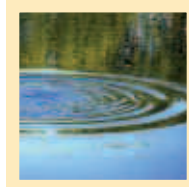


Can you  
see  
what we see?



# Can you see what we see? – Medical Miracle

– Safe and Effective

– Vast Market Opportunity

– Strength of our Business Model

LCA-Vision Inc. (Nasdaq: LCAV) is a leading provider of laser vision correction services, based in Cincinnati, Ohio. Under the brand name *LasikPlus*, we currently operate 31 centers in the United States, two in Canada and one in Europe. Our mission is to provide outstanding clinical results at an affordable price. We employ highly skilled master LASIK surgeons and we use state-of-the-art diagnostic equipment and lasers.

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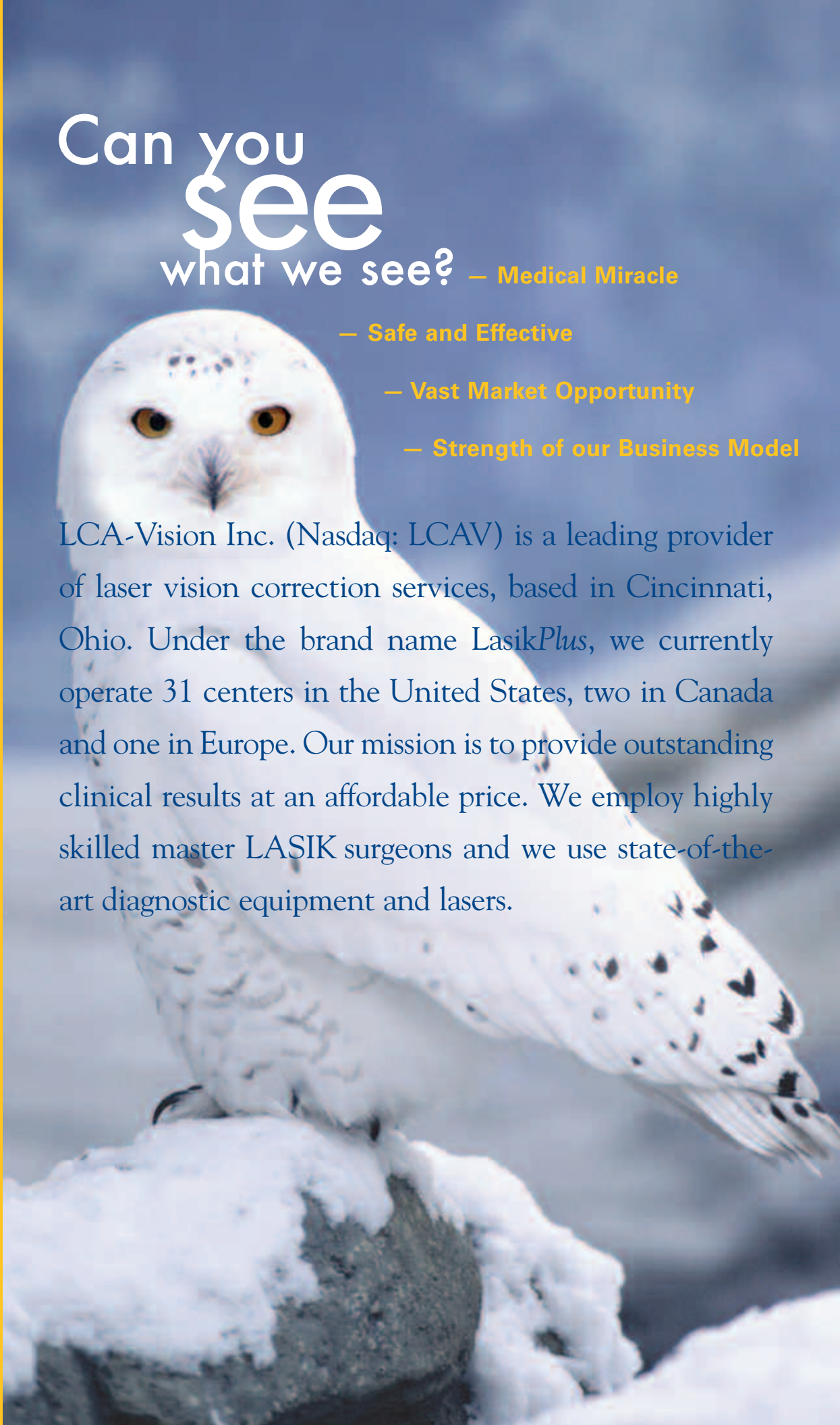
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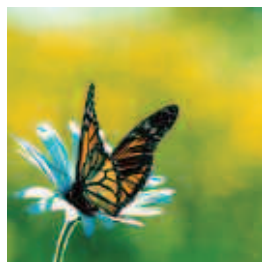
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## Dear Shareholders



“Can you see what we see?” is more than just a thought-provoking question. It embodies the way we feel about our company, for a variety of reasons. First, this medical miracle we provide to our patients is a life-altering event. Patients love the freedom they experience. Second, the procedure is safe and highly effective. Nearly all of our patients achieve 20/40 vision or better, which is the vision needed to drive a car without glasses or contacts. Third, we operate in a large untapped market. Less than two percent of the population has already benefited from laser vision correction. Fourth, we have the best business model in the industry to provide value to the consumer, unsurpassed clinical outcomes and profit to our shareholders.

### **We entered 2001 with the following four goals:**

- To be the leading provider of laser vision correction services in every market in which we operate.
- To win through operational excellence.
- To be the most efficient provider of high-quality laser vision correction services.
- To increase shareholder value by demonstrating that the *LasikPlus* business model results in superior patient outcomes and industry-leading financial returns.

In the first half of 2001, we made excellent progress on all of these goals. Procedure volume for the first six months of 2001 increased 82 percent from the first six months of 2000. We grew our market share and improved average price realization to \$934 per procedure in the second quarter of 2001, up from \$877 in the fourth quarter of 2000. In addition, marketing and advertising expenses decreased from \$213 per procedure in the fourth quarter of 2000 to \$154 in the first half of 2001. Patient outcomes and satisfaction were also outstanding. We earned an operating profit of \$2,468,000 on revenues of \$43,866,000. Clearly the business model began to demonstrate how it could benefit both patients and shareholders.

Unfortunately, the financial results in the second half of 2001 were down dramatically from the first half of the year. The slowing of the economy in the United States that began in the second quarter of the year had a significant impact on our business even before the disaster on September 11th. In response to the temporary decline in industry demand, we took a number of corrective actions in the third quarter. First, we delayed opening new centers until we could see some improvement in leading economic indicators. Second, we decided to exit the Southern California market and close our centers in Beverly Hills, Torrance and San Bernardino. Because of the high media costs in



We provide our world-class doctors with the best diagnostic equipment and a highly trained surgical support team.



Southern California, our marketing and advertising cost per procedure were not at acceptable levels, and we could not justify making the additional investment necessary to become the leading provider in Southern California.

A third cost reduction we made was to reduce the number of days we operated centers in markets where we had multiple locations. By sharing staff between centers, we achieved better cost efficiencies given the level of demand.

In summary, for the 12 months ended December 31, 2001, laser vision correction revenues increased 8% to \$68,025,000 up from \$63,141,000 in 2000. However, the dramatic slowdown in procedure volumes in the second half of 2001 resulted in a full year net loss of \$0.13 per share excluding the \$17,119,000 in special charges taken in the third quarter of 2001 for restructuring, asset impairment and the establishment of a valuation reserve for deferred tax assets. In the year 2000, the company had a net loss of \$0.05 per share.

We are not satisfied with the financial performance we experienced in the second half of 2001. I have outlined a number of actions already taken to reduce costs and increase revenues. We will continue to seek new ways to grow revenues and reduce expenses. We know that we are still in the early stages of this industry and that the current economic conditions are temporary.

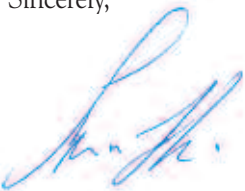
We continue to believe that when laser vision correction is performed by a skilled surgeon, in a tightly controlled operating environment, with the best available technology, it is an extremely safe and remarkably effective procedure. Our superior patient outcomes clearly demonstrate this. In fact, we felt the laser vision correction industry would benefit

from an open discussion of the safety of the procedure. To help communicate how we determine who is a good candidate for laser vision correction, our Medical Advisory Board published an article entitled, "Surgeons establish consensus-derived guidelines for laser vision correction" in the November 2001 edition of Ocular Surgery News. This article has drawn considerable consumer interest from potential candidates for both the medical knowledge it imparts and the data on patient outcomes. As you read through the remainder of this year's annual report, it is our goal that you too will "see what we see" when you consider LCA-Vision as an ongoing investment opportunity.

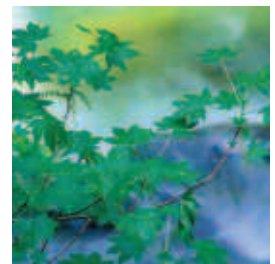
In closing, I want to thank Tom Wilson for his contributions to the Company during the last three and one-half years. As previously announced, Tom resigned as Chief Executive Officer at the end of 2001, after assembling a very capable management team to implement our plans for 2002 and beyond.

To the well-respected and hard-working employees who continue to provide our customers with the "miracle" of improved eyesight, thank you for your tireless efforts. To our loyal shareholders, we thank you for your continued support and assure you that we are committed to taking the necessary steps to return the company to profitability and to lead this industry.

Sincerely,



Stephen N. Joffe  
Chairman of the Board and CEO



As you read through the remainder of this year's annual report, it is our goal that you too will "see what we see" when you consider LCA-Vision as an ongoing investment opportunity.



# Can you see what we



## **What is the future for laser vision correction?**

*There is a tremendous market for laser vision correction. Nearly 50% of the U.S. population are potential candidates for the surgery. Less than 2% of the population has had the procedure. As the second largest provider of these services in the United States, LCA-Vision is well positioned to penetrate this large untapped market.*

## **A Medical Miracle**

Our patients insist that laser vision correction surgery is a life-changing event.

If you wear glasses or contacts, you know what it's like to wake up in the morning and not be able to see the alarm clock without fumbling for your glasses. Imagine finally being able to experience the freedom that comes with not being dependent on corrective lenses.

The clear, crisp vision you'll have after a LasikPlus procedure is something you can enjoy for a lifetime.

## **The Market for Laser Vision Correction**

More than 150 million Americans, or approximately 50% of our nation's population, require eyeglasses or contact lenses to correct common refractive vision disorders. Yet, less than 2% of the population has had the procedure.

Most people requiring vision correction suffer from one or more conditions that result from an improper curvature of the cornea as it relates to the size and

shape of the eye. The three most common vision disorders that are all treatable with laser vision correction include:

- Myopia (nearsightedness) – images are focused in front of the retina resulting in blurred perception of distant objects
- Hyperopia (farsightedness) – images are focused behind the retina resulting in blurred perception of near objects
- Astigmatism – images are not focused on any point due to the varying curvature of the eye along different axes

The industry has grown rapidly since 1995, when the FDA approved the first excimer laser for laser vision correction. The industry paused in the second half of 2001, but we expect growth to return in 2002.

### **A Strong Market Position**

LCA-Vision is a leading provider of laser vision correction. We feel our combination of superior patient outcomes and affordable prices will enable LCA-Vision to sustain an industry-leading position over time.

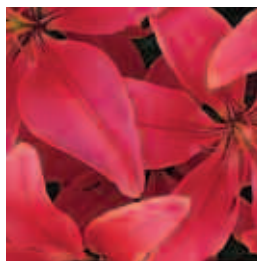
### **Skilled and Experienced Personnel**

Our Lasik*Plus* centers employ full-time surgeons, optometrists and staff who perform only laser vision correction.

We provide our world-class doctors with the best diagnostic equipment and a highly trained surgical support team.



We feel our combination of superior patient outcomes and affordable prices will enable LCA-Vision to sustain an industry-leading position over time.





Unlike most of our competition, we utilize full-time surgeons and optometrists. This has had a tremendously positive effect on our business.

### **The Dancing Light Difference**

LCA-Vision is the world's largest provider of laser vision correction featuring Bausch & Lomb technology.

The Bausch & Lomb laser is designed solely for the LASIK procedure. Other lasers have been adapted from older technology designed for PRK, the predecessor of LASIK. Another important advancement is the wider treatment area attainable with the Bausch & Lomb laser. They developed the laser knowing that the relationship between the correctable area of the patient's cornea and the size of their pupil under low-light conditions is paramount. LasikPlus doctors use the Bausch & Lomb laser's rapid-pattern pulse to create the desired correction. The laser's narrow 2mm beam literally dances across the cornea with the art and precision of a masterful ballet performance, blending the treated area smoothly into the surrounding corneal tissue for an unmatched final result. These important features greatly reduce poor night vision, glare and halos while significantly improving daylight vision.

### **The Right Business Model**

Unlike most of our competition, we utilize full-time surgeons and optometrists. This has had a tremendously positive effect on our business.

First, as full-time specialists, our doctors' interests are aligned with those of management and our shareholders.



### **How do patient outcomes drive shareholder value?**

*It translates into satisfied customers. Satisfied customers are our best marketing tool as they sell LCA-Vision's services by telling others of their improved vision, excellent care they received at our centers and at a price they could afford. Our goal is to drive more customers into our centers, thus increasing both our volume and our operating profitability.*



Second, we perform all the pre-operative and post-operative care in our centers. This closed loop system provides us with continuous feedback on how our patients are seeing. The end result is that more than 87% of our patients achieve 20/20 vision or better.

We have taken much of the variability out of the process, thus increasing the consistency of the clinical results.

### **Superior Patient Outcomes**

Excellent outcomes begin with careful patient screening. Approximately 20% of candidates who attend an eye exam in one of our centers are advised that they are not good candidates for the procedure.

Nearly everyone who has laser vision correction at Lasik*Plus* achieves excellent vision — vision good enough to obtain a driver's license without restrictions.

Again, when you have skilled and experienced surgeons, in a tightly controlled operating environment, using the best available technology, laser vision correction is an extremely safe and remarkably effective procedure.

### **A Future Without Limits**

More than 150 million people require eyeglasses or contact lenses to correct refractive vision disorders.

The technology we use continues to evolve and improve and it is highly unlikely that another treatment will come along that will make laser vision correction obsolete.

When you consider the size of the market, the low penetration rate and the strengths of our business model, the vast future opportunities come into focus.

Nearly everyone who has laser vision correction at Lasik*Plus* achieves excellent vision — vision good enough to obtain a driver's license without restrictions.





## Financial Highlights

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

	2001	2000	1999
Revenues	\$ <b>68,096</b>	\$ 63,450	\$ 57,384
Procedures	<b>72,032</b>	59,144	33,266
Net income (loss)	<b>(23,375)</b>	(2,366)	10,753
Earnings (loss) per share - diluted	<b>(0.50)</b>	(0.05)	0.21
Cash flow from operations	<b>1,993</b>	5,592	5,616
Cash and short-term investments	<b>16,609</b>	28,318	49,190
Long-term debt	<b>4</b>	48	250
Shareholders' investment	<b>38,202</b>	65,045	80,045
Shares outstanding	<b>46,045</b>	47,394	51,514

## Directors & Officers

### Board of Directors

William O. Coleman

John H. Gutfreund

John C. Hassan

Stephen N. Joffe

### Officers



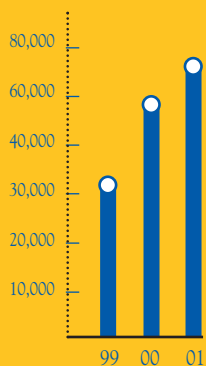
*From left to right: Joseph B. Dzialo, Stephen N. Joffe and Alan H. Buckey*

Stephen N. Joffe  
*Chairman of the Board and CEO*

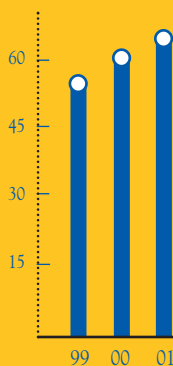
Joseph B. Dzialo  
*President and COO*

Alan H. Buckey  
*Executive Vice President and CFO*

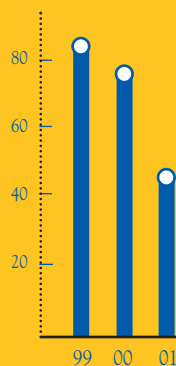
Total Procedures



Revenues  
(\$ in millions)



Assets  
(\$ in millions)



## Shareholder Information

### Annual Meeting

The annual meeting of shareholders of the Company will be held at 10:00 a.m. on Monday, May 13, 2002 at the Queen City Club in Cincinnati, Ohio.

### Independent Accountants

Ernst & Young, LLP  
Cincinnati, Ohio 45202

### Corporate Counsel

Dinsmore & Shohl, LLP  
Cincinnati, OH 45202

### Investor Information

For earnings highlights and other pertinent information, you may call our news line at 513-792-5629 or email us at [invest@lca.com](mailto:invest@lca.com)

### Stock Listing

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

### Transfer Agent

EquiServe Trust Company  
P. O. Box 43010  
Providence, RI 02940-3010  
Phone (inside U.S.): 800-730-6001  
Phone (outside U.S.): 781-575-3400  
[www.equiserve.com](http://www.equiserve.com)

TDD: Persons using a telecommunications device for the deaf may call:  
(inside the U.S.): 800-952-9245  
(outside the U.S.): 781-575-2518

### Common Stock Ranges

<u>2001</u>	<u>High</u>	<u>Low</u>
First Quarter	\$3.34	\$1.13
Second Quarter	3.15	2.44
Third Quarter	2.68	1.06
Fourth Quarter	1.12	0.62

<u>2000</u>	<u>High</u>	<u>Low</u>
First Quarter	\$6.19	\$3.88
Second Quarter	5.00	2.44
Third Quarter	3.09	2.47
Fourth Quarter	2.88	1.00



**LCA-Vision Inc.**

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