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**Announcement No. 34**



## **Photonetics Acquisition Closed and Share Capital Increased**

The competition authorities have approved GN Great Nordic's acquisition of the French company Photonetics S.A. ([www.photonetics.com](http://www.photonetics.com)). The acquisition becomes effective today.

Photonetics will become a part of GN Nettest, expanding this Great Nordic company's position as a leading provider of equipment and systems for testing and surveillance of optical networks.

The base acquisition price amounts to USD 1,050 million, of which USD 736 million will be paid in cash while USD 314 million will be paid with 14,688,223 new GN Great Nordic shares of DKK 4 at a price of DKK 184.53 each. The number of new shares issued to the sellers has been determined on the basis of the average share price over the last five business days. This DKK 58,752,892 million increase of the share capital brings GN Great Nordic's capital stock to 219,775,063 shares of DKK 4 nominal value for a total of DKK 879,100,252 million. There are no restrictions to prevent the new stockholders from selling their stock. The sellers are considering the option of selling all or part of their stock.

The increase of the capital stock is based on the authorization given by the extraordinary general meeting held on September 27. The present transaction leaves nominally DKK 146,247,108 million (36,561,777 shares of DKK 4) of the original nominal DKK 205 million (51,250,000 shares of DKK 4) authorization, which expires in 2005.

Most of the stock in Photonetics was held by its Chairman & CEO, Dr. Hervé Arditty, the rest of the executive management and the employees. The eight members of Photonetics' executive management group all have an average of 11 years of service in the company and seven of the members have a technical background. This group of people will remain in the company's employ and in order to promote a successful integration of Photonetics, the stock purchase agreement provides for the possibility that an additional payment of up to USD 100 million will be paid to the sellers in GN Nettest

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shares. Any such payment will be due only in the event that GN Nettest should become publicly traded and the ultimate size of any such additional payment would be determined according to a formula based on the public market capitalization of GN Nettest.

When GN Great Nordic announced the acquisition of Photonetics on September 25, the French company was projecting revenue of approx. USD 60 million in 2000, a 66% improvement over last year. The company's strong performance in the interim period has confirmed the full-year forecast. In comparison, Photonetics generated more than 40% growth in both 1998 and 1999. The development in Photonetics in the period 1998 to 2000 is shown in the figure below:

### Photonetics

<b>USD million</b>	<b>1998 Realized</b>	<b>1999 Realized</b>	<b>2000 Estimate</b>	<b>Growth</b>
Sales	25,7	35,7	60	66%
EBITA	3,6	5,7	Still increasing EBITA margin	
EBITA margin	14,0%	16,0%		

Photonetics is expected to contribute revenues of approx. DKK 150 million and an EBITA of approx. DKK 30 million to GN Great Nordic's consolidated accounts during the final two months of fiscal year 2000, corresponding to an EBITA margin of about 20%. Net of amortization of the substantial goodwill amount, the acquisition will result in an EBIT of approx. DKK (44) million and the interest income from the proceeds of the SONOFON sale earlier this year before tax will be reduced, bringing the total GN Great Nordic impact for the year to just over DKK (100) million.

GN Nettest believes the combination of GN Nettest and Photonetics will make both companies' product lines stronger and allow them to share advantageous technologies, improving their competitive position. This acquisition will make GN Nettest one of the world's leading suppliers of test equipment for laboratories and manufacturers of DWDM components as well as optical communication systems. Those products currently enable optical component manufacturers to test the complex DWDM elements during their development and production. The combination of GN Nettest and Photonetics promises to allow Photonetics to expand into manufacturing DWDM testing products for the network installation and management markets as well.

Owing to the continued rapid development of the fiber optics industry and the unavailability of complete industry sales data, a precise calculation of GN Nettest's and Photonetics' combined market shares is difficult to establish.

Photonetics' customer base comprises some of the largest network providers and manufacturers of fiber optic equipment, including Alcatel, Corning, Hitachi, JDS Uniphase, Lucent, Avanex, Cisco, and Nortel. No single customer generates more than 10% of Photonetics' total revenues.

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