



## CORPORATE FACT SHEET

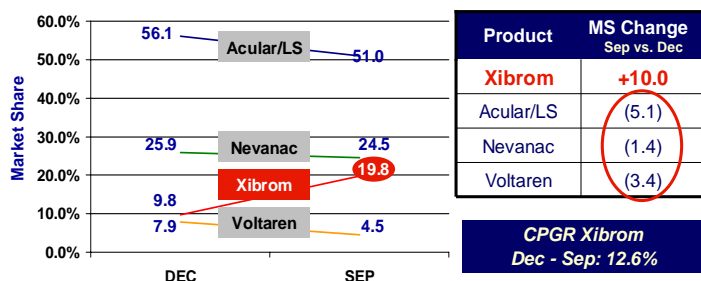
# Fourth Quarter 2006

### Overview

ISTA Pharmaceuticals is an ophthalmic pharmaceutical company. The Company's products addressing the \$3.2 billion prescription ophthalmic industry include therapies for allergy, dry eye, vitreous hemorrhage, diabetic retinopathy, hyphema, glaucoma, ocular pain, and inflammation. The Company 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. The Company also is developing a strong product pipeline to fuel future growth and market share. The Company'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 NRx \$\$ Market Share

(Ophthalmologists Only Prescribers)



### Q42006 — 1H2007 Catalysts

- Anticipate completion of Xibrom once-daily Phase III clinical studies for inflammation and pain associated with cataract surgery during the 4Q06, with top-line results anticipated in the 1Q07
- Plan to initiate Xibrom allergy Phase III clinical study during the 4Q06, with top-line results anticipated in the 1H07
- Expect top-line results from the ecabet sodium Phase IIb confirmatory study in the 1H07
- Plan to initiate Phase III trials for bepotastine for allergic

### 2006 Milestones

- Continued revenue growth for Xibrom, Istalol and Vitrase
- Added pain indication to Xibrom label
- Reported positive Phase III results for T-Pred™ and filed NDA
- Reported positive results for ecabet Phase IIb trial for dry eye and initiated confirmatory study
- Received EMEA notice of acceptance for Vitragan™ for vitreous hemorrhage filing
- Initiated Phase III clinical trials for once-daily Xibrom
- Added iganidipine and a new latanoprost formulation, two new product candidates for glaucoma
- Added bepotastine, a new compound for allergy

### Financial Highlights

\$ in millions

|                                   | FYE 12/31/05    | Q1 '06          | Q2 '06         | Q3 '06          |
|-----------------------------------|-----------------|-----------------|----------------|-----------------|
| Xibrom                            | \$5.3           | \$2.9           | \$4.3          | \$5.6           |
| Istalol                           | 2.6             | 1.8             | 2.1            | 2.0             |
| Vitrage                           | 2.5             | 0.8             | 1.1            | 1.0             |
| <b>Net Revenue</b>                | <b>\$10.7</b>   | <b>\$5.5</b>    | <b>\$7.6</b>   | <b>\$8.6</b>    |
| <b>Gross Margin %</b>             | <b>67%</b>      | <b>65%</b>      | <b>68%</b>     | <b>70%</b>      |
| R&D                               | 16.6            | 4.5             | 4.8            | 8.0             |
| SG&A <sup>(1)</sup>               | 30.6            | 10.0            | 9.6            | 9.2             |
| <b>Net Loss <sup>(1)(2)</sup></b> | <b>(\$38.5)</b> | <b>(\$10.6)</b> | <b>(\$9.2)</b> | <b>(\$11.5)</b> |

<sup>(1)</sup> includes \$0.7M and \$1.9M in stock-based compensation expense for 3Q06 and YTD06, respectively

<sup>(2)</sup> includes \$2.0M licensing payment in 3Q06

### KEY COMMERCIAL PRODUCTS



**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 a significant market potential, as three million cataract surgeries are performed annually in the U.S. The clinical data supporting the original NDA approval showed Xibrom to be well tolerated, and a statistically significant proportion of patients achieved the complete absence of ocular inflammation, compared to patients who received placebo.



**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.

### PIPELINE

| Product              | Phase I                        | Phase II | Phase III | NDA Filed | Approved |
|----------------------|--------------------------------|----------|-----------|-----------|----------|
| Xibrom               | Ocular inflammation & pain     |          |           |           |          |
| Istalol              | Glaucoma                       |          |           |           |          |
| Vitrage              | Spreading agent                |          |           |           |          |
| Vitrage              | Vitreous hemorrhage            |          |           |           |          |
| T-Pred               | Inflammatory ocular conditions |          |           |           |          |
| Xibrom Allergy       | Allergic conjunctivitis        |          |           |           |          |
| Xibrom Once-Daily    | Ocular inflammation & pain     |          |           |           |          |
| Caproge <sup>®</sup> | Hyphema                        |          |           |           |          |
| Bepotastine          | Allergic conjunctivitis        |          |           |           |          |
| Ecabet Sodium        | Dry eye                        |          |           |           |          |
| Vitrage              | Diabetic retinopathy           |          |           |           |          |
| Iganidipine          | Glaucoma                       |          |           |           |          |
| Strong Steroid       | Ocular inflammation            |          |           |           |          |
| Latanoprost          | Glaucoma                       |          |           |           |          |

## MANAGEMENT

### Vicente Anido, Jr., Ph.D.

President and Chief Executive Officer

### Marvin J. Garrett

Vice President, Regulatory Affairs, Quality & Compliance

### Kathleen McGinley

Vice President, Human Resources & Corporate Services

### Kirk McMullin

Vice President, Operations

### Timothy R. McNamara, Pharm. D.

Director, Medical Affairs

### Tom Mitro

Vice President, Sales & Marketing

### Lauren Silvernail

Chief Financial Officer and Vice President, Corporate Development

## BOARD OF DIRECTORS

### Vicente Anido, Jr., Ph.D.

President and Chief Executive Officer

### Richard C. Williams

Chairman of the Board / **Committee:** Audit (Chairman)

### Rolf Classon

**Committee:** Nominating and Corporate Governance (Chairman)

### Peter Barton Hutt

**Committee:** Nominating and Corporate Governance

### Kathleen D. LaPorte

**Committee:** Compensation

### Benjamin F. McGraw, III, Pharm. D.

**Committees:** Audit and Compensation (Chairman)

### Dean J. Mitchell

**Committee:** Compensation

### Andrew J. Perlman, M.D., Ph.D.

**Committee:** Nominating and Corporate Governance

### Wayne I. Roe

**Committee:** Audit

## SELECTED PIPELINE PRODUCTS OVERVIEW

### Inflammation - 2005 U.S. Market Size > \$400 million

#### 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. ISTA took it one step further by putting these into an eye drop that mimics the tear in an inflamed eye. In February 2006, the Company announced positive results from its Phase III bio-equivalency study. The 132-patient multi-center, randomized, double-masked study achieved its primary and secondary objectives, demonstrating bioequivalence of T-Pred and prednisolone acetate. 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. Assuming acceptance and timely approval, ISTA anticipates launching T-Pred in mid-2007.

#### Xibrom Once-Daily

In May 2006, the Company initiated Phase III clinical studies of its once-daily formulation of Xibrom for the treatment of inflammation and pain following cataract surgery. The Company expects to complete the trials in 2006 and announce results in early 2007.

### Allergy - 2005 U.S. Market Size > \$450 million

#### Bepotastine for Allergic Conjunctivitis

ISTA anticipates moving bepotastine into Phase III clinical studies in the U.S. in 2007. This accelerated timeline is based upon the extensive preclinical research and early stage clinical evaluations that have been conducted in Japan by Senju. Bepotastine has three primary mechanisms of action

- it is a non-sedating, selective antagonist of the histamine 1 (H1) receptor
- it has a stabilizing effect on mast cells, and
- it suppresses the migration of eosinophils into inflamed tissues.

Results from these Phase III studies are expected to be available in 2H07.

### Prescription Dry Eye - 2005 U.S. Market Size > \$250 million

#### Ecabet Sodium

Dry eye is one of the fastest growing categories in ophthalmic prescriptions. There are two types of dry eye, one is characterized by the eye making enough tears, but the tears evaporate too quickly to keep the eye moist. The other is characterized by the lack of tear production. Ecabet sodium represents a new class of molecules that addresses the first type. In February 2006, ISTA announced positive preliminary results from its U.S. randomized, three-arm (placebo/3.0%/3.9%) Phase IIa clinical study of ecabet sodium for the treatment of dry eye syndrome, corneal staining and blink rate. Pending further Phase II analysis and confirmation, the Company plans to initiate a Phase III study of ecabet sodium 3.0% in 2007.

### Glaucoma - 2005 U.S. Market Size > \$1.4 billion

#### Latanoprost

Latanoprost is a member of the prostaglandin class of drugs, which are the standard treatment for glaucoma. Prostaglandins represent the largest segment of the U.S. glaucoma market, accounting for approximately \$700 million in sales in 2005. ISTA plans to complete formulation development and optimization studies with latanoprost in 2007.

#### Iganidipine

Early studies on iganidipine have shown this calcium channel blocker (CCB) may have the ability to enhance ocular blood flow, lower intraocular pressure, and inhibit the progression of visual field defects. Based in part on these data, ISTA plans to initiate a Phase II clinical study with a topical formulation in the U.S. in 2007. Should ISTA be successful in bringing this product to market, it will be the first CCB to be offered commercially in ophthalmology.

## Key Financials

**NASDAQ: ISTA**

**Shares Outstanding:**  
26 Million

**52-week stock price range:**  
\$5.19—\$8.20

**Cash:**  
\$45.7 Million (9/30/2006)

## 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, 2005 and ISTA's Quarterly Reports on Form 10-Q for the periods ended March 31, 2006, June 30, 2006 and September 30, 2006.

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