ISTA Pharmaceuticals®

CORPORATE FACT SHEET

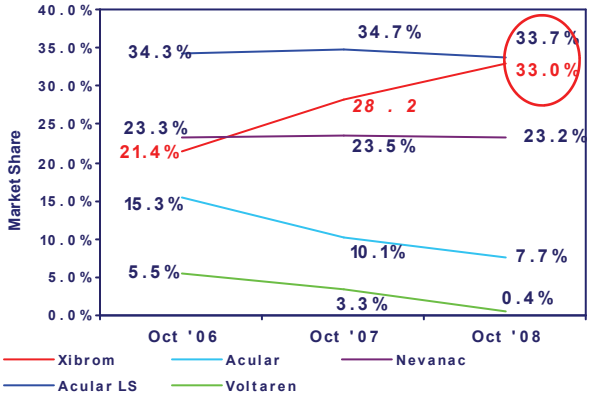
Fourth Quarter 2008

Overview

ISTA Pharmaceuticals is the fastest growing U.S. branded ophthalmic pharmaceutical company, having recently become the fifth largest in the U.S. market. The Company's products and product candidates addressing the $4.7 billion U.S. prescription ophthalmic industry include therapies for inflammation, ocular pain, glaucoma, allergy, and dry eye. ISTA currently markets three products: Xibrom® (bromfenac sodium ophthalmic solution) for the treatment of inflammation and pain following cataract surgery, Istalol® (timolol maleate ophthalmic solution) for the treatment of glaucoma, and Vitrase® (hyaluronidase for injection) for use as a spreading agent. Xibrom and Istalol are now the two fastest growing U.S. branded ophthalmic products, among products with sales over $10 million and on the market for more than nine months. The Company also is developing a strong product pipeline to fuel future growth and market share. ISTA's product development and commercialization strategy is to launch a new product every 12 to 18 months, thereby continuing its growth to become the leading niche ophthalmic pharmaceutical company in the U.S.

NSAID TRx $$ Market Share *(Ophthalmologists Only)*

Xibrom continues to be the #2 NSAID with Ophthalmologists



Product	MS Change Oct '08 vs Oct '07
Xibrom	**+4.9**
Acular LS	(1.0)
Acular	(2.3)
Nevanac	(0.3)
Voltaren	(2.9)

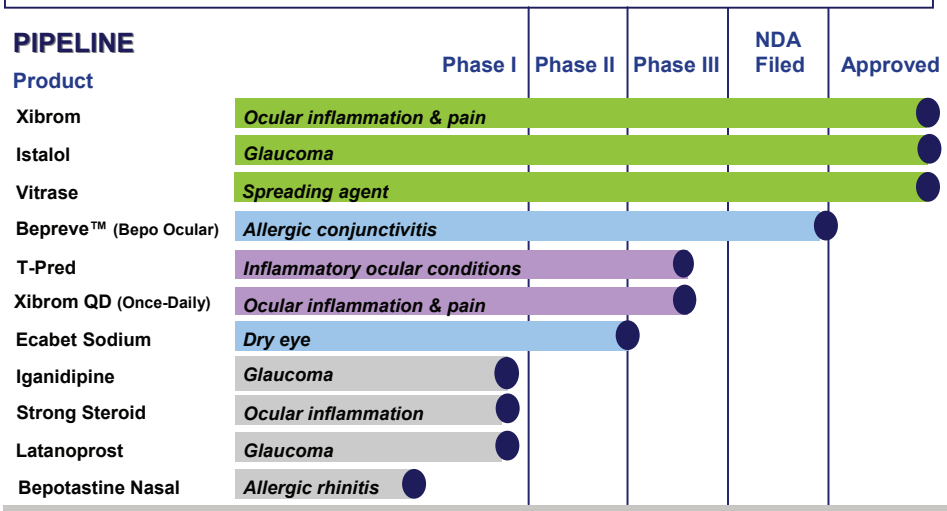
2008—2009 Catalysts

- ☐ Continue commercial success for Xibrom, Istalol and Vitrase
  - 9/30/08 YTD sales up 39% over 9/30/07 YTD
  - Reiterated 2008 net sales guidance of $75 to $82 million
- ☐ Filed Bepreve NDA, November 2008
- ☐ Xibrom programs:
  - Completed Xibrom Phase III trials for QD label change and reported results, December 2008
  - Complete confirmatory Xibrom QD Phase III study trial in 2009
  - Initiate new Xibrom formulation dose ranging for dry eye
  - Initiate prospective dose ranging study for Xibrom/ Lucentis concomitant use
- ☐ Completion of Phase II study for ecabet sodium for the treatment of dry eye. Report results Q4 2008
  - End points: tear production and symptom improvement
- ☐ Complete T-Pred additional studies in 2009

Financial Highlights

$ in millions	YTD Ended 9/30/08	YTD Ended 9/30/07	% Change
Xibrom	$41.6	$ 28.1	*48%*
Istalol	9.5	7.7	*23%*
Vitrase	3.7	3.7	*0%*
Other	~~0.2~~	~~0.2~~	*0%*
Net Revenue	**$55.0**	**$ 39.7**	***39%***
Gross Margin	**$40.2**	**$ 29.3**	
%	*73%*	*74%*	
R&D	25.1	20.9	
SG&A	40.2	35.1	

PIPELINE



KEY COMMERCIAL PRODUCTS

Xibrom (bromfenac ophthalmic solution) 0.09%

Xibrom is the only twice-a-day topical, non-steroidal, anti-inflammatory approved for the treatment of ocular inflammation and pain following cataract surgery. There is significant market potential for Xibrom as three million cataract surgeries are performed annually in the U.S. The clinical data supporting the original NDA approval showed a statistically significant proportion of patients achieved the complete absence of ocular inflammation, compared to patients who received placebo.

Istalol® (timolol maleate ophthalmic solution) 0.5%

Istalol is a once-daily patent-protected eye drop solution of timolol, a beta blocking agent for the treatment of glaucoma. In clinical trials, Istalol demonstrated safety and efficacy comparable to a twice-a-day timolol solution. Other than Istalol, the only once-a-day formulations of timolol maleate are gels, which have been known to cause blurred vision. Additionally, Istalol's safety profile makes it an ideal product for combination treatment.

MANAGEMENT

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President and Chief Executive Officer

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Vice President, Regulatory Affairs, Quality & Compliance

Kathleen McGinley
Vice President, Human Resources & Corporate Services

Kirk McMullin
Vice President, Operations

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Vice President, Clinical Research and Medical Affairs

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SELECTED PIPELINE PRODUCTS OVERVIEW

Inflammation - 2007 U.S. Market Size ~ $500 million

Xibrom QD (Once-Daily) for Ocular Inflammation

ISTA recently completed the Phase III clinical program of Xibrom™ (0.09% bromfenac sodium ophthalmic solution) QD (once-daily). The program enrolled 282 patients who underwent cataract surgery in two U.S. multi-center, randomized, double-masked, parallel-group, vehicle-controlled studies to evaluate Xibrom 0.09% dosed once daily to vehicle (placebo). The identical trials were performed under a common protocol and designated the East region trial (ER) and the West region trial (WR).

According to a preliminary analysis, integrated results for the two studies demonstrated Xibrom 0.09% QD achieved statistical significance in meeting the primary efficacy endpoint of absence of ocular inflammation 15 days following surgery. In addition, Xibrom 0.09% QD met the secondary efficacy endpoint of elimination of ocular pain one day post surgery.

When considered independently, the WR trial showed statistical significance in both the primary and secondary efficacy endpoints. The ER exhibited strong trends in both the absence of ocular inflammation and pain but did not meet statistical significance for either. The rate of patients who discontinued due to lack of efficacy in the ER was six times greater than the WR trial and a previous clinical trial utilizing the same protocol and concentration. In addition, there was a 20 percentage-point higher placebo effect for the relief of pain in the ER compared with the WR results and with previous trial experience with bromfenac ophthalmic solution. Despite the unexpected results reported for the ER Phase III study, there were strong trends in favor of statistical efficacy.

ISTA has discussed the data with the FDA and plans to perform a confirmatory Phase III trial that it expects to complete in 2009

T-Pred (Tobramycin and Prednisolone Acetate) for Ocular Inflammation

T-Pred is ISTA's proprietary formulation of a fixed-combination product that gives the physicians what they have been asking for: prednisolone, the gold standard steroid, with the reliability of tobramycin in a single formulation. The Company filed an NDA for T-Pred in June 2006 seeking approval for T-Pred as a treatment for steroid-responsive inflammatory ocular conditions where risk of bacterial infection exists. In May 2007, the FDA notified ISTA that T-Pred was not approvable. Recently, ISTA reached agreement with the FDA on actions it must undertake to receive market approval for T-Pred. ISTA expects to complete its work on T-Pred in 2009.

Strong Steroid for Ocular Inflammation

ISTA has completed a pilot study for its strong steroid eye drop and is continuing animal studies.

Allergy - 2007 U.S. Market Size ~ $3.2 billion

Bepreve™ (bepotastine ophthalmic solution) for Ocular Allergy

ISTA initiated Bepreve™ Phase II/III clinical study in ocular allergy in the U.S. in 1Q07 and announced preliminary and highly statistically significant results in May 2007. The study evaluated two concentrations of Bepreve and two dosing regimens. The preliminary results of the study demonstrate both concentrations were highly statistically significant in the reduction of ocular itching when dosed twice a day, and, in one concentration, when dosed once a day. In addition, both concentrations and dosing regiments produced highly statistically significant differences in the rapidity of response and the improvement in total nasal symptoms vs. placebo. ISTA initiated final Bepreve clinical studies in 4Q07 and announced positive results in April 2008. ISTA filed an NDA for Bepreve in November, 2008.

Bepotastine Nasal for Allergic Rhinitis

ISTA is developing a nasal formulation of bepotastine for the treatment of allergic rhinitis.

Prescription Dry Eye - 2007 U.S. Market Size ~ $300 million

Ecabet Sodium

ISTA has initiated a Phase II study to confirm the results of its prior studies and expects to complete the study and report preliminary results in 2008.

Key Financials

NASDAQ: ISTA

Shares Outstanding:
33.0 Million

52-week closing price range:
$0.29 - $5.98

Cash:
$22 MM (9/30/08)

FORWARD-LOOKING STATEMENTS

This Fact Sheet contains historical information, as well as certain "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are based on ISTA's expectations, as of the date of this fact sheet, and are subject to risks and uncertainties that could cause actual results to differ materially. Important factors that could cause actual results to differ from current expectations include, among others, such risks and uncertainties as detailed from time to time in ISTA's public filings with the U.S. Securities and Exchange Commission, including but not limited to ISTA's Annual Report on Form 10-K for the year ended December 31, 2007 and its 10Q for the quarters ended March 31, 2008, June 30, 2008, and September 30, 2008.

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