

NEWS LIMITED

7 March 2013

Dear Newsagent,

Whilst the newspaper industry is facing a time of unprecedented change, News Limited continues to believe in print, selling more than 11.5 million newspapers every week and distributing an additional 5 million community papers a week.

As the needs of our consumers change, the industry must also evolve. As a business, News Limited has been constantly transforming our editorial, sales, marketing, circulation and distribution strategies to meet these changing needs as well as leading the industry to address the challenges and opportunities facing newspaper distribution.

In line with our transformation initiatives, in August 2012, News Limited commenced a trial of a new distribution model - T2020 - in the south side of Brisbane. The intent was to develop a more commercially viable distribution network that was sustainable for newsagents, customers and News Limited.

This model had features based on key principles, including:

1. Separating distribution and retail services
2. Consolidating distribution territories
3. Remuneration structure for distribution that is aligned with the effort involved and the commercial realities of the territory

Whilst the trial to date has been a valuable exercise and the principles of T2020 are still valid, we have learned three important things from industry consultation during the trial process:

1. Newsagents are ready for change

Many newsagents have told us throughout the trial that they understand the need for change, and many across the country are ready to do this now.

2. There is an appetite for initiatives that improve the distribution model, including the consolidation of distribution territories

Many newsagents across the country are keen to evolve their business model, with a particular focus on developing consolidated distribution territories. These newsagents would prefer to speed up the process with this market-led model, rather than wait for the more structured approach that T2020 follows.

3. We have also learned that the T2020 model does not allow us to move fast enough given the current pace of change.

Regrettably, overall the trial did not meet our expectations and as such News Limited has decided to discontinue the T2020 trial process.

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On a case-by-case basis, News Limited will consider proposals for consolidation of distribution territories from interested newsagents, across all states and territories. If approved, we will offer new agreements for servicing the consolidated territory on the same terms as our standard distribution agency agreement in the relevant state or territory including as to term and termination. This means they can be terminated at any time without cause, by you on 3 months notice and by us on 6 months notice.

Guidelines will be available for interested groups in due course, however there will be no minimum volume requirements. This recognises the view that some newsagents are ready to collaborate with their neighbouring newsagents to consolidate their distribution services to build greater efficiencies of scale for their businesses.

Given the rapid and ongoing shift in industry trends, News Limited will continue to review and evolve our approach, and may change our strategy. We will keep you informed in this regard.

In the coming months, News Limited will also undertake a complete review of the monies paid for distribution services (including home delivery fees) across all states and territories. We will also review our retail commission structure.

We have already started working with newsagents in the trial region as we manage this process and we will continue to work closely with the industry.

Should you have any questions or require further clarification please contact us using the details below.

- Visit the website from Friday 8 March - www.news4newsagents.com.au. A full list of FAQs is available and will be updated regularly so this is your most up to date source of information
- For any specific questions not answered on the website, please email newsagents@news.com.au
- Or for a one on one discussion, please contact your usual News Limited contact

We thank you for your time and effort as we transform our distribution network for the long term sustainability of our industry.

Regards



Jerry Harris
Executive Group Director,
Commercial and Operations



Catrin Thomas
Director, Retail Circulation