

YEAR IN REVIEW

2006



LCA  
VISION



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### **Forward-Looking Statements**

This annual report contains forward-looking statements that are subject to risks and uncertainties including, but not limited to, the impact of competition and pricing, procedure demand and consumer and marketplace acceptance, and unforeseen fluctuations in operating and financial results, among other risks detailed from time to time in the company's filings with the Securities and Exchange Commission, including but not limited to, the company's registration statement and its Forms 10-K/A and 10-Q.

# SHAREHOLDER INFORMATION

## 2007 Annual Shareholder Meeting

The annual meeting of shareholders will be held on Tuesday, August 21, 2007 at 10:00 a.m. (ET) at the Queen City Club, 331 East Fourth Street, Cincinnati, Ohio 45202.

## Investor Relations

Shareholders, analysts, investment professionals, members of the media, and potential investors who would like corporate and financial information on LCA-Vision Inc., should contact:

Patricia Forsythe  
Vice President, Investor Relations

LCA-Vision Inc.  
7840 Montgomery Road  
Cincinnati, Ohio 45236

Phone: 513-792-5629 or 800-688-4550 x 351  
E-Mail: [Invest@lca.com](mailto:Invest@lca.com)

## Securities & Exchange Commission Filings

All reports filed electronically by LCA-Vision Inc. with the United States Securities and Exchange Commission (SEC), including the Annual Report on Form 10-K, quarterly reports on Form 10-Q, and current event reports on Form 8-K, as well as any amendments to those reports, are accessible at no cost on our corporate websites: [www.lca-vision.com](http://www.lca-vision.com) or [www.lasikplus.com](http://www.lasikplus.com), or by contacting Investor Relations. These filings are also accessible on the SEC's website at [www.sec.gov](http://www.sec.gov).

## Registrar & Transfer Agent

Computershare serves as the Registrar and Transfer Agent for LCA-Vision Inc. common stock. Shareholders of record may access their accounts via the internet at [www.computershare.com](http://www.computershare.com). For log-in assistance or other inquiries, call 781-575-4593.

## LCA-Vision & LasikPlus on the Internet

Additional corporate and investor information, such as news releases, webcasts, share trading data and regulatory filings are available at our corporate website at [www.lca-vision.com](http://www.lca-vision.com). To learn more about LasikPlus vision centers visit us at: [www.lasikplus.com](http://www.lasikplus.com) or call 888-312-LCAV (5228).

## LCAV Common Stock Listing

 LCA-Vision's common stock trades on the Nasdaq Stock Market under the symbol LCAV.

## Independent Accountants

Ernst & Young, LLP  
Cincinnati, Ohio

## Corporate Counsel

Taft, Stettinius & Hollister LLP  
Cincinnati, Ohio

## Corporate Governance

LCA-Vision's corporate governance practices are described in the following documents: Governance Guidelines and Principles, Audit Committee Charter, Nominating & Governance Committee Charter, Code of Business Conduct & Ethics, and Compensation Committee Charter. These documents are available on our corporate website at [www.lca-vision.com](http://www.lca-vision.com) and in print form through the investor relations department.

## LCA-Vision Corporate Governance Hotline

Concerns or complaints regarding accounting, internal accounting controls or auditing matters may be submitted anonymously and confidentially via the LCA-Vision Corporate Governance Hotline at 800-789-6417. This hotline is available to all of the company's employees and other stakeholders to report questionable accounting or auditing matters. The hotline is managed by a third-party and is available 24-hours a day, seven days a week.



# SHAREHOLDER LETTER

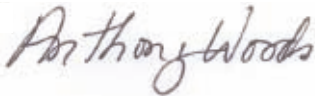
June 30, 2007

## A Note from Our Chairman

This past year has brought a number of significant changes to LCA-Vision's executive management team and Board of Directors. Within the past year, Stephen Joffe, founder of the company and Chairman and Chief Executive Officer; Kevin Hassey, President; and Craig Joffe, Chief Operating Officer, General Counsel and Secretary, left the company. Craig also served as our Interim Chief Executive Officer from March 1, 2006 through November 1, 2006. Stephen, Kevin and Craig were members of LCA-Vision's executive management team, and Stephen and Craig served on the Board of Directors. On behalf of the Board of Directors and management team, I thank them for their hard work in helping establish LCA-Vision/LasikPlus as a recognized name and highly-regarded industry leader. While they were instrumental in our past success, we are fortunate to have a capable and seasoned management team now led by Steve Straus, and renowned surgeons and healthcare professionals with strong operational and industry experience who will continue to execute our business strategies.

After an extensive national search by the Board of Directors, Steve Straus was appointed Chief Executive Officer on November 2, 2006. Since joining the company, Steve has been working diligently evaluating the state of our company and working with our board and management team to refine our business model and improve the execution of our strategy. Steve has also spent a significant amount of time meeting with associates, patients, shareholders, analysts, and vendors throughout the United States. He is using his strong and diverse leadership background in the healthcare industry to further expand the LasikPlus brand throughout the country. Steve, along with a talented management team, exceptional associates, and your LCA-Vision Board are working collaboratively and conscientiously to increase shareholder value. We appreciate your continued support.

Sincerely,



Anthony Woods  
Chairman of the Board



## Dear Shareholders:

I am grateful to be part of the dedicated LCA-Vision/LasikPlus team, and I am honored by the support and confidence from the Board of Directors to appoint me as Chief Executive Officer. I embrace my responsibility with vigor knowing that the company has a clear vision, a sound strategy, high quality leadership, and a healthy culture.

LCA-Vision is one of the leading providers of laser vision correction in the United States, whether measured by procedure volume, revenues, or profitability. In my role as CEO, I will continue to build upon our market position in 2007 and beyond. Before I was appointed as CEO in early November, I followed LCA-Vision for years and knew the company was well positioned. However, I did not anticipate the depth of strength I found in even the smallest aspects of our business. I have visited the majority of our LasikPlus vision centers, speaking with doctors, staff and patients, and those meetings convinced me that our vision centers consistently deliver outstanding customer service and clinical results with industry-leading patient satisfaction. Once a qualified patient crosses the threshold of one of our vision centers, we do a superior job of converting that prospect into a treated patient delighted with the gift of better vision.

Throughout 2006, we successfully opened 10 LasikPlus vision centers. We opened seven centers in new markets and three centers in existing markets. We continue to believe in our growth strategy of developing centers internally rather than acquiring other businesses, as this provides the highest pretax returns -- a 223% return on invested capital last year alone.

For 2006, revenues grew 35% to \$238.9 million, up from \$176.9 million in 2005, procedure volume increased 30% to over 185,000 procedures, up from 142,000 procedures in 2005, and fully-diluted earnings per share increased 25% to \$1.34, up from \$1.07 in 2005.

Historically, we have offered separately priced visual acuity plans and deferred the revenues for those patients expected to use the acuity plans. In May of 2007, we restated our financial statements to defer all of the incremental revenue derived from the sale of these separately priced extended warranties. For a complete discussion on the effect of this restatement, please refer to Note 10 on page 50 of our Form 10-K/A. The restatement did not change cash provided by operating activities, or cash and cash equivalents on the balance sheet. All revenues and operating results in this annual report reflect the restated financial results.

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Our 2006 financial results were also impacted by the adoption of the Financial Accounting Standards Board Statement 123(R), also referred to as FAS 123(R), which required companies to begin expensing stock options and other share-based compensation beginning on January 1, 2006. Had the company adopted FAS 123(R) on January 1, 2005 rather than on January 1, 2006, earnings per share in 2005 would have been \$0.95 compared with our 2005 reported earnings per share of \$1.07. We believe that disclosing the effect of adopting FAS 123(R) allows for consistent comparison of our 2006 and 2005 results.

In November 2006, LCA-Vision completed the share repurchase plan the Board of Directors approved in May 2005. The company repurchased one million shares of its common stock at an average price of \$38.52 for a total investment of approximately \$38.5 million. Also in November of 2006, the Board of Directors authorized an additional share repurchase plan to buy up to \$50 million of our common stock. Through December 31, 2006, the company had repurchased 442,400 shares of common stock at an average price of \$35.06 for a total investment of approximately \$15.5 million. On a cumulative basis, the company has now repurchased over 20% of all shares ever issued.

In the fourth quarter of 2006, the Board of Directors authorized an increase of the quarterly cash dividend by 50% to \$0.18 per share, per quarter. This marks the third straight year shareholders enjoyed a 50% increase. Combining cash invested in share repurchases and cash returned to shareholders with quarterly dividends, the company returned just under \$63 million to shareholders in 2006.

How will we improve upon these already excellent results? Our vision for the future is to continue to target the top 100 markets in the United States. Our stated goal is to expand our center base by 20% to 25% per year. For 2007 we have plans to open 12 to 15 new vision centers, and by the time this annual report is printed, we will have opened a total of nine LasikPlus vision centers so far this year. Based on this level of sustained growth, we expect LCA-Vision will operate at least 120 vision

centers in 40 states by the end of 2010. As of the writing of this letter, there were 68 LasikPlus vision centers located in 31 states in 53 markets. We seek to grow share in existing markets by:

- renovating older LasikPlus vision centers,
- transitioning select existing LasikPlus vision centers into stand-alone retail facilities that offer more convenient access and greater hours of availability,
- refreshing our marketing messages,
- training and development of our LasikPlus vision center associates, and
- improving our center-level key operating metric performance.

Thousands of patients desiring better vision visit our LasikPlus vision centers each year. We thank them for making the discriminating choice in laser vision correction.

I also want to personally thank our doctors, vision center staff, Patient Communication Center personnel and our corporate associates -- all of whom contribute to providing exceptional care at an affordable price. Their dedication leads to our continued success. Thank you, loyal shareholders. Your support enables LCA-Vision to grow in ways that improves people's lives. For this reason, we are committed to making 2007 LCA-Vision's best year yet.

Sincerely,



Steven Straus  
Chief Executive Officer



# GROWTH STRATEGY

The professional services and quality vision care we provide at LCA-Vision, through our LasikPlus vision centers, improves the lives of thousands of people each year. By continuing to find new growth opportunities, we extend our market reach to better serve those seeking affordable, technologically-advanced laser vision correction.

To this end, future growth will develop through the following:

## Marketing

We made the decision in the fourth quarter of 2006 to hire our first Chief Marketing Officer. In May of 2007, Jim Brenner joined LCA-Vision/LasikPlus in this role. Jim is a seasoned marketing executive who understands how to build brands. He will focus his energy and talents to coordinate and refine our marketing efforts across all elements of patient acquisition including our Patient Communication Center, direct marketing efforts and managed care relationships.

## Physical Expansion

We have plans to open 12 to 15 vision centers throughout 2007. By the end of this year, there will be approximately 74 LasikPlus vision centers operating in the U.S. Our plans over the next several years are to expand our center base by 20% to 25% annually. Based on this level of growth, LCA-Vision will operate at least 120 vision centers in 40 states in the top 100 U.S. markets by the end of 2010. We are also committed to relocating or renovating our older vision centers to more closely reflect the current LasikPlus real estate model we launched in 2003. By the end of 2007, nearly half of our LasikPlus vision centers will be less than three years old.

## Vendor Relationships

Forging stronger strategic relationships with our top vendors ensures the company leads in safety, technology, marketing and clinical expertise. Our medical advisory board works with the leading ophthalmic device manufacturers to test and invest in the latest advances in eye care. This commitment to working closely with vendors in turn creates the peace of mind that patients seek when considering laser vision correction.

## Investing in our People

To build value for shareholders, the communities we serve, and for the patients who visit our LasikPlus vision centers, we must first create value for our associates. This comes through workplace enrichment and professional development. We continually seek innovative ways to hire and retain the most qualified people. Steve Jones joined LCA-Vision/LasikPlus in May of 2007 as Senior Vice President of Human Resources to oversee our human resources, recruiting and training functions, and to help us build and cultivate an environment that supports our associates and the diverse communities we serve. Steve brings to us 25 years of Human Resources experience.

## LasikPlus Vision Centers (as of June 30, 2007)

68 LasikPlus Vision Centers • 53 Markets • 31 States



**Alabama**  
Birmingham

**Arizona**  
Phoenix

**Arkansas**  
Little Rock

**California**  
Northern California (2)  
Sacramento  
San Diego  
San Jose

**Connecticut**  
Hartford  
New Haven

**Colorado**  
Denver  
Colorado Springs

**Florida**  
Jacksonville  
Orlando  
Tampa

**Georgia**  
Atlanta (4)

**Illinois**  
Chicago (4)

**Indiana**  
Indianapolis

**Kansas**  
Kansas City

**Kentucky**  
Lexington  
Louisville

**Maryland**  
Baltimore (3)

**Michigan**  
Grand Rapids

**Minnesota**  
Minneapolis-  
St. Paul (3)

**Missouri**  
St. Louis

**Nebraska**  
Omaha

**Nevada**  
Las Vegas

**New Jersey**  
Paramus

**New Mexico**  
Albuquerque

**New York**  
Albany  
Long Island  
Scarsdale

**North Carolina**  
Charlotte  
Raleigh

**Ohio**  
Cincinnati  
Cleveland  
Columbus  
Dayton

**Oklahoma**  
Oklahoma City

**Oregon**  
Portland

**Pennsylvania**  
Harrisburg  
Philadelphia (2)  
Pittsburgh

**Texas**  
Austin  
Dallas  
Houston (2)  
San Antonio

**Utah**  
Salt Lake City

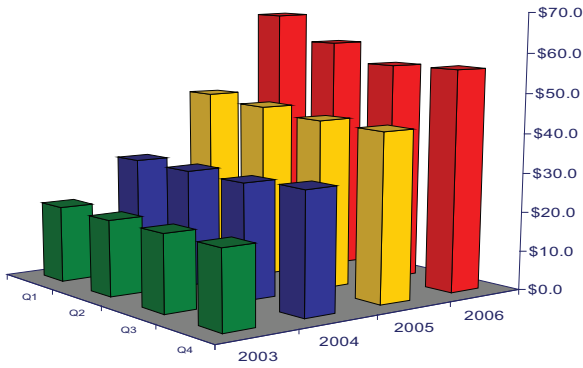
**Virginia**  
Norfolk  
Richmond  
Washington, D.C. (3)

**Washington**  
Seattle

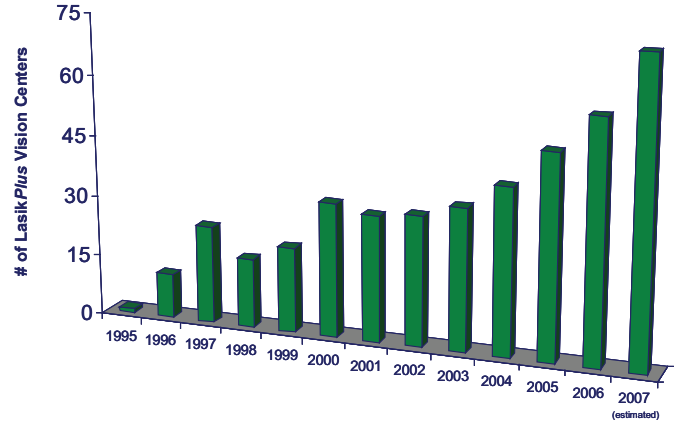
**Wisconsin**  
Green Bay  
Milwaukee

# RESULTS

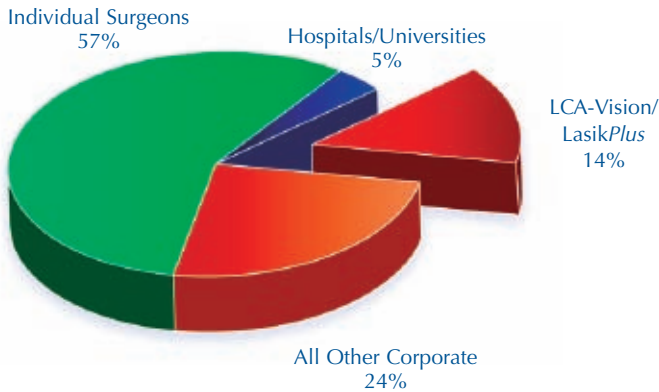
## Total Revenue



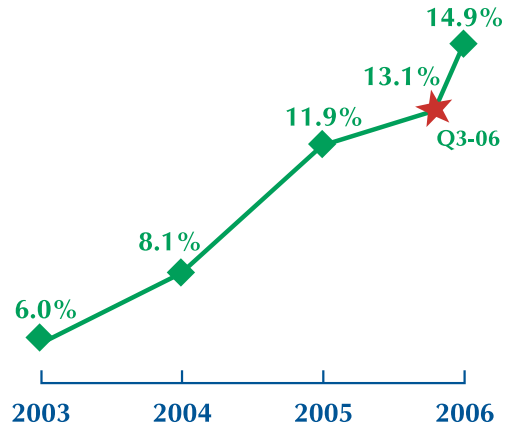
## LasikPlus Vision Centers in the U.S.



## Procedures by Market Segment



## Growing Market Share



★ LCAV became the #1 provider of laser vision correction in the United States based on procedures, revenue and income.

Data to determine market segment procedure volume and market share gains obtained from Market Scope (May 15, 2007) and company reports.

**LCA-Vision Inc.** is a leading provider of laser vision correction services under the *LasikPlus* brand. As of June 30, 2007, we operated 68 *LasikPlus* fixed-site laser vision correction centers located in 31 states and 53 markets in the United States, and a joint venture in Canada. We focus exclusively on laser vision correction services, and have performed over 800,000 laser vision correction procedures in our vision centers in the United States and Canada since 1991.

*LasikPlus* vision centers are staffed with skilled ophthalmologists, optometrists and other experienced healthcare professionals. Advanced diagnostic equipment and multiple laser platforms are used to help correct nearsightedness, farsightedness and astigmatism.

*LasikPlus* vision centers are located in major cities throughout the United States. Additional information is available at our corporate websites: [www.lca-vision.com](http://www.lca-vision.com) and [www.lasikplus.com](http://www.lasikplus.com).

**It's Not Just Lasik. It's *LasikPlus*!**

# BOARD OF DIRECTORS

December 31, 2006



**Anthony Woods (1) (2)**

Chairman of the Board  
LCA-Vision Inc.  
Chairman, Deaconess Associations, Inc.



**William F. Bahl (1) (2\*) (3)**

Co-Founder & President  
Bahl & Gaynor Investment Counsel



**Thomas G. Cody (1) (2) (3\*)**

Vice Chairman  
Federated Department Stores



**John H. Gutfreund (2) (3)**

Senior Advisor  
C.E. Unterberg, Towbin



**John C. Hassan (1\*) (2) (3)**

Consultant  
BSC Ventures



**Craig Joffe**

Chief Operating Officer, General Counsel  
& Secretary, LCA-Vision Inc.



**Steven C. Straus**

Chief Executive Officer  
LCA-Vision Inc.



**David W. Whiting, M.D.**

Medical Director  
Minneapolis Lasik*Plus* Vision Centers

**Committees**

(1) Audit Committee

(2) Compensation Committee

(3) Nominating & Governance Committee

\* Committee Chair

## LEADERSHIP

June 30, 2007



Pictured left to right: Steven C. Straus, Alan H. Buckey, Anthony Woods

**Steven C. Straus**

Chief Executive Officer

**Alan H. Buckey**

Executive Vice President, Finance and Chief Financial Officer

**Anthony Woods**

Chairman of the Board







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