

Leica Geosystems' Fiscal Year 2001 Fourth Quarter and Full-Year Results

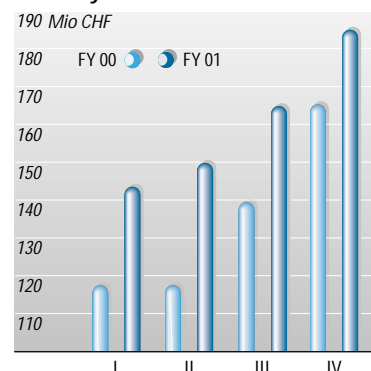


Vanessa Lawrence,
Director General
Ordnance Survey, and
Hans Hess, CEO Leica
Geosystems, signing
on 1 March 2001 a
partnership contract
and an order for
several hundred of
Leica GPS-Systems.

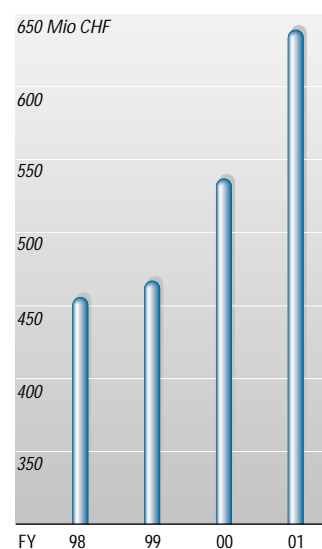
Dear Shareholder,

Leica Geosystems is pleased to announce the results for the fourth quarter and the full year of Fiscal Year 2001. The fourth quarter of this year was a very dynamic period. The strategic actions taken during this quarter will set the stage for the Company's future by positioning Leica Geosystems at the forefront of numerous technological and market advances. These initiatives, including our strategic acquisitions and our new, more market focused organisational structure, have been supported by a strong core business.

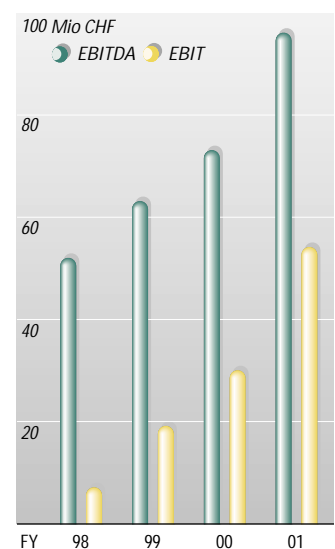
Quarterly sales



Sales



EBITDA/EBIT



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The fourth quarter of this year was even stronger than that of the record setting fourth quarter of Fiscal Year 2000, with improvement in all Profit & Loss metrics. Sales in the quarter grew by 12.0% to CHF 185.1m, EBITDA by 21.2% to CHF 28.1m, and EBIT by 12.6% to CHF 14.4m.

For the full year, sales grew by 19% to CHF 642.4m, EBITDA by 32.4% to CHF 97.5m, and EBIT by 40% to CHF 55.6m, exceeding, in each case, our projections for the year. We are extremely proud of the Company's performance this year and we look forward to an exciting and challenging Fiscal Year 2002!

Financial and Business Summary ⁽¹⁾

SALES: Leica Geosystems maintained its strong growth trend in the **fourth quarter** with sales reaching CHF 185.1 million, an improvement of 12% over the record performance in the comparable fourth quarter of Fiscal Year 2000. Excluding the acquisitions of Laser Alignment and Cyra, sales for the quarter were CHF 167.4 million, still representing year on year growth of 1.3% for the quarter.

EARNINGS: EBITDA in the fourth quarter amounted to CHF 28.1 million, 21.2% over the same quarter in the previous year. EBIT in the fourth quarter reached CHF 14.8 million (+12.6 %). Excluding the acquisitions of Laser Alignment and Cyra, EBIT would have been CHF 17.0 million in the fourth quarter (CHF 2.2 million higher) representing a pre-acquisition growth rate of 29.3%. Net Income grew to CHF 12.8 million (+77.0%) compared to the CHF 7.2 million in the prior year. Earnings per share (EPS) for the quarter were CHF 6.16.

For the full year, sales grew to CHF 642.4 million, or 19%, exceeding previous forecasts. Excluding the acquisitions of Laser Alignment and Cyra, sales for the full year were CHF 624.8 million, representing a growth rate of 15.8%. Taking into account changes in exchange rates, the turnover growth rate would have been 15.7%.

For the full year, EBITDA increased by 32.4% to CHF 97.5 million from the prior year level of CHF 73.7 million, with EBIT rising 40.0% to CHF 55.6 million from the CHF 39.7 million a year ago. Excluding the impact of the Cyra and Laser Alignment acquisitions, EBIT would have been CHF 57.8 million, a growth rate of 45.5%. The Company recorded a net loss for the year of CHF (8.0) million, versus income of CHF 2.5 million in Fiscal Year 2000. Current year Net Income includes the impact of non-recurring financing costs associated with the company's IPO in July 2000. The majority of these costs were non-cash in nature and were recorded in conjunction with the early repayment of various debt obligations from the proceeds of the July 2000 IPO. Excluding the impact of these IPO related costs, full year Net Income would have been CHF 43.5 million. EPS for the full year were CHF (4.23), and CHF 21.96 per share if the impact of the non-recurring IPO related costs is removed.

Sales, margin and results at a glance

Fourth Quarter			(in Swiss Francs)	Full Year		
Changes (%)	Previous year (1.1.00 to 31.3.00)	Current year (30.12.00 to 31.3.01)		Current year (1.4.00 to 31.3.01)	Previous year (1.4.99 to 31.3.00)	Changes (%)
+ 12.0 %	165.3 Mio	185.1 Mio	SALES	642.4 Mio	539.7 Mio	+ 19.0 %
+ 24.1 %	95.6 Mio	118.6 Mio	Surveying/Position./Guidance	394.9 Mio	335.3 Mio	+ 17.8 %
(5.4) %	15.4 Mio	14.6 Mio	Handheld Laser Measur. Syst.	58.3 Mio	43.6 Mio	+ 33.6 %
(16.0) %	19.8 Mio	16.6 Mio	Industrial Measuring Systems	62.5 Mio	57.0 Mio	+ 9.6 %
(18.1) %	34.5 Mio	28.2 Mio	Special Products	119.8 Mio	103.9 Mio	+ 15.4 %
-	-	7.0 Mio	New Businesses (Cyra)	7.0 Mio	-	-
			Gross margin			
+ 0.7	48.0%	48.7%	in percent of sales	49.0%	48.4%	+ 0.6
			EARNINGS*:			
+ 21.2 %	23.2 Mio 14.0 %	28.1 Mio 15.2 %	EBITDA	97.5 Mio 15.2 %	73.7 Mio 13.6 %	+ 32.4 %
			- in percentage of sales			
+ 29.8 %	17.0 Mio 10.3 %	22.0 Mio 11.9 %	EBITA	75.5 Mio 11.8 %	53.0 Mio 9.8 %	+ 42.6 %
			- in percentage of sales			
+ 12.6 %	13.2 Mio 8.0%	14.8 Mio 8.0 %	EBIT	55.6 Mio 8.6 %	39.7 Mio 7.4 %	+ 40.0 %
			- in percentage of sales			
+ 37.3 %	11.7 Mio 7.1 %	16.1 Mio 8.7 %	Operating profit	56.6 Mio 8.8 %	36.6 Mio 6.8 %	+ 54.4 %
			- in percentage of sales			
+ 77.0 %	7.2 Mio 4.4 %	12.8 Mio 6.9 %	Net income / (loss)	(8.0) Mio (1.2) %	2.5 Mio 0.5 %	n.m.
			- in percentage of sales			
		14.1 Mio 7.6 % (1.3) Mio	Adjusted Net income	43.5 Mio 6.8 % (51.5) Mio	2,5 Mio 0,5 %	+ 1,658 %
			- in percentage of sales			
			- adjustment (IPO costs)			
			Earnings per share (CHF)			
		6.16	- basic	(4.23)		
		5.89	- diluted	(4.23)		
		6.49	- diluted and IPO adjusted	21.96		

(1): In the fourth quarter, Leica Geosystems completed its acquisitions of Laser Alignment, Inc. and Cyra Technologies, Inc. Accordingly, the Fiscal Year 2001 fourth quarter and full year financial information includes the results of these two businesses from their respective dates of acquisition: for the period from January 8, 2001 to March 31, 2001 for Laser Alignment, and for the period from February 21, 2001 to March 31, 2001 for Cyra Technologies.

* The results include the one-time impact of financing costs associated with the July 12, 2000 IPO.



Leica Geosystems' GPS530 delivers accurate positioning data practically everywhere, which is why British Ordnance Survey will rely on these systems in the future. The picture shows OS surveyor Phil Harris near Tower Bridge, London.

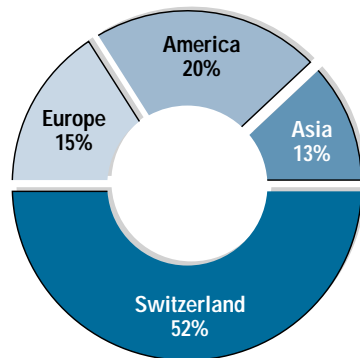
In a further step towards its strategic goal of becoming a leader in "Geomatics", in March 2001 the Company signed a **strategic partnership agreement with Ordnance Survey** of the United Kingdom. This multi-million pound agreement calls for Leica Geosystems to provide Ordnance Survey with GPS-equipment and expertise in order to update and continually maintain the UK's extensive database of nation-wide survey and map data. This partnership allows Leica Geosystems to work with this prestigious customer to further develop the "Geomatics" vision.

Balance Sheet Summary

(See also page 16 – In Swiss Francs)	Actual Year	Prior Year
Total Assets	759.0 Mio	551.2 Mio
Net Debt (see note)	189.0 Mio	226.5 Mio
Total Equity	363.7 Mio	129.8 Mio
Equity/Assets Ratio	47.9 %	23.5 %
Net Working Capital	149.2 Mio	98.2 Mio
Capital Expenditures on Tangible and Intangible Assets (excl. Goodwill)	40.6 Mio	30.9 Mio
Goodwill	241.2 Mio	131.6 Mio
Mean number of employees in Fiscal Year	2470	2325

Note: Amount is shown net of capitalized debt issuance costs/discounts of CHF 8.0 m in FY01 and CHF 45.6 m in FY00.

The company makes significant expenditures on **Research and Development**, a large portion of which are capitalised as assets. During Fiscal Year 2001, the company capitalised CHF 18.8 million of such expenditures, compared to the CHF 14.8 million capitalised in the prior year.



World-wide 2'845 employees



Share related data

2'162'175 registered shares

- @ 50 CHF nominal per share: **Share capital CHF 108.1m**
- @ 168 CHF carrying amount per share: **Shareholders' equity CHF 363.7m**
- @ 507 CHF average share price (July 2000 – March 2001):
Market capitalization CHF 1'096.2m

The mean **number of employees** during the year was 2,470. At the end of March 2001, the Company had **2,845 employees**, of which 1,440 were in Switzerland, 490 in other European countries, 558 in the Americas, and 357 in Asia and the rest of the world.

Leica Geosystems' **share price** was not immune to the general turbulence experienced in the financial markets during the fourth quarter. The Company's shares dropped from a high of around CHF 525 per share down to the level of CHF 380 per share by the end of the quarter. This drop occurred in two phases and was, to a great extent, caused by two factors: (1) the general downturn in the equity markets and, (2) the announcement of disappointing results by one of the Company's primary competitors. The Leica Geosystems' announcement of the ERDAS and LH Systems acquisitions, combined with the Company's confirmation of meeting its fourth quarter and full year forecasts, had an almost immediate positive impact on the share price. The Company's share price has since recovered to levels of around CHF 500. Leica Geosystems continues to attract a strong Swiss investor base, with an equally impressive group of highly respected international investors. Employees of Leica Geosystems represent the single largest group of shareholders, and own about 8.0% of the total outstanding shares.

Leica Geosystems announced its plans to change its business model from a matrix organisation into **six market-focused divisions**, a change designed to maximise the potential of the various new strategic initiatives and to maintain the Company's focus on its strategic markets and customers. This organisational change, termed the "STAR" project, became effective on April 1st of this year. Through this new organisational structure, Leica Geosystems will be able to address the needs of its customers in these six segments in an even more focused manner, while at the same time optimising its business processes with no loss of cross-divisional synergies (technology, infrastructure, etc.).



In the fourth quarter, Leica Geosystems also made considerable progress in exploring additional strategic growth opportunities in new, attractive market segments. The Company completed two significant acquisitions, Cyra Technologies, Inc. and Laser Alignment, Inc., both of which move Leica Geosystems into the rapidly growing markets of 3D-Laser Scanning and 3D-Machine Guidance and Control systems. Additionally, the Company made significant progress towards the completion of two further strategic acquisitions, ERDAS and LH Systems, both of which were signed in April 2001, shortly after the fiscal year end. The ERDAS acquisition closed on May 11, 2001; the LH Systems transaction is foreseen to close towards the end of June. With the completion of these two additional initiatives, Leica Geosystems will have strengthened its position in remote sensing and will be able to, in addition to its strong program of terrestrial surveying systems, provide the most comprehensive spectrum of technologies and solutions for integrated spatial measurement, remote sensing, and mapping for Geographic Information Systems world-wide.

Acquisitions by Leica Geosystems since IPO

Company (main product lines)	Purchase price	Share of equity (%)	FY
Laser Alignment (machine-guidance systems, lasers)	\$ 23.5m*	100	01
Cyra Technologies (3D-laser scanner and software)	\$ 26.9m and 118,535 LGSN shares	100	01
NovaLIS (cadastral software)	Can\$ 1m	38	01
AED Graphics (cadastral software)	below DM 5m	25	01
ERDAS (remote-sensing software)	\$ 30m and 62,762 LGSN shares	100	02
LH Systems (photogrammetric software)	\$ 15m**	100	02

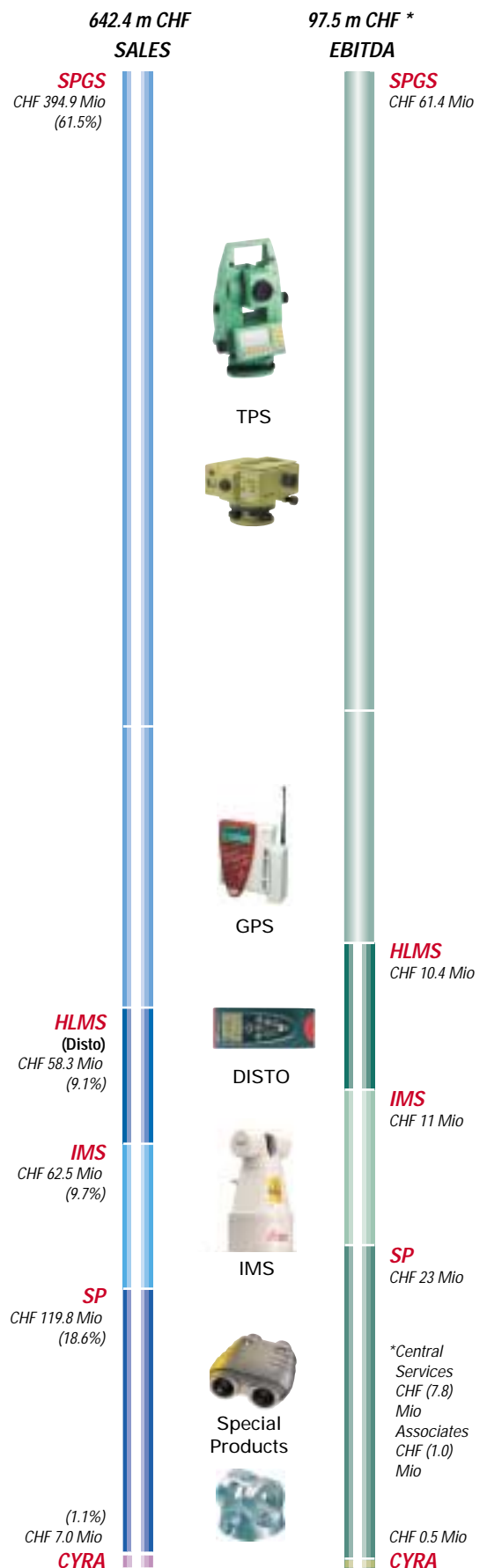
* Including assumption of existing debt

** For the remaining 50% of equity

Share Offering: Various lock-up provisions related to the acquisitions of Cyra and Erdas, as well as shares held by employees and the management of the Company, have expired or will expire during the next few weeks. A part of the underlying shares might eventually be sold into the market as their owners aim to diversify their investment portfolio. In order to avoid a repeated supply overhang, the corresponding shareholders of Leica have been asked to participate in an organised redistribution of the shares through an accelerated book-built offering managed by Credit Suisse First Boston. Such an offering could consist of up to around 150'000 shares and may take place before the summer holidays, subject to market conditions and the earlier release of certain lock ups.

Leica Geosystems senior management will remain heavily invested in shares of the Company. After this offering, senior management will be subject to a new six-month lock-up period. Additionally, residual shares owned by the former shareholders of Cyra and Erdas will be subject to a new lock-up period of three months.

The Board of Directors is not recommending the payment of a share dividend for this Fiscal Year.



Financial Results – Fourth Quarter

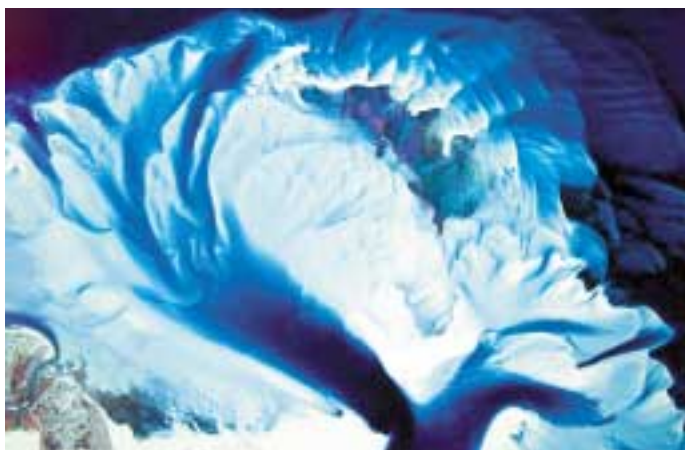


In January 2001 Mt.Aconcagua was remeasured. The highest peak of the Americas is now registered at 6962 metres above sea level. Giorgio Porettis' Italian-Argentinian team of scientists simultaneously used the Leica TPS systems (T2002/DI3000) and the Leica GPS500 to define the precise elevation.



The monitoring of large structures is made easier by Leica Geosystems' new software, GeoMOS. GeoMOS allows for the integration of all types of surveying sensors and is used primarily to monitor bridges, dams, and open pit mines.

Below: Aerial cameras, photogrammetric and environmental analysis, and mapping software are the core competences of LH Systems. The Leica RC30 false-colour picture shows sandbars off the coast of Massachusetts (Courtesy: Air Photographics, Inc.).



Sales, Orders, Margins

Sales: Top-line growth for the combined businesses of Leica Geosystems was 12% in the fourth quarter, with total sales revenues climbing to CHF 185.1 million. This is an increase of CHF 19.8 million over the prior Fiscal Year level of CHF 165.3 million. Without the impact of the Laser Alignment and Cyra businesses, sales growth was 1.3%. Given that the fourth quarter of Fiscal Year 2000 was extraordinarily strong, the Company had anticipated flat top-line growth for the quarter. It is a significant accomplishment that fourth quarter sales met and even slightly exceeded last year's benchmark performance.

Order Intake: Order intake during the quarter, the key figure on which the Company focuses to monitor the strength of its business, was CHF 172.6 million, compared with CHF 159.7 million in the prior year.

Gross Margin: The Company's gross margin remained healthy at 48.7% in the fourth quarter, on par with that of the third quarter, and an improvement of 0.7% over the margin in the fourth quarter of Fiscal Year 2000.

Earnings

The Company reported **EBITDA** of CHF 28.1 million in the fourth quarter, up CHF 4.9 million (+21.2%) on the CHF 23.2 million for the same period in the prior year. The Company's EBITDA margin for the fourth quarter increased to 15.2% of sales over the 14.0% level in the prior year.

EBIT, which includes the Company's profit share from its investments in associates, was CHF 14.8 million for the fourth quarter of Fiscal Year 2001, up by 12.6% on the CHF 13.2 million for the same quarter of Fiscal Year 2000. Fourth quarter profitability margins were unchanged from the prior year, at 8.0% in both years.

Net Income/EPS: Net income for the quarter, at CHF 12.8 million, rose by CHF 5.6 million (+77.0%) over the fourth quarter of the previous year. Earnings per share for the quarter were CHF 6.16.

Working Capital, Financing, Cash Flow

Net Working Capital at the end of the fourth quarter was CHF 149.2 million, compared to CHF 141.1 million at the end of the third quarter. Working capital increased primarily from the greater level of sales in the quarter compared to the previous quarter. Working capital at quarter-end also reflects the two new acquisitions. The Company generated CHF 27.3 million cash flow from operating activities during the fourth quarter.

Sales, Orders, Margins

Sales: For the full year, the Company generated sales of CHF 642.4 million, a top-line growth of 19%. Without the impact of Laser Alignment and Cyra, sales grew at the rate of 15.7%, above the 15% growth expectations for the year.

Order intake for the full year, at CHF 635.3 million, was significantly higher than the prior year.

Gross Margin: For the year as a whole, the Company's gross margin rose to 49.0%, a 0.6 increase over the prior year. Margins in the Company's core surveying business exceeded the level of the previous year, with margins in the IMS business also showing nice improvement. The Hand-Held Laser Meter business, however, recorded slightly lower margins. The margin performance in the Hand-Held Laser Meter business reflects the continued impact of higher component costs, as well as the impact of certain one-off events. The margin was also impacted by the implementation of new indirect distribution channels and sales points, which typically have lower margin structures than traditional direct sales channels.

Earnings

EBITDA for the full year was CHF 97.5 million, an increase of 32.4% over Fiscal Year 2000. The full year EBITDA margin was 15.2% of sales, compared with 13.6% in the previous year.

The Company generated **EBITA** (Earnings before Interest, Taxes and Amortisation) of CHF 75.5 million for the full year, compared with CHF 53.0 in fiscal year 2000, an increase of 42.6%.

EBIT for the full year was CHF 55.6 million, an increase of 40.0% over the CHF 39.7 million in Fiscal Year 2000. Profitability for the full year rose considerably in Fiscal Year 2001, with an EBIT margin of 8.6% this year versus 7.4% in the prior year.

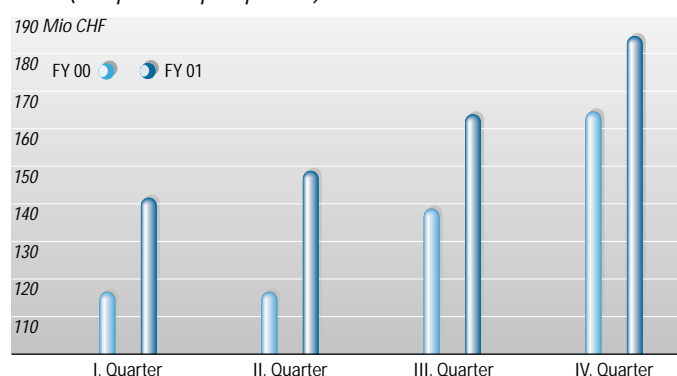
The Company recorded a **Net Loss** of CHF (8.0) million for the full year, compared to the CHF 2.5 million profit of the prior year. As stated above, Net Income for the full year reflects the non-recurring financing costs associated with the company's IPO in July 2000. The majority of these costs were non-cash in nature and arose from the early repayment of certain debt obligations from the proceeds of the IPO. Without these financing costs, a net profit of CHF 43.5 million would have resulted.

Earnings per share were CHF (4.23) for the full year, and CHF 21.96 when the impact of the one-off IPO related financing charges is removed.

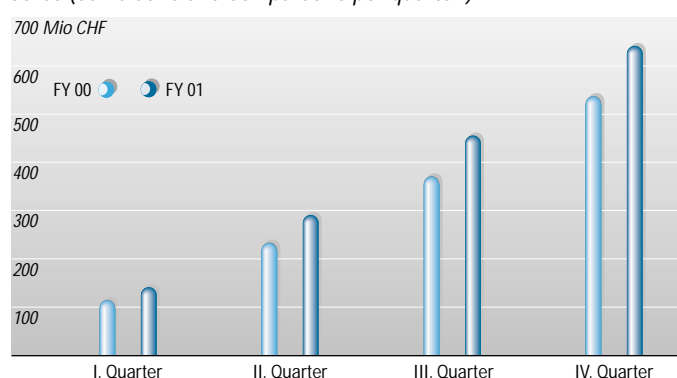
Working Capital, Financing, Cash Flow

The Company's net debt was CHF 189.0 million at the end of the year, CHF 37.5 million less than at the end of the previous quarter. This decrease is a result of the IPO proceeds which were used mainly for acquisitions and the reduction of debt. The Company generated CHF 28.4 million cash flow from operating activities during the full year.

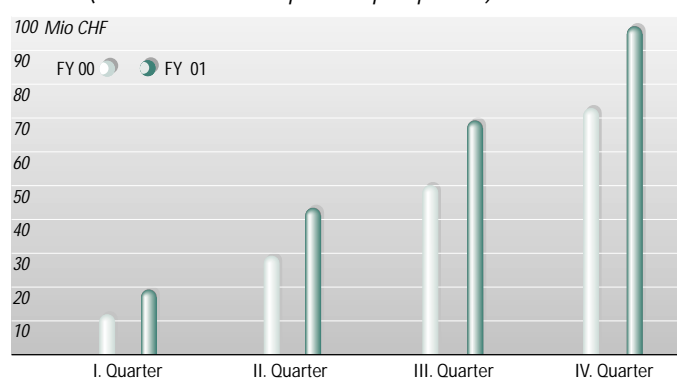
Sales (comparative per quarter)



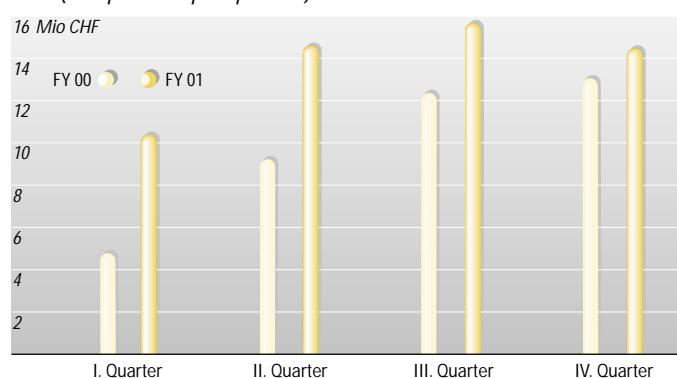
Sales (cumulative and comparative per quarter)



EBITDA (cumulative and comparative per quarter)



EBIT (comparative per quarter)



Business Segments Results Fourth Quarter ⁽¹⁾



TPS



GPS



DISTO



Laser Tracker



VECTOR



RC30



Components

Surveying, Positioning and Guidance Systems (SPGS):

The fourth quarter saw continued strong performance from the Company's core surveying business, particularly in the Americas. The products and systems solutions from this business segment accounted for over 60% of the total company sales revenue in the fourth quarter. Together, the terrestrial positioning systems (TPS) and satellite-based global positioning systems (GPS) businesses recorded sales of CHF 108.0 million during the quarter, an increase of 13.0%. With the inclusion of Laser Alignment, sales for the quarter reached CHF 118.6 million. The Segment doubled its EBIT with CHF 14.2 million in the fourth quarter.

Handheld Laser Measuring Systems (HLMS):

The HLMS segment, with its DISTO™ instruments, generated sales of CHF 14.6 million during the fourth quarter of this year, a decline of CHF 0.8 million (5.3%) from the result for the same quarter in the previous year. The initial momentum created by the launch of the new generation of DISTO™ products in the latter part of Fiscal 2000, resulted in extremely strong sales demand in the fourth quarter of last year. As such, a moderate decline in current quarter sales when compared to the prior year was not unexpected. Fourth quarter EBIT in the HLMS business was CHF 2.0 million, an increase of CHF 0.2 million, or 8.5% over the corresponding quarter of the previous year.

Industrial Measurement Systems (IMS):

Sales in the fourth quarter dipped to CHF 16.6 million, down by 16.0% from the CHF 19.8 million in the prior year. The decline in sales during the fourth quarter was primarily due to slower business momentum in Japan, Germany and France, particularly in the automotive industry. EBIT in the fourth quarter also dipped in comparison to the prior year, and was CHF 2.0 million compared to the CHF 3.9 million in the prior year. The mix of products sold in this segment during the fourth quarter had a significant impact on profitability.

Special Products (SP):

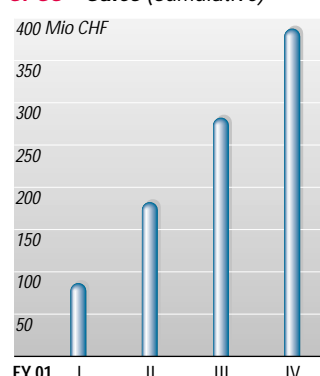
Leica Geosystems' Special Products segment consists of the Company's Defence, Aerial Visionics / Photogrammetry Systems ("AVS/PGS") and third party manufacturing businesses. Sales in the Defence business declined by CHF 7.0 million to CHF 15.8 million in the fourth quarter, when compared to the fourth quarter of the prior year. This decline is directly related to certain large contracts recorded by this business in the prior year. The defence business is driven to a large extent by contracts with governmental agencies, and is therefore difficult to compare between short periods (i.e. quarters). For the AVS/PGS business, sales in the fourth quarter were CHF 0.3 million, down from the CHF 2.8 Million recorded a year earlier. The third-party manufacturing business of the Company generated revenue of CHF 12.1 million in the fourth quarter, an increase of CHF 3.3 million over the CHF 8.8 million generated in the same quarter of the previous year. EBIT in the Defence, Aerial Visionics / Photogrammetry (AVS/PGS) and third-party manufacturing businesses in the fourth quarter was CHF 1.9 million, a loss of CHF (0.2) million, and CHF 1.2 million, respectively, for a total EBIT of CHF 2.9 m.

Business Segments Results Full Year

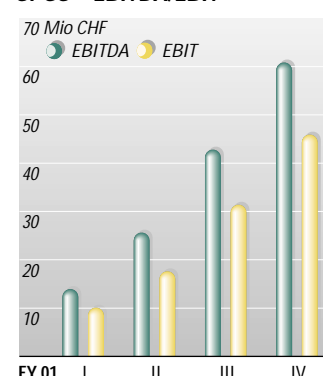
Surveying, Positioning and Guidance Systems (SPGS):

Sales for the full year were CHF 394.9 million, compared to the CHF 335.3 million generated by this segment in the prior year. This business grew in profitability by 34.1%, recording full year EBIT of CHF 45.7 million compared with the CHF 34.1 million in Fiscal Year 2000. In this segment, the largest sales and profitability contribution continues to be made by Terrestrial Positioning Systems (TPS). With total stations' enhanced capability to measure distances up to 200m without the use of a reflector, the Company has again increased its market share in this sector. A still stronger increase of sales and market share was realised by Leica Geosystems' GPS systems with 24.3% sales growth.

SPGS – Sales (cumulative)



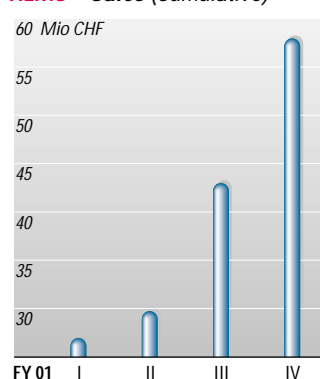
SPGS – EBITDA/EBIT



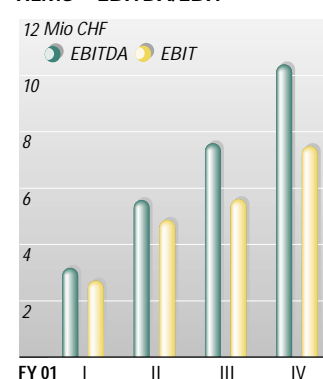
Handheld Laser Measuring Systems (HLMS):

For the year as a whole, HLMS sales grew by 33.6%, to a level of CHF 58.3 million. Profitability for the full year was CHF 7.7 million, an increase of 3.1% over the prior year. This moderate growth in profitability is due to various factors, stemming primarily from relatively higher price levels for component parts and the change in the distribution mix for DISTO products.

HLMS – Sales (cumulative)



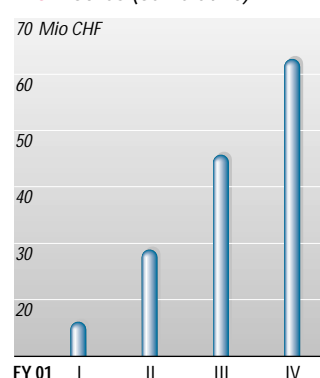
HLMS – EBITDA/EBIT



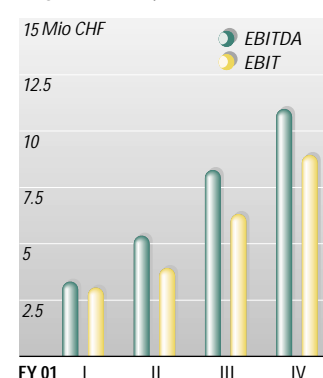
Industrial Measurement Systems (IMS):

Sales in the IMS business improved by 9.6% for the full year, rising to CHF 62.5 million, compared to the CHF 57.0 million in Fiscal Year 2000. The business showed solid growth in all regions except for Japan, where demand continued to be very slow. The growth in sales for the full year arises from the continued recovery of this business after the curtailment of investments by the segments' main US customer in Fiscal Year 1999. The growth in the North American market has since been very encouraging for the IMS business, as new customers are being won beyond the aerospace and automotive industries. For the full year, the IMS segment grew EBIT by an impressive 39.9%, to CHF 8.8 million.

IMS – Sales (cumulative)



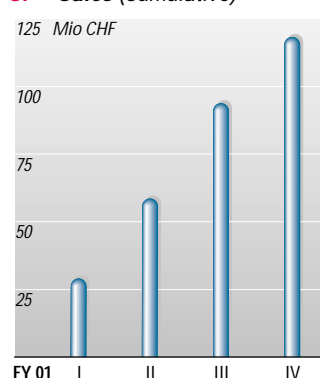
IMS – EBITDA/EBIT



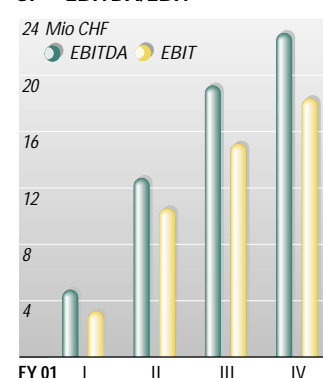
Special Products (SP):

The SP segment increased its turnover by 15.4% to CHF 119.8 million. For the full year, the Defence business recorded sales of CHF 68.1 million, an increase of 7.2% over the prior year. Full year sales in the AVS/PGS business were below the prior year level, with total sales for Fiscal Year 2001 at CHF 9.7 million versus CHF 13.0 million in the prior year. The majority of the PGS/AVS business was transferred to the Company's LH Systems joint venture in Fiscal Year 2000 (2). Revenue from the third-party manufacturing business for the full year was CHF 42.1 million, an increase of CHF 27.4 million (53.4%) over the prior year. EBIT for the full year in these businesses was, respectively, CHF 9.1 million, CHF 0.7 million and CHF 8.6 million, resulting in a total EBIT of CHF 18.4 million (+99.7%).

SP – Sales (cumulative)

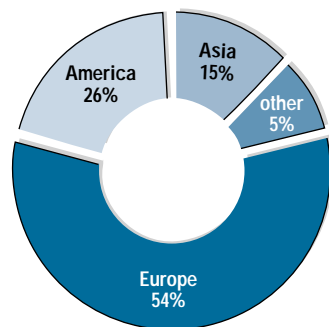


SP – EBITDA/EBIT



(1) As of the first quarter of Fiscal Year 2002, the Company will begin reporting its results under the new divisional structure. For consistency and comparability reasons, however, the results of the fourth quarter and the full year of Fiscal Year 2001 are reported under the previous segment structure.

(2) Leica Geosystems acquired 100% of LH Systems in April of 2001. The results of this business will be reported under the new "GIS and Mapping" division of Leica Geosystems beginning in the first quarter of Fiscal Year 2002.



*Geographic distribution
of total sales of
CHF 642.4 million*

Regional Results of core businesses

In the fourth quarter, sales and profitability in the Company's **core businesses** (incl. Cyra) grew in all but one geographic region. Sales growth for the full year was favourable in all regions. The **European region**, the home market of Leica Geosystems, continued to grow at encouraging levels despite the strong market share currently enjoyed by the Company. In Europe, the Company grew fourth quarter sales by around 12.8%, with sales growth for the full year at around 11.3%. Sales for the year were CHF 248.2 million. The strategically important growth region of the **Americas** continued with impressive gains, recording sales growth of 14.7% in the fourth quarter over prior year levels. Sales growth in the Americas region was 35.3% for the entire year, attained mainly through the positive combination of continued favourable market conditions, gains in market share, a strong US Dollar and the economic revival in Latin-American markets. Sales were CHF 128.1 million for the full year. As of yet, the present slowdown in growth in the USA has not had a significant impact on business in the Americas. The **Asian region** (excluding Japan and Korea) accounts for about ten percent of Leica Geosystems' sales. In the fourth quarter, sales in this region grew by over 6%. Sales for the full year increased by 12.3%.

Turbulence in the Japanese economy had an impact on sales performance in the **"Japan/Korea"** sales region during the fourth quarter. As a result, fourth quarter sales in this region dipped 3.8% below that of the prior year. For the full year, however, the region recorded significant growth at the rate of 31.3%. The Company continues to gain market share in this region despite a very slow economy. The **Near- and Middle East region** maintained steady growth in the fourth quarter and for the year. Growth in this region was 34% in the quarter and 22% for the full year.



The most comprehensive program of measuring sensors from Leica Geosystems and LH Systems has been used by Peter Noble (PNS) to create a 3D model of North Sydney. Leica Geosystems' TPS and GPS equipment, in conjunction with the RC30 camera, were used to capture the area. Through automated procedures, 1.2 million points were measured and documented, to create one of the most modern city models. This model allows authorities, land owners, utilities and security services to quickly define and analyse every point without leaving the office.



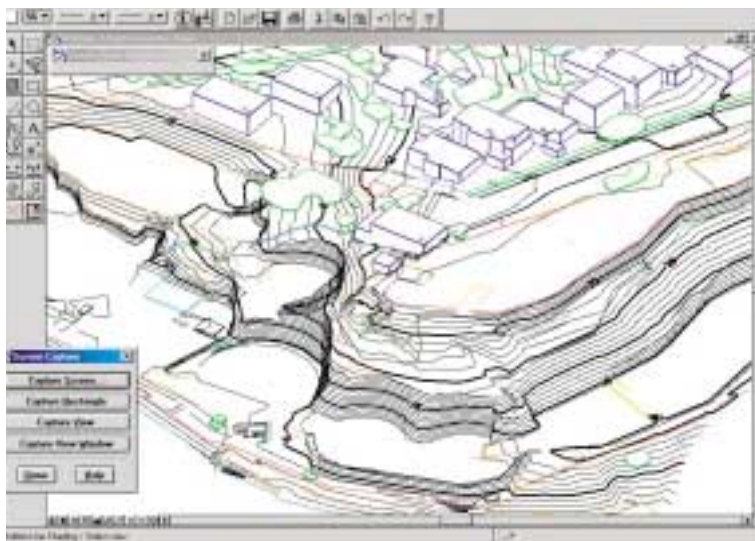
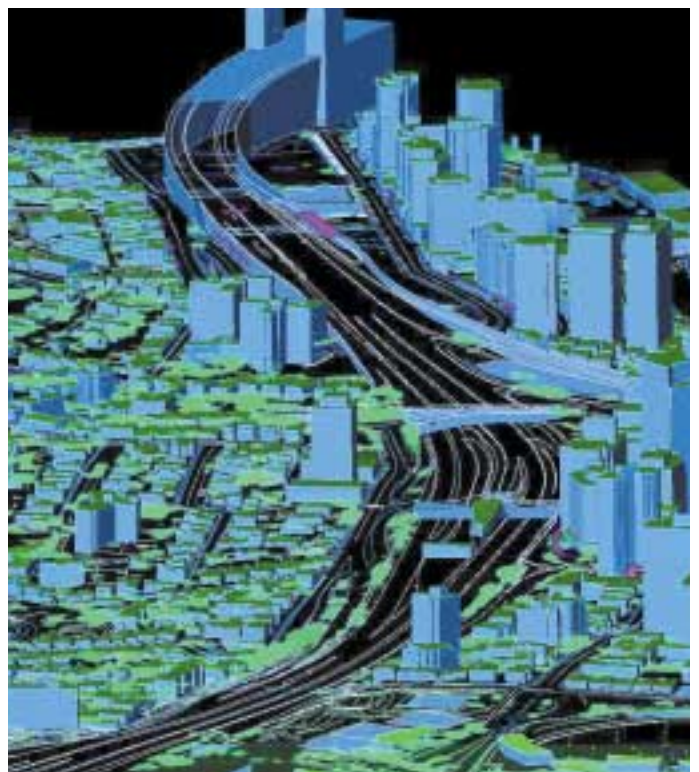
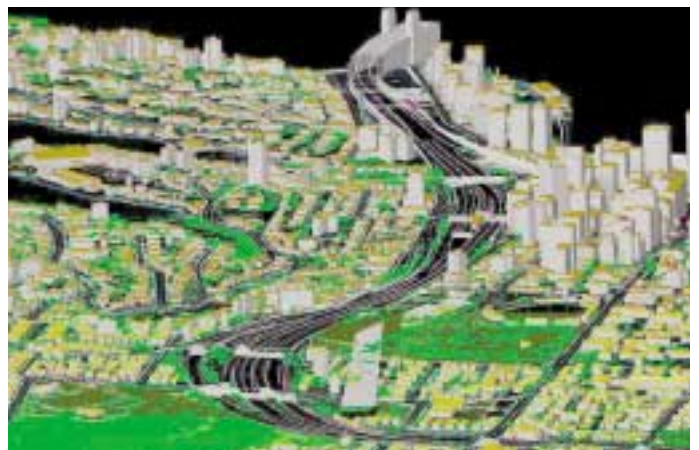
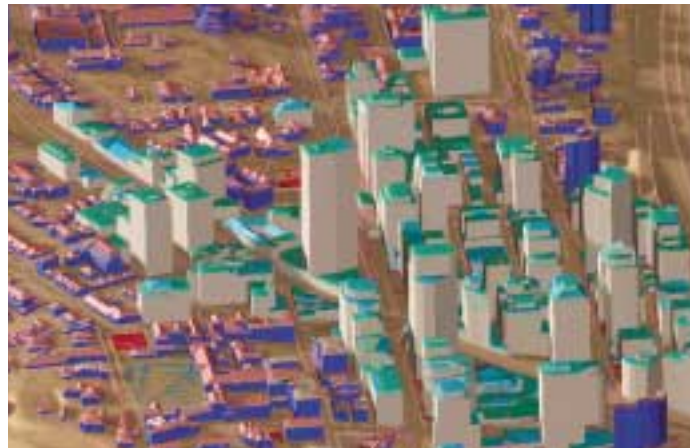


Strategic Initiatives Realised

The Company made significant progress towards the realisation of its strategic goals in the fourth quarter. By the rapid transformation of Leica Geosystems' business strategy into reality, the Company has, within a few months, become one of the most comprehensive suppliers of solutions in the acquisition, visualisation and modelling of spatial data for numerous applications. With the successful integration of Laser Alignment and Cyra Technologies earlier this year, new potential growth opportunities, employing the most modern technologies in terrestrial surveying, have developed. Laser Alignment and Cyra represent the Company's first two acquisitions after the successful IPO in July of last year. This position has been further enhanced by the strategic alliance and investments in two cadastral and Land Information Systems (LIS) companies, NovaLIS in Canada (38,1% investment) and AED Graphics in Germany (25% investment).

Leica Geosystems further strengthened its business through the recently announced acquisitions of ERDAS and LH Systems. These acquisitions represent additional opportunities in the remote sensing and photogrammetry markets through the collection of data from the air. Leica Geosystems is rapidly becoming the most comprehensive supplier of modern digital spatial measuring and GIS products.

For further details concerning the above acquisitions, please refer to the Investor Relations section of the Company's Web-Site. Alternatively, this information may be reached directly by entering the following address:
www.leica-geosystems.com/investor/news/index.htm.



New Organisational Structure and Corporate Management Team

As previously announced, effective April 1, 2001, Leica Geosystems reorganised its business into six market-oriented divisions.



This new corporate structure, which replaces the Company's previous product-based and regionally oriented matrix organisation, should further improve the Company's customer orientation and deliver even greater benefits to its customers. Through comprehensive integration of all business functions, each of these six divisions will have full responsibility for their businesses. Everything, from identifying its customers' requirements, to the development, production, marketing, and after-sales service for its products, will be under unified, market-focused management.

Under this new divisional structure, the Leica Geosystems Corporate Management Team is as follows:

Corporate Management Team

Corporate Officers

Hans Hess	Chief Executive Officer and Member of the Board
Christian Leu	Corporate Vice President and Chief Financial Officer
Eric Poll	Corporate Vice President and Corporate Human Resources Officer
Martin Nix	Corporate Vice President and Corporate Business Development Officer
Hans Grunditz	Corporate Vice President and Chief Information Officer

Division Presidents

Clement Woon	President Surveying & Engineering Division
Bob Morris	President GIS & Mapping Division
Josef Stasser	President ad interim Consumer Products Division
Walter Mittelholzer	President Industrial Measurement Division
Erwin Frei	President New Businesses Division
Linus Zoller	President Special Products Division

Board of Directors

Effective July 10, 2000 the Leica Geosystems Board of Directors consists of:

Mario Fontana, Chairman of the Board
Klaas Beek, Member of the Board
Hans Hess, Member of the Board and CEO
Markus Rauh, Vice President of the Board
Philip Yea, Member of the Board
Secretary of the Board: Urs Brügger

Auditors:

PricewaterhouseCoopers

Surveying & Engineering Division

The **Surveying and Engineering** division is the largest of the new Leica Geosystems businesses. It can offer its customers in the surveying, engineering, building and construction segments a wide spectrum of products and services including: total stations, GPS systems, levels, construction-site lasers, special software, and machine-guidance systems, and comprehensive, integrated solutions for infrastructure- and land-surveillance systems.

GIS & Mapping Division

The **GIS and Mapping** division expands the value chain with image-based surveying solutions and concentrates on the fast-growing market of geographic information systems (GIS). This includes systems based on aerial photographs and GPS systems, like those from LH Systems, as well as special software for the production, editing, and visualization of digital terrain models from remote sensing images of ERDAS. Partnerships with worldwide GIS suppliers such as AED Graphics, NovaLIS, and ESRI form the basis for attractive integrated solutions in the field of cadastral and land-information software with Leica Geosystems partners Ordnance Survey and Swedish Lantmäteriet.

Consumer Products Division

The **Consumer Products** division focuses on professionals in the building and associated trade industries plus do-it-yourself customers who want to use Leica Geosystems' measuring technologies in their work. Besides launching attractively priced products, such as the DISTO™ Hand-held laser meter, this division is also addressing the need for large-scale production and the creation of a strong global sales network.

Industrial Measurement Division

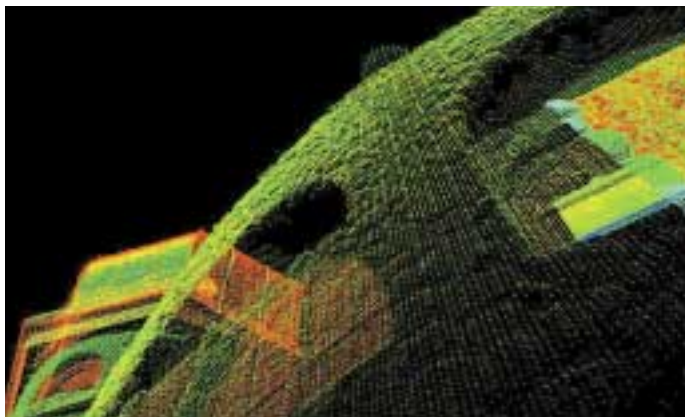
The **Industrial Measurement** division enables industrial customers, for example in the automotive and aircraft industries, to measure large components accurately to tolerances in the hundred-millimeter range and further process the data directly in their CAD systems. Its product range includes laser trackers, image-processing systems, and high-precision total stations, along with an up-to-date spectrum of software that can communicate with all commercial CAD products.

New Businesses Division

The **New Businesses** division will enable Leica Geosystems to push its way quickly and in a focused manner into newly emerging markets for 3D data. Cyra Technologies, the recently acquired firm for laser scanning and 3D visualization in surveying and facility management, forms the core of this division.

Special Products Division

The **Special Products** division comprises Leica Geosystems' defence and third-party production oriented businesses. The division provides advanced solutions for observation, range and orientation measurements to customers in the defence market. The three production companies, Polymeca, SwissOptic and Wiltronic, supply their business partners inside and outside of Leica Geosystems with customised components and assemblies in mechanics, optics and electronics.



The Cyrax 2500 scanner measures a thousand points per second and through its Cyclone Software, displays a 3D model accurate to within a few millimetres.

Shareholders Meeting

As a shareholder, you are cordially invited to our shareholders meeting on September 5, 2001 in Heerbrugg, Switzerland. Specific details concerning this event will be distributed by the end of July. As it will be the Company's first shareholders assembly, we would very much appreciate knowing if you plan to attend. Please do so by completing the attached form. For additional information concerning this event, please contact our Investors Relations Department at +41-71-727-4400.

Fiscal Year 2001 Annual Report/detailed online Financial Information

The Fiscal Year 2001 Annual Report will be available in printed form on August 5, 2001. Detailed financial information is also available directly on our website under Investor Relations. Copies of the printed annual report can be ordered with the enclosed form.

Business Outlook

For the upcoming Fiscal Year 2002, we anticipate continued strong growth in our business, with **sales growth exceeding 30% for the year**. Growth in our surveying and industrial businesses should be steady throughout the year, offset slightly by our expectation of a slower growth in the construction market. We also expect significant additional

growth to come from our recent acquisitions. In the first part of the year, growth should be slightly lower than the full year average, due in part to the launch of new products planned for the second quarter.

We expect profits to generally follow sales growth and anticipate healthy **EBITDA growth of over 30% for the full year**. EBITDA in our traditional business is expected to steadily increase throughout the year. Additional EBITDA growth will also come from our recent acquisitions. In the first half of the year, we anticipate relatively slower profit growth, due to the aforementioned factors. The level of net profitability will naturally be impacted by the effect of goodwill amortization arising from our acquisitions. As the year progresses, this impact will have a lesser relative influence, and profit growth will accelerate in the second half of the year.

During the next twelve months, the Company will place significant focus on the rapid and successful integration of our recently completed acquisitions. We are confident that as a result of these efforts, we should be able to profit quickly and efficiently from the expected growth potential and synergies inherent in these transactions. Positive market feedback gives us confidence that our start with these new businesses has been very promising.

If you, as a shareholder in Leica Geosystems, have additional questions about your company, or if you would like to make comments or suggestions to the management of Leica Geosystems, you may do so via our web-site, by E-mail, or by phoning Investor Relations directly at +41-71-727-4400. We are grateful for the confidence you have placed in the Management and employees of your company, and thank you on behalf of all employees of Leica Geosystems.

Sincerely yours,

Mario Fontana
Chairman of the Board
Leica Geosystems

Hans Hess
Chief Executive Officer & Member of the Board
Leica Geosystems

Under the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995, we caution investors that all statements other than statements of historical fact included in this document, including without limitation, those regarding our financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to our existing and future products), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we expect to operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other factors: (i) our ability to develop and introduce new products and technologies that gain market acceptance on a timely basis; (ii) our ability to respond to competitive challenges, such as the introduction of innovative products or technologies by our competitors; (iii) our ability to identify and realise growth opportunities; and (iv) overall levels of investment in infrastructure and capital spending in our markets. Additionally, any forward-looking statements speak only as of the date of this document. We expressly disclaim any obligation or undertaking to release publicly any update of or revisions to any forward-looking statement contained herein to reflect any change in our expectations with regard hereto or any change in events, conditions or circumstances on which any such statement is based.



LEICA GEOSYSTEMS HOLDINGS AG

CONDENSED FINANCIAL STATEMENTS

3 Months (4th Quarter)

for the periods from January 1, 2000 to March 31, 2000
and December 30, 2000 to March 31, 2001

12 Months (Full fiscal year)

for the periods from April 1, 1999 to March 31, 2000
and April 1, 2000 to March 31, 2001

According to International Accounting Standards (IAS)

CONSOLIDATED BALANCE SHEETS

(in thousands unless otherwise specified)

	<u>audited</u> <u>March 31, 2001</u> CHF	<u>unaudited</u> <u>Dec. 30, 2001</u> CHF	<u>audited</u> <u>March 31, 2001</u> CHF
ASSETS			
Current assets			
Cash and cash equivalents	3'152	3'376	3'147
Trade accounts receivable	144'155	123'490	117'542
Inventories	140'762	123'177	105'655
Prepayments and accrued income	8'374	8'830	4'764
Other current assets	10'505	20'583	7'699
Total current assets	<u>306'948</u>	<u>279'456</u>	<u>238'807</u>
Non-current assets			
Property, plant and equipment	127'911	116'903	127'750
Goodwill	241'209	126'280	131'618
Other intangible assets	57'036	38'175	34'139
Investments in associates	10'458	18'958	3'874
Deferred taxes	13'933	11'652	12'260
Other non-current assets	1'467	1'018	2'790
Total non-current assets	<u>452'014</u>	<u>312'986</u>	<u>312'431</u>
TOTAL ASSETS	<u>758'962</u>	<u>592'442</u>	<u>551'238</u>
LIABILITIES AND EQUITY			
Current liabilities			
Bank overdrafts	315	703	177
Loans and borrowings	1'198	2'399	1'826
Trade accounts payable	63'980	44'634	50'303
Advance payments	7'072	7'925	8'632
Accrued compensation	39'418	34'684	34'910
Corporate tax, current	4'529	13'175	8'708
Other accrued liabilities	18'221	18'197	12'439
Provisions	7'898	6'141	7'238
Other current liabilities	13'471	10'243	15'246
Total current liabilities	<u>156'102</u>	<u>138'101</u>	<u>139'479</u>
Non-current liabilities			
Loans and borrowings			
Revolving Credit Facility	91'695	29'551	36'497
9 7/8% Notes	96'123	95'970	153'531
Vendor Note	0	0	34'660
Advance payments	0	0	3'634
Pension obligations	17'846	19'157	22'975
Deferred taxes	25'937	23'948	30'627
Other non-current liabilities	7'585	30	66
Total non-current liabilities	<u>239'186</u>	<u>168'656</u>	<u>281'990</u>
Total liabilities	<u>395'288</u>	<u>306'757</u>	<u>421'469</u>
SHAREHOLDERS' EQUITY			
Share capital	108'108	101'563	75'000
Share premium	209'317	157'871	0
Reserves	74'099	74'099	74'099
Accumulated deficit	-43'267	-56'023	-31'774
Cumulative foreign currency translation adjustment	15'417	8'175	12'444
Total shareholders' equity	<u>363'674</u>	<u>285'685</u>	<u>129'769</u>
TOTAL LIABILITIES AND EQUITY	<u>758'962</u>	<u>592'442</u>	<u>551'238</u>

CONSOLIDATED STATEMENTS OF INCOME

(in thousands unless otherwise specified)

	unaudited		audited	
	3 Months (4 th Quarter)		12 Months (Full fiscal year)	
	This year	Last year	This year	Last year
	For the period Dec. 30, 2000 to March 31, 2001 CHF	For the period Jan. 1, 2000 to March 31, 2000 CHF	For the period April 1, 2000 to March 31, 2001 CHF	For the period April 1, 1999 to March 31, 2000 CHF
Sales	185'105	165'277	642'425	539'732
Cost of sales	<u>-94'993</u>	<u>-85'915</u>	<u>-327'828</u>	<u>-278'407</u>
Gross profit	90'112	79'362	314'597	261'325
Research and development costs	-11'930	-10'456	-38'400	-36'021
Selling and marketing costs	-43'224	-41'925	-152'412	-135'993
General and administrative costs	-16'273	-13'219	-58'555	-45'591
Other operating income/(expense) net	-2'391	-1'642	-9'144	-6'806
Gain/(loss) on disposal of property, plant and equipment net	<u>-172</u>	<u>-378</u>	<u>481</u>	<u>-279</u>
Operating profit	16'122	11'742	56'567	36'635
Net income/(loss) from associated companies	-1'297	1'422	-999	3'070
Finance costs	<u>-7'286</u>	<u>-5'102</u>	<u>-67'112</u>	<u>-30'057</u>
Income/(loss) before tax	7'539	8'062	-11'544	9'648
Income tax benefit/(expense)	<u>5'217</u>	<u>-856</u>	<u>3'555</u>	<u>-7'172</u>
Net income/(loss)	<u>12'756</u>	<u>7'206</u>	<u>-7'989</u>	<u>2'476</u>
Basic earnings per share (in Swiss francs)	6.16	–	-4.23	1.65
Diluted earnings per share (in Swiss francs)	5.89	–	-4.23	1.58

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands unless otherwise specified)

	unaudited		audited	
	3 Months (4 th Quarter)		12 Months (Full fiscal year)	
	This year	Last year	This year	Last year
	For the period Dec. 30, 2000 to March 31, 2001 CHF	For the period Jan. 1, 2000 to March 31, 2000 CHF	For the period April 1, 2000 to March 31, 2001 CHF	For the period April 1, 1999 to March 31, 2000 CHF
Cash Flows from Operating Activities:				
Operating profit	16'122	11'742	56'567	36'635
Net interest expense paid	-2'944	-366	-19'546	-17'712
Taxes paid	-2'526	-1'046	-5'508	-4'367
Depreciation and amortization	13'244	9'984	41'945	33'952
Other non-cash items	-294	180	-947	279
Changes in assets and liabilities	3'718	13'753	-44'097	3'663
Cash provided / (used) in operating activities	27'320	34'247	28'414	52'450
Cash Flows from Investing Activities:				
Purchase of property, plant and equipment	-10'057	-6'353	-21'890	-16'078
Cash expended on intangible assets	-7'184	-2'676	-18'751	-14'818
Dividends from associated companies	23	100	23	1'634
Cash expended on acquisition	-43'812	-1'756	-65'432	-1'756
Disposals of property, plant and equipment	735	471	7'641	573
Cash used in investing activities	-60'295	-10'214	-98'409	-30'445
Cash Flows from Financing Activities:				
Loans and borrowings	32'728	-25'631	29'833	-20'377
Debt issuance, equity transactions and IPO costs	-1'564	-1'034	-27'557	-11'199
Issue/(Redemption) of 9 7/8% Notes	0	0	-59'536	157'585
Repayment of Senior Subordinated Loan Facility	0	0	0	-147'022
Repayment of Vendor note	0	0	-70'421	0
Proceeds from issuance of share capital	172	0	197'674	0
Other	1'227	0	0	0
Cash provided by financing activities	32'563	-26'665	69'993	-21'013
Effect of exchange rate changes on cash and cash equivalents	188	-271	7	-165
Net increase/(decrease) in cash and cash equival.	-224	-2'903	5	827
Cash and cash equivalents at beginning of specified period	3'376	6'050	3'147	2'320
Cash and cash equivalents at end of specified period	3'152	3'147	3'152	3'147

CONSOLIDATED SEGMENT INFORMATION

(in thousands unless otherwise specified)

	unaudited		audited	
	3 Months (4 th Quarter)		12 Months (Full fiscal year)	
	This year	Last year	This year	Last year
	For the period Dec. 30, 2000 to March 31, 2001 CHF	For the period Jan. 1, 2000 to March 31, 2000 CHF	For the period April 1, 2000 to March 31, 2001 CHF	For the period April 1, 1999 to March 31, 2000 CHF
Sales to external customers:				
Surveying, Positioning & Guidance Systems:				
Terrestrial Positioning Systems	84'520	65'372	273'978	238'012
Global Positioning Systems	34'114	30'204	120'905	97'268
Total Surveying, Position. & Guid. Syst.	118'634	95'576	394'883	335'280
Handheld Laser Measuring Systems	14'601	15'442	58'251	43'600
Industrial Measurement Systems	16'610	19'767	62'451	56'986
Total Core Businesses	149'845	130'785	515'585	435'866
New Businesses	7'014	0	7'014	0
Special Products:				
Defense Products	15'831	22'830	68'056	63'456
Manufacturing	12'133	8'824	42'114	27'445
Other	282	2'838	9'656	12'965
Total Special Products	28'246	34'492	119'826	103'866
Total sales to external customers	185'105	165'277	642'425	539'732

	unaudited		audited	
	3 Months (4 th Quarter)		12 Months (Full fiscal year)	
	This year	Last year	This year	Last year
	For the period Dec. 30, 2000 to March 31, 2001 CHF	For the period Jan. 1, 2000 to March 31, 2000 CHF	For the period April 1, 2000 to March 31, 2001 CHF	For the period April 1, 1999 to March 31, 2000 CHF
Results by segment:				
Surveying, Positioning & Guidance Systems:				
Terrestrial Positioning Systems	9'471	6'674	34'426	26'939
Global Positioning Systems	4'741	375	11'260	7'131
Total Surveying, Position. & Guid. Syst.	14'212	7'049	45'686	34'070
Handheld Laser Measuring Systems	2'013	1'855	7'678	7'445
Industrial Measurement Systems	2'026	3'963	8'796	6'286
Total Core Businesses	18'251	12'867	62'160	47'801
New Businesses	-816	0	-816	0
Special Products:				
Defense Products	1'896	2'585	9'099	5'758
Manufacturing	1'149	1'748	8'632	4'414
Other	-191	-295	655	-965
Total Special Products	2'854	4'038	18'386	9'207
Total Segment Results	20'289	16'905	79'730	57'008
Central Services	-4'167	-5'162	-23'163	-20'373
Total operating profit	16'122	11'743	56'567	36'635

CONSOLIDATED SEGMENT INFORMATION

(in thousands unless otherwise specified)

	unaudited		audited	
	3 Months (4 th Quarter)		12 Months (Full fiscal year)	
	This year	Last year	This year	Last year
	For the period Dec. 30, 2000 to March 31, 2001 CHF	For the period Jan. 1, 2000 to March 31, 2000 CHF	For the period April 1, 2000 to March 31, 2001 CHF	For the period April 1, 1999 to March 31, 2000 CHF
Depreciation and Amortization by Segment:				
Surveying, Positioning & Guidance Systems:				
Terrestrial Positioning Systems	-3'818	-2'376	-10'452	-7'813
Global Positioning Systems	-1'564	-1'168	-5'248	-4'018
Total Surveying, Position. & Guid. Syst.	-5'382	-3'544	-15'700	-11'831
Handheld Laser Measuring Systems	-718	-383	-2'721	-619
Industrial Measurement Systems	-747	-456	-2'245	-1'454
Total Core Businesses	-6'847	-4'383	-20'666	-13'904
New Businesses	-1'295	0	-1'295	0
Special Products:				
Defense Products	-177	-243	-735	-804
Manufacturing	-1'050	-1'081	-3'811	-3'583
Other	-2	-44	-31	-145
Total Special Products	-1'229	-1'368	-4'577	-4'532
Central Services	-3'873	-4'233	-15'407	-15'516
Total depreciation and amortization by segment	-13'244	-9'984	-41'945	-33'952

	unaudited		audited	
	3 Months (4 th Quarter)		12 Months (Full fiscal year)	
	This year	Last year	This year	Last year
	For the period Dec. 30, 2000 to March 31, 2001 CHF	For the period Jan. 1, 2000 to March 31, 2000 CHF	For the period April 1, 2000 to March 31, 2001 CHF	For the period April 1, 1999 to March 31, 2000 CHF
EBITDA by Segment:				
Surveying, Positioning & Guidance Systems:				
Terrestrial Positioning Systems	13'289	9'050	44'878	34'752
Global Positioning Systems	6'305	1'543	16'508	11'149
Total Surveying, Position. & Guid. Syst.	19'594	10'593	61'386	45'901
Handheld Laser Measuring Systems	2'731	2'238	10'399	8'064
Industrial Measurement Systems	2'773	4'419	11'041	7'740
Total Core Businesses	25'098	17'250	82'826	61'705
New Businesses	479	0	479	0
Special Products:				
Defense Products	2'073	2'828	9'834	6'562
Manufacturing	2'199	2'829	12'443	7'997
Other	-189	-251	686	-820
Total Special Products	4'083	5'406	22'963	13'739
Total Segments	29'660	22'656	106'268	75'444
Central Services	-294	-928	-7'756	-4'857
Associates Gain/(Loss)	-1'297	1'422	-999	3'070
Total EBITDA	28'069	23'150	97'513	73'657

NOTES ON UNAUDITED CONSOLIDATED FINANCIAL INFORMATION

Twelve months ended March 31, 2000, and twelve months ended March 31, 2001

1 Post Balance sheet events

ERDAS Inc: On May 11, 2001, the Company acquired 100% of the outstanding shares of ERDAS Inc. for total purchase price consideration of USD 48.1 million or CHF 84.6 million. USD 30.0 million (CHF 52.9 million) were purchased by cash, the remaining USD 18.1 million (CHF 31.7 million) purchase comprised of 62'762 shares. The Company is financing the cash portion of the purchase price entirely with borrowing under the Revolving Credit Facility. Based in Atlanta, Georgia, ERDAS is a pioneer and leader in remote sensing software. ERDAS offers a suite of software used to produce image-based maps for a variety of customers and applications. ERDAS's software is based on modern technologies and is used on ESRI's ArcInfo V8 platform, the same platform that we currently use for our GIS and surveying products.

LH Systems LCC: On April 27, 2001, the Company entered into an agreement to purchase the 50% interest in LH Systems that Leica Geosystems does not already own from BAE Systems, the joint venture partner, for approximate USD 15 million in cash. The acquisition of BAE Systems' membership interest is being financed entirely with borrowings under the Revolving Credit Facility. Closing is expected in June 2001. Based in San Diego, California, LH Systems is a pioneer and leader in aerial photography and sensing, as well as in photogrammetry. LH Systems offers a product line of aerial cameras and has recently introduced the first digital airborne sensor. LH Systems has, over the past ten years, migrated from a distributor of analog/analytical photogrammetric equipment (that we manufactured) to a distributor of digital photogrammetric software (developed by BAE Systems).

2 Normalization Adjustments

The trend in results shown by Leica Geosystems' FY00 / FY01 quarterly consolidated financial statements is distorted to some extent by two factors.

- a) In connection with the change in reporting from Swiss GAAP to IAS, the capitalization (and subsequent amortization) of certain development costs was commenced as from April 1, 1998 (Fiscal Year 1999). As a result, certain development expenditures were expensed in Fiscal 1998, but equivalent expenditures have been capitalized in subsequent periods. A normalization adjustment has been estimated, being the imputed amortization of development expenditures incurred prior to April 1, 1998.
- b) Certain non-recurring expenditures were incurred in fiscal year 2000 including the establishment of a Sales Office in Tokyo separate from that of Leica Microsystems Group (CHF 1.0 million) and the costs of an acquisition study (CHF 0.8 million). A normalization adjustment has been made, eliminating these two non-recurring expenses last year.

	<i>For the period April 1, 1999 to March 31, 2000</i>	<i>For the period April 1, 2000 to March 1, 2001</i>
EBIT	39'705	55'568
EBIT Normalized	30'233	49'880
EBITDA	73'657	97'514
EBITDA Normalized	76'857	97'514

The normalization calculation, which has not been audited, has not been prepared in accordance with IAS or US GAAP and should not be considered an alternative to any IAS or US GAAP measure. The normalization calculation is not intended to be a substitute for any other measures under either IAS or US GAAP and is solely for illustrative purposes.

For further details please refer to page 76 of the preliminary offering circular dated June 28, 2000.

NOTES ON UNAUDITED CONSOLIDATED FINANCIAL INFORMATION (continuation)

Twelve months ended March 31, 2000, and twelve months ended March 31, 2001

3 Effects of IPO and Refinancing

The IPO on July 12, 2000, and the reorganization of the Company's financing during the period July 1, 2000 to March 31, 2001, brought about certain very significant changes to the Company's Income Statement "Finance Costs" and Balance Sheet "Shareholders' Equity". These are itemized below:

a) Income Statement – "Finance Costs"

	audited	
	For the period April 1, 1999 to March 31, 2000	For the period April 1, 2000 to March 31, 2001
	CHF	CHF
Recurring items:		
Net interest expense	-23'978	-19'244
Amortization of debt issuance costs	-1'453	-2'389
Foreign exchange gains/(losses) on borrowings	74	6'047
Total finance costs of a recurring nature	<u>-25'357</u>	<u>-15'586</u>
Non-recurring items:		
Write-off of capitalized discount on Vendor Note (non-cash item)	—	-34'541
Premium on 35% repayment of 9 7/8% Notes	—	-5'351
Write-off of 35% of capitalized issuance cost of 9 7/8% Notes (non-cash item)	—	-1'795
Write-off of debt issuance cost of Senior Subordinated Loan Facility (non-cash item)	-4'700	—
Fees related to the 35% repayment of 9 7/8% Notes	—	-2'093
Fees related to IPO share listing	—	-7'746
Total non-recurring finance costs	<u>-4'700</u>	<u>-51'526</u>
Total finance costs	<u>-30'057</u>	<u>-67'112</u>

b) Balance Sheet "Shareholders' Equity Movements"

	unaudited
	For the period April 1, 2000 to March 31, 2000
	CHF
Opening Equity at April 1, 2000	129'769
Issuance of share capital	253'610
Income statement	-7'989
Currency translation	2'973
Equity transaction costs	-11'185
Capital transaction with owners	-3'504
Closing Equity at March 31, 2001	<u>363'674</u>

NOTES ON UNAUDITED CONSOLIDATED FINANCIAL INFORMATION (continuation)

Twelve months ended March 31, 2000, and twelve months ended March 31, 2001

4 Acquisitions

On January 8, 2001 the Company acquired 100% of the share capital of Laser Alignment Inc. in one cash transaction. The legal entity, based in Grand Rapids, Michigan (USA), specializes in high-precision 3D guidance and automated machine control systems for the use on construction-sites, in mining applications, and in the agricultural market.

Laser Alignment is reported within the business segment "Terrestrial Positioning Systems". The acquired business contributed revenues of CHF 10'650 and an operating loss of CHF 1'381 to the Company for the period from January 8, 2001 to March 31, 2001.

On April 1, 2000 Leica Geosystems acquired 20.9% of the share capital of Cyra Technologies Inc. This investment was accounted for under the equity method from April 1, 2000 until February 21, 2001 at which time the remaining 79.1 was acquired. From February 21, 2001, Cyra Technologies Inc. is fully consolidated. The legal entity, based in Oakland, California (USA), specializes in development and production of 3D laser scanning and data modeling systems.

Cyra is reported under the new business segment "New Businesses". The acquired business contributed revenues of CHF 7'014 and an operating loss of CHF 816 to the company for the period from February 22, 2001 to March 31, 2001.

Following is a summary of the key elements of all acquisitions:

	Fiscal year 2001
	CHF
Cash paid	68'089
Fair value of shares issued	55'712
Aggregate purchase price	123'801
Acquisition expenses	2'304
Total purchase consideration	126'105
Fair value of net assets / liabilities acquired	-6'473
Accumulated losses from April 1 to Feb. 21, 2001 (Equity method)	-3'008
Gross goodwill	116'624
Accumulated goodwill amortization until February 21, 2001	-947
Net goodwill as of acquisition date	115'677
Cash and cash equivalents	-6'643
Receivables	-12'751
Inventories	-19'272
Property, plant & equipment, net	-6'798
Other intangible assets	-15'085
Loans and borrowings	25'396
Payables	11'944
Accrued liabilities and deferred income	16'736
Fair value of net asset / liabilities acquired	-6'473
Total purchase consideration	126'105
less fair value of shares issued	-55'712
less cash and cash equivalents in subsidiaries acquired	-6'643
less prepaid amounts in prior year	-1'756
Cash outflow on acquisitions of fully consolidated subsidiaries	61'994
Investments in associates	3'438
Cash outflow on acquisitions	65'432

The term "CHF" in these consolidated financial statements refers to Swiss Francs. Amounts are expressed in thousands unless otherwise stated.

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*Preliminary participation application **

I plan to attend the shareholders meeting on 5 September 2001 in Heerbrugg

☐ Yes ☐ No

* This question is for planning purposes only and does not obligate you to attend. The official invitation will be sent to you at the end of July.

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