Crystal Research associates

Facts Without Fiction™

Executive Informational Overview®

PhotoMedex, Inc. (PHMD-NASDAQ)

PhotoMedex

Snapshot

March 8, 2012

PhotoMedex, Inc. ("PhotoMedex" or "the Company") is a global skin health company addressing a worldwide **aesthetic†** industry valued at $34 billion annually. The Company provides dermatologists, professional aestheticians, and consumers with the equipment and skin care products they need to treat **psoriasis**, **vitiligo**, acne, and UV damage, among other skin conditions. In December 2011, PhotoMedex merged with Radiancy® Inc. (www.radiancy.com), which brings to PhotoMedex the no!no!® line of home-use consumer products for hair removal, acne treatment, and skin rejuvenation. Radiancy also markets capital equipment to physicians, salons, and **med spas** for hair removal, acne treatment, skin tightening and rejuvenation, and psoriasis care. In addition to a synergistic product line, Radiancy possesses a proprietary consumer marketing engine built upon direct-to-consumer sales and creative marketing programs that drive brand awareness. During 2012, PhotoMedex expects to benefit from the impact of these marketing methodologies and expertise on its XTRAC® **Excimer Laser** and NEOVA® **topical** skin care lines while continuing to realize organic and geographic growth of additional brands.

Corporate Headquarters

PhotoMedex, Inc.

147 Keystone Drive
Montgomeryville, PA 18936
Phone: (215) 619-3600
Fax: (215) 619-3208

www.photomedex.com

Financial Data

Ticker (Exchange)	PHMD (NASDAQ)
Recent Price (03/08/2012)	$11.83
52-week Range	$5.04 – $16.81
Shares Outstanding	18.8 million
Market Capitalization	~$222 million
Average 3-month Volume	18,026
Insider Owners + >5%	~50%
Institutional Owners	4.89%
Adj. EPS* (Year-end 12/31/2011)	$1.97
Employees**	200

** Non-GAAP*

*** Plus over 600 full-time equivalents (FTEs)*

Key Points

no!no! Hair Removal 8800™

XTRAC® Velocity

- Reflecting successful marketing strategies, the Company reported revenues for the year ended December 31, 2011, of over $132 million—an 89% increase over 2010. This included $1.5 million from operations of pre-merged PhotoMedex, representing its activities from December 13, 2011 (the date of merger with Radiancy) to December 31, 2011. On a proforma basis, combined 2011 company revenues were $162.3 million. Radiancy's 2010 sales were $70 million.
- PhotoMedex has a rapidly expanding global presence that includes a 48-person direct sales force in the U.S., specialty distributors and retail venues in over 55 countries, online sales, product carried on home shopping TV channels, Company-owned stores/kiosks in certain countries, and targeted infomercials and print media disseminated worldwide.
- PhotoMedex and Radiancy hold 257 issued and pending patents globally, 91 regulatory clearances to market products in the U.S. (known as **510(k) clearances**), and a solid product pipeline.
- Company leadership is skilled in consumer, physician, and professional product development and sales, in particular, marketing professional aesthetics devices made for consumers. Management is supported by an experienced Board of Directors and a comprehensive Scientific Advisory Board, whose members bring broad dermatological and aesthetic medical expertise to PhotoMedex.
- As of December 31, 2011, the Company held cash and cash equivalents of $16.5 million.

†BOLD WORDS IN TEXT ARE REFERENCED IN THE GLOSSARY ON PAGES 57-58.

Table of Contents

Executive Overview 3

Growth Strategies 7

Intellectual Property and FDA Clearances 9

Company Leadership 10

Core Story 15

- Technology/Product Platforms 16
  - Thermicon® Heat Transfer Technology 17
  - Light and Heat Energy (LHE®) 21
  - XTRAC® Excimer Lasers 23
  - NEOVA® Physician-dispensed Skin Care 26
  - Photomedex's LED Technology 28
- Market Opportunities 29
- Global Sales and Marketing 33
  - Consumer Sales 33
  - Physician Recurring Sales 37
  - Professional Sales 38
- Product Awards and Recognition 39

Competition 41

Historical Financial Results 45

Risks 48

Recent Press Releases 56

Glossary 57

Executive Overview

Publicly traded PhotoMedex, Inc. and closely held Radiancy® Inc. announced their intent to merge in July 2011. The reverse acquisition transaction was completed in December 2011, whereby Radiancy became a majority-owned subsidiary of PhotoMedex. Under generally accepted accounting rules, Radiancy was deemed to be the financial acquirer for financial statement purposes. PhotoMedex and Radiancy (collectively, "the Company") each emphasize the development of physician-endorsed skin care products based on science. Once cleared for use, these products are commercialized through a systematic, proprietary marketing program that the Company views as integral to its business success.

Skilled Direct Sales Force to Target Physician and Professional Channels

The merger has allowed the companies to blend their technologies and unique expertise in order to strengthen revenue lines, enable cross-selling, and drive development opportunities for future growth. PhotoMedex has long been active in physician sales, having developed a portfolio of capital equipment and topical formulations that are sold primarily to dermatologists and other aesthetic professionals at salons and med spas. These products comprise medical lasers for skin diseases such as psoriasis and vitiligo, phototherapies for acne and sun damage, therapeutic skin care, and surgical laser systems, among other products. One of PhotoMedex's competitive advantages is an experienced, 48-person, physician-targeted sales force that is currently selling into 3,000 U.S. locations. As a new subsidiary of PhotoMedex, Radiancy is now capitalizing on this skilled sales force in order to drive greater adoption of its line of proprietary Light and Heat Energy (LHE®) products (overviewed on page 5 and detailed on pages 21-22). These products, which provide skin rejuvenation, acne treatment, hair removal, and other services for dermatologists and med spas, have generated annual revenue for Radiancy of approximately $5 million despite only being sold by a limited sales force of a few individuals (Source: PhotoMedex). The Company believes that the combination of this product line with PhotoMedex's domestic U.S. sales infrastructure can expand use of the LHE products in multiple sales channels.

Expertise in Global Consumer Marketing

Radiancy brings to PhotoMedex a highly advanced consumer sales engine accompanied by creative marketing programs, well-tested and successful direct-to-consumer marketing strategies, and a global distributor and retail network. Prior to merging with PhotoMedex, Radiancy posted revenues of approximately $126 million and adjusted net income of approximately $35 million for the trailing 12 months ended September 30, 2011. The vast majority of this revenue was generated through consumer sales of Radiancy's patented line of no!no!® hair and skin care products. The no!no! products are sold at roughly 5,000 retail outlets across 55 countries, through infomercials and print/radio/other television advertising worldwide, online, on home shopping channels, and at Company-owned stores and kiosks.

Demonstrating the success of these strategies, Radiancy's no!no! line held over 26% of the market for home-use aesthetic devices based on 2010 retail sales data—the largest market share of any home-use aesthetic company. The Company is also a leading brand of home-use device disposables (Source: Medical Insight, Inc.'s *Home-Use Devices: Rapidly Moving into the Mainstream*, August 2011).

PhotoMedex plans to capitalize upon Radiancy's consumer marketing expertise to further patient awareness of its XTRAC® Excimer Laser and NEOVA® topical skin care products (overviewed on page 5 and detailed on pages 23-27), which have traditionally been marketed only to physicians and aesthetic professionals. By incorporating a direct-to-consumer element, PhotoMedex aims to increase brand awareness and drive patients into physicians' practices in search of these products. As well, Radiancy's experience effectively penetrating culturally distinct regions with targeted advertising is anticipated to further benefit the expansion of PhotoMedex's non-device technologies into global consumer channels.

Blending Corporate Cultures

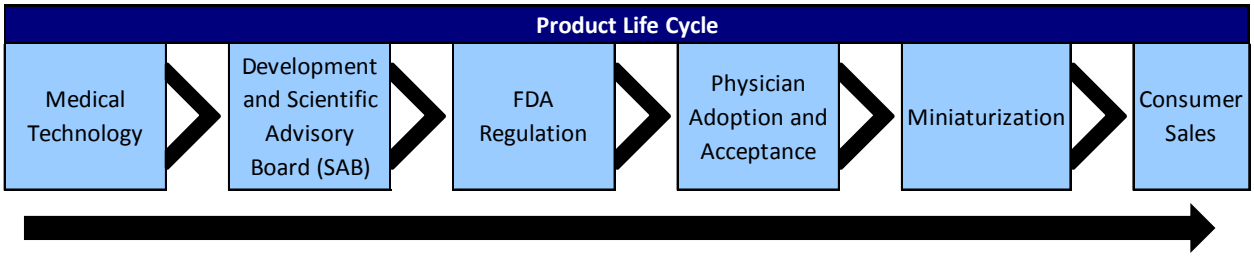
Ultimately, due to the sales channel and product line synergies, both PhotoMedex and Radiancy maintain that the combination of these two businesses enables a revenue and earnings growth potential that neither firm would be able to achieve independently. Beyond these benefits, the companies have also developed complementary corporate cultures over the years, with shared commitments to innovation, product quality, and meeting the evolving needs of customers. As well, both companies emphasize the development of products and technologies that are backed by science and clinical support. Between the two businesses, the Company holds more than 90 clearances from the U.S. Food and Drug Administration (FDA) under Section 510(k) of the Food, Drug, and Cosmetic Act, indicating that PhotoMedex/Radiancy has permission to commercialize such products in the U.S. based on having submitted safety and efficacy information to the FDA.

Full Product Life Cycle Model

Over its 14-year history, Radiancy has introduced a portfolio of professional-grade consumer products for hair removal, acne treatment, skin rejuvenation, and facial skin tightening. These products—marketed globally under the no!no! brand—are built upon the same technology platforms that are used in medical devices for physicians and aestheticians. Radiancy has been able to bring the clinical solutions used by physicians and med spas to the consumer home-use market by successfully miniaturizing equipment into handheld products and engaging in a multi-faceted worldwide sales and marketing strategy. Under this type of "full product life cycle model," the development of a medical technology through regulatory agencies, such as the FDA, and acceptance by dermatologists can lead to an effective new technology for consumer use. Figure 1 summarizes the steps of this model.

Figure 1

END-TO-END SOLUTIONS: Innovation in the Physician and Professional Channels Complements Consumer Sales



Sources: PhotoMedex, Inc. and Crystal Research Associates, LLC.

Once an idea is generated, it is refined and tested through the development stage, which includes leveraging the knowledge of PhotoMedex's Scientific Advisory Board (biographies provided on pages 13-14). The Company's marketing organization then works to encourage physician adoption of the new process/product. While many companies may stop at this point, PhotoMedex's full product life cycle encourages the Company to continue to innovate and broaden its market opportunity by further miniaturizing professional technologies for home-use.

Optimizing technologies for consumer use involves many considerations, including understanding and matching consumer expectations and providing superior customer service, eliminating the need for consumers to calibrate or safety test devices in the way that professionals are required to do for in-office capital equipment, and setting price points that are favorable for the Company but affordable for consumers. These key elements were the basis for Radiancy's no!no! product line, which received the Consumer Survey of Product Innovation's 2011 "Product of the Year" award in the At Home Beauty Treatment category (Source: *Electronic Retailer* magazine, July 2011).

The Company believes that it is one of few aesthetic dermatology companies to have succeeded in taking professional technologies geared toward physicians and med spas and adapting them for the home-use market. Figure 2 (page 5) highlights a selection of the Company's professional- and consumer-use products, which are overviewed following the Figure and more fully described under Technology/Product Platforms on pages 16-28, noting that this is not an exhaustive listing of PhotoMedex's product portfolio but represents the Company's current key areas of focus.

Figure 2

CAPITALIZING ON A FULL PRODUCT LIFE CYCLE MODEL WHERE MEDICAL TECHNOLOGY IS OPTIMIZED FOR CONSUMER USE

Professional Technologies

Lumière

Omnilux

XTRAC

Mistral

FSD (Facial Skin Treatment Device)

Consumer Technologies

NEOVA

DNA Clinical by NEOVA

no!no! Line

Sources: PhotoMedex, Inc. and Crystal Research Associates, LLC.

Key Technology Platforms

- *Thermicon Heat Transfer Technology*. In this technique, a patented thermodynamic wire gently singes and burns off the hair above the skin's surface. It also conducts heat pulses into the skin to destroy the hair follicle, which enables longer-lasting hair removal. This technology drives Radiancy's home-use no!no! Hair Removal 8800™ device, which is designed to reduce hair growth. Product variations include devices designed for men and for sensitive, small areas such as the face, among other versions.

- *LHE Technology.* LHE combines direct heat and a **full-spectrum light** source to give a greater treatment advantage for psoriasis and acne care, skin tightening, skin rejuvenation, wrinkle reduction, collagen renewal, vascular and pigmented lesion treatments, and hair removal. Using LHE, the Mistral intelligent **phototherapy** medical device (which retails for $50,000) can treat a larger spot size than a laser with less discomfort. As well, Radiancy's research finds that LHE offers meaningful results for thin, light hair. The technology is also used in the no!no! Skin, a handheld consumer product sold worldwide under the no!no! brand. The no!no! Skin is a 510(k)-cleared product that has been clinically shown to reduce acne by 81% over 24 hours.

- *XTRAC Excimer Laser.* XTRAC received an FDA clearance in 2000 and has since become a widely recognized treatment among dermatologists for psoriasis and other skin conditions for which there are no cures. The machine delivers narrow **ultraviolet B (UVB)** light to affected areas of skin, leading to psoriasis remission in an average of 8 to 12 treatments and of vitiligo after 48 treatments. XTRAC is endorsed by the National Psoriasis Foundation, and its use for psoriasis is covered by nearly all major insurance companies, including Medicare. Nearly 65% of companies now offer reimbursement for vitiligo as well, a figure that is increasing.

- *NEOVA.* This line of topical formulations is designed to prevent premature skin aging due to UV-induced DNA damage. The therapy seeks to repair photo-damaged skin using a novel combination of two key ingredients: DNA repair enzymes and the Company's Copper Peptide Complex®. The NEOVA line includes DNA Damage Control SILC SHEER SPF 45, an award-winning tinted sunscreen. The DNA repair enzymes of this sunscreen are clinically shown to reduce UV damage by 45% and increase UV protection by 300% in one hour.

- *Light-emitting Diode (LED) Technology.* PhotoMedex's LED technology is used in both its Omnilux™ and Lumière Light Therapy systems. Omnilux is FDA cleared to treat wrinkles, acne, minor muscle pain, and pigmented lesions, and is applicable to all skin types. Lumière is designed for use in non-medical applications and combines the LED light with a line of topical lotions to improve the appearance of fine lines, wrinkles, skin tone, and blemishes, giving aesthetic professionals a complete non-invasive skin care solution.

Market Dynamics

In recent years, specialized medical professionals, such as dermatologists, obstetricians, and gynecologists, have expanded their services to include medical aesthetics in order to increase profitability. In 2012, Medical Insight valued the global aesthetic market at roughly $34 billion annually, which includes retail and direct-to-consumer sales as well as revenues derived from physicians, dermatologists, plastic surgeons, and aestheticians who use professional-grade equipment at salons and med spas. As more individuals are working at home or unemployed, direct sales channels such as home shopping networks, infomercials, and e-commerce have become the primary means of distribution for these products—harnessing 60% of total market share (Source: Kline & Company, Inc.'s *At-home Skin Care Devices 2011: U.S. Market Analysis and Opportunities*, July 2011).

Growth in the number of aesthetic procedures and sales of home-use beauty products worldwide is fueled by the following trends: (1) baby boomers' desire to maintain a youthful appearance amid an aging global population; (2) an emerging middle class in many countries; (3) an increasing availability of technologies with scientifically supported safety and efficacy; (4) younger populations (in their 20s and 30s) who seek preventative solutions to aging; and (5) a widening range of home beauty products (e.g., hair removal, skin rejuvenation, and acne reduction).

Competitive Advantages

PhotoMedex's competitive advantages include the perceived strength of its technologies as well as its marketing platform. PhotoMedex and Radiancy's technologies are clinically supported, hold regulatory clearances, are associated with low costs of goods and high margins, and have large addressable market opportunities. As well, each platform has unique advantages to distinguish it from competitive offerings. For instance, the no!no! Hair home-use products are designed as an alternative to the use of lasers or **intense pulsed light (IPL)** hair removal treatments. Both professional and home-use laser hair removal techniques are ineffective for blond, white, gray, or red hair, as these follicles lack the **melanin** that attracts laser light. Laser-based hair removal is also not well suited for darker skin colors where there is insufficient contrast between the melanin in the skin and the melanin in the hair to direct the laser. The no!no! Hair's heat transfer technology, however, can be used for all skin color and hair types and is virtually painless. Additional benefits of this product line are given on pages 17-20.

Additionally, the Company believes that its marketing budget/resources, including roughly $1.2 million in marketing and advertising spend weekly, are a key advantage. Radiancy uses a multifaceted sales and marketing strategy customized to both the potential and needs of unique global markets. Distribution occurs through direct sales activity as well as through strategic agreements with specialty distributors. A description of PhotoMedex's global sales and marketing organization is provided on pages 33-38, which is broken down according to the Company's three main sources of revenue generation: consumer channels, physician recurring channels, and professional channels.

Headquarters and Employees

Following the merger with Radiancy, the Company retained the PhotoMedex name, ticker (PHMD-NASDAQ), and corporate headquarters in Montgomeryville, Pennsylvania. The Company also possesses a North American consumer sales, marketing, and customer support facility in Orangeburg, New York, which was previously Radiancy's headquarters, and a location for clinical research and development, operations, and sales and marketing in Hod Hasharon, Israel. At a Carlsbad, California, facility, PhotoMedex performs XTRAC Excimer Laser manufacturing, has an insurance reimbursement department, and manages sales and marketing for Lumière.

Altogether, PhotoMedex employs approximately 200 individuals worldwide: 64 people in Pennsylvania; 27 in California; 10 in New York; 40 in Israel; and roughly 50 who work remotely. Each of the Israeli, Pennsylvanian, and Californian facilities holds **ISO 13485:2003** certification.

In addition, PhotoMedex has access to more than 600 full-time equivalent (FTE) outsourced employees working at eight call centers, four fulfillment centers, and 10 contract manufacturers. These individuals are believed to devote almost all of their energy to the Company's initiatives.

Growth Strategies

The global market for aesthetic devices and procedures continues to expand, driven by an individual desire to improve one's appearance; a higher disposable income being spent on aesthetic treatments; an aging population in the industrialized world that desires a more youthful look; a younger generation seeking preventative solutions for the inevitable aging process; technological advances making products available to a consumer market that were previously only possible at the physician level; an increasing number of conditions, including acne and wrinkles, that can now be non-invasively treated; and a lower procedural cost, which has expanded the availability and affordability of many procedures to a greater number of individuals.

As a newly built entity via its merger with Radiancy, PhotoMedex is focused on addressing the above-mentioned trends by growing and expanding its three core business segments: consumer, physician recurring, and professional. The Company possesses a solid line of technology platforms that are currently driving, and are expected to continue to lead to, new product introductions and consequently greater revenues. PhotoMedex is focused on growth both through geographic expansion and the pursuit of additional diversified marketing initiatives that are intended to increase market share and sustain the profitability that the Company has reported thus far.

Currently, the consumer segment, via the no!no! brand, generates over $125 million in revenue with margins that exceed 80%. The physician recurring segment, via the NEOVA and XTRAC brands, generates roughly $20 million in revenue with **contribution margins** greater than 80%. Incremental treatment delivered by the XTRAC Excimer Laser contributes a nearly 95% margin to the Company's bottom line. The professional segment (i.e., capital equipment) via the LHE-based products and Omnilux and Lumière Light Therapy systems generates roughly $15 million in revenue with a 50% margin. PhotoMedex's growth is expected to come by pursuing products that have demonstrable clinical efficacy, are protected from an intellectual property standpoint, and can drive profitability—with an ability to market and incur a low cost of goods while pricing at the right price point. Specific growth strategies as it relates to each the Company's core business channels are described below.

Consumer Channel

- *Expand into additional geographic markets.* The Company has stated that it intends to continue implementing a global multichannel sales and marketing strategy. Radiancy has sold over 2.5 million no!no! units to consumers, the majority of these over the past two and a half years. Growth has been largely driven by North America (with a population of 400 million) and Japan (with a population of 127 million), although the Company's products are sold across 55 countries. Between these two populations, as well as other countries, PhotoMedex maintains that it has only scratched the surface in terms of market penetration, noting that it recently penetrated the UK. The Company intends to expand its presence in additional geographies during 2012 and beyond, including Germany, Australia, and Malaysia, among others.

- *Diversify media campaigns, extending beyond the historical overnight infomercial audience to also target short-form infomercials and daytime advertising.* PhotoMedex seeks to diversify its media campaigns beyond the overnight infomercial audience (the 28-minute infomercial) to employ infomercial in short form (30 second and 1 minute) in the daytime media buys.

- *Capitalize on Radiancy's consumer marketing expertise to bring NEOVA and other PhotoMedex products into the consumer channel.* The Company is positioned to introduce other technologies—either via product extension from the health and wellness area of the no!no! brands or from its NEOVA and XTRAC technologies—using the same marketing foundation.

- *Build out brand extensions of the no!no! line into additional health and wellness areas.* There are several additional no!no! brand extensions in the pipeline ready to be launched, which the Company believes it could do imminently should it experience any change in growth trajectory.

- *Leverage technology development in the physician and professional channels to drive new products for the consumer channel.* PhotoMedex believes that its consumer line is in the early stages of market penetration. Via Radiancy, the Company holds expertise in adapting products for consumer markets, as Radiancy has taken proprietary technologies focused toward physicians and med spas and adapted them to the home-use market. Employing this same expertise for the PhotoMedex product line and technologies, the Company expects to grow sales and increase gross margins.

Physician Recurring Channel

- *Incorporate direct-to-consumer sales strategies to educate patients about the availability of treatments for psoriasis, vitiligo, and other skin care concerns and, in turn, motivate consumers to seek out XTRAC and NEOVA technologies sold by physicians, clinicians, and other aesthetic professionals.* Via the combination of PhotoMedex and Radiancy, the Company now has greater options to offer its physician community. PhotoMedex currently sells into over 3,000 physician offices. With a direct-to-consumer strategy creating awareness, the Company believes that it can drive these revenues significantly higher given the safety and effectiveness of its technology in treating psoriasis and vitiligo compared to alternatives on the market.

    - In the near term, the Company expects to pilot commercials for psoriasis in three markets—Phoenix, Indianapolis, and Philadelphia—in order to draw consumers to its physician base and thus determine the cost of acquisition via media, what factors drive individuals into physicians' offices, how to keep those individuals in therapy and drive the physician to sustain that protocol, and then subsequently use this information to support a national campaign.

    - PhotoMedex conducted a market survey in early January 2011 of both physicians and patients of its XTRAC therapy. The results almost universally revealed that physicians were aware of the technology and felt positively about it. However, patients were largely unaware of the XTRAC treatment. When patients were made aware of it, they asked where they could find it. Using that information, the Company believes that it can dramatically change the dynamics of this component of its business by driving consumer awareness.

- *Seek to increase insurance reimbursement for vitiligo treatments using the XTRAC lasers.* The XTRAC Excimer Laser is a reimbursable procedure for psoriasis by virtually all major insurance companies, including Medicare. However, PhotoMedex estimates that only 65% of companies presently offer reimbursement for vitiligo treatments.

- *Complete the clinical trial for the XTRAC device in combination with Galderma Laboratories, L.P.'s topical psoriasis medications Clobex® and Vectical®.* As described on pages 24-25, PhotoMedex's XTRAC lasers are currently being studied in combination with Clobex and Vectical in a trial at the University of California, San Francisco. The trial aims to demonstrate that the combination therapy can achieve a 75% reduction in disease or better in 12 weeks and maintain that clearance for an extended period of time.

Professional Channel

- *Use PhotoMedex's 48-person U.S. direct sales force to increase sales of Radiancy's professional products.* PhotoMedex's current expertise in professional markets has opened channels for Radiancy's LHE equipment, which is detailed on pages 21-22. Historically, and prior to its merger with Radiancy, PhotoMedex marketed its products only to physicians, creating a skilled sales force with connections in this arena.

Intellectual Property and FDA Clearances

Intellectual Property

Prior to its merger with Radiancy, PhotoMedex held more than 100 issued patents worldwide, with an additional 30 applications pending. This extensive intellectual property portfolio has been supported by numerous technology and patent acquisitions over the years. Upon the integration with Radiancy, PhotoMedex augmented its global patent position with Radiancy's own 13 patent families and product trademarks. As depicted in Figure 3, the consolidated company holds 146 issued patents and 111 patent applications. In the U.S. alone, PhotoMedex's business is protected by 48 patents. The Company believes that its intellectual property position is a key competitive advantage that may serve as a barrier to entry for competitors in its target markets.

Figure 3

INTELLECTUAL PROPERTY SNAPSHOT

	510(k) Clearances	Patents and Patent Applications			
Originated in…		U.S.	Rest of World	Pending	Total
Israel	13	10	31	57	98
Pennsylvania	72	33	59	39	131
California	6	5	8	15	28
Total	**91**	**48**	**98**	**111**	**257**

Source: PhotoMedex, Inc.

In addition to patents, the Company holds 213 trademarks, either registered or being registered, in markets around the world that it intends to maintain in support of its products. These include 30 for PhotoMedex in the U.S., 117 for PhotoMedex in the rest of the world, 15 for Radiancy in the U.S., and 51 for Radiancy in the rest of the world.

FDA Clearances

PhotoMedex and Radiancy have each demonstrated a commitment to pioneering innovative new devices. To the Company's knowledge, the XTRAC was the first FDA-cleared excimer laser system for the treatment of dermatological applications, including psoriasis and vitiligo. As well, the no!no! Skin was the first light-and-heat device to be cleared by the FDA for home use (Source: *Electronic Retailer*, July 2011).

Altogether, the Company holds 91 clearances from the FDA under Section 510(k) of the Food, Drug, and Cosmetic Act. A 510(k) is also known as Premarket Notification (PMN), which is a regulatory pathway for the introduction of new medical devices. Under Section 510(k), device manufacturers are required to notify the FDA at least 90 days in advance of their intent to market either a new medical device or a previous device that has been significantly modified. A manufacturer's PMN submission to the FDA is expected to demonstrate that the device in question is at least as safe and effective as an already legally marketed device (Source: FDA).

The 510(k) process allows the FDA to clear new medical devices based on the comparison to existing devices that have previously obtained clearance. The receipt of a 510(k) marketing clearance indicates that a manufacturer has permission to commercialize the device in the U.S.

Note that a 510(k) (or PMN) submission is not the same as a premarket approval (PMA) application to the FDA. A PMA is more stringent and requires the FDA to determine whether there is sufficient valid scientific evidence to suggest that the device would be safe and effective for its intended use.

Company Leadership

Management

PhotoMedex's executive leadership possesses experience developing and marketing a variety of advanced healthcare technologies. Figure 4 summarizes PhotoMedex's key executive management, followed by detailed biographies.

Figure 4
EXECUTIVE LEADERSHIP

Dolev Rafaeli	Chief Executive Officer and Director
Dennis M. McGrath	President, Chief Financial Officer, and Director

Source: PhotoMedex, Inc.

Dolev Rafaeli, Chief Executive Officer and Director

Dr. Rafaeli joined Radiancy in February 2006 as president and CEO and was appointed CEO of PhotoMedex in 2011. He has over 22 years of experience managing international operations. Prior to joining Radiancy, Dr. Rafaeli served from 2004 to 2006 as president and CEO of the USR Group, a consumer electronics products manufacturer, managing operations in Israel, China, Hong Kong, and the U.S. Between 2000 and 2004, Dr. Rafaeli founded and served as general manager of Orbotech Ltd. (ORBK-NASDAQ), an automated optical inspection capital equipment manufacturer for the electronics industry in China and Hong Kong, where he was instrumental in building these operations into a $100 million a year business. Between 1997 and 2000, Dr. Rafaeli served as CEO of USR Ltd., a global electronics contract manufacturing company providing design, supply chain, and manufacturing services to dozens of clients in the communications, consumer, and medical device fields. USR Ltd. employed approximately 1,000 individuals. Dr. Rafaeli previously served as director of operations and manager of the Arad manufacturing facility for Motorola in its Land Mobile Product Solutions division, manufacturing and distributing communications, consumer, and other infrastructure electronics products in excess of $400 million annually. Dr. Rafaeli graduated with a B.Sc. in industrial engineering and management *cum laude* and an M.Sc. in operations management from the Technion-Israel Institute of Technology, and holds a Ph.D. in business management from Century University.

Dennis M. McGrath, President, Chief Financial Officer, and Director

Mr. McGrath, upon completion of the merger with Radiancy, reassumed his role of CFO in addition to president and director of PhotoMedex, to which he was appointed in July 2009. Mr. McGrath had previously served as CFO and vice president, finance and administration from January 2000 through June 2009. He has held several senior-level positions in prior endeavors, including, from February 1999 to January 2000, serving as the COO of Internet Practice, the largest division for AnswerThink Consulting Group, Inc., a company specializing in business consulting and technology integration. Concurrently, from August 1999 until January 2000, Mr. McGrath served as CFO of Think New Ideas, Inc., a company specializing in interactive marketing services and business solutions. In addition to the financial reporting responsibilities, he was responsible for the merger integration of Think New Ideas, Inc. and AnswerThink Consulting Group, Inc. Prior to that, from September 1996 to February 1999, Mr. McGrath was CFO and executive vice-president, operations of TriSpan, Inc., an internet commerce solutions and technology consulting company that was acquired by AnswerThink Consulting Group, Inc. in 1999. Mr. McGrath is currently a director of RICOMM Systems, Inc. and Noninvasive Medical Technologies, Inc. Mr. McGrath graduated with a B.S. in accounting from LaSalle University in 1979.

Board of Directors

PhotoMedex's Board of Directors oversees the conduct of and supervises the Company's executive management team. Chairman Mr. Lewis C. Pell brings considerable medical technology expertise to PhotoMedex, specifically as it relates to business development, profitability, and subsequent sale to the large medical companies (e.g., Johnson & Johnson Co. [JNJ-NYSE] and Medtronic, Inc. [MDT-NYSE]). Figure 5 provides a summary of Board members, followed by brief biographies.

Figure 5
BOARD OF DIRECTORS

Lewis C. Pell	Chairman of the Board and Member of the Compensation Committee
Yoav Ben Dror	Executive Vice Chairman of the Board, Chairman of the Compensation Committee, Member of the Audit Committee
Nahum D. Melumad	Chairman of the Audit Committee
James W. Sight	Chairman of the Nominations and Governance Committee
Stephen P. Connelly	Member of the Audit Committee and Member of the Compensation Committee
Katsumi Oneda	Member of the Nominations and Governance Committee
Dolev Rafaeli	Chief Executive Officer and Director
Dennis M. McGrath	President, Chief Financial Officer, and Director

Source: PhotoMedex, Inc.

Lewis C. Pell, Chairman of the Board and Member of the Compensation Committee

Mr. Pell was elected chairman of the Board of Directors in December 2011. He joined Radiancy's Board in 1998. Mr. Pell has founded over a dozen successful medical technology companies during the past three decades. In 1979, he founded Pentax Precision Instruments, which was sold to Asahi Optical Co. in 1990. In 1983, he founded American Endoscopy Inc., which was sold to C.R. Bard, Inc. (BCR-NYSE) in 1986. In 1984, he founded Versaflex Inc., which was sold to Medtronic in 1988. In 1989, he founded Heart Technology Corp., which went public in the U.S. in 1992 and was sold to Boston Scientific Corp. (BSX-NYSE) in 1995. In 1991, he founded InStent Inc., which became a public company in 1995 and was sold to Medtronic in 1996. In 1994, he founded Influence Inc., which was sold to American Medical Systems Inc. in 1999. Working with Dr. Shlomo Ben-Haim, Mr. Pell founded Biosense Inc. in 1994, which was sold to Johnson & Johnson in 1997. He is currently chairman and an investor for a number of private medical device companies. In 1992, he founded and remains the chairman of Vision-Sciences, Inc. (VSCI-NASDAQ). Mr. Pell has a B.S. in political science from Brooklyn College and over 20 years of experience in the medical technology industry.

Yoav Ben Dror, Executive Vice Chairman of the Board, Chairman of the Compensation Committee, Member of the Audit Committee

Dr. Ben Dror joined Radiancy's Board in 2005 and was elected chairman in 2006. He is an entrepreneur with more than 30 years of experience in technology, medical devices, and financial innovations. He currently serves on the Board of Dagon Batey-Mamguroth Le-Israel Ltd (silo houses), Final Inc. (high-frequency financial algorithm technology), Fitango Inc. (social network), Neurotech Solutions Ltd. (human cognition and behavior with an emphasis on attention deficit/hyperactivity disorder [ADHD]), and Impact First Investments Ltd. (investment management firm that specializes in social investing). He is a director at Keren Shemesh Foundation for the Encouragement of Young Entrepreneurs (in association with YBI [Youth Business International], a foundation assisting young entrepreneurs in transforming an idea into a successful sustainable small business), a director at Hatnuah Hezrachit Hachadasha Ltd. (social activity), a member of the Board of Trustees of the Holon Institute of Technology (H.I.T.), and a trustee at the Hecht-Zilzer Trust (charity). Dr. Ben Dror previously served on the Board of Cellcom Israel Ltd. (CEL-NYSE), Dubek Ltd. (tobacco), and Magic Box Ltd. (financial algorithm technology), and was a member of the Board of H.I.T. He was also involved with InStent Inc., Influence Medical Technologies Ltd., and Disc-O-Tech Medical Technologies Ltd. Dr. Ben Dror is a member of the Israel Bar and holds a Doctor of the Science of Jurisprudence (J.S.D.) from the School of Law (Boalt Hall), University of California, Berkeley.

Nahum D. Melumad, Chairman of the Audit Committee

Mr. Melumad is the James Dohr Professor of Accounting and Business Law at the Columbia Business School (CBS). He has been a member of the CBS faculty since 1993. Between 2000 and 2006, he served as the chairman of the accounting division at CBS. Professor Melumad is the recipient of the 2005 Annual CBS Dean's Award for Excellence in MBA/EMBA teaching. Between 2003 and 2008, he co-directed the CBS/NYSE Program for directors of public companies titled "Integrity in Financial Disclosure." Prior to joining CBS, he was a member of faculty at the Stanford Business School. Professor Melumad has served as a consultant and advisor to many organizations, including Bristol-Myers Squibb Co. (BMY-NYSE), General Electric Co. (GE-NYSE), the NYSE, and Morgan Stanley (MS-NYSE). Professor Melumad is a CPA and holds an MBA and Ph.D. from the University of California, Berkeley.

James W. Sight, Chairman of the Nominations and Governance Committee

Mr. Sight was appointed to the Board of PhotoMedex in May 2010. Mr. Sight, an investor serving on the Board of Directors of various other public companies, has over 20 years of experience in corporate restructurings and financings. Within his experience, Mr. Sight has, since November 2007, been a significant shareholder of Feldman Mall Properties, Inc. ([FMLP-OTC] a real estate investment trust where he currently serves on the Board of Directors) and served in the office of president and as a director of the company; acted, since 1998 to the present, as a consultant to LSB Industries, Inc. (LXU-NYSE); and, from 1995 to 2006, was a large shareholder in Westmoreland Coal Co. (WLB-NASDAQ), active on its Board of Directors in directing the reorganization of the company and its emergence from Chapter 11. From 2001 to 2005, Mr. Sight was a director of Programmer's Paradise (now TechXtend/Programmer's Paradise).

Stephen P. Connelly, Member of the Audit Committee and Member of the Compensation Committee

Mr. Connelly was appointed to the Board in May 2007. He has served as president and COO of Viasys Healthcare, Inc., which was acquired by Cardinal Health, Inc. (CAH-NYSE). In addition, Mr. Connelly was senior vice president and general manager of the Americas as well as a member of the Executive Committee of Rhône-Poulenc Rorer. Mr. Connelly's broad background includes over 25 years of experience in the planning, development, and management of rapid-growth, marketing-driven businesses in the medical device and pharmaceutical fields. In addition, he has a diverse and comprehensive business background, with expertise in such areas as strategic and tactical business development, joint ventures, mergers, acquisitions, and corporate partnering, structuring, and finance. Mr. Connelly is well-versed in every aspect of marketing, sales, general management, research, and development of high-technology products and processes. He possesses extensive international experience, having lived in Asia and having had operational profit and loss (P&L) responsibility in many developed countries.

Katsumi Oneda, Member of the Nominations and Governance Committee

Mr. Oneda co-founded Vision-Sciences Inc., served as its president and CEO from October 1993 to February 2003, and served as chairman from October 1993 to October 2005. He served as the vice-chairman of the Board of Directors of Vision-Sciences from May 1992 to October 1993, as honorary chairman of the Board of Directors from October 1991 to October 1993, and as the chairman of the Board of Directors from September 1990 to October 1991. He has been on the Board of Directors of Vision-Sciences since 1987. Mr. Oneda graduated from Sangyo Noritsu College in 1964. He has over 20 years of experience in the medical technology industry.

Dolev Rafaeli, Chief Executive Officer and Director

Biography on page 10.

Dennis M. McGrath, President, Chief Financial Officer, and Director

Biography on page 10.

Scientific Advisory Board

As summarized in Figure 6 and overviewed thereafter, PhotoMedex's Scientific Advisory Board includes clinical investigators who are experienced in advanced healthcare technologies.

Figure 6
SCIENTIFIC ADVISORY BOARD

R. Rox Anderson, M.D.	Emil A. Tanghetti, M.D.	Scott Guenthner, M.D.	Richard Fitzpatrick, M.D.
John Y.M. Koo, M.D.	James Spencer, M.D.	Elma Baron, M.D.	
Daniel Siegel, M.D., M.S.	David J. Friedman, M.D.	Klaus Fritz, M.D.	

Source: PhotoMedex, Inc.

R. Rox Anderson, M.D.

Dr. Anderson, chairman of the Scientific Advisory Board, is the director of the Wellman Center for Photomedicine at Massachusetts General Hospital, Harvard Medical School. Dr. Anderson has performed extensive research on various areas of dermatology, including treatment by laser irradiation. Many of the laser treatments now used for skin originated with his research. He holds a Bachelor's degree from the Massachusetts Institute of Technology and an M.D. from the Harvard Medical School, where he is currently a professor.

John Y.M. Koo, M.D.

Dr. Koo is vice chairman of the Scientific Advisory Board and associate clinical professor in the Department of Dermatology at the University of California, San Francisco Medical Center. Dr. Koo has published more than 100 articles and book chapters in the field of psoriasis. He holds a Bachelor's degree from the University of California, Berkeley, and an M.D. from Harvard Medical School.

Daniel Siegel, M.D., M.S.

Dr. Siegel is a professor of clinical dermatology at the State University of New York at Downstate, where he teaches dermatologic surgery to residents and procedural dermatology fellows in an Accreditation Council for Graduate Medical Education (ACGME)-accredited fellowship. In addition to his academic activities, he is in private practice at Long Island Skin Cancer and Dermatologic Surgery. The founder of the first **Mohs surgery** practice in Suffolk County, New York, Dr. Siegel represents the specialty of dermatology on the AMA Resource Based Relative Value Update Committee, and in March 2006 joined the Board of Directors for the American Academy of Dermatology. In addition, Dr. Siegel is an editor of the textbook *Surgery of the Skin: Procedural Dermatology* published in 2005 and is feature editor for informatics/new computer technology for the journal *Dermatologic Surgery* and consulting editor of the journal *Ostomy/Wound Management*.

Emil A. Tanghetti, M.D.

Dr. Tanghetti of the Center for Dermatology and Laser Surgery is a board-certified dermatologist and a fellow in the American Academy of Dermatology. In addition, he is a clinical professor of dermatology at University of California, Davis and a fellow in the American Society for Laser Medicine and Surgery. Dr. Tanghetti conducts clinical research and lectures extensively on new uses of vitamin A derivatives for photo-aged skin, **actinic keratosis**, acne, and psoriasis. He also trains physicians and nurses on the clinical uses of lasers and light devices and has conducted numerous clinical research studies in laser medicine. He has recently been a program chair for the annual ASLMS meeting and was instrumental in initiating the e-poster section.

James Spencer, M.D.

Dr. Spencer received a graduate degree from Stanford University followed by an M.D. from the College of Physicians and Surgeons of Columbia University. He completed a residency in dermatology at Columbia University. Dr. Spencer has been assistant professor and director of Mohs surgery at the University of Miami and associate professor and vice chairman of the department of dermatology at the Mt. Sinai School of Medicine in New York.

His current position is clinical professor in the Department of Dermatology at Mount Sinai. He also maintains a private practice in St. Petersburg, Florida. Dr. Spencer is a former co-chairman for the National Council for Skin Cancer Prevention, is on the Board of Directors of the Florida Society of Dermatologic Surgery, is chairman of the Guidelines Committee for the American Society for Dermatologic Surgery and is a member of the awards and grants committees, is a member of the bylaws committee for the American Academy of Dermatology (AAD), and is a member of the Executive Committee of the Medical Council, Skin Cancer Foundation. Dr. Spencer is editor-in-chief of *Cosmetic Dermatology* as well as on the editorial boards of the *Journal of the American Academy of Dermatology*, *Dermatologic Surgery*, *Drugs in Dermatology*, *Aesthetic Buyers Guide*, and *Contemporary Dermatology*. Dr. Spencer has presented at numerous national and international symposia and has authored and co-authored 14 book chapters and over 60 medical papers.

David J. Friedman, M.D.

Dr. Friedman, director of LaseOhr in Tel Aviv, Israel, is a board-certified dermatologist, a laser surgeon, assistant professor (Ret.) at Brown University, and former director of Brown's clinical trials unit. Dr. Friedman is well published and has contributed to various dermatological publications, including papers, textbook chapters, and abstracts. He is also an international speaker and has been featured on the lecture circuit for the International de Lipoplastie, Societa Italiana di Medicina, American Academy of Dermatology, Mayo Clinic, Russian Congress on Advances in Plastic and Aesthetic Surgery, Centro Medico Teknon, and World Congress of Dermatology. In addition, Dr. Friedman has conducted numerous clinical trials for the dermatology industry.

Scott Guenthner, M.D.

Dr. Guenthner is founder of the Dermatology Center of Indiana, PC. He obtained an undergraduate and medical education at the University of Iowa. He was an early inductee and officer in the University of Iowa chapters of both Phi Beta Kappa and Alpha Omega Alpha, indicating high academic honors. Dr. Guenthner was also awarded the Hancher-Finkbine Medallion as a fourth-year medical student. Following medical school, he completed a transitional internship at St. Vincent Hospital and Health Services in Indianapolis, Indiana. He then completed a three-year dermatology residency at Indiana University in Indianapolis, where he served as chief resident.

Elma Baron, M.D.

Dr. Baron received an M.D. from the University of the Philippines. She pursued photo dermatology and photo medicine through a clinical fellowship at the Dermatology Department of Massachusetts General Hospital/Harvard Medical School before entering a photo immunology fellowship at Case Western Reserve University. She is currently an associate professor in dermatology at University Hospitals and Case Western Reserve University, where she serves as the director for the Clinical Photo Medicine Program and the Translational Research Core/Skin Study Center, which is a facility dedicated to the conduct of investigator-initiated research in skin and skin biology. Through the Translational Research Core, Dr. Baron pioneered the first human study using a novel photosensitizer drug, silicon phthalocyanine Pc 4, for photodynamic therapy of cutaneous malignancies including cutaneous **T-cell lymphoma**. Dr. Baron also serves as chief of dermatology at the Louis Stokes Cleveland VA Medical Center.

Klaus Fritz, M.D.

Dr. Fritz is vice president and board member of the European Society of Laser Dermatology and a board member and head of the Public Relations Committee of the European Academy of Dermatology and Venereology. He pursued medical studies at the Universities Universität des Saarlandes, Saarbrücken and received an M.D. from Frankfurt Johann Wolfgang Goethe Universität. His specializations include dermatology, allergy, cosmetic dermatology, and lasers, environmental, and occupational dermatology. Dr. Fritz has served as head of Periderm Institute for clinical studies, member of the editorial and scientific boards of several journals, member of various scientific advisory boards, and consultant to companies in laser, cosmetic, and pharmaceutical industries.

Richard Fitzpatrick, M.D.

Dr. Fitzpatrick graduated from Princeton University and went on to Emory University Medical School. He studied internal medicine at the University of Southern California and dermatology at UCLA. His surgical interests led him into the field of laser surgery.

Core Story

PhotoMedex and Radiancy® (collectively, "the Company") each emphasize the development of physician-endorsed skin care products based on science. Once cleared for use, these products are commercialized through a systematic, proprietary marketing program that the Company views as integral to its business success.

The accompanying pages (16-28) detail the technology and product platforms that are expected to be significant growth drivers for the newly combined company, followed by an analysis of the market opportunity for these brands on pages 29-32. Following, pages 33-38 describe what may be among PhotoMedex's greatest competitive advantages: its global sales and marketing organization.

The Company's revenue generation is categorized as either consumer, physician recurring, or professional. Each segment benefits from the combination of Radiancy's proprietary global consumer marketing engine with PhotoMedex's direct sales force for U.S. physicians. Pages 39-40 overview a selection of the product awards and press that Radiancy and PhotoMedex have received over the past several years.

Technology/Product Platforms

Throughout its 14-year history, Radiancy, which is now a majority-owned subsidiary of PhotoMedex, has worked to become a market leader in the field of home-use aesthetic devices. Today, it has a portfolio of professional-grade consumer products for hair removal, acne treatment, skin rejuvenation, and facial skin tightening. These products—marketed globally under the no!no!® brand—are built upon the same technology platforms that are used in professional medical devices for physicians and aestheticians. Radiancy has been able to bring the clinical solutions used by physicians and med spas to the consumer home-use market by successfully miniaturizing equipment into handheld products and engaging in a multi-faceted worldwide sales and marketing strategy.

Simultaneously, over the past decade, PhotoMedex has acquired a number of skin care technologies that are currently used by dermatologists and other professionals. The primary technology/product platforms of both Radiancy and PhotoMedex are described on the accompanying pages.

PhotoMedex evaluates four principal criteria in determining where to allocate product development resources: (1) demonstrable clinical efficacy and safety; (2) intellectual property protection; (3) cost of goods; and (4) market opportunity. Specifically, new projects must be able to work effectively but also have a low enough cost of goods to achieve a favorable price point for consumers and a favorable margin for the Company. As well, the market should be well defined and large enough to accommodate the new product with room for growth as the Company ramps up marketing efforts.

Specifically, this report highlights the technologies/product platforms that PhotoMedex believes meet the above criteria and are likely to generate the most revenue for the Company. These platforms include the following:

- Radiancy's Thermicon® technology and no!no!® product line;
- Professional equipment built upon Radiancy's Light and Heat Energy (LHE®) technology;
- PhotoMedex's XTRAC® technology to treat psoriasis and vitiligo;
- PhotoMedex's topical NEOVA® formulations to combat UV-induced damage causing premature skin aging; and
- Light-emitting diode (LED) technology used in PhotoMedex's Omnilux™ and Lumière Light Therapy systems.

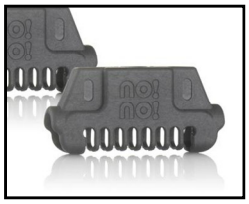
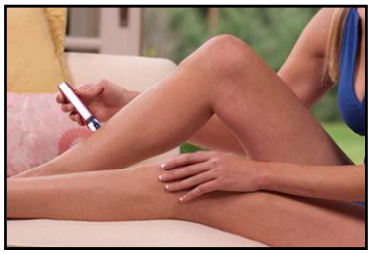
Beyond these, the Company provides the Tricomin® (www.tricomin.com) line of hair care products, which are formulated with a clinically tested Triamino Copper Complex™ in order to promote hair growth. These products are targeted to the hair transplant and restoration market. The Company also operates an approximately $3 million (as of FY 2011) surgical business, which includes its LaserPro® Diode surgical laser system and UniMax® family of laser micromanipulators for the delivery of laser energy in microsurgical procedures. Greater explanations of these products are provided at www.photomedex.com.

THERMICON® HEAT TRANSFER TECHNOLOGY

Radiancy's no!no! hair removal products are built upon its proprietary Thermicon brand heat transfer technology. In this technique, a patented thermodynamic wire gently singes and burns off the hair above the skin's surface. It also conducts heat pulses into the skin to destroy the hair follicle, which enables longer-lasting hair removal. This at-home, heat-based approach is an alternative to the use of lasers or intense pulsed light (IPL) treatments to inhibit hair growth. Because lasers and IPLs are light-driven therapies, the best candidates for these treatments are people with dark hair on light skin. The laser does not "see" blond, white, gray, or red hair, as these follicles lack the melanin that attracts light. As well, lasers are not well suited for darker skin types where there is not enough contrast between the melanin in the skin and the melanin in the hair to direct the laser. Overcoming these challenges, Thermicon heat transfer technology can be used for all skin and hair types, as it is not a light-driven technique. Figure 7 illustrates the Thermicon wire integrated into Radiancy's handheld no!no! Hair Removal 8800™, which has been demonstrated on *The Dr. Oz Show*, among many other television shows.

Figure 7

THERMICON HEAT TRANSFER TECHNOLOGY ENABLES PAINLESS, AT-HOME HAIR REMOVAL FOR ALL HAIR AND SKIN TYPES

The no!no! Hair Removal System	Thermicon tip	Glide along skin to let the heat penetrate the follicles	Dr. Oz tries the no!no! Hair Removal System
			

Sources: PhotoMedex, Inc., Crystal Research Associates, LLC, and Dr. Oz Show <http://www.youtube.com/watch?v=D5TEDroVgNc> May 2011.

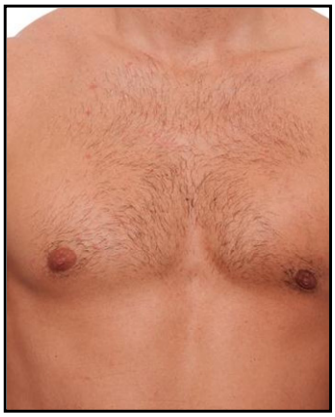
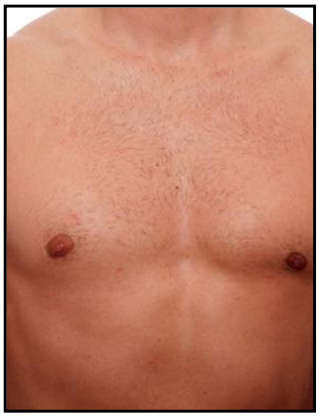
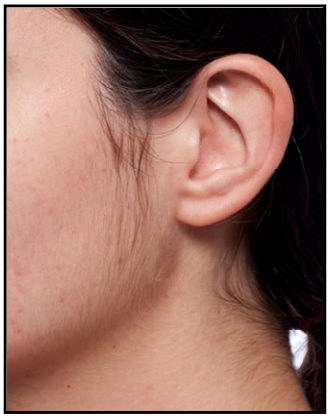
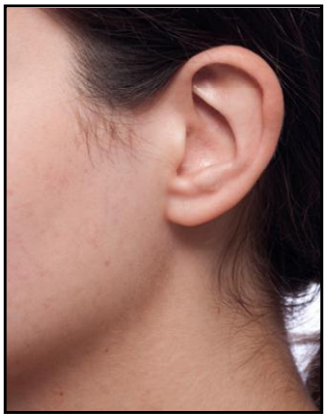
The no!no! Hair Removal 8800 entails a cord-free device that reduces the rate of hair regrowth as an alternative to expensive laser treatments. The Company recommends that the product be used consistently several times a week for approximately six months to reduce hair growth. Some proponents of the Thermicon technology state that using it two to three times a week for a couple of months can achieve long-lasting results over time. Figure 8 (page 18) illustrates the effect of the technology for two consumers per a protocol of four weeks of consistent use (two to three times per week) followed by not using the product for two weeks.

To use the no!no! Hair Removal 8800, hold it at a 90-degree angle to the skin, press down, and glide the Thermicon tip over the hair. The blue light emitted from the device indicates that it is working. Unlike many competing hair removal technologies, the Thermicon wire is reported to be safe for use on the face, a key benefit of this technology. Users frequently report the smell of singed hair and a feeling of warmth as they use the no!no! Hair but no burning sensation. The technology is designed to be as pain-free as shaving.

In addition to *The Dr. Oz Show*, no!no! products have been featured on numerous television talk shows, including *The Today Show*, *The View*, *The Rachel Ray Show*, *Extra*, and a variety of news shows, as well as in more than 80 magazine and newspaper issues.

Figure 8

THERMICON TECHNOLOGY: BEFORE AND AFTER PICTURES

Before Use	After 4 Weeks of Consistent Use	After 4 Weeks of Consistent Use Followed by 2 Weeks of Non-use
		
		

Source: PhotoMedex, Inc.

Thermicon Versus Alternative Hair Removal Technologies

Light-based laser and IPL hair removal technologies are commonly used despite their limitations, which include being painful, costly, and having limited efficacy for dark skin or light-colored hair. In contrast, Radiancy maintains that its innovative Thermicon technology is virtually painless, and can be used safely and effectively for all skin color and hair types. It also has an average retail price of around $270. In comparison, in-office laser treatments can cost several thousands of dollars. The Thermicon platform enables a low cost of goods, generating margins for the Company of approximately 80%.

In addition to the technologies overviewed below, the Competition section on pages 41-44 details a number of other home-use hair removal devices currently available to consumers that could be considered competitive to the Thermicon heat transfer technology. As well, standard methods for removing hair continue to include shaving, plucking, and waxing, although these do not have the effect of long-lasting results.

- *Laser Hair Removal.* These procedures use a laser to remove unwanted hair by passing a laser beam through the skin to an individual hair follicle. The intense heat of the laser damages the follicle, which inhibits future hair growth. Although laser hair removal effectively slows hair growth, it does not guarantee permanent hair removal. It typically can take up to 10 laser treatments in a professional's office to provide an extended hair-free period. The most common side effects of laser hair removal are skin irritation, scabbing, and pigmentation changes. Although the latter is usually temporary, laser beams may affect the melanin in the skin of people with darker skin. Rarely, laser hair removal may cause blistering, scarring, or other changes in skin texture (Source: Mayo Clinic). Most cosmetic specialists will not offer laser hair removal to patients under

a certain age, as children's skin is more sensitive than adults and they are less likely to tolerate the procedure's discomfort or usual side effects.

In addition, as it relates to the market for home-use lasers (for which there are a number of products available, as detailed in the Competition section), there are significant limiting factors that exist for these products: (1) the laser is generally painful; (2) its instructions limit it to non-facial areas; (3) its use is intended for individuals over age 14; and (4) the laser has shown to be relatively ineffective on fair or dark skin individuals and is usually limited to **Skin Types I-IV**.

- *IPL Hair Removal.* Both laser and IPL hair removal work by using a light source to heat and destroy hair follicles. However, unlike many lasers' narrow, concentrated band of light, IPL uses a full spectrum of wavelengths, which are altered through the use of filters to match the need of the patient. When compared to conventional laser hair removal therapies, IPL can treat larger skin areas in a shorter period of time and is often less expensive. Side effects of IPL hair removal are similar to laser treatments, with limited to no effect at removing red, blond, or white hair. As well, its use of diffused light versus a laser's concentrated beam—which provides IPL systems with the broader wavelength spectrum—limits the depth of skin penetration, leading to decreased effectiveness in some cases (Source: UK Health Centre).

- *Hair Removal Creams/Lotions.* **Depilatories** and hair removal lotions and creams act by breaking down the chemical bonds that hold the protein structure of hair together. Once a depilatory dissolves the proteins (known as keratin), the hair becomes weak enough to fall loose from its follicle. However, depilatory creams contain harsh chemicals, and the compounds that dissolve hair can irritate or burn skin and cause allergic reactions, as skin also contains keratin. Depilatory users have reported suffering from burns, blisters, rashes, stinging sensations, and skin peeling (Source: Discovery Communications LLC's *Hair Removal Creams 101*).

- *Epilators*. Epilators are small handheld devices similar in appearance to electric shavers. However, epilators remove hair by pulling it out at the root or follicle instead of cutting it off at the skin's surface. Although results are longer term than razor use, epilator treatments are not permanent, and some users find the process too painful or experience irritation and ingrown hairs. In addition, epilators are not appropriate for fine hair removal and sensitive areas of the body, such as the bikini line or face.

no!no!® Product Line: "Professional Technology Made for Consumers"

Radiancy has reported favorable market adoption of Thermicon technology, which not only overcomes the challenges of other hair removal methods but also puts control of the hair removal process in consumers' hands. Based on 2010 retail sales, Radiancy's no!no! products held over 26% of the market for home-use aesthetic devices (Source: Medical Insight, Inc., August 2011).

Radiancy markets a full line of consumer products based on the patented Thermicon technology. These products are depicted in Figure 9 (page 20). They are sold globally through infomercials and television shopping channels, retail stores, online shopping websites, and worldwide strategic distribution agreements. Sales and marketing details for the Company's consumer products are provided on pages 33-37.

A Platform for Product Line Growth

Since 2007, Radiancy has introduced a series of no!no! devices. Every product evolution—from the no!no! Hair Removal Classic™ to the no!no! Hair Removal 8800™ to the no!no! Hair for Men™ to the no!no! Plus™ and more—represents continued innovation and product line extension. Notably, each of the prior brands is still marketed even as the Company continues to introduce new offerings. Going forward, PhotoMedex reports that the no!no! pipeline is considerable, with multiple new items developed and some already launched overseas. The Company is committed to managing its product life cycle, seeking to ensure that, if there is a change in growth trajectory, it will likely possess new, enhanced technologies that are synergistic with its platform.

In addition to the applications represented by the products in Figure 9 (page 20), future developments could include other applications, such as wrinkle reduction, teeth whitening, and more.

The no!no! family is characterized by a consumables-based revenue model, which helps provide the Company with a stable, high-margin recurring revenue stream as consumers make repeat purchases of refill Thermicon tips, buffers, and topical products. Radiancy is reportedly among the leading suppliers of home-use device disposables (Source: Medical Insight, Inc., August 2011).

Figure 9

OVERVIEW OF THE NO!NO! HOME-USE PRODUCT FAMILY

no!no! Hair Removal Classic™	no!no! Hair Removal 8800™	no!no! Hair for Men™
U.S. Launch: 2007	Launch: November 2009	Launch: January 2010
 ▪ Thermicon technology ▪ An entry-level, body-targeted product	 ▪ Thermicon technology ▪ User-selectable levels ▪ Narrow tip for face/bikini ▪ Rechargeable	 ▪ Adjusted functionality for male grooming

no!no! Plus™	no!no! Smooth™	no!no! Face Trainer™
Launch: 2011	Launch: 2008	Launch: early 2009
 ▪ An entry-level, female body+face targeted product	 ▪ After-treatment cream ▪ Line includes a deep cleanser, daily moisturizer, and rejuvenating serum ▪ Enriched with Capislow® to enhance Thermicon effect	 ▪ Works 44 symmetrical face and neck muscles ▪ Clinically shown to reduce sagging skin by 71% and diminish wrinkles by 42%

Disposables/Refills	no!no! Skin™
Thermicon Tips and Buffer	Launch: 2008
 ▪ For use with the no!no! Hair ▪ Replacement chargers, travel cases, and other tip sizes are available	 ▪ Treats acne using Radiancy's LHE technology ▪ FDA cleared ▪ Described on page 22

Source: PhotoMedex, Inc.

LIGHT AND HEAT ENERGY (LHE®)

Radiancy's proprietary LHE technology combines the benefits of direct heat and a full-spectrum light source. This technology is used primarily in the Company's professional products, which entails capital equipment sold to physicians and skin care specialists worldwide.

LHE capitalizes upon the principles of selective **photothermolysis**, which is a type of photo (or light-based) therapy in which heat is generated using selective absorption of light within the targeted tissue. Selective photothermolysis entails precisely targeting a pigmented tissue or structure with a specific wavelength of light that is absorbed into the target area but not into the surrounding area. Heat is also produced and directed to the target with minimal effect on surrounding skin.

While there are many phototherapy options available for patients today, including laser and IPL, Radiancy believes that it has optimized the light/heat relationship. Laser and IPL treatments both filter out the heat given off by their flashes or pulses of light, primarily relying on the light energy to cause a clinical change. The Company believes that by not using the heat energy as well, laser and IPL technologies must be administered at high densities, which may require skin cooling techniques to protect patients from burns.

In contrast, LHE technology was developed with the objective of efficiently using both light and heat energy to give a greater treatment advantage. In doing so, LHE products can deliver less energy density (known as "low **fluences**") to the target skin area, believed to create a safer, more efficient product. Radiancy reports that lowering the fluence of its LHE products reduces the need for skin cooling techniques, simplifies the treatment process, and decreases the risk of harmful side effects. In addition, balancing light and heat enables phototherapy treatments for more sensitive skin types as well as a broader spectrum of hair colors.

The Company has incorporated patented internal filters that protect the skin during treatment with LHE technology. It also offers a specialized light unit assembly for use on sensitive skin to further enhance its products' safety and comfort without compromising results.

As a result of its LHE technology, Radiancy has created an LHE professional product line (as illustrated in Figure 10) designed for clinical efficacy in a variety of applications, including psoriasis care, acne treatment, skin tightening, skin rejuvenation, wrinkle reduction, collagen renewal, vascular and pigmented lesion treatments, and hair removal. Note that not all applications are cleared in the U.S.

Figure 10

RADIANCY'S PROFESSIONAL LHE PRODUCTS

Physician			Aesthetician	
Mistral	Duet & Duet Pro	Kona	Spatouch™ Elite	FSD (Facial Skin Treatment Device)
				
Launched 2009 Skin Rejuvenation Hair Removal Acne Clearance Skin Tightening Psoriasis Care	**2008/2009** Skin Rejuvenation Hair Removal Acne Clearance	**2008** Skin Rejuvenation Hair Removal	**2010** Hair Removal	**2005** Skin Rejuvenation

Source: PhotoMedex, Inc.

The Company believes that LHE can be more attractive than both laser and IPL technologies due to its cost structure, efficacy, and ease of application. Medical devices that use LHE can treat a larger spot size than a laser-based systems, with less discomfort and without requiring post-treatment skin cooling. As well, Radiancy's research finds that its LHE approach offers meaningful results for thin, light hair. As shown in Figure 10 (page 21), the technology also enables the development of smaller equipment, which is more affordable than bulky laser systems for many clinicians. For example, the Facial Skin Treatment Device (FSD), shown on the right of Figure 10, is a $4,000 device that is essentially a "business in a box" for aestheticians. The FSD offers rejuvenation of skin appearance through the treatment of superficially benign vascular and pigmented lesions. These devices also offer a low cost of goods for Radiancy, as evidenced by the Mistral, an intelligent phototherapy medical device (shown on the left of Figure 10) that has high margins. It retails for approximately $50,000.

Benefits of the LHE approach are summarized below.

- Non-invasive, non-abrasive treatments
- No down time
- Clinically proven results
- Safety and efficacy for all skin types
- Especially suited for **Skin Types V-VI**
- Easy to use

The no!no! Skin

Figure 11
NO!NO! SKIN

Source: PhotoMedex, Inc.

LHE technology is also used in the no!no! Skin, a handheld consumer product sold worldwide under Radiancy's no!no! brand (as illustrated in Figure 11). The no!no! Skin is a 510(k)-cleared product that has clinically demonstrated to reduce acne by 81% over 24 hours. It uses the same LHE technology from Radiancy's physician LHE products but is optimized for home use.

The no!no! Skin puts out green light, red light, and gentle waves of heat to penetrate blocked pores and stop acne at its source. The device seeks to pinpoint *Propionibacterium acnes* (*P. acnes*), or acne-causing bacteria, in the pore. The green light serves to stimulate the release of oxygen radicals, which attack the *P. acnes*. Simultaneously, the red light produces an anti-inflammatory reaction that reduces pimples' visible swelling. The addition of heat intensifies the process and gently opens the pores to release the clog and further soothe the inflammation.

The no!no! Skin retails for nearly $180. Outside of the U.S., the largest market for the no!no! Skin is the UK, where the device is carried in approximately 300 store locations.

XTRAC® EXCIMER LASERS

XTRAC is a legacy, ultraviolet (UV) light, excimer laser technology from PhotoMedex. It received an FDA clearance in 2000 and has since become a widely recognized treatment among dermatologists for psoriasis and other skin diseases for which there are no cures. Excimer lasers emit very concentrated UV light and are used in ophthalmology and dermatology practices. PhotoMedex's XTRAC brand lasers deliver narrow ultraviolet B (UVB) light to affected areas of the skin in order to heal an array of skin conditions, including psoriasis and vitiligo, which combined affect up to 10.5 million people in the U.S. and 190 million people worldwide.

Present in natural sunlight, UVB is an accepted psoriasis treatment that penetrates the skin to slow the growth of damaged skin cells (Source: National Psoriasis Foundation). UVB therapy occurs as patients expose their affected skin to a UVB light source for a set length of time on a regular schedule. In its XTRAC system, PhotoMedex has refined the delivery of optimum amounts of UVB directly to skin lesions. The XTRAC lasers emit a high-intensity beam of narrow-band UVB, which studies suggest can clear psoriasis faster and produce longer remissions than broad-band UVB (Source: National Psoriasis Foundation). In comparison to broad-band UVB, narrow-band UVB may also require fewer treatments per week to produce the desired effect.

As shown in Figure 12, PhotoMedex markets two excimer laser brands: the XTRAC Ultra and XTRAC Velocity. The Velocity is a faster machine, allowing clinicians to treat a greater surface area in a shorter period of time. It is designed primarily for severe cases but can be used for all disease levels (mild, moderate, and severe).

Figure 12
XTRAC MACHINES

Source: PhotoMedex, Inc.

The XTRAC products are sold to physicians both in the U.S. and overseas. Under a recurring revenue model, PhotoMedex generates incremental income on a per-use basis from these machines. The Company estimates that there are roughly 700 XTRAC lasers in use in the U.S., leaving considerable opportunity for growth, as the target U.S. audience for XTRAC lasers comprises approximately 3,500 dermatologists who perform disease management. This market excludes nearly 7,000 other U.S. dermatologists who are either in academia or not actively treating skin diseases. In addition to dermatologists, the Company seeks to expand XTRAC adoption among the primary physician market, and chiefly, capitalize on Radiancy's direct-to-consumer marketing expertise in order to increase consumer awareness of the XTRAC lasers. Greater details are provided in the Global Sales and Marketing section on pages 37-38. Future product development of XTRAC could include creating a more compact, table-top version.

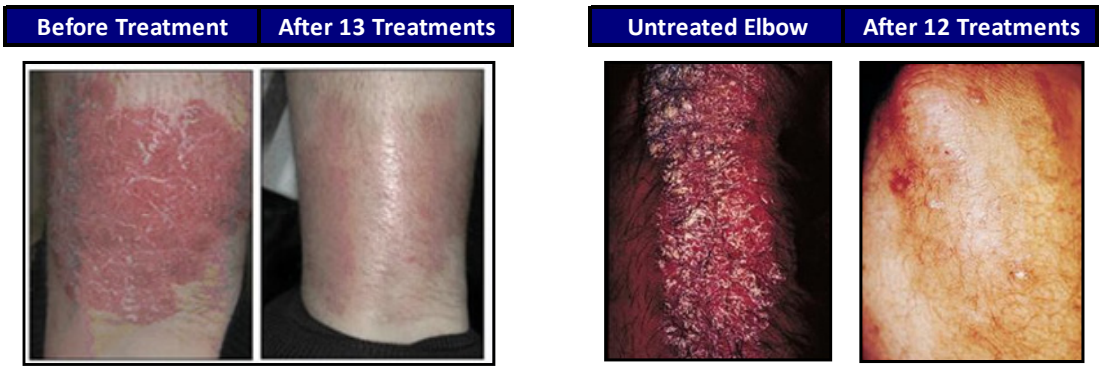
To develop the XTRAC machines, PhotoMedex's medical engineers and research team collaborated with Dr. Rox Anderson, director of the Wellman Center for Photomedicine at Massachusetts General Hospital, Harvard Medical School (biography on page 13). The resulting device produced a monochromatic wavelength (308 nm) of UV light known to positively impact the psoriasis action spectrum.

The Company has found that XTRAC treatment leads to remission of patients' psoriasis in an average of 8 to 12 treatments (illustrated in Figure 13). The National Psoriasis Foundation recommends that patients receive two treatments per week with a minimum of 48 hours between treatments. PhotoMedex's data shows that XTRAC has an 89% efficacy and produces only minimal side effects. In support of its clinical effect, the XTRAC Excimer Lasers have been cited in over 45 clinical studies and research programs, with findings published in peer-reviewed medical journals around the world. The products have also been endorsed by the National Psoriasis Foundation, and their use for psoriasis is covered by nearly all major insurance companies, including Medicare.

XTRAC is a reimbursable procedure for psoriasis under three **CPT codes**. It reimburses for roughly $175, with typical charges ranging from $170 to $250 depending on the amount of body surface being treated.

Figure 13

RESULTS OF XTRAC PHOTOTHERAPY FOR PSORIASIS PATIENTS



Source: PhotoMedex, Inc.

Psoriasis Treatment Options

There are essentially three main types of psoriasis treatments, as listed below.

(1) Topical therapies: These can include corticosteroids, vitamin D3 derivatives, coal tar, **anthralin**, and **retinoids**, among others, that are sold as a cream, gel, liquid, spray, or ointment. The efficacy of topical agents varies from person to person, although these products are commonly associated with a loss of potency over time as people develop resistance (Source: WebMD, Inc.).

(2) Phototherapy: This is the area in which PhotoMedex operates. Its XTRAC Excimer Lasers are FDA-cleared, fully reimbursable, National Psoriasis Foundation-endorsed phototherapy treatments for psoriasis. In addition to treatment with XTRAC machines at a clinician's office, patients have the option of purchasing at-home UV light systems sold by companies including Solarc Systems Inc. (www.solarcsystems.com) and National Biological Corp. (www.natbiocorp.com).

(3) Systemic medications: There are a number of prescription medications available for psoriasis, which are given either by mouth or as an injection. Generally, these drugs are administered only after both topical treatments and phototherapy have failed, or for people who have severe disease or active **psoriatic arthritis**.

Ongoing Clinical Trial

The XTRAC Excimer Lasers are particularly beneficial to patients who prefer a noninvasive treatment approach without the side effects of invasive, systemic agents or to patients who have developed a resistance to topical agents. In many cases, UVB phototherapy can also be combined with topical or systemic medications in order to enhance efficacy. With this in mind, PhotoMedex's XTRAC lasers are currently being studied in a clinical trial in combination with Galderma Laboratories, L.P.'s topical psoriasis therapies Clobex and Vectical Ointment. Clobex is a topical corticosteroid cleared to treat moderate-to-severe plaque psoriasis. It is sold as a spray, shampoo, or lotion, and has been shown to achieve results in as little as two weeks (Source: Galderma). Vectical Ointment is a topical treatment for mild-to-moderate plaque psoriasis. The trial is led by Dr. John Koo (biography on page 13) at the University of California, San Francisco.

The study's primary endpoint is to achieve a Psoriasis Area and Severity Index (PASI) score of 75 or better in 12 weeks and subsequently maintain that clearance for an extended period of time. A PASI 75 score indicates a 75% reduction in disease, and is a benchmark endpoint for most clinical trials of psoriasis. Preliminary results for the first 11 of an anticipated 30 patients to be enrolled in the XTRAC combination trial were reported in March 2011. Of these, 10 patients completed six weeks of treatment, and six completed 12 weeks. Approximately 83% of patients who completed all 12 weeks achieved better than PASI-75. These results were presented by Dr. Koo during the 20th Annual Meeting of the Photomedicine Society.

Using the XTRAC Excimer Lasers to Treat Vitiligo and Other Skin Diseases As Well

UV light therapy is considered to be an effective and safe treatment for many skin disorders beyond psoriasis. To this effect, the XTRAC technology is FDA cleared for the treatment of not only psoriasis but also vitiligo (a skin pigment deficiency), atopic dermatitis (eczema), and leukoderma, which is a localized loss of skin pigmentation that occurs after an inflammatory skin condition, such as a burn, intralesional steroid injection, or post **dermabrasion**. Figure 14 depicts the outcome of a vitiligo patient treated with 48 sessions of XTRAC UVB phototherapy. The final image was taken six months after the last treatment session, indicating that the lasers can provide long-lasting effect.

Figure 14

XTRAC TREATING VITILIGO

Source: PhotoMedex, Inc.

XTRAC technology works for vitiligo patients in much the same way as for psoriasis patients, although vitiligo treatment requires more therapy sessions. The XTRAC UVB light functions to reignite the skin's melanocytes (the cells that produce melanin), which causes pigment to return. To date, there is not sufficient data to confirm how long patients can expect their vitiligo to be in remission after XTRAC therapy. Based on anecdotal reports, PhotoMedex believes that re-pigmentation may last for several years.

Traditionally, vitiligo treatments have been considered cosmetic procedures, and as such, were not reimbursed by insurance companies. However, over the past two years, there has been an increase in insurance coverage for these procedures. PhotoMedex estimates that, whereas only approximately 20% of companies paid claims for vitiligo previously, nearly 65% of companies now offer reimbursement for these treatments. Going forward, the Company expects this trend to continue with 95% of insurance companies ultimately expected to cover claims.

Due to a greater prevalence of vitiligo among people with darker skin types, regions such as Saudi Arabia, where there is also a social stigma about the condition, are considerable markets for PhotoMedex's XTRAC lasers.

NEOVA® PHYSICIAN-DISPENSED SKIN CARE

PhotoMedex's NEOVA is designed as a therapeutic intervention for preventing premature skin aging due to UV-induced DNA damage. The topical technology seeks to repair photo-damaged skin using a novel combination of two key ingredients: DNA repair enzymes and the Company's Copper Peptide Complex®. Copper has been studied for more than 20 years for its wound healing applications. Research suggests that copper can be used to improve the elasticity of skin and is complementary to DNA repair enzymes, which repair damage caused by sunlight and other UV rays. Figure 15 illustrates the NEOVA line, which has received awards for innovation in beauty (as further detailed under Product Awards and Recognition on pages 39-40).

Figure 15

NEOVA SKIN CARE: DNA PLUS COPPER COMBINATION THERAPY

Source: PhotoMedex, Inc.

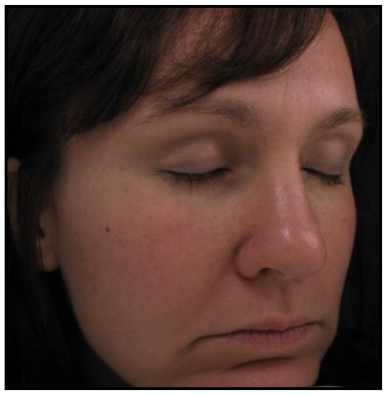
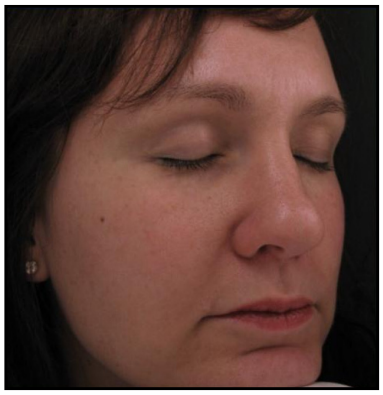
The DNA repair enzymes contained in the NEOVA formulation have several objectives: (1) continuously repair and enhance skin's natural processes; (2) protect from UV immunosuppression; (3) restore barrier function; (4) promote collagen regeneration and skin elasticity; and (5) assist in correcting and improving cell metabolism.

In concert with the repair enzymes, NEOVA's Copper Peptide Complex serves to promote new blood vessel growth and enhance the expression of growth factors. It stimulates collagen and elastin formation, which accelerate the repair process. Additionally, the Copper Peptide Complex is designed to mitigate damage caused by free radicals by promoting an antioxidant defense. Free radicals are a type of highly reactive oxygen molecule known to cause oxidative stress, which triggers harmful inflammatory responses and cell death as the free radicals attack DNA, lipids, proteins, and other cell components. They are believed to accelerate the progression of cancer, cardiovascular disease, and age-related diseases, including cataracts, arthritis, Alzheimer's disease, and diabetes. As typically occurs in normal, healthy cells, an antioxidant defense system comprising vitamins C and E and a variety of enzymes can minimize and repair free radical-induced damage.

Figure 16 (page 27) illustrates the effect of the NEOVA line, as shown on the face of a patient who has used the skin care products for four weeks.

Figure 16

NEOVA BEFORE AND AFTER

Week 1	End of Week 2	End of Week 4
		

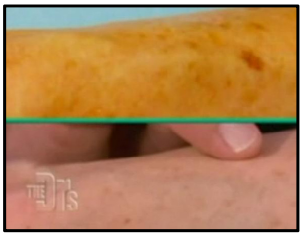
Source: PhotoMedex, Inc.

Among other products, the NEOVA line includes DNA Damage Control SILC SHEER SPF 45, an award-winning tinted sunscreen that contains micronized titanium dioxide, organic blockers, and DNA repair enzymes to reduce risks of skin cancer and premature aging—both of which are caused by photo damage from sun exposure. The DNA repair enzymes are clinically shown to reduce UV damage by 45% and increase UV protection by 300% in one hour.

NEOVA DNA Total Repair cream has been featured on *The Doctors*, a national daytime talk show that offers medical and health advice. In the episode illustrated in Figure 17, *The* Doctors discussed techniques to reverse body problems caused by age, sun, and pollution. The segment illustrated how the Total Repair product repairs damaged DNA in the cells of the skin in order to diminish age spots on someone who has used the cream consistently for two weeks. The guest testing the product reported that her hands had lightened considerably and some age spots had almost disappeared.

Figure 17

NEOVA DNA TOTAL REPAIR CREAM FEATURED ON *THE DOCTORS* DAYTIME TALK SHOW

As Featured on *The Doctors*	NEOVA DNA Total Repair	Topically Applied to Skin	Reduces Age Spots with Consistent Use
			

Sources: Crystal Research Associates, LLC and The Doctors.

The NEOVA technology represents another opportunity to integrate Radiancy's marketing platform with PhotoMedex's direct sales force for plastic surgeons and dermatologists, which has traditionally been responsible for furthering market adoption of NEOVA products. Through a direct-to-consumer initiative, Radiancy seeks to drive consumers to medical practices for NEOVA as well as to the Company's website to buy direct.

PhotoMedex holds over 25 patents related to the NEOVA technology, as well as draws upon more than 150 peer-reviewed journal articles that provide scientific support for these ingredients. A selection of these sources is listed on PhotoMedex's website at http://www.photomedex.com/neova/clinical.htm.

PHOTOMEDEX'S LED TECHNOLOGY

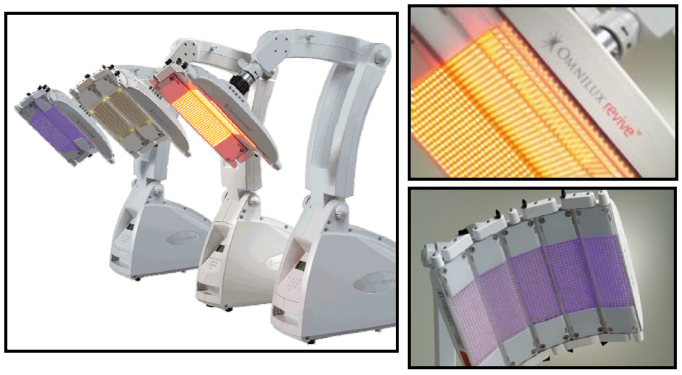
Omnilux™

Omnilux Light Therapy uses light-emitting diode (LED) technology to treat skin conditions. Although commonly understood for its use in electronics, LEDs have gained notoriety for medical applications as well. The Omnilux LED system is FDA cleared to treat wrinkles, acne, minor muscle pain, and pigmented lesions. For professional use, the Omnilux equipment entails a common base apparatus equipped with three interchangeable headlamps, as shown in Figure 18. Each of these lamps gives off a different wavelength light, which allows physicians to treat more than one condition with the same piece of capital equipment. Omnilux technology is believed to be applicable to all skin types. Going forward, PhotoMedex believes the application of LED technology will likely continue to expand, particularly as more research is conducted on the possibilities of using LEDs to activate cancer drugs, among other medications. For current product line extensions of the Omnilux system, including Omnilux new-U™ and clear-U™ (handheld, home-use, FDA-cleared devices to treat wrinkles and acne), visit www.phototherapeutics.com.

Figure 18

OMNILUX LIGHT THERAPY

Adjustable, Interchangeable Heads Enable Varying Wavelengths for Treating Multiple Conditions



FDA Cleared to Treat…

- Periorbital wrinkles
- Acne vulgaris
- Minor muscle and joint pain
- Superficial, benign, and pigmented lesions

Source: PhotoMedex, Inc.

Lumière

Lumière is a sister technology to Omnilux with the same patent protection. It is designed for use in non-medical applications, especially at salons and spas. Lumière combines LED technology with PhotoMedex's DNA repair enzymes and Copper Peptide Complex, giving aesthetic professionals a complete non-invasive skin care solution. The Lumière light therapy equipment contains a self-service headlamp with two wavelengths built specially for salons and spas. Accompanying the LED treatment is a line of topical lotions to improve the appearance of fine lines, wrinkles, skin tone, and blemishes, as depicted in Figure 19.

Figure 19

LUMIÈRE: LED TECHNOLOGY USED IN SALONS/SPAS AND ACCOMPANIED BY PROPRIETARY, TOPICAL SKIN CARE

Objectives…

- Create even skin tone and texture
- Lighten age spots, sun spots, and dark circles
- Clear and soothe problematic skin

Source: PhotoMedex, Inc.

Market Opportunities

In 2012, global media company Medical Insight, Inc. (http://miinews.com) valued the global aesthetic market at roughly $34 billion annually. While energy-based systems and facial injectables have established their position in the aesthetic market, new technologies have emerged that are stimulating growth in the sector, including non-invasive body contouring, skin tightening techniques, and home-use aesthetic devices (Source: Medical Insight's February 7, 2012, press release). The market includes both retail and direct-to-consumer sales via home-use products as well as revenues derived from physicians, dermatologists, plastic surgeons, and aestheticians who use professional-grade equipment at salons and med spas.

Growth in the aesthetic industry is fueled by an aging global population, an emerging middle class worldwide, and increased consumer awareness of treatment procedures and technologies. Major trends within the industry include a shift toward less invasive procedures as well as greater accessibility to products and services. Consequently, a range of specialized medical professionals, such as dermatologists, obstetricians, and gynecologists, are expanding their services to include medical aesthetics in order to increase profitability (Source: GBI Research's *The Future of the Medical Aesthetic Devices Market to 2016 - The Market to Regain Positive Growth*, January 2010). As well, many companies, including PhotoMedex, seek to develop and market products that harness the efficacy of professional-grade technologies within convenient at-home, do-it-yourself products that can be sold at retail outlets or directly to the consumer.

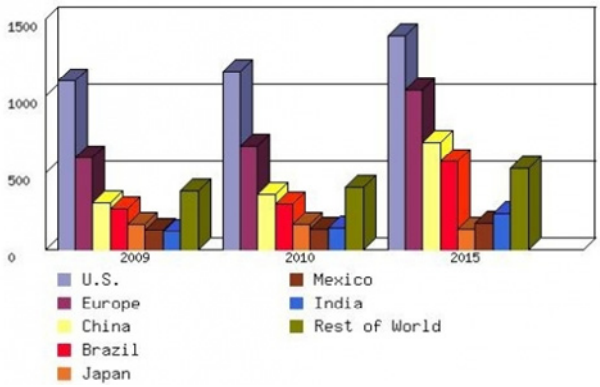
Anticipated Market Growth for Aesthetic Products and Services

North America is currently the largest regional market for aesthetic products and services. However, it is also considered to be the most mature market; thus, slower growth is expected going forward. Sales in Asia, Latin America, and Europe are expected to rise over the upcoming years, with growth in Asia forecast to increase 18.1% annually (Source: Medical Insight's February 7, 2012, press release).

The global market for medical aesthetic devices was estimated at $3.3 billion in 2010, with the potential to reach $4.8 billion in 2015 (Source: BCC Research's *Medical Aesthetic Devices: Technologies and Global Markets*, April 2011). Figure 20 shows BCC Research's representation of this market. The U.S., Europe, China, and Brazil represented the largest segments of the market in 2010. Within the U.S. alone, GBI Research has forecast that the U.S. medical aesthetic devices market could reach $1.7 billion by 2016, driven by hair removal, **hyaluronic acid**, skin tightening, skin rejuvenation, and silicone breast implant procedures as well as an influx of providers and direct-to-consumer sales (Source: *The Future of the Medical Aesthetic Devices Market to 2016 - The Market to Regain Positive Growth*, January 2010).

Figure 20

GLOBAL MARKET FOR MEDICAL AESTHETIC DEVICES (2009, 2010, 2015E)



Source: BCC Research's Medical Aesthetic Devices: Technologies and Global Markets, April 2011.

Cosmetic Surgery, Facial Aesthetics, and Medical Lasers

In September 2010, iData Research Inc. forecast the global market for cosmetic surgery, facial aesthetics, and medical lasers to nearly double in size and exceed $3 billion by 2017. The fastest-growing segments are anticipated to be laser and light therapy for hair removal, skin resurfacing, and **lipolysis**.

In Europe, the market for cosmetic surgery, facial aesthetics, and medical laser devices was estimated to be €657 million in 2010, with the potential to near €1.3 billion by 2017, in part due to the recovery of the aesthetic laser market following the global credit crisis in 2009 (Source: iData Research's *European Markets for Cosmetic Surgery, Facial Aesthetics and Medical Laser Devices 2011*, June 2011). The aesthetic laser and light therapy market was affected by the global credit market as the procedures require costly capital equipment. As this market recovers, Spain and Germany have emerged among the largest aesthetic laser markets in Europe.

In China and India, the cosmetic surgery, facial aesthetics, and medical laser device market experienced growth in 2010 despite poor economic conditions in 2008/2009. Estimates from iData Research placed this market at nearly $730 million in 2010, forecast to top $1.2 billion by 2017 (Source: iData Research's *Emerging Markets: Chinese and Indian Cosmetic Surgery, Facial Aesthetic and Medical Laser Markets 2011*, September 2011). In China, sales of both invasive and non-invasive treatments were expected to increase by nearly 40% over the next three years, according to a report from market research company Diagonal Reports. China ranks among the world's largest markets for luxury skin care products due to high demand from female Chinese consumers, who value skin care and beauty, particularly effective facial care products and treatments. In China, demand for medicalized beauty exceeds available supply and premium products account for nearly 25% of the market (Source: Diagonal Reports' *Chinese Medicalised Beauty Market 2011 Report*, October 2011). The Chinese aesthetics industry, including laser clinic chains, is expected to scale operations to meet this higher demand.

The Asia-Pacific (South Korean, Japanese, and Australian) market for cosmetic surgery, facial aesthetics, and medical laser devices was estimated to exceed $715 million in 2010 (Source: iData Research's *Asia Pacific Markets for Cosmetic Surgery, Facial Aesthetics and Medical Laser Devices 2011 (Japan, South Korea, Australia)*, September 2011).

Aesthetic Lasers and Energy Devices

After experiencing negative growth in 2009 due to the global economic downturn, the worldwide market for aesthetic lasers and energy devices has expanded in recent years due to improvements in economic conditions, a growing physician base, and an increased consumer awareness of available procedures. What was approximately a $1 billion industry in 2010 is anticipated to more than double to $2.4 billion by 2017 (Source: *Aesthetic Lasers and Energy Devices-Global Market Briefing to 2017*, July 2011). Non-invasive devices are believed to represent the fastest-growing sector due to benefits that include minimal downtime, cost effectiveness, and improved efficacy. Patients may also benefit from rising competition in the industry, which could lead to lower prices and more affordable treatments. Emerging markets are also a considerable opportunity for aesthetic lasers and energy devices due to rising income levels and increasing affordability in these regions.

Trends Toward Greater Use of Home-Use Aesthetic Products

As economic fluctuations and uncertainties have led consumers to cut back on spending, many buyers are now opting for the less expensive home-use versions of professional aesthetic treatments. To address this trend, PhotoMedex's full product life cycle model (described on page 4) is targeted to first developing and validating the efficacy of professional-grade technologies and then miniaturizing these technologies and bringing them to consumers at a price point that benefits both the individual and the Company. Many of today's at-home kits can closely mirror the results obtained through office-based medical procedures and are consequently sought after as alternatives to both cosmetic surgery and non-invasive procedures. These may include anti-aging skin care products and home-use laser technologies, among other consumer products. Growth in the home-use industry is driven by a number of factors, a selection of which is listed on page 31.

- An increasing availability of home solutions
- Baby boomers' desire to maintain a youthful appearance
- Younger populations (in their 20s and 30s) seeking preventative solutions to aging
- A widening range of beauty products (e.g., hair removal, skin rejuvenation, acne reduction)
- More scientifically supported technologies with increased safety and efficacy

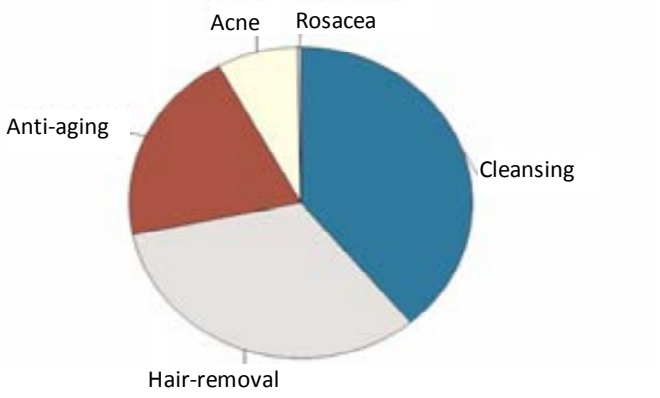
In 2011, Kline & Company, Inc. (a global consulting and research firm) estimated the market for power-operated devices for acne, aging, and daily cleansing to be nearly $1 billion in the U.S. alone (Source: *At-home Skin Care Devices 2011: U.S. Market Analysis and Opportunities*, July 2011). This market is expected to experience continued growth over the next five years as new products are introduced, distribution is expanded, and consumers become more aware of the benefits of these devices (Source: Medical Insight, Inc.'s *Home-Use Devices: Rapidly Moving Into the Mainstream*, August 2011).

Moreover, with more individuals working at home or unemployed, direct sales channels such as home shopping networks, infomercials, and e-commerce have become the primary means of distribution for these products—harnessing 60% of total market share (Source: *At-home Skin Care Devices 2011: U.S. Market Analysis and Opportunities*). Retail sales of home-use devices were approximately $562 million in 2010 and are forecast to reach nearly $900 million in 2015 (Source: *Home-Use Devices: Rapidly Moving into the Mainstream*). As described on pages 33-37, Radiancy has had considerable success exploiting direct sales channels for its no!no! hair and skin care products, and is working to bring this knowledge to PhotoMedex's products as well.

As shown in Figure 21, cleansing products generate the highest sales among home-use skin care products; however, anti-acne products represent the fastest-growing sector. The global market for anti-acne therapeutics was roughly $2.25 billion in 2008, forecast to reach $3.25 billion in 2013 (Source: BCC Research's *Dermatological Therapeutics: Global Markets*, January 2009). Sales of anti-aging products are also expanding due to increasing consumer demand for products that can reduce the appearance of fine lines, wrinkles, and age spots—a key area as the U.S. and global population ages (detailed on page 32).

Figure 21

MANUFACTURERS' SALES FOR AT-HOME SKIN CARE DEVICES IN THE U.S. BY SEGMENT, 2011



Source: Kline & Company, Inc.'s "At-home Skin Care Devices 2011: U.S. Market and Opportunities," July 2011.

Demand for Anti-Aging Products

Due to advances in medicine and medical technology, by 2050, nearly two billion people over age 60 are expected to be alive, which is almost triple the 700 million people over 60 who were alive in 2009 (Source: *World Population Ageing 2009* from the United Nations' Department of Economic and Social Affairs, Population Division). As the world's population ages, consumers are seeking products and services to improve their appearance, including treatments and technologies to reduce the external signs of aging, stimulating growth in the aesthetic market.

In 2009, Global Industry Analysts forecast that the anti-aging market could reach almost $292 billion worldwide by 2015 (Source: *Anti-Aging Products – A Global Strategic Business Report*, January 2009). The U.S. market for anti-aging products is estimated at roughly $80 billion annually, 25% of which is skin care (Source: Examiner.com, August 20, 2011). A recent study by Kline & Company indicated that anti-aging is the leading skin care concern for consumers.

Moreover, while the economy has impacted the overall aesthetic industry in recent years, the anti-aging segment persevered with more than $10 billion spent on cosmetic procedures during 2010 in the U.S. While the 78 million baby boomers have contributed to the growth of the aesthetic market (due to a desire for a youthful appearance combined with disposable income), this generation was not the largest customer base for the industry. Younger individuals are also seeking treatments to improve their appearance and minimize the effects of aging. In 2010, the American Society for Aesthetic Plastic Surgery (ASAPS) reported that people aged 31 to 45 accounted for 43% of all cosmetic procedures versus baby boomers, aged 51 to 64, who accounted for 28% of such procedures (Source: FOXBusiness's *Generation X Leads Boomers in Cosmetic Surgery Procedures*, November 21, 2011).

One of the less-invasive cosmetic procedures to address aging is the injection of Botulinum toxin A (branded Botox®). Botulinum toxin A treatments, such as Botox, could represent roughly $543 million (18%) of the cosmetic surgery, facial aesthetics, and medical laser device market by 2017 (Source: iData Research, *Markets for Cosmetic Surgery, Facial Aesthetics and Medical Laser Devices 2011*). The size of the Botox market indicates two factors that could contribute to an expanding market opportunity for other home-use skin rejuvenation products as well (such as those sold by PhotoMedex and Radiancy): (1) older individuals desire to eliminate or reduce the appearance of wrinkles and other signs of aging; and (2) younger individuals are using Botox as a technique to prevent wrinkles (although this has not been proven clinically). According to ASAPS, individuals between the ages of 19 and 34 represented 15.2% of the Botox injection market in 2010.

Global Sales and Marketing

The newly combined company of PhotoMedex and Radiancy categorizes its operations into three business segments based on target audience: (1) consumer; (2) physician recurring; and (3) professional. Global consumer sales comprise the largest segment, for which annual revenue is approximately $125 million with margins exceeding 80%. Figure 22 summarizes the new structure, which pairs Radiancy's successful marketing engine with PhotoMedex's legacy technology platforms and physicians' sales force. Following Figure 22, pages 33-37 detail consumer sales and marketing; pages 37-38, the physician recurring segment; and page 38, professional sales.

Figure 22

PHOTOMEDEX OPERATES ACROSS THREE BUSINESS SEGMENTS

Consumer	Physician Recurring	Professional
no! no! HAIR no! no! SKIN no! no! SMOOTH OMNILUX leaders in light therapy	NEOVA XTRAC	lumière light therapie OMNILUX leaders in light therapy RADIANCY™

Source: PhotoMedex, Inc.

CONSUMER SALES

The global consumer market is the Company's largest business unit due to Radiancy's success at bringing professional technologies into the home-use arena. Over the past three years, the Company reports that it has sold more than 2.5 million no!no! products to consumers, the majority of which have been in Japan and North America.

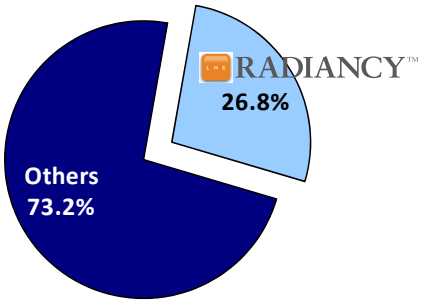
Even at this level of sales, PhotoMedex believes it has ample opportunity for further expansion, as Japan's 2010 population was over 127 million people and North America's was 343 million people—far more than the two million who have already been converted to the use of the Company's products.

Radiancy's consumer marketing platform is built upon a proprietary direct-to-consumer sales engine and creative marketing programs that drive brand awareness. As a demonstration of the success of these strategies, the no!no! line is believed to command the largest market share of any home-use aesthetic company based on 2010 retail sales data (illustrated in Figure 23). Radiancy believes that its market share has been supported by solid brand recognition for the no!no! name as well as rapid and innovative product introductions.

Figure 23

MARKET SHARE BY RETAIL SALES (DEC. 2010)

Top Home-Use Aesthetics Companies



Source: Medical Insight, Inc.'s "Home-Use Devices: Rapidly Moving Into the Mainstream," August 2011.

In August 2011, Medical Insight, Inc. published *Home-Use Devices: Rapidly Moving into the Mainstream*, which stated that Radiancy held over 26% of the market for home-use aesthetic devices and was a leading supplier of home-use device disposables. The closest competitor in terms of retail sales was Pacific Bioscience Laboratories Inc. (www.clarisonic.com), which held 23% of the market. After posting FY 2010 net sales of $105 million for its Clarisonic® brand of skin care devices, Pacific Bioscience was acquired by L'Oréal (LRLCY-OTC.PK) in December 2011.

Continued Innovation Enabled by Full Product Lifecycle Model

With a demonstrated expertise at developing professional technologies into effective consumer products, Radiancy is expected to extend PhotoMedex's NEOVA, XTRAC, and other select professional technologies into the consumer channels. In this way, solid technology platforms in the physician and professional markets can continue to drive new products for consumer markets. Future home-use developments may also include extensions of the no!no! line into additional health and wellness areas.

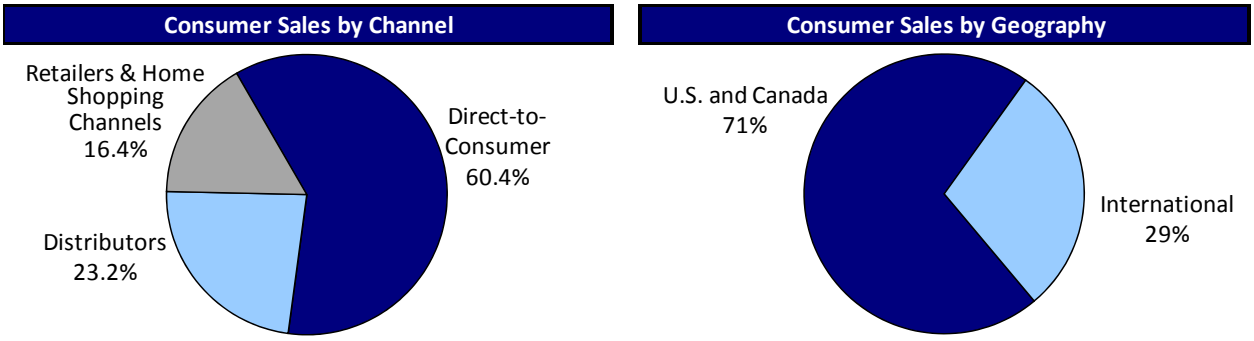
An explanation of PhotoMedex's full product lifecycle business model is provided on page 4.

Year-over-Year Increasing Sales Revenues

The Company's successful marketing programs have led to rapid year-over-year revenue growth. In 2009, Radiancy reported approximately $16 million in revenue amid the global economic crisis, at which point management made the strategic decision to transition from the professional market to the consumer market. Subsequently, for 2010, Radiancy reported $70 million in revenue and opened the Japanese market through a strategic distributor. North American infomercials, retailers, and TV shopping networks drove further growth in 2011, leading to an 89% increase in annual revenue to more than $132 million for the year ended December 31, 2011. Figure 24 illustrates the breakdown of consumer sales data for 2011, by channel and region.

Figure 24

CONSUMER SALES DATA (for the year ended December 31, 2011)



Source: PhotoMedex, Inc.

Geographic Expansion

Additionally, the Company has recently expanded into the UK, for which early metrics have been positive. During 2012, the Company plans to continue its geographic expansion. Target countries where PhotoMedex aims to increase its penetration include Germany, Australia, and Malaysia, among others.

Multichannel Marketing Strategies

The Company has developed a comprehensive, multichannel marketing strategy to target diverse consumer groups worldwide. PhotoMedex seeks to continuously drive brand awareness as well as to educate consumers about its products in order to increase their willingness to purchase home-use medical devices. Globally, PhotoMedex capitalizes on the following sales and marketing channels:

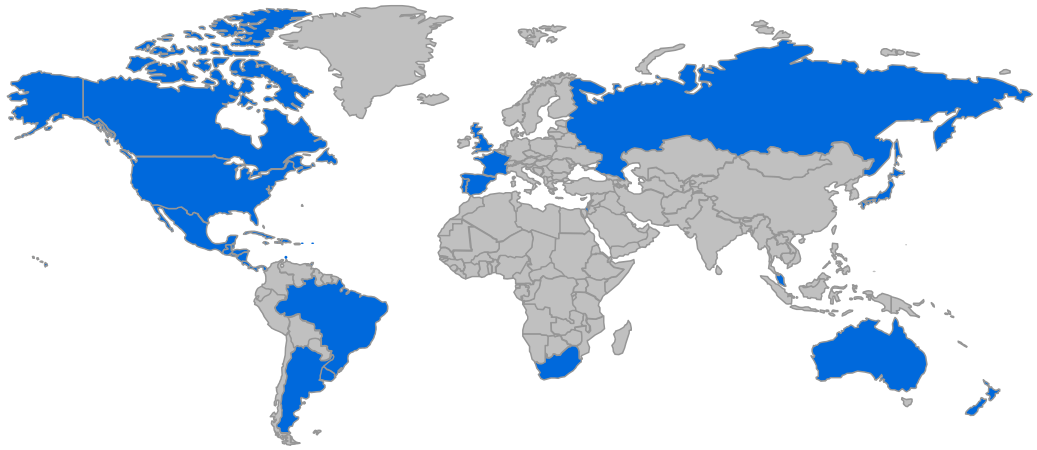
- infomercials;
- retail stores;
- online retailers;
- television retail; and
- Company-owned stores and kiosks (as shown in Figure 25).

The Company develops infomercials, commercials, catalogs (print media), and Internet-based promotion initiatives in a worldwide direct-to-consumer approach. As highlighted in Figure 26, PhotoMedex has a direct sales network across the U.S., Canada, UK, Argentina, Uruguay, Spain, Portugal, and Israel, with distribution relationships for Japan, Australia, New Zealand, Singapore, Thailand, Russia, the Middle East, South Africa, and several South American countries. These strategic partnerships serve to build global revenue while PhotoMedex expands its North American market. Its Japanese distributor YA-MAN Ltd. helped drive sustainable revenue in Japan by targeting the overnight infomercial audience in 2010, which the Company drew upon for North America as well during 2011.

Figure 25
PRODUCT KIOSK

Source: PhotoMedex, Inc.

Figure 26
GLOBAL REACH



Distribution Channels

Direct Sales Activity					Distributors
Direct to Consumers			Retailers		
Online	Info-mercials	Catalog	Home Shopping Channels	Specialty Retail	Specialty Distributors

Source: PhotoMedex, Inc.

Infomercials

Infomercials are a major part of Radiancy's direct-to-consumer activity. The Company's current infomercial campaign is running in North America for the no!no! Hair Removal 8800 product. Based on Radiancy's metrics, its infomercial promotions generate a **media efficiency ratio (MER)** of 3.58, indicating that every dollar spent on an infomercial translates into over $3.50 in revenue. MER is calculated by dividing revenue generated by the cost of the media.

Infomercial expansion is occurring as the Company targets new niche sectors in North America, such as the Canadian market or the Hispanic market, as well as produces new segments for other products (e.g., the no!no! Skin) and for other countries outside of the U.S. and Canada.

Retail Distribution

PhotoMedex's consumer products are sold at approximately 5,000 retail outlets across 55 countries, which include brick-and-mortar stores, home shopping television channels, and online venues. Figure 27 illustrates a selection of sales partners where the Company's products are carried, noting that these vary by geographic region. Online retailers include Boots.com, Dermadoctor.com, and Drugstore.com, and television sales are generated by HSN, Inc. (HSNI-NASDAQ) and QVC, Inc. in the U.S. and UK. In addition to these venues, PhotoMedex operates Company-owned stores and kiosks in Canada and Argentina.

Figure 27

A SELECTION OF GLOBAL RETAILERS FOR PHOTOMEDEX'S CONSUMER PRODUCTS

U.S./Canada

BERGDORF GOODMAN · NORDSTROM · Planet Beauty · HENRI BENDEL NEW YORK · HSN · DERMAdoctor · Neiman Marcus · SHOWCASE THE BEST OF TV AND MORE!

United Kingdom

Boots · comet · Harrods · QVC · SELFRIDGES&CO

Australia and New Zealand

MYER is my store · SHAVER SHOP TRANSFORM YOURSELF

Japan

e.dion · YAMADA · YA-MAN エステ発想のヤーマン

South America

FRÁVEGA · GARBARINO GARANTIA DE CONFIANZA · mi ni cuo tas RIBEIRO · falabella.

Source: PhotoMedex, Inc.

Online Sales

The Company's online marketing activity is managed by its in-house marketing department, which is primarily focused on the U.S., UK, and Canadian regions. Activities in this area include search engine optimization of the official no!no! website, paid marketing on search engines, and sales through online marketplaces, such as Amazon.com, eBay.com, and other third-party websites.

Print and Radio Advertisements

Radiancy commenced using print media in 2009, and has since increased its spending in this avenue. In addition to catalog and magazine spots, the Company capitalizes on *Yellow Pages* listings and direct mailings. Radio entails 30- and 60-second spots as well as endorsements from radio hosts.

Consumer Marketing Engine

In addition to establishing various sales channels, the Company's operations include outsourced call centers, fulfillment centers, contract manufacturers, and media agencies—assets that allow it to efficiently scale up and meet demand. PhotoMedex estimates that it receives tens of thousands of calls and hundreds of thousands of website visitors each week.

To drive the profitability of all of these components, the Company employs a proprietary consumer marketing engine that tracks and monitors marketing performance. This sophisticated system is key to PhotoMedex's business, as it enables Company management to measure more than 50 direct-response performance metrics weekly and allocate resources accordingly. For example, with a virtual switchboard and sophisticated tracking system, call volumes can be reallocated to better-performing affiliates. Importantly, this engine allows the fluid deployment of resources to capitalize upon global home-use aesthetic product trends and direct resources to the better-performing media agencies, call centers, fulfillment houses, and manufacturers worldwide. As a result, the Company has been able to show growth during a sustained economic slowdown.

Metrics are broken down by market, type, and facility, and include measurements such as media return on investment (ROI), conversion rates, up-sell, customer service scorecard, cost per order (CPO), and average order value (AOV), among others.

PHYSICIAN RECURRING SALES

Physician recurring sales entail those generated under PhotoMedex's XTRAC, a noninvasive, FDA-cleared solution for psoriasis and vitiligo, and NEOVA, a topical therapy combining DNA repair enzymes and copper complexes to prevent premature skin aging, product lines (described on pages 23-25 and 26-27, respectively). Both XTRAC and NEOVA represent recurring revenue streams with significant market opportunities. As well, Radiancy's expertise in direct-to-consumer advertising and innovative marketing programs is anticipated to drive greater brand awareness and adoption for both XTRAC and NEOVA products.

XTRAC

The XTRAC business is considered a recurring revenue stream given its pay-per-use model, where the machines are provided to professionals who then pay PhotoMedex based on the number of treatments administered with the device. Approximately 20,000 patients have enrolled in XTRAC therapy out of a potential 8.5 million psoriasis patients and up to two million vitiligo patients in the U.S. alone. Worldwide, there are approximately 125 million individuals affected by psoriasis and as many as 65 million suffering from vitiligo (Source: MedicineNet, Inc.). The global market for psoriasis treatments is projected to exceed $7.3 billion by 2015 (Source: Global Industry Analysts, Inc.'s *Psoriasis Drugs – A Global Strategic Business Report*, April 2010).

The global vitiligo therapeutics market was estimated at $1.4 billion in 2011, forecast to reach $2.7 billion by 2019 at a compound annual growth rate (CAGR) of 8.8% (Source: GlobalData's *Vitiligo Therapeutics - Pipeline Assessment and Market Forecasts to 2019*, January 2012).

In January 2011, PhotoMedex surveyed physicians and patients regarding its XTRAC technology. The Company found that physicians were well acquainted with the technology and had positive reviews of its effect. In contrast, patients lacked awareness of the XTRAC treatment option and did not know where to go to obtain this treatment. By incorporating Radiancy's direct-to-consumer marketing strategies, the Company seeks to increase patient education about XTRAC's efficacy and benefits for psoriasis and vitiligo and, in turn, significantly increase its market penetration for these areas.

Insurance companies offer close to full reimbursement for XTRAC as a psoriasis treatment. Reimbursement for XTRAC vitiligo treatment is not as widespread, yet it is expanding.

NEOVA

Sales of the NEOVA skin care products at present are driven by physicians, who act as spokespersons to their patients in support of the NEOVA line. PhotoMedex has historically marketed to physicians in the dermatology field, but plans to supplement these efforts with a direct-to-consumer approach to drive patients into those dermatology practices. NEOVA addresses a sizeable global market for anti-aging skin care products as described on page 32.

The Company has estimated that its physician recurring business creates approximately $20 million in revenue, with margins for the NEOVA skin care products of over 80%. The XTRAC, which contributes nearly $10 million in recurring revenue, has margins of roughly 50%; however, because incremental treatments consume very little variable cost, each additional treatment delivered on XTRAC equipment is associated with a nearly 95% margin.

PROFESSIONAL SALES

Sales under the professional business segment are mainly generated from capital equipment, such as Radiancy's LHE products detailed on pages 21-22 and the Omnilux and Lumière Light Therapy systems from PhotoMedex. The Company estimates that the professional sector contributes roughly $15 million in revenue with 50% margins.

This is an area of considerable opportunity for PhotoMedex and Radiancy as the two companies integrate their operations. With the addition of the LHE products, PhotoMedex now possesses a greatly expanded product offering for the physician community (as summarized in Figure 28). Radiancy generates an average of $5 million in revenue for its professional products with a limited direct sales force of only a few people. In contrast, PhotoMedex possesses a 48-person, experienced direct sales force that already reaches a network of approximately 3,000 physician locations in the U.S. PhotoMedex is now distributing the LHE-based professional products in addition to its own equipment to physicians, dermatologists, salons, spas, and other aesthetic practitioners. The Company views this as a significant opportunity given its fully trained sales staff.

In addition, the combined portfolio of proprietary technologies is anticipated to drive product innovation in the professional channel.

Figure 28

THE COMBINED PORTFOLIO GREATLY EXPANDS PROFESSIONAL PRODUCT OFFERINGS

	PhotoMedex	Radiancy		PhotoMedex	Radiancy
Acne	✓	✓	Physician Topicals	✓	
Atopic Dermatitis	✓		Psoriasis	✓	✓
Hair Removal		✓	Skin Rejuvenation	✓	✓
Joint Pain	✓		Skin Tightening		✓
Leukoderma	✓		Vascular/Pigment Lesions	✓	✓
Periorbital Wrinkles	✓	✓	Vitiligo	✓	

Source: PhotoMedex, Inc.

Product Awards and Recognition

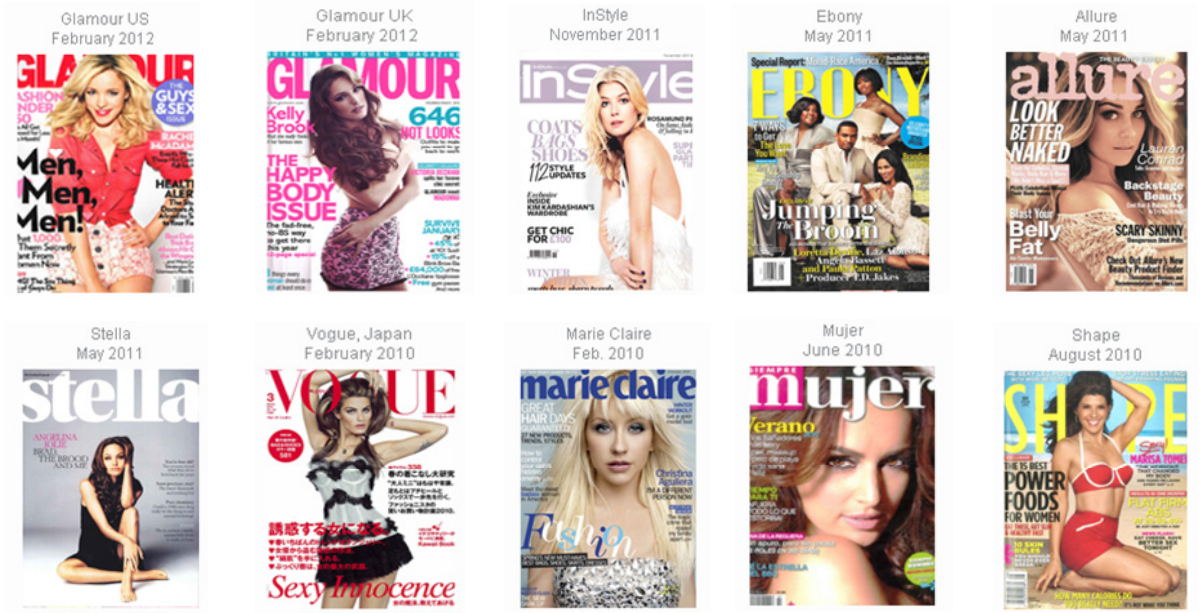
PhotoMedex's products have received multiple awards, including *InStyle's* "Beauty Breakthrough Product of the Year," *Allure's* "Editor's Choice Award," and *Allure's* "Best of Fall Beauty." As well, NEOVA-branded products have been recognized for innovation in beauty. In 2011, NEOVA was honored with a DailyGlow.com Beauty Innovator award in the Sunscreen with Superpowers category by a panel of beauty and medical experts, as illustrated in Figure 29.

In February 2011, the no!no! Hair Removal 8800 was voted "Product of the Year" in the At-home Beauty Treatment category following a consumer survey of more than 60,000 respondents asked to evaluate product innovation by market research company TNS (a Kantar Group Company). The no!no! also received *InStyle's* Product of the Year award in 2009. The benefits of no!no! have recently been highlighted in a number of widely known magazines, a selection of which are depicted in Figure 30.

Figure 29
NEOVA:
DNA PLUS COPPER COMBINATION THERAPY

Source: PhotoMedex, Inc.

Figure 30
A SELECTION OF MAGAZINES WHERE NO!NO! PRODUCTS HAVE APPEARED



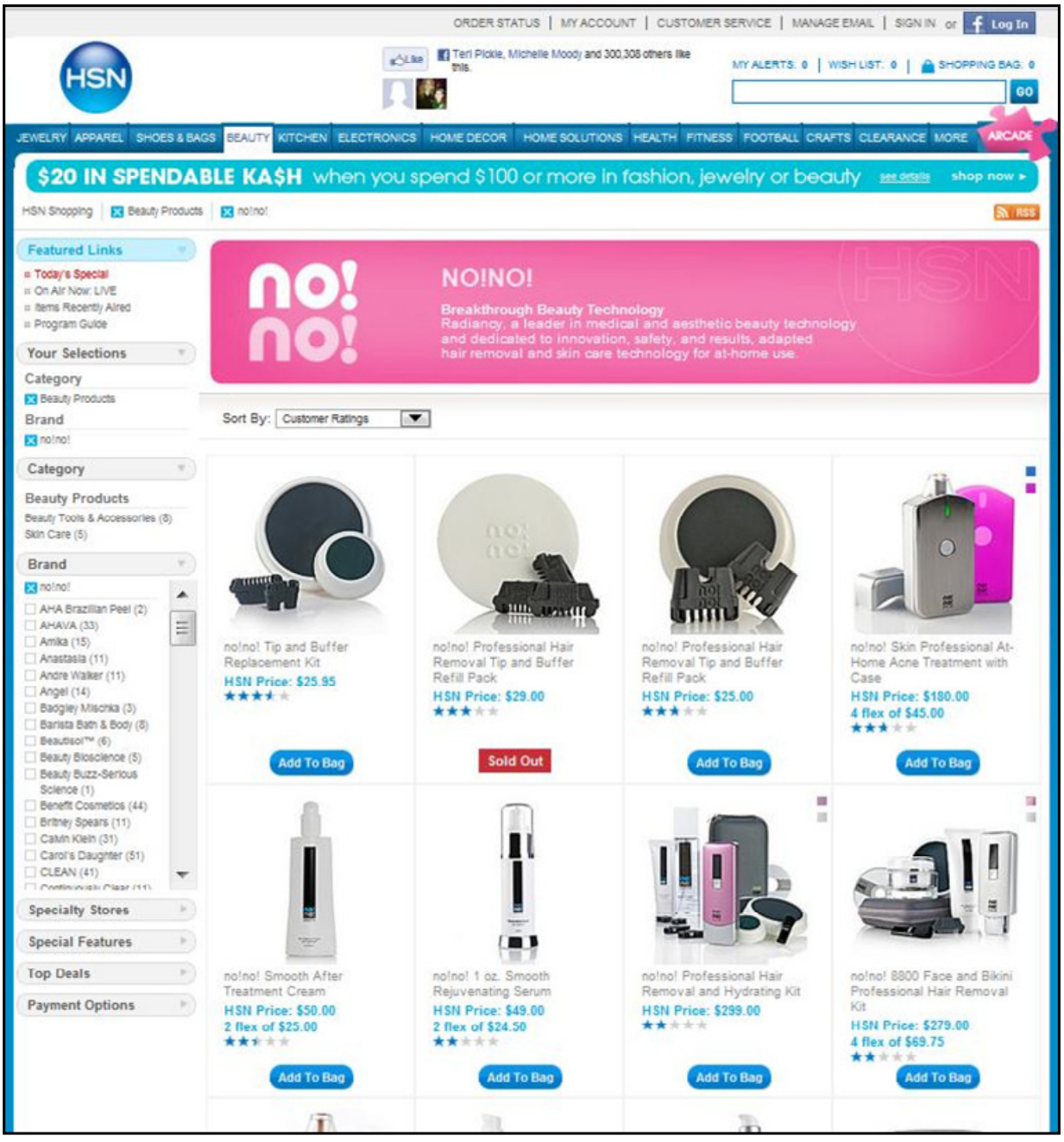
Source: PhotoMedex, Inc.

In addition, the no!no! has been showcased during a number of popular television shows, including the TODAY national morning show broadcast, the *Dr. Oz Show*, *The View*, *The Rachael Ray Show*, as well as on ABC, Fox, and CW affiliate programs, among others. The no!no! has also been featured across a host of online forums, including AOL Shopping, *Independent Woman*, AOL's Stylelist, Brides.com, *The Telegraph*, *The Guardian*, FabSugar, Glo.msn.com, Shine.yahoo.com, NYTimes.com, Glam.com, Glamourmagazine.com, Radaronline.com, as well as on various blogs and on YouTube, among other sites.

In February 2011, HSN profiled no!no! products as "Today's Special," which led to the sale of approximately 27,000 devices at $250 each (for nearly $7 million in sales) in a single day (Source: *Electronic Retailer*, July 2011). Figure 31 illustrates the home shopping page for the no!no! line on HSN's website, which sells both the devices and the replacement/refill parts (Source: http://beauty.hsn.com, February 23, 2012).

Figure 31

NO!NO! PRODUCTS FOR SALE THROUGH HSN



Source: HSN.com.

Competition

The markets in which PhotoMedex participates are highly competitive. Certain of the Company's competitors are larger with substantially more resources. However, PhotoMedex's recent merger with Radiancy positions it to compete against a wide variety of peers, whether consumer-based companies of similar size or other companies competing in the aesthetics/physician channel. As it pertains to the aesthetic device market, this arena is complex and highly competitive—both for home use and treatment in a physician's office. Over the past several decades, the aesthetics technology market has changed considerably due to technological innovation and discoveries. PhotoMedex is exposed to competition from small, closely held, specialized aesthetic device companies, such as Dezac Group, Home Skinovations Ltd., TRIA Beauty, Inc., and LumaTherm Inc. Several public companies, such as Syneron Medical Ltd. (ELOS-NASDAQ), Palomar Medical Technologies Inc. (PMTI-NASDAQ), and Solta Medical, Inc. (SLTM-NASDAQ), are either looking to market or are already marketing consumer aesthetics products.

PhotoMedex's no!no! products are energy based. As such, energy-based aesthetic products may face competition from non-energy-based medical products, such as Botox, an injectable compound used to reduce wrinkles, and collagen injections. Other alternatives to these products include electrolysis, a procedure involving the application of electric current to eliminate hair follicles, and chemical peels.

PhotoMedex believes that a significant barrier to entry into its respective market is the cost basis of the product, since its products are proprietary. From a marketing standpoint, if competitors are developing a product that may compete with no!no!, they then become tasked with the challenge of building the marketing for that product. PhotoMedex invests roughly $1.2 million per week in marketing and advertising. Furthermore, the Company's comprehensive intellectual property position may serve as a deterrent to companies (as described on page 9).

PhotoMedex may also compete with pharmaceutical compounds and methodologies used to treat an array of skin conditions addressed by the Company's professional products. Such alternative treatments may be in the form of topical products, systemic medications, and phototherapies from both large pharmaceutical and smaller laser companies. Currently, PhotoMedex's XTRAC system is believed to be a competitive therapy to alternative treatments on the basis of its recognized clinical effect, cost-effectiveness, and reimbursement. Potential competition for PhotoMedex in this category could come from Biogen Idec Inc. (BIIB-NASDAQ), Centocor, Inc. (a Johnson & Johnson company), and Abbott Laboratories (ABT-NYSE), which are engaged in R&D and commercialization of treatments in these areas. In some cases, these companies have already received FDA approval or commenced clinical trials for such treatments.

A selection of PhotoMedex's potential competitors is provided on pages 42-44. This is not an exhaustive summation of competitors but is believed to be representative of the type of competition that the Company may face as it continues to commercialize its products and technologies. Information regarding other companies has been prepared from publicly available information and has not been independently verified by PhotoMedex or Crystal Research Associates.

Dezac Group
www.riobeauty.co.uk

UK-based Dezac Group manufactures a variety of personal care products. The company's advanced home-use systems are produced under the Rio Beauty brand name and are currently available throughout the UK and Europe in a variety of retail stores, via the QVC home shopping network, and are also sold in selected countries outside Europe. Specifically, for hair removal, the Company markets the IPL Professional Hair Remover (£408.49) and IPL Hair Remover (£350.00). As well, the company provides hair removal products for waxing, electrolysis, threading, and microdermabrasion. Denzac is closely held.

Home Skinovations Ltd.
www.silkn.com

Israeli-based Home Skinovations Ltd. develops, manufactures, and markets medical aesthetic home-use devices for the consumer market. Its products include Silk'n and Silk'n SensEpil, which are home-use hair removal devices. Home Skinovations' first patent pertaining to its core Home Pulsed Light technology (HPL) was granted in March 2008. HPL technology can address a range of applications, including hair removal, acne reduction, and skin rejuvenation. As part of the company's Silk'n family, Home Skinovations markets Silk'n SensEpil (pronounced sense-appeal), a next-generation OTC device for permanent hair removal. Silk'n SensEpil provides additional safety and comfort versus the originally marketed Silk'n product. Importantly, Silk'n SensEpil can determine if an individual is a suitable candidate and will not pulse if the skin is too dark to achieve success. The sensor uses skin contact to activate a pulse (rather than pressure), which provides for faster treatment and with less pressure to trigger each pulse. Silk'n SensEpil is priced at $499 and is currently being sold through Sephora, Saks Inc. (SKS-NYSE), and other retailers. It is available at Costco Wholesale Corp. (COST-NASDAQ) under the BellaLite name. It can also be purchased via the company's website and other online venues. Home Skinovations is currently in the process of introducing two new home-use systems: Silk'n Reju (called FaceFX in the U.S. and Canada) and Silk'n Clear. Silk'n Reju is a red light and thermal energy-based system using the company's proprietary Home Fractional™ technology designed for skin rejuvenation; and FaceFX is a blue light Home Fractional device that creates a thermal heating effect to kill acne-causing bacteria. Both are CE marked for European sale and are being rolled out in Canada, Asia, and other regions. As of mid-2011, over 150,000 Home Skinovations devices were in use in more than two dozen countries. Home Skinovations was founded in 2006 and is closely held.

Koninklijke Philips Electronics N.V. (PHG-NYSE)

Global consumer electronics leader Philips launched RéAura in mid-2011 as a home-use skin rejuvenation device. RéAura employs an intelligent optical tracking system that allows the device to glide over the surface of the skin for ease of use. It shines thousands of micro-fine laser beams through the upper surface of the skin to stimulate the natural cell renewal process in the dermis. New skin cells are created, replacing old cells and pigmentation. The product employs a lower light intensity than is used in professional treatments but that permits users to treat their skin more often and more conveniently, thereby targeting at-home use on the face, neck, chest, forearms, and hands. RéAura is being launched at approximately 24 UK SpaceNK locations at a retail price of £799 ($1,300), which includes the device and ancillary services.

LumaTherm Inc.
www.myzeno.com

Austin, Texas-based LumaTherm Inc., the maker of Zeno, was founded in 2002 to market a device for at-home acne treatment. To its knowledge, Zeno was the first home-use medical device to be FDA cleared to treat acne. The product employs proprietary ClearPoint technology to kill acne-causing bacteria. It does this by delivering precisely controlled heat of up to 118.5° from a replaceable treatment tip. In one clinical trial, 90% of pimples treated with the device demonstrated improvement or resolution within 24 hours. Most Zeno devices are primarily designed for treatment, not prevention. Launched in 2005, Zeno was initially sold exclusively through dermatologists' offices and med spas. The company has introduced new variations. These two new disposable products include ZENO HOT SPOT, an 80-use device that uses heat to reduce 90% of blemishes within 24 hours, and ZENO HEAT TREAT, an unlimited-use device designed to prevent blemishes. The Company also has the ZENO LINE REWIND, an anti-aging

system that attacks lines and wrinkles with heat, vibration, and red light technology. LumaTherm has broad chain-wide distribution throughout CVS Caremark Corporation (CVS-NYSE); Target Corporation (TGT-NYSE); Wal-Mart Stores, Inc. (WMT-NYSE); Rite Aid Corporation (RAD-NYSE); Duane Reade Inc. (owned by the Walgreen Co. [WAG-NYSE]); the Bartell Drug Co.; Meijer, Inc.; Ulta Salon, Cosmetics & Fragrance, Inc. (ULTA-NASDAQ); Amazon.com; Drugstore.com; Beauty.com; and Skinstore.com. As well, LumaTherm runs a variety of promotions with retailers, including advertising in their circulars, in-store ads, in-store demonstrations, and co-operative print advertising. Television commercials are also run in selected areas.

Pacific Biosciences Laboratories (acquired by L'Oréal USA in December 2011)
www.clarisonic.com

Pacific Bioscience, which was acquired by L'Oréal USA in December 2011, offers the Clarisonic sonic skin cleansing system. Founded by creators of the Sonicare toothbrush, the Clarisonic oscillates at a frequency of more than 300 movements per second and provides deep cleansing along with skin stimulation to enhance the absorption of topical products into the skin. Currently available products include the Clarisonic Classic®, Clarisonic Mia®, Clarisonic PLUS and PRO®, and Clarisonic Opal™ Sonic Infusion System. The two-speed Clarisonic Classic is priced at $195 and has various brush heads (Normal, Sensitive, Delicate) priced at $25, cleansers (Refreshing, Gentle Hydro, Nourishing Care) priced at $25, and Peptide Renewal Serum priced at $75. It is available from a variety of retailers, including Nordstrom and Sephora. The Clarisonic Mia was introduced for $119 as a one-button, one-speed version of Clarisonic Classic and targeted toward women on the go. The Clarisonic Mia 2 is available for $149 and is the newest addition to the Mia family with two speeds, a one-minute pulsing T-Timer®, and a protective travel case for on-the-go sonic cleansing. The Clarisonic PLUS is available for $225 and features three speeds plus a spot therapy mode for cleansing areas requiring extra attention. The company's distribution network covers six diverse and interdependent channels: dermatologists and cosmetic surgeons, spas, prestige retail, e-tail, television shopping, and clarisonic.com. Pacific Biosciences has 300 employees and recently relocated to its new corporate headquarters and manufacturing facility in Redmond, Washington. Its products are currently sold throughout the U.S. as well as in the UK, Australia, Mexico, Canada, and Far East.

Palomar Medical Technologies, Inc. (PMTI-NASDAQ)
www.palovia.com

Burlington, Massachusetts-based Palomar Medical Technologies designs, produces, and sells cosmetic lasers and IPL systems to dramatically improve skin appearance. Its products provide laser hair removal, laser liposuction, skin resurfacing, acne and scar laser treatments, wrinkle treatment, stretch mark therapy, and photo facials for pigmented and vascular lesions. For more than a decade, Palomar has focused on expanding its platform of professional products and making this same laser technology available via the PaloVia® brand for consumers to use in the privacy and comfort of their own homes. According to the company, the PaloVia Skin Renewing Laser is the first FDA-cleared, at-home laser that is clinically proven to reduce fine lines and wrinkles around the eyes. The device received OTC clearance from the FDA in 2009. PaloVia is currently priced at $499 and is sold through physicians' offices and QVC as well as at a selection of high-end retail stores with a 60-day money back guarantee.

Solta Medical, Inc. (SLTM-NASDAQ)
www.solta.com

Hayward, California-based Solta Medical markets the Thermage System, a device to use monopolar capacitive radiofrequency (RF) energy to tighten and contour skin; Isolaz, a light-based system indicated for the treatment of inflammatory acne, comedonal acne, pustular acne, and mild-to-moderate inflammatory acne; and Fraxel, for skin resurfacing to rejuvenate aging and sun-damaged skin. The company's systems are non-invasive with minimal recovery time, which allows physicians to offer more compelling solutions to the rapidly growing anti-aging and anti-acne markets.

Syneron Medical Ltd. (ELOS-NASDAQ)
www.syneron.com

Israeli-based Syneron designs, develops, and markets aesthetic medical products based on proprietary technologies, including Electro-Optical Synergy (ELOS) technology. ELOS uses the synergy between electrical energy and optical energy to provide effective, safe, and affordable aesthetic medical treatments. These products are sold primarily to physicians and other qualified practitioners and target a wide array of non-invasive aesthetic medical procedures, including hair removal, wrinkle reduction, rejuvenation of the skin's appearance through the treatment of superficial benign vascular and pigmented lesions, acne treatment, treatment of leg veins, treatment for the temporary reduction in the appearance of cellulite and thigh circumference, and one minimally invasive product for laser-assisted lipolysis.

TRIA Beauty, Inc. (S-1 filed January 2012)
www.triabeauty.com

Dublin, California-based TRIA Beauty has clinically-studied, light-based aesthetic medical technologies for home use. The company's FDA-cleared medical devices are sold directly to consumers and have demonstrated results comparable to professional aesthetic treatments at a reduced cost. As well, they are believed to be safe, effective, and simple to use. The Hair Removal Laser, which is TRIA's lead product, is a diode laser device that provides permanent reduction in hair regrowth comparable to devices used in a physician's office. The product was cleared by the FDA in 2005 as a prescription device and in 2008 as an OTC device. TRIA's Skin Perfecting Blue Light product employs high-intensity blue light that inhibits acne-causing bacteria with anti-acne effectiveness thought to be comparable to professional light-based acne treatments. The Skin Perfecting Blue Light was cleared by the FDA in 2006 as a prescription device and in 2010 as an OTC device. TRIA markets its product through high-engagement media such as its own websites, infomercials, and home shopping television. As well, the company has a physical presence at premium retailers, such as Bloomingdale's, as well as in physicians' offices. TRIA announced on January 30, 2012, that it filed a registration statement on Form S-1 with the U.S. Securities and Exchange Commission (SEC) relating to a proposed initial public offering of shares of its Common Stock. The number of shares to be offered and the price range for the offering had not yet been determined. Please see pages 51-52 of the Risk section for information regarding legal action between TRIA and Radiancy.

Ultragen Ltd.

Tel Aviv, Israel-based Ultragen has a non-invasive skin treatment, which it asserts can erase wrinkles, tighten sagging skin, and add collagen back to the face via an RF skin renewal device. As the first product developed by Ultragen, this handheld device called STOP™ was launched to the French market in partnership with Logicom®. STOP, optimally used for 15 minutes twice a week, works by massaging the face and heating skin to produce new collagen. It is aimed primarily at the female market and claims clinical effect against aging skin on the face, neck, and hand area. Partner Logicom is responsible for overseeing retail distribution and building long-term business relationships for STOP. Sister company Pollogen Ltd developed TriPollar™ in 2006 and supplies professional solutions to medical and aesthetic clinics in over 50 countries. Pollogen and Ultragen were established by Dr. Zion Azar and Mr. Pini Shalev, who bring more than 15 years of industry experience to the ventures. The individuals previously founded and served at Radiancy until 2005 as well as at PerfAction™, key participants in the global professional aesthetics market, and were instrumental in the introduction of LHE systems to the medical aesthetics market more than a decade ago. Ultragen is closely held.

Historical Financial Results

Figures 32, 33, and 34 provide a summary of PhotoMedex's key historical financial statements: its Consolidated Statements of Operations, Balance Sheets, and Statements of Cash Flows.

Figure 32
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(ooo's) except per share amounts	Three Months Ended Dec. 31, 2011*	Three Months Ended Dec. 31, 2010**	Year Ended Dec. 31, 2011*	Year Ended Dec. 31, 2010**
Revenues	$ 28,749	$ 22,889	$ 132,082	$ 70,071
Cost of Revenues	6,242	3,479	26,296	16,465
Gross profit	$ 22,507	$ 19,410	$ 105,786	$ 53,606
Operating expenses:				
Selling, general, and administrative	25,593	15,539	107,376	34,596
Research and development and engineering	357	270	1,057	839
	25,950	15,809	108,433	35,435
Operating Income (Loss) refinancing charge and interest expense, net	(3,443)	3,601	(2,647)	18,171
Interest (expense), net	(24)	—	(24)	—
Other income (expense)	(146)	9	(44)	(283)
Income (loss) before taxes	(3,613)	3,610	(2,715)	17,888
Income tax expense (benefit)	(629)	681	(2,022)	6,287
Net income (loss)	[1] $ (2,984)	$ 2,929	[1] $ (693)	$ 11,601
Net income (loss) per share:				
Basic	$ (0.22)	$ 0.29	$ (0.06)	$ 1.13
Diluted	$ (0.22)	$ 0.25	$ (0.06)	$ 0.99
Shares used in computing net income (loss) per share:				
Basic	13,614	10,256	11,628	10,256
Diluted	13,614	11,725	11,628	11,725
[1] Includes: depreciation and amortization	316	94	590	388
Includes merger-related expense	1,010	—	2,110	—
Share-based compensation expense	5,201	68	34,001	392

*PhotoMedex, Inc. merged with Radiancy, Inc. in a reverse acquisition on December 13, 2011. Therefore, the operating results of PhotoMedex for the three- and 12-month periods ended December 31, 2011, include activity from the pre-merged PhotoMedex from December 13, 2011, through December 31, 2011.

**As a result of purchase accounting rules, the operating results of the pre-merged PhotoMedex for the three- and 12-month periods ended December 31, 2010, are not included in the above consolidated statements of operations for the periods ended December 31, 2010.

Source: PhotoMedex, Inc.

Figure 33

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	Dec. 31, 2011	Dec. 31, 2010
Assets		
Cash and cash equivalents	$ 16,549	$ 7,581
Short-term deposits	—	14,500
Accounts receivable, net	12,393	6,980
Inventories	19,208	11,113
Property and equipment, net	5,324	759
Other assets	92,089	5,454
Total Assets	$ 145,563	$ 46,387
Liabilities and Stockholders' Equity		
Accounts payable and accrued liabilities	$ 26,900	$ 16,447
Other current liabilities	1,948	203
Bank and Lease Notes Payable	2,232	—
Other liabilities	2,405	837
Stockholders' equity	112,078	28,900
Total Liabilities and Stockholders' Equity	$ 145,563	$ 46,387

Source: PhotoMedex, Inc.

Figure 34
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the year ended December 31, 2011*	2010**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (694)	$ 11,601
Adjustments to reconcile net income (loss) to net cash provided by operating activities--		
Depreciation and amortization	590	388
Provision for doubtful accounts	2,595	1,509
Provision for sales returns	6,999	3,723
Stock-based compensation	21,637	392
Deferred income taxes	(5,751)	2,018
Other	—	96
Changes in assets and liabilities:		
(Increase) decrease in--		
Current assets	(7,769)	(13,622)
Current liabilities	(4,148)	7,762
Net cash provided by operating activities	13,459	13,867
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of short-term deposits	14,500	(14,500)
Lasers placed into service	15	—
Purchases of PP&E, net	(358)	(93)
Acquisition costs, net of cash received	(18,729)	—
Other	(81)	(122)
Net cash provided by (used in) investing activities	(4,653)	(14,715)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase of Company shares	(250)	—
Proceeds from exercise of Options	410	—
Repayment of stockholders' loan	—	(2,020)
Net cash provided by (used in) financing activities	160	(2,020)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	2	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,968	(2,868)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	7,581	10,449
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 16,549	$ 7,581

*PhotoMedex, Inc. merged with Radiancy, Inc. in a reverse acquisition on December 13, 2011. Therefore, the operating results of PhotoMedex for the year ended December 31, 2011, include activity from the pre-merged PhotoMedex from December 13, 2011, through December 31, 2011.

**As a result of purchase accounting rules, the operating results of the pre-merged PhotoMedex for the year ended December 31, 2010, are not included in the above condensed statements of cash flows for the period ended December 31, 2010.

Source: PhotoMedex, Inc.

Risks

Some of the information in this Executive Informational Overview® (EIO) relates to future events or future business and financial performance. Such statements can only be predictions and the actual events or results may differ from those discussed due to the risks described in PhotoMedex's Securities and Exchange Commission (SEC) statements on Forms 10-K, 10-Q, and 8-K, as well as other forms filed from time to time. The content of this report with respect to PhotoMedex has been compiled primarily from information available to the public released by PhotoMedex through news releases, Annual Reports, and SEC filings. PhotoMedex is solely responsible for the accuracy of this information. Information as to other companies has been prepared from publicly available information and has not been independently verified by PhotoMedex. Certain summaries of activities have been condensed to aid the reader in gaining a general understanding. For more complete information about PhotoMedex, please refer to the Company's website at www.photomedex.com and/or its most recent SEC filings.

Investors should carefully consider the risks and information about PhotoMedex's business described below. Investors should not interpret the order in which these considerations are presented as an indication of their relative importance. The risks and uncertainties described below are not the only risks that the Company faces. Additional risks and uncertainties not presently known to PhotoMedex or that PhotoMedex currently believes to be immaterial may also adversely affect its business. As well, the Company's Form S-3 filed on December 23, 2011, with the SEC presents a more detailed summary of PhotoMedex's Risk Factors for investors to take into account. If any of the risks and uncertainties described below or described in the Company's SEC filings develops into actual events, the business, financial condition, and results of operations could be materially and adversely affected, and the trading price of the Company's shares could decline.

PhotoMedex has a history of losses and cannot ensure that it will become or remain profitable.

Historically, PhotoMedex has incurred significant losses and has had negative cash flows from operations. To date, PhotoMedex has dedicated most of its financial resources to selling, general, and administrative expenses. As of December 31, 2010, and September 30, 2011, PhotoMedex's accumulated deficit was approximately $124,564,000 and $134,900,000, respectively. There can be no assurance that PhotoMedex will be able to maintain adequate liquidity to allow it to continue to operate its business or prevent the possible impairment of its assets. No assurance can be made that the Company will market any products successfully, operate profitably in the future, or that it will not require significant additional financing in order to accomplish its business plan. Any failure to achieve and maintain profitability would continue to have an adverse effect on PhotoMedex's stockholders' equity and working capital and could result in a decline in PhotoMedex's stock price or cause PhotoMedex to cease operations.

To maintain and expand its business, PhotoMedex may need additional financing and such financing may not be available on favorable terms, if at all.

PhotoMedex has historically financed its activities through working capital provided from operations, the private placement of equity and debt securities, and from lines of credit. PhotoMedex believes that its cash balance and other existing financial resources, and revenues from sales, distribution, licensing, and manufacturing relationships, should be sufficient to meet its operating and capital requirements beyond the first quarter of 2013.

The markets for PhotoMedex's products are highly competitive and PhotoMedex may not be able to compete effectively against the larger, well-established companies that dominate this market or emerging, and small, innovative companies that may seek to obtain or increase their share of the market.

The markets for PhotoMedex's products are intensely competitive and many of the Company's competitors are much larger and have substantially more financial and human resources than PhotoMedex does. Many have long histories and strong reputations within the industry and a relatively small number of companies dominate these markets. PhotoMedex faces direct competition from large pharmaceutical companies, including Biogen, Inc., Centocor, Inc., and Abbott Laboratories, which are engaged in the research, development, and commercialization of treatments for psoriasis, atopic dermatitis, vitiligo, and leukoderma. In some cases, those companies have already received FDA approval or commenced clinical trials for such treatments. Many of these companies have significantly greater financial resources and expertise in research and development, manufacturing, conducting preclinical studies and clinical trials, and marketing than PhotoMedex does.

PhotoMedex is also exposed to competition from privately held small specialized aesthetic device companies, such as Dezac Group, Home Skinovation, Tria Beauty, and LumaTherm. Several publicly traded companies, including Syneron Medical Ltd., Palomar Medical Technologies Inc., and Solta Medical, Inc., are either looking to market or are already marketing consumer products. Other alternatives to the Company's products include electrolysis, a procedure involving the application of electric current to eliminate hair follicles, and chemical peels. In addition, PhotoMedex may also face competition from manufacturers of pharmaceutical and other products that have not yet been developed. Profiles of a selection of potential competitors to PhotoMedex are provided on pages 41-44.

PhotoMedex's success may be dependent on intellectual property rights held by the Company and its business may be adversely affected by direct competition if PhotoMedex is unable to protect these rights both domestically and internationally.

PhotoMedex's success may depend, in part, on its ability to maintain and defend its patents. However, PhotoMedex cannot guarantee that the patents covering certain of its technologies and processes will not be contested, found to be invalid or unenforceable, or would not be able to be circumvented. Also, as PhotoMedex's patents expire, competitors may utilize the technology found in such patents to commercialize their own products. Moreover, while PhotoMedex seeks to secure additional patents on commercially desirable improvements, there can be no assurance that PhotoMedex will be successful in securing such patents, or that such additional patents will adequately offset the effect of expiring patents. Further, pending patent applications are not enforceable.

Trade secrets and other proprietary information that is not protected by patents are also critical to PhotoMedex's business. PhotoMedex attempts to protect its trade secrets by, among other steps, entering into confidentiality agreements with third parties, employees, and consultants. However, such other steps may be ineffective and these agreements can be breached. Even if PhotoMedex is able to prove the breach or that its technology has been misappropriated under applicable state law, there may not be an adequate remedy available to PhotoMedex. In addition, costly and time-consuming litigation may be necessary to enforce and determine the scope of PhotoMedex's proprietary rights. Should PhotoMedex prevail in such litigation, the party over which PhotoMedex prevails may have insufficient resources available to satisfy a judgment.

PhotoMedex's success may depend, in part, on its ability to continue to use certain software in its products and business. This software may have been created by contractors to PhotoMedex or may include third-party software, such as open-source software. There is a possibility that claims will be made that this software infringes the copyright and/or trade secret rights of one or more third parties and that such claims may affect PhotoMedex's right to use the software. Furthermore, PhotoMedex's skin care business seeks to establish customer loyalty, in part, by means of PhotoMedex's use of trademarks. It can be difficult and costly to defend trademarks from encroachment, especially on the Internet, or misappropriation overseas. Third parties may also challenge the validity of PhotoMedex's trademarks. In either possibility, PhotoMedex's customers may become confused and direct their purchases to competitors. Third parties may independently discover trade secrets and proprietary information that allow them to develop technologies and products that are substantially equivalent or superior to PhotoMedex's own. Without the protection afforded by PhotoMedex's patent, trade secret, and proprietary information rights, PhotoMedex may face direct competition from others commercializing their products using its own technology, which may have a material adverse effect on PhotoMedex's business and its prospects.

From an international perspective, intellectual property law outside of the U.S. is uncertain to PhotoMedex. The laws of some countries may not protect PhotoMedex's intellectual property rights to the same extent as laws in the U.S. The intellectual property rights PhotoMedex enjoys in one country or jurisdiction may be rejected in other countries or jurisdictions, or if recognized there, the rights may be significantly diluted. It may be necessary or useful for PhotoMedex to participate in proceedings to determine the validity of its foreign intellectual property rights, or those of its competitors, which could result in substantial cost and divert its resources, efforts, and attention from other aspects of its business.

Any failure in PhotoMedex's customer education efforts could significantly reduce product marketing.

Important to the success of PhotoMedex's marketing efforts is its ability to educate physicians and technicians on how to properly use its technology. PhotoMedex relies on physicians to spend their time and money to attend its pre-sale educational sessions. If physicians and technicians use its systems improperly, they may have unsatisfactory patient outcomes or cause patient injury, which may give rise to negative publicity or lawsuits against PhotoMedex—any of which could have a material adverse effect on reputation, revenues, and profitability.

The international nature of PhotoMedex's business exposes the Company to certain business risks that could limit the effectiveness of its growth strategy and cause PhotoMedex's results of operations to suffer.

Continued expansion into international markets is an element of PhotoMedex's growth strategy. Introducing and marketing PhotoMedex's services internationally, developing direct and indirect international sales and support channels, and managing foreign personnel and operations will require significant management attention and financial resources. PhotoMedex faces a number of risks associated with expanding its business internationally that could negatively impact results of operations. PhotoMedex may not succeed in its efforts to expand its international presence as a result of the factors described above or other factors that may have an adverse impact on overall financial condition and results of operations.

PhotoMedex may encounter difficulties manufacturing its products in commercial quantities, which could adversely impact the rate at which the Company grows.

PhotoMedex may encounter difficulties manufacturing its products because it has limited experience in doing so in significant commercial quantities and because the Company will, in order to increase its manufacturing output significantly, have to attract and retain qualified employees for assembly and testing operations. Although PhotoMedex believes that its current manufacturing facilities are adequate to support its commercial manufacturing activities for the foreseeable future, PhotoMedex may be required to expand or restructure its manufacturing facilities to increase capacity substantially. If PhotoMedex is unable to provide customers with high-quality products in a timely manner, it may not be able to achieve market acceptance for its products. PhotoMedex's inability to manufacture or commercialize its devices successfully could have a material adverse effect on revenue.

PhotoMedex's products may be found defective, its advertising labeled as false and misleading, or physicians and technicians may misuse products. Damages imposed on PhotoMedex may exceed the Company's insurance coverage, or PhotoMedex may be subject to claims that are not covered by insurance.

Product returns and the potential need to remedy defects or provide replacement products or parts for items shipped in volume could result in substantial costs and have a material adverse effect on PhotoMedex's business and results of operations. The clinical testing, manufacturing, marketing, and use of PhotoMedex's products and procedures may also expose the Company to product liability or other claims. Certain indications for use for PhotoMedex's PTL light-based devices, though approved outside the U.S., are not approved in the U.S. If a physician elects to apply an off-label use and the use leads to injury, PhotoMedex may be involved in costly litigation. In addition, the fact that PhotoMedex trains technicians whom it does not supervise in the use of its systems during patient treatment may expose PhotoMedex to third-party claims if those doing the training are accused of providing inadequate training. PhotoMedex presently maintains liability insurance with coverage limits of at least $5,000,000 per occurrence. However, continuing insurance coverage may not be available at an acceptable cost, if at all. PhotoMedex may not be able to obtain insurance coverage that will be adequate to satisfy a liability that may arise. Regardless of merit or eventual outcome, product liability or false advertising

claims may result in decreased demand for a product, injury to its reputation, withdrawal of clinical trial volunteers, and loss of revenues. As a result, regardless of whether PhotoMedex is insured, a product liability claim or product recall may result in losses that could have a material adverse effect upon the Company's business, financial condition, and results of operations.

The Company may be subject to litigation that will be costly to defend or pursue and uncertain in its outcome.

PhotoMedex's business may bring it into conflict with its licensees, licensors, or others with whom it has contractual or other business relationships, or with competitors or others whose interests differ from the Company's. If PhotoMedex is unable to resolve those conflicts on terms that are satisfactory to all parties, it may become involved in litigation brought by or against it. Such litigation is likely to be costly and may require a significant amount of management's time and attention at the expense of other aspects of the business. The outcome of litigation is always uncertain, and in some cases could include judgments against it that require the Company to pay damages, enjoin it from certain activities, or otherwise affect its legal or contractual rights—which could have a significant adverse effect on its business. PhotoMedex cannot predict what the outcome will be in any ongoing or threatened litigations, and any adverse results in any such litigations may also materially and negatively impact its business, the market price of the Company's Common Stock, cash flow, prospects, revenues, profitability, capital expenditures, or other material adverse effects on its business, reputation, results of operations, financial condition, or liquidity.

From time to time, PhotoMedex is also threatened with individual and class action litigations involving its business, products, ads, packaging, labeling, consumer claims, contracts, agreements, intellectual property, FDA matters, licenses, and other areas involving the Company. The outcome or effect on PhotoMedex or its business, the market price of its Common Stock, cash flows, prospects, revenues, profitability, capital expenditures, reputation, demand for its products, results of operations, financial condition, or liquidity of any future litigation cannot be predicted by PhotoMedex. While the Company maintains insurance for certain risks, the amount of its insurance coverage may not be adequate to cover the total amount of all insured claims and liabilities. It also is not possible to obtain insurance against all potential risks and liabilities. If any litigation were to have a material adverse result, there could be a material impact on results of operations, cash flows, or financial position.

The Company is currently party to the following litigations:

On November 5, 2010, TRIA Beauty, Inc. filed a complaint against Radiancy (now a part of PhotoMedex) in the U.S. District Court for the Northern District of California. An amended complaint was filed on July 22, 2011. In the amended complaint, TRIA alleges that Radiancy is liable for false advertising and trademark infringement under the Lanham Act and related California state law causes of action with respect to certain of Radiancy's advertising claims for its at-home hair removal and acne treatment products and its alleged use of TRIA's registered trademarks in paid internet searches. TRIA's complaint seeks damages in an unspecified amount, costs, attorney's fees, corrective advertising, as well as preliminary and permanent injunctive relief. On December 15, 2010, Radiancy answered TRIA's complaints and filed counterclaims based on TRIA's false and misleading advertising for its TRIA Hair and TRIA Acne products. On January 6, 2011, Radiancy filed a complaint against TRIA in the Supreme Court of the State of New York for unfair competition; tortuous interference with contractual relations; and misappropriation and exploitation of Radiancy's confidential and proprietary information.

From time to time, Radiancy is also threatened with individual and class action litigations involving its business, products, advertisements, packaging, labeling, consumer claims, contracts, agreements, intellectual property, or FDA matters, licenses, and other areas involving it and its business. The outcome or effect on the Company or its business, the market price of its Common Stock, cash flows, prospects, revenues, profitability, capital expenditures, reputation, demand for products, results of operations, financial condition, or liquidity of any future litigation cannot be predicted.

On November 16, 2011, Radiancy had received a demand letter from Milstein Adelman LLP. (the "Milstein Letter"). The Milstein Letter alleges that Radiancy has violated and continues to violate provisions of the California Consumer Legal Remedies Act, California Civil Code section 1750 with respect to its marketing and advertising of the no!no! Hair Removal System. The Milstein Letter further alleges that Radiancy's conduct violates California's Unfair Competition Law, False Advertising Law, and Health and Safety Code and requests restitution for a purported Class of consumers. Additionally, on November 21, 2011, the Company received a second demand letter of a similar nature from another law firm. While it is not feasible to predict the timing of any formal legal proceedings or the outcome thereof, which outcome may not be able to be determined for a prolonged period of time, the Company intends to vigorously defend any and all threatened or actual legal, regulatory and other actions and claims that may be filed, including with respect to both letters.

In November 2011, Radiancy filed a lawsuit against Kim Kardashian, claiming that she made false and misleading statements during various media appearances and on her Twitter account while serving as a spokesperson for TRIA (also named in the complaint) that damaged Radiancy's business. Among other complaints, Radiancy listed that Kardashian claimed that she uses the TRIA product "on [her] entire body" in a media appearance, even though TRIA's hair removal laser has not received FDA clearance for use on the face, head, or neck, among other areas. Radiancy has requested for TRIA and Kardashian to cease the allegedly false claims and is seeking unspecified damages (Source: Reuters' press release *Kim Kardashian Sued Over Hair-Removal Endorsement*, November 14, 2011).

PhotoMedex depends on its executive officers and key personnel to implement its business strategy and could be harmed by the loss of their services.

PhotoMedex believes that its growth and future success will depend in large part upon the skills of its management and technical team. In particular, PhotoMedex's success depends in part upon the continued service and performance of Dr. Dolev Rafaeli and Dennis M. McGrath. PhotoMedex has fixed-term employment agreements with Dr. Rafaeli and Mr. McGrath; however, there are no assurances that the services of these individuals will be available to PhotoMedex for any specified period of time. The loss of the services of one or both of these officers could adversely affect PhotoMedex's ability to develop and introduce its new products. The competition for qualified personnel in the laser and skin care industries is intense, and PhotoMedex cannot assure investors that it will be able to retain its existing key personnel or to attract additional qualified personnel. In addition, PhotoMedex does not have key-person life insurance on any of its employees. The loss of PhotoMedex's key personnel or an inability to continue to attract, retain, and motivate key personnel could adversely affect the Company's business.

The Company's operations may be disrupted by the obligation of its personnel to perform military service.

A selection of the Company's employees in Israel are obligated to perform annual military reserve duty in the Israeli Defense Forces and may be called to active duty under emergency circumstances at any time. If a military conflict or war arises, these individuals could be required to serve in the military for extended periods of time. PhotoMedex's operations could be disrupted by the absence for a significant period of one or more of its executive officers or a significant number of its other employees due to reserve duty.

Following the recent acquisition of Radiancy, PhotoMedex's business now also depends on its no! no! brand, and if the Company is not able to maintain and enhance its brand, its business and operating results may be harmed.

Maintaining and enhancing the no!no! brand is critical to maintaining PhotoMedex's competitive advantage. As the Company continues to grow in size, expand its products, and extend its geographic reach, the control over the marketing messages and the premium presentation of its products might be affected, and its brand value might be damaged.

The Company's marketing campaigns and advertising may be attacked as false and misleading, and its media spending might not result in increased net sales or generate the levels of product and brand name awareness desired. The Company might not be able to increase its net sales at the same rate as it increases its advertising and marketing expenditures.

The Company periodically updates the content of its infomercials and revises its product offerings. If customers are not as receptive to new infomercial content or product offerings, its sales through its infomercial sales channel will decline. In addition, if there is a marked increase in the price the Company pays for its media time, the cost-effectiveness of its infomercials will decrease. If the infomercials are broadcast during times when viewership is low, this could also result in a decrease of the cost-effectiveness of such broadcasts, which could cause its results of operations to suffer. Also, to the extent the Company has committed in advance for broadcast time for its infomercials, it would have fewer resources available for potentially more effective distribution channels.

The Company is exposed to risks associated with credit card and payment fraud and with credit card processing, which could cause a loss of revenue.

A significant part of the Company's sales are processed through credit cards or automated payment systems to pay for its products and services. The Company has suffered losses, and may continue to suffer losses, as a result of orders placed with fraudulent credit cards or other fraudulent payment data. For example, under current credit card practices, the Company may be liable for fraudulent credit card transactions if it does not obtain a cardholder's signature, a frequent practice in internet sales. The Company employs technology solutions to help detect fraudulent transactions. However, the failure to detect or control payment fraud could cause the Company to lose sales and revenue.

Any significant interruptions in the operations of its third-party call centers could cause the Company to lose sales and disrupt its ability to process orders and deliver its solutions in a timely manner.

The Company relies on third-party call centers to sell its products, respond to customer service, and technical support requests and process orders. Any significant interruption in the operation of these facilities, including an interruption caused by its failure to successfully expand or upgrade its systems or to manage these expansions or upgrades, could reduce its ability to receive and process orders and provide products and services, which could result in lost and cancelled sales and damage to the Company's brand and reputation. As the combined company grows, it will need more capacity from those existing call centers, or will need to identify and contract with new call centers. The Company may not be able to continue to locate and contract for call center capacity on favorable terms, or at all. Additionally, the rates those call centers charge may increase, or those call centers may not continue to provide service at the current levels. If third-party call center operators do not convert inquiries into sales at expected rates, its ability to generate revenue could be impaired. Training and retaining qualified call center operators is challenging, and if the Company does not adequately train its third party call center operators, they will not convert inquiries into sales at an acceptable rate.

PhotoMedex must monitor and protect its internet domain names to preserve their value. The Company may be unable to prevent third parties from acquiring domain names that are similar to, infringe on, or otherwise decrease the value of its trademarks.

Third parties may acquire substantially similar domain names that decrease the value of the Company's domain names and trademarks and other proprietary rights which may hurt its business. Moreover, the regulation of domain names in the United States and foreign countries is subject to change. Governing bodies could appoint additional domain name registrars or modify the requirements for holding domain names. Governing bodies could also establish additional "top-level" domains, which are the portion of the Web address that appears to the right of the "dot," such as "com," "gov," or "org." As a result, Radiancy may not maintain exclusive rights to all potentially relevant domain names in the U.S. or in other countries in which it conducts business, which could harm its business or reputation.

If the effectiveness and safety of PhotoMedex's products are not supported by long-term data, PhotoMedex's revenues could decline.

PhotoMedex's products may not be accepted in the market if the Company does not produce clinical data supported by the independent efforts of clinicians. PhotoMedex received clearance from the FDA for the use of the XTRAC system to treat psoriasis based upon a study of a limited number of patients. Safety and efficacy data presented to the FDA for the XTRAC system was based on studies on these patients. For the treatment of vitiligo, atopic dermatitis, and leukoderma, PhotoMedex has received clearance from the FDA for the use of the XTRAC system based primarily on a showing of substantial equivalence to other previously cleared predicate devices. However, PhotoMedex may discover that physicians will expect clinical data on such treatments with the XTRAC system. PhotoMedex also may find that data from longer-term psoriasis patient follow-up studies may be inconsistent with those indicated by PhotoMedex's relatively short-term data. If longer-term patient studies or clinical experience indicate that treatment with the XTRAC system does not provide patients with sustained benefits or that treatment with PhotoMedex's product is less effective or less safe than PhotoMedex's current data suggests, the Company's revenues could decline. PhotoMedex can give no assurance that its data will be substantiated in studies involving more patients. In such a case, PhotoMedex may never achieve significant revenues or profitability.

If PhotoMedex is found to be promoting the use of its products for unapproved or "off-label" uses or engaging in other noncompliant activities, PhotoMedex may be subject to recalls, fines, penalties, injunctions, prosecution, or other adverse actions, resulting in damage to its reputation and business.

PhotoMedex's labeling, advertising, promotional materials, and user training materials must comply with the FDA and other applicable laws and regulations, including the prohibition of the promotion of a medical device for a use that has not been cleared or approved by the FDA. Use of a device outside its cleared or approved indications is known as "off-label" use. If the FDA determines that PhotoMedex's labeling, advertising, promotional materials, or user training materials include the promotion of an off-label use for the device, the agency could take the position that these materials have misbranded PhotoMedex's devices and request that PhotoMedex modifies its labeling, advertising, or user training or promotional materials and/or subject PhotoMedex to regulatory or legal enforcement actions, including the issuance of an Untitled Letter or a Warning Letter, injunction, seizure, recall, civil penalties, criminal penalties, or other adverse actions. It is also possible that other federal, state, or foreign enforcement authorities might take action if they consider PhotoMedex's labeling, advertising, promotional, or user training materials to constitute promotion of an unapproved use, which could result in significant fines, penalties, or other adverse actions under other statutory authorities, such as laws prohibiting false claims for reimbursement. In that event, PhotoMedex's reputation could be damaged and adoption of the products would be impaired. Although PhotoMedex intends to refrain from statements that could be considered off-label promotion of its products, the FDA or another regulatory agency could disagree and conclude that PhotoMedex has engaged in off-label promotion. In addition, the off-label use of PhotoMedex's products may increase the risk of injury to patients, and, in turn, the risk of product liability claims. Product liability claims are costly to defend and could divert PhotoMedex's management's attention and result in substantial damage awards against PhotoMedex.

PhotoMedex's stock price has been and continues to be volatile.

The market price for PhotoMedex's Common Stock could fluctuate due to a variety of factors. In addition, the stock markets have, in recent years, experienced significant price fluctuations. These fluctuations often have been unrelated to the operating performance of the specific companies whose stock is traded. Market fluctuations, as well as economic conditions, have adversely affected, and may continue to adversely affect, the market price of PhotoMedex's Common Stock.

Shares eligible for future sale by PhotoMedex's current or future stockholders may cause PhotoMedex's stock price to decline.

If PhotoMedex's stockholders or holder of PhotoMedex's other securities sell substantial amounts of PhotoMedex's Common Stock in the public market, including shares issues in completed acquisitions or upon the exercise of outstanding Options and Warrants, then the market price of PhotoMedex's Common Stock could fall.

PhotoMedex has not paid dividends in the past and does not expect to pay dividends in the future.

PhotoMedex has never declared or paid cash dividends on its capital stock. PhotoMedex currently intends to retain all future earnings for the operation and expansion of its business and, therefore, does not anticipate declaring or paying cash dividends in the foreseeable future. The payment of dividends will be at the discretion of PhotoMedex's Board of Directors and will depend on results of operations, capital requirements, financial condition, prospects, contractual arrangements, any limitations on payments of dividends present in any of PhotoMedex's future debt agreements, and other factors PhotoMedex's Board of Directors may deem relevant. If PhotoMedex does not pay dividends, a return on one's investment will only occur if PhotoMedex's stock price appreciates.

PhotoMedex's future capital needs could result in dilution of an individual's investment.

PhotoMedex's Board of Directors may determine from time to time that there is a need to obtain additional capital through the issuance of additional shares of PhotoMedex's Common Stock or other securities. These issuances would likely dilute the ownership interests of PhotoMedex's current investors and may dilute the net tangible book value per share of PhotoMedex's Common Stock. Investors in subsequent offerings may also have rights, preferences, and privileges senior to PhotoMedex's current stockholders, which may adversely impact PhotoMedex's current stockholders.

Recent Press Releases

12/16/2011—Daily Glow announced the winners of its inaugural awards program to acknowledge the top beauty products bringing innovation to the forefront of the industry. PhotoMedex's NEOVA®-branded DNA Damage Control SILC SHEER SPF 45 earned a Daily Glow Award in the Sunscreen with Superpowers category.

12/13/2011—PhotoMedex and Radiancy announced that their respective stockholders voted to approve the adoption of the Amended and Restated Agreement and Plan of Merger (the "Agreement"), dated as of October 31, 2011, among PhotoMedex, Radiancy, and PHMD Merger Sub, Inc. ("Merger Sub"), a wholly owned subsidiary of PhotoMedex. Pursuant to the Agreement, Merger Sub will merge with and into Radiancy, and Radiancy will become a majority-owned subsidiary of PhotoMedex. Approximately 99.98% of the PhotoMedex shares present at the Annual Meeting of Stockholders voted in favor of the adoption of the Agreement, which represented approximately 68% of PhotoMedex's total outstanding shares of Common Stock as of the November 7, 2011, record date. All other proposals presented at the Annual Meeting of Stockholders were also approved.

All of the Radiancy shares present at the Special Meeting of Stockholders voted in favor of the adoption of the Agreement, which represented approximately 80% of Radiancy's total outstanding shares of Common and Preferred Stock as of the November 7, 2011, record date.

11/29/2011—Issued a release detailing the XTRAC® Excimer Laser's effect at managing psoriasis, particularly during winter when flare-ups are known to occur. The Company offered fans of the XTRAC Facebook page a free sample of NEOVA Intense Brightening Complex, an illuminating formula that minimizes the appearance of localized discolorations, speeds the emergence of undamaged, healthy skin, and brightens without irritation. Fans who commented on the XTRAC Facebook wall with a tip on managing their psoriasis during the winter months also received a free sample and a 20% off coupon.

11/23/2011—Announced that the U.S. Securities and Exchange Commission (SEC) declared PhotoMedex's Registration Statement on Form S-4 relating to the previously announced proposed merger between PhotoMedex and Radiancy effective as of 10:00 a.m. on November 22, 2011.

10/24/2011—Offered a special co-pay reimbursement program to increase access to XTRAC psoriasis treatments for children, an underserved population of psoriasis patients. The offer was presented in recognition of World Psoriasis Day on October 29, 2011.

09/12/2011—Radiancy announced that it recently partnered with Lifvation Pte. Ltd. to distribute Radiancy's LHE® phototherapy systems throughout Singapore and Malaysia. Lifvation was expected to introduce LHE technology-based skin care systems with live workshops, product demonstrations, and the integration of LHE phototherapy into training schools and programs.

08/04/2011—Launched a co-pay reimbursement offer to assist the families of children who suffer from psoriasis. In honor of the National Psoriasis Awareness Month in August (and continuing through November), children who may not have been able to afford treatments can have their XTRAC Excimer Laser treatment co-pays covered by PhotoMedex. PhotoMedex also held an "Itching to Win" contest through August 14, 2011, in honor of National Psoriasis Awareness Month. Psoriasis patients can enter to win a full series of XTRAC treatments by submitting a 250-word essay and photo. Six winners nationwide were selected to receive the treatments from a local physician.

05/05/2011—PhotoMedex introduced DNA Damage Control, treatment sunscreens that feature advanced photo protection with DNA repair technology. Formulated by and marketed under the NEOVA brand, the DNA Damage Control sunscreens offer a repair and protect system that defends against photo damage by boosting the body's natural DNA repair process. The patent-pending formulas use liposomes to deliver DNA repair enzymes to the cellular level of the skin, hyper-targeting the site of the DNA injury. The new NEOVA DNA Damage Control Active SPF 43, DNA Damage Control Everyday SPF 45, and DNA Damage Control Sheer Tint SPF 45 sunscreens were made available through dispensing physicians and on www.NextDerm.com.

Glossary

510(k) Clearances—A 510(k) is also known as Premarket Notification (PMN), which is a regulatory pathway for the introduction of new medical devices. The 510(k) process allows the FDA to clear new medical devices based on the comparison to existing devices that have previously obtained clearance. The receipt of a 510(k) marketing clearance indicates that a manufacturer has permission to commercialize the device in the U.S.

Actinic Keratosis—A precancerous condition of flat, pink, scaly spots that grow on sun-damaged skin of older, fair-skinned people.

Aesthetic—Concerned with beauty or the appreciation of beauty.

Anthralin—A medication used for the treatment of long-term psoriasis. Anthralin is a man-made version of a natural substance found in goa powder, which is from the araroba tree. It works by slowing down the growth of skin cells. This product does not contain a corticosteroid or coal tar. It is not meant to be used for a severe outbreak of psoriasis or if the skin is inflamed or irritated.

Contribution Margins—A cost accounting concept that allows a company to determine the profitability of individual products. It is calculated as follows: (Product Revenue - Product Variable Costs)/Product Revenue. It can also refer to a per unit measure of a product's gross operating margin, calculated simply as the product's price minus its total variable costs.

CPT Codes—The CPT (Current Procedural Terminology) code describes medical, surgical, and diagnostic services in order to communicate uniform information about medical services and procedures among physicians, coders, patients, accreditation organizations, and payers for administrative, financial, and analytical purposes. CPT codes are developed, maintained, and copyrighted by the American Medical Association (AMA).

Depilatories—Creams or lotion for removing unwanted hair.

Dermabrasion—A surgical procedure that involves the controlled abrasion (wearing away) of the upper layers of the skin with sandpaper or other mechanical means.

Excimer Laser—A laser that emits very concentrated light in the ultraviolet (UV) region of the spectrum. They are used in ophthalmology to vaporize part of the surface layer of the cornea and thus reshape the cornea to correct refractive errors from myopia (nearsightedness), hyperopia (farsightedness), and astigmatism, and are used in dermatology to treat psoriasis and vitiligo.

Fluences—Streams of particles crossing a unit area, usually expressed as the number of particles per second. It is used to characterize the amount of laser energy or energy density from an optical source passing through a given area, typically expressed in joules per square centimeter. The higher the energy density, the higher the fluence.

Full-Spectrum Light—Light that covers the electromagnetic spectrum from infrared to near-ultraviolet or all wavelengths that are useful to plant or animal life; in particular, sunlight is considered full spectrum. Full-spectrum is not a technical term when applied to an electrical light bulb but rather a marketing term implying that the product emulates natural light.

Hyaluronic Acid—Lubricating substance that is found in the normal joint fluid. Injectable hyaluronic acid is an FDA-approved treatment for osteoarthritis of the knee. It is also found in skin-care products as an agent to retain moisture and hold collagen and elastin together (giving the skin support and body).

Intense Pulsed Light (IPL)—Treatment that uses concentrated beams of various wavelengths of light in skin treatments to remove unwanted hair, reduce the appearance of spider veins or other blemishes, and stimulate the production of collagen and new skin cells. This light-based technology is not a laser but rather a device that flashes powerful pulses of broad-spectrum light onto the skin.

ISO 13485:2003—Specifies requirements for a quality management system where an organization needs to demonstrate its ability to provide medical devices and related services that consistently meet customer and regulatory requirements applicable to medical devices and related services.

Lipolysis—The breakdown of fats and other lipids by hydrolysis to release fatty acids.

Med Spa—"medical spa" or "medispa"; describes any office operated under supervision of a licensed healthcare professional and offering non-surgical, elective cosmetic medical treatments. It is a hybrid between a doctor's office and a day spa.

Media Efficiency Ratio (MER)—This is a ratio that is calculated by dividing infomercial sales by the media cost. The MER typically is calculated for each infomercial airing and for the overall campaign. This provides infomercial marketers with a method of tracking the profitability of their campaign.

Melanin—The pigment that determines the color of a person's skin, hair, and eyes.

Mohs Surgery—A type of surgery to treat skin cancer, especially basal cell or squamous cell carcinoma of the skin.

Phototherapy—Uses light to heal or treat a medical or aesthetic condition. Phototherapy balances wavelengths, intensity, and exposure (pulse) duration to tailor each treatment to specific needs and conditions.

Photothermolysis—The word comes from three Greek root words: "photo" meaning light, "thermo" meaning heat, and "lysis" meaning destruction. Selective photothermolysis therefore refers to the precise targeting of a structure or tissue using a specific wavelength of light with the intention of absorbing light into that target area alone. The energy directed into the target area produces sufficient heat to damage the target while allowing the surrounding area to remain relatively untouched.

Psoriasis—Psoriasis is a chronic, autoimmune skin disease that produces red, dry plaques of thickened skin. Psoriasis occurs when the immune system sends out faulty signals that speed up the growth cycle of skin cells, causing cells to build up rapidly on the surface of the skin, forming thick silvery scales and dry, red patches of skin that can be itchy, painful, and even cause bleeding. Psoriasis can affect any part of the body and is associated with other serious health conditions, such as diabetes, heart disease, and depression.

Psoriatic Arthritis—A form of rheumatoid arthritis usually affecting fingers and toes and associated with psoriasis.

Retinoids—Synthetic derivatives of vitamin A that are taken orally. The two most common retinoids are Accutane (isotretinoin) and Soriatane (acetretin). These drugs are available only by prescription and treatment must be carefully monitored by a dermatologist experienced in their use.

Skin Types I-IV—Type I (very white or freckled), always burns; Type II (white), usually burns; Type III (white to olive), sometimes burns; Type IV (brown), rarely burns.

Skin Types V-VI—Type V is dark brown skin, rarely burns, and tans profusely to dark skin, and Type VI is deeply pigmented, dark brown to black skin that never burns. Types V-VI are the least sensitive to UV light.

T-cell Lymphoma—A disease in which certain cells of the lymph system (called T-lymphocytes) become cancerous.

Topical—Applied on top of the skin to be absorbed by the skin.

Ultraviolet B (UVB)—Ultraviolet (UV) radiation is made up of three types of rays: UVA, UVB, and UVC. The most dangerous type of UV light is UVC, but this light cannot penetrate earth's protective ozone layer. UVA and UVB do penetrate the ozone layer in attenuated form and reach the surface of the planet. Both rays are believed to cause sunburn and skin cancer. Though UV light can damage health, it can also maintain or improve health. When UV light strikes human skin, it triggers the production of vitamin D, which promotes the growth of bones and teeth.

Vitiligo—A skin pigmentation disorder in which the immune system attacks and destroys melanocytes (the cells that produce melanin), causing slowly enlarging white patches of irregular shapes to appear on the skin.

Intentionally Blank.

Jeffrey J. Kraws and Karen B. Goldfarb
Phone: (609) 306-2274
Fax: (609) 395-9339
Email: eio@crystalra.com
Web: www.crystalra.com

Legal Notes and Disclosures: This report has been prepared by PhotoMedex, Inc. ("PhotoMedex," "Radiancy," or "the Company") with the assistance of Crystal Research Associates, LLC ("CRA") based upon information provided by the Company. CRA has not independently verified such information. In addition, CRA has been compensated by the Company in cash of forty thousand dollars and twenty-five thousand warrants for its services in creating this report, for updates, and for printing costs.

Some of the information in this report relates to future events or future business and financial performance. Such statements constitute forward-looking information within the meaning of the Private Securities Litigation Act of 1995. Such statements can be only predictions and the actual events or results may differ from those discussed due to, among other things, the risks described in PhotoMedex's reports on its 10-K, 10-Q, press releases, and other forms filed from time to time. The content of this report with respect to PhotoMedex has been compiled primarily from information available to the public released by PhotoMedex. The Company is solely responsible for the accuracy of that information. Information as to other companies has been prepared from publicly available information and has not been independently verified by PhotoMedex or CRA. Certain summaries of activities and outcomes have been condensed to aid the reader in gaining a general understanding. For more complete information about PhotoMedex, the reader is directed to the Company's website at www.photomedex.com. This report is published solely for information purposes and is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any state. Past performance does not guarantee future performance. Additional information about PhotoMedex and its public filings, as well as copies of this report, can be obtained in either a paper or electronic format by calling (215) 619-3600.