

FCNV/MMP Merger update

As promised at our recent meetings at Media House, we wanted to update you as soon as practicably possible our plans for the integration of Fairfax Community Network Victoria into Metro Media Publishing.

As many of you know, MMP officially takes over management of the merged business on July 9, which will then be known as MMP Media. Considerable thought is being given to the best way to build and grow a profitable and sustainable media operation.

In the short term, we intend to move quickly on three fronts:

1. The launch of The Weekly Review Bayside on July 25, 2012

The Weekly Review Bayside will be a new, high-quality 75,000 copy publication distributed from Port Melbourne to Beaumaris. The Weekly Review Bayside will carry all real estate advertising in this area.

As a result, The Melbourne Weekly Bayside and The Melbourne Weekly Port Phillip will cease operations on July 18, 2012, and will be relaunched as Bayside Review and Port Phillip Review. These will be local news focused publications.

In line with this strategy, current real estate advertising in The Melbourne Weekly will be consolidated into The Weekly Review (Stonnington/Borondarra) and Melbourne Weekly will cease operations on July 18, 2012. This will result in the creation of Stonnington Review and Borondarra Review, two new local news focused publications both being published on July 25; and the merger of The Banyule & Nillimbik Weekly with The Weekly Review Diamond Valley Heidelberg to provide advertisers with a superior quality product and increased distribution.

These announcements underscore two major achievements: a net increase in the number of publications we will be producing next month from 34 to 35; and a very strong commitment to local news through the creation of new, quality, locally-focused titles.

2. Focus on FCN Central and FCN East

In a difficult market, FCN West Region has been a stellar performer, and it is on track to record a strong result for this financial year.

The performances of Central and East have been less satisfactory, and it is our intention to focus management time and resources in the short term.

Central is an area where we have major strengths, and the steps outlined above will improve profitability, but I would encourage you all to consider how we can work more effectively and efficiently in the interests of your individual publication and the group. Put simply, each of MMP's publications needs to be a profitable and vital part of its local community. A comprehensive review of both regions will be undertaken after the July 9 merger to better understand their specific challenges and resourcing needs, and I look forward to your thoughts and ideas.

3. *The expansion of MMP's highly-successful business model*

The launch of The Weekly Review Bayside is an exciting development in MMP's growth, and represents an expansion of our highly-successful business model which allows agents to become equity holders in our publications. The structure replicates that in place at The Weekly Review publications in Stonnington and Borondarra and in Diamond Valley and Heidelberg.

As soon as commercially sensible, this model will be extended to other parts of the merged business.

Our ability to move quickly is a key competitive advantage of MMP, and is a culture that will be part of the DNA of the merged business. To that end, I have been pleased with the response from all of the people at FCN and MMP and the co-operative working environment that has allowed us to undertake the initiatives outlined. Thank you all for your energy and enthusiasm.

We are also moving aggressively on the roll-out of our new on-line offering and we are well advanced on finalising the structure to take the business forward. We expect to be in a position to give further details on both announcements in the next 2-3 weeks.

When the new titles are launched, MMP will be the largest local media business in Melbourne, with 1.5 million magazines and newspapers across 35 titles being delivered to more than 1.25 million homes across the metropolitan area, and a compelling online offering. A 36th title in a new territory will be launched next month. This provides a very strong platform, and gives us great confidence in the company's future.

If you have any questions about this note or the process, please call MMP Director of Communications John Hine on xxxx xxx xxx or email xxxx@xxxxxxxxxxxxx

Yours sincerely

Antony Catalano