Danaher Corporation Comments on Hexagon's Revised Offer for Leica Geosystems

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WASHINGTON

Danaher Corporation ("Danaher") acknowledges the announcement yesterday by Hexagon AB ("Hexagon") of a revised offer for Leica Geosystems Holdings AG ("Leica").

Danaher confirms that its CHF500 per share all cash offer for Leica remains open for acceptance.

Danaher believes it is important for Leica shareholders to consider the following points in assessing the real value of Hexagon's revised offer:

-- Hexagon's revised offer depends considerably on the uncertain value of Hexagon's shares.

Hexagon has offered for each Leica share CHF440 in cash plus 5 Hexagon B shares that it valued in its announcement at CHF133, based on Hexagon's 12 August 2005 closing share price of SEK159 per share.

However, the actual value of the Hexagon shares offered to Leica shareholders is uncertain and unpredictable. It is important to note that the 12 August share price is 10% higher than the Hexagon closing share price on 10 June the day preceding their initial offer for Leica (SEK144), 5% higher than the 15 August closing share price of SEK152 and 8% higher than the average closing share price over the last thirty days of SEK147.

Given the illiquidity of the Hexagon shares (discussed below), it is not clear that the trading price of the shares represents their actual value. Even if the trading price did reflect the actual value of the Hexagon shares, Hexagon's valuation is based on a pre-announcement trading price that does not reflect the terms and impact of the proposed transaction, including, inter alia, the items discussed below.

-- The market for Hexagon shares is illiquid, which also raises questions about the actual value of Hexagon shares.

In the twelve months before Hexagon launched its initial offer for Leica, the average daily trading volume in Hexagon shares was approximately 42,000 shares, representing just 0.1% of Hexagon's share capital. The Hexagon shares proposed to be issued to Leica shareholders represent 298 days' trading, based on this average.

It is not clear that the market capacity for Hexagon shares will provide sufficient liquidity for any considerable purchases or sales of Hexagon shares. The lack of a strong, liquid trading market for Hexagon shares also raises questions about the actual value of Hexagon shares.

-- Following completion of the offer, Hexagon will be highly leveraged.

Based on the 30 June 2005 balance sheets of Leica and Hexagon, Danaher estimates that (excluding any proceeds from a disposal of Hexagon's Automation division) Hexagon would have net borrowings of around CHF1.6 billion if its offer were to succeed. This is roughly the same amount as its current market capitalization and would represent a debt-to-total book capitalization ratio for the combined companies of approximately 68%. These borrowings would represent a multiple of approximately 5.3 times Hexagon and Leica's pro forma earnings before depreciation, interest and tax (EBITDA) for the twelve months ended 30 June 2005 (based on the reported numbers excluding exceptional items for Leica and Hexagon and before adjusting for any proceeds from a disposal of the Automation Division of Hexagon). Even assuming that Hexagon were to successfully consummate its proposed CHF400-500 million rights issue following the offer, Hexagon would still have leverage of approximately 3.7-4.0 times pro forma EBITDA, calculated on the same basis.

In Hexagon's 15 August 2005 presentation, Hexagon purports to show what its shares could be worth should its multiple re-rate towards the multiples of two industry peers, Trimble Navigation and Faro Technologies. This analysis should be seriously questioned, as both Trimble and Faro are not nearly as leveraged and therefore have different risk profiles and enjoy greater strategic flexibility than would a combined Hexagon-Leica organization.

Leica shareholders should question (1) how this leverage is taken into account in Hexagon's forecasts of future performance, (2) whether Hexagon's lenders have imposed obligations on Hexagon to reduce its bank debt and the timetable for such reductions, and (3) the adverse effect that the proposed acquisition and the leverage may have on Hexagon's dividend policy.

-- Hexagon has not disclosed how a failure to consummate the proposed rights offering would impact its ongoing operations following the offer or the adverse consequences associated with a successful completion of the rights offering.

Hexagon has not indicated how a failure to consummate the proposed rights offering would impact ongoing operations following the offer. Hexagon has stated that it intends to carry out a rights issue of CHF400-500 million following the offer. To avoid dilution, Leica shareholders would effectively be required to reinvest up to CHF37 per Leica share into newly issued Hexagon shares in the rights issue. This effectively reduces the cash element of Hexagon's proposed offer to around CHF403-410 per share.

Leica shareholders should understand (1) the extent to which existing Hexagon shareholders support a rights issue, (2) whether Hexagon's lenders have imposed a fixed timeline for consummation of such a rights issue, (3) the implications for Hexagon's ongoing business if the proposed rights issue were to fail, and (4) the terms and potential dilutive effect of the proposed rights issue if it were to succeed.

-- The purported value of Hexagon's revised offer is based substantially on future promises.

Hexagon's presentation includes pro forma forecasts for 2005, 2006 and 2007 but does not disclose any underlying, supporting data. Moreover, it does not appear that any of these forecasts or any of the underlying valuation metrics have been independently verified.

Leica shareholders should understand the assumptions that underpin the value of Hexagon's revised offer and assess whether these assumptions can be substantiated. In addition, Leica shareholders should closely scrutinise Hexagon's plans for achieving its forecasted growth, synergies and re-rating given the leverage proposed for the enlarged group and the risks inherent in integrating such a large acquisition.

-- Leica shareholders are receiving Hexagon B shares with reduced voting rights. Messrs Schorling and Sundqvist will continue to control Hexagon.

Were Hexagon's offer to succeed, Leica shareholders would own a 17.9% economic interest in Hexagon, but only a 12.7% voting interest. Messrs Schorling and Sundqvist will continue to control Hexagon due to ownership of Hexagon A shares, each of which carries 10 times the voting rights of a B share.

Leica shareholders should understand why Hexagon has not offered Leica shareholders voting rights proportional to their proposed economic ownership in Hexagon.

Notes:
(1) Exchange rate of CHF1:SEK5.9956 used as assumption throughout
(2) Hexagon's shareholdings were extracted from its Public Tender Offer document for Leica dated 27 June 2005
(3) Trading data for Hexagon's shares has been extracted from Datastream

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Statements in this document regarding the proposed transaction between Leica and Danaher, the expected timetable for completing the transaction and any other statements about future expectations, beliefs, goals, plans or prospects constitute forward looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Any statements that are not statements of historical fact should also be considered to be forward looking statements. There are a number of important factors that could cause actual results or events to differ materially from those indicated by such forward looking statements, including the ability to consummate the transaction and the other factors described in Danaher's Annual Report on Form 10-K for the year ended December 31, 2004 and its most recent quarterly report filed with the SEC. Danaher disclaims any intention or obligation to update any forward looking statements as a result of developments occurring after the date of this release.

SOURCE: Danaher Corporation

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