

NEWS LIMITED

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MEMORANDUM

TO: All CEO's
General Managers
All CFO's
Group Heads

Cc: John Hartigan, Peter Macourt

FROM: Stephen Rue

DATE: 6 September 2011

SUBJECT: **Staff Hiring Freeze and Cost Reduction Targets**

It is clear from the last few months of trading, trends over the last 3 years, and ongoing economic uncertainty and volatility that we need to significantly reduce our cost base. This was the unanimous view of senior management that attended a two day business review led by John Hartigan. It is also the view of the NewsCorp Office of the Chairman.

Furthermore, it is important that we reduce our cost base as part of our overall business strategy to maximise cash flow in our print business to enable us to invest heavily in a new digital business whilst generating satisfactory shareholder return.

We need to set group wide cost reduction targets of 15% - 20% over a 3 year period.

To that end, John Hartigan has asked me to immediately execute two initiatives across the business -

1. Staff Hiring Freeze:

Effective immediately, all staff hires, permanent or temporary, will need approval from Head Office. This approval is required for replacement or new staff regardless of prior budget approval. A small group consisting of Stephen Rue, Campbell Reid, Tony Kendall and Keith Brodie will assess each request.

Attached to this memo is the relevant form to complete. This should be sent to Karin Chan at chank@news1td.com.au.

2. Cost Reduction Targets:

Each division and group function is to formulate plans to reduce costs by 5% against full year budget. In formulating your plans, you should assume that group recharges reduce by 5%. I will confirm this or otherwise once I have received the cost reduction plans from group executives. All cost reduction plans should be sent to Stephen Rue and Karin Chan by Wednesday 31 August. It is important to note that although we should all look at marketing costs, we should be careful to

not underspend on marketing unnecessarily given the poor circulation sales of late.

In order to assist with further cost reduction, over and beyond the divisional and group 5% targets, I will be coordinating benchmarking and cross divisional meetings for key areas, including Prepress, Finance, Production, Distribution, Sales and Marketing.

I will also be coordinating a group wide review of travel and accommodation costs. In the meantime, however, you should all review travel and accommodation costs with a view to significantly reducing expenditure.

I expect to announce further cost initiatives in coming weeks and months.

I am very conscious that cost reduction requires difficult decision making and involves assessing tradeoffs. However, it is an essential piece of work we must all support unreservedly as we need to both react to falls in revenue and the need to generate cash flow to invest in our digital business and to provide a satisfactory return to our shareholders.

I am available at all times to assist, advise or answer questions as you see fit. Please don't hesitate to call.

Stephen Rue