

MEREDITH CORPORATION
Fourth Quarter 2005 Earnings Conference Call
July 27, 2005

CALL OPERATOR

Ladies and gentlemen, thank you for standing by. Welcome to the Meredith Corporation Conference Call. At this time, all participants are in a listen-only mode. Later we will conduct a question and answer session, and 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 our host, Mr. Jim Jacobson. Please go ahead.

JIM JACOBSON

Thank you, Julie, and good morning, everyone. I'm Jim Jacobson, Director of Investor Relations for Meredith. Bill Kerr, Chairman and Chief Executive Officer, will start today with an overview of fiscal 2005. Steve Lacey, President and Chief Operating Officer, will follow with a review of our two business groups and will discuss our outlook. At the conclusion of the call, Bill, Steve, Chief Financial Officer Suku Radia, Publishing Group President Jack Griffin, and Broadcasting Group President Paul Karpowicz will respond to your questions.

In our call today, we will refer to non-GAAP measures that, in conjunction with GAAP results, provide additional analytic tools to understand our core operations. Tables that reconcile GAAP results and non-GAAP measures have been posted to our website. A transcript of this call will be posted to our website as well.

In our remarks today 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 the risk factors 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.

One additional item before Bill begins. All references to net earnings and earnings per share for fiscal 2005 are before the cumulative effect of a change in accounting principle relating to our adoption of option expensing. And now Bill will begin the presentation.

BILL KERR

Thank you, Jim, and good morning. I want to welcome you all to our conference call to discuss our fiscal 2005 results. I trust you had a chance to review the press release issued this morning. I'll start with an overview of our performance in fiscal 2005 and the fourth quarter. Next, Steve will update you on both of our business groups and provide our outlook for the first

quarter and all of fiscal 2006. Then the management team will be available to respond to your questions.

Fiscal 2005 was an outstanding year for Meredith. We produced the best earnings in our 103-year history; and on July 1, 2005, we completed the most significant publishing transaction as well, the acquisition of *Parents*, *Child*, *Fitness*, *Family Circle* and *Ser Padres* magazines. We extended our marketing services capabilities and increased audience share at our television stations. I'll start with a few highlights from our outstanding fiscal 2005.

Revenue grew 5 percent to \$1.2 billion, net earnings increased 23 percent to \$128.1 million, earnings per share rose 25 percent to \$2.50 a share, net profit margin improved from 8.9 percent to 10.5 percent, and return on equity grew from 17 percent to 19.7 percent. Both of our business groups continued to improve their profit margins in fiscal 2005. Publishing's operating profit margin improved more than one percentage point, from 18.1 percent to 19.2 percent. Broadcasting's EBITDA margin increased more than three percentage points, from 31.8 percent to 35.2 percent. To put Broadcasting's turnaround in better perspective, the group's EBITDA margin was 22.9 percent in fiscal 2002.

We also ended fiscal 2005 with a solid fourth quarter that was in line with our previous guidance. The revenue grew 8 percent to \$332.4 million, net earnings increased 12 percent to \$42.2 million, and earnings per share rose 15 percent to \$0.83 a share. Steve will provide more detail on the performance of each operating group in a few moments. What I would like to do is discuss six action steps we took in fiscal 2005 to sustain and enhance our strong earnings growth.

First, the acquisition of *Parents*, *Child*, *Fitness*, *Family Circle* and *Ser Padres* significantly broadens our magazine portfolio, particularly to younger women. It increases our reach and scale, adds to our Hispanic operations, and extends our retail presence.

Our titles now have a combined circulation approaching 30 million, making us the second-largest magazine publisher in the United States, based on circulation. Meredith is now the leading women's magazine publisher, speaking to more than 75 million women. We are in a position to offer advertisers the ability to reach women at major life stages from expecting and new mothers to empty-nesters. Our standard portfolio provides unparalleled insight into the power and influence of women in today's marketplace. This knowledge will be critical for us as we execute new programs for our marketing partners.

The new titles strengthen our core advertising categories and bolster our targeted growth categories, such as cosmetics, media and entertainment, automotive, business and apparel. We now have eleven titles with a rate base approximating a million and some obviously with much more. And as we've stated previously, a rate base of this magnitude is critical in attracting nonendemic advertisers. The newly acquired magazines have significant profit improvement potential. We have a well-laid-out execution plan and are confident that we will increase the profit of these titles over time.

The second item. We furthered our strategy to serve the rapidly growing Hispanic market. *Parents*, Spanish language title *Ser Padres*, is an established publication with a distribution of 500,000. Combined with *American Baby's* Hispanic titles, *Healthy Kids in*

Español, *Doce Meses*, and *Espera*, our custom marketing programs and the September 2005 launch of *Siempre Mujer*, our new Spanish language women's lifestyle magazine, Meredith will be the leading magazine company serving Hispanic women and advertisers targeting this market in the United States.

Third, Meredith Integrated Marketing extended its service offerings, enhancing our ability to capture more corporate marketing dollars. Traditionally, Integrated Marketing primarily provided custom publishing programs for clients, designed to increase brand loyalty. In fiscal 2005 we expanded our offerings to include strategic customer relationship management services that include the Internet, direct mail, e-mail, along with the loyalty magazines. We further leveraged our database expertise and our 80-million name database to provide data management and program evaluation services. Our comprehensive custom marketing programs for Hyundai, Nestlé and Carnival Cruise Lines are excellent examples of our ability to provide broader services.

Fourth, Meredith books expanded significantly into the children's marketplace. We published more than 60 children's books in fiscal 2005, and that compares with less than 10 in the prior year. Through our relationships with DC Comics, Marvel Entertainment, Warner Brothers, and DreamWorks, we have established a strong reputation in this market. We look forward to building on this success and capturing more of what is a \$2 billion retail children's book market.

Fifth, Meredith Broadcasting continued to increase the audience share for its television stations, and we will work aggressively to monetize these gains. We entered into a joint sales agreement with a WB affiliate in Kansas City, which complements our CBS station in that market, and we acquired the WB affiliate in Chattanooga, Tennessee, as well.

And sixth and finally, we strengthened our management team. As you recall, Steve Lacy was named Meredith's President and Chief Operating Officer, and Jack Griffin replaced Steve as President of our Publishing Group. Paul Karpowicz joined the Company as President of the Broadcasting Group, and John Zieser, our General Counsel, expanded his responsibilities to include business development activities. All are strong, results-oriented leaders who constitute one of the strongest management teams in the media industry.

Before I turn it to Steve, let me thank all of our Meredith employees for their dedication and hard work in fiscal 2005 and welcome the employees of our newly acquired titles to the Meredith family. Together we look forward to building on our record earnings as we go forward. Now I'd like to turn it over to Steve.

STEVE LACY

Thank you very much, Bill, and good morning, everyone. The Meredith Publishing Group delivered strong results in our fiscal 2005. We grew operating profit 10 percent, reflecting strength in magazines, books, integrated marketing, and interactive media. Total revenues rose 4 percent, and advertising revenues grew 2 percent. As Bill said, Publishing's operating profit margin improved more than a point, from 18.1 percent to 19.2 percent in fiscal 2005. In the fourth quarter, publishing revenues increased 10 percent, operating profit grew 9 percent,

primarily due to strength in books, partially offset by higher paper costs, and investments we made in circulation initiatives, and the launch of *Siempre Mujer*, as Bill mentioned just a moment ago.

Publishing advertising revenues grew 8 percent in the fourth quarter. *Better Homes and Gardens*, *Ladies' Home Journal*, *MORE*, *Traditional Home*, *American Baby*, and our interactive media operation posted strong advertising gains. We experienced strength in food, cosmetics, travel and automotive, partially offset by declines in the home and household supply categories. We outpaced the industry in terms of advertising page growth, according to PIB. For the full year, publishing advertising revenues grew 2 percent.

Our long-term, direct-to-publisher circulation model continued to grow circulation contribution in fiscal 2005. In the fourth quarter we continued to invest in circulation, increasing direct mail volume considerably compared with the prior year fourth quarter. We look forward to utilizing this model to improve the circulation contribution of our newly acquired magazines over time.

Our book and integrated marketing operations have grown rapidly in recent years, helping diversify our revenues beyond magazine advertising and circulation. Revenues from sources other than advertising and circulation grew from 20 percent of total publishing revenue in fiscal 2002 to 26 percent in fiscal 2005. Meredith books produced record operating profit in fiscal 2005 and an outstanding fourth quarter. Top-selling books in the quarter included several titles in the *1-2-3* series that we publish for the Home Depot and books for DreamWorks, *Madagascar*, Warner Brothers, *Batman Begins*, and Marvel's *Fantastic Four*.

Looking forward, the book pipeline remains strong in the first half of fiscal 2006. We expect several cooking titles to be top sellers. In particular, we'll publish a limited edition, pink plaid *Better Homes and Gardens* New Cook Book that will support Susan G. Komen Breast Cancer Foundation, three titles based on the popular food network host, Sandra Lee, and *Today's Kitchen Cook Book*, which will feature top chefs from the Today Show.

Meredith Integrated Marketing produced strong revenue and profit growth in fiscal 2005 as well. Larger programs include established business with DIRECTV, Chrysler and Carnival Cruise Lines, as well as newer programs for Nestlé and Hyundai. We recently won additional business from Procter & Gamble. Meredith Integrated Marketing was awarded Direct Marketing Agency of Record for P&G's North American Scale Marketing Group. We'll now be responsible for the strategic development and the creative execution of multibrand, targeted customer relationship management efforts to a number of high-value consumer segments. Previously, our Integrated Marketing Group was creating content for the Hispanic consumer segment as well. This client relationship is an excellent example of our ability to extend our service offerings and assist our corporate clients in executing against their marketing strategies. Integrated Marketing also recently won new business with PepsiCo to support the beverage company's North American customer communications to the Hispanic marketplace.

Now let's turn to the broadcasting operation. The Meredith Broadcasting Group produced strong results in fiscal 2005 as well. EBITDA grew by 20 percent, and EBITDA margin increased more than three percentage points, from 31.8 percent to 35.2 percent. Total revenues

increased 8 percent, reflecting \$18.8 million in net political advertising revenues compared with \$6.1 million in fiscal 2004. We also benefited from strength in local advertising and revenues from our new WB affiliate in Chattanooga and our joint sales agreement with the WB affiliate in Kansas City. Nonpolitical advertising revenues rose 4 percent. Along with the industry, we experienced the absence of political advertising and weakness in national advertising in our fourth quarter. While not all broadcasters have yet reported, we believe our revenue performance is at or near the top of the industry.

In the fourth quarter our revenues were flat, and EBITDA declined 4 percent. These results reflect a \$3.4 million decrease in political advertising from the prior year and a decline in national advertising, partially offset by strength in the local advertising market and revenues from the stations in Kansas City and Chattanooga. Nonpolitical revenues grew 4 percent in this time period.

Increased ratings and share from our newscast is vital to the growth of our broadcasting operation. We continued our improvement for late news in certain key markets in the May ratings book. Let me share a few highlights for the key adult 25-54 demographic group.

In Atlanta and Phoenix, our two largest markets, we grew audience share 40 percent and 29 percent respectively. In Kansas City, KCTV grew its share by 42 percent. In Greenville, our FOX station grew share by nearly 60 percent. For local television, the fastest-growing day part is morning news. We posted strong audience share for most of our morning newscasts. In Portland and Hartford, we produced an average share of 34 and 31, respectively. We're particularly proud that our FOX affiliate in Portland captured more than one-third of the television audience. In Nashville, Kansas City and Las Vegas, we improved the audience share for every hour of our morning news. Specifically in Kansas City, our station captured nearly one-quarter of the market's audience, increasing share more than 80 percent.

We continue to benefit from our Cornerstone programs, which leverage our publishing brands by creating proprietary advertising packages for local merchants. Combined revenues for Cornerstones, Internet sales, and our market-specific promotions increased to more than \$8 million in the fourth quarter. In fiscal 2005, revenues from these programs grew 65 percent to more than \$35 million.

With that review of the performance of our two operating groups, let's turn to our expectations for the first quarter and all of our fiscal 2006.

In fiscal 2006, we expect earnings per share will approximate \$2.80, representing a 12 percent growth over the \$2.50 we earned in fiscal 2005. We believe earnings per share will grow 8 to 10 percent range in the first half of fiscal 2006 and in the mid-teens in the second half of the year. This outlook is consistent with the guidance we provided at the Mid-Year Media Review, as well as our previously stated long-term financial objective for a nonpolitical year.

For the full year in Publishing, we expect solid growth in advertising revenue and circulation contribution, modest accretion from our newly acquired magazines, and continued growth from our book and integrated marketing operating, partially offset by a mid- to high-teens increase in paper prices and a mid-single digit increase in postal rates.

In Broadcasting, our results will reflect the absence of political advertising and continued weakness in national advertising, along with continued strengths in the local marketplace.

For the first quarter of fiscal 2006, we expect earnings per share will approximate \$0.50, compared with the \$0.46 a share in the first quarter of fiscal 2005. On a comparable basis, excluding the newly acquired magazines, publishing advertising revenues are anticipated to grow in the low- to mid-single digit range. Total publishing advertising revenues are expected to increase significantly, including the addition of the new titles.

Broadcasting pacsings, which are a snapshot in time and change frequently, are currently up slightly, reflecting the absence of political advertising and continued weakness in national advertising, offset by strength in the local market.

Now I'll turn the program back to Bill for final comments, and then we'll move to the Q&A. Thank you very much.

BILL KERR

Thanks, Steve. Before we address your questions, let me provide a few concluding remarks. We're very proud of the record earnings in fiscal 2005, and I can assure you that our focus is to sustain our strong earnings growth as we go forward. We recognize fiscal 2006 presents some challenges, but we have well-defined growth strategies and a proven track record of execution. We look forward to building on our strong momentum in fiscal 2006.

And with that, we will address your questions.

Question & Answer Session

CALL OPERATOR

Thank you. Ladies and gentlemen, 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 cue, and you may remove yourself from cue at any time by pressing the pound (#) key. If you are using a speaker phone, please pick up the handset before pressing the number. Once if you do have a question or comment, please press *1 at this time. And we'll go to the line of William Bird with CitiGroup. Please go ahead.

WILLIAM BIRD

Yes, thank you. In TV I was wondering – how are your current revenue share indexes versus your ratings? And in publishing, you mentioned low- to mid-single digit revenue guidance for the first quarter. I was just curious if that matches up against how you see ad revenues pacing currently. Thank you.

BILL KERR

Steve, do you want to handle that, or do you want to give it to Jack and Paul?

STEVE LACY

Well, let's take them one at a time. Paul, why don't you speak a bit to the quarterly entitlement meetings and how you focus on revenue pacing versus our share gains that we're experiencing in the marketplace. And then we'll move to the publishing question.

PAUL KARPOWICZ

Okay. In the past six months, really since I joined the Company, we instituted a series of meetings, which we call our entitlement meetings. And the concept is very simple – that our revenue shares should be comparable, or should be equal to or more, to our audience share. Therefore, we're entitled to that amount of money. So we get together every three months with our reps, with our general sales managers, our local sales managers, and our national sales managers, and we review the business from the previous quarter and make sure that we have targeted appropriately so that we make sure that our revenue shares are consistent or greater than our audience shares. We then take a look ahead to the upcoming quarter and essentially do the same thing. And we target specific pieces of business where we think we can over-index on our revenue share based on our strength in different audience demographics. So that is a very big focus on the broadcast side. And overall I would have to say we've been relatively successful in moving that entitlement index very close to a hundred percent, which means that we are maximizing our audience.

STEVE LACY

Okay. Jack, why don't you speak to the question on publishing, and then Bill come back and make sure that we answered your inquiry.

JACK GRIFFIN

In the magazine business, as you know, the competitive data lags significantly in the intervals on which we report. As Steve mentioned, in our fourth fiscal quarter of 2005 we had a very strong quarter, plus 8 percent in advertising revenue for our magazines. And we believe that that's better than the industry. What we don't have is competitive information looking into the first quarter of our fiscal 2006. As Steve said, we're anticipating on our existing magazines that we will be up in the low- to mid-single digit range. That feels like it's on pace with what's going on in the marketplace, but again we don't have any data to support that.

STEVE LACY

We have to give you that first quarter data, Bill, when we close out the quarter and record our results, because it lags.

WILLIAM BIRD

And just to follow – On your core business in publishing, excluding the acquisition, what are your plans for circulation investment in fiscal 2006 versus 2005?

STEVE LACY

At this point in time, Bill, the volumes of mail are pretty consistent year over year for the existing core business, the titles preacquisition. We go through a process as we move through the year, really looking for opportunities where we can improve on that margin with investments. And so when we find that opportunity, we take advantage of it. So we revise that on a quarterly basis, based on the results of the mail and what's going on in the newsstands, so we'll continue to keep you up to date. But just in terms of like our budgeting activity and that sort of thing, they're really fairly consistent year over year, although they do vary title to title – I'm speaking in total. Okay?

BILL KERR

Bill, I think in aggregate, you know, at this point of the year, you should think of it as being consistent with 2005.

WILLIAM BIRD

Great. Thank you.

CALL OPERATOR

Thank you. I'll move to the line of Karl Choi with Merrill Lynch. Please go ahead.

KARL CHOI

Hi, good morning.

BILL KERR

Good morning, Karl.

KARL CHOI

Just want to drill down a little bit deeper into the broadcast operations. I wonder if you can give us the revenue performance in the quarter excluding acquisition. And, two, pacings for the September quarter, up slightly, much better than some of the peers are reporting. And also even compared to the quarter that just ended, it seems to be better as well, given the ___ for spending. Knowing that pacings are volatile, but just want to find out whether there is going to be any change in the underlying momentum or it's one of those where the placement of ___ spending could swing the pacings quite a bit as the quarter progresses. Thanks.

STEVE LACY

Suku, do you have the data to respond to the first half of Karl's question, please?

SUKU RADIA

Sure. Hi, Karl. In the fourth quarter, including political comparable stations, we're down in the low- to mid-single digits. And comparable stations, we're up low single digits without political. And for the fiscal year, comparable stations were up in the mid-single digits, including political, and up in the low single digits without political.

STEVE LACY

And then, Paul, you might speak to kind of your view of the industry and where we maybe take just a moment and talk about what's going on in Kansas City and Phoenix and maybe Atlanta, compared to what you might see across the country from a revenue point of view and our opportunities there because of our ratings gains and things.

PAUL KARPOWICZ

Yeah. I think if you see that we may be outpacing the industry, it could very well be because of some of those markets that Steve just mentioned. We have some great growth opportunity in Phoenix, Atlanta and Kansas City. Those stations have all benefited significantly from the strength of CBS prime time, but at the same time, they've been able to take advantage of the CBS lead-in and promotional platform to enhance their ratings on their late local newscasts. And in Kansas City and Phoenix, for example, we're also seeing some growth in early newscasts as well. So in those markets particularly, I think you're seeing probably well better-than-average growth going forward in the quarter. I will say that, you know, we still do have concerns across the groups about the softness in the national side of our business. On the other hand, our local business continues to pace ahead. But the national business is a concern.

KARL CHOI

Okay. I wonder if I could follow up. Suku, if you could give us your current interest rate on either your total debt or on the bank piece?

SUKU RADIA

On the total debt we have two components. As of June 30th, we just had the private placement and a little bit on the asset-backed commercial paper. So overall that was about 6.5 percent, and then when we added on the \$300 million of private placement for the new acquisition and the balance came from the asset-backed commercial paper, that is in the 4.7, 4.8 percent range, all inclusive.

KARL CHOI

Okay, thank you.

SUKU RADIA

So that's the increment. That new rate I just gave you was just on the incremental, of course.

KARL CHOI

Thanks.

CALL OPERATOR

Thank you. We'll go to the line of Paul Ginocchio with Deutsche Bank. Please go ahead.

PAUL GINOCCHIO

Yeah, thank you. Couple questions. Could you size the investment in *Siempre Mujer* in the quarter? Also, I've noticed a very large trade ad promotion going on in both *Advertising Age* and *Ad Week*, and *Media Week*. Can you just kind of describe what you're trying to achieve with that on the magazine side? And finally, obviously we've had this EBSCO and Inflight, I guess, censoring. Could you just describe, talk about if it impacts any of your magazines? Thanks.

STEVE LACY

This is Steve. I'll take the first question. Then I will defer to Jack for the last two. It was a few million dollars in the quarter, and not a huge number, but a few million dollars to get it ready to go and to launch it in September.

PAUL GINOCCHIO

And is that, will that be the same level for the next few quarters? How long should we expect that?

STEVE LACY

That'll probably be the same level for a few quarters as we look out into the future, but it's not, you know, not a huge, huge investment but around the same range as we look into the new fiscal year. You know, depending on how quickly we can get the advertising moving in line with our overall expectation.

JACK GRIFFIN

This is Jack Griffin, and in response to the other two questions, the second being – the trade advertising campaign that you see in *Advertising Age* and the *Ad Week* magazines started in our fourth quarter of fiscal 2005. And if you've seen it, what it essentially is endeavoring to do is establish and cement Meredith's leadership position in the magazine and marketing space with respect to reaching women, the women who buy the products of our advertisers. And from everything that we can tell, the campaign is quite successful in that respect. And you saw this past Monday executions of the Meredith campaign under the theme of, "We inspire, she makes it happen" being done for *Parents* and *Child* and *Ser Padres* and *Fitness* and *Family Circle*. So

you'll see that campaign continue throughout the year, and we believe it has great potential for our business.

Secondly, the issue with EBSCO and Inflight, as it relates to the Audit Bureau of Circulation recent action, with respect to Meredith, our previously based magazines, so that's the nonacquired magazines, *MORE*, *Better Homes and Gardens*, *Traditional Home*, etc. The EBSCO and Inflight rulings have no material impact on our businesses whatsoever. Meredith was not involved with the EBSCO program that the ABC cited in particular and gave censure to. And we were well ahead of that incident, and no impact on the base business.

On the newly acquired magazines from Gruner + Jahr, a couple of those magazines were involved with the EBSCO program that the ABC voted on in its recent meeting last weekend. That activity was essentially 2004 calendar year business inside magazines like *Family Circle* that did not repeat in 2005, so there is no impact on the current year. The amounts of the EBSCO circulation inside the circulation rate bases of those magazines was at a modest level, a very manageable level. The orders were replaced in 2005 with other subscription sources and will not have a material impact on the business going forward. And the Inflight issue is just not a material issue in our business at all.

BILL KERR

Jack, you might further elaborate your role, vis-à-vis the ABC.

JACK GRIFFIN

Sure. I serve as the co-chair of the Magazine Publishers Association Liaison Committee to the Audit Bureau of Circulation. So we meet on a regular basis with people from the ABC Board on both the by side and the magazine side and discuss these issues, try to adjudicate these issues, create solutions to these issues, so that the actions that the ABC took in its board meeting were fully aired at our Liaison Committee meeting two weeks in advance of the Audit Bureau of Circulation meeting and gives us very good insight as a company into what's happening with respect to publishers statements and auditing. And we obviously feel very good about that.

BILL KERR

Yeah, we are, we're very supportive of the efforts at the ABC. And we as a company have – for certainly as long as I've known anything about it as a company – have tried to take a lead at really quality circulation approaches, and I think that stands us well in the marketplace.

PAUL GINOCCHIO

You know, if I might just follow very quickly on that trade promotion. Obviously the media buyers I speak to know Meredith very well, speak very highly of the Company and are very familiar with the products. Is there any sort of ___ you want to give us about – is it targeting the end advertiser and sort of what you hope to achieve by more inquiries? Is there any way you can ... size that for us.

JACK GRIFFIN

It's obviously hard to measure that, but I'll give you an example of the impact of it. Yesterday here in New York *Advertising Age* held a substantial event for customers, called "*Advertising Age's Women to Watch*." And Meredith was one of two sponsors of that event, and the senior person from *Advertising Age* introduced Meredith as "the powerhouse company reaching women in America." And this is to a room full of 500 people who buy advertising, and our material was everywhere. And I think that the campaign is resonating with buyers and influencers of advertising with respect to establishing Meredith's leadership position among women who buy the products that they sell. And as I said, we plan to continue the campaign. We've got nothing but enthusiastic feedback about it, and I think the illustration of yesterday's event is good evidence that it's having an impact.

PAUL GINOCCHIO

Thanks very much.

JACK GRIFFIN

You bet.

CALL OPERATOR

Thank you. We'll move on to the line of Michael Meltz with Bear Stearns. Please go ahead.

MICHAEL MELTZ

Hi. A couple questions for you here. The other revenue, the publishing segment, was much higher than I had expected in the quarter, and I'm just wondering. I know what you said about books and I understand it. Can you just talk about going forward, what type of growth we should expect there? Should we anticipate double-digit growth to persist? And then that's my first question. Secondly, magazine yields in the quarter, can you talk about that? Thirdly, going back to Karl's question on broadcast pacings – what's the monthly trend currently? And my last question has to do with guidance. Understanding, I guess, you're essentially reiterating what you said last month. What you're saying about the first quarter, \$0.50, sounds like you're expecting acceleration in the second quarter, despite the higher political hurdle. Can you just talk about that, please? Sorry for the multi-segment question there.

BILL KERR

Well, Michael, we'll try to remember all of them as we get into it. Steve, do you kick it off?

STEVE LACY

Michael, why don't you kind of just lead us through one by one. Just start with your first question again.

MICHAEL MELTZ

Sure. Books and your other in 2006.

STEVE LACY

Yeah. You really see a combination of things in that line item that has to do with the book revenue, has to do with our integrated marketing operation, and of course we've got brand licensing activities that go on as well. Those businesses are really areas that we would anticipate over time would continue to be higher growth than you would see in magazine advertising, taken over the longer haul. It's very difficult at this point. You know, we've got a lot of books to put out in the market, and determining the sell-through rate on all of those is difficult. But I would anticipate that you would continue to see higher revenue growth rate there than you would see in advertising and circulation.

MICHAEL MELTZ

I would, too. But double digits, is there any reason... There's no reason to expect a slowdown there?

STEVE LACY

I just think it's too early in the year to get that specific regarding one particular line item out of the whole group taken as a whole.

MICHAEL MELTZ

Okay. Next question on yields.

STEVE LACY

On advertising yields in the magazine business, I guess the way that I would characterize that is – we continue to make solid, incremental progress in yielding more revenue per page of advertising sold. And as you know, it's a complex construction in that absolute yield plays into it, mix plays into it, unit size plays into it. But in growth or magnitude, in our first quarter of 2006, while it's not closed, everything that we can see to date says that we continue to make good, solid progress in growing the yield of our advertising pages sold in a way that benefits the business.

MICHAEL MELTZ

In the fiscal fourth quarter, what was the yield performance?

STEVE LACY

Suku, do you have that data handy?

SUKU RADIA

Yeah. In the fiscal fourth quarter, it was up overall in the low single digits, Michael.

MICHAEL MELTZ

Thank you. The TV pacings on a monthly basis?

SUKU RADIA

July is down in the low single digits. August is up in the mid-single digits, and September is up slightly, overall up slightly for the quarter, Michael.

MICHAEL MELTZ

Got it, okay. And then the convoluted guidance question that I asked.

BILL KERR

Do you want to restate it?

MICHAEL MELTZ

Sure. It looks like you're expecting better growth in the fiscal second quarter, despite the higher political hurdle. Am I reading that correctly?

SUKU RADIA

Michael, as we said, it's in the 8 to 10 percent range for each of the first two quarters overall and then in the mid-teens in the back half of the year. So, yeah, you could definitely translate that, because there's a bigger piece of political to replace, so that is correct.

MICHAEL MELTZ

Right, and so what I'm saying is, you're expecting more contribution from the acquisition, or is it books are going to hit more in that quarter? What gives you confidence of better growth in that quarter?

SUKU RADIA

Well, I think some of it has to do with the new acquisition, but obviously those numbers haven't been finalized yet. Clearly, there is an element of an expectation of improvement on the publishing side, continued improvement, based on what we just told you, and just continued good cost management across the Company. There are several factors, but clearly overall we would expect, just because of the fact that we have to replace that political, the rest of the businesses have to grow.

MICHAEL MELTZ

Okay, thank you.

CALL OPERATOR

Once again, if you do have a question or a comment, please press *1 at this time. And we'll move along to the line of Brian Shipman from UBS. Please go ahead.

BRIAN SHIPMAN

Thanks. I'm wondering if you could just touch on your thoughts about strategy, a couple of the newly acquired titles that maybe fall a little bit outside the normal circle of titles you've known in the past – *Family Circle* and *Fitness* magazine in particular – maybe how those fit strategically and if you need to alter your strategy at all to make those sort of fit into the broad spectrum of titles you own.

BILL KERR

This is Bill. I will just start that. I'd like Jack or Steve to pipe in. They're on this call from New York, and the rest of us are here in Des Moines. You know, clearly we've articulated over a long period of time that what we wanted to do was to establish a broader base of readership among younger readers, and *Fitness*, of course, fulfills that quite well. And, you know, health and fitness related editorial is something that's quite common to us as parts of our magazines. *Family Circle* is another of the major players in the women's service field or the so-called women's service field, which is obviously a field that we have a tremendous amount of experience with. Although I think one of the keys there is how we make sure that we differentiate it from our other titles in the field. And I'd like Steve or Jack to pick up on the themes of where we may see this going.

STEVE LACY

Yeah. Jack is going to speak to the strategy, but I would echo what Bill says. I don't believe that in the businesses that we acquired that there is anything that fits outside of our core competencies from a creative point of view or our strategy as it relates to the individual consumer or the advertising marketplace, really our strategy, articulated, as Bill said, quite a period of time ago, that we've been working to fulfill with, first, *American Baby* and then these latest titles that we've acquired. But specifically as it relates to our plans for *Fitness* and *Family Circle*, I'll ask Jack to give his preliminary view on that, and of course we'll continue to fill you in as we learn more about these businesses and solidify that.

BILL KERR

Just remember, Brian – this is a work in progress at this point.

BRIAN SHIPMAN

Okay, thanks, Bill.

JACK GRIFFIN

Right. This is Jack Griffin again. With respect to, say, *Fitness* first, I would urge you to look at the experience that Meredith has enjoyed with *MORE* magazine. While a bit of a different demographic, I think a wonderful example of the expanded level of creative and editorial competence that that magazine demonstrates that we have in this company. And I think that as Bill said, *Fitness* in particular with its focus on health and our established competence in women's issues and self-development make a great platform and architecture for what we can do with *Fitness* magazine – its younger demographic, its large rate base, and its participation in the advertising categories that we care so much about here, such as beauty and fashion and health and automotive – give that magazine a wonderful opportunity for upside at Meredith, not only in and of itself but with bundling it with our other titles. So we are working on our plans for *Fitness*, and we are working on our plans for *Family Circle* as well. But if you think back to the old imagery, the prior advertising imagery of Meredith, when it comes to home and family, it has to be Meredith, I mean, *Family Circle* fits that so wonderfully. And it has a unique opportunity as a function of its name, a “Family Circle,” to create an editorial architecture and voice that we believe will have a unique position in the marketplace, complement our other magazines, such as *Better Homes and Gardens* and *Ladies' Home Journal* and *MORE* and diversify our portfolio and our editorial voice further. So we are very enthusiastic about those two titles. And *Parents* magazine, I look at *Parents* magazine as a kin to *Better Homes and Gardens*. It is one of the great brands in America. It has unrivaled authority and excellence and is a bellwether magazine and brand, and we intend to capitalize on that.

BRIAN SHIPMAN

Okay. Thanks for the color there.

BILL KERR

Brian, this is Bill again. Let me just add. You know, one of the things we'll be doing over the next few months is a lot of in-depth research, talking to the consumers of these magazines and the potential consumers. That's something we do regularly and continually to keep our pulse in touch with the pulse of our readers. We do not inherit an awful lot of that kind of research in the acquisition, and so I think as we go through, I think, the critical analytical step of really hearing firsthand from the consumer, you'll probably expect to see some nuances of change that take place as we go forward. But I don't want to prejudge until I've heard, had the consumers speak to me.

BRIAN SHIPMAN

Okay, thanks, Bill. If I could just follow up on one of Mike's questions with regard to book publishing. In the past it's been a pretty volatile revenue stream, and I think it's even caught you guys off guard with respect to your own internal budgets. How good is the visibility of that business? You were indicating the pipeline looks strong for the first half of fiscal 2006. I mean, how confident are you that that line item won't surprise you?

Well, I think the only surprise that comes to mind is really a year ago in our fourth quarter when we had returns that were really in excess of our expectations for that particular time period, although if you smooth them out over the whole year, it was not really such a radical change; it was just the way it was concentrated in a particular quarter. If you look at that business over the last few years, the revenue and, more importantly, the profit, has grown really quite dramatically year over year. So it may not be month to month to month as smooth as some of our other businesses, but if you look at it year to year to year, it has continued to perform really quite well. And I don't know for sure how many copies of each of the books that we have will sell. I do know that our editorial plan is very much research-based, and we have a good, strong sense of the need in the marketplace. And, of course, that plays against how many other books of a competitive nature are out there during any particular time period. So we have a pretty good sense of our shipments out, and then of course there's always the question mark of the sell-through and the returns. But if you model that out over a little longer period of time, it's a very, very healthy business for us.

JACK GRIFFIN

This is Jack Griffin. What I would add further to that is, one of the things that we've been doing assiduously here for the past six or seven months is what we call our cross-platform initiative, which is a series of initiatives across our publishing business to bring leverage to the book publishing activity. So let me give you an example. We will launch the *Better Homes and Gardens* pink plaid Cook Book in the first half of fiscal 2006, and that will be heavily promoted in *Better Homes and Gardens* magazine throughout the period, and also *Better Homes* will feature a special advertising section in the magazine, leveraging off of the pink plaid Cook Book. And we're underway with similar promotion across our consumer magazines and our websites on other book launches, such as the Today Show Cook Book and the Sandra Lee books. And that has got the retail trade extremely excited about taking orders for these books.

BILL KERR

Oh, and Jack, you'll be doing some of that with the Broadcasting Group as well later in the year.

JACK GRIFFIN

You bet, and we have that one initiative we haven't announced yet, but Paul and I are working together to find opportunities where the popular culture aspects of our television business can bring even more horsepower to our ability to leverage books.

STEVE LACY

And just as a small add-on to that, not directly at your question, Bill and Paul and I have been on a series of meetings which we do on a regular basis at our individual television stations. We were actually in four of them last week. And especially our FOX stations, which of course skew to a younger demographic, are very excited about the opportunities for our Cornerstone programs that we've put in place with the younger-skewing magazines that we've just acquired, that they really think will resonate well with the viewership in the lower marketplace. And so those kind

of activities will be working back and forth really across both businesses, and they're good for the brands, and they're good for the businesses in the local marketplace.

BRIAN SHIPMAN

Thank you.

CALL OPERATOR

Thank you. We'll go to the line of Karl Choi with Merrill Lynch. Please go ahead.

KARL CHOI

Hi. A couple of follow-up questions. One, you mentioned that you have put together a detailed plan to improve the margins of the Gruner + Jahr titles that you acquired. Just wondered whether you expect the margin improvement to be retroactively gradual over time, or because of investments, do you expect it to be more like a hockey stick towards the back end? And, second, Suku, if you could update your outlook for D&A with the new titles added in. Thanks.

JACK GRIFFIN

Now, this is a multi-year improvement opportunity that we're very, very focused on, and it comes, as Bill said, first based on the research that has to be done to determine what has to be done to the individual products. Then there's the whole circulation activity which is absolutely critical, especially as it relates to our strong position in the advertising marketplace. And all of that is incremental and happens over a longer period of time. But we think we know exactly what to do with these businesses, and it's very much like we've done with other businesses that we've either launched or acquired over a long series of years.

BILL KERR

Karl, we had difficulty hearing your second question.

KARL CHOI

Your outlook for D&A for the year.

SUKU RADIA

It's a little bit too soon to update it for the new titles because the evaluation has not been completed. Excluding the new titles... about a rate of \$9 million a quarter, and then we will certainly provide an update and include the new titles once the evaluation has been finalized. But there is obviously not going to be a lot of depreciation, as you would expect in publishing; it's very typical.

KARL CHOI

Thank you.

CALL OPERATOR

Thank you. We'll go to the line of Edward Atorino in New York. Please go ahead.

EDWARD ATORINO

Hi. Suku, could you just repeat that on the D&A? And then my question has to do with the seasonality of the Gruner + Jahr and sort of the breakdown of advertising and circulation. If you've given that in recent meetings, I apologize – I might have missed them.

SUKU RADIA

Sure. Let me cover the first part. The run rate on the D&A is about \$9 million a quarter.

EDWARD ATORINO

Oh, so not much different than it is now.

SUKU RADIA

Well, no. That's on the existing portfolio, and then we will update on the new titles when the evaluation is finalized.

EDWARD ATORINO

Oh, I understand.

SUKU RADIA

There won't be much depreciation, as you would expect, which is typical in publishing.

EDWARD ATORINO

Okay.

BILL KERR

And your second question is?

EDWARD ATORINO

Is the seasonality of the new titles sort of like the Meredith seasonality? And could you give us just some dimension of their circulation revenues versus advertising as a percent of total?

BILL KERR

Yes. Steve or Jack, do you want to deal with that?

STEVE LACY

Yeah. In the magazine industry taken as a whole – and I think this is about as fine as we’ve ever broken this out – you generally see about a 50/50 split for a particular magazine between advertising and circulation. As it relates to the way the revenue flows by quarter, I don’t think you’re going to see it radically different than the traditional Meredith magazine business. But obviously as we look into the future, we’re going to look to be more successful and have the new titles grow. But once again, that’s over time.

EDWARD ATORINO

Got’cha.

BILL KERR

Ed, I think the only caveat I would add to that is you do have a 15-time frequency at *Family Circle*, and I think we ought to... We’ll just take a quick look to see if that causes any awkwardness in any quarter that might be a little distorting.

EDWARD ATORINO

Okay, thank you.

CALL OPERATOR

Thank you. We’ll go to the line of Barton Crockett with JP Morgan. Please go ahead.

ROBERT MILACCI

Good morning, everyone. This is actually Robert Milacci filling in for Barton. I just had a quick question on options expense for the quarter. Do you have that number?

BILL KERR

I think we can dig it out here. Just a second.

ROBERT MILACCI

Great, thank you.

SUKU RADIA

Yeah. The option expense for the quarter translated into just over \$0.03 EPS effect, so it was about \$2.7 million.

ROBERT MILACCI

Okay, about \$2.7 million again?

SUKU

Yeah.

ROBERT MILACCI

Great. Thank you very much.

CALL OPERATOR

Thank you. We have no further questions on the phone lines.

BILL KERR

Well, if we have no further questions, I would then again thank all of you for being on the call, and we'll go back to work and produce another good quarter for you. Thanks a lot.

CALL OPERATOR

Thank you. Ladies and gentlemen, this conference will be available for replay after noon today through midnight, August 3rd, 2005. You may access the AT&T replay system at any time by dialing 1-800-475-6701 and entering the access code, 759568. International participants, dial 320-365-3844. Those numbers again are 1-800-475-6701, and 1-320-365-3844, with the access code 759568. That does conclude our conference for today. Thank you for your participation and for using AT&T executive teleconference service. You may now disconnect.