

A Lifetime of Better Sight



2000

Annual Report

Cincinnati, Ohio-based LCA-Vision Inc. is a leading provider of laser vision correction services. Under the brand name *LasikPlus*, we currently operate 33 centers in the United States, one in Canada, one in Europe and a licensed location in Japan. Our mission is to provide our patients outstanding clinical results at a price they can afford. We employ highly skilled master LASIK surgeons and we use state-of-the-art diagnostic equipment and lasers.

During the year 2000, we performed our 100,000th procedure. It is our goal to be number one in total procedures performed in every market in which we compete. Our centers currently serve approximately 22% of the United States population and we look forward to expanding our presence.

Financial Highlights

(Amounts in thousands, except per share and procedure data)

	2000	1999	1998
Revenues	\$ 63,450	\$ 57,384	\$ 35,200
Procedures	59,144	33,266	19,791
Net income (loss)	(2,366)	10,753	(13,736)
Earnings (loss) per share - diluted	(0.05)	0.21	(0.36)
Cash flow from operations	5,592	5,616	1,099
Cash and short-term investments	28,318	49,190	6,496
Long-term debt	48	250	2,724
Shareholders' investment	65,045	80,045	23,199
Shares outstanding	47,394	51,514	40,974

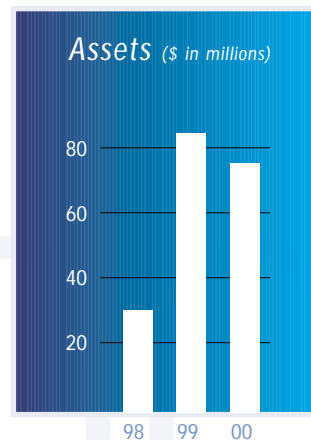
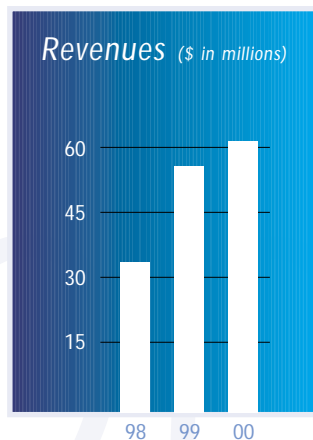
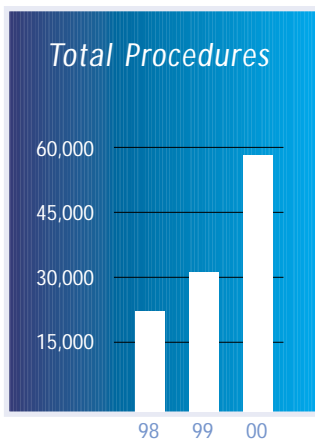


Table of Contents:

- 1 Financial Highlights
- 2 To Our Shareholders

- 4 2000 Key Milestones
- 6 Marketing

- 8 Developing Our People
- 9 Shareholder Information



To Our Shareholders

Laser Vision Correction Industry is in its Infancy.

The year 2000 was a transitional year for LCA-Vision. We installed the new Bausch & Lomb flying spot laser system-wide, developed a flexible and responsive regional, tiered pricing strategy, and completed the conversion to **LasikPlus**, a direct-to-consumer business model.

For the 12 months ended December 31, 2000, laser vision correction revenues increased 12% to \$63,141,000 up from \$56,358,000 in 1999. However, the combination of startup expenses associated with new centers, completing the conversion of our old centers to the **LasikPlus** model, and intense price competition resulted in a disappointing overall financial performance for the year. For the 12 months ended December 31, 2000, the company had a net loss of \$2,366,000, or \$0.05 per share, compared with net income of \$10,753,000, or \$0.21 per diluted share last year. Please remember, last year's results included a one-time extraordinary credit of \$5,287,000, or \$0.10 per diluted share, for the reversal of the deferred tax valuation allowance. That said, allow me to share with you the many reasons why we are well positioned to return to profitability in 2001 and beyond.

The market for laser vision correction continues to expand rapidly, and we at LCA-Vision are growing market share at the same time. A recent report by Market Scope estimates that procedure volume in the United States increased by 55% in the year 2000 to 1,474,000 treatments, up from 948,000 in 1999. LCA-Vision's procedure count increased by 78% in the year 2000 to a total of 59,144 treatments.

During the first ten months of the year, we opened 13 **LasikPlus** centers giving us access to new markets in Atlanta and Philadelphia. In addition, we expanded our presence in Washington D.C., Chicago, and

Southern California. With the addition of these centers, the **LasikPlus** network has expanded to 33 centers nationwide and is within a one-hour drive of approximately 22% of the U.S. population.

Beginning in May 2000 we adopted a regional tiered pricing strategy. Rather than one price nationwide, we began offering tiered pricing based upon laser technology and the level of aftercare desired by the patient. This flexible pricing strategy helped us remain competitive in each of our markets and enabled the company to earn an additional \$300 to \$400 per procedure over the base price in effect.

We now employ our own highly skilled master LASIK surgeons instead of providing staff, facility and equipment to outsiders. This allows us to not only control the quality and the overall experience for the customer, but also aligns the surgeons' goals with those of our shareholders.

Looking Forward, We Have Established Four Goals to Improve Our Competitive Position and Financial Performance in the Year 2001.

First, we want to be a leading provider of laser vision correction in each market in which we compete. Toward that end, LCA-Vision is now the country's leading provider of laser vision correction services using the super-precision Bausch & Lomb scanning laser. Additionally, we are the No. 1 or the No. 2 provider of laser vision correction services in 12 of the 15 U.S. markets in which we operate. New center openings will be made strategically, and not at the expense of operating profits. Although we expect to open between 10 to 15 centers in 2001, we will expand only in markets that have the greatest potential for success.

A second goal is to win by "out-executing" our competition. We now benchmark each center against one another on a wide range of metrics, and we continually search for best practices to apply throughout LCA.

Our system of measurement, analysis and continuous improvement is becoming a competitive advantage for us; one that we believe will yield strong financial benefits in the future.

The third goal is to be the most efficient provider of high quality laser vision correction services. We will accomplish this by focusing on continuing growth within existing centers and by developing preferred relationships with our business partners to gain economies of scale. One way to do this is through appropriate agreements with managed care providers. Through our National Lasik Network, managed care is now contributing a significant stream of patients to our Centers. In early 2001, managed care increased to 6% of patients treated from 2% for the full year 2000, and we expect this trend to continue.

Our fourth and ultimate goal is to increase shareholder value. With the **LasikPlus** business model, we believe we have put together an unbeatable combination of state-of-the-art equipment and facilities, caring and professional staff, and skilled and experienced doctors. We expect to reap the financial benefits of these advantages throughout 2001 and beyond. In addition, during June 2000, the Board of Directors authorized a buyback of 5 million common shares of LCAV stock in the open market. This program was successfully completed and in December 2000, the Board of Directors authorized a second 5,000,000-share repurchase program. With cash on hand and virtually no debt, share repurchase continues to represent an attractive opportunity to increase shareholder returns by decreasing the number of shares outstanding.



Left to Right: Joseph B. Dzialo, President & COO; Stephen N. Joffe, Chairman; Thomas E. Wilson, CEO; Alan H. Buckey, Executive Vice President & CFO

Finally, we are dedicated to building a reputation that associates **LasikPlus** with the best possible results for our patients' vision. As competitive as the industry is, the company that promises the best outcomes—and delivers on that promise—will be the most successful in the long run.

Helping to ensure our Company's long-term vitality has led me to propose, and our Board to accept at its November meeting, a management succession plan. Effective January 1, 2001, Thomas E. Wilson succeeded me as Chief Executive Officer while I remained as Chairman. Joseph B. Dzialo assumed Tom's position of President and Chief Operating Officer and Alan H. Buckey, Chief Financial Officer, added the title of Executive Vice President. We now have in place a strong, seasoned and aggressive senior management team.

In closing, I want to extend my sincere thanks to over 50,000 patients who continue to tell their family members and friends about the miracle of laser vision correc-

tion. To everyone at LCA-Vision, we appreciate your dedication and contributions throughout the year. To our loyal shareholders, we thank you for your continued support and pledge our best efforts for 2001.

Sincerely,

Stephen N. Joffe
Chairman



Under LasikPlus, we control all components of the treatment process beginning with patient acquisition through follow-up care.

2000 Key Milestones

Completed Conversion to LasikPlus

Our conversion to the **LasikPlus** direct-to-consumer business model was completed in the first quarter of 2000. Under **LasikPlus**, we control all components of the treatment process beginning with patient acquisition through follow-up care. By eliminating the cost of co-management fees paid to the optometrists who refer patients to us, we are able to pass those savings along to the consumer and deliver exceptional quality care at a greatly reduced price.



New Center Openings Totaled 13 in 2000

In the first ten months of 2000, we opened 13 new **LasikPlus** centers. We entered

new markets with four locations in Atlanta, Georgia and three locations in Philadelphia, Pennsylvania. The remaining six centers were opened to build market share in existing markets. With the addition of Atlanta and Philadelphia, **LasikPlus** now has a location within a one-hour drive of approximately 22% of the population of the United States. In 2001, we plan to open 10 to 15 centers, beginning in the second quarter.

Bausch & Lomb Technolas 217 Laser

In April 2000, we began installing Bausch & Lomb's Technolas 217 laser in each of our markets. By the end of 2000, LCA-Vision was

the largest provider of laser vision correction in the United States utilizing the advanced technology in Bausch & Lomb's flying spot laser.

Market Share Gains Accelerated Throughout the Year

LCA-Vision's procedure volume increased by 78% in the year 2000 compared with industry growth of 55%. A combination of new center openings and growth from existing centers provided the platform for these gains in market share. According to a recent forecast by Market Scope, industry procedure volumes are expected to grow by 23% in 2001 to 1,820,000. We expect to achieve additional market share gains in 2001 by increasing capacity utilization in existing centers and by opening new centers.

The National Lasik Network

In a move to increase market penetration, we entered into an agreement with Cole National Corporation to create the National Lasik Network. With this network

we provide access to discounted fee-for-service laser vision correction for over 90% of the population of the United States. Patient volume in this channel has been steadily growing. In

the month of January 2001, managed care patients had grown to represent more than 6% of patients treated in **LasikPlus** centers. We expect this trend to continue.





We will accomplish these objectives through marketing that appeals to consumers in both traditional and nontraditional formats. We continue to search for opportunities that increase prospective patients' real and perceived value image of **LasikPlus**. A key part of this program is advertising that captures actual **LasikPlus** doctors and staff discussing the miracle of laser vision correction and the factors that separate **LasikPlus** from our competitors—what we call “The Plusses of **LasikPlus**.” Consumer reaction to this campaign has been very strong—we will build on this platform during 2001.

Creating Distinctive and Highly Effective Marketing Programs

As laser vision correction (LVC) provider formats proliferate, LCA-Vision, through its **LasikPlus** brand, is creating a strategically defined identity. Our marketing objective is to grow our market share and create a dynamic image while proving that direct-to-consumer advertising is a more effective/efficient method of capturing consumer interest than alternative methods.



Exceeding Patients Expectations

Our patients' total satisfaction and their subsequent word-of-mouth referrals are LCA-Vision's #1 priority and Corporate asset. Accordingly, every initiative is evaluated on its ability to meet or exceed our patient's expectations.

Our focus on total patient satisfaction is beginning to generate significant rewards for our Company. Last year approximately one of every six new patients was referred to **LasikPlus** by a former patient. In 2001, we expect this ratio to improve to one of every four new patients.

Our overriding goal is to provide our patients with superior value in every aspect of the LVC experience and our business model gives us a unique advantage toward achieving this goal. Unlike most of our major competitors, we control all aspects of patient care—ranging from patient acquisition and pre-operative eye exams, to treatment, post-operative care and follow-up. This enables us to measure patient satisfaction and clinical outcomes for every patient at every point in the process.

Learning is instantly shared across the company for continual improvement.

In addition, our large size and rapid rate of growth enables us to develop unique vendor partnerships. These partnerships provide important patient benefits. For instance, we have access to the latest technology faster than



our competitors. An example of this is the fact that we have become America's leading provider of LVC using Bausch & Lomb's new scanning laser since it received FDA approval in March 2000. Patient response to this new technology has been excellent and has grown to represent over half of total procedure volume.

These partnerships also generate economies of scale and we, in turn, can pass these savings on to our patients to strengthen our "superior value" image.



ision
s even
at dirt.

Plus
All The Difference

Developing Our People



LCA-Vision draws strength from employing individuals from broad segments of society and is already one of the most diverse LVC providers in the country.



Our high rate of growth enhances our ability to attract and retain highly talented and capable doctors and staff. We have created a high-energy work environment based on the premises of “best in class,” rapid decision making and personal accountability.

LCA-Vision draws strength from employing individuals from broad segments of society and is already one of the most diverse LVC providers in the country. In turn, this has helped broaden our appeal and strengthened our word-of-mouth advertising—research shows our patient base is more reflective of

America’s ever-changing demographic base than any of our national competitors.

To build our talent pool for future growth, we implemented intensive clinical knowledge and customer service training programs for all associates. We have also created pay-for-performance programs for all levels of the organization to ensure we have 100% alignment against key Corporate objectives.

Shareholder Information

Annual Meeting

The annual meeting of shareholders of the Company will be held at 10:00 AM on Monday, May 7, 2001 at the Queen City Club in Cincinnati, Ohio.

Independent Accountants

PricewaterhouseCoopers LLP
Cincinnati, Ohio 45202-4046

Corporate Counsel

Dinsmore & Shohl LLP
Cincinnati, Ohio 45202

Investor Information

For earnings highlights and other pertinent information you may call our newsline at 513-792-5629 or email us at invest@lca.com.

Investor Relations

Lippert/Heilshorn & Associates, Inc.
Los Angeles, California
310-691-7100

Stock Listing

The Company's common stock is listed on the Nasdaq National Market under the symbol LCAV.

Transfer Agent

State Street Bank and Trust Company
c/o EquiServe Limited Partnership
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Boston, MA 02266-8200

Phone: (inside the U.S.) 800-426-5523
(outside the U.S.) 781-575-3120

www.equiserve.com

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(inside the U.S.) 800-952-9245

(outside the U.S.) 781-575-2518

Common Stock Price Ranges

	High	Low
2000		
First quarter	\$6.188	\$3.875
Second quarter	5.000	2.438
Third quarter	3.094	2.469
Fourth quarter	2.884	1.000
1999		
First quarter	\$4.000	\$1.375
Second quarter	12.750	3.688
Third quarter	12.688	5.000
Fourth quarter	5.500	3.813

Directors & Officers

Board of Directors

William O. Coleman
John H. Gutfreund
John C. Hassan
Stephen N. Joffe

Officers

Stephen N. Joffe
Chairman of the Board
Thomas E. Wilson
Chief Executive Officer
Joseph B. Dzialo
President and Chief Operating Officer
Alan H. Buckey
Executive Vice President
and Chief Financial Officer



LCA-Vision Inc.

Corporate Headquarters
7840 Montgomery Road
Cincinnati, OH 45236

Telephone 513-792-9292

Fax 513-792-5620

Investor Line 513-792-5629

Internet Address www.lasikplus.com