

**MEREDITH CORPORATION**  
**Second Quarter 2008 Earnings Conference Call**  
**January 22, 2008**

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CALL OPERATOR

Ladies and gentlemen, thank you for standing by, and welcome to the Meredith Corporation's Second Quarter Earnings Conference Call. At this time all participants are in a listen-only mode. Later we will conduct a question and answer session; instructions will be given at that time. If you should require assistance during the call, please press \*, then 0. As a reminder, this conference is being recorded. I would now like to turn the conference over to your host, Mike Lovell. Please go ahead.

MIKE LOVELL

Good morning, everyone. I'm Mike Lovell, Director of Investor Relations for Meredith Corporation. Before Chief Executive Officer Steve Lacy begins our presentation, I'll take care of a few housekeeping items.

In our remarks we will include statements that are considered forward-looking within the meaning of federal securities laws. The forward-looking statements are based on management's current knowledge and expectations and are subject to certain risks and uncertainties that may cause actual results to differ materially from the forward-looking statements. A description of certain of those risks and uncertainties can be found in our earnings release issued today and in certain of our SEC filings. The Company undertakes no obligation to update any forward-looking statement. We will refer to non-GAAP measures, which in combination with GAAP results provide additional analytic tools to understand our operations. Tables that reconcile non-GAAP measures to GAAP results are posted on Meredith's Web site. A transcript of this call will be posted to our Web site as well.

And with that, Steve will begin the presentation.

STEVE LACY

Thank you very much, Mike, and good morning, everyone. Participating with me this morning are Publishing Group President Jack Griffin, Broadcasting Group President Paul Karpowicz, along with our Chief Financial Officer, Suku Radia.

I'll begin with an overview of our key accomplishments, discuss performance in our Publishing and Broadcasting Groups, and conclude by updating our current earnings outlook. Then we'll be happy to answer any questions that you might have.

We are very pleased with our second quarter performance. Earnings per share were 75 cents, up 4 percent from a year ago. We achieved this growth despite the dual challenge of a

significant increase in postal rates, along with an off-political year at our television stations, where net political revenues were \$22 million less than in the prior-year quarter.

Publishing advertising revenues grew 8 percent on a strong increase in nets per advertising page. Circulation contribution and margin increased in the quarter. Circulation revenues declined, due primarily to the ongoing transition of *Parents*, *Family Circle* and *Fitness* magazines to the Meredith direct-to-publisher model. Broadcasting nonpolitical ad revenues rose 6 percent. Meredith Integrated Marketing continued its strong performance with revenues up 50 percent and operating profits climbing more than 60 percent.

Additionally, in the second quarter we generated more than \$40 million in free cash flow, repurchased 490,000 shares, and retired \$40 million in debt.

Finally, we're pleased that two of our largest magazines received industry accolades during the quarter. *Better Homes and Gardens*, our flagship property, was named Magazine of the Year by *Advertising Age*; and *More* magazine, which was the 2006 Magazine of the Year, was runner-up.

For the first half of the fiscal year, earnings per share rose 7 percent and net earnings rose 6 percent. Publishing Group advertising revenues grew 11 percent, Broadcasting Group's nonpolitical advertising revenues grew 4 percent, and we continued to exercise disciplined expense management across the enterprise.

Our fiscal 2008 performance reflects the strengths that have made Meredith one of America's top-performing media and marketing companies over time. We combine a tremendous base of traditional publishing, broadcasting and marketing assets, along with a growing and profitable array of online digital and video initiatives. This enables us to reach approximately 85 million unduplicated American women every month, with content delivered how and when she chooses to receive it.

Now let me turn to our Publishing Group performance for the second quarter.

Publishing operating profit increased nearly 30 percent over the prior-year quarter to \$45 million, and operating profit margin increased nearly 3 percentage points. Revenues rose 5 percent to \$309 million.

Strong growth in magazines and our custom marketing activities was partially offset by continued weakness at Meredith books. To strengthen book results, we're combining our special interest media, newsstand and book operations into one business unit, now called Meredith Retail. We're implementing a retail marketplace strategy that allows us to take full advantage of the strength and capabilities we possess in the areas including content creation, brand management and extension, along with sales and marketing.

Our consumer magazines continue to demonstrate powerful and enduring consumer appeal. According to recently released data from Mediemark Research & Intelligence, readership across Meredith's large subscription magazines is nearly 100 million consumers, equal to levels five years ago. This is in sharp contrast to trends in the print industry, particularly newspapers

and news weekly magazines, which have experienced significant readership decline in recent years. Our strong readership drives advertising revenue growth that is particularly evident at four of our key brands, including *Parents*, *More*, *Family Circle* and our flagship, *Better Homes and Gardens*.

*Parents* has strengthened its leadership position in the parenthood field. Advertising revenues increased 17 percent in the quarter, and net revenues per advertising page grew 18 percent. In July we launched our new parenthood portal, Parents.com, along with Parents.tv, our new broadband video channel. In December Parents.tv launched across the 12-million household Comcast Cable System as a new video-on-demand outlet.

*More* continues to be a major creative and financial success. Advertising revenues grew 30 percent in the quarter, and net revenues per advertising page grew 13 percent. We raised *More*'s rate base to 1.2 million with the February 2008 issue, which is on newsstands now.

*Family Circle* continued to flourish under Meredith's ownership. Its advertising revenues increased 8 percent in the quarter, and net revenues per advertising page grew 5 percent. It's now the number two book in the women's service field behind *Better Homes and Gardens*. When we acquired the title in 2005, it was number five in a six-title field.

*Better Homes and Gardens* continued its strong performance, driven by new creative and sales leadership. Advertising revenues increased 9 percent, and net revenues per advertising page increased 5 percent in the quarter.

Additionally, our Hispanic business, while still an emerging category, continues to experience strong growth. Our Spanish language women's lifestyle title, *Siempre Mujer*, increased advertising revenues more than 70 percent in the quarter and 40 percent in the first half of fiscal 2008. We recently combined our two Spanish language parenthood brands, *Ser Padres* and *Healthy Kids en Español*, under the *Ser Padres* banner. We increased the frequency of the new *Ser Padres* to eight times a year and boosted its rate base 40 percent to 700,000.

Looking more closely at advertising across the group, the categories of food and beverage, direct-to-consumer pharmaceuticals, direct response, and toiletries and cosmetics were particularly strong. They accounted for approximately 55 percent of magazine ad revenues in the quarter. Weaker categories included nondirect-to-consumer remedies, consumer electronics, and media and entertainment.

A key factor to our advertising success is an increased emphasis on developing multiplatform advertising and marketing programs for our clients. We secured a series of new business wins in the quarter with programs spanning several Meredith media platforms.

For Dreamworks we created a campaign to promote the release of *Shrek 3* on DVD. It included ads in our October issue and a mock cover for our November issue of *Parents* magazine, a billboard in Times Square, podcast promotions on the Web, and iTunes.com, and a national PR effort.

For Discover Card we created a Parents branded campaign that runs across the magazine, Parents.com, and Parents.tv. Aimed at providing timesaving tips for busy parents, the campaign seeks to generate new customers for Discover.

In November, we created a *Family Circle* Holiday Television Network Special that was sponsored by Dodge and hosted by Food Network personality Sandra Lee. It was featured across the magazine, Internet and Better.tv.

Meredith Integrated Marketing had an outstanding quarter, as revenues rose more than 50 percent and operating profit increased more than 60 percent. Results included the increased contribution from three marketing acquisitions over the last year—Genex, New Media Strategies, and Directive. On a comparable basis, revenues and operating profit each rose 15 percent, reflecting strong performance by our legacy business and from online marketer O’Grady Meyers.

Let me share just a few Integrated Marketing highlights.

During the quarter we were awarded new business by Wal-Mart stores. We’ll produce two versions of an Idea Book, one that will be mailed directly to 3.7 million homes and another that will be inserted in more than 11 million copies of our largest magazines, including *Better Homes and Gardens*, *Midwest Living* and *Country Home*.

We renewed our business with Nestlé’s Good Start line of infant nutrition products. We were also awarded new interactive and customer relationship management business from Gerber. We were also awarded additional database marketing and analytics work from Suzuki.

Over the past two years, we have transformed Meredith’s Integrated Marketing from a pure custom publisher to a full marketing services provider.

Our added capabilities are further strengthening our competitive position and our relationship with key corporate clients, allowing us to more successfully compete for and win multiplatform customer relationship marketing programs.

Revenues at Meredith Interactive Media rose more than 25 percent during the quarter, benefiting from the recent redesign of BHG.com and Parents.com, along with strong performance across the Company’s niche enthusiast sites. The number of unique visitors averaged 10 million, and page views averaged nearly 150 million per month during the quarter. The average time spent on the sites per visitor grew 5 percent to 12 minutes. The total number of videos viewed rose 75 percent to 2.7 million.

Among sales successes, we launched a product called “Recipes to Go” that delivers *Better Homes and Gardens*’ food recipes to Motorola’s Q9 cell phones. We also created a program for AT&T’s Places campaign that reaches consumers in a holiday shopping mindset through advertising focused on holiday, food and entertaining, across several of our interactive properties. It is a multimillion-dollar program, the largest ever sold in Meredith Interactive Media’s history.

Turning to Broadcasting, operating profit declined to \$28 million from \$40 million, and revenues decreased 16 percent to \$88 million in the second quarter. For the first six months operating profit declined to \$41 million from \$58 million, and revenues decreased 13 percent to \$162 million. These results reflect the cyclical decline in political advertising. Net political revenues were \$22 million less than the prior-year quarter and \$30 million less than the prior-year fiscal first half. Nonpolitical advertising revenues grew 6 percent in the second quarter and 4 percent in the first six months of fiscal '08.

Looking more closely at advertising, the categories of professional services, furnishings and entertainment were particularly strong. They account for nearly 25 percent of total broadcasting revenues. In addition to political, weaker categories included movies and automotive, which was down 4 percent, as growth in import advertising partially offset the decline in domestic automotive spending.

Among second-quarter highlights, broadcasting continued to strengthen its news position in the November ratings book. Our CBS affiliate in Hartford and our FOX affiliate in Portland, Oregon, were both the top-rated stations across all time periods. Additionally, our Fox affiliates in Greenville, Las Vegas and Portland posted strong growth in morning news, which is the fastest-growing daypart in terms of viewers and ad revenues. Morning news now accounts for one-third of news revenue across the Broadcasting Group, up from about 25 percent three years ago.

Broadcasting online revenues rose 50 percent. The number of average unique visitors rose six-fold to 3 million per month, reflecting our ongoing investments in technology, content, promotions and sales, and related activities. The number of videos streamed on our Broadcasting sites nearly doubled to 1.5 million per month.

Better, our daily lifestyle television program that runs across our station group and is in syndication to three non-Meredith stations, is off to a strong start. It won its time period in Hartford and has strong ratings in both Greenville and Portland. Content from the Better show is also available online at [www.Better.tv](http://www.Better.tv) and [Parents.tv](http://Parents.tv), Meredith's broadband video channels.

Last month, Meredith parenthood content launched across Comcast Cable Systems on a new video on demand channel, branded Parents TV, that reaches more than 12 million households. Meredith and Comcast share in the advertising revenues.

Turning now to full company financial metrics, our total debt at the end of the quarter was \$420 million, and our weighted average interest rate was 5 percent. As I noted earlier, we generated more than \$40 million in free cash flow in the quarter. We repurchased approximately 490,000 shares. We repurchased 1.4 million shares in the first half of fiscal 2008 compared to 1.1 million shares in all of fiscal 2007. We have repurchased an additional 200,000 shares since the end of the fiscal second quarter. As a result, to date in fiscal '08 we have repurchased approximately 1.6 million shares. Additionally, during the second quarter we reduced our debt by \$40 million.

Our overall effective tax rate for fiscal 2008 is expected to be 38.9 percent with some quarter-to-quarter variance due to the adoption of FIN 48. We expect our effective tax rate in the third and fourth quarters of fiscal '08 to be 36.6 percent and 39.3 percent respectively.

With that review of our business operations, let's turn to our expectations for the fiscal third quarter and full fiscal 2008.

At this early point in the year, the outlook for advertising in calendar 2008 remains unclear for both of our major businesses. Advertisers continue to make decisions later, resulting in uneven spending patterns and continued period-to-period volatility.

In Publishing, after an extremely strong calendar 2007 where our advertising revenues grew 8 percent, calendar 2008 is off to a slower start. There is continued strong growth at our industry-leading parenthood titles, but our women's service field titles are down in early calendar 2008. Over the past five years, our publishing advertising revenues have grown in the low to mid-single digit range on average. We see no reason to believe that this trend will change as we look to the future.

In Broadcasting, local advertising, which accounts for almost two-thirds of the Group's nonpolitical ad revenue, remains strong. However, national advertising is not as robust. The real wildcard at this point is the timing and amount of early political advertising.

In addition, we continue to absorb an annualized postal rate increase of more than \$13 million in our fiscal 2008. For the fiscal third quarter, publishing advertising revenues and broadcasting pacings are currently down slightly, compared to the prior-year quarter. We expect to report earnings per share of approximately 98 cents in the third quarter of fiscal 2008. We continue to expect full-year fiscal 2008 earnings per share to range from \$3.50 to \$3.55. This guidance is consistent with what we have provided since the beginning of the fiscal year.

A number of uncertainties remain that may affect our outlook as stated in this press release for our results in the third quarter and the full fiscal year. These include overall advertising volatility; the performance of the Company's retail businesses; the amount of political advertising revenues generated at the Company's broadcast television stations; and paper prices and postal rates. These and other uncertainties are referenced under the "Safe Harbor" and in certain of our company's SEC filings.

To conclude this morning, I am very pleased to report another strong quarter and first half for our shareholders. As we look ahead, we continue to focus on five key areas:

- Strengthening and growing our publishing business and brands;
- Strengthening our retail operations;
- Integrating and expanding our custom marketing capabilities;
- Maximizing the margin opportunity in our broadcasting business; and
- Aggressively expanding our online and video platforms.

In addition, we continue to exercise disciplined expense management across the enterprise.

Now we'd be happy to answer questions that you may have this morning.

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## **Question & Answer Session**

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CALL OPERATOR

Ladies and gentleman, if you wish to ask a question, please press \*, then 1, on your touchtone phone. You will hear a tone indicating you have been placed in queue. You may remove yourself from queue at any time by pressing the # key. If you are using a speakerphone, please pick up the handset before pressing the numbers. Once again, if you have a question, please press \*1 at this time. Your first question comes from the line of Barton Crockett from JP Morgan. Please go ahead.

BARTON CROCKETT

Okay, great. Thank you for taking the question. I want to ask two questions. One, you know, on the maintenance of your full-year guidance, you know, despite ramping up [inaudible] recession fears in the markets and despite kind of a weakish ad environment in the March quarter, what kind of ad assumptions are going into that \$3.50/\$3.55 guidance? And do you have any visibility into anything going into the June quarter, or is it really just too early for that? Thanks.

STEVE LACY

Barton, hi – this is Steve. Thank you very much for your questions. I'm going to start a bit in reverse. We really have very little visibility into the last fiscal quarter. We are in the process now, and have not yet closed the April issues of the magazines, and that would be the third set of issues for our third quarter, and that we're in the process of; but obviously we have a sense of the full-quarter results, and so that's where the guidance comes from for the third quarter.

And on the Broadcasting side, obviously we watch, as you know, paces every week; and we have about 70 percent of the revenue booked for the quarter, which is not that different than where we are on the magazine side with the April issues yet to go. And obviously on the Broadcast, there is always the opportunity for cancellations and that sort of thing, although we have not experienced a great deal of that.

On the flip side, we continue to get help in delivering our results from our custom marketing operation and of course the interactive businesses really across the Group. And then, as we head not into the fourth quarter but into next fiscal year, we'll get some help from the new licensing activities. And so that's really kind of where we are from an overall point of view on advertising and full-year guidance.

BARTON CROCKETT

Okay. Well, if I could just try and parse that a little bit more precisely. I mean, do you have any sense of by month within the March ending quarter? It looked like the February dated issues were maybe a bit weaker than your full-quarter guidance. Do you have any sense of things improving as you go, you know, over the next couple of series of magazines?

STEVE LACY

Well, you know, once again we're in the process of closing the April issues, and Suku can give you some data, I believe, on what we have to date if you've got February and March handy.

SUKU RADIA

Yeah. February is down in the mid-singles, and March is earning ahead a little of the mid-single. And in the Broadcasting side, let's see here. January was down in the low single, February was running down in the high singles, and March is running up low single. And that collectively gets us down in the low-single digits with our guidance.

BARTON CROCKETT

So, so to be clear, I heard you, the March is a bit of a rebound on the magazine side, up mid-singles is what you're saying?

SUKU RADIA

Yes, thus far.

BARTON CROCKETT

Okay, all right. I'll leave it there. Thanks a lot.

STEVE LACY

Okay, thanks, Barton.

CALL OPERATOR

Your next question comes from the line of Karl Choi from Merrill Lynch. Please go ahead.

KARL CHOI

Hi, good morning. Just drill down a little bit deeper on the cost side. Anything unusual that we should be aware of – change here, shift of timing of direct-marketing campaign or eliminating the book losses and/or just in general sort of what do you think, you know, sort of how the major components should do in the next couple quarters in terms of cost?

STEVE LACY

I'll start with that. There isn't anything, Karl, any shifts or anything from a consumer marketing point of view. We're continuing to execute our campaign shift as we had planned and budgeted. And, you know, that is so very important from maintenance of the rate bases and very, very high-quality circulation without relying on agent sources.

We have experienced in the fall a paper price increase, and there is discussion of another one, which for us would be in February, although not resolved at this point. And I think as everyone knows, the way our paper contracts work is that they rest quarterly, and our prices are the result of the negotiations of the five largest customers of each of our paper suppliers. And so that really kind of remains to be seen.

But nothing really else on the cost side that I would say is material. And I'll ask Suku if he would add anything to that.

SUKU RADIA

Sure. Karl, for modeling purposes, if you look at the various segments, for Publishing the cost story for the back half of the year would be low to mid-single digits up, Broadcasting would be up in the mid-single digits, and for modeling purposes corporate would run between six and half and seven million each quarter.

STEVE LACY

...help you?

KARL CHOI

Yup, that's very helpful. Just a couple more questions. Second question is your full-year guidance – just want to clarify – does that include the two-cent contribution from discontinued operations in the quarter, or it does not?

STEVE LACY

It does not.

SUKU RADIA

No, it does not.

STEVE LACY

Karl, it does not. Okay?

KARL CHOI

Okay. And lastly, political spending, how is it coming along so far, and, you know, for example, in South Carolina have you been, or did you manage to benefit from the races there?

STEVE LACY

It's really very small thus far, but I'd ask Paul if you'd want to add any color to what you're hearing from the GMs on political at this point?

PAUL KARPOWICZ

Yeah. Virtually every day, particularly in those Super Tuesday states – Arizona, Georgia – we're starting to see more significant dollars come in. Unfortunately, with South Carolina there just hasn't been enough time, and the time between when they finished in Iowa and New Hampshire to South Carolina didn't allow us to really capitalize on our presence in South Carolina. But we've been seeing some money in Arizona that's been there for a few weeks now, and we just started to see some money in Georgia. So we think the Super Tuesday states will start to see a little bit more activity.

CALL OPERATOR

Great, thank you. Your next questions comes from the line of Catriona Fallon from Citi. Please go ahead.

CATRIONA FALLON

Hi, good morning. It's Catriona Fallon from Citi.

STEVE LACY

And how are you?

CATRIONA FALLON

Great. How are you doing?

STEVE LACY

Just fine.

CATRIONA FALLON

Great, great. I thought maybe I'd dig into the margins just a bit. Suku, you've said previously that Publishing over time could get back to kind of a 19.5 to 20 percent EBITDA margin?

SUKU RADIA

Yeah.

CATRIONA FALLON

And you've thought that perhaps that could happen in '08. Are your thoughts different now, or do you think still that we might be able to get back to kind of a, you know, that kind of a level by '08, or are we thinking more by '09?

SUKU RADIA

No. I think that generally speaking are you speaking about the operating profit margin?

CATRIONA FALLON

Yeah.

SUKU RADIA

As opposed to EBITDA in Publishing.

CATRIONA FALLON

Uh huh.

SUKU RADIA

And I think somewhere in the 18+ percent range is the right operating profit margin to look at for this year.

STEVE LACY

And there's only about a point difference, Catriona, between operating and EBITDA in Publishing. You don't have as many non-cash issues.

SUKU RADIA

In Publishing, not too much...

CATRIONA FALLON

Right, right, okay, great. And then the same then kind of on a... Sorry. Then EBITDA margin for Broadcasting then, 35, 36 percent?

SUKU RADIA

Yeah, 35 and change is probably a reasonable EBITDA margin for the full fiscal year.

CATRIONA FALLON

Okay, great, okay. And then if I could ask kind of just a big-picture question. I mean, you've lived through downturns before, and you've lived through, you know, kind of the whole Internet boom bust. I'm just wondering – how does this anticipated recession compare to what we saw last time, and how might advertising dollars and circulation be affected, kind of in your view, this time around with the recession?

STEVE LACY

I really appreciate the fact that you ask that question because we have been through a number of these ups and downs over time. And I'll kind of start a little bit in reverse.

At the time of the last major Internet boom, we were very, very focused on doing things that created over the long haul a profitable business. And we did not become too exuberant about what was going on in that space when actually we got a lot of pressure to spin our Internet activities out and do all kinds of things that I would call financial engineering. And as a result of that, when the Internet went bust, we in fact continued on our strategy and now, thank goodness, have created a quite large business; and it actually operates with one of the highest operating margins we have in the Company, really save our individual broadcast television stations.

From an advertising point of view, obviously if I was smart enough to really predict where all that was headed, I might be doing something else for a living. But our philosophy is very, very simple – that we're not really in a position, Catriona, to make a market; but in fact we have consistently in both of our business outperformed the market. And if you study, as an example in magazine advertising, our results for calendar 2007 we paced a couple points ahead of what the industry did in what was a really strong and robust environment.

And we would plan to and continue to deliver performances better than the marketplace in a less robust environment. And that's really the way that for long, many years we've run this business. We will be exceedingly transparent with the street about what we understand is going on in the market. And generally, if you track our performance, we'll outperform. And that's a longstanding philosophy that I can't claim credit for but the current management team embraces.

CATRIONA FALLON

Uh huh, okay. And then just one last question on circulation. I mean, you mentioned, you know, that circulation was down due to the switch towards the direct-to-publisher model. I assume that some of the decline in circulation is also due to the fact that we had discontinued operations. But I'm wondering how much of that has already worked through the model, and how shall we be thinking about the circulation number this year versus last year?

STEVE LACY

Well, as we mentioned, we focus mostly on circulation contribution and circulation profit, which was up in the quarter. And we probably have, in terms of the revenue and a transitional point of view – because we're finding the opportunity really to increase the direct-to-publisher

component of the acquired titles more than we had anticipated – you know, that will run out probably for another year in terms of the transition to the direct-to-publisher from agent sources.

But it continues to be a very profitable part of our enterprise, and once again that's a longstanding philosophy.

CATRIONA FALLON

Okay. So essentially the circulation number will come down, but the contribution from that circulation is expected to increase.

STEVE LACY

Yes, that's correct.

CATRIONA FALLON

Great, thank you.

CALL OPERATOR

Your next question comes from the line of Paul Ginocchio from Deutsche Bank. Please go ahead.

PAUL GINOCCHIO

Thank you. Just a couple questions... Suku or Steve, what's your guidance considering the three titles that were lost from the Wal-Mart racks? And then second, I know you've talked a little bit about the outlook for '08. Is there anything in particular that advertisers are saying, particularly some of your bigger advertisers, your bigger categories? Have they made any comments, either positively or negatively, that you feel are material.

And then again, let's go back to that cost question. It just does seem like here in the current quarter your cost trends are going to significantly improve. Is there anything... Am I reading that wrong, or is there something else we should be picking up from sort of the trends from the first half to the second half? Thanks.

STEVE LACY

And are you, in your last question, when you talk about cost trends, are you referring to the upcoming Q3?

PAUL GINOCCHIO

Correct.

STEVE LACY

Okay, all right. Jack, I'm going to ask you to provide an update on the Wal-Mart situation to answer the first question.

JACK GRIFFIN

I'd be happy to do that. My sense is that what you're probably referring to, Paul, is a report in the *New York Post* last week that talked about Wal-Mart's activities in the newsstand single-copy sales arena. And what I can tell you is that, as that article pertains to Meredith, the information is not accurate. We have a very strong partnership with Wal-Mart, particularly with *Better Homes and Gardens*, our two companies, we share the same customer for all intents and purposes.

And *Better Homes and Gardens*, as you know, has a big, new relationship with Wal-Mart in the home arena. And we expect sales of *Better Homes and Gardens* magazine, in fact, to increase, and the merchandising of it to be more persuasive around the store. And we're working on that with Wal-Mart.

So we don't expect... If you go into Wal-Mart today, you'll find our magazines sold, and we expect that to continue, and we expect the *Better Homes and Gardens* relationship to become much more substantial as we develop this partnership.

PAUL GINOCCHIO

Jack, should I read anything into the fact that you didn't mention *Ladies' Home Journal* or *Fitness*?

JACK GRIFFIN

Paul, if you go into Wal-Mart today, you'll find *Ladies' Home Journal* and *Fitness* in the store.

PAUL GINOCCHIO

Okay.

JACK GRIFFIN

And we expect that to continue.

PAUL GINOCCHIO

Great, thank you.

STEVE LACY

Jack, I'm going to ask you to continue, because you really haven't had the opportunity to provide on the call your thoughts about '08 advertising. And you might speak a bit in your own way to

how you see the issues pacing from a monthly point of view. And then I'll ask Paul to give his color on advertising as well.

JACK GRIFFIN

Sure, and I would like to do that with reference back to what Barton was inquiring about and try to provide a little more precision around it as it relates to the Meredith third fiscal quarter, which are February, March and April issues.

As Steve had said, we're still working on the April issues, and they are a disproportionate share of the quarter, so our guidance in terms of being down low single digits in revenue is a function of the April performance, which is still being finalized.

However, you all have had access to public page information with respect to our February issues, down about 7 percent. When you see the March numbers, you'll see them down in pages a bit more than 7 percent. What you won't see in any of the public data is the very strong performance that we're achieving on the pricing side, and you'll only see that when we talk about revenue. And when you look at pages for March, the revenue decline will be not nearly as significant as the paging decline.

So as we... And I think what you'll see in April – but you won't see that for another month or six weeks – is pages will probably be down a little bit, not quite as much as March; but again what you won't see is the pricing will be very strong.

So we will have a quarter in magazines where the revenue will be down slightly, we expect, pages will be down more in the 6 to 7 percent range, so you can just do the math and figure out what we're doing on the pricing front, and delivering margin contribution from the net of the activity.

We're seeing particularly good performance in the quarter, the third fiscal quarter, in the parenthood category. Steve made reference to this in his remarks about *Parents* and its leadership position and the quarter performance for *Parents*, which is from a revenue and profit standpoint our second-most important title, is very, very strong. And Steve also made reference to our strong performance in the area of integrated and cross-platform sales with corporate sales and Meredith 360 and our interactive and digital offerings.

So we have a lot of confidence that in the current environment we're doing everything possible to deliver strong financial results for the magazine group. And for Meredith overall our performance in '07, as Steve said, out-delivered the market. And our emphasis and focus on the women's platform and creation of content for advertisers, we think, in this market is a terrific combination. And I think you'll see it in the results for the quarter.

As we look to the fourth fiscal quarter, there is very little visibility. What we know so far from third-quarter activity is the food category continues to be very strong for us. Retail is strong, even though it's not that big a category for us.

As you might expect, where we're seeing some weakness is in direct-to-consumer pharmaceuticals in the new year. And all you have to do is read the newspapers to see what kind of challenges the big pharmaceutical companies are encountering. And the home category is weak as well, and that's something that obviously makes sense relative to the macro-economic environment.

STEVE LACY

I think Jack's comments, just to interject here for a second, on the strong pagings, answers the portion of the question on the cost side; because obviously we don't face off pages that we don't need to print. And that's very... There's nothing as powerful in the magazine business as pricing up.

JACK GRIFFIN

So, Barton, are you clear on what I said with respect to trending in the quarter?

CALL OPERATOR

He's not on.

STEVE LACY

He's not on, Jack, at the moment.

JACK GRIFFIN

Okay.

STEVE LACY

But I think that's very clear. And, Paul, why don't you add your sense from an advertising point?

PAUL KARPOWICZ

Okay. Very quickly, what we're seeing is – In our third fiscal quarter, March has certainly come out as the strongest month of the three. And we're looking at that, thinking that that still has some upside potential.

As Jack indicated, visibility for our fourth fiscal is still very, very tough to register. However, the positives we're seeing is that automotive, while it's down a little bit, down a tick, is being offset by the stronger import market. So in total, automotive, which as you know is a very big category for us, I think is going to be fine in the fourth quarter.

So, you know, we're still... I guess the wildcard that we've talked about is where political will end up for this year. And we're still not quite sure how these races will develop, how strong the Super Tuesday event will be and then following Super Tuesday what the impact will be as we go

into next year. So we're still cautiously optimistic, as we always are with political. And as I indicated before, we are starting to see money come into some of our stations that have greater upside opportunity, like Phoenix and Atlanta.

STEVE LACY

Paul, does that answer your question?

PAUL GINOCCHIO

Just the final question: It looks like publishing revenue or publishing costs, which have been running up sort of 6 percent in the first quarter, 2 percent in the second, are going to be roughly flattish in the third. I'm just wondering if there is anything we can read into that or where you're getting the better cost strength in the third quarter relative to the first half.

SUKU RADIA

For the back half (I'm talking about the full six months), they'll be up low to mid-single digits in Publishing.

PAUL GINOCCHIO

Okay. You're seeing the better trend in the first half, is there anything we should... What's the difference?

SUKU RADIA

Well, for the first half paper prices were down slightly for the first half of the year. And subscription acquisition costs were down. Of course, we also on a comparable basis did have the book bankruptcy charge last year. So those were kind of the three main things in the first half..., in the second quarter, rather.

PAUL GINOCCHIO

Okay, I'll follow up with Suku. Thanks.

CALL OPERATOR

Your next question comes from the line of Ed Atorino from Benchmark.

ED ATORINO

Good morning.

STEVE LACY

Hi, Ed.

ED ATORINO

Could you sort of break out... If you look at the publishing business and where the integrated marketing is, what percent of publishing is integrated marketing? And if you took that number, could you sort of divide it into traditional and new media? And where is... Are books still in that group, or has it been moved from a reporting point of view somewhere else, since you're reorganizing? And exactly what's the future of your book business?

STEVE LACY

While they're digging out the answer to your first question, let me speak about the book activity, and then I'm going to ask Jack to speak a little bit more from a strategic point of view. But it hasn't been moved anywhere, Ed. It's being reported in fact where it always was.

And what we've really found happen over time, especially as certain of the retail outlets become more challenged, is that we have to be very, very strategic with the quantity and, of course, the quality of the product that we put into the marketplace.

And in some cases, I feel that we probably cannibalized ourselves by some of the product that was created, almost in some ways by having two retail operations that may have in fact in certain circumstances competed with themselves and actually called on the same retailers. So that's really the reason for putting this together.

And, Jack, maybe you can talk a bit about some of the benefits that we see as this plays out. But once again, Ed, there's no change in where it's being reported.

ED ATORINO

Okay.

SUKU RADIA

Ed, the integrated marketing business is about 12 percent of the business in the second quarter on a revenue standpoint as compared to 8 percent a year ago. And keeping in mind that, as Steve pointed out earlier, we had growth both in the legacy business; and of course then you have the four acquisitions.

ED ATORINO

And what would New Media... Do you break out sort of New Media, or is that sort of in the omelet, so to speak.

STEVE LACY

Are you talking about the...

SUKU RADIA

Oh, I see. Are you talking about the acquisitions?

ED ATORINO

Yeah, and are there any licensing revenues in there yet?

SUKU RADIA

No, no, not in integrated marketing. We have licensing in the other categories, but integrated marketing is a separate component of Other...

ED ATORINO

Okay.

SUKU RADIA

Those numbers I gave you don't include licensing.

ED ATORINO

Okay.

SUKU RADIA

And if you take a look at the legacy integrated marketing business, what we used to refer to as the custom publishing business, that would be about two thirds, and the new businesses would be about one third.

ED ATORINO

And what would licensing have been, since we're breaking out numbers here?

SUKU RADIA

Our licensing is currently about a \$15 million business on an annualized basis.

ED ATORINO

And that's separate. So there's traditional, new media and licensing, so you can sort of have three lines. Is that correct?

SUKU RADIA

Well, in the Other category we would have Book, we would have integrated marketing, which includes the legacy and all the online businesses – and when I say online, we're talking about the acquisitions.

ED ATORINO

Got'cha.

SUKU RADIA

It does not include interactive media, which would be up above in advertising.

ED ATORINO

Okay, thanks much.

SUKU RADIA

...would have licensing and print advantage and a few other ancillary businesses in the Other category.

ED ATORINO

Thanks much.

CALL OPERATOR

Your next question comes from the line of Michael Meltz from Bear Stearns. Please go ahead.

MICHAEL MELTZ

Hi, thank you. I think I have three questions to wrap it up here. Suku, you almost got there on the M&A contribution in the quarter from Genex and those things. What was the revenue contribution in the December quarter, please? And then I have two follow ups.

SUKU RADIA

Okay. The revenue contribution was just north of \$8 million in the quarter.

MICHAEL MELTZ

Okay.

SUKU RADIA

And the operating profit contribution was about \$2 million, Michael, and that's in the quarter.

MICHAEL MELTZ

Okay. Steve, your initial comment on local versus national TV, are the pacings... I hear what you're saying, but the pacings do seem a bit weak in this March quarter. What was the variance between local and national in the December quarter?

STEVE LACY

Hold on just a second.

SUKU RADIA

Local was up 9 percent, and national was down about in the mid-single digits.

MICHAEL MELTZ

That's on the whole, or that's...

SUKU RADIA

That is nonpolitical only, Michael.

MICHAEL MELTZ

Okay, and then what you're seeing in the March quarter, can you clarify that a bit?

SUKU RADIA

I may have to call you back on that. Let me see if we have the local/national breakdown handy. I beg your pardon, we do. Okay. Local, in the March quarter both of them are down slightly.

MICHAEL MELTZ

Okay, and you have Super Bowl comp, right?

SUKU RADIA

Right, that is correct. Yeah, this year it's FOX, and then it was CBS last year.

STEVE LACY

We had more... We had a bigger play in that last year because of our CBS.

SUKU RADIA

Right.

PAUL KARPOWICZ

Yeah, I guess I would add that we have more CBS stations, and the CBS contribution to the Super Bowl was bigger than the FOX contribution would be.

MICHAEL MELTZ

I served one up for you there.

PAUL KARPOWICZ

Thank you.

MICHAEL MELTZ

One last question just so I understand your guidance. I think Karl or Barton asked on this before. Your corporate expense number looks, seems like you've tightened things up there. You've been aggressive, it sounds, thus far on buyback. You've already told us what you're thinking on margins for the full year. Are you, does your guidance imply magazine ad revenues are going to get better in the June quarter – better than down 1 to 2 percent or whatever your guidance is implying for the March quarter?

STEVE LACY

You know, I think there are really two variables at play there that make it difficult, Michael, for me to answer that as crisply as I would like. We've got two paper price increase opportunities and, of course, an awful lot of advertising to sell. So we do a whole variation of calculations, sort of high/low at midpoint between those factors; and of course they're against very, very big numbers. And, you know, then we sort of net out, and that's how we really come up with that range.

I guess what I would say is that we're not anticipating that advertising revenue would look like it did in the fourth calendar quarter for magazine or anything like that but somewhere in the range of what we're experiencing now, up a little, down a little. And that depends on, you know, how aggressive the paper prices are.

And when that all comes together, then we'll end up, we believe, somewhere within that range. And that's really the best we can do at this point in time.

MICHAEL MELTZ

And as a last question for me, what were paper prices up in the quarter? I'm sorry, Suku, if you already said this.

SUKU RADIA

They were down in the low to mid-single digits in the quarter, Michael.

MICHAEL MELTZ

Prices were down low to mid?

STEVE LACY

Year over year, Michael.

SUKU RADIA

Year over year.

MICHAEL MELTZ

But what were costs?

SUKU RADIA

[inaudible]

MICHAEL MELTZ

And, Suku, what did that mean for paper costs for you?

STEVE LACY

What do you mean, Michael, by “paper costs”?

MICHAEL MELTZ

That’s prices. Wondering your usage – what was your expense from paper?

SUKU RADIA

The expense for paper was down slightly.

MICHAEL MELTZ

Okay, all right. That’s helpful.

STEVE LACY

And to be very clear on this, what we were saying about that earlier is that, as a result of the increase that we received in the fall, which was about a 6 percent increase, we know that they will be up some in the back half of the year. The question then is what happens in February and what happens in May in terms of the order of magnitude.

MICHAEL MELTZ

I'd think you'd be happy with 6 percent. No comment there?

STEVE LACY

You know, it's always interesting in terms of what's proposed and what actually sticks. And sometimes I'm surprised in both directions.

MICHAEL MELTZ

Fair enough. Thank you, Steve. Have a good day.

STEVE LACY

Uh huh. Thank you.

CALL OPERATOR

And you have a follow up from Barton Crockett. Please go ahead.

BARTON CROCKETT

Okay, great, thanks. I don't want to belabor the matter, although we have some questions offline. I did want to ask about the Wal-Mart licensing relationship, if you'd just give us an update on where you are in the process there and if you have any incremental or new information in terms of what to think in terms of the revenue impact. Thanks.

STEVE LACY

At this point in time – and then I'm going to ask Jack to add in here – we really don't still know exactly what month it will go live next year and exactly how many SKUs and how it will build. And that's really what is causing us not to be able to be more firm about the favorable impact in '09. I can tell you that the activities to get ready for the fall launch are in full bloom, but the calculation still is a little ways off. And, Jack, anything you'd like to add to that would be great.

JACK GRIFFIN

Sure. Steve was referencing the activities to get ready for the launch. Wal-Mart has assigned a full team to this, and our team is working assiduously with the Wal-Mart team on designs and layouts and merchandising plans and product selection and how we're going to sort. And we believe, as Wal-Mart does, that this opportunity has enormous potential. And we're thinking hundreds of SKUs to launch; the number isn't precise yet.

But as you know, we've had a thriving relationship with Wal-Mart in the gardening category, and when this program launches sometime in late calendar 2008, you will walk into a Wal-Mart store, and the presence of Better Homes and Gardens from the products in the home area to the

products in the gardening area to the magazine being merchandised around the store, Better Homes and Gardens, you will know that Better Homes and Gardens is an important component of Wal-Mart's consumer strategy.

BARTON CROCKETT

Okay, that's great, helpful. Thank you.

CALL OPERATOR

You have a follow up from Ed Atorino. Please go ahead.

ED ATORINO

Hi. In view of the share buyback, will there be much of a change in the shares outstanding for the next couple of quarters?

SUKU RADIA

No, Ed. I think not really, because I think when we get all told and done, they'll be down...  
[inaudible]

STEVE LACY

Okay, thank you, Ed.

CALL OPERATOR

And at this time there are no further questions.

STEVE LACY

Thank you all for participating this morning and for your questions and input, which we appreciate a great deal. And as always, Suku and his team are available for any follow-on questions that are needed. Thank you very much.

CALL OPERATOR

Ladies and gentlemen, this conference will be available for replay after one o'clock Eastern Time today through January 29<sup>th</sup>. You may access the AT&T Teleconference replay system at anytime by dialing 1-800-475-6701 and entering the access code 905120. International participants dial 320-365-3844. Those numbers once again are 1-800-475-6701 or 320-365-3844 with the access code 905120. That does conclude your conference for today. Thank you for your participation and for using AT&T Executive Teleconference. You may now disconnect.