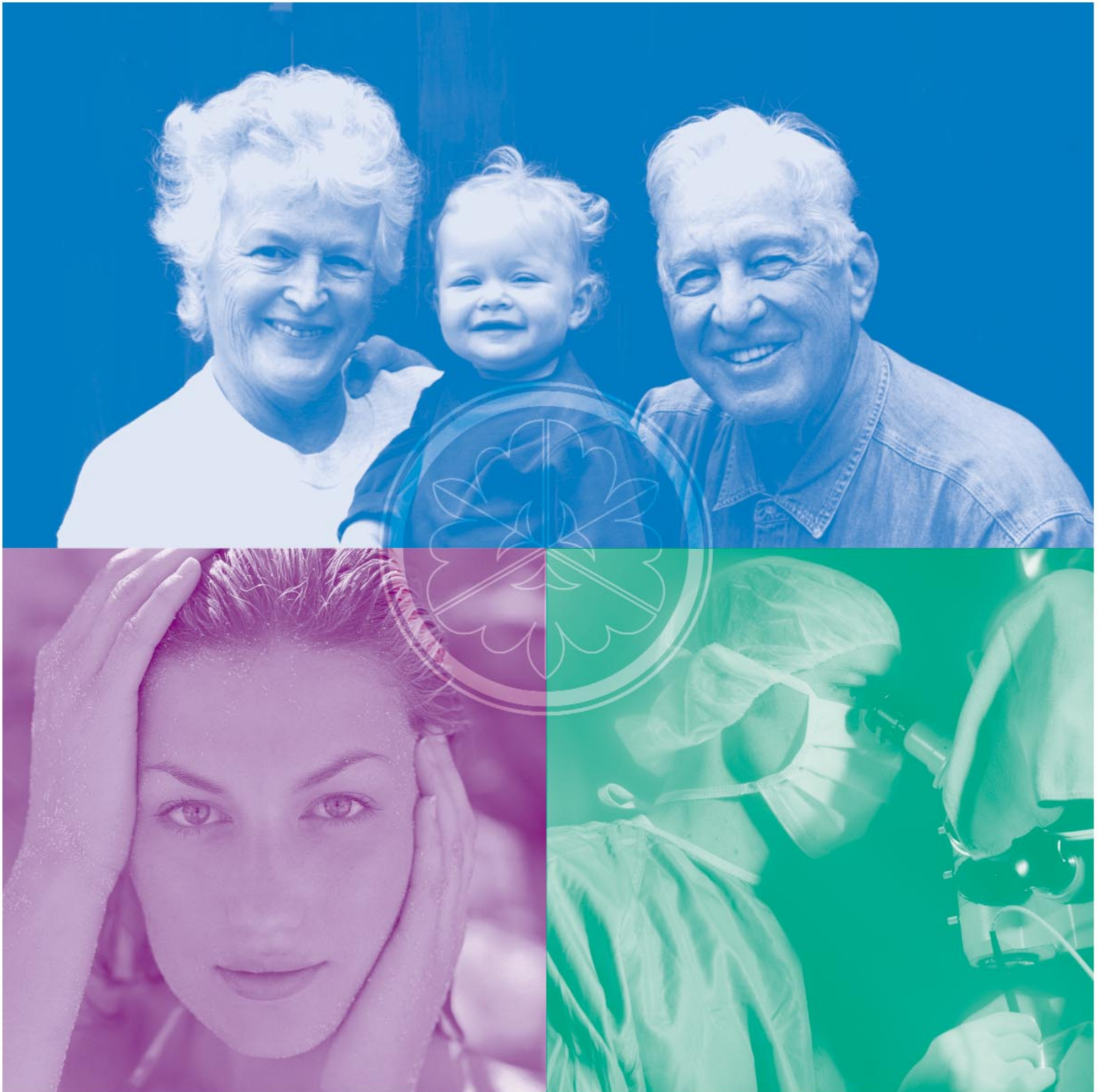


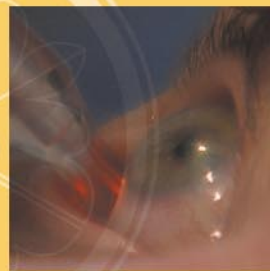
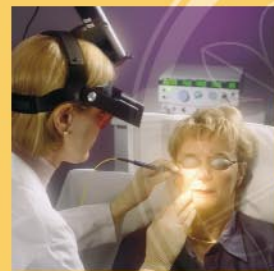
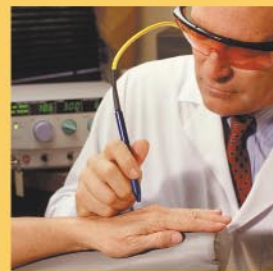
A GENTLER ALTERNATIVE



IRIDEX CORPORATION

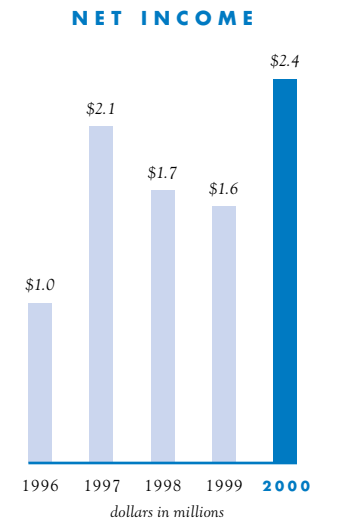
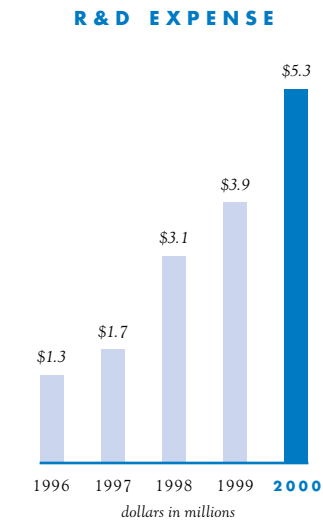
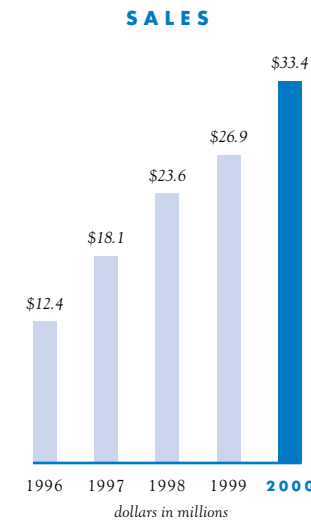
2000 ANNUAL REPORT

LASERS FOR OPHTHALMOLOGY

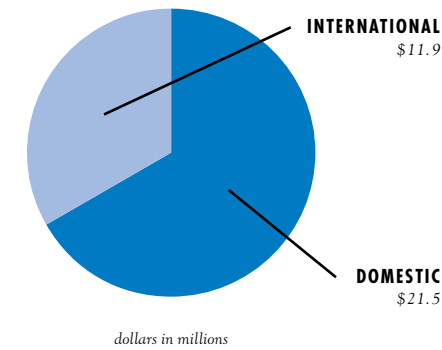


AND AESTHETICS

2000 ANNUAL REPORT



2000 SALES



IRIDEX CORPORATE OFFICE Mountain View, California

FOR THE FISCAL YEAR

	1996	1997	1998	1999	2000
Sales	\$ 12,372	18,098	23,644	26,852	33,437
Operating Income	\$ 982	2,671	1,820	1,825	2,787
Net Income	\$ 1,005	2,098	1,748	1,618	2,416
Diluted Net Income Per Common Share	\$ 0.16	0.31	0.26	0.24	0.33
Shares Used in Per Share Computation	6,410	6,755	6,765	6,849	7,285

END OF FISCAL YEAR

	1996	1997	1998	1999	2000
Working Capital	\$ 20,777	21,716	23,450	23,842	27,005
Total Assets	\$ 23,707	26,686	28,377	32,763	35,025
Total Shareholders' Equity	\$ 21,478	23,880	25,885	27,504	30,500

dollars in thousands

2000 FINANCIAL HIGHLIGHTS



DEAR IRIDEX STOCKHOLDER:

Fiscal year 2000 was a record year for IRIDEX Corporation in sales and profits. Sales grew by 25% to \$33.4 million, up from \$26.9 million in 1999, while net income for the year was \$2.4 million, a 49% increase from 1999. We are proud of those accomplishments.

The majority of our sales continue to be generated from our family of IRIS Medical® OcuLight® photocoagulator systems used by ophthalmologists to treat the leading causes of blindness: age-related macular degeneration (AMD), diabetic retinopathy and glaucoma. Our DioLite™ 532 addresses a need in the aesthetic market and is used by dermatologists and plastic surgeons for the treatment of vascular and pigmented skin lesions.

During fiscal 2000, IRIDEX continued to advance its crusade to improve the outcomes of laser treatments provided by ophthalmologists and cosmetic surgeons. These improvements are based upon a core IRIDEX strategy — *to provide devices and develop applications that obtain effective therapeutic results with fewer side effects.* This is accomplished by delivering the right dose of laser light to the right place at the right time. IRIDEX has been a pioneer in developing these Minimum Intensity Photocoagulation (MIP) laser treatment protocols as a gentler alternative to conventional photocoagulation treatments. IRIDEX leads the market with core technologies that can accurately deliver controlled doses of laser energy to enable MIP procedures.

MINIMUM INTENSITY PHOTOCOAGULATION (MIP) IN OPHTHALMOLOGY:

Since “above all do no harm” is the basic principle for any medical therapy, we believe MIP represents its closest expression in laser therapy. MIP is central to our ophthalmology strategy and our OcuLight SL and OcuLight SLx infrared laser systems are optimized for these procedures. MIP protocols are now used in many of the AMD and diabetic retinopathy procedures we pursue and support. The potential of MIP is substantial and offers benefits for both the patient and the ophthalmologist. The patient benefits because MIP is a gentler, less

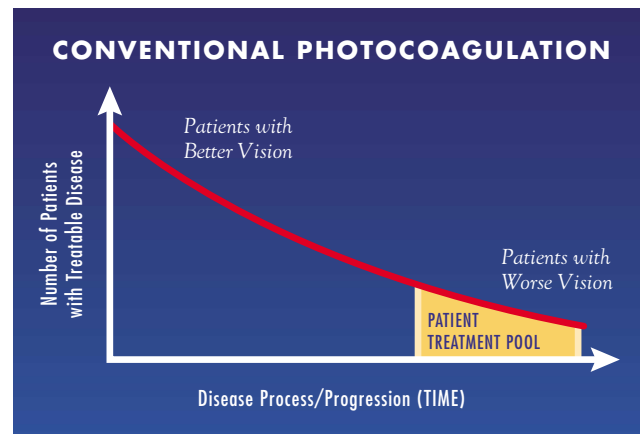


figure 1

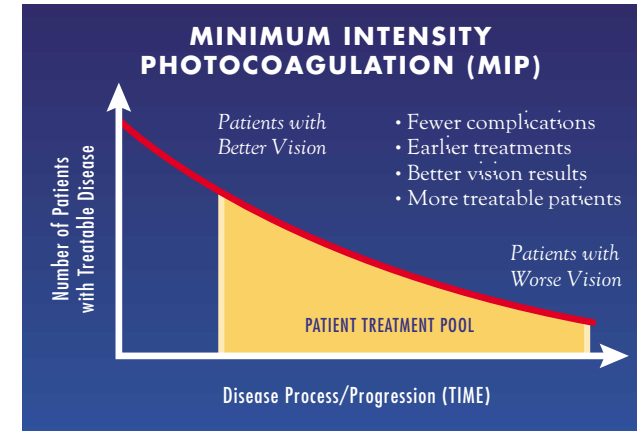


figure 2

damaging and more selective alternative to conventional photocoagulation. For these reasons, MIP may be implemented earlier in the disease process when visual loss is less profound and the treatment outcome is more favorable for the patient. The ophthalmologist benefits from the addition of a larger number of patients with an earlier stage of the disease to the potential treatment pool. This concept is illustrated schematically in Figures 1 and 2. In general, the timing of a treatment intervention is determined by its risk-to-benefit ratio. A treatment option with equal benefit and lower risk (i.e. complications) can ethically be implemented earlier in the disease process, thus benefiting a greater number of patients. Finally, third party reimbursement agencies can also benefit by the substitution of less costly MIP procedures for more invasive, complicated and expensive interventions.

MINIMUM INTENSITY PHOTOCOAGULATION (MIP) IN AESTHETICS:

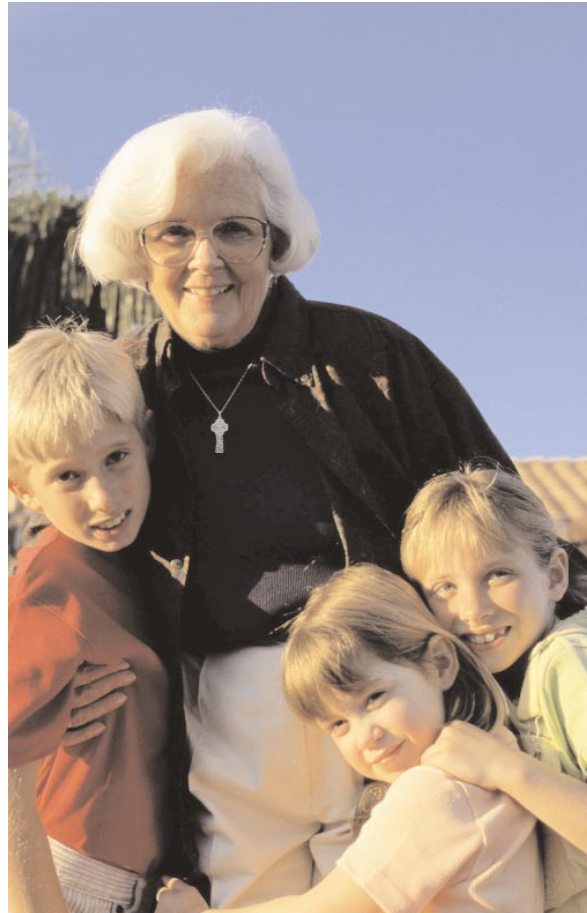
MIP technology is equally important for our aesthetics products where skin protection and patient comfort combined with effective outcome are essential. The DioLite 532 treatment parameters are optimized to close small blood vessels and remove pigmented spots quickly and effectively while minimizing injury to the non-target tissue for a “bruise-free” result. We are in the process of introducing the Apex™ 800 laser system for the removal of unwanted hair. The Apex 800 refines the art of laser hair removal by optimizing the right balance of laser parameters with skin cooling protection to effectively and comfortably remove hair to its roots. The Apex 800 will allow IRIDEX to participate in the \$2 billion annual hair removal market.

We believe that maintaining leadership in MIP will allow us to substantially expand the market size for our products and to provide better long-term value for our customers, their patients and our investors. Thank you for your continued trust and support.

Sincerely,

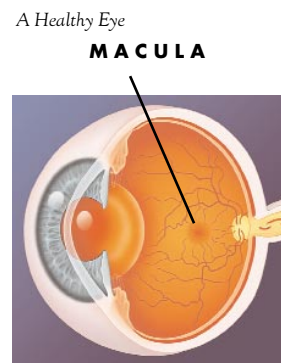
THEODORE A. BOUTACOFF
 President & CEO





IRIDEX FOCUSES ON product development and clinical procedure validation to assist ophthalmologists in treating the leading causes of legal blindness: glaucoma, diabetic retinopathy, and age-related macular degeneration (AMD). Over the years, IRIDEX has successfully achieved market leadership by incorporating advanced solid-state technology into IRIS Medical OcuLight® laser products to treat these diseases as well as retinopathy of prematurity, ocular tumors, and retinal detachments.

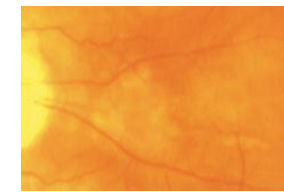
IRIDEX is now leading the movement toward Minimum Intensity (subthreshold) Photocoagulation (MIP) procedures. The objective is to treat more patients earlier in the disease process with fewer complications and a higher likelihood of vision preservation. MIP treatment is so gentle that the patient cannot feel it and doctors cannot see it, yet the treatment triggers a biological healing response with minimal complications.



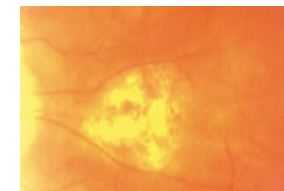
Over the past eight years, IRIS Medical products have been used as the basis for the development of MIP procedures. One area in particular is in the treatment of AMD at different stages of the disease. AMD is a progressive condition that damages the macula (the area of central vision) and is the leading cause of blindness for persons 65 - 74 years of age. Worldwide, there are an estimated 50 million people affected with AMD. Prior to MIP, conventional argon laser treatment for AMD was performed in



CONVENTIONAL ARGON PHOTOCOAGULATION FOR AMD



Immediate Post-Operative



2 Months Post-Treatment
*Note Burn Progression

MIP FOR AMD



Pre-Treatment



4 Months Post-Treatment
*Note No Visible Burns

*Burns indicate damage to the retina, signifying vision loss.

the late stages of the disease because the immediate vision loss from treatment was considered better than the natural history of the disease. If doctors can provide MIP treatment that is so gentle to the eye that it does not cause vision loss, they can treat more patients earlier in the disease progression; therefore preserving better vision.



MIP procedures are being developed to treat diabetic retinopathy, a disease that affects half of all Americans with diabetes. This progressive disease damages the retina and leads to blurred vision and often blindness. The longer a person has diabetes, the greater his/her chances of developing retinopathy, and with insulin, diabetics are living longer and have a greater chance of developing retinopathy.

IRIDEX believes MIP procedures hold much promise in halting the progression of sight-threatening diseases and in preserving vision; and will continue its commitment to support research, collaborate with physicians, and develop products, to bring MIP to patients globally.



SINCE THE DEVELOPMENT of the first continuous wave CO₂ and argon lasers nearly 40 years ago, the aesthetic laser market has virtually exploded. At the cornerstone of this growth are products like those produced by IRIDEX. The IRIDEX family of aesthetic lasers use Minimum Intensity Photocoagulation (MIP) technology to provide effective and gentle laser procedures. The DioLite™ 532 for vascular and pigmented lesions, and the Apex™ 800 for the removal of unwanted hair are being used by an expanded group of professionals including general practitioners, gynecologists and other specialists interested in expanding their revenue base and practices.

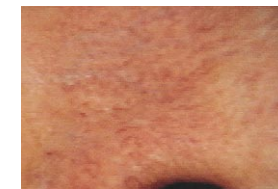
DIOLITE 532: The DioLite 532 is a compact semiconductor-based laser system for treating spider-veins, freckles, age spots and other vascular and pigmented skin lesions. Part of the appeal of the DioLite 532 is its ability to treat a vast patient population quickly, gently and with minimal follow-up. Often termed a “lunchtime” procedure, the DioLite 532 uses long pulses of laser light to gently heat the vessels, coagulating and collapsing them without disrupting them for a bruise-free appearance. Treatment spots are optimized to provide fast,



VASCULAR LESIONS



Pre-Treatment



Immediate Post-Treatment

PIGMENTED LESIONS



Pre-Treatment

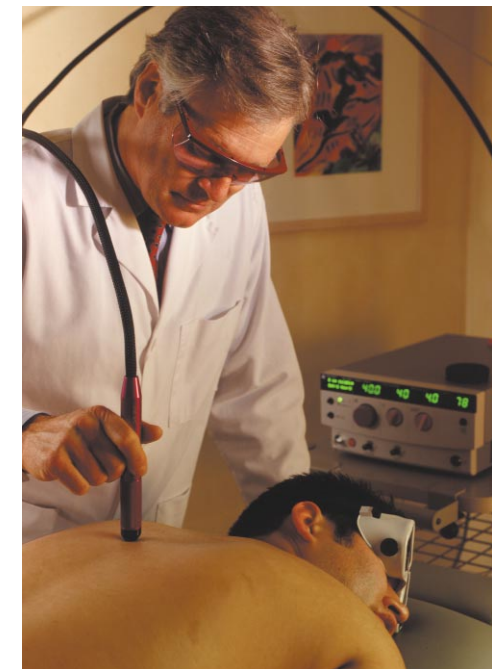


3 Weeks Post-Treatment

effective treatment while minimizing injury to non-target tissue. Treatment is also comfortable. Patients are typically treated without anesthesia and feel only a mild “pin prick” sensation during treatment. After treatment, the treated area may experience slight swelling or redness which typically lasts only a few hours. Most patients can return immediately to work and social obligations.

APEX 800: Every year, billions of dollars are spent on chemical depilatory creams, razors, stinging wax and painful electrolysis to remove unwanted hair. The compact, Apex 800 laser system will offer a gentle, effective and long lasting alternative to these tedious and painful methods.

The state of the art Apex 800 harnesses the principles of selective photothermolysis to deliver the right balance of wavelength, spot size, energy density and long pulse duration to effectively injure the follicle while sparing the skin. The Apex 800 features the ColdTip™ contact cooling handpiece for unsurpassed patient comfort and protection to the skin. The design of the ColdTip handpiece and its “subzero” contact cooling protects the skin and provides a cooling anesthetic effect before, during and after the laser pulse. This enhances patient comfort and allows the system to be safely and effectively used on a wide range of skin types.



BOARD OF DIRECTORS

John M. Nehra
Chairman of the Board
Managing General Partner
Catalyst Ventures
General Partner
New Enterprise Associates

Theodore A. Boutacoff
President and Chief Executive Officer
IRIDEX Corporation

Robert K. Anderson
Co-Founder, Former Chairman
and Chief Executive Officer
Valleylab, Inc.
Chairman
Meritech, Inc.

William A. Boeger, III
Chairman
Calypso Biomedical Corporation

James L. Donovan
Vice President,
Corporate Business Development
IRIDEX Corporation

Donald L. Hammond, D.Sc.
Former Director
Hewlett Packard Laboratories

Joshua Makower, M.D.
Chairman of the Board and
Chief Technical Officer
TransVascular, Inc.

EXECUTIVE OFFICERS

Theodore A. Boutacoff
President and Chief Executive Officer

Eduardo Arias
Senior Vice President, Worldwide Sales

James L. Donovan
Vice President,
Corporate Business Development

Robert Kamenski
Vice President, Administration and
Chief Financial Officer

Timothy Powers
Vice President, Operations

ANNUAL MEETING

IRIDEX Corporation's 2001 annual
meeting of stockholders will be held on:

Wednesday, June 6, 2001
2:00 p.m. Pacific Time
1212 Terra Bella Avenue
Mountain View, California 94043

CORPORATE HEADQUARTERS

IRIDEX Corporation
1212 Terra Bella Avenue
Mountain View, California 94043
Telephone: 650-940-4700
Facsimile: 650-940-4710

CORPORATE COUNSEL

Wilson Sonsini Goodrich
& Rosati, P.C.
650 Page Mill Road
Palo Alto, California 94304-1050

**INDEPENDENT
ACCOUNTANTS**

PricewaterhouseCoopers LLP
Ten Almaden Boulevard, Suite 1600
San Jose, California 95113

**TRANSFER AGENT AND
REGISTRAR**

Fleet National Bank
c/o EquiServe
P.O. Box 43010
Providence, RI 02940-3010
Investor Relations Number: 781-575-3400
Internet Address: www.equiserve.com

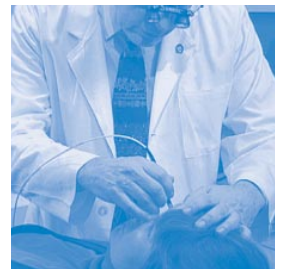
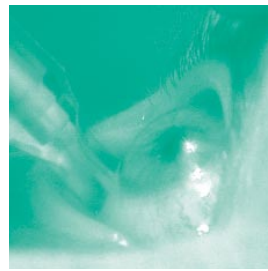
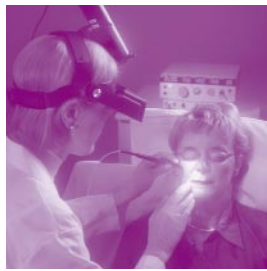
INVESTOR RELATIONS

Publications of interest to current and
potential IRIDEX investors are available
without charge upon request. These
include the annual report, quarterly
earnings releases, and Forms 10-K and
10-Q filed with the Securities and
Exchange Commission. In addition,
the Company maintains certain financial
information on the IRIDEX Web site at
<http://www.irdex.com>.

DIRECT INQUIRIES TO:

Investor Relations
IRIDEX Corporation
1212 Terra Bella Avenue
Mountain View, California 94043
650-940-4700





IRIDEX

IRIDEX CORPORATION 1212 Terra Bella Avenue, Mountain View, California 94043 USA
PHONE 650.940.4700 **FAX** 650.940.4710 **WEB** www.iridex.com