CHIEF EXECUTIVE OFFICER'S REPORT

Fairfax Media has established a reputation as the undisputed leader in innovation and change in the traditional media sector in Australia and New Zealand. We have delivered some of the most significant structural and operational changes in our Company's long history.

We committed to you we would transform our business and we are meeting or surpassing all critical milestones as we implement our strategy. This includes developing our leading multi-media, cross-platform business so it operates within a simple yet effective organisational structure. We are confident our strategy will deliver the best outcomes for our shareholders, customers and our audiences.

The changes will ensure Fairfax is a lean and agile company. We are making all the necessary decisions to prepare for what we know will be a predominantly digital future.

The trading environment has been challenging. Group revenue declined by 8.2 per cent in the financial year. Achieving an operating earnings before interest, tax, depreciation and amortisation (EBITDA) of $366 million was a challenge. Cost savings under our Fairfax of the Future program made a substantial contribution to operating profits. Excluding businesses divested during the year, underlying EBITDA was $315.7 million. Cash flow from trading activities was $377 million.

We are targeting a total of $311 million in annualised cost savings by fiscal 2015 from a cost base in 2011 of $1.8 billion. If fixed production charges are excluded, the effective addressable cost base is $1.2 billion.

Our simplified organisational structure, announced in April, has allowed us to streamline middle management, share services and reduce duplication. We have a strong management team committed to driving collaboration across the business and the aggressive pursuit of new revenue opportunities.

We are working smarter. The newsrooms of The Sydney Morning Herald and The Age have been restructured to deliver timely journalism and content to our audiences across the day. Our main offices in Sydney and Melbourne have also introduced real-time working practices, saving $32 million over four years.

We have also changed the way we engage with our customers and audiences. We have moved to improve our contact centres through the centralisation and partnering with specialist service provider TeleTech, which will reduce our costs in this area and result in significant savings.

We know the future is about a mix of both cost discipline and revenue growth.

The turnaround of our Broadcasting business continues, having achieved cross-platform benefits in content and sales. Overall ratings and market share have improved, with 96fm currently the highest rating station in Perth and 3AW holding its top spot in Melbourne.

Group digital revenue increased to $295 million and now comprises 14 per cent of total revenue. One new source of digital revenue, introduced just after the end of the 2013 financial year, is digital subscriptions for The Sydney Morning Herald and The Age. On 22 August 2013, we told the market that the two mastheads had 68,000 paid digital subscribers and 98,000 bundled print and digital subscribers, tracking ahead of expectations.