NOK7.6bn acquisition of Orkla Media

Mecom Group plc

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Mecom Group plc ("Mecom" or "the Company")

Mecom Group plc (***Mecom***) is pleased to announce that it has agreed, subject to shareholder approval, to acquire from Orkla ASA (***Orkla***) 100% of the issued share capital of Orkla Media AS and Det Berlingske Officin A/S (together ***Orkla Media***) for a total consideration of NOK7,550 million (€949m, £647m) (which, after taking into account cash, indebtedness, working capital and certain other assets within Orkla Media, equates to an enterprise value of NOK6,966 million (€876m, £597m)). The consideration payable by Mecom comprises NOK5,609 million (€705m, £481m) in cash, the issue of 146 million Mecom shares to Orkla representing £73 million (NOK852m, €107m) and a vendor loan note of £93 million (NOK1,090m, €137m) designed to be repaid at or before the second anniversary of the closing of the acquisition, part of which, if not repaid, will be converted into Mecom shares two years after the closing of the acquisition. Following completion of the acquisition and the placing, Orkla will own approximately 19.97% of Mecom's issued share capital (before taking into account any conversion of the vendor loan note).

The Board of Mecom unanimously recommends the acquisition of Orkla Media to shareholders and intends to vote in favour of the proposals and resolutions relating to the acquisition at the EGM**.**

Highlights:

The Orkla Media acquisition is a major step towards the implementation of Mecom's strategy to build a pan-European newspaper publishing business.

Orkla Media's operations comprise one of the leading media businesses in the Nordic region with a significant presence in Central and Eastern European growth markets.

Equity funding of £243 million through the placing of 339 million Mecom shares at 50p each with institutional investors and one million shares to Mecom's directors, and the issue of approximately 146 million Mecom shares to Orkla as part of the consideration for the acquisition.

Mecom's strategy:

The acquisition of Orkla Media is a major step towards implementing Mecom's strategy which includes:

- acquiring outright control of European regional publishing and related media assets to operate them on a conventional industrial and long term basis

- focusing on markets with fragmented ownership structures and margin improvement potential from the introduction of industry best working practices and efficiencies

Commenting on the transaction David Montgomery, Executive Chairman and CEO of Mecom, said:

"The acquisition of Orkla Media is a major milestone in the development of Mecom as a leading European newspaper publishing group. I welcome the employees of Orkla Media and look forward to working with them to develop Orkla Media's strong titles as the basis of Mecom's growth as a dedicated publishing group. Our success will depend on our ability to serve our readers and their communities of which many of Orkla Media's newspapers form an integral part."

Transaction Rationale:

The Orkla Media acquisition is a unique opportunity for Mecom to create a pan-European newspaper group of scale in one move. Orkla Media has important attractions for Mecom including:

- highly complementary geographies to Mecom's existing portfolio
    - Mecom's businesses and investments now cover five important Central and Northern European countries
    - Orkla Media is present primarily in Norway, Denmark and Poland
- strong local titles embedded in their markets
    - Orkla Media's newspapers are leaders in many of their respective markets
    - Berlingske Tidende is one of the most established newspaper brands in Europe
- stable revenues from subscription-driven newspapers
    - large subscriber and reader base generates reliable revenues and offer opportunities for additional revenue streams
    - subscription revenues constitute the majority of circulation revenues
- significant margin improvement based on substantial rationalisation potential
    - 7% EBITDA margin of Orkla Media is significantly below those of peers
    - cost savings from introduction of new work practices and centralisation of operations building on progress from existing margin improvement measures
- significant scope for organic growth

- improvements in cover price, advertising sales and online offerings
- additional revenues from leveraging strong subscriber base

Orkla Media:

Orkla Media is a multinational newspaper group that publishes leading national and local newspapers principally in Norway, Denmark and Poland. Its operations include:

- a leading newspaper group in Denmark (***OMD***)
    - one of the two national players with a comprehensive portfolio of daily national titles including Berlingske Tidende (broadsheet), B.T. (tabloid) and Urban (free sheet), which together with OMD's other titles account for 37% of the total newspaper circulation in Denmark
    - Berlingske Tidende is the leading quality daily in Copenhagen and a well-established newspaper brand
    - OMD also publishes two regional and seven local newspapers and 53 local free sheets
    - in 2005, OMD generated revenues of NOK3,865 million and EBITDA of NOK212 million, which represent 48% of Orkla Media's revenues and 34% of adjusted EBITDA[1]
- strong local publisher in Norway (***OMN***)
    - a portfolio of over 40 local newspapers with embedded market positions and a total revenue share of 37%[2] of the Norwegian local newspaper market
    - within its local franchises, OMN has typically over 80% of the local market circulation
    - as part of its media house strategy OMN offers a spectrum of local media in most of its markets
    - in 2005, OMN generated revenues of NOK2,449 million and EBITDA of NOK288 million, which represent 31% of Orkla Media's revenues and 47% of adjusted EBITDA[1]
- the leading quality daily and strong local and regional newspapers in Poland
    - a 51% stake in Rzeczpospolita, the leading quality broadsheet in Poland with a unique market position and highly attractive readership profile
    - strong portfolio of 12 regional and local titles with a total market share of regional circulation of 36%

- in 2005, the Polish activities generated revenues of NOK1,234 million and EBITDA of NOK117 million, which represent 15% of Orkla Media's revenues and 19% of adjusted EBITDA[1,3]

In addition, Orkla Media has smaller newspaper activities in Sweden, Lithuania and Ukraine as well as a direct marketing business in Norway and Sweden, which accounted for 6% of revenues in 2005.

In the year ended 31 December 2005, Orkla Media generated EBITDA of NOK580 million on revenue of NOK8,001 million. In 2005, revenues increased by 4.6% from NOK7,646 million in 2004 and EBITDA increased by 9.8% from NOK528 million in 2004. As a result, the EBITDA margin increased from 6.9% in 2004 to 7.2% in 2005[1].

In addition to the existing cost saving initiatives within Orkla Media, Mecom has identified significant potential additional efficiency programmes. The savings will be based on the centralisation of operating functions and infrastructure, the introduction of more efficient work practices and the realisation of economies of scale. Mecom is targeting a significantly improved EBITDA margin for Orkla Media over the next two years. Other Mecom investment companies average EBITDA margins of 13%, leading newspaper companies in Scandinavia average 18% and in the UK average 26%.

In 2005, circulation revenues accounted for 31% of total revenues compared to 43% for advertising revenues[1,4]. Many of Orkla Media's newspapers have sizeable subscriber bases which provide stable revenue streams and offer the opportunity to generate additional revenues by selling other products and services to subscribers. The advertising revenues of Orkla Media are linked to the overall economic development and advertising spending in the respective countries and markets; however, as the leading title in many of their markets, Orkla Media's newspapers are the primary platform for local advertisers. Orkla Media pursues a media house strategy to offer various sources of media in local markets ranging from free and paid for newspapers to TV, radio and online. This strategy diversifies the revenue base and is supported by Mecom's strategy of supplementing newspaper businesses with peripheral activities like TV listings, magazines and city guides as well as local TV and radio.

Orkla Media operates in competitive and dynamic markets. Currently, new launches are expected or have been made by competitors in Denmark and Poland. In Denmark, Orkla Media expects increased competition from the intended launch of national home delivered free sheets. Together with the local management, Mecom plans a proactive strategy focused on strengthening existing titles, especially Berlingske Tidende. Mecom has budgeted €50 million for the defence, the funds for which are included in Mecom's financing requirements. Orkla Media is currently facing increased competition from new entrants: in Poland, Rzeczpospolita is defending its market position against the recently launched daily newspaper, Dziennik, based on Rzeczpospolita's higher quality positioning which Mecom intends to strengthen as it supports its further development.

Mecom will continue to build on the present organisation and publishing principles of Orkla Media and to grow the business by working with Orkla Media's current local management teams. Bjørn M. Wiggen, the current CEO of Orkla Media, will stay with the business as CEO of Mecom Europe. As a result of Orkla Media becoming a core element of Mecom's strategy and business, Mecom Europe's head office will be located in Oslo.

The implied acquisition multiple of 12.0x 2005 EBITDA is within the range of multiples paid by Mecom in previous acquisitions and reflects the expected growth potential of Orkla Media. The acquisition multiple is also at the lower end of multiples paid for recent newspaper transactions in Europe, consistent with Mecom's acquisition strategy.

Financial effects of the Transaction:

The acquisition of Orkla Media will create a balanced, pan-European regional publishing business with proforma 2005 revenues for the combination of Mecom and Orkla Media (the ***Enlarged Group***) of €1.1 billion and proforma 2005 EBITDA of approximately €94 million for 2005[5].

On a proforma basis, Norway, Denmark, the Netherlands and Poland contribute to the 2005 EBITDA for Enlarged Group 36%, 27%, 22% and 15%, respectively[6].

Consideration and Financing:

The total consideration for the transaction is NOK7,550 million (€949m, £647m). This includes NOK544 million (€68m) which relate to certain assets that are the subject of a put and call option between Mecom and Orkla. Subject to the satisfaction of certain conditions, these assets are expected to be acquired by Mecom within approximately 18 months of completion of the acquisition. The purchase price for these assets is included in the total debt and equity funding for the transaction.

The total consideration of NOK7,550 million (€949m, £647m) will be financed through new debt facilities of €532 million (NOK4,231m, £363m), a vendor loan note of £93 million (NOK1,090m, €137m) and through issuing approximately 486 million new ordinary shares at a price of 50p per share. Of these shares 340 million are to be placed with institutional shareholders and certain directors to raise £170 million (NOK1,984m, €249m) before expenses (the ***Placing***) and the remainder of approximately 146 million shares, representing £73 million (NOK852m, €107m), is to be taken by Orkla as part of the consideration for the acquisition. As a result, Orkla will become a significant shareholder in Mecom with a stake of approximately 19.97% of the enlarged equity prior to any conversion of the vendor loan note. In addition, Orkla has been offered a seat on the Company's Board.

The vendor loan note, provided by Orkla, is a 10 year loan note issued by Mecom (the ***Issuer***) designed to be repaid, at the option of Mecom, at or before the second anniversary of the closing of the acquisition (the ***Repayment Date***). If not repaid, the vendor loan note has a mandatory conversion into Mecom shares at the Repayment Date at the lower of the prevailing share price and 65p per share, subject to a maximum total holding by Orkla and any parties acting together in concert with Orkla in Mecom of 29.99%. If this maximum would otherwise be exceeded, the remaining loan note will remain outstanding until it is repaid by Mecom, with a final maturity date of the tenth anniversary of the closing of the acquisition. Until the Repayment Date, the vendor loan note will pay interest of LIBOR plus 5% per annum increasing to LIBOR plus 10% on any amount still outstanding after the Repayment Date. The Issuer will have the right, but not the obligation, to pay interest in cash. If not paid, interest will be capitalised and accrued, unpaid interest will be paid at maturity. The note is repayable at Mecom's option at any time without penalty or premium and may only be transferred after the Repayment Date.

Mecom is funding part of the acquisition of Orkla Media through new €532 million debt facilities with Bank of Ireland, CIBC and Société Générale. In addition, Mecom has arranged working capital, acquisition and restructuring facilities for €125 million with the same banks. All the above facilities are referred to as the ***Debt Facilities*** and will also refinance existing indebtedness.

Details of the Transaction:

Mecom has signed a sale and purchase agreement (***SPA***) in connection with the acquisition of all of the issued share capital of Orkla Media AS and Det Berlingske Officin A/S. The SPA is conditional on, *inter alia*, the approval of Mecom's shareholders at an extraordinary general meeting, the receipt of certain competition clearances, no material breach of any of the representations and warranties given by Orkla, and both the Placing Agreement and the Debt Facilities becoming unconditional in all respects.

The SPA contains a provision under which Mecom may be obliged to pay a break fee to Orkla of £1.25 million. The break fee would become payable, *inter alia*, in the event that Mecom's shareholders do not approve the acquisition at an extraordinary general meeting (***EGM***), the Board of Mecom fail to give or withdraw their unanimous recommendation that Mecom shareholders vote in favour of the transaction or in the event that either the Debt Facilities or the Placing Agreement do not become unconditional in all respects.

The Placing, which is fully underwritten by Hoare Govett and Numis, (save for the one million shares being taken up by directors) will be to institutional investors and Mecom's directors only, many of whom are existing shareholders in Mecom. Hoare Govett and Numis have entered into a conditional placing agreement with Mecom under which Hoare Govett and Numis have agreed to use their reasonable endeavours to procure subscribers at 50p per share for the Placing shares, or failing which to subscribe for the shares themselves. The obligations of the underwriters are conditional upon, *inter alia*, approval by Mecom's shareholders at an EGM of the acquisition of Orkla Media and other related matters, the SPA becoming unconditional, re-admission of the Company's ordinary shares to trading on AIM (including admission of the Placing shares) and certain other customary conditions being satisfied by 31 October 2006.

The Debt Facilities are being provided by the lending banks on a certain funds basis. Mecom has agreed the terms of an Interim Finance Agreement and expects to have entered into full documentation in respect of the Debt Facilities prior to completion of the acquisition. The Interim Finance Agreement is conditional upon, *inter alia*, the satisfaction of all the conditions to the SPA, the receipt of funds pursuant to the Placing and provision of appropriate guarantees and security in favour of the lenders.

The full terms and conditions of the SPA, the Placing Agreement and the Debt Facilities will be summarised in the admission document to be sent to shareholders in due course.

Related Party Transaction:

The Placing referred to above is intended to include a subscription (subject to the terms and conditions of the Placing Agreement) by two shareholders who are treated as related parties under AIM Rules because they each hold more than 10% of the Company's issued ordinary shares, namely M&G Investment Management Limited (who intend to take up 41,252,000 shares) and Jupiter Asset Management Limited (who intend to take up 33,000,000 shares).

The Directors consider, having consulted Numis as the Company's Nominated Adviser, that the terms of this transaction are fair and reasonable insofar as the Company's shareholders are concerned. In being consulted, Numis has relied on the Directors' commercial assessment of the transaction.

Timetable:

As the transaction constitutes a reverse takeover under the AIM rules of the London Stock Exchange, Mecom must publish an admission document which it expects to do in early September 2006. The admission document will contain a notice of an EGM of Mecom shareholders in order to seek shareholders' approval for the acquisition and other related matters. This document will contain, as required by AIM Rules, a list of risk factors including general business risks, risks relating to the Enlarged Group and risks relating to the acquisition. Mecom currently anticipates that the EGM will be held around the end of September 2006 and that completion of the acquisition and admission to trading of the Placing shares will occur shortly thereafter.

Trading in Mecom's ordinary shares was suspended on 19 January, since which time Mecom has been in negotiations regarding a number of potential acquisitions. The existing ordinary shares are expected to be re-admitted to trading immediately following the publication of the admission document referred to above.

Current Trading:

On 16 June 2006, Mecom completed the acquisition of the Limburg Media Group for approximately €200 million financed by a combination of new debt and a placing of ordinary shares to institutional investors. Mecom has established a strong management team that it expects to achieve the targeted margin expansion at the leading broadsheet titles in the Dutch Province of Limburg. Mecom's investments in Berlin and Hamburg show strong current trading as revenue and cost savings targets are met and in some cases exceeded.

The company has been informed by Orkla that in the first six months of 2006, Orkla Media generated revenues of NOK4,181 million and EBITDA of NOK304 million representing an EBITDA margin of 7.3%. Compared to the same period in 2005, revenues grew by 5.0% and EBITDA by 6.1%[1]. Orkla Media has performed well in the first half of 2006 compared to the same period last year and expects underlying market conditions in Denmark to remain broadly favourable. In Poland, advertising conditions remain challenging in light of increased competition from new launches. In Norway, recent significant investments in new launches in free media in the Oslo region have yet to flow through to the financial results.

Board recommendation and Directors' and certain shareholders' intentions:

The Board of Mecom unanimously recommends the acquisition of Orkla Media to shareholders and Mecom's Directors intend, in respect of their entire beneficial holdings amounting to, in aggregate, 6,189,426 million Mecom Shares, representing 2.5% of the current issued share capital of Mecom, to vote in favour of the proposals and resolutions relating to the acquisition at the proposed EGM. In addition, Mecom has received undertakings or letters or expressions of intent to vote in favour of, or to procure voting in favour of, the proposals and resolutions relating to the acquisition in respect of an aggregate of 150 million Mecom Shares, representing 61% of the issued share capital of Mecom.

Certain directors intend to take up an aggregate of one million shares in the Placing.

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Notes:

1. Financial information regarding Orkla Media has been extracted from the financial reporting packages prepared by Orkla Media for inclusion in the consolidated results of its parent Orkla ASA and adjusted to reflect businesses and assets that will be transferred out prior to the completion of the SPA. This financial information will require further adjustment to present it on a basis consistent with Mecom's accounting policies and International Financial Reporting Standards (IFRS). An admission document will be posted to shareholders in due course which will include adjusted financial information relating to Orkla Media.

   Adjusted EBITDA for Orkla Media for 2005 of NOK631 million is used for the purposes of segmental calculations. Group overhead of NOK37 million is not allocated to the divisions.

   The financial information contained in this announcement relating to Orkla Media includes contribution from certain assets which are the subject of a put and call option between Mecom and Orkla as described above and which may not in certain circumstances be acquired by Mecom.

2. Based on Ocean Consulting Ltd estimates.

3. Financials include operations in Lithuania and Ukraine.

4. Other revenues primarily related to Print and Distribution and account for 26% of total revenues.

5. Mecom currently reports under UK GAAP. Mecom's next financial statements, its second interim results for the five month period to 30 June 2006, are expected to be published by the end of September 2006 and will comply with IFRS. The change in accounting standards will change the presentation of the accounts. Mecom will at that time provide analysis to shareholders highlighting the key effects of the transition from UK GAAP to IFRS (which may or may not be material). The proforma figures for the combined Mecom and Orkla Media group quoted are obtained by combining Orkla Media (IFRS) figures with Mecom (UK GAAP) figures and Limbug (Dutch GAAP) figures.

6. Excludes group overhead costs.

The exchange rate used to convert NOK into Euro is 7.954 and NOK into £ is 11.670

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Other than in accordance with its legal or regulatory obligations, Mecom does not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

No statement in this announcement is intended as a profit forecast and no statement in this announcement should be interpreted to mean that earnings per Mecom ordinary share for the current or future financial years would necessarily match or exceed the historical published earnings per Mecom ordinary share.