

Leica Geosystems

The Case for Continued Value Creation

- when it has to be **right**



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Leica Geosystems

The Case for Continued Value Creation

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Assessment of the Hexagon Offer

- when it has to be **right**

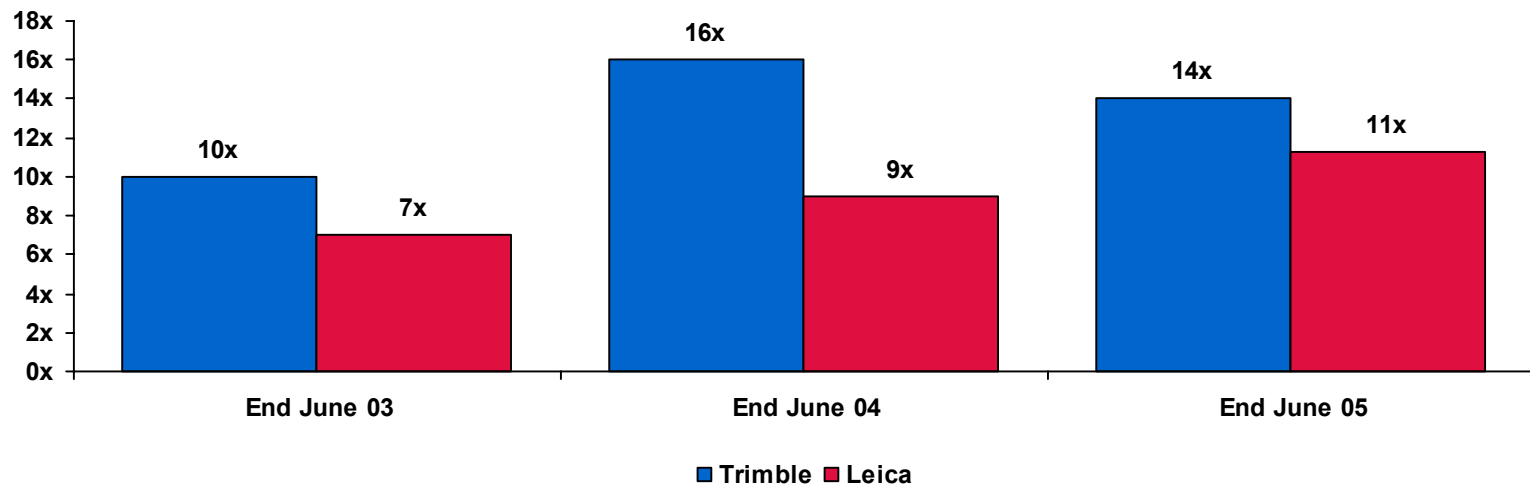
Leica
Geosystems

Reasons to Reject Hexagon's Offer

1. Offer price of CHF 440 clearly undervalues company's potential - supported by the views of two advisors on valuation

a) Leica's performance trajectory leaves more room for multiple expansion

Forward EV/EBITDA Multiple



b) Takeover premium below recent Swiss market precedents

- Hexagon bid vs. closing price prior to pre-announcement: 15.8%
- Swiss market premia for similar transactions ~25%

Reasons to Reject Hexagon's Offer (cont'd)

- c) The Cash Offer deprives shareholders of further upside in Leica and deprives investors of investing in the only geo-spatial pure play
- d) A number of Research Analysts covering Leica Geosystems had target prices above offer price before announcement with one above CHF500
- e) Current share price trading above Hexagon offer price indicating market expects higher offer

2. No compelling industrial logic behind Hexagon Merger

- Minimal industrial synergies (except Metrology Division)
- No common customers, no operational synergies in R&D, Distribution, Production
- Leica's customer focussed strategy diluted with Hexagon conglomerate structure

Reasons to Reject Hexagon's Offer (cont'd)

3. Leica stand-alone plan offers shareholders better value proposition:

a) Management successfully executing its strategy and outperforming its mid term financial plan ("MTFP")

- Leica Geosystems has outperformed its MTFP for 03-07
 - 03-05 Sales CAGR: actual 12% in local currencies vs. 10% target
 - EBITDA margin, 17% (full year 05), up >400bp in 2 years
- Leica beginning to reap benefits of successful strategy

b) Extended MTFP highlights further potential by 2009

- Sales growth in excess of 10% for FY08-09
- 20% EBITDA margin for FY09
- Approximately CHF 300m Free Cash flow over plan period FY05-09

c) Share Buyback of up to 10% of outstanding shares or CHF100m delivers value to shareholders

- Supported by strong current and future cash flow generation
- Leaves room for bolt-on earnings accretive acquisitions over plan period

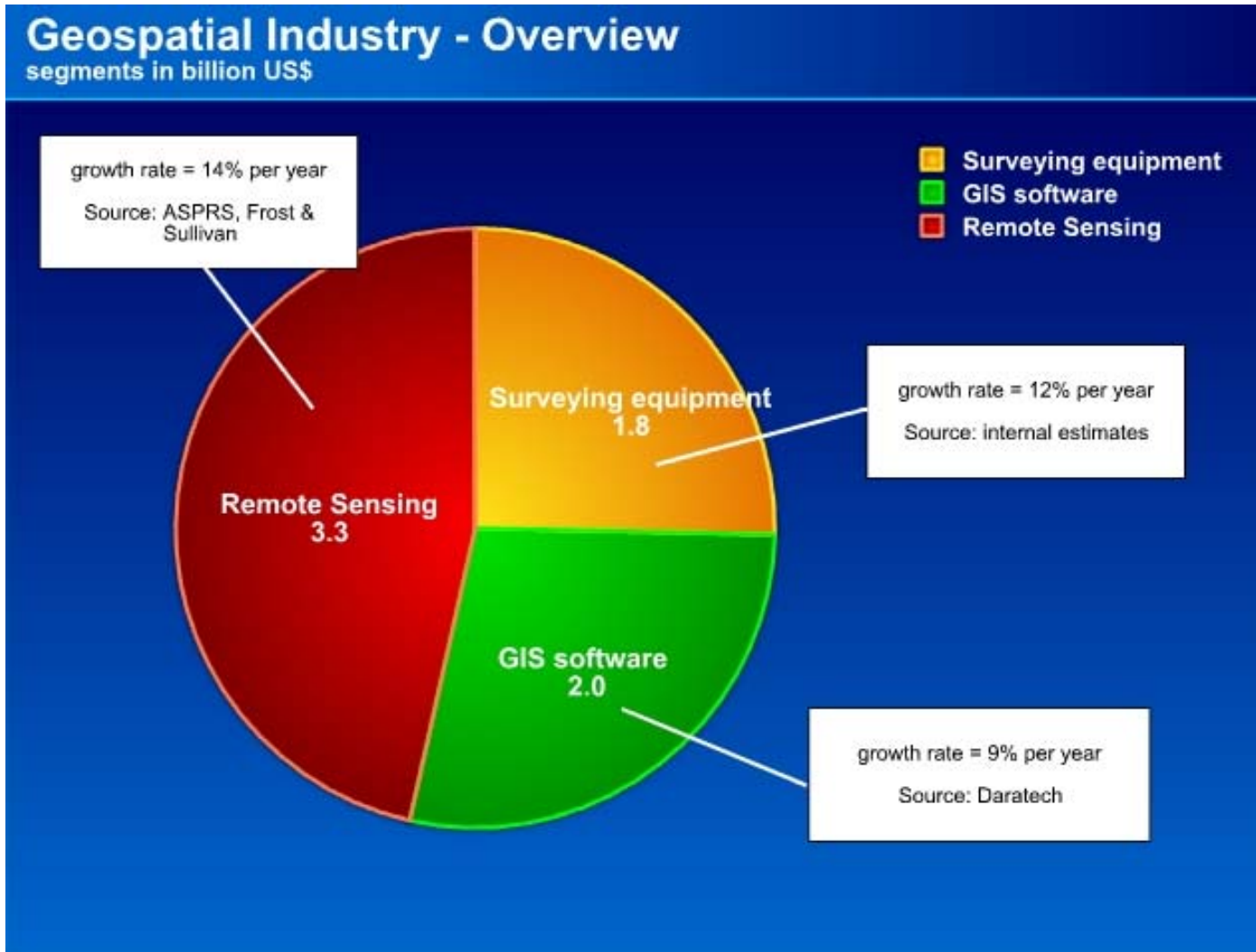
The Case for Continued Value Creation

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Geospatial Industry Overview

Leica only pure play in attractive market

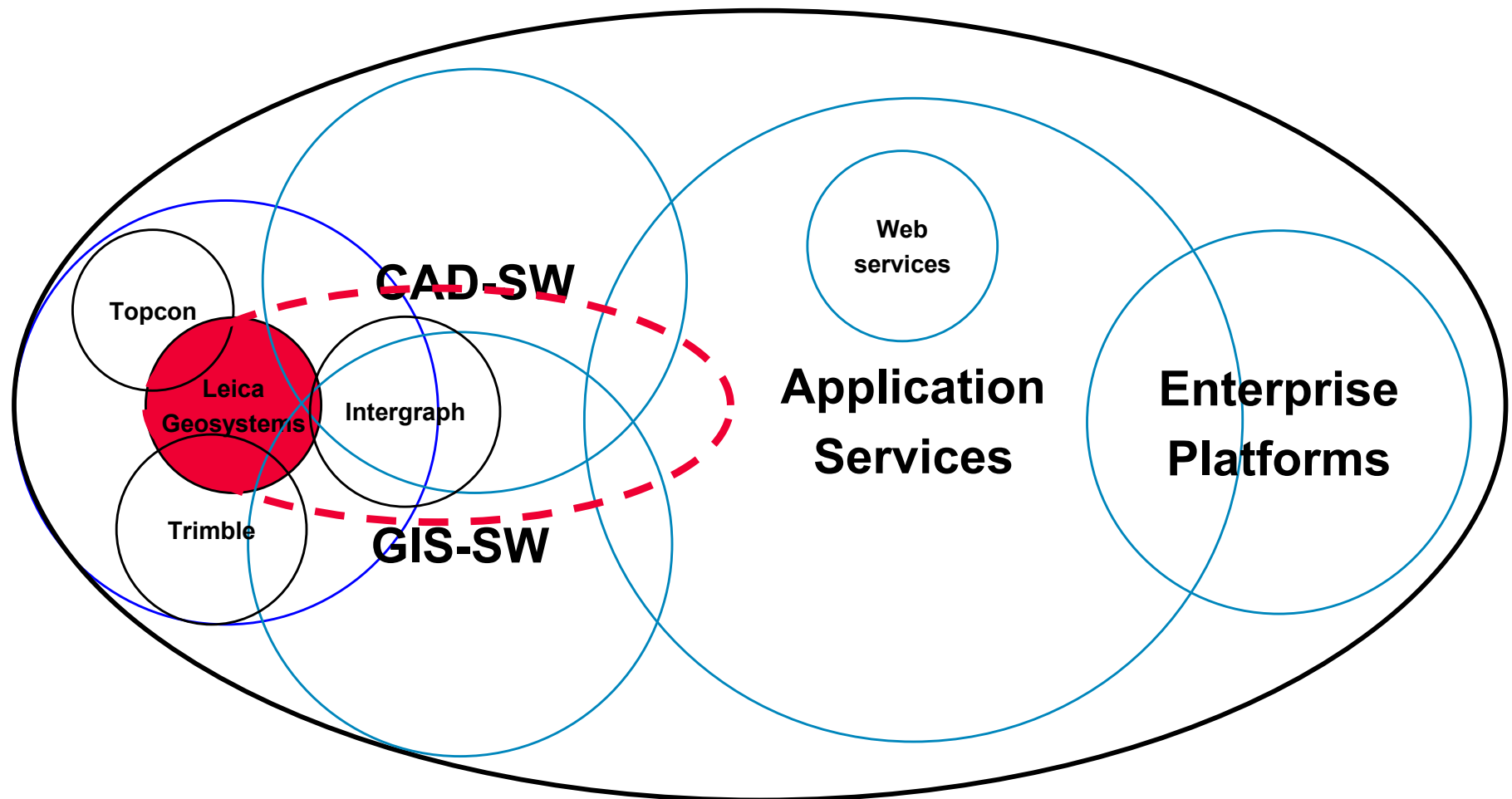


"Earlier this year, the US Department of Labor identified Geotechnology as one of the three most important emerging and evolving fields, along with Nanotechnology and Biotechnology."
Nature, January 2004

- Total Geospatial Market > \$ 7 billion
- Industry growth rate of > 12%
- Leica best positioned company in this attractive industry

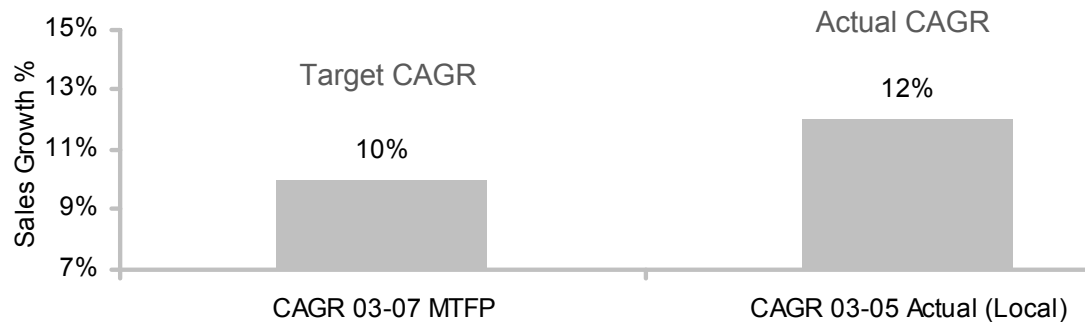
Geospatial Information Industry

A Blueprint for Growth



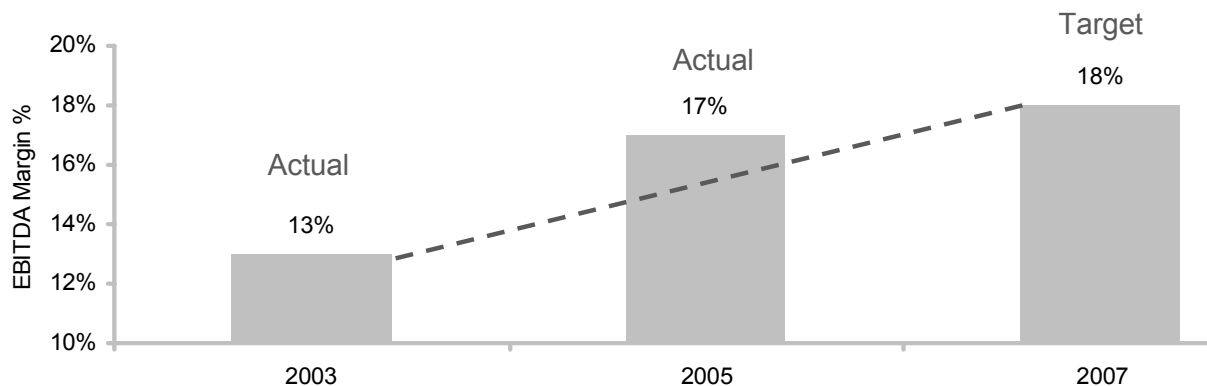
Leica Has Overachieved Its Mid-Term Targets

SALES Growth CAGR – above targets set in 2003



- Stronger than expected performance in S&E and HDS from:
 - New products
 - Market share gains
 - Strong market growth (emerging markets, new market segments)

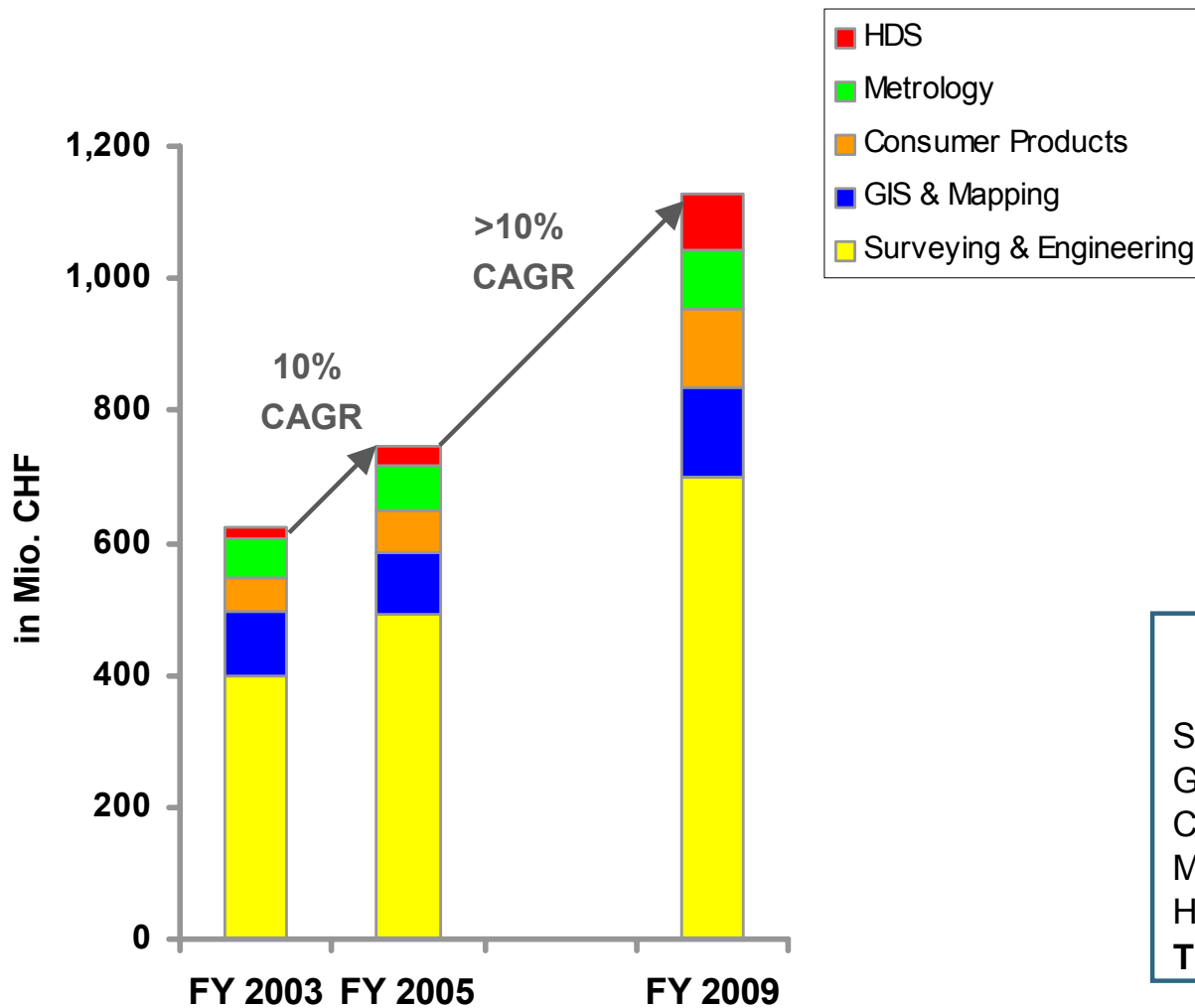
EBITDA margin – above implied targets



- Strong gross profit margin (solutions & services, new products)
- Proof of operating leverage

Extended Mid Term Financial Targets FY05 - FY09

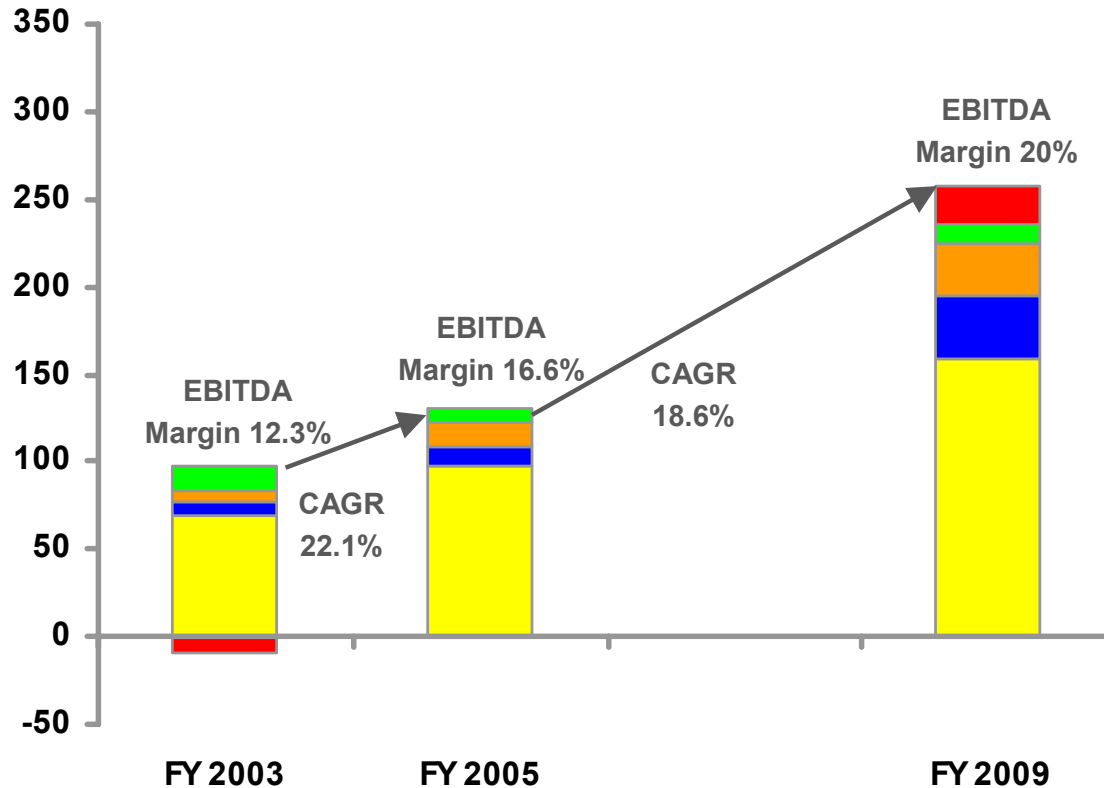
Sales growth in excess of 10% p.a. to continue



	CAGR
	05-09
Surveying & Engineering	9%
GIS & Mapping	10%
Consumer Products	18%
Metrology	7%
HDS	>20%
Total	>10%

Extended Mid Term Financial Targets – FY05 - FY09

EBITDA margin expansion to 20% by FY09

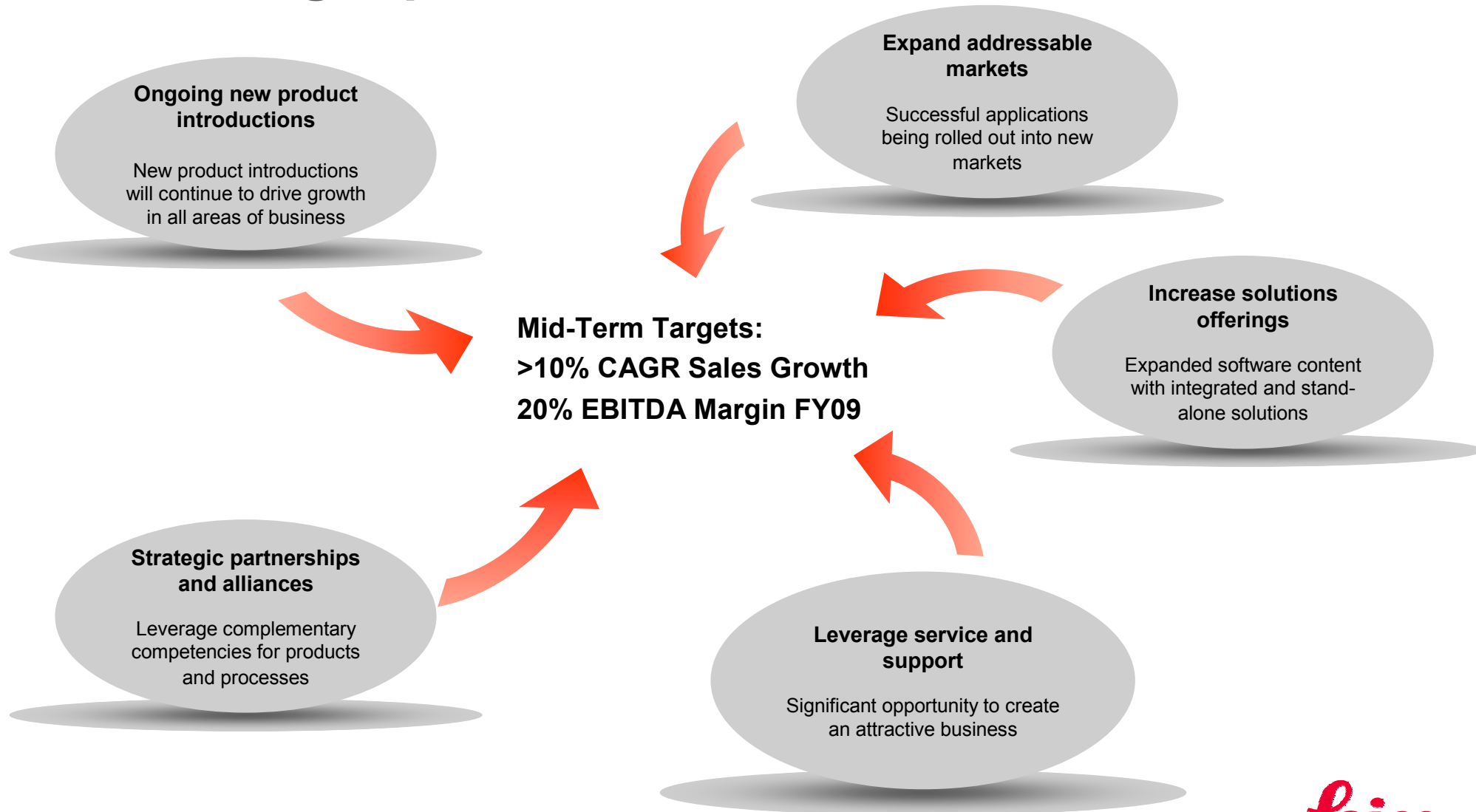


FY09	
Surveying & Engineering	23%
GIS & Mapping	26%
Consumer Products	25%
Metrology	13%
HDS	27%
Total (including central costs)	20%

- HDS
- Metrology
- Consumer Products
- GIS & Mapping
- Surveying & Engineering

A Strategy That Delivers

On the right path with current initiatives



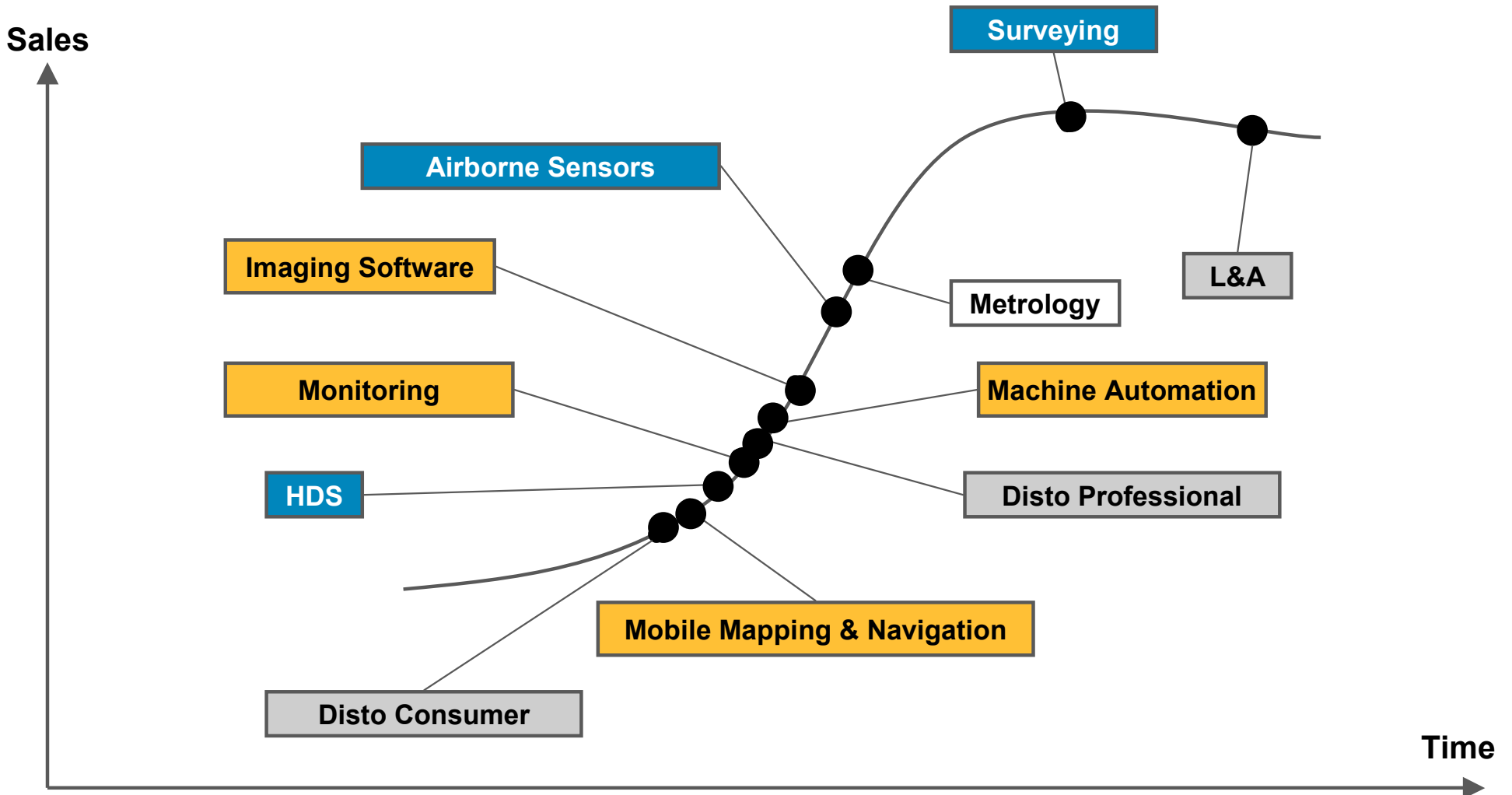
History of New Product Launches

An innovation leader

- Over time Leica has transformed from a traditional Swiss optics based company to a global leader in technology and solutions for the geospatial information market
- We offer the most comprehensive product range in our industry, including software solutions and services
- We are a technology leader with more than 1,000 patents
- More than 50% of sales in FY04/05 were derived from products less than 12 months in the market
 - Surveying → SmartStation, System 1200 and Geo-office Software
 - 3D Laser Scanning → HDS 3000 and Cyclone 5.0 Software
 - Field Surveying → MobileMatrix Software
 - Reference Stations → SPIDER Software
 - Construction → TPS 100/400/800, RUGBY 200, Sprinter, low-end GPS

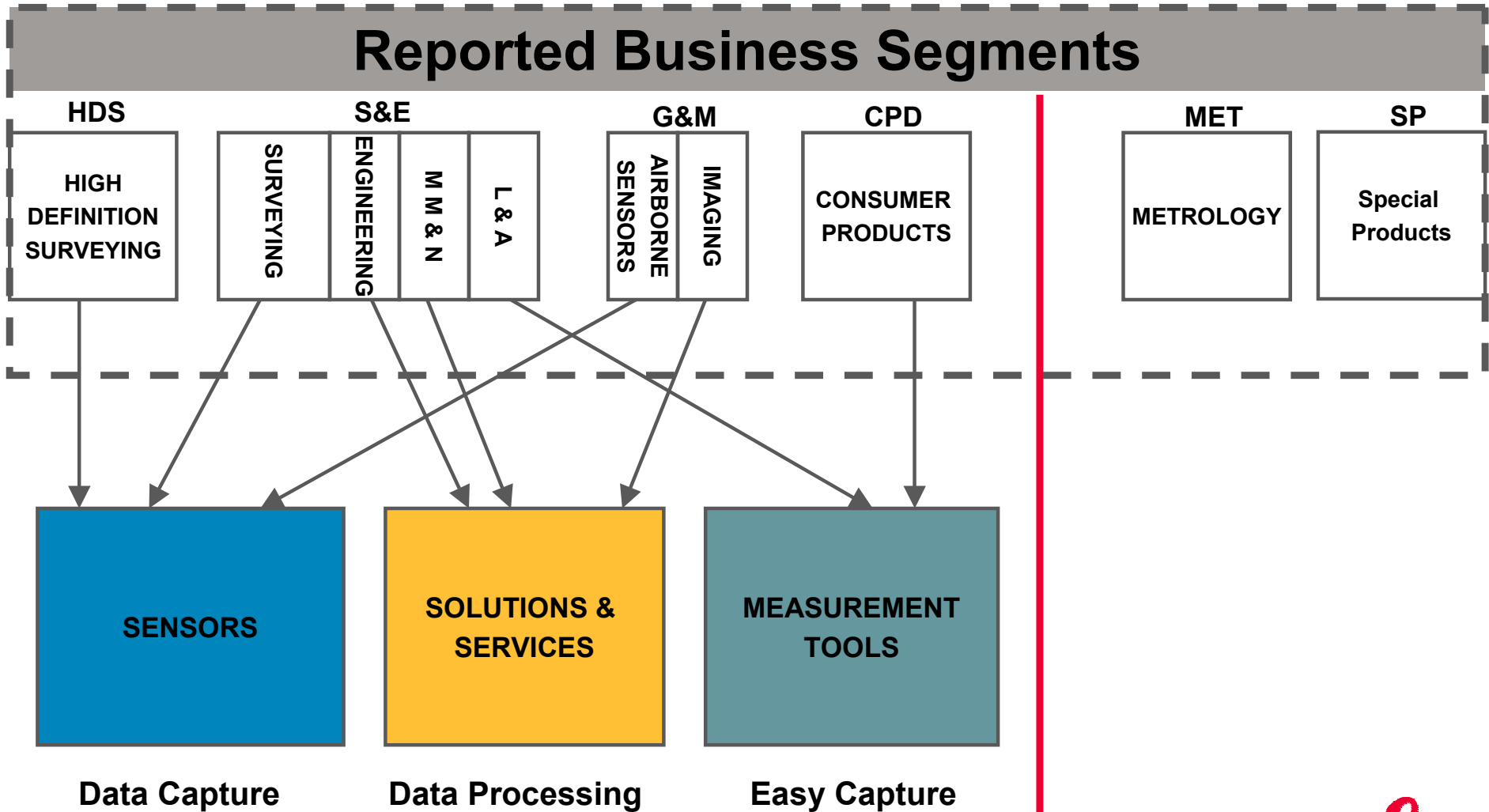
Leica's Current Product Life Cycle

Value contribution from new initiatives in portfolio



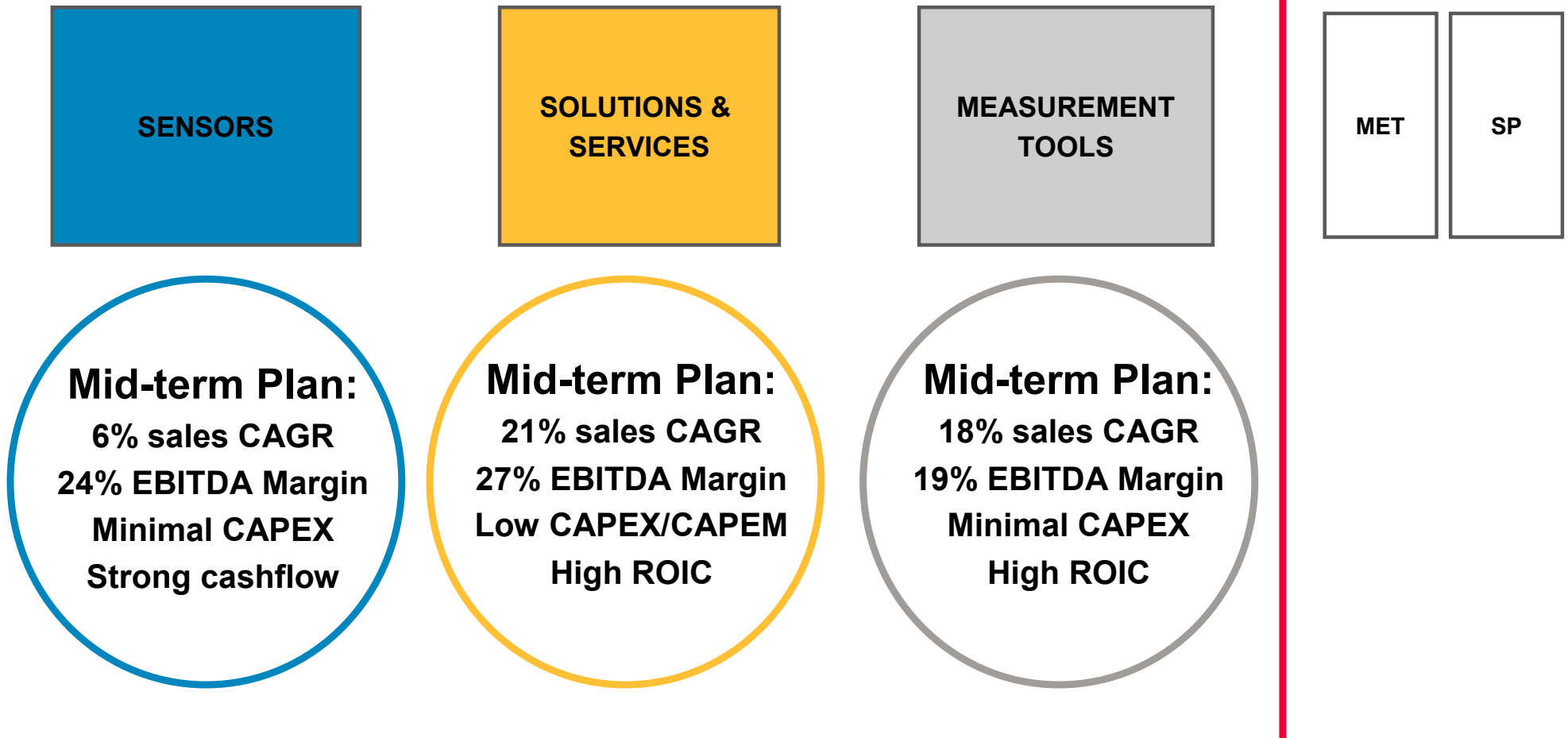
Reporting Structure

A different perspective: Three core activities



Three Core Activities

A different perspective: Overview



The Business

- when it has to be **right**



SENSORS Business

Overview of the business

Company is market leader in industry

Market Characteristics:

- Stable revenue pattern in terrestrial
- Large infrastructure spending component, notably in emerging markets
- ~50% public funding

Regional Dynamics:

- Well diversified globally

Industry Comparable: Trimble Navigation

PRODUCT OVERVIEW

TERRESTRIAL SENSORS:

Total Stations

GPS Instruments

SmartStation

HDS 3-D Laser Scanners

AIRBORNE SENSORS:

Analog aerial cameras

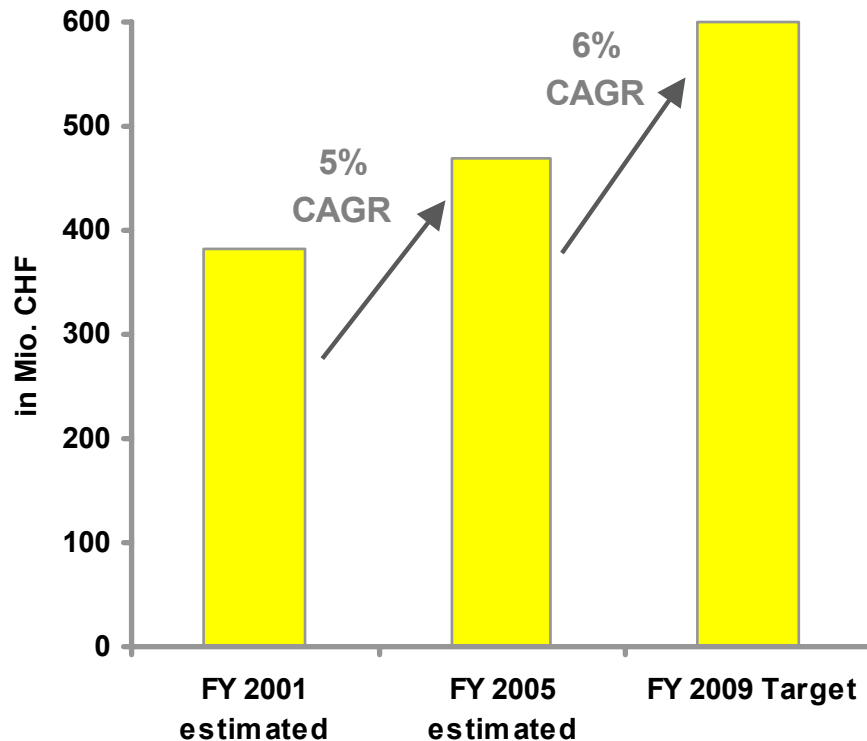
Digital aerial cameras

LIDAR aerial scanners

SENSORS Business

Solid top-line growth in mature business

SALES



New products / innovation keeps business ahead of historical market growth curve

Accelerated GPS adoption: important growth driver in terrestrial segment (System 1200)

3D Laser scanning: fast growing new business opportunity

Digital conversion pushes growth in Airborne sensors segment

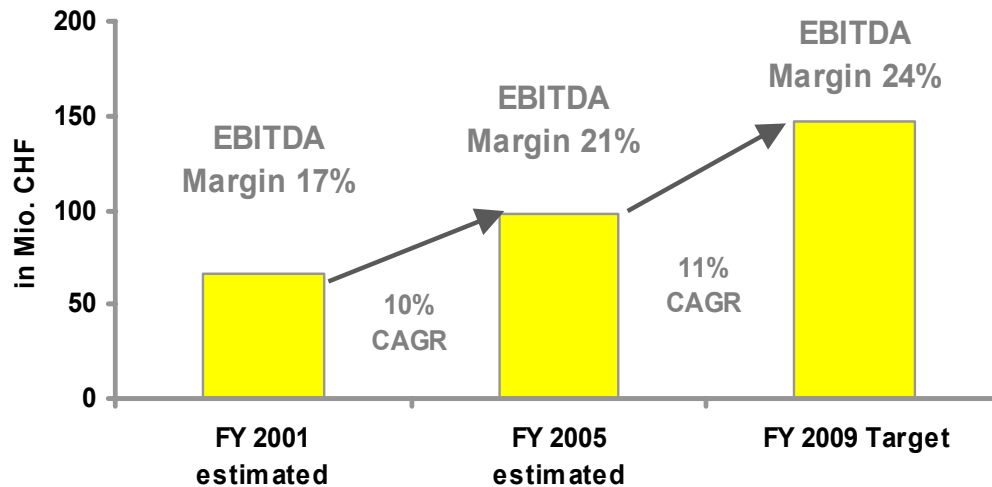
Significant emerging geographic opportunities in China, Eastern Europe, Russia, India and Middle East

Market share gains in strategic markets, especially in the US

SENSORS Business

High profitability in stable market environment

EBITDA



Stable Gross Margins

Leading market positions

Strong pipeline of new products allow price stability

Continued innovation

Ongoing cost improvements

Minimal tangible CapEx investments → primary investments into R&D

Significant cash generation in mature business

SOLUTIONS AND SERVICES Business

Overview of business

Bundles Sensor and Software know-how to provide solutions and services tailored to vertical segments

- Leica Geosystems is deeply entrenched in these markets
 - - Have mission critical sensors and market leading software
 - Intimate customer relationships puts us in touch with service opportunities
- Market is rapidly growing:
 - Machine automation solutions
 - GPS reference stations
 - Image processing software
 - Data management software
- Industry comparables software: Autodesk, Intergraph
- Industry comparables solutions: Faro, Trimble

PRODUCT OVERVIEW

ENGINEERING SOLUTIONS:

Mining Solutions
Machine Automation
Spider Network Software

MOBILE MAPPING & NAVIGATION:

GS20
Mobile Matrix

IMAGING SOLUTIONS:

ERDAS Imagine
Leica Photogrammetry Suite

SOLUTIONS AND SERVICES Business

Expansion of vertical segments key growth driver

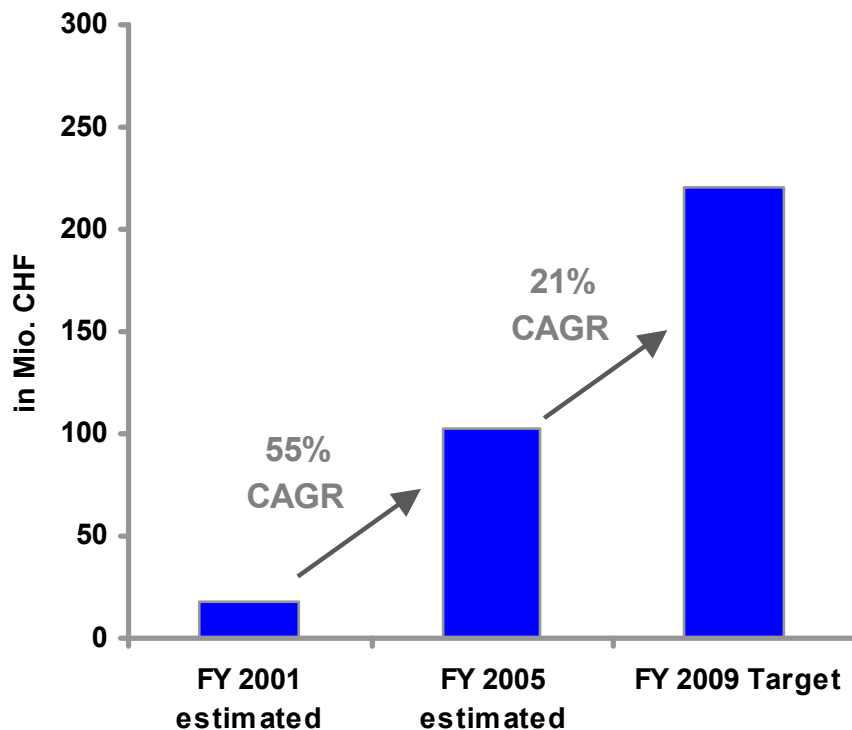
SALES

Significant organic growth over plan period

Businesses reaching critical size to become profitable and generate returns

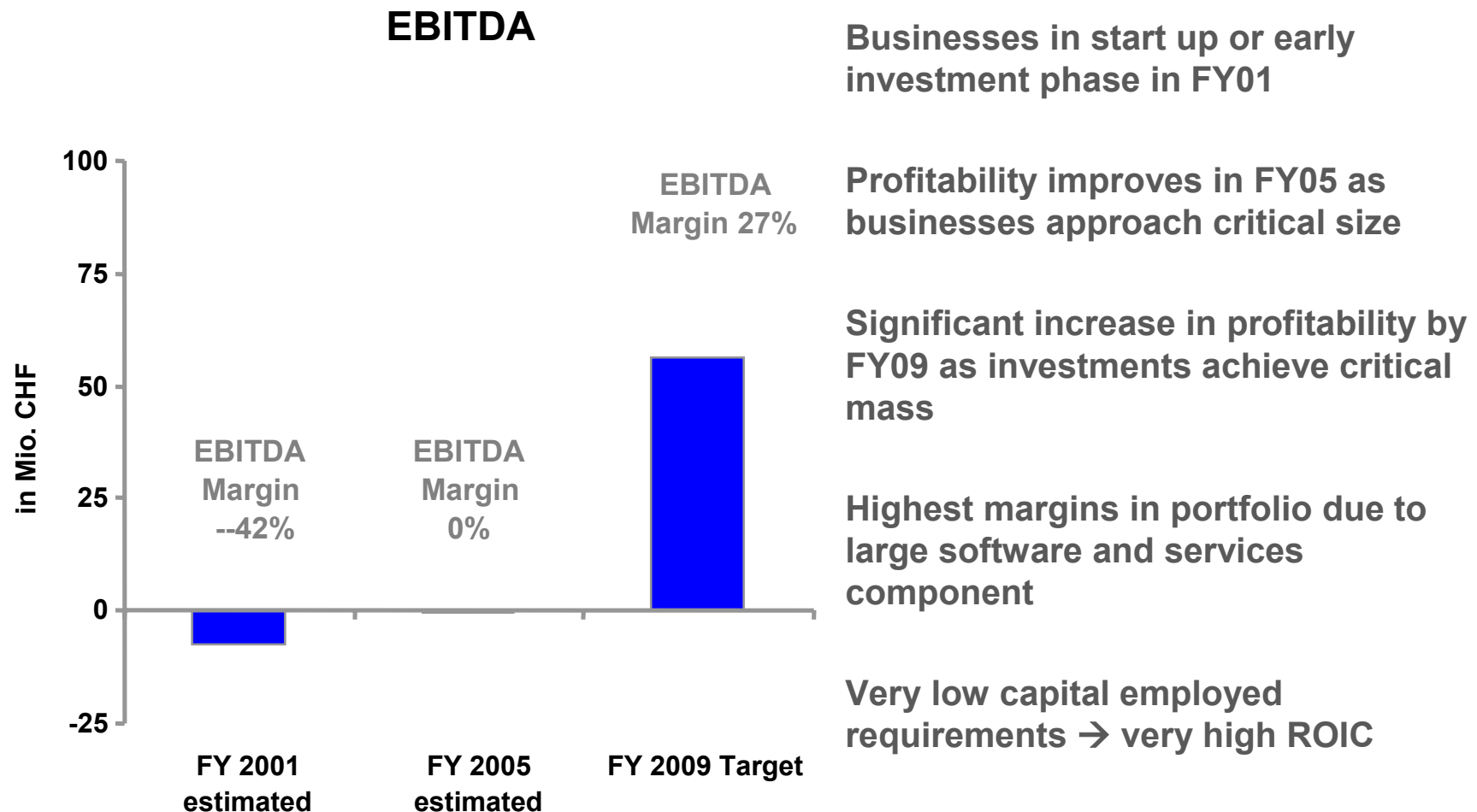
Solutions and Services currently 15% of total sales, excluding Metrology and Special Products

Expansion into vertical market segments through acquisitions will accelerate growth (not reflected in current projections)



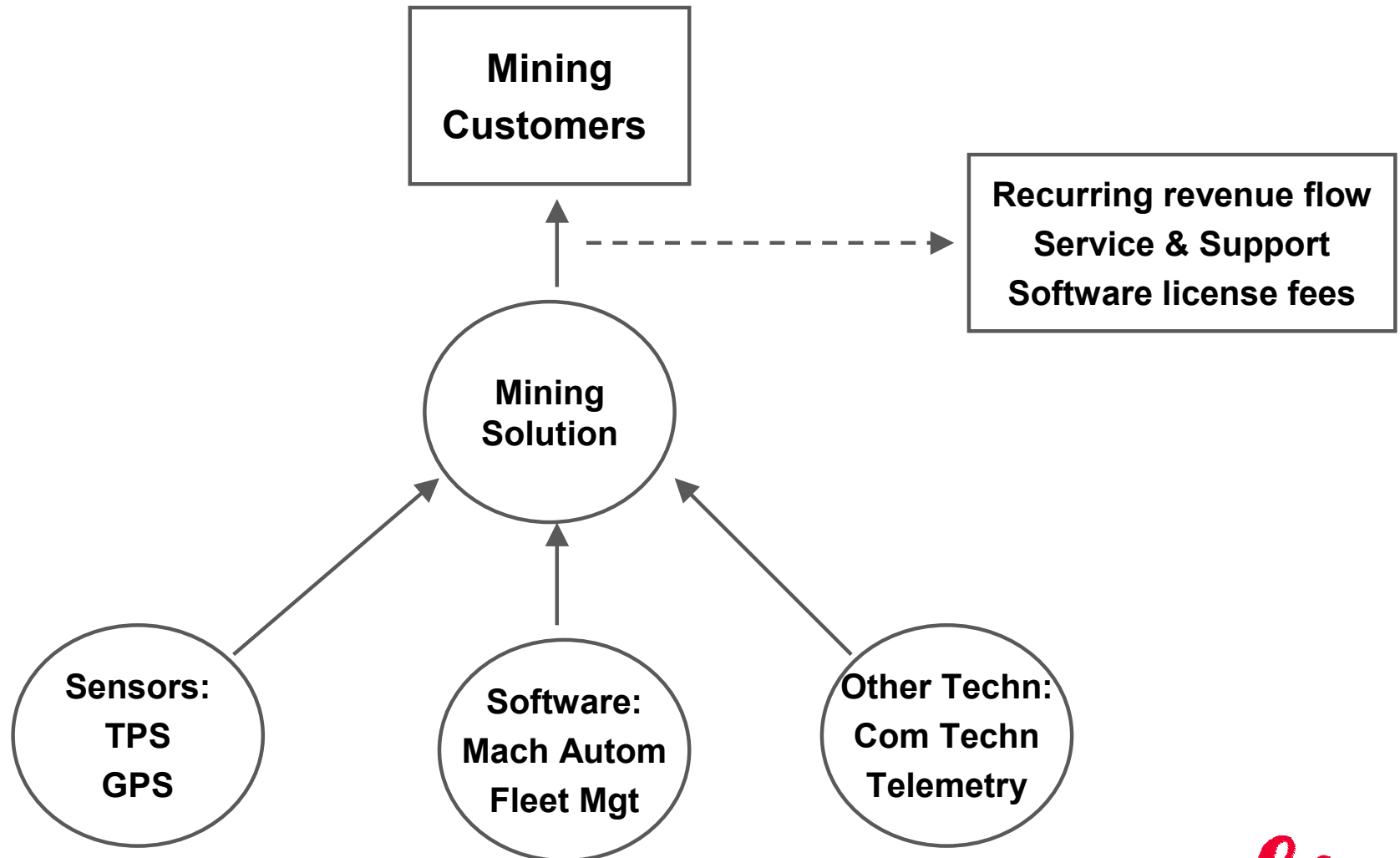
SOLUTIONS AND SERVICES Business

Profitability jumps as investments bear fruit



SOLUTIONS AND SERVICES Business

Case Study: Tritronics as blueprint for future M&A



SOLUTIONS AND SERVICES Business

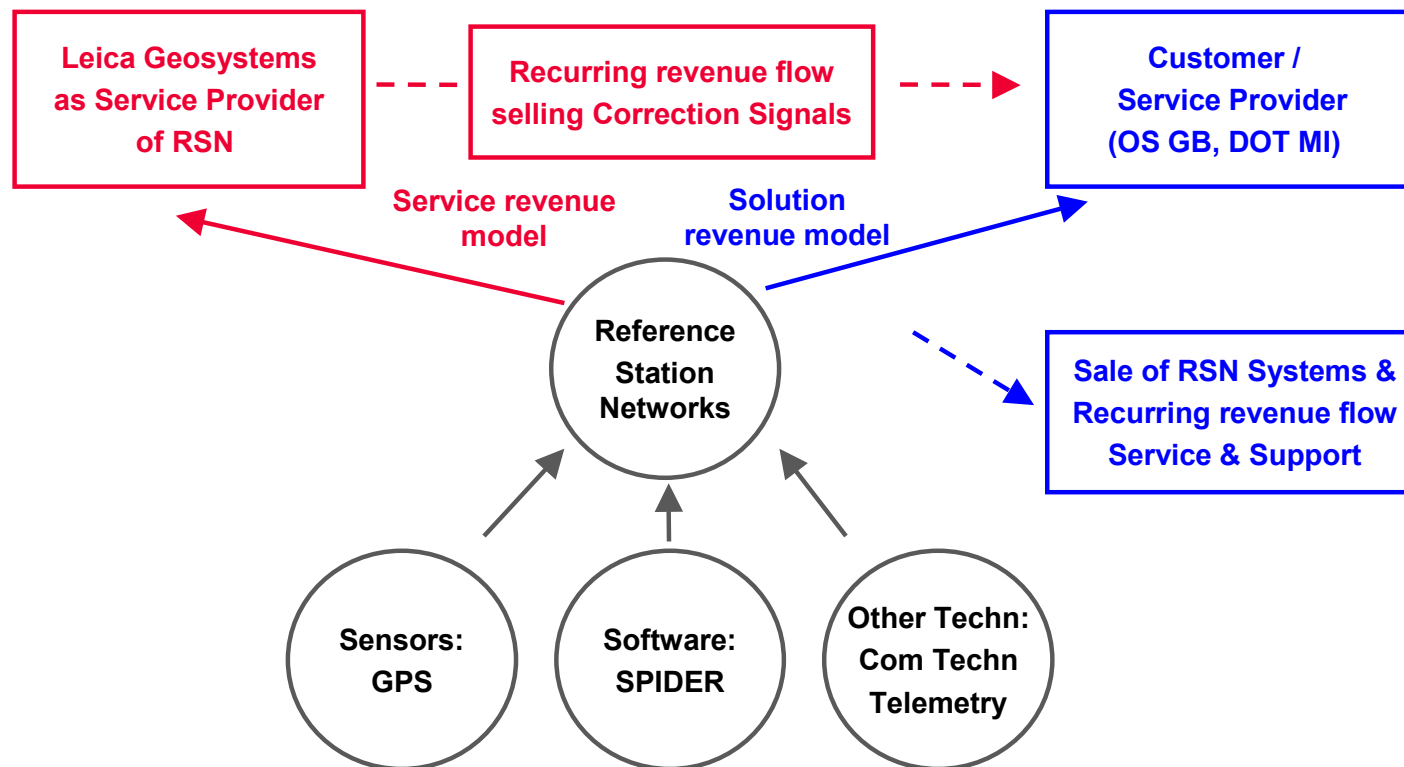
Growth Opportunity: expansion into new verticals



SOLUTIONS AND SERVICES Business

Case Study: Reference Stations

- Two main revenue models
 - Solution model: Software + Hardware sales
 - User access model: Provide data services to subscribers



MEASUREMENT TOOLS Business

Rapid sales growth from consumer opportunity

- Leica Geosystems has leading market position in hand-held measurement tools market
- Business combines high-growth DISTO product line with Levels & Alignment: faster growth through attractive product basket
- Market growth rates > 10%:
 - Low-end laser business 10%
 - Levels >10% → analog to digital
 - DISTO to grow +15% excluding DIY opportunity
- Industry comparables: Stanley, Black & Decker

PRODUCT OVERVIEW

HAND-HELD TOOLS:

Leica DISTO™ Tools

Consumer OEM Tools with Stanley FatMax brand label

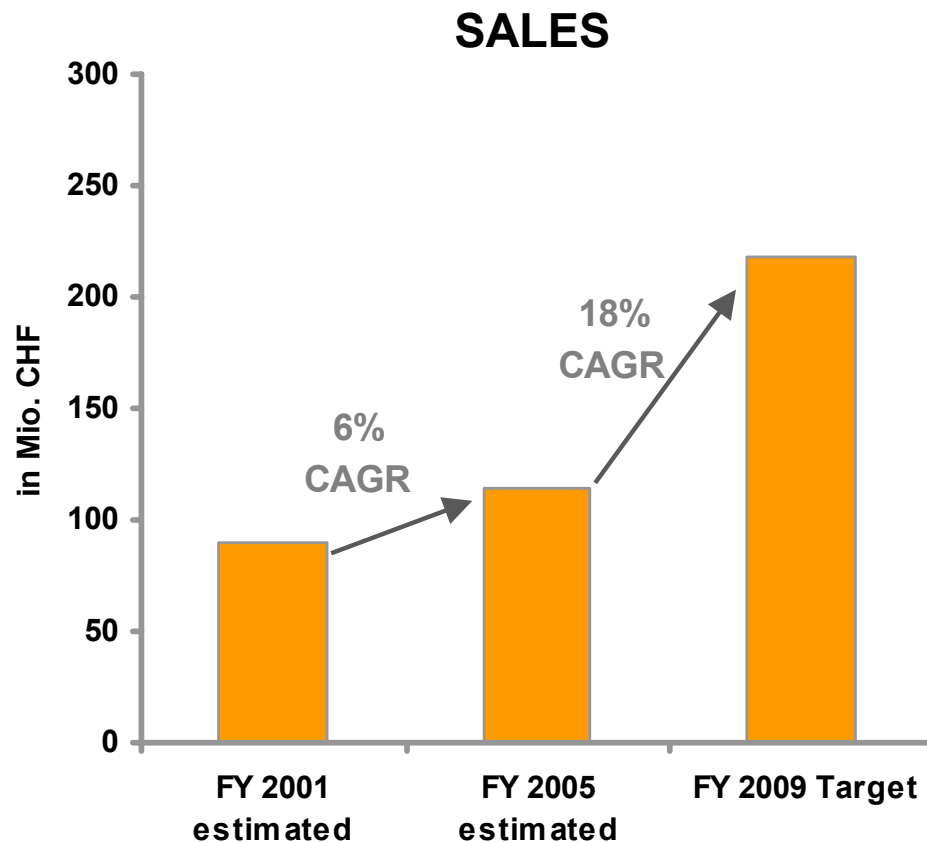
LEVELS and ALIGNMENT:

Digital Levels

Construction Lasers

MEASUREMENT TOOLS Business

Rapid sales growth from consumer opportunity



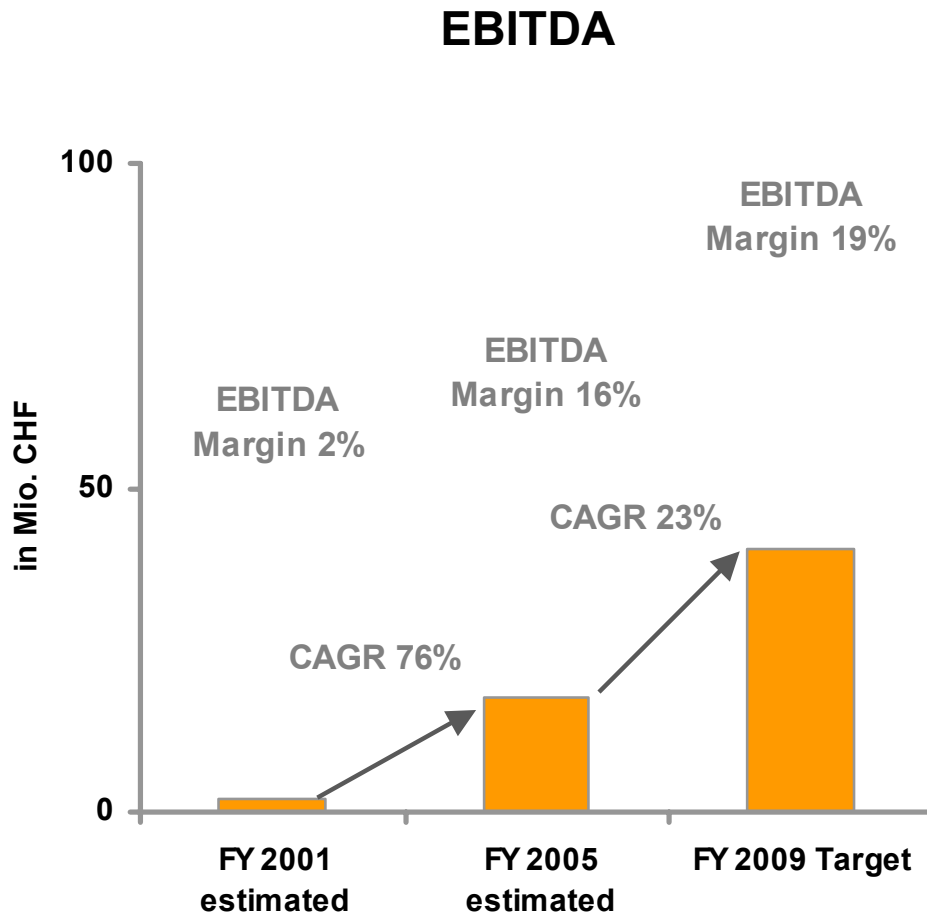
Leica DISTO™ entering 6th generation → multi-tiered product basket covers many target groups

Market penetration in hand-held market currently below 5% in US and Asia

Partnership with key OEM players like Stanley and others open access to this market

MEASUREMENT TOOLS Business

Profitability rises in operationally leveraged model



Manufacturing of hand-held devices outsourced → potential to outsource others

Manufacturing of Levels to be done in China

Profitability explodes with high operationally leveraged model

Synergies between combined businesses not reflected → additional upside

MEASUREMENT TOOLS Business

Storming the US market with Stanley

- Independent research points to a significant opportunity in the hand-held market with products at DIY price points
- Realistic potential of 1.2 million units in 3 years in US market alone → Optimistic scenario of 2.7 million units in 3 years
- Agreement with Stanley for hand-held device to be marketed in US DIY retail shops in 2005
- Significant upside to sales projections not reflected in plan

Looking Forward

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Outlook – FY 2006

Seasonality in revenue and earnings distribution

(Barring any unforeseen circumstances)

In line with our previously communicated mid-term targets, we expect:

- **Top-line growth of 10% in fiscal year 2006**
- Sales growth likely < 10% in 1HY and > 10% in 2HY
 - Base effect from new products in FY05, launch of new products in Autumn 2005
- Seasonality → roughly 47% in 1HY / 53% in 2HY

- **EBITDA margin increase to 17%**
- Will trend with sales → 1HY lower than 17% / 2HY above 17%

- **Net income in the area of CHF 60 million**

Summary of extended mid-term financial targets

Leica stand-alone plan offers significant value

(Barring any unforeseen circumstances)

- Continued 10% Sales CAGR through FY09
- Further improved profitability target of 20% EBITDA margin in FY09
- Approximately CHF 300 million free cash flow over plan period – allowing immediate CHF 100m cash return to shareholders and bolt-on earning accretive acquisitions over plan period

Significant Cash Generation

CHF100m return of capital to Shareholders

- Based on strong momentum Leica recently announced its first dividend of CHF4 per share
- To adapt Leica's capital structure to its proven cash flow generation profile, the Board has decided to return CHF100m to shareholders
- A share buyback program of up to 10% of the shares outstanding will be implemented at the end of Hexagon's offer, supported by strong current and future cash flow generation
- Continued focus on organic growth with CapEx maintained at CHF60m
- Return of capital still provides flexibility for bolt-on EPS accretive acquisitions with attractive return on capital profile

A Trusted Management Team at the Right Time

Management has vision and experience

- Strategy developed by cohesive management team with over 80 years experience with company
- Deep understanding of industry and key industry trends critical to realization of strategy
- Hans Hess to remain CEO beyond the end of 2005 and in any event until new successor in place to lead company into accelerated solutions and service business model
- Board will be enhanced with new member who brings experience in the software and solutions business (Sergio Giacoletto, EVP of Oracle, responsible for EMEA)

Appendix

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Relative Trading Comparison

Leica	
Leica	
EV / Sales '04/'05A	1.51x
EV / Sales '05/'06E	1.36x
EV / EBITDA '04/'05A	11.4x
EV / EBITDA '05/'06E	10.7x
EV / EBITA '04/'05A	14.0x
EV / EBITA '05/'06E	12.9x
EV / EBIT '04/'05A	14.0x
EV / EBIT '05/'06E	12.9x

Sensors	
Trimble	
EV / Sales '04/'05A	3.03x
EV / Sales '05/'06E	2.58x
EV / EBITDA '04/'05A	18.9x
EV / EBITDA '05/'06E	14.4x
EV / EBITA '04/'05A	20.6x
EV / EBITA '05/'06E	15.5x
EV / EBIT '04/'05A	22.4x
EV / EBIT '05/'06E	16.5x

Solutions			
	Autodesk	Intergraph	Faro
EV / Sales '04/'05A	8.08x	1.02x	3.41x
EV / Sales '05/'06E	6.38x	0.99x	2.62x
EV / EBITDA '04/'05A	41.7x	8.0x	19.1x
EV / EBITDA '05/'06E	24.7x	7.8x	14.0x
EV / EBITA '04/'05A	NM	9.0x	22.0x
EV / EBITA '05/'06E	29.2x	8.8x	15.8x
EV / EBIT '04/'05A	NM	15.4x	22.0x
EV / EBIT '05/'06E	29.2x	13.0x	15.8x

Tools		
	Stanley	Black & Decker
EV / Sales '04/'05A	1.38x	1.47x
EV / Sales '05/'06E	1.30x	1.27x
EV / EBITDA '04/'05A	9.1x	10.1x
EV / EBITDA '05/'06E	8.4x	8.3x
EV / EBITA '04/'05A	11.5x	12.2x
EV / EBITA '05/'06E	10.3x	9.9x
EV / EBIT '04/'05A	11.5x	12.2x
EV / EBIT '05/'06E	10.3x	9.9x

Source: Broker Research. Factset. Company Data.

Note: Market data as of June 17, 2005.