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**ANNOUNCEMENT NO: 27**

## **German Court of Appeal Confirms Transaction Prohibition**

Following a hearing yesterday in the Court of Appeal (Oberlandesgericht) in Düsseldorf, Germany, GN has this morning received a decision confirming the German Federal Cartel Office's (Bundeskartellamt) decision of April 11, 2007 prohibiting the sale of GN ReSound to Sonova (formerly known as Phonak). The German injunction against the transaction effectively blocks any transaction involving major players within the hearing instrument industry.

With a market share of about 8% of the German hearing instrument market and with less than 5% of its hearing instrument revenues generated in Germany, GN strongly believes that the German authorities are in no position to prohibit the transaction. Furthermore, GN believes that the proposed remedy package adequately addressed the concerns raised by the Bundeskartellamt.

GN is disappointed with the ruling and disagrees with the views expressed by the judges at the hearing. The fully reasoned decision will become available several weeks from now. GN will analyze the written decision and is likely to appeal it to the German Federal Supreme Court.

### **Background**

On October 2, 2006, GN signed an agreement to sell GN ReSound to Sonova for a total consideration of DKK 15.5 billion in cash on a debt and cash free basis. The transaction was subject to approval by the competition authorities in a number of countries.

In March 2007 the Bundeskartellamt expressed competition related concerns regarding the proposed transaction. GN and Sonova attempted to address the concerns and suggested a comprehensive remedy package consisting of, among other measures, a reduction of GN's German market presence, including some R&D, manufacturing and worldwide distribution activities as well as withdrawing from various industry forums in and outside Germany.

In spite of the above, the Bundeskartellamt in April 2007 decided to prohibit the transaction claiming that the transaction would allegedly result in collective market dominance in the German hearing instrument market between Siemens, Sonova and William Demant Holding. According to the Bundeskartellamt, these remedies were not sufficient to address the concerns.

Like GN, Sonova also appealed the decision in May 2007 to the competent court (Oberlandesgericht in Düsseldorf). Both appeals have now been rejected.

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