

To Our Shareholders

Dear Shareholder:

I am pleased to report that 2003 was an excellent year for LCA-Vision. Revenues grew to \$81,423,000, up over 31% from \$61,838,000 in 2002. Procedure volume increased approximately 15% in 2003 over 2002, as did average price per procedure. With a keen focus on growing revenue while at the same time tightly controlling our expenses, we achieved four consecutive profitable quarters, resulting in diluted full year earnings-per-share of \$0.66 compared with a loss of \$0.35 per share in 2002. Cash provided by operating activities increased to approximately \$12,480,000 in 2003, up over 119% from \$5,693,000 in 2002.

We entered four new markets during 2003 starting with Cleveland, Ohio in January. We opened LaskiPlus vision centers in Indianapolis, Indiana in June; Las Vegas, Nevada in October and Houston, Texas in December. We are encouraged by the market reaction to our new LasikPlus vision centers, and we expect each of these vision centers and the other vision centers we open in 2004 to contribute to our growth and profitability.

Over the last 18 months, the U.S. Food and Drug Administration (FDA) has approved the next generation of laser technology by the leading manufacturers of lasers in the United States. The new technology allows us to take a digital image of our patient's eye and feed this image to the laser for treatment. Alcon was the first manufacturer to receive FDA approval for custom LASIK, with VISX and Bausch & Lomb's custom LASIK procedure approvals following several months later.

We now offer this premium-priced custom LASIK procedure in all our markets. In the fourth quarter of 2003, approximately 12% of our total procedures were performed with the new custom technology, and we expect custom LASIK penetration to continue to grow in 2004.

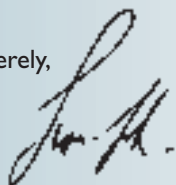
During 2003, we had two changes to our senior management team. Craig Joffe joined the company as senior vice president and general counsel in March 2003 and he was appointed a director in March 2004. Craig most recently served as assistant general counsel of InterActiveCorp, a leading publicly traded interactive commerce company, where he worked on mergers, acquisitions and securities offerings. Prior to joining InterActiveCorp, Craig, a graduate of Harvard Law School, was a general practice associate in the New York and London offices of the law firm Sullivan & Cromwell, where he concentrated his practice on corporate finance transactions.

In August, Kevin Hassey joined LCA-Vision as president. Kevin brings more than 20 years of executive management and marketing experience to LCA-Vision, including expertise building a managed care business in the eye care industry. For the last 11 years, Kevin was with the Luxottica Group, most recently as vice president and general manager of the EyeMed Managed Care Division. Kevin previously held various marketing-focused management positions at LensCrafters, and spent a number of years in brand management at The Procter & Gamble Company.

In December 2003, we completed a secondary stock offering of 2.4 million newly issued common stock, which netted the company approximately \$37 million. The combination of the proceeds from the stock offering and our existing cash position brought our cash and short-term investments to approximately \$65 million as of December 31, 2003. With no debt, we are confident that our strong balance sheet will enable us to continue to expand our vision center footprint while we remain focused on growing existing vision center revenues, profits and cash flow.

I want to thank everyone who contributed to our success in 2003. To our loyal shareholders, we thank you for your continued support. We are optimistic about the market for laser vision correction, our positioning in the market, and the strength of our business model, and look forward to building upon all the successes we enjoyed in 2003.

Sincerely,



Stephen N. Joffe
Chairman of the Board and CEO

