few good surgical alternatives. The lens also offers the advantages of being implanted in a less-invasive manner compared to other presbyopic treatments, an important option for surgical vision correction.

The company is presently conducting clinical trials in the United States for its lens for the correction of hyperopia up to +6 diopters. The company is also running clinical studies at several international sites for the development of its lens to correct presbyopia.

The ReVision Optics PresbyLens is implanted during a sutureless surgical procedure that is less invasive than the intraocular lenses that are implanted inside the eye.

"For correcting presbyopia we're targeting a multifocal approach. This gives the patient the potential ability to see at both near and far, similar to the vision they had before becoming presbyopic, without the compromises of monovision. In the United States, there are more than 50 million people who are presbyopic and are searching for a solution beyond traditional glasses or contact lenses," said Alexander.

10/18 **QLT Inc.** reported that its alliance partner, **Novartis**, announced global Visudyne (verteporfin) sales of US$124 million for the quarter ended September 30, 2005. This represents an increase of 9% over sales in the third quarter of 2004.

10/19 **Alcon, Inc.** reported global sales of $1,071.1 million for the third quarter of 2005, an increase of 11.8 percent over global sales in the third quarter of 2004, or 10.5 percent excluding the impact of foreign exchange fluctuations. Net earnings for the third quarter of 2005 increased 52.2 percent to $295.8 million, or $0.95 per share on a diluted basis, compared to net earnings of $194.3 million or $0.62 per share for the third quarter of 2004.

"Our third quarter results showed solid sales growth and continued strong improvement in gross margins as our sales mix shifted to higher profit products," said Cary Rayment, Alcon's chairman, president and CEO. "Our global brand teams and regional management continue to execute our key strategies to drive market share and increase sales of our featured brands. We also have been able to manage our costs well and to capitalize on our global infrastructure to grow profits faster than sales."

Third Quarter Sales Highlights: Highlights of sales for the third quarter of 2005 are provided below. Unless otherwise noted, all comparisons are versus the third quarter of 2004.

* U.S. sales grew 12.1 percent to $560.5 million, accounting for 52.3 percent of total sales.
* International sales grew 11.4 percent to $510.6 million, accounting for 47.7 percent of total sales. Excluding the impact of foreign exchange fluctuations, International sales grew 8.7 percent.
* Pharmaceutical sales grew 16.3 percent to $437.8 million and contributed 40.9 percent of total sales.
* Sales of glaucoma products increased 13.6 percent, led by a 34.2 percent rise in sales of Travatan ophthalmic solution. In the U.S., Travatan solution has increased its share of the prostaglandin market 3.0 share points on a year-to-date (YTD) basis through August 2005 and continued to build share on a global basis.
* Surgical sales rose 10.4 percent to $484.3 million, accounting for 45.2 percent of total sales.
* Sales of intraocular lenses increased 18.2 percent to $165.0 million. Sales growth was attributable to market share gains, the launch of the AcrySof ReSTOR intraocular lens, continued conversion to single-piece intraocular lenses in general and the AcrySof Natural lens specifically. Global sales of the AcrySof ReSTOR lens in the third quarter of 2005 and September 2005 YTD were $17.5 million and $27.9 million, respectively.
* Sales of cataract and vitrectomy products rose 8.9 percent, with sales of vitreoretinal surgical products, cataract removal systems and cataract procedure paks being key drivers of growth in this sector.
* Refractive revenue declined 29.1 percent due to a decrease in global equipment sales and procedures. Refractive revenue for the quarter was $11.7 million, down from the $14.4 million recorded for the second quarter.

Financial Guidance:

* Sales for the full year 2005 are expected to be between $4,350 million and $4,400 million.
* Diluted earnings per share for the full year 2005 are expected to be between $3.58 and $3.60.
* Guidance for sales of the AcrySof ReSTOR lens remains unchanged.

10/19 **IRIDEX Corporation** announced that it had filed suit against **Synergetics USA, Inc.** of St. Charles, Missouri for infringement of the IRIDEX Patent No. 5,085,492 entitled "Optical Fiber with Electrical Encoding" covering its laser probe technology. This intellectual property is embraced in the IRIDEX EndoProbe products and other IRIDEX laser delivery devices.

The suit was filed in the U.S. District Court for the Eastern District of Missouri and seeks monetary damages as well as a permanent injunction against continued infringement by Synergetics for the sale of its Quick Disconnect laser probes and its Quick Disconnect Laser Probe Adapter. This infringement includes not only selling or offering to sell, but also manufacturing a variety of products falling within the scope of the '492 patent.

"Over the years, IRIDEX has invested significantly in its intellectual property, as evidenced by the fact that we have 17 issued patents and at least three others in the application process," said Barry Caldwell, president and CEO of IRIDEX. "Although discussions with Synergetics have been ongoing for some time regarding this infringement, those discussions have proven to be unproductive. As a result, we have filed this lawsuit today. We believe that the loss of past and future revenues and profits for IRIDEX, combined with the strength of our intellectual property, justify this action. There is always a risk associated with litigation, but we believe that Synergetics clearly infringes our intellectual property, which we intend to vigorously defend."

The patented IRIDEX EndoProbe product line is used during endophotocoagulation, an ophthalmic surgical procedure performed in the hospital operating room or surgery center. The use of EndoProbe handpieces with IRIDEX laser consoles has been validated and shown to satisfy the FDA and other regulatory agencies' requirements for laser and medical safety. This validation process demonstrates the accuracy of delivered laser power and protects against inadvertent laser emission whenever the delivery device is connected.

10/24 **LCA-Vision Inc.** announced the opening of a LasikPlus vision center in Portland, Oregon. The entry into Portland marks the 47th LasikPlus vision center in the United States and the company's first LasikPlus vision center in the state of Oregon. LasikPlus vision centers are now located in 23 states, serving 34 markets. Approximately 37% of the U.S. population is located within a one-hour drive of a LasikPlus vision center.

Similar to other LasikPlus vision centers across the United States, the new Portland LasikPlus vision center employs an experienced team of health care professionals and is equipped with technologically advanced lasers and diagnostic equipment, including **Bausch & Lomb**, **VISX** and **Alcon** lasers, to offer patients a wide choice of traditional

laser vision correction and advanced custom wavefront procedures.

10/24 The **OSN Supersite** reported that LASIK is still most common refractive surgical procedure. An annual survey indicates that LASIK is performed by about 90% of refractive surgeons, said Richard J. Duffey, MD, during the Refractive Surgery Subspecialty Day at the *American Academy of Ophthalmology* meeting. After LASIK, the most common refractive surgical procedure is PRK, performed by 68% of respondents, followed by limbal relaxing incisions/IOL (57%), refractive lens exchange (39%) and limbal relaxing incisions alone (26%). Other refractive procedures were performed by less than 25% of respondents to the survey.

10/24 Jason Mills of **First Albany Capital** sent along his report on **Bausch & Lomb**, following the recent AAO meeting in Chicago: **BOL: AAO Meeting Takeaways and 3Q Preview; Reiterate Buy**

* We reiterate our Buy rating on BOL. The AAO Meeting reaffirmed our confidence in BOL's position in ophthalmic end markets.

* Expect solid 3Q results. We expect 2H:05 results to reflect modest acceleration in top-line growth and strong high teens earnings growth. We model 3Q revenue and EPS of $594.5M (+8% Y/Y) and $0.92 (+16% Y/Y), respectively. Notably, we remind investors 3Q offers a relatively easy Y/Y comp in the vision care business.

* We continue to believe BOL has significant operating leverage left to be unlocked. Moreover, we expect sales growth acceleration led by higher-margin products in Pharma and Vision Care, which should augment margins as well.

* Margin expansion drivers include: 1) product rationalization and manufacturing efficiencies, namely in surgical; 2) further automation of contact lens manufacturing; and 3) completion of the ERP IT consolidation, which should produce additional SG&A cost savings, specifically in 2H:06.

* We model 3Q gross margins up 150 bps Y/Y to 59.3%, and operating margins up 40 bps Y/Y to 14.4%.

* 3Q conference call areas of interest: 1) PureVision franchise update, 2) Retisert launch/reimbursement update, 3) presbyopic IOL development/in-licensing plans, and 4) 2006 guidance.

10/25 **IntraLase Corp.** reported continued revenues, earnings and installed base expansion for the third quarter and nine months ended September 30, 2005. Robert Palmisano, president and CEO of IntraLase, said: "In addition to the expanding presence and growing market share of our IntraLase FS laser around the world, clinical studies continue to validate the superiority of our blade-free approach to creating the corneal flap for LASIK surgery resulting in superior safety and better vision for patients. At the *American Academy of*

Ophthalmology (AAO) meeting held October 13 - 18, 2005, approximately 25% of the refractive sub-specialty sessions included IntraLase, representative of our steadily expanding installed base and continued market share gains. This ongoing market acceptance by refractive surgeons and patients is reflected in our financial results for the third quarter."

Third Quarter Highlights:

* Laser unit sales and leases grew 26%, to 34 for the period compared with 27 a year ago.
* Per-procedure unit sales grew 65%, to approximately 83,000 for the period compared with approximately 50,000 a year ago.
* IntraLase's share of the U.S. corneal flap market grew to approximately 19% to 20% compared to an estimated 18% at the end of the 2005 second quarter and 17% in the first quarter of 2005.
* IntraLase shipped and recognized revenue for 45 FS30 kHz upgrades, dramatically exceeding our previous goal of 40 by year end.
* China and Poland became the latest international markets to be served by the company. IntraLase lasers are now available in 24 countries.
* IntraLase received FDA 501K clearance for use of the IntraLase FS30 laser in creating the corneal resections performed in lamellar keratoplasty and penetrating keratoplasty procedures, allowing IntraLase to develop further therapeutic applications.

Q3 2005 Revenues of $22.9 Million: Revenues in the third quarter of 2005 were $22.9 million despite the third quarter typically being a seasonally weaker period. Revenues increased 48% to $22.9 million compared with $15.5 million for the 2004 third quarter. IntraLase sold or leased 34 lasers versus 27 lasers in the comparable period last year. Laser revenues for the period rose to $11.1 million compared with $8.6 million in the year-ago quarter. Reflecting the increasing utilization of the company's technology, revenues from per-procedure fees, inclusive of a disposable patient interface, grew 70%, reaching $9.7 million compared with $5.7 million for the 2004 period. Maintenance revenues increased 74% to $2.1 million compared with $1.2 million in the third quarter last year.

Q3 2005 Profitability Trend Continues: Reflecting the increasing volume of procedures as well as lower costs for both the laser and the disposable patient interface, gross margin expanded to 54.0% from 45.1% in the same period in 2004. Per procedure fees rose to 43% of revenues compared with 37% in the third quarter of 2004. Operating expenses totaled $10.7 million versus $10.1 million in the year-ago quarter. Operating income was $1.7 million versus an operating loss of $3.1 million in the comparable 2004 period.

Net income in the third quarter was $2.4 million, or $0.08 per diluted share, compared with a net loss of $3.1 million, or $1.37 per diluted share, in the third quarter of 2004. Per-share calculations for the two periods reflect weighted average shares outstanding on a diluted basis of approximately 31.2 million in the 2005 third quarter and 2.3 million in the comparable 2004 period.

The third quarter of 2005 included a $119,964 non-cash charge relating to stock-based compensation. The same charge totaled $880,360 million in the 2004 third quarter. Excluding stock-based compensation and the effect of taxes, IntraLase's net income would have been $2.5 million during the third quarter of 2005 as compared with a net loss of approximately $2.3 million in the third quarter of 2004. While IntraLase does not currently expense employee stock options, stock-based compensation primarily arises from options issued in the months before initial public offering (IPO) as a private company at prices less than the expected IPO price and consultant options. The consultant option expense can vary significantly from quarter to quarter based on the quarter ending stock price.

Nine Month Results: For the first nine months of 2005, revenues grew 64% to $67.1 million from $40.8 million during the prior-year period. Laser revenues were up 50% to $32.5 million compared with $21.7 million last year, while sales of procedure fees increased 80% to $28.9 million versus $16.1 million in the comparable 2004 period. Maintenance revenues increased 86% to $5.7 million compared with $3.0 million in the first nine months of 2004.

Gross margin expanded to 53.0% from 42.0% in the comparable nine-month period in 2004. The increase in gross profitability was primarily driven by an increase in per procedure fees of 80% as well as lower costs for both the laser and the disposable patient interface. Per procedure fees as a percentage of revenue increased during the period to 43% compared to 39% in the first nine months of 2004. Net income was $5.7 million, or $0.18 per diluted share, compared with a net loss of $7.1 million, or $3.15 per diluted share, for the first nine months of 2004. The 2005 period included a $1.2 million non-cash charge relating to stock-based compensation; this charge was $2.4 million in the first nine months of 2004. Per-share calculations for the two periods reflect weighted average shares outstanding on a diluted basis of approximately 31.2 million for the first nine months of 2005 and 2.3 million in the comparable 2004 period.

Guidance Reaffirmed for 2005: IntraLase reiterated its previously stated guidance for the 2005 year. It expects revenue growth of at least 58%, rising to greater than $95 million compared with $60 million in 2004. IntraLase further expects to generate net income in a range of $10 million to $12 million, or $0.33 to $0.37 per share, including expected expenses associated with non-cash, stock-based compensation. IntraLase anticipates the fourth quarter will account for approximately half of annual net income due to seasonally high demand for lasers, increasing international momentum, 30Khz upgrades and revenues from higher-margin per-procedure sales increasing as a percent of revenues. The Company also believes it will continue to sequentially capture market share in the LASIK market throughout the balance of 2005.

Palmisano concluded: "IntraLase is building a global business and fortifying our worldwide market leadership by bringing an increasing number of leading refractive surgeons into the fold. Since obtaining our CE Mark in March 2004 and introducing our technology in Asia in mid-2003, our lasers are now available in 24 countries. We continue

to see a long runway of opportunity for the IntraLase technology, and as our installed base grows, so will our revenues and profitability. We look forward to a strong finish to the 2005 year."

Jason Mills of **First Albany Capital** sent along his take on **IntraLase's** Third Quarter report: **ILSE Reports Strong 3Q Despite Macroeconomic Concerns and Typical 3Q Seasonality**

* ILSE reported 3Q sales and EPS of $22.9M (+48%) and $0.08, respectively, beating our (conservative) $21.1M and $0.04 estimates.

* The company placed 34 lasers (+26% Y/Y) for laser revenue of $11.1M (+29%). This was higher than our estimate of 30 laser placements and $9.4M in system revenue.

* Combined U.S. and international procedural volume was 83,000 – up 65% Y/Y (from 50,000 in 3Q:2004) – resulting in patient interface revenue of $9.7M (+70% Y/Y). This was above our 81,150 procedural volume estimate, but in line with our $9.8M procedure revenue estimate. While the volume has not yet been broken out, we assume international procedures out-performed, while U.S. procedures, as we had projected, likely were adversely impacted by inclement weather and higher energy prices in the U.S.

* The company shipped 45 FS30 kHz upgrades – handily beating its previous goal of 40 upgrades by year-end.

* Gross margins were 54% (up 890 bps Y/Y), above our 53.3% estimate

* ILSE reiterated previous guidance for 2005 of $95M+ in revenues and an EPS range of $0.33-$0.37 (including SBC). The company expects 4Q to contribute roughly half of 2005 net income given the seasonally high demand for lasers, increasing international momentum, 30Khz upgrade revenues, and increased patient interface sales (high margin) as a percentage of revenue.

* We reiterate our Buy rating on ILSE and 12-month price target of $20.50. The strength of these numbers, not to mention reiterating guidance for 2005, in the face of difficult market conditions speaks to the nascent stage of IntraLase's business model, in our view. In addition, we believe that, while not yet broken out, international procedures once again contributed to strong overall procedure numbers. We continue to suggest the Street underestimates the importance of the OUS business and the remaining opportunity.

10/25 **IRIDEX Corporation** reported strong financial results for the quarter ended October 1, 2005. Revenue for the period was $9.1 million, an 11% increase from the $8.2 million reported for the third quarter of 2004. The Company achieved net income of $879,000 or $0.11 per diluted share for the third quarter of 2005 compared with a loss of $720,000 or a loss of $0.10 per diluted share in the third quarter of 2004.

Revenue for the nine-month period ended October 1, 2005 was $26.6 million, a 12% improvement compared with the $23.7 million reported during the same period of 2004. Net income for the nine-month period ended October 1, 2005 was $1.3 million or $0.16 per diluted share compared with a net loss of $604,000 or a loss of $0.08 per diluted share during the comparable period of 2004.

Net income in the third quarter and nine-month period ended October 1, 2005 includes a benefit of approximately $0.04 per share from the adjustment to certain tax reserves following the expiration of Federal and State statutes of limitations. Net income in the third quarter and comparable nine-month period of 2004 included a one-time charge of approximately $0.17 per share to establish a reserve for state sales taxes.

Ophthalmology sales grew to $7.9 million for the third quarter of 2005, an increase of 10% compared with $7.2 million for the third quarter of 2004. Dermatology sales grew to $1.2 million for the third quarter of 2005, up from $1.0 million for the corresponding quarter in 2004. During the third quarter of 2005, strong sales growth was seen both domestically and internationally, with domestic sales growing to $5.8 million, a 12% increase compared with $5.2 million for the third quarter of 2004, and international sales growing to $3.3 million, a 9% increase compared with $3.0 million for the third quarter of 2004. Since international sales are denominated in US dollars, foreign currency fluctuations had no material impact on sales growth.

"Our strong financial performance during the third quarter of 2005 was driven by year-over-year growth in all of our business segments," said Barry Caldwell, IRIDEX president and CEO. "We were pleased to see gross margin reaching 53.7% for the quarter. This improvement in our gross margin was fueled primarily by atypically high gross margins on certain OEM ophthalmology products as well as our increasing recurring revenue stream of disposable and service products. While we believe that in the next few years IRIDEX can achieve the type of operating efficiencies necessary to consistently reach the level of gross margin reported this quarter, we expect the fourth quarter gross margin to be approximately 3 to 5 percentage points below the level achieved during the third quarter and expect the 2006 gross margin to be slightly better than long-term historical levels."

Caldwell further commented, "During the quarter, we continued to build our management team. Don Todd, who has more than 25 years of experience in medical device marketing, joined us to lead our marketing efforts. In addition, we've begun to implement our strategy of building disposable and services revenues by taking aggressive action to protect our strong intellectual property positions. We're pursuing a three-pronged strategy to achieve our goal of $100 million in profitable revenues before the end of the decade by maximizing the potential of our existing core business, pursuing the internal development of innovative, new and incremental products, and making strategic acquisitions. Looking ahead, we continue to expect to generate sales for the full year in the range of $36 million to $38 million and earnings per share of approximately $0.20."

Cash, cash equivalents and available-for-sale securities as of October 1, 2005 were $20.1 million compared with $18.0 million at January 1, 2005. Inventories increased to $9.3 million at the end of the third quarter of 2005, up from $8.9 million at January 1, 2005. Inventory turns at the end of the third quarter of 2005 were approximately 1.8 times. At the end of the third quarter of 2005, accounts receivable was $6.9 million, resulting in day sales outstanding (DSO) of 70 days.

10/25 **LCA-Vision Inc.** announced financial and operational results for the three months and nine months ended September 30, 2005.

Third Quarter 2005 Financial & Operational Highlights:

- Earnings per share increased 118% to $0.37 from $0.17.
- Revenue grew 51% to approximately $47.0 million from approximately $31.2 million.
- Procedure volume rose 47% to 34,187 from 23,248.
- Same-store revenues were up 48% at vision centers open at least 12 months.
- Opened three new LasikPlus vision centers in Milwaukee, Wisconsin; Phoenix, Arizona; and Austin, Texas.

Net Income & Earnings Per Share: Third quarter 2005 net income increased 121% to approximately $7.9 million from approximately $3.6 million in the third quarter of 2004. Third quarter 2005 earnings per diluted share increased 118% to $0.37 from $0.17 in the third quarter of 2004.

Commenting on third quarter results, chairman and CEO Stephen Joffe said, "LCA-Vision continued its strong financial and operational performance in 2005's third quarter. We grew procedure volume 47% and same-store revenues 48%, reflecting our continued ability to capture additional market share. Consumers continue to prefer our combination of advanced technology, experience, and exceptional quality of patient care at an affordable value price, propelling us to substantially outpace projected industry growth rates."

Joffe added, "Yesterday we announced the opening of our newest LasikPlus vision center in Portland, Oregon. LasikPlus vision centers are now located in 23 states, serving 34 markets, and reaching approximately 37% of the United States population. Other LasikPlus vision centers opened so far this year include Sacramento, California; Norfolk, Virginia; Hartford, Connecticut; Milwaukee, Wisconsin; Phoenix, Arizona; and Austin, Texas."

Revenues & Operating Income: Revenues grew 51% to approximately $47.0 million in 2005's third quarter from approximately $31.2 million in 2004's third quarter, and procedure volume increased 47% to 34,187 from 23,248. Revenue per procedure increased 3% to $1,376 in the third quarter of 2005 from $1,342 in the third quarter of 2004, and operating income increased 117% to approximately $12.0 million from approximately $5.5 million. Operating margins increased to 25.6% in the third quarter of

2005 from 17.7% in the third quarter of 2004.

Solid Cash Position: Cash provided by operations in the first nine months of 2005 grew to approximately $32.7 million from approximately $20.8 million in the first nine months of 2004. Cash and cash equivalents increased to approximately $109.6 million as of September 30, 2005 from approximately $107.3 million as of June 30, 2005 and approximately $82.8 million as of September 30, 2004.

Year-To-Date Results: For the nine months ended September 30, 2005, the company reported net income of approximately $25.1 million, or $1.17 per diluted share, compared with net income of approximately $27.1 million or $1.31 per diluted share for the nine months ended September 30, 2004. Included in 2004's year-to-date financial results was the reversal and usage of the valuation allowance against deferred tax assets of approximately $15.7 million related to federal and state net operating loss carryforwards generated in prior years. Excluding the change in the valuation allowance against deferred tax assets, year-to- date 2005 net income increased 118% to $25.1 million from $11.5 million, and earnings per diluted share more than doubled to $1.17 from $0.55. Management believes that excluding the change and usage of the valuation allowance against deferred tax assets is a meaningful disclosure as it allows for year- over-year comparisons of financial results on a consistent basis.

For the nine months ended September 30, 2005, revenues grew 54% to approximately $145.6 million from approximately $94.4 million, and procedure volume increased 51% to approximately 107,775 procedures from approximately 71,611 procedures performed in the first nine months of 2004. For the nine months ended September 30, 2005, operating income increased 117% to approximately $40.3 from approximately $18.6 million for the nine months ended September 30, 2004, and operating margins increased to 27.7% from 19.7%.

Share Repurchase: In May 2005, LCA-Vision announced that it had been authorized by its board of directors to purchase up to 1,000,000 shares of its common stock. During the quarter, 50,000 shares of common stock were repurchased at an average cost of $44.19 per share.

Outlook: LCA-Vision is again increasing its full-year 2005 earnings guidance and now expects full-year 2005 earnings per diluted share to be between $1.40 and $1.45, up from guidance previously provided of $1.25 to $1.30.

10/26 **Bausch & Lomb** reported preliminary results of operations for the third quarter and nine months ended September 24, 2005, and said it may delay the filing of its Quarterly Report on Form 10-Q, which is due on November 3, 2005, pending the results of an investigation, described below, into allegations of improper conduct by management of the Company's Brazilian subsidiary, **BL Industria Otica, Ltda. ("BLIO")**, and past tax assessments against BLIO by Brazilian taxing authorities. BLIO manufactures contact lenses and markets a range of the Company's vision care, surgical and pharmaceutical products in

Brazil. In 2004 it accounted for approximately $20 million in net sales, which is less than one percent of Bausch & Lomb's consolidated revenues.

Results of Operations: The following results of operations are preliminary and are subject to the outcome of the ongoing investigation described below and the completion of the required quarterly review procedures by the Company's independent public accountants, PricewaterhouseCoopers, LLP. There can be no assurance that these preliminary results will not differ materially from results that the Company reports when it files its Quarterly Report on Form 10-Q for the Quarter ended September 24, 2005.

Third-quarter worldwide net sales were $588.7 million, up seven percent from $548.9 million in the 2004 period. Changes in foreign currency exchange rates had no impact on the reported growth rate in the quarter. Gains were reported for vision care, pharmaceuticals and cataract and vitreoretinal surgery products in each of the Company's geographic segments, while refractive surgery revenues declined. For the first nine months of 2005, net sales were $1.75 billion, up eight percent, or six percent on a constant-currency basis, from 2004.

GAAP earnings per share for the third quarter and year-to-date periods were $0.32 and $1.75 respectively, compared to $0.79 and $2.00 in 2004. Current-year reported results reflect improved gross margins, offset by higher selling, general and administrative expenses to support new product launches and increased investment in research and development. The preliminary results also reflect charges totaling approximately $19.6 million after tax, or $0.35 per share, related to the matters that are subject to the investigation described below; a loss of $0.04 per share after taxes on the previously announced disposal of the Company's Woehlk subsidiary; and several income tax items described below. Excluding those items, comparable-basis earnings per share were $1.02 and $2.45 for the quarter- and year-to-date periods, respectively.

Bausch & Lomb chairman and CEO Ronald Zarrella said, "The underlying improvement in our fundamental operating performance in the quarter continues to demonstrate how we are leveraging sales gains into even higher earnings growth, notwithstanding the various discrete items and the charges that were recorded as a result of the ongoing investigation in Brazil."

Revenue Highlights: Revenues derived in the United States increased to $229.9 million in the third quarter, up six percent from the prior-year period, and represented 39 percent of total Company sales. Revenues derived in non-U.S. markets increased eight percent over the same period in 2004 and were up seven percent on a constant-currency basis.

Contact lens sales growth was led by the PureVision brand of spherical and toric silicone hydrogel contact lenses. Continued share gains and expanded distribution in Europe and Asia were augmented by incremental sales from the re-introduction of the spherical product in the United States. Overall category growth was also aided by higher sales of the SofLens Toric, SofLens Multi-Focal and SofLens59 lines of disposable contact lenses.

Lens care sales growth reflected the continued successful global rollout of ReNu with MoistureLoc multi-purpose solution, the introduction of ReNu MultiPlus solution in Japan, and gains for the Boston lines of rigid gas permeable solutions.

Pharmaceuticals category growth was led by higher sales of prescription products treating inflammation, dry eye and glaucoma, and by over-the-counter general eye care and nutritional products. Those gains were somewhat offset by lower sales of multisource pharmaceuticals, attributable to competitive entries for two of the Company's non-ophthalmic products.

Higher sales of cataract and vitreoretinal products were driven by a nine percent increase in intraocular lenses (IOLs) and higher sales of viscoelastics. IOL revenues reflected continued strong double-digit gains for the SofPort and Akreos lines of foldable IOLs.

Refractive surgery revenues of $31.3 million, declined mainly due to lower laser and microkeratome blade sales, partially offset by higher procedure card fees and service contract revenues.

(As reported by *Reuters*, third-quarter sales grew across all product categories except refractive surgery products, which include blades used in LASIK eye surgery. Sales in that segment fell 10 percent to $31.3 million, or 5 percent of the total. Executives blamed a declining market for vision correction surgery, the lack of growth in the U.S. economy and increased competition from rival **IntraLase Corp**., whose lasers are now used in about one-fifth of all U.S. LASIK surgeries.)

Company Updates Financial Guidance: Based on year-to-date trends, and including expectations for a lower effective tax rate, the Company now projects full-year reported and constant-currency sales growth of approximately seven percent. For the fourth quarter, comparable-basis earnings per share are projected to be approximately $1.20. Those projections reflect incremental sales from the acquisition of CT Freda in the fourth quarter, but exclude one-time purchase accounting adjustments related to that transaction, as well as any further adjustments that may result from the ongoing investigation.

For 2006, Bausch & Lomb projects constant-currency sales to grow approximately nine percent, with earnings per share in the range of $4.20 to $4.30. Those projections do not reflect the impact of new stock-based compensation programs or the adoption of new accounting rules requiring the expensing of stock options, which Bausch & Lomb estimates will together reduce earnings by approximately $0.28 per share.

Jason Mills of First Albany Capital provided his take on Bausch & Lomb's third quarter results: **BOL: Solid 3Q Results; Guidance Strong (Still Upside Room in Our View); Buy**

* BOL reported solid 3Q results. Revenue was a tad light at $589M vs. our $595M estimate, but not unexpected given the weather-induced issues that negatively impacted cataract and small contact lens divestiture in Europe, which we did not account for in our

projections.

* Lens Care and Pharma were above expectations; Contact Lenses were solid, but a tad light (because of Woelk divestiture); while Surgical fell short, driven by sluggish refractive sales.

* Pro forma EPS were $1.02 (excluding one-timers) vs. our $0.92 estimate (consensus $0.91); 4 cents derived from a lower tax rate (albeit sustainable). Even so, EPS beat handily, driven by strong margins (the gross margin was 60.1% vs. our 59.3%; the operating margin was 15.2% vs. our 14.4%). Our thesis suggests significant margin leverage left in this model.

* Guidance Solid, Leaves Room for Upside. 4Q guidance calls for EPS of $1.20 vs. our $1.16 and the Street's $1.17 forecasts. For 2006, guidance reflects higher ex-FX revenue growth (9% vs. 6%-7% in 2005), but also strong earnings leverage (guided to $4.20-$4.30 ex FAS 123). We increase our revenue and EPS estimates to $2.66B (+10%) and $4.32, respectively.

* Brazilian issue flagged internally and manageable, in our view. Allegations of improper conduct by management of Brazilian subsidiary were flagged internally; the general manager and "indicted" employees were dismissed; and BOL has taken a $20M after-tax reserve. We think the situation is manageable.

* We reiterate our Buy rating and $95 price target.

10/27 **QLT Inc**. reported financial results for the third quarter ended September 30, 2005.

2005 Q3 Results: Sales

Visudyne worldwide sales for the third quarter were $123.7 million, an increase of 8.6% over the third quarter of 2004. Visudyne sales in the U.S. for the quarter were $51.0 million, down 9.7% over the same period last year. Visudyne sales in the rest of the world were $72.8 million, an increase of 26.6% over the same period last year.

Eligard worldwide sales for the third quarter were $21.4 million, down 6.6% from the third quarter of 2004. Eligard sales in the U.S. for the quarter were $12.0 million, down 30.7% over the same period last year. Eligard sales in the rest of the world were $9.4 million, an increase of 67.3% from the same period last year.

Sales of dermatology products from our Sandoz alliance for the third quarter were $4.0 million, compared to $2.3 million in the same period last year.

Total product sales were $149.6 million, up 6.9% over total product sales in the third quarter of 2004.

Diluted Earnings Per Share (EPS): Non-GAAP EPS, which excludes restructuring charges, amortization of intangible assets, and separation charges related to the recent departure of our former CEO, was $0.17 in the third quarter, while GAAP EPS was $0.14. A reconciliation between non-GAAP EPS and GAAP EPS for the third quarter of 2005 is provided in Exhibit 1 of this press release.

Prior year GAAP results reflect operations before our merger in the fourth quarter last year. Therefore, we have provided non-GAAP (adjusted pro forma) results, which reflect ongoing results as if the merger had occurred just prior to January 1, 2004. A reconciliation between non-GAAP results and GAAP results for the third quarter of 2004 is provided in Exhibit 3. For the third quarter of 2004, non-GAAP EPS, excluding the charge for amortization of intangibles, was $0.15, while GAAP EPS was $0.24.

Growth in non-GAAP EPS from $0.15 in the third quarter of 2004 to $0.17 in 2005 was primarily attributable to growth in Visudyne sales and profitability, higher interest income, and lower R&D expense. These gains were partially offset by lower Contract R&D Revenue and a higher effective tax rate in the quarter.

QLT Revenues: The Company's revenues were $64.2 million in the third quarter, up 37.9% from revenues in the same period last year, and up 5.9% compared to pro forma (non-GAAP) revenues in the same period last year.

Revenue from Visudyne was $49.9 million in the third quarter, up 9.3% from the third quarter last year. QLT's share of profit from Visudyne sales increased to 33.7% in the third quarter, up from 32.0% in the same period last year.

Research and Development (R&D) Expense: R&D expense in the third quarter was $18.3 million, up $6.1 million from R&D expense in the third quarter last year primarily due to programs added in the Atrix acquisition. R&D expense was down $1.6 million from non-GAAP R&D expense of $19.9 million last year.

Selling, General and Administrative (SG&A) Expense: For the third quarter of 2005, SG&A expense was $8.3 million, up $5.4 million from prior year third quarter expense due to separation charges related to the departure of our former CEO during the third quarter and to the Atrix acquisition. Non-GAAP SG&A expense in the quarter was $5.4 million, up slightly from the pro forma amount last year.

Cash and Short-term Investments: The company's cash and short-term investments increased from $415 million to $449 million during the third quarter of 2005.

2005 Revised Eligard Guidance: Based on recent events and current trends in Eligard sales, QLT is revising its Eligard sales range from $90-$115 million to a new range of $80-$90 million. Total sales for Eligard in 2004 were $84 million.

10/28 **TLC Vision Corporation** announced an expansion strategy to broaden its highly profitable

refractive business. Through a new "LASIK Select" brand, TLCVision will be entering the large, under-penetrated, value-priced consumer segment. In addition, the company has agreed to acquire **TruVision**, a leading managed care contractor for elective health care services, which will serve as a patient acquisition channel for these new LASIK Select branded centers. TruVision is projected to refer over 23,000 LASIK procedures to its network of providers in 2005, and provides TLCVision with an immediate entry point into the value-priced market.

This expansion strategy is the result of extensive company and industry market research which clearly demonstrates the presence of two distinct market segments, a premium-priced, referral-based segment focused on premier surgeons and a value-priced segment more influenced by direct to consumer advertising. TLCVision will serve both of these market segments, through its 78 premium TLC Laser Eye Centers and the new LASIK Select value-priced brand.

A total of 15 LASIK Select centers are expected to be in operation by the end of 2006. Five centers, resulting from the TruVision acquisition, will be operational by the end of 2005 and five de novo centers are planned to open in the first quarter, 2006, with the remaining five to open in the second half of 2006. LASIK Select will initially target markets which are non competitive to existing premium TLC Laser Eye Centers as well as other value priced competitors.

"A broadened approach allows us to reach a different refractive patient, while continuing to realize the strong earnings and cash flow contribution from our existing TLC Laser Eye Centers," said Jim Wachtman, TLCVision's president and CEO. "The LASIK Select brand and the TruVision acquisition will complement our already strong offering, and is expected to deliver both revenue and earnings growth for the company."

For almost 10 years, TruVision (**www.truvision.com**) has been a leading managed care contractor to health plan members and large corporations across 44 states. Headquartered in Salt Lake City, Utah, TruVision services enable insurance health plans and large corporations to offer LASIK vision surgery to their members at a reduced price. TruVision represents over 85 million members across 37 contracted health plans.

TLCVision will quickly integrate the majority of these procedures across its current service model, as existing contracts permit. The company will seek to accelerate the managed care growth strategy both by investing to increase the penetration of existing plans and by contracting with additional health in new markets. In addition, TLCVision will overlay its Quality Assurance Program to TruVision's already solid reputation for high patient satisfaction and excellent measured outcomes.

"Superior service has always been the commitment to our contracted health plans and their members," said TruVision CEO and founder, Lindsay Atwood. "By joining forces with TLCVision, the national market leader in refractive services, we will improve our clinical quality, expand geographic coverage and provide even greater patient access to both

surgeons and optometrists. We believe the health plans and optometric providers will immediately see the benefits of this acquisition."

The net purchase price of TruVision will be $17.5 million in cash and company stock coupled with a three-year earn out. TLCVision is anticipated to close on the acquisition by mid-November, 2005.

In 2006, the expansion strategy of the TruVision acquisition combined with additional start up costs for the de novo LASIK Select centers is expected to increase revenues by over $25 million, and deliver a net earnings increase of $0.03 per share. Initial start up cost impact for the LASIK Select centers of $0.01 per share is expected to occur in the second half of 2005.

"For our long term growth, this refractive expansion strategy now gives us a business model that addresses all segments of the refractive market and continues to provide superior services to our surgeons, optometrists and the LASIK patient," said Jim Wachtman. "TLCVision is in a strong financial position to take advantage of growth opportunities such as these announced today."

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10/31 Privately held **Advanced Ocular Systems, Inc.** of Marblehead, Massachusetts (AOS), announced that it intends to enter into a merger with **Regenera Limited** of Perth, Western Australia. The merger creates a new global ophthalmic company with a strong pipeline of refractive and retinal technology and products and emerging revenues from existing licensed products. The merged company is expected to assume the name Advanced Ocular Systems Limited and will be headquartered in Marblehead, with pharmaceutical research and development and administrative operations in Australia.

The merger will be effected by way of the acquisition by Regenera of 100% of the outstanding common stock of AOS for US$31 million. The consideration is to be satisfied wholly by an issue of RGA ordinary shares. Upon completion of the merger, AOS shareholders will own approximately 45% of Regenera Limited. The transaction is subject to final due diligence and shareholder approval on the part of both companies. The respective boards of the companies expect the merger to be completed in late December 2005.

Dr. Kenneth Taylor, President and CEO of AOS and planned CEO of the merged entity said, "The merger of AOS and Regenera presents an exciting opportunity to accelerate the development and commercialization of our next generation technologies in several rapidly expanding markets. I believe we can leverage our combined skills in capturing and developing innovative intellectual property and use this to establish a strong competitive advantage in our areas of clinical focus for our marketing partners."

"This merger presents both companies with an opportunity to strengthen their collective

position in the international marketplace in order to become a leader in the field of ophthalmics," said Tony Fitzgerald, Executive Chairman of Regenera. "The merged company will offer a broad pipeline of intellectual property and products, as well as operational critical mass, which should prove attractive to partners and the institutional investment community."

About Advanced Ocular Systems: AOS was founded in early 2005 and has been lead by Dr. Kenneth Taylor, an optometrist and recognized expert on ophthalmic markets and new products. Dr. Taylor has consulted for more than 25 years to many of the leading companies in the ophthalmic industry. Created through a consolidation of several advanced refractive technologies, AOS is focused on the development and commercialization of devices to treat refractive disorders such as presbyopia, a decreased elasticity of the lens due to advancing age. Surgical correction of presbyopia is an area of substantial unmet need and significant interest. A rapidly increasing proportion of the Western world's population is aged 45 or over and the majority experience sufficient symptoms to require vision correction.

The AOS portfolio includes:

-- Two intraocular lens (IOL) technologies developed by Dr. Robert Kellan which are under license to a US-based lens manufacturer: the TETRAFLEX Accommodative IOL for the treatment of presbyopia in patients with cataracts, and the TETRAFORM Refractive Phakic IOL for the treatment of patients with myopia and hyperopia. TETRAFLEX has European CE Mark approval, and the US FDA has granted an IDE and clinical trials have commenced.

-- Two corneal inlay technologies developed by Dr. Gholam Peyman: Circular Lamellar Keratotomy (CLK) inlays developed for the treatment of presbyopia and myopia, and photo-ablatable inlays for LASIK surgery (PAI-LASIK). The latter has the potential to facilitate re-treatment in patients undergoing LASIK for myopia and hyperopia and extend the use of LASIK to patients with thin corneas.

About Regenera Limited: Founded in January 2004, Regenera has established a pipeline of technologies for the treatment of diseases including the wet form of AMD, diabetic macular edema, and uveitis. The company announced its first license transaction with Alcon, Inc. for the use of triamcinolone acetonide (TA) in vitrectomy surgery and received its first milestone payment of US$1.0 million in August 2005.

Products in development include:

-- VISAGEN: A preservative free formulation of TA for the treatment of inflammatory retinal diseases

-- VISAGEN SR: A slow release formulation of TA

-- VISAGEN V: Use of TA for visualization during vitrectomy surgery

-- VISAGEN MR: An application of a known class of steroids for the treatment of the exudative component of inflammatory and allergic diseases

-- VISAGEN DH: Combines known compounds to treat or prevent ocular neovascularization and may have the potential for front of the eye applications

Board and Management: Dr. Taylor will serve as President, Managing Director and CEO of the merged company. Dr. William Ardrey, Renegera's Managing Director and CEO, resigned from his position today in preparation for the proposed merger and in favor of appointing a US-based chief executive for the new company. Fitzgerald will continue to lead the company in Australia as Executive Chairman, with an expanded role in the investor relations management in Australia. Mark Gummer has been appointed to serve as Chief Operating Officer and has broad experience in the pharmaceutical industry and in medical devices. Gummer will oversee the Australian operations. A senior chief scientific officer based in Australia will also be appointed for the group, with special responsibility for the retinal asset pipeline.

Following the proposed merger, it is the intention of the board to appoint two US-based directors with strong financial and capital markets experience to assist Dr. Taylor in building the company's capital and investor base in the US market.

Market Capitalization: Following the completion of the merger, the combined entity will continue to trade on the Australian Stock Exchange (ASX) and the US over-the-counter bulletin board, and is expected to have a market capitalization of approximately US$69 million (A$92 million). The company plans to apply for a Level 2 ADR trading program on the NASDAQ in order to increase its US visibility and enhance the ability of US investors to trade and track the stock. Trading on the ASX will not be affected.

11/2 **NovaMed, Inc.** reported results for the third quarter ended September 30, 2005. Third quarter continuing operations highlights were:

* Surgical facilities net revenue increased 21% to $15,626,000
* Total net revenue increased 22% to $21,148,000
* Net income increased 52% to $1,627,000
* Earnings per share increased 40% to $0.07

For the third quarter ended September 30, 2005, total net revenue was $21,148,000, up 22% from $17,394,000 in the prior year third quarter. Net revenue from surgical facilities was $15,626,000, up 21% from $12,890,000 in the prior year third quarter. This revenue increase was primarily due to a 20% increase in total surgical procedures performed in the third quarter of 2005 as compared to the same period in the prior year. On a same-facility basis, surgical facilities net revenue increased 5% over the prior year third quarter. Product sales and other revenue was $5,522,000 in the third quarter of 2005, up 23% from

$4,504,000 in the prior year third quarter. The majority of this increase was contributed by our marketing products and services business.

Operating income in the third quarter of 2005 increased 38% to $4,703,000, or 22% of net revenue, from $3,400,000, or 20% of net revenue, in the same period last year. Net income from continuing operations in the third quarter of 2005 increased 52% to $1,627,000, or $0.07 per diluted share, from $1,070,000, or $0.05 per diluted share, in the prior year third quarter. The third quarter results for 2005 included a pre-tax gain on the sale of minority interests of $74,000 as compared to a pre-tax loss on the sale of minority interests of $64,000 in the third quarter of 2004.

For the nine months ended September 30, 2005, total net revenue was $60,297,000, up 28% from $47,098,000 for the first nine months last year. Net revenue from surgical facilities was $44,563,000, up 33% from $33,382,000 for the first nine months last year. This revenue increase was primarily due to a 34% increase in total surgical procedures performed in the first nine months of 2005 as compared to the same period in the prior year. On a same-facility basis, surgical facilities net revenue increased 5% over the comparable period in 2004. Product sales and other revenue was $15,734,000 for the nine months ended September 30, 2005, up 15% from $13,716,000 in the same period last year.

Operating income for the first nine months of 2005 increased 61% to $12,435,000, or 21% of net revenue, from $7,735,000, or 16% of net revenue, in the same period last year. Net income from continuing operations for the first nine months of 2005 increased 60% to $4,238,000, or $0.18 per diluted share, from $2,646,000, or $0.12 per diluted share, in the same period last year. The results for the first nine months of 2005 include a pre-tax gain on the sale of minority interests of $110,000 as compared to a pre-tax gain on the sale of minority interests of $99,000 in the first nine months of 2004.

Commenting on the third quarter results, Scott Macomber, executive vice president and CFO of NovaMed, said, "We are pleased with our 52% earnings growth and the continuing improvement in our operating margin. With our current acquisition pipeline and over $30 million available under our credit facility we are well positioned to continue our growth momentum through the remainder of this year and beyond."

"All of us at NovaMed welcome our new president and CEO, Thomas Hall," added Macomber. "We look forward to working with Tom and are excited by the opportunities that lie ahead."

11/3 **STAAR Surgical Company** announced financial results for its third quarter ended September 30, 2005. Net sales for the third quarter were $11,647,000, a decrease of 4% when compared with $12,140,000 for the same quarter last year. Changes in currency did not have a material impact on the third quarter 2005 net sales.

The decrease in net sales was due to a $1.0 million or 19% decrease in U.S. sales, principally IOLs, primarily due to concerns over the receipt of a letter from the FDA on

July 5, 2005 that stated that STAAR was still not in compliance with Quality Systems Regulations. This decrease in U.S. sales was partially offset by a $527,000 or 8% increase in international sales.

During the third quarter, international VISIAN ICL (ICL) sales increased 14% compared with the third quarter of 2004 and represented 9% of total sales for the quarter. In addition, international sales of the Company's preloaded silicone IOL increased 66% and represent 11% of total IOL sales compared with 6% in the third quarter of 2004.

"Throughout the third quarter we continued to focus on executing the key components of our long-term growth strategy including building further market share and awareness for our ICL products," said David Bailey, president and CEO of STAAR Surgical. "At the recent *American Academy of Ophthalmology (AAO)* meeting in Chicago, which attracts many of the world's foremost ophthalmologists, we hosted an educational course on ICL surgery. The session was well attended and provided us an opportunity to retrain 150 surgeons on ICL surgery. We continue to see interest in our technology and believe that attendance at forums like the recent AAO event demonstrates the enthusiasm that continues to exist despite the lack of U.S. approval.

"While timing of any approval for our VISIAN ICL by the Food and Drug Administration (FDA) remains uncertain, we continue to communicate with the Agency," continued Bailey. "As we disclosed earlier in the third quarter, the FDA determined that our pre-market approval application for our VISIAN ICL is approvable subject to the satisfactory outcome of its inspection of our Monrovia, California manufacturing facilities, methods and controls. On September 14, 2005, the FDA concluded its inspection of our facility and issued three Inspectional Observations on FDA Form 483, one of which was annotated as 'corrected and verified.' Following this interaction, we submitted our responses to the two outstanding observations on October 11, 2005. We continue to be encouraged by our interactions with the FDA and believe that the approval status for the ICL is progressing.

"International sales grew 15% year-to-date and represented 63% of total sales for the period. This growth was fueled by the strength of our ICL and Toric ICL (TICL), and preloaded silicone IOL products," continued Bailey. "We believe that the continued penetration of our existing markets along with additional approvals of the ICL and TICL, including the pending approval in China, will support future international sales growth."

Net sales for the nine-month period ended September 30, 2005 were $39,236,000 up 4% compared with $37,733,000 for the comparable period of 2004. Excluding the impact of changes in currency, net sales for the nine-month period ended September 30, 2005 were $38,621,000 an increase of 2% compared with the same period of 2004. For the nine-month period ended September 30, 2005, total ICL sales grew 38% compared with the similar period of 2004. Excluding the impact of changes in currency, ICL sales increased 37%. Preloaded silicone IOL sales grew 110% during the first nine months of 2005 compared with last year and 105% excluding currency. Year-to-date preloaded

silicone IOL sales represented 10% of total IOL sales.

Net loss for the third quarter of 2005 was $3,302,000, or $0.13 per share, compared with a net loss of $2,268,000, or $0.11 per share, for the same period last year. Net loss for the nine-month period ended September 30, 2005 was $7,750,000, or $0.33 per share, compared with a net loss of $6,948,000, or $0.36 per share for the same period last year.

"We are focused on turning around our U.S. cataract franchise and believe that the recent introduction of our three-piece Collamer IOL and injector system will have a positive impact on sales starting in the fourth quarter of this year," continued Bailey. "The U.S. cataract market is highly competitive and during recent periods several factors have contributed to the declines we have experienced in this business. We believe that with the compliance issues largely behind us, we can address many of those factors and reverse the decline. Until this happens, we believe that sales of our Collamer three-piece IOL will continue to increase, but in the short term may not offset the sales declines in our other cataract products. We are convinced that an FDA approval of the ICL will restore STAAR's reputation as a provider of leading-edge ophthalmic products."

STAAR exited the third quarter with approximately $15,054,000 in cash, cash equivalents and short-term investments compared with $9,312,000 at December 31, 2004. The Company used approximately $1,209,000 for operating activities during the third quarter, which is 55% below the Company's cash usage of $2,710,000 during the third quarter of 2004 and 12% below the $1,376,000 cash usage level for the second quarter of 2005. Approximately $335,000 was invested in the purchase of property and equipment during the quarter. The level of cash used for operating activities during the quarter was at the lowest level since the second quarter of 2003. The Company continues to believe cash used in operating activities for the full year 2005 will be comparable to or lower than the $8.8 million used in 2004.

STAAR's bank debt at the end of the second quarter of 2005 was approximately $1,702,000. Total current liabilities, including the bank debt, were $10,744,000.

Gross profit margin was 44.6% for the third quarter of 2005 compared with 50.2% for the same quarter last year and 47.5% reported for the second quarter of 2005. The decline in gross profit from the third quarter of 2004 was due to an overall decrease in average selling prices of IOLs, changes in geographical and product mix, and higher IOL unit costs due to the allocation of fixed overhead across fewer units produced.

Selling, general, and administrative expenses for the third quarter of 2005 increased $338,000, or 4%, compared with the third quarter of 2004 and were slightly below expenses in the second quarter of 2005. The increase compared with the third quarter of 2004 is the result of $640,000 in reserves recorded against promissory notes of a former director of the Company due to the former director's default under the notes and information, received during the quarter, that a mortgage the Company holds as collateral may be compromised. Notwithstanding the reserve, the Company believes that there is an

obligation to repay the full amount of principal and interest on the notes, and will continue to pursue full repayment. Aggregate principal and interest owed to the Company was $1.9 million as of September 30, 2005, against which the Company has reserved $1.2 million.

Excluding the reserve of the note, selling, general, and administrative expenses decreased $302,000 due to lower marketing and selling and research and development expenses stemming from cost reduction measures taken during 2005. This decrease was partially offset by an increase in general and administrative expenses due to increased professional fees and insurance costs. General and administrative costs increased 8% compared with the third quarter of 2004 but decreased slightly compared with the second quarter of 2005.

Marketing and selling expenses decreased 5% compared with the third quarter of 2004 and were 10% lower than expenses incurred in the second quarter of 2005. The Company also decreased its research and development expenses by 17% compared with the third quarter of 2004 and 13% compared with the second quarter of 2005.

11/7 **Genentech, Inc.** announced that a second Phase III clinical study of the investigational drug Lucentis (ranibizumab), ANCHOR, met its primary efficacy endpoint of maintaining vision in patients with the wet form of age- related macular degeneration (AMD). Approximately 94% of patients treated with 0.3 mg of Lucentis and 96% of those treated with 0.5 mg of Lucentis maintained or improved vision (defined as a loss of less than 15 letters in visual acuity) compared to approximately 64% of those treated with verteporfin (Visudyne) photodynamic therapy (PDT) [$p<0.0001$] during the first year of the two-year study. The Lucentis treatment groups further demonstrated a statistically significant difference from the control arm in an important secondary endpoint: mean change in visual acuity from baseline to month 12. On average, patients treated with Lucentis improved, while patients treated with PDT declined. One-year data from the ANCHOR study will be presented at an upcoming medical meeting.

As reported by *Reuters*, "Not only did Lucentis work better than a placebo, it worked better than the best available medicine," noted Genentech chief medical officer Hal Barron in an interview. In addition, the average vision of patients on Lucentis improved over a year, while that of patients treated with Visudyne declined, according to Genentech.

The study is Genentech's second Phase 3 trial, which the company said shows Lucentis is effective at treating all sub-types of the disease. The South San Francisco-based company said it would present the first-year data at a medical meeting early next year and that it would request "priority review" status from the U.S. Food and Drug Administration, which could speed up the agency's review time to as little as six months.

Lucentis co-developer **Novartis AG**, which also partnered with **QLT** on Visudyne, said it plans to file for European Union approval in the first half of next year. Nicholas Franco, president of **Novartis Ophthalmology**, told Reuters Visudyne and Lucentis operate differently and said he expects they will be used safely in combination. But given the effectiveness of Lucentis alone, Barron said, not many people will require additional

therapy.

Lucentis, like Genentech's cancer drug Avastin, is an antibody designed to block the formation of blood vessels. Patients with wet AMD have a proliferation of vessels behind their eyes that leak and damage the surrounding tissue.

Wall Street analysts had been forecasting Lucentis would garner annual sales of over $1 billion, but one analyst cut his sales forecast last month after increased reports that ophthalmologists were using Avastin off-label instead.

11/7 **TLC Vision Corporation** announced its financial results for the third quarter and nine month period ended September 30, 2005. All dollar amounts are expressed in U.S. currency and results are reported in accordance with U.S. generally accepted accounting principles (U.S. GAAP) unless otherwise noted.

Third Quarter Highlights:

CONSOLIDATED:
- Revenues were $62 million
- EPS of $0.02 on net income of $1.7 million
- Operating cash flow was $6 million or $.09 per share

OPERATING BUSINESS (Excluding AMD):
- Revenues were $61 million
- EPS of $0.04 on net income of $2.8 million
- Operating cash flow was $10.4 million or $0.15 per share

Nine-Month Highlights:

CONSOLIDATED:
- Revenues were $200 million
- EPS of $0.23 on net income of $16.8 million
- Operating cash flow was $19 million or $.27 per share

OPERATING BUSINESS (Excluding AMD):
- Revenues were $198 million
- EPS of $0.30 on net income of $21 million
- Operating cash flow was $34 million or $0.47 per share

HIGHER REVENUES: TLCVision's third quarter net revenues from the Operating Business were $61.0 million vs. $57.5 million last year, an increase of $3.5 million or 6%. TLCVision refractive centers revenues were up 9% to $35 million, driven by a 4% increase in price per procedure vs. prior quarter. Year to date, centers refractive revenues were up 6%. Overall, centers quarterly procedure volume was equal to last year, as North

American same store procedure volume was down by 5%, offset by volume from recent acquisitions. The access business revenues declined by $1.5 million during the quarter, with access procedure volumes down 18% as compared to the same period last year. Overall refractive procedures were 42,500 compared to 45,700 the prior year, down 7%.

Other healthcare revenues from ongoing operations grew by 20% over the prior year. Revenues from MSS were up 17%. Vision Source revenues were 21% higher than third quarter 2004.

SOLID NET INCOME AND EARNING PER SHARE: Consolidated net income for the third quarter was $1.7 million or $0.02 per share. After removing the loss from the Company's 51% ownership in **OccuLogix, Inc**., net income from the Operating Business was $2.8 million or $0.04 per share, which was down $0.02 from prior year primarily as the result of lower volumes in the refractive business.

"Despite the dip in refractive volumes, we delivered a solid, profitable quarter," said Jim Wachtman, president and CEO. "Currently, we are not seeing the levels of procedure growth that we or our shareholders would expect. To deliver higher growth rates, we have launched a new expansion strategy focused on the value-priced consumer segment, which includes our new LASIK Select branded centers and the acquisition of TruVision, a leading managed care contractor. We remain confident in our diversified service model and growth strategy, and comfortable with current analyst earnings expectations for full year 2005, before the impact of our AMD business."

STRONG CASH GENERATION: The business model continues to demonstrate strong cash generation that will fund the growth strategy for the company.

Consolidated operating cash flow per share decreased 38% to $0.09 from $0.14, reflecting cash used in OccuLogix operations. Quarter-end consolidated cash and short-term investments totaled $101 million, up 88% vs. September 2004.

Operating cash flow from the Operating Business was $10.4 million or $0.15 per share, up marginally from last year. The company continues to maintain a strong financial position, with cash and short-term investments totaling $55.5 million. TLCVision completed its previously announced share repurchase program in early October, with a total repurchase of two million shares of common stock.

NINE-MONTH FINANCIAL RESULTS: Total Operating Business net revenues were up 4% to $198 million compared to $190 million. Refractive revenues were $146 million, up 3%. Other healthcare revenues, excluding the AMD segment, were up 9% and MSS mobile cataract revenues were up 16%. Consolidated net income was $17 million or $0.23 per share. Operating Business earnings were $21 million or $0.30 per share, a level that compares to $0.29 for the entire year of 2004.

GROWTH STRATEGY ANNOUNCEMENTS:

REFRACTIVE: TLCVision recently announced a new refractive expansion strategy that will establish 15 value-priced "LASIK Select" branded centers by the end of 2006. The company also acquired **TruVision,** a leading managed care contractor for elective health care services that will serve as a patient generation channel for the new LASIK Select centers. This acquisition provides an immediate entry point into the under-penetrated, value-priced market as TruVision is projected to refer over 23,000 LASIK procedures to its network of providers in 2005 and 28,000 in 2006.

AMBULATORY SURGERY CENTERS (ASC): TLCVision announces the acquisition, effective November 1, 2005, of 49% of the **Eastern Oregon Regional Surgery Center** in Hermiston, Oregon. This ASC is well recognized in their market place and currently performs 800 cataract procedures annually.

In addition, TLCVision announces the development of a new surgery center in Milwaukee, Wisconsin. This two room ASC is a joint venture with American Surgisite and several area ophthalmologists, and is expected to open in May 2006.

MOBILE CATARACT: TLCVision announces the acquisition of **20/20 Medical**, a Chicago, Illinois based mobile diagnostics company with 200 customers in 8 states. This is a strategic and geographic expansion of the growing in-office diagnostic services offering to ophthalmologists and optometrists.

11/9 Michael Lachman of **Lachman Consulting LLC** sent along the premiere issue of *EyeQ Report*, a new ophthalmic business intelligence newsletter from Lachman Consulting LLC. EyeQ Report will be published periodically, highlighting information and events of importance to eye care practitioners, companies, and investors.

The first issue focuses on two hot topics in refractive surgery that took center stage at last month's American Academy of Ophthalmology meeting:

1. Emerging Surgical Treatments for Presbyopia, including multifocal and accommodating IOLs (Alcon's ReSTOR, AMO's ReZoom, and eyeonics' crystalens), multifocal LASIK, refractive lens exchange, conductive keratoplasty (CK), and corneal inlays.

2. Femtosecond Lasers for Creating LASIK Flaps, including IntraLase business and clinical updates and a review of potential new competitors.

Anyone interested in getting on the distribution list for the publication should contact Michael directly at **EyeQReport@lachmanconsulting.com**.

11/9 Dave Price of the *Salem News* wrote about **Advanced Ocular Systems** and Ken Taylor: **The eyes have it**

Marblehead will soon be the beachhead for an Australian company's bid for American eyes. Regenera Ltd., a 4-year-old pharmaceutical company based in Perth, Western

Australia, is proposing to merge next month with Marblehead-based Advanced Ocular Systems Inc. Company officials say the $31 million, all-stock transaction will unite Regenera's drug therapies for back-of-the-eye disorders with lens implants now being developed at Advanced Ocular, creating a one-stop shop for companies around the world to license those technologies.

But perhaps more importantly, the deal is being counted on to boost investor awareness of Advanced Ocular both here in the United States and Australia as the company scouts additional acquisitions. Marblehead-based consultant Ken Taylor, who will be chief executive officer of the combined companies, was flying to Perth this week to again meet with Regenera officials. He also plans talks in the Australian financial community to sell investors down under on the deal and the company's future prospects.

Similar road shows are likely stateside in coming months, although U.S. securities rules bar executives from discussing pending financing deals in the media. Australian law is less strict, and published reports from Perth last week state the company plans a "substantial" capital effort "in the U.S. with the aim of providing funding for potential acquisitions."

But right now, Taylor joked that the Marblehead company is still so small, "that when I leave the office, 50% of the company goes out the door with me." Taylor was recruited by Regenera earlier this year to study Advanced Ocular's primary product, an artificial lens used to repair the blurred vision caused by cataracts. That led to a formal job offer in June as the two companies worked toward a merger agreement.

Under terms of the deal, Advanced Ocular shareholders would own 45% of the combined companies. The headquarters will be in Marblehead with some research activity continuing from Western Australia as well as a facility in Singapore.

Regenera completed an initial public offering of stock in June on the Australian Stock Exchange, raising about $7.7 million, and its stock would still continue to be traded there following the merger. Taylor said the company intends to eventually pursue a listing in the U.S. markets but he did not have a firm timetable when that may occur.

Regenera was launched using funding from HealthTech Growth Partners in Australia to purchase intellectual property developed by other scientists, which is then licensed to larger companies. Its most promising product is Visagen, a steroid-based drug to treat macular degeneration, a gradual deterioration of sight frequently afflicting older adults. Visagen was recently licensed to Alcon Manufacturing for $1 million.

Lens replacements, meanwhile, have been used for several years by eye surgeons, although those lenses typically provide a single focal point, meaning patients often needed to wear glasses to gain a complete range of vision.

The Advanced Ocular lens is intended to let patients see both distant and close-up objects naturally.

Taylor, a Salem native and an ophthalmologist by training (that's not correct, Ken is an optometrist by trade), spent 12 years as a vice president with Boston-based Arthur D. Little advising clients in its health-care practice. He later formed the Taylor Consulting Group in Marblehead, specifically focusing on business issues in the eye-care market, building on his own experience as CEO at Keta Corp., a medical-device manufacturer focusing on small computer-based diagnostic products.

At an industry conference this spring in Washington, D.C., he predicted ophthalmics was still expanding although at "a bit lower (pace) than 2004." That growth was supporting continued merger and acquisition activity as well as support on Wall Street, where analysts largely were backing eye-care companies as investment opportunities.

Success also can be fleeting, however, as evidenced yesterday by the steep fall in the share price for Vancouver, B.C.-based QLT Inc. after an American competitor, Genentech, said its trial drug Lucentis was able to help patients with macular degeneration maintain their vision. QLT also produces a drug to treat macular degeneration

But Taylor said Advanced Ocular may be able to avoid the pitfalls of other fledgling medical concerns because it intends to buy promising pharmaceutical and devices and then licenses those technologies to other firms.

"With our model, we're not really competing with other companies," he said. "In fact, we're pretty nonthreatening to them."

11/11 The November issue of *Ophthalmic Market Perspectives* leads with two stories: Dave Harmon and Bill Freeman's take on the recent AAO meeting; and Dave's report on 3rd quarter refractive procedures.

With over 25,400 attendees, the AAO meeting set new attendance records. Even the Sub-specialty pre-sessions had overflow attendance, especially the Retina Subspecialty and Refractive meetings. Dave and Bill found five areas of "directional shift in thinking" as they put it:

1) The Avastin embrace – with excitement over the off-label use of Genentech's Avastin – at a much reduced cost to the comparable Lucentis from the same company for treatment of AMD;

2) The emergence of presbyopic surgery, with a plethora of new clinical study data changing the standard of care for older patients;

3) Advances in anterior diagnostic metrics, with a new generation of instruments introduced at the meeting that promise to revolutionize diagnostic capability;

4) The blurring of boundaries between cataract surgery and refractive surgery, as surgeon and patient expectations for post operative vision in all ranges is rapidly changing the

nature of cataract surgery; and,

5) The evolution of flap technology. Opinions regarding the process for creating the flap are rapidly evolving, as the move to femtosecond laser technology for flap creation and Epi-LASIK for surface ablation challenge conventional thinking regarding mechanical keratomes.

(For more on Dave and Bill's report from the AAO, please see their newsletter.)

As for Q3 refractive procedures, Dave notes that high gas prices during September sapped consumer confidence which led many potential refractive patients to postpone surgery. As a result, refractive surgical procedures, which had been up 9.3% at the end of Q2, were up less than 1% during Q3. Total estimated U.S. laser refractive procedures for Q3 were 308,400, up 0.8% compared to 306,241 procedures in Q3-2004. When non-laser procedures, including conductive keratoplasty, refractive lens exchange and phakic IOLs are included, Q3 procedures increased 3.7%. In addition, an estimated 6000 procedures were done on patients traveling to Canada and Mexico, bringing total refractive procedures to 326,000 for the quarter.

Harmon estimates that approximately 19 new lasers were sold and that the total laser centers in the U.S. increased to 1258, up from 1253 in Q2. The average price for LASIK declined slightly to $1959, but increased 5.5% above the same quarter last year.

As Harmon noted, the U.S. refractive industry slowed during Q3 due to falling consumer confidence and general U.S. economic conditions. He expects the slowdown to carry over to the fourth quarter, with his forecast calling for 296,100 total U.S. refractive procedures, down approximately 1% compared to the same quarter last year. In light of the weaker that expected procedure volume, his full-year 2005 forecast for U.S. refractive procedures has been revised downward to 1.418 million, and an annual growth rate of 6.1%.

11/11 **NovaMed, Inc**. announced that it had acquired a 51% interest in the **Fremont Ambulatory Surgicenter**, a multi-specialty ambulatory surgery center located in Fremont, Nebraska. This will be NovaMed's first surgery center in Nebraska. "Fremont is a regional health care hub serving northeastern Nebraska and this acquisition provides us with the opportunity to enter that market in partnership with two highly respected local urologists," said NovaMed executive vice president and CFO Scott Macomber. "In the last 12 months over 3,300 surgical procedures were performed at this surgery center including urological, pain management, orthopedic and podiatry procedures. We expect this acquisition to be immediately accretive to our earnings and look forward to working with our new partners to help the center achieve its full potential, " said Macomber.

NovaMed also announced that it has completed the acquisition of a 51% interest in the **Center for Outpatient Surgery**, a multi-specialty ambulatory surgery center located in Whittier, California. On August 17, 2005, NovaMed announced that it had entered into a definitive agreement to acquire a 51% interest in this ambulatory surgery center.

"Now that we have completed this acquisition, we can begin working with our five new physician-partners to realize the center's full growth potential," said Macomber. "This is our first acquisition in California and we hope to find other attractive acquisition opportunities to expand our presence in the state."

NovaMed also disclosed that it has sold its 80% interest in a surgery center located in St. Joseph, Missouri to its existing partners. "Due to some state licensure issues uniquely affecting this center as well as limited growth potential, we decided it was best to divest our interest in this center at this time," commented Macomber. "This center contributed less than 2% of our total reported surgical procedures and net income for the first nine months of 2005. Although we never like to lose a surgery center, the loss of this center will be relatively immaterial to NovaMed," added Macomber.

11/14 **LCA-Vision Inc.** announced the opening of a LasikPlus vision center in Pittsburgh, Pennsylvania. The entry into Pittsburgh marks the 48th LasikPlus vision center in the United States and the third LasikPlus vision center in the state of Pennsylvania. LasikPlus vision centers are located in 23 states, serving 35 markets. Over 38% of the U.S. population is located within a one- hour drive of a LasikPlus vision center.

Similar to other LasikPlus vision centers across the United States, the new Pittsburgh LasikPlus vision center employs an experienced team of health care professionals and is equipped with technologically advanced lasers and diagnostic equipment, including **Bausch & Lomb**, **VISX** and **Alcon** lasers, to offer patients a wide choice of traditional laser vision correction and advanced custom wavefront procedures.

11/15 **Advanced Medical Optics, Inc.** announced that it had filed with the Securities and Exchange Commission (SEC) a pre-effective amendment to its registration statement on Form S-3, originally filed on August 5, 2005. The registration statement relates to the resale by holders of AMO's 1.375% Convertible Senior Subordinated Notes due 2025, and the shares of AMO's common stock issuable upon conversion of the notes, and includes previously disclosed pro forma information regarding AMO's acquisition of **VISX, Incorporated** on May 27, 2005, updated through the period ended September 30, 2005. AMO's initial issuance of the notes, in an aggregate principal amount of $150 million, was completed on July 18, 2005. A written prospectus, when available, meeting the requirements of Section 10 of the Securities Act may be obtained from AMO at 1700 E. St. Andrew Place, Santa Ana, California 92705, Attention: Investor Relations.

11/16 **Advanced Refractive Technologies** issued its quarterly report.

The Company reported sales revenues for the quarters ending June 30, 2005 and 2004 of $298,310 and $54,970, respectively. The increase was principally due to the fact that the products were introduced to the market during 2004, and 2005 saw a full period of sales. The Company markets its products in the United States through a direct sales force consisting of four employees and five independent sales representatives. Internationally, our products are sold through independent distributors in each market. Products sold

during the periods were the EpiLift System, sold in the United States and certain foreign markets, or a Combination Lasitome/EpiLift system, currently sold only in foreign markets. In conjunction with the systems, `disposables,' were also sold consisting of Epi-separators, Lasik blades and vacuum tubing sets that are used on a per procedure basis. Additional components of the system were sold separately, such as handpieces, Epi and Lasik heads, suction rings, etc.

Cost of goods sold for the quarters ending June 30, 2005 and 2004 was $172,586 and 26,834, respectively. Gross profit for the quarters ending June 30, 2005 and 2004 of $125,724 and 28,136 or 42.2% and 51.2%, respectively. The gross profit during 2005 was lower than normal resulting from the mix of product sold, higher fulfillment and shipping costs.

In May 2004, the Company initiated sales of the LasiTome and EpiLift systems, both of which were obtained pursuant to an agreement with **Gebauer Medizintechnik GmbH** ("Gebauer"). Both systems may be used in the LASIK vision correction surgical procedure to expose the cornea prior to application of the excimer laser for reshaping of the cornea. The LasiTome is a mechanical device used for cutting a corneal flap, the methodology used in traditional LASIK procedures. The EpiLift system provides the LASIK surgeon with an alternative methodology for exposing the cornea in which the epithelium, or top layer of the eye, is separated in an intact sheet of tissue, and then returned to its original position for healing following the application of the laser.

Initial sales of the EpiLift and LasiTome systems were in Europe and certain countries in which the products had received required regulatory clearance for marketing. Marketing of the EpiLift System in the United States began in September 2004, following receipt of 510(K) clearance for marketing from the United States Food and Drug Administration ("FDA"). Revenues from both the EpiLift and LasiTome Systems were generated through both the initial sale of the respective devices and accessories and through recurring sales of disposable separators or blades. Certain disputes arose between the Company and Gebauer, and in October of 2005 the Company and Gebauer entered into a settlement agreement in which the parties mutually released each other from any liability. In addition, the parties agreed that the Manufacturing Supply and Distribution Agreement previously entered into by the parties on April 27, 2004 was terminated, and that there were no further obligations by either party under that Agreement. Thus, the Company no longer sells the EpiLift or LasiTome products.

The Company also has two ophthalmic surgery products under development utilizing proprietary waterjet technology. The first is Pulsatome, a device designed for removal of cataracts using a pulsating stream of saline solution. The second is Hydrokeratome, a device that uses a high-pressure micro beam of water to cut a corneal flap during LASIK surgery. Both of these products require the successful completion of development and testing and receipt of 510(k) clearance from the FDA prior to market introduction.

CORPORATE HISTORY: Advanced Refractive Technologies, Inc. (the "Company" or

"ART"), formerly known as **Ponte Nossa Acquisition Corp** ("PNAC"), is a Delaware corporation engaged in the research and development of surgical equipment for use in the field of ophthalmology.

The Company was incorporated in California on February 2, 1996 as a wholly owned subsidiary of **SurgiJet, Inc** ("SurgiJet"), a developer of waterjet technology for a variety of medical and dental applications. In May 1999, the Company was spun off from SurgiJet through a distribution of common stock to its shareholders, after which SurgiJet had no remaining ownership interest in the Company.

On February 11, 2003 the Company completed a merger with **PNAC**, a Delaware corporation incorporated in 1997. Pursuant to the merger agreement between the Company and PNAC (the "Merger Agreement"), the Company merged into PNAC. Since this transaction resulted in the shareholders of the Company acquiring a majority of the outstanding shares of PNAC, for financial reporting purposes the business combination was accounted for as a recapitalization of PNAC (a reverse acquisition with the Company as the accounting acquirer). Subsequently, PNAC changed its name to **VisiJet, Inc.**, and later to Advanced Refractive Technologies, Inc.

11/18 Michael Lachman of **Lachman Consulting LLC** has issued his second *EYE Q Report*, this time covering a recap of third quarter reports from publicly traded ophthalmology companies, including: **Advanced Medical Optics**, **Alcon**, **Bausch & Lomb**, **Eyetech Pharmaceuticals**, **IntraLase, LCA-Vision**, **OccuLogix**, **QLT**, and **TLCVision**.

His approach is to focus on the most important items in each company's quarterly release and conference call, with an emphasis on key products and pipeline developments. Whenever possible, he provides some historical context to quarterly results and connect the dots between companies.

As Michael stated, "Although the second issue of EyeQ Report comes only about one week after the first issue, this will by no means be a weekly publication – this has just been a busy month, with AAO and Q3 financial reports. We look forward to returning after the first of the year, with a report on Hawaiian Eye 2006 (January 15-20) and year-end company results."

Ophthalmic Laser Update - December 2005

11/29 **Lumenis Ltd.** announced that it had received FDA clearance to market the new Novus 3000, a 532 nm diode-pumped solid-state (DPSS) photocoagulator. Avner Raz, Lumenis president and CEO, stated, "Lumenis has provided the ophthalmic industry with innovative technology since 1970, when we introduced the world's "first" laser photocoagulator. These lasers treat several retinal conditions that can lead to vision loss and blindness, and include conditions such as proliferative diabetic retinopathy, retinopathy of prematurity, retinal tears and detachment and retinal vein occlusion. Worldwide, estimates suggest over 30 million people suffer from these conditions, and as

the population ages these numbers are expected to climb. With the addition of our Novus 3000, we once again demonstrate our commitment to helping patients and their ophthalmologists protect and preserve sight."

Its predecessor system, the Lumenis' Novus 2000, earned a solid reputation for its robust design and ease-of-use. In the ophthalmic market, the Novus 2000 is recognized as a gold standard in laser therapy for both the office and operating room, with approximately 1500 units installed. Lumenis specifically designed the Novus 3000 to improve upon this strong performance.

About the Novus 3000: With up to 3.0 watts of power through semiconductor-based technology, the Novus 3000 is ideal for treating challenging ophthalmic conditions. Instantaneous adjustments to treatment parameters can be made using the intuitive, color touch screen interface and LCD (liquid crystal display) remote control. In addition, multiple memory locations allow ophthalmologists to save and recall preferred treatment parameters. This unit comes standard with built-in storage for a laser indirect ophthalmoscope (LIO), remote control, foot switch and other accessories.

Its fully-integrated design expands treatment options by incorporating two dedicated illumination sources, which work independently with compatible LIOs and endo ocular probes. The Novus 3000 also offers a dual-fiber port, which allows two delivery devices to be attached at any time, allowing instantaneous selection between the two during busy procedures.

About the Coaxial Multicolor LIO: Lumenis also received FDA clearance to market the world's first and only Coaxial Multicolor LIO, for the delivery of photocoagulator laser energy during ophthalmic surgery. Compatible with Lumenis' Novus 3000 and Novus Varia, its main benefits include superior performance, integrated multi-wavelength eye safety filters and ease-of-use. This coaxial multicolor technology provides precise laser delivery with repeatable outcomes, as well as maximum treatment options and physician safety.

12/2 Jason Mills of **First Albany Capital** sent along his thoughts on **Bausch & Lomb**: **BOL: Investor Conference Takeaways; Reiterate Buy Rating**

* BOL's 2005 investor conference reinforced the key tenets of our bullish thesis:

1. Well positioned in attractive ophthalmic end markets, namely contact lenses, cataract, and pharma, supported by new products (PureVision silicone hydrogel contact lenses, ZyLet, Retisert, SofPort, Akreos, and ReNu MoistureLoc),

2. "Share gainer" in every target market except refractive (its smallest division),

3. Significant earnings leverage in the P&L via margin expansion (primarily GM and SG&A), and (perhaps most importantly),

4. BOL's "bench strength" in terms of executive leadership has, in our view, improved significantly in the last few years.

* We believe management has a sound medium- to long-term strategy to accelerate top-line growth, and also produce continued earnings leverage. Importantly, up to 75% of executive management's total compensation is tied to operating performance, which the company sets higher than its guidance to the Street.

* Long-term margin target implies sustainable, strong EPS growth. Management stated its objective of producing 20% operating margins by 2010 (which we think is achievable), which implies solid 15%-20% earnings growth over the next 5 years.

* We expect the contact lens division - vis-a-vis the ramp of PureVision SVS, Toric and Multi-focal lines, coupled with expanded manufacturing capacity, favorable mix shift, and efficiencies - to be Bausch's leading sales growth driver and important contributor to 2006 earnings growth, which we peg at 18%, but to which we think there is upside.

12/2 Adelia Cellini Linecker, writing in *Investor's Business Daily* about **LCA-Vision**:**When It Comes To Opportunities For Growth, The Eyes Have It**

Consider this as a potential market: A recent study by the *Vision Council of America* found that more than a third of Americans who use corrective eyewear are considering having elective laser eye surgery to improve or correct their vision. Numbers like these make for a bullish outlook at LCA-Vision. The company develops and operates stand-alone laser vision correction facilities across the U.S. and Canada. It operates 47 centers and plans to open three more by the end of the year: in Pittsburgh, Albuquerque, N.M., and Birmingham, Ala.

Next year LCA plans to open at least another 10 centers, the same as it did in 2005.

Sweetening the pot is the fact that middle-aged folks with a college degree -- who presumably can afford the approximately $1,900 per eye fee -- are more likely to sign up for the procedure. LCA, having done its homework, is gunning for exactly this demographic. "A certain type of population is key when they consider expansion," said Glen Losev, an **Oppenheimer** analyst. "Most people who get the procedure done are between the ages of 25 and 44, so they look for that and they look for a household income that is higher than the average for the U.S."

The biggest wild card for LCA and its peers is the economy. If it heads south, so does LCA's potential business. "If the economy really just goes down that could be a problem," Losev said. "But if the economy weakens slightly, it's not an issue."

LCA Chief Financial Officer Alan Buckey admits a significant economic downturn could spell trouble. But he adds that the company has fared better than the overall industry in past slumps. "Back in the second half of 2001, the industry had eight quarters of negative

(same-store sales), while we had four quarters of negative (same-store sales)," he said.

To mitigate a possible downturn, LCA has plans in place to cushion an economic slowdown. For starters, it charges $1,375 per eye for the surgery -- significantly less than the national average. Buckey says the company's focus on efficiency in running the surgical centers is the reason it can afford to offer the surgery at a lower rate and still maintain good profits. It makes about $400 per eye after expenses.

In Control: Analysts credit LCA's business model as the main reason it can run a tight ship and offer quality care. In the 1990s, the company provided surgical facilities, while letting physicians and staff bring in patients and basically run the show. But in 2000, LCA converted to a closed system in which it has total control over the whole process -- including the physicians it hires, pre-operative screening procedures, post-operative care and administrative decisions such as ad spending.

That move wasn't enough to keep LCA from struggling financially, however. The company lost money each year between 2000 and 2002. It bounced back the next two years, though this year LCA is on course to post a profit decline due to tough comparisons with the prior year.

Analysts polled by **First Call** expect 2005 earnings to dip 5% to $1.47 a share. Revenue for the year is expected to rise 51% to about $192 million. Earnings in 2006 are seen moving up 32% to $1.94 a share. LCA put together a strong third-quarter performance, with earnings more than doubling to 37 cents a share and sales rising 51% to $47 million. Procedure volume rose 47% to 34,187 and same-store sales gained 48%.

Financial Incentives: In addition to its lower charges, LCA-Vision offers 0% financing packages. "It started when we saw the market starting to soften in the fourth quarter of 2001, and we decided to continue offering it," Buckey said.

This financing deal might also benefit a surprising subgroup of potential patients. A little known fact that might interest LCA-Vision and others in the market is the desire for laser eye surgery among homemakers.

The Vision Council of America's survey shows that nearly 40% of homemakers, tired of wearing corrective eyewear while doing household chores, wanted laser eye surgery. Indeed, LCA-Vision executives say they've only just begun penetrating the potential market for laser eye surgery. They have the stats to back them up, too.

A recent Gallup Poll revealed that many people still lack knowledge about Lasik. The survey shows that 73% of respondents said they knew nothing at all about new advances in the field, while more than a third said they knew little or nothing about Lasik in general. "The two most common reasons that hold people back are affordability and fear," Buckey said. "Fear is still an obstacle, but the more people have it done, the better it will get."

Rapid growth in the number of people who get the surgery from LCA-Vision indicates fear is waning. Buckey figures the company performed about 140,000 surgeries this year, up from 96,000 last year and 65,000 in 2003. While analysts and CFO Buckey say LCA-Vision is poised for long-term financial success, Buckey admits recent results might be hard to maintain. "Our guidance for 2006 is revenue growth in the 20% to 30% range," Buckey said. "It's still pretty good, but perhaps not as fast growth as in the last few years."

12/1 The December issue of *Medical Laser Report* included the following article: **Ellex Medical to sell its own laser systems**

According to news reports, **Ellex Medical Lasers** (Adelaide, Australia) will launch its own brand of products in the next few months to target $82 million in annual revenue by 2010. After making lasers under the **Laserex** brand and for other major companies, Ellex will compete directly in the ophthalmic market with a range of lasers to treat cataracts, retinal disorders, and glaucoma.

The company appointed new CEO Peter Falzon, who is based in San Francisco, last March for his sales and marketing experience in the world's two largest laser eye surgery markets: Japan and the United States. From 1991 to 2002 Falzon held senior management roles with **Coherent Medical** (now part of **Lumenis**), including senior director of the Ophthalmic Business unit. During the past two years he has been vice president of business development at **Cutera**. Since taking over at Ellex, he has appointed four global sales vice-presidents in Japan, the Americas, Europe, and Asia. Falzon says Ellex is aiming to reduce its dependence on OEM customers to less than 30% of its revenue this year.

Ellex reported a $1.2 million net loss on revenues of $28.5 million in FY2004, while spending $4 million on research and development. The company plans to spend $3 million on R&D this year and eventually reduce its R&D budget to 10% of revenue. Investors have responded favorably to the company's changes so far, with shares rising 64% since September.

12/5 According to the *OSN Supersite*: **LASIK center settles Illinois suit over advertising**

Lasik Vision Institute and Illinois' attorney general have reached a settlement in a suit over allegedly misleading advertisements. The suit, filed by the attorney general's office, had alleged that a statewide advertising campaign by Lasik Vision Institute misrepresented the costs for refractive surgical vision correction. The settlement ensures that future advertisements by the laser vision correction company will reflect "the actual cost of the procedures," a press release from the state attorney general's office said.

The state office filed the suit against Lasik Vision Institute alleging that between June 2003 and June 2004 the company advertised surgeries for "as low as $299" in newspapers around Illinois. After June 2004, new ads promoted "LASIK — $499 per eye." The state's lawsuit alleged that the advertisements did not adequately disclose the limitations on the

advertised price, nor did they disclose the range of prices of surgeries offered and the conditions for each, the release said.

"As a result, many consumers ended up paying more than the advertised price," the release said. Prospective patients were required to pay a $100 non-refundable deposit before learning if the lower-cost procedure was appropriate for their vision needs, the release said. In addition, the lawsuit alleged that Lasik Vision Institute advertised that screenings would be performed by an ophthalmologist, but optometrists performed the screenings.

The press release noted that Lasik Vision Institute agreed to pay a "voluntary contribution" of $17,500 to a state agency for consumer enforcement and education. The company acknowledged no wrongdoing as part of the settlement. In a report on the settlement in the *Peoria Journal Star*, a company official said that if any of its ads violated Illinois law, it was unintentional.

12/6 **LCA-Vision Inc.** announced the opening of a LasikPlus vision center in Albuquerque, New Mexico. This marks the 49th LasikPlus vision center in the United States and the first LasikPlus vision center in the state of New Mexico. LasikPlus vision centers are now located in 24 states, serving 36 markets. 39% of the United States population is now located within a one-hour drive of a LasikPlus vision center.

Similar to other LasikPlus vision centers across the United States, the new Albuquerque LasikPlus vision center employs an experienced team of health care professionals and is equipped with technologically advanced lasers and diagnostic equipment, including **Bausch & Lomb**, **VISX** and **Alcon** lasers, to offer patients a wide choice of traditional laser vision correction and advanced custom wavefront procedures.

12/6 **Refocus Group, Inc.** announced that the 1-for-2,000 reverse stock split and the 2,000-for-1 forward stock split of its outstanding common stock, which was approved by the written consent of stockholders owning a majority of the voting stock, became effective as of 6:00 p.m. and 6:01 p.m., respectively, on Nov. 30, 2005, as the result of filing Certificates of Amendment to its Certificate of Incorporation with the Secretary of State of Delaware.

As a result of the reverse stock split, the company has fewer than 300 holders of record of common stock, permitting the company to terminate the registration of its common stock with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. The company intends to file for termination of such registration on Dec. 9, 2005 to complete the process of "going private," after which time the company will no longer be subject to SEC reporting requirements and is not required to provide public disclosures of financial or other information. However, the company currently intends to continue to provide limited financial and other information to its continuing shareholders. Refocus Group has taken this action in order to focus its resources on developing its business and its unique technologies for the treatment of eye disorders.

Refocus Group's exchange agent, Securities Transfer Corporation, will send a letter of transmittal to the holders of fractional shares of common stock on or about Dec. 9, 2005. Stockholders who held fewer than 2,000 shares of common stock immediately prior to the reverse stock split will receive $0.35 for each pre-split share in cash after surrendering their stock certificates to the exchange agent. As a result of the reverse stock split, those holders are no longer stockholders of the company. Stockholders who held 2,000 or more shares before the transaction will not be affected in terms of the number of shares of common stock held before or after the reverse and forward stock splits, nor will they receive cash for any portion of their shares.

12/7 **IntraLase Corp.** announced survey results concluding many U.S. adults would not feel capable without their glasses or contact lenses during emergency situations. More than one-half (52%) of U.S. adults who wear corrective lenses say they would feel worried (40%), fearful (22%) and/or powerless (18%), if they lost or did not have access to their corrective lenses during an emergency. In fact, only one-third (31%) of adults who wear corrective lenses say they would feel capable in an emergency if they didn't have or lost their corrective lenses. With recent events focusing attention on disaster readiness, vision care is an important and often overlooked consideration in preparedness.

Nearly one-third (29%) of respondents who wear corrective lenses say they are considering LASIK to avoid having problems seeing in an emergency. Interest in having LASIK to avoid problems in an emergency was highest among males ages 35 to 44 (42%).

Additional key survey findings include:

* 40% of adults who wear corrective lenses reported being worried about losing their glasses or contacts in a disaster.
* Nearly a quarter (23%) said they would feel lost if they didn't have their glasses/lenses in an emergency.
* 22% say they would feel fearful.
* 18% say they would feel powerless.

IntraLase Method of Blade-Free LASIK Offers Safer Procedure and Better Vision

More than a half-million, blade-free LASIK vision correction procedures have been performed to date -- a procedure that is only possible with the IntraLase FS (femtosecond) laser. This ultra-fast laser is proven to virtually eliminate most severe, sight-threatening LASIK complications, making the procedure a far safer treatment option for the 34.4 million nearsighted and 21.1 million farsighted Americans. More IntraLase Method LASIK patients achieve 20/20 or better vision than with even the most advanced microkeratome (blade) technology.

"While LASIK has always been a safe and effective procedure, the IntraLase Method offers patients the benefits of LASIK without the blade," said Stephen Updegraff, M.D., medical director of Updegraff Vision in Tampa, Fla. "With its enhanced safety profile and

superior visual outcomes, the IntraLase Method is the procedure of choice for patients considering LASIK."

Emergency Workers Choosing LASIK with the IntraLase Method to See Clearly on the Frontline

Ophthalmologists also are seeing increasing numbers of police and firefighters having LASIK with the IntraLase Method, as those who respond to emergencies are looking to free themselves of corrective lenses that may hamper their ability to perform their duties.

Ron Reyna, a major in the U.S. Army Reserve and police officer from Jefferstontown, Ky., struggled with wearing thick prescription glasses since the fourth grade. Contact lenses did not work for him, and glasses were difficult to wear on the job. However, two separate incidents made him realize the potential hazard of wearing glasses. Once while pursuing a suspect on foot, Reyna feared losing his lenses and becoming vulnerable to an attack due to his 20/400 eyesight. On another night, he was awoken by his house alarm and, in the hurry to make sure his daughters were safe, he dropped his glasses to the floor.

"Being able to properly see is perhaps one of a police officer's strongest weapons. Having to wear glasses was not just a hassle, but a real detriment to my safety on the job," said Reyna. "I chose LASIK with the IntraLase Method after getting recommendations from my doctor and from others who had had the procedure. Now, whether I'm chasing a suspect or protecting my family, I can concentrate on what I'm doing and not worry about losing my glasses."

Another emergency worker, firefighter David Knecht from Brecksville, Ohio, had become increasingly frustrated with the constant need to adjust his glasses while working, especially when wearing an air mask. Since having his vision corrected with LASIK using the IntraLase Method, Knecht has realized how much time was wasted fumbling for his glasses when getting a late-night call. Whether he is rushing into a smoke-filled building or simply diving into a pool with his family, Knecht no longer worries about his glasses, giving him more freedom both on and off the job.

12/8 **QLT Inc.** outlined a new strategic plan which refocuses the Company on key programs in an effort to enhance shareholder value. This repositioning was initiated by Robert Butchofsky, upon his appointment as acting chief executive officer of QLT in September 2005, and QLT's executive management team.

"QLT has faced significant challenges over the past year. The actions we are announcing today are an important step in repositioning the Company to meet these challenges," said Robert Butchofsky. "One of the near-term hurdles is the impact of competition on our lead product Visudyne. While we expect Visudyne to remain a key treatment option for patients, we do recognize the near-term pressure on U.S. sales." As a result QLT is reducing its 2005 guidance on Visudyne annual sales to a range of $480 million to $485 million from the previous range of $500 million to $530 million.

Butchofsky added, "Over the past several weeks management has undergone an extensive review of QLT's operations, assets and clinical programs. The entire management team and Board of Directors remain committed to moving the Company forward and will continue to strive to unlock QLT's potential and create value for our shareholders."

Key components of the plan include:

- Restricting the Company's focus to ophthalmology and one other therapeutic area, which will be selected based on milestones in 2006;
- A reduction in force that could total up to 46% with approximately half of that being effected at the beginning of January and the remainder that may be effected subsequently through divestitures, which are under consideration, of non-core operations, assets and programs;
- A 20% reduction from 2005 levels in combined research and development (R&D) and selling, general and administrative (SG&A) expenses in 2006 through the re-prioritization of the pipeline to focus on programs with the greatest potential to deliver long-term value; and
- Implementing new processes to ensure greater financial discipline and cost control and to streamline clinical development planning and management.

As part of this plan, upon receipt of regulatory approval, the Company intends to double the size of its previously announced share buy-back program from a planned $50 million to $100 million worth of its own common shares during the two-year period of the program which began in May 2005. The share purchases will be made as a normal course issuer bid, whereby the Company will purchase for cancellation up to $100 million worth of its common shares, subject to regulatory requirements and approvals. 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.

A restructuring charge of approximately $5 million to $6 million will be recorded in the fourth quarter of 2005. The restructuring initiative is expected to result in estimated annualized savings of approximately $10 million.

The Company also announced today the resignation of Dr. Mohammad Azab, QLT's executive vice president and chief medical officer effective January 1, 2006. "Mohammad's outstanding leadership was critical in the Company's transition from a purely development stage company to one of the few profitable biotech companies. Mohammad's leadership and guidance were integral in obtaining worldwide approvals for Visudyne and reimbursement for occult in the U.S. market," said Butchofsky. "While we are sad to see him leave, we are extremely pleased that he has agreed to a consultancy agreement with QLT for the next 18 months."

Dr. Azab, who joined QLT in 1997, was promoted to executive vice president and chief medical officer in May 2003. Since joining QLT he engineered the growth of the drug development function at QLT to be a core competency for the company that delivered

several successful approvals for both Photofrin in oncology, and Visudyne in ophthalmology and played an integral role with the executive team both as a strategic advisor and company spokesperson.

12/8 **Refocus Group, Inc**. announced that it filed to terminate the registration of its common stock with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, on Dec. 7, 2005. Effective today, the company will no longer be subject to SEC reporting requirements and its common stock will no longer be quoted on the OTC Bulletin Board.

12/10 Carla Johnson of the *Associated Press* posted this story: **Lasik Remains a Luxury Procedure**

Christopher Tomes, 43, opened his eyes one morning, looked out the window and could read the license plate of a parked car - without his glasses. He'd had Lasik eye surgery the day before, becoming one of the 5 million Americans seeking to shed their eyeglasses with laser vision correction during the past decade. "It's exceptional," Tomes said of his vision nine days after surgery. "I'm extremely happy I did it."

Since U.S. doctors began offering laser vision correction in 1995, safety has improved and new methods give people with more severe vision problems a chance to have the procedure. But there's still no guarantee of 20/20 eyesight, the procedure's long-term safety is unknown and one recent study showed nearly 18 percent of patients require a second Lasik treatment. A lack of health insurance coverage keeps the procedure a luxury item, affordable only to people who can spare $3,000 to $5,000.

In addition, a technology arms race means some vision clinics are bragging about their new equipment and techniques, such as wavefront-guided Lasik and a new "blade-free" method. That further complicates a consumer's decision. "You listen to the radio, you hear the ads," said Chicago refractive surgeon Dr. Colman Kraff. "A lot of it is trying to market to the patient to scare them a little bit into having one procedure over another."

The average Lasik patient is about 39 years old with an income of about $88,000, said Dave Harmon, president of **Market Scope**, a company that tracks the industry. "Their education level is significantly higher than average," Harmon said. "Very few people in their 20s have it done. Very few people in their 50s have it done." Patients choose their doctors by word of mouth, Harmon said.

Friends' endorsements led Tomes, the Chicago Lasik patient, to Kraff's downtown clinic. Tomes, who heads a company that creates animated advertising for the Web, had grown tired of misplacing his glasses. "Glasses are easy to leave on an airplane," he said. "I was losing, on average, three or four pairs of glasses a year, and that got expensive."

Tomes met with Kraff and learned he was a good candidate for Lasik. He chose all the new technology Kraff had to offer: both the "wavefront" method, which creates a custom

map of the corneas, and the "blade-free" procedure.

Conventional Lasik surgery is based on the patient's glasses prescription. Wavefront-guided Lasik bounces light waves off the back of the eye to create a 3-D map that's used to guide the laser treatment. One small study of 25 patients suggested that wavefront Lasik yielded fewer nighttime distortions, such as halos and glare, than conventional Lasik, and resulted in better vision for slightly more patients.

Tomes didn't have severe nearsightedness or an astigmatism, but wavefront-guided Lasik recently was approved by the Food and Drug Administration for both those conditions, expanding the number of people eligible for the surgery by about 1 million. It's also been approved for farsightedness. Tomes also chose to go "blade-free," that is, the doctor used a new laser technique, instead of a disposable blade, to create a flap in the cornea. All Lasik surgeries include making this thin, hinged flap, a layer that is folded back into place after the laser treatment to speed healing. In the blade-free procedure, the surgeon uses a brand-name laser, called the **IntraLase**, to create thousands of tiny bubbles under the surface of the cornea. The bubbles allow the surgeon to peel a flap from the cornea with a small blunt tool, called a spatula. The blade-free procedure takes a few minutes longer compared to the usual method, is more expensive and is not necessarily superior for every patient, Kraff said.

Although the only studies comparing the two techniques are small or funded by industry, results in vision correction appear similar. Some doctors have reported more redness of the eyes with the bladeless technique, possibly due to the longer time the patient's eye is held still by suction. But the word "blade-free" makes patients more comfortable psychologically, Minneapolis refractive surgeon Dr. Elizabeth Davis said. "They have the heebie-jeebies about a blade going across the eye," she said.

Even with "blade-free" in his plans, Tomes felt a moment of anxiety before his operation. That was when he read and signed forms listing all Lasik's risks. "It was quite daunting: a list of many, many complications," he said. "One in particular jumped out at me. It was the potential, but rare, that the machine in the middle of the procedure could malfunction with a quarter of the eye still to be done. And it would be difficult to fix that."

Other rare but scary possibilities include sight-threatening infection, eyesight that's worse than before and a scratched cornea. According to Dr. Douglas Koch, ophthalmology professor at Baylor College of Medicine, there are rare reports of legal blindness "perhaps no more than less than 10 cases out of over 10 to 15 million procedures performed."

Tomes decided to go ahead, despite his last-minute worries, and is glad he did.

Talk to a Lasik doctor, and you're bound to hear the phrase "realistic expectations." Doctors have discovered that avoiding disgruntled patients means spelling out the procedure's shortfalls upfront: A 35-year-old who has Lasik may still need reading glasses at age 50. Some people, after Lasik, see halos around lights. Some find their eyes feel dry

for months, or permanently.

"Anybody who guarantees you a 20/20 result, you should get up and walk out," Kraff said. Also, consumers should choose a good doctor and let the doctor choose the tools, refractive surgeons interviewed for this article agreed. "You hire an experienced surgeon and he'll use the device that gives him or her the best results," said Dr. Robert Maloney, clinical professor of ophthalmology at University of California Los Angeles, and a paid consultant for **Bausch & Lomb**, a maker of Lasik devices.

Maloney advises consumers to seek referrals from eye doctors who don't do Lasik and from Lasik surgeons in other cities. A surgeon should be certified by the American Board of Ophthalmology and have performed at least 1,000 Lasik procedures. "You don't want to be part of somebody's learning curve," Maloney said. Maloney also suggests asking a surgeon for the percentage of his or her patients who get at least 20/40 vision from the procedure - 95 percent is typical - and for the percentage who experience complications - 1 percent is reasonable.

"I'd be cautious about going to places that advertise a lot," Maloney said. "It's very expensive to advertise and they may have to do a lot of surgery to pay for it and push the limits on candidacy."

There are other options for people who want to get rid of their glasses:

- Corneal refractive therapy: Overnight contact lenses that reshape the eye during sleep are being offered by eye doctors for about $1,000. Unlike Lasik, it's reversible.

- Implantable contact lenses were approved last year by the FDA with a five-year follow-up for possible side effects. At $6,000 to $8,000, it's more expensive than Lasik.

Nine days after surgery, Tomes, the Chicago Lasik patient, said his vision is better than normal now. Although he sees halos around lights at night, a side effect for some patients, that seems to be improving a little each day, he said. And his glasses? "They're history," he said.

12/12 **LCA-Vision Inc**., announced the opening of its 50th LasikPlus vision center in Birmingham, Alabama. The entry into Birmingham marks the first LasikPlus vision center in the state of Alabama. LasikPlus vision centers are now located in 25 states, serving 37 markets. 40% of the United States population is now located within a one-hour drive of a LasikPlus vision center.

Similar to other LasikPlus vision centers across the United States, the new Birmingham LasikPlus vision center employs an experienced team of health care professionals and is equipped with technologically advanced lasers and diagnostic equipment, including **Bausch & Lomb**, **VISX** and **Alcon** lasers, to offer patients a wide choice of traditional laser vision correction and advanced custom wavefront procedures.

12/12 The December issue of *Ophthalmic Market Perspectives* covers both the emerging surgical correction of presbyopia market and trends in IOLs. Part of the surgical correction of presbyopia story involves the global opportunity – both within the U.S., but also in underdeveloped and emerging nations. (**Market Scope** has recently published a market report covering this issue. Information about the report can be had at **www.market-scope.com)**

In addition, in December, Dave Harmon takes a look at how corporate laser center expansion is expected to change the refractive industry.

For more information about the above, see the December issue of the newsletter, or contact Market Scope at info@market-scope.com

12/14 **WaveLight Laser Technologie AG** published its three month figures for the current fiscal year 2005/2006. The Erlangen-based medical technology company successfully continued the outstanding development recorded in fiscal year 2004/2005.

As of October 31, 2005, WaveLight generated total revenues of €21,265 thousand, an increase of around 51 percent compared with the previous year (€14,108 thousand). Earnings before interest and taxes (EBIT) in the first three months amounted to -€698 thousand (previous year: €511 thousand). The successful revenue growth was due primarily to above-average revenues in the core Ophthalmology business. At €16,456 thousand, the Ophthalmology segment increased revenues by 61 percent as against the previous year (€10,209 thousand). EBIT in the Ophthalmology Division amounted to €724 thousand (previous year: €875 thousand).

WaveLight Laser Technologie AG's continuing Ophthalmology and Aesthetics operations generated combined total revenues of €18,946 thousand and contributed around 89 percent of the Company's total revenues. Compared with the first quarter of the previous year (€11,889 thousand), WaveLight recorded growth of around 59 percent in these divisions. EBIT for the continuing operations amounted to €309 thousand at the end of the first quarter (previous year: €761 thousand).

The discontinued Urology and Industrial Applications operations generated total revenues of €2,319 thousand in the first three months of the current fiscal year 2005/2006, a slight improvement of 5 percent year-on-year (previous year: €2,219).

As part of the stronger focus on its core Ophthalmology competency, the Erlangen-based medical technology specialist set its sights on the future and expanded this division in the first three months of the new fiscal year. The listed company established a key basis for rapid market entry in the new Cataract Surgery segment with the acquisition of Berlin-ased **ACRIMED GmbH** and the purchase of a 30 percent stake in the Dutch company **Medical Device Production (MDP) B.V.**

The Aesthetics Division was also successfully strengthened by the acquisition of a 12.5

percent stake in the UK company **Enfis Ltd.** This commitment gives WaveLight the opportunity to significantly expand its technology base in the area of aesthetic applications with LED-based treatment systems.

"The successful start to the new fiscal year, combined with the systematic expansion of our core competencies, gives WaveLight an outstanding basis for further dynamic growth. In addition, the investments in the field of cataract surgery open up significant growth opportunities that will strengthen our long-term market position in the area of ophthalmology", said Max Reindl, CEO of WaveLight Laser Technologie AG.

12/14 **Carl Zeiss Meditec AG** is planning to pay a dividend for the first time for financial year 2004/2005. The Supervisory Board of the Company approved the Management Board's proposal for the utilisation of profits this evening. For the first time, a dividend of € 0.16 per no-par-value share shall be paid.

The Management Board and the Supervisory Board will submit a proposal to the Annual General Meeting of Carl Zeiss Meditec AG that envisages utilising the net retained earnings for financial year 2004/2005 of € 20,240,319.92 – according to the single-entity financial statements of Carl Zeiss Meditec AG, Jena – as follows:

(1) payment of a dividend of € 0.16 per no-par-value share for 32,523,844 no-par-value shares: € 5.203.815,04

(2) Carry-forward of the residual profit to new account: € 15.036.504,88

12/15 **Carl Zeiss Meditec AG** increased its sales by a substantial 37.8% to € 323.7 million in financial year 2004/2005 (previous year € 234.9 million). The operating result (EBIT) rose 39% to € 36.6 million (previous year € 26.3 million); consolidated net income increased by more than one third to € 17.1 million (previous year: € 12.6 million). Earnings per share climbed 27.2% to € 0.56 (previous year: € 0.44). These figures are taken from the annual financial statements as of 30 September 2005, published today by the Prime Standard-listed medical technology company. Due to the good business performance, the Company intends, for the first time, to propose to the Annual General Meeting the payment of a dividend of € 0.16 per share.

"As we expected, our operative business developed very well in 2004/2005," said Ulrich Krauss, CEO. "We are also making very good progress with the integration of the companies we acquired in the financial year." The two companies acquired were the French **IOLTECH S.A.**, a manufacturer of implants and consumables for ophthalmic surgery, and the US diagnostic specialist **Laser Diagnostics Technology Inc.**, whose main product is used for the targeted early detection of glaucoma.

In spite of the extra costs incurred in connection with these acquisitions, earnings before interest and tax (EBIT) increased proportionate to sales – by 39.0 % to € 36.6 million (previous year: € 26.3 million). The EBIT margin increased to 11.3% (previous year:

11.2%). Earnings before interest, taxes, depreciation and amortisation (EBITDA) grew at an even higher rate than sales. At € 45.6 million, EBITDA was up 43.6% year-on-year (€ 31.7 million).

This positive development of business has prompted the Management Board and the Supervisory Board to propose to the Annual General Meeting the payment of the Company's first-ever dividend. It is planned to distribute around 30% of the consolidated net income, equivalent to € 0.16 per share, to the shareholders. "The Management Board and the Supervisory Board share the opinion that our Company's operating earnings power has reached a level that allows us to pay a dividend to our shareholders", says CEO Krauss. "We assume that this step will make our share even more attractive."

Cash flow from operating activities increased from € 31.6 million to € 39.4 million. Cash and cash equivalents remained almost constant at € 50 million (previous year: € 49.7 million). In spite of the acquisitions, the equity ratio remained high at 56.0% (previous year: 61.1%). CFO Bernd Hirsch: "These acquisitions had our solid financial backing to ensure adequate scope for growth in the future."

The Jena-based company further expanded its market position in financial year 2004/2005 and achieved higher sales in all product segments. Sales in the "Laser and IOL" segment increased by 76.1% year-on-year to € 77.7 million (previous year: € 44.1 million). Carl Zeiss Meditec also sold significantly more diagnostic equipment: sales here increased by 31.8% year-on-year. Revenues in this segment amounted to € 223.8 million (previous year: € 169.8 million). Services sales rose by 5.7% to € 22.2 million.

Regionally, the Americas generated the most sales, at € 136.0 million (previous year: € 109.8 million) or 42.1% of Carl Zeiss Meditec's total sales. The Asia/Pacific region accounted for € 93.9 million (previous year: € 65.5 million) or 29% of the Companys total sales. Sales in Europe (excluding Germany) showed the strongest growth – due mainly to the acquisition – increasing by 76.4% to € 73.8 million (previous year: € 41.9 million). This region accounted for 22.8% of Carl Zeiss Meditec's total sales. Carl Zeiss Meditec generated € 19.9 million (previous year: € 17.7 million) or 6.1% of its total sales in Germany. Compared to the previous year, this represents an increase of 12.1%.

As of 30 September 2005, the Carl Zeiss Meditec Group employed a workforce of 1,207 (previous year: 796), including 15 trainees.

CEO Ulrich Krauss is optimistic about the future development of Carl Zeiss Meditec and pronounced that the Company will grow not only in terms of sales, but also in terms of its profitability. The persistent goal is to achieve an EBIT margin of around 15% by financial year 2007/2008. Sales growth is expected to exceed market growth again in the current financial year 2005/2006.

12/16 **Alcon Inc**. announced that it would appeal a patent infringement ruling in favor of **Advanced Medical Optics, Inc.** handed down today by a federal judge in Delaware. In the

case, which was heard by a jury in 2005 (as previously reported), AMO claimed Alcon infringed its U.S. Patent Nos. 5,700,240 and 6,059,765, challenging certain features of Alcon's Infiniti Vision System and the Advantec and Everest software upgrades to Alcon's Legacy cataract system. By the order entered today, the court set damages at $213.9 million. Although the court granted AMO's motion for an injunction, the court also granted Alcon's motion to stay the injunction pending the outcome of the appeal.

Alcon management expressed disappointment at the ruling and said it would appeal the decision. Alcon believes it has multiple legal and factual grounds to support its appeal.

Because the injunction was stayed by the court, Alcon will be able to continue to sell and distribute Infiniti vision systems and Infiniti FMS cassettes during the appeals process. Under the court's order, existing customers and customers who purchase or lease new Infiniti vision systems while the appeal is pending will be able to use them for the life of the equipment without interruption or restriction. Alcon will continue to provide full service for all of its machines and remains dedicated to developing and delivering superior technology for all aspects of cataract surgery.

Although Alcon will be appealing the decision, it will be required to record a charge of $213.9 million in the fourth quarter related to this litigation. While this appeal is pending, Alcon will continue to develop an alternative design of its Infiniti FMS cassette, which it expects to have available in the first half of 2006.

12/19 **Advanced Medical Optics, Inc.** announced that a judge has upheld a May 2005 jury decision and awarded AMO $213.9 million in damages resulting from willful infringement by **Alcon Manufacturing, Ltd.** and **Alcon Laboratories, Inc.** of two AMO patents for phacoemulsification equipment used in cataract surgery.

The judge for the United States District Court for the District of Delaware concluded that "the jury was presented with clear and convincing evidence that Alcon intentionally copied" the occlusion mode and the fluidics system from AMO's Sovereign machine. The judge further added, "I agree that this is an exceptional case, that the damages award should be trebled, and that reasonable attorneys fees should be awarded."

The judge granted AMO a permanent injunction, but that injunction has been stayed pending appeal. Once in effect, the injunction will prohibit Alcon from selling equipment with the features that infringed AMO's patents. The judge also required Alcon to post a $1.8 million bond on the injunction pending appeal.

"The judge's decision validates the importance of AMO's commitment to develop superior technology that offers unique benefits to surgeons and the patients they serve," said AMO President and CEO Jim Mazzo. "We will continue to take all necessary steps to protect and defend the investment we make in technology on behalf of our customers and stockholders."

In May 2005, a jury awarded AMO $94.8 million in damages, reflecting lost profits and reasonable royalty fees through February 2005. Subsequently, the judge ruled that AMO did not sufficiently mark its patents on the equipment and reduced the award to $71.3 million. This revised amount was trebled, resulting in total damages of $213.9 million for this period. The final judgment will include damages on infringing products sold by Alcon after March 2005, plus pre-judgment interest. Alcon has 30 days to file an appeal of the judgment and thereafter may seek a stay of payment of the judgment upon posting of a sufficient bond.

AMO originally filed a complaint in the U.S. District Court for the District of Delaware against Alcon Manufacturing, Ltd. and Alcon Laboratories, Inc. on December 3, 2003 for infringement of U.S. Patent Nos. 5,700,240 relating to occlusion mode technology and 6,059,765 relating to a fluidics management system.

12/20 **SCHWIND eye-tech-solutions** has the US market in its sights. The German enterprise is launching the CARRIAZO- PENDULAR microkeratome, with its innovative pendulum movement. The first CARRIAZO-PENDULAR in the USA will be employed by Dr. Steve Pascucci in Florida. The eye surgeon joins the steadily growing worldwide circle of users who have chosen the Schwind microkeratome for its quality, safety and predictability of treatment results.

Real precision, exact predictability of the flap thickness with an extremely low standard deviation of almost 12 microns, very smooth surface cut quality, 360˚ free choice of hinge position and ergonomic design are among the outstanding product features.

The microkeratome was developed in collaboration with the Columbian ophthalmic surgeon Dr. Cesar Carriazo and received its FDA Approval in 2004.

“Pefected technology, a previously unknown precision of flap thickness as well as permanently monitored treatment safety through quality assurance has ensured our worldwide market success. This is a large incentive for us to now establish ourselves as an important market player also in the USA”, commented Rolf Schwind, pesident and CEO of SCHWIND eye-tech-solutions.

12/23 **LaserSight Incorporated** laid off approximately 20% of its workforce on December 20, 2005 in an effort to reduce costs and improve its operating efficiency. In addition, the Company is rebalancing and adjusting its resources to optimize its operating efficiency.

As disclosed previously, the Company has focused its business in China since emerging from Chapter 11 reorganization in June 2004. In 2005, the Company's exclusive distributor in China has been the Company's primary customer. The Company is currently selling its products to China on a month-by-month basis, and actual sales have not kept up with the Company's sales targets and production schedule. Furthermore, product manufacturing has been negatively impacted by the lack of adequate working capital caused by the reduced sales volume and delays in payment from the Company's Chinese

distributor. The Company is working with its Chinese distributor and other distributors to secure increased sales. In 2006, the Company will have a reduced sales projection, thus a reduced manufacturing schedule.

12/23 **STAAR Surgical Company** reported that the U.S. Food and Drug Administration (FDA) had approved the Company's Myopic VISIAN ICL for use in the correction of myopia in adults. Made of STAAR's proprietary, highly biocompatible Collamer material, the ICL (an abbreviation for Implantable Collamer Lens) is the only minimally invasive foldable lens of its kind approved for the U.S. commercial market. As a result of the unique foldable design, the ICL procedure allows an incision up to 50% smaller than competing technology, and its placement in the eye behind the iris provides a more aesthetically pleasing outcome. In addition to the U.S., the ICL is also approved for sale in 41 countries, including the European Union and has successfully been implanted in more than 40,000 eyes worldwide.

The Company expects to begin shipping the VISIAN ICL to trained doctors in six to eight weeks. In addition, STAAR plans to showcase the new product through training courses and other educational sessions at key upcoming industry symposia including the *Royal Hawaiian Eye Meeting* and the *American Society of Cataract and Refractive Surgery* meeting.

"The ICL remains our most significant opportunity for profitable growth going forward and receipt of FDA approval represents a critical milestone," said David Bailey, president and CEO of STAAR Surgical. "Throughout the approval process, doctors' interest in our state-of-the-art lens has continued to build, driven by superior clinical outcomes, the stability and safety of the procedure and the high patient satisfaction rate. We believe the ICL offers patients and their doctors opportunities to achieve higher quality visual outcomes compared with competing technology and this characteristic will be an important growth driver of the refractive phakic implant market. Based upon these dynamics and the success of the ICL in the international markets, we believe that we are well positioned to begin building a strong franchise in the U.S.

"We continue to plan for a controlled commercial launch and believe that the investments we made in our marketing programs two years ago have allowed us to build the infrastructure necessary to be successful," continued Bailey. "As we have done internationally, we will guide doctors through our training and certification process, which includes proctoring the first five surgeries. Currently, we have more than 860 surgeons who have completed the first phase of training and are ready to be proctored by the five application specialists that we have on staff. Once the doctors have successfully completed the surgeries, they will become certified and will be eligible to order additional VISIAN ICL lenses without a proctor. We believe that this process, which focuses on correct technique, will support high quality clinical outcomes and better ensure proper use of the lens."

The VISIAN ICL is a refractive phakic implant intended for placement in the posterior chamber of the eye. The approved models are indicated for the correction of myopia in adults with myopia ranging from -3.0 to less than or equal to -15.0 diopters with astigmatism less than or equal to 2.5 diopters at the spectacle plane, and the reduction of myopia in adults with myopia ranging from greater than -15.0 to -20.0 diopters with astigmatism less than or equal to 2.5 diopters at the spectacle plane, in patients 21 to 45 years of age with anterior chamber depth (ACD) 3.00 mm or greater, and a stable refractive history within 0.5 diopters for one year prior to implantation.

As reported by *Reuters*, shortly after the announcement, the surgical products maker's shares were up 31 percent, to their highest since May 2004.