

MEREDITH CORPORATION
Second Quarter Fiscal 2005 Conference Call
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Sonja (Call Operator)
Jim Jacobson (Jim)
Bill Kerr (Bill)
Steve Lacy (Steve)
Suku Radia (Suku)
Jack Griffin (Jack)

Sonja Ladies and gentlemen, thank you for standing by. Welcome to the Q2 Fiscal 2005 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, and an AT&T operator will come online to assist you. As a reminder, this conference is being recorded. I would now like to turn the conference over to our host and Director of Investor Relations, Mr. Jim Jacobson. Please go ahead.

Jim Thank you, Sonja. 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 the second quarter of fiscal 2005. Steve Lacy, 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 and Publishing Group President Jack Griffin will respond to your questions.

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 to non-GAAP measures have been posted to our website. The 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 last note-we expect to file our 10-Q for the second quarter today. We encourage all investors to review all of our SEC filings.

Now Bill will begin the presentation.

Bill Thank you, Jim, and good morning, everyone. I want to welcome you to our conference call to discuss our fiscal second quarter results. I trust you've had a chance to review the press release that was issued this morning. I'll start with an overview of our performance in the quarter. Next, Steve will update you on both of our business groups and provide our outlook for the third quarter and all of fiscal 2005, and then we'll address your questions.

As you know, the Financial Accounting Standards Board recently finalized its option expensing standard. And consistent with our previous commitment to expense options once the final standards were issued, our reported results reflect our early adoption of FASB Statement 123(R). To enhance comparability, we have restated prior periods to reflect option expense.

For a reconciliation of previously reported results and results we stated for SFAS 123(R), I would ask you to look at Table 2 in our press release. All references to net earnings in this call are before the benefits of the cumulative effect of the change in accounting principle related to SFAS 123(R).

We're pleased to report another strong quarter. Net earnings grew 53 percent to \$26.8 million or 52 cents per share. Total revenues increased 5 percent, and total advertising revenues rose 7 percent.

Without the early adoption of the option expensing standard, our second quarter earnings per share would have been 55 cents a share, in line with our previous guidance.

Both of our business groups produced outstanding profit growth and margin expansion in the second quarter, and let me share a few highlights.

In Broadcasting, operating profit increased 64 percent, and EBITDA rose 51 percent. Our EBITDA margin increased from 34.3 percent to 42.3 percent. Revenues grew 22 percent, fueled by \$12.2 million in net political advertising. Non-political advertising revenues grew 6 percent. On a comparable basis, excluding revenues from new properties, non-political advertising revenues increased 3 percent.

Our strong performance was broad-based throughout the group, as we improved EBITDA at every station.

In Publishing, operating profit rose 13 percent on a 1 percent decline in revenues. Operating profit margin increased from 10.6 percent to 12.1 percent. This performance reflected improved net yield per advertising page, increased circulation profit, growth in our custom publishing operation, and disciplined expense management, partially offset by lower advertising revenues. And Steve will provide more details during his remarks.

In the first six months of fiscal 2005, broadcasting revenues grew 17 percent, including 5 percent growth in non-political revenues. On a comparable basis, non-political advertising revenues increased 2 percent. Our operating profit rose 57 percent, and EBITDA margin improved more than 6 percentage points. Publishing grew operating profit 16 percent and increased operating profit margins by nearly 2 percentage points.

Before Steve discusses our two operating groups in more detail, let me share some insight on the current publishing and broadcasting business environments, as well as our search for a new president of the Meredith Broadcasting Group.

The advertising environment remains uncertain. Advertisers continue to make decisions later and later, resulting in uneven spending patterns and period-to-period volatility. In Broadcasting, local advertising remains strong, but at the national level business is not as robust.

Despite the uncertain advertising climate, we expect both business groups to continue to perform well. Our premier home and family magazines, direct-to-publisher circulation model, industry-leading database, our improved newscast ratings, and our Cornerstone programs will continue to differentiate us in a marketplace to both advertisers and consumers.

The search for a new Broadcasting Group president is well underway. We have several strong candidates. Steve and I are in the midst of the interview process now, and we should be in a position to announce the new group president in the near term.

So to summarize, we achieved strong financial performance in the first half of fiscal 2005. Net earnings grew 45 percent, earnings per share increased 44 percent, total revenues grew 5 percent, and total advertising revenues rose 8 percent. We are confident we will produce strong results for the full fiscal year as well.

And with that, I will turn the call over to Steve.

Steve Thank you very much, Bill, and good morning everyone. I'll start my review this morning with our Broadcasting Group.

As Bill mentioned, the Meredith Broadcasting Group grew revenues 22 percent and EBITDA 51 percent in our second quarter. We increased our EBITDA margin from 34.3 percent to 42.3 percent. Our strong performance was broad-based as we increased EBITDA at every station in the group.

We also posted strong results for the first half of fiscal 2005. Revenue rose 17 percent, and EBITDA grew 42 percent. We improved our EBITDA margin from 29.2 percent to 35.4 percent, once again increased EBITDA margin across the group.

As we stated previously, improving news ratings and share is critical to our growth strategy. We continue to improve ratings and grow audience in the November 2004

rating book for the key adult 25 to 54 demographic. Let me provide a few examples of that improvement.

Our CBS affiliate in Kansas City posted an excellent book. Its Monday through Friday late newscast led the market for the first time in 13 years. It was one of the highest-rated late newscasts of CBS affiliates across the country. The station also produced strong gains for all other major newscasts in the morning, noon, late afternoon and evening. KCTV led the market for sign-on to sign-off ratings as well.

Our FOX affiliate in Portland continued to produce one of the highest-rated prime time newscasts in the country. The station is also the market leader from 5 to 9 a.m., beating all three major affiliates.

Our CBS affiliate in Phoenix grew audience share by at least 25 percent for its late news, its new 6:30 p.m. newscast, its noon, and its 5:30 and 6:00 a.m. newscasts as well.

Our FOX affiliate in Las Vegas increased share by more than 30 percent for its 5 to 6 a.m. news and its late newscast.

As our results indicate, we've been successful in converting our news improvement into revenue growth. In the second quarter, we generated \$12.2 million in net political advertising. Our stations in Kansas City, Portland, Hartford and Las Vegas booked the majority of the political advertising in the group.

In addition, non-political advertising revenues grew 6 percent. On a same-station basis, this non-political advertising revenue was up 3 percent.

We've progressed on our other sales initiatives as well. We continue to build our innovative Cornerstone programs, which leverage our publishing brands to create proprietary advertising packages for local merchants. Several of our stations posted strong gains from our *Better Homes and Gardens Home for the Holidays* Cornerstone program. In the second quarter, combined revenues from Cornerstones, Internet sales and special market-specific promotions increased 84 percent to over \$9 million.

As we've discussed on prior conference calls, one element of our growth strategy is to expand our presence in existing markets. We did just that in November as we entered into a joint sales agreement to operate KSMO-TV, the WB affiliate in Kansas City. This transaction positions us well to serve advertisers seeking the younger WB audience as well as the powerful CBS audience. The KSMO staff is in the process of relocating to our KCTV facility, and we've begun to integrate backroom operations, including engineering, traffic and accounting, to gain cost efficiencies. We expect this transaction to be earnings neutral in the first year and accretive thereafter.

The KSMO activity marks the fourth time we've expanded our broadcasting presence during calendar 2004. In January, we launched a CBS affiliate in Springfield,

Massachusetts, which we operate out of our CBS station in Hartford. In May, we acquired an AM radio station to serve the Saginaw-Bay City, Michigan, area. In August we acquired the WB affiliate in Chattanooga, Tennessee, adding to our Southeastern cluster, which includes stations in Atlanta, Nashville and Greenville.

In summary, the Broadcasting Group produced an outstanding quarter. We remain on track with our key initiatives to increase ratings, convert those ratings to revenue growth, and gain efficiencies through expansion over time.

Now let's shift to the Publishing Group. I'll start with a review of our magazines, and then books, and our Integrated Marketing operation. As Bill mentioned, the Publishing Group produced strong profit growth and margin expansion, despite slightly lower revenues in our second quarter.

We also posted strong results in the first half of fiscal 2005 as well. Operating profit grew 16 percent, and revenues rose 2 percent. We improved our operating profit margin from 13.1 percent to 14.9 percent.

Let's start with a review of the magazine performance in the advertising area. Publishing advertising revenues declined 5 percent in the second quarter, but net yield per advertising page increased in the low single digits. This advertising performance reflects mixed results by category. Lower revenue in home, pharmaceutical and the retail categories were partially offset by gains in direct response, cosmetics and remedies.

In addition, our performance reflects difficult comparisons, as comparable advertising revenues grew 19 percent in our prior-year second quarter.

Despite decreases in advertising revenues, *Better Homes and Gardens* and *Ladies' Home Journal* increased their combined share of advertising revenue in the women's service field more than 1 percentage point to approximately 45 percent for the 12 months ended with the December 2004 issues, as measured by PIB.

With that look at advertising, let's focus on our circulation activities. In the second quarter, we continued to increase circulation profit. Looking forward, we expect our long-term, direct-to-publisher circulation strategy to continue producing meaningful profit contribution and distinguish Meredith from other magazine and newspaper publishers whose circulation practices have been called into question.

As we've said on many occasions, we're working to broaden our magazine portfolio to serve younger readers and the Hispanic market. In the fall of 2005, we plan to launch a new business to serve one of those targets, the rapidly growing Hispanic market.

We know that our core competencies in home décor, family advice and child-rearing are highly relevant to the Hispanic woman. We believe this new business venture will be a powerful tool to expand our presence in this significant market.

Essentially, our business activity will focus around two broad initiatives: a consumer magazine business for Hispanic women that take advantage of our content expertise in the home and family arena; and a marketing services business that leverages our integrated marketing, custom publishing and database marketing expertise.

Regarding the second part of the initiative, let me mention a new program we're currently executing for Proctor & Gamble. P&G recently engaged Meredith to produce custom content and design for direct-to-consumer marketing materials that will be sent to specific P&G customer segments. The first segment we're working on for P&G is in fact the Hispanic market.

We believe our ability to help advertising clients target specific audiences is becoming increasingly valuable. Companies are striving to reach specific consumers in a manner and at a time when those people are the most receptive. With our Integrated Marketing operations, our database management and circulation expertise, Meredith is well positioned to deliver this custom marketing.

We'll be releasing more information regarding our new Hispanic ventures operation quite soon.

The American Baby Group has been an excellent fit for our magazine portfolio. We're currently developing a new and a wide-ranging program for Wal-Mart. That program centers on encouraging expectant parents to use the Wal-Mart Baby Registry, which produces gift ideas to family and to friends. The American Baby Group will provide these parents with needed childcare and product information through a variety of platforms, including a catalog, a magazine and a booklet available both in English and in Spanish, along with support for special events and selectively bound inserts in the *American Baby* magazine as well.

I'll conclude my comments regarding the magazine operation by highlighting two new brand extension programs that I think demonstrate the strength of our brand across media platforms.

Better Homes and Gardens magazine recently launched a cross-marketing platform entitled, *Better Home, Better Living, Win America's Home*.

Better Homes and Gardens editors, along with a panel of leading home design experts, will design and build a home that is based on suggestions from over 60,000 readers of the *Better Homes and Gardens* magazine. This project embodies the best of what Americans have said they want in a new home.

Endemic home improvement and nonendemic lifestyle advertisers will benefit from in-store magazines, in-store promotions, onsite and online promotions for this contest as well.

The multilevel program will include a six-part exclusive editorial series that will run in *Better Homes and Gardens* magazine, “how-to” clinics in Home Depot stores, original programming on the Discovery Home Channel, and a dedicated Internet presence housed on bhg.com, along with a consumer sweepstakes.

This cross-media partnership will culminate in October when the home, which is being built in suburban Atlanta, will be given away to one of ten finalists.

In addition, we recently entered into a multiyear syndication agreement that provides branded material from all Meredith magazine properties to the New York Times Syndicate for its global network of newspapers and associated websites. The content will be delivered in various formats, including columns, special editions, along with seasonal pages.

Now let’s turn to our book and Integrated Marketing operations. We shipped nearly 650,000 units of the 75th *Edition of the Better Homes and Gardens New Cook Book* in the first six months of our fiscal 2005. *American Chopper at Full Throttle*, also performed well in the second quarter. It was on the *New York Times* Best Seller list.

Given our publishing schedule, we believe our book business will deliver solid revenue and profit growth for the full year of fiscal 2005.

Meredith Integrated Marketing produced another strong quarter. Top performers were the program guide for DIRECTV and customer loyalty programs for Nestlé, Chrysler and Carnival Cruise Lines. New programs for Creative Memories and Hyundai also generated significant revenue.

In the first six months of fiscal 2005, Integrated Marketing grew revenue and profit more than 20 percent and improved profit margins more than a full point. We expect Integrated Marketing to also produce strong results for the full fiscal year.

In summary, we’re pleased to report strong profit growth and margin expansion for our Publishing Group in the quarter. Our performance benefited from improved net yield per advertising page, increased circulation profit, growth in Integrated Marketing, and disciplined expense management.

With that review of the first half of fiscal 2005, let’s look ahead to the second half of the year.

Expensing options will reduce earnings per share approximately 14 cents for all of fiscal 2005. Given this accounting adjustment, we anticipate option-adjusted earnings per share will approximate \$2.50 in fiscal 2005.

For the third quarter of fiscal 2005, broadcasting pacings, which are a snapshot in time and change frequently, are currently running up in the low single digits.

We expect the Publishing Group to grow operating profit in the mid to high single digits in the third quarter, due to strong results from our Integrated Marketing operation, increased circulation profit, and prudent expense management. Publishing advertising revenues are expected to be down in the low single digits, reflecting the uncertain advertising climate.

Expensing options will reduce earnings per share approximately 4 cents in each of the third and the fourth quarters of fiscal 2005. Given this accounting adjustment, we anticipate option-adjusted earnings per share will be in the range of 67 to 69 cents in the third quarter of fiscal 2005.

Now I'll turn the discussion back to Bill for some final comments.

Bill Thank you, Steve. Before we take your questions, I do want to share a few additional remarks.

We believe our shares represent an excellent value, and we have acted on this belief. To date in fiscal 2005, we have repurchased more than 1.2 million shares; and for all of fiscal 2004, we purchased approximately 750,000 shares.

We also recognize the advertising environment is uncertain and challenging. However, we have proven business strategies that we have executed in a market-leading fashion during the past several years, and we will continue to execute those strategies. Additionally, we have created new revenue streams in both businesses that are fueling growth. In publishing, our book, custom publishing, database and licensing operations are reducing our dependence on magazine advertising. And in broadcasting, we added three new television stations and an AM radio operation in calendar 2004.

Going forward, both of our business groups have the ability to produce strong organic growth, and we will strive to enhance that growth by making strategic targeted acquisitions.

Whatever the advertising climate may be over time, you can be certain we will take the requisite actions to continue our strong earnings growth and build long-term shareholder value. Our track record during the advertising recession earlier this decade and the turnaround of our Broadcasting Group show we know how to navigate through uncertain times. We are confident both of our business groups are on track to achieve their long-term margin objectives, and we expect to deliver strong earnings throughout fiscal 2005.

We look forward to seeing many of you at the media conferences that will take place in March. And with that, we are now available for your questions.

Q & A Session

- Sonja 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. You may remove your cue at anytime by pressing the # key. If you are using a speaker phone, please pick up the handset before pressing the numbers. Once again, if you have a question, please press *1 at this time. One moment, please, for the first question. And the first question comes from the line of Karl Choi from Merrill Lynch. Please go ahead.
- Karl Good morning.
- Bill Good morning, Karl.
- Karl Hi. A few questions. On the TV side, first to clarify one thing. The TV pacings data, is that for same station, or does it include the acquisitions?
- Bill Your question is, the forward-looking pacing data?
- Karl Yes.
- Bill Suku?
- Suku Yes. Hi, Karl. That is all stations, Karl.
- Karl All stations.
- Suku Yes.
- Karl On a same-station basis or meaning impacted by acquisitions there?
- Steve Karl, this is Steve. On a same-station basis it is about the same.
- Suku Yes, it is not materially different, Karl.
- Karl And I wonder how you're doing, your FOX stations are doing, with selling the Super Bowl advertising, and do you think, how that will compare against last year when it was on CBS?
- Bill Steve, now, what's your take on how Super Bowl is going?
- Steve Yes. At this point in time, Karl, it's pacing ahead of where we were a year ago. I do not have the exact figures at this point in time to compare one over the other, but I think it is going to be quite good for us.
- Karl Good, and on the publishing side, I wonder if I could ask about, on the advertising, as far as advertising categories are concerned, what categories are soft that you're seeing

in the third quarter, and specifically pharmaceutical, how you're doing there? Last question is regarding circulation profitability. Can you talk a little bit about how long do you think the circulation profitability can continue to improve as a result of your extending longer terms to subscribers? Thanks.

Bill Steve, do you want to coordinate those with Jack?

Steve Yes.

Bill The two of you split those up.

Steve Well, I need you to come back on the line again, because is your question on categories about our results year-to-date, or are you looking for some sense of what the categories feel like going forward?

Karl More regarding the third quarter, and especially the pharmaceutical category.

Steve I don't have any third quarter category data. Jack, do you have a sense of that in any way that you could give Karl some feel?

Jack I can speak perhaps first to some of the industry data that we have in the second quarter. This is information from the Publishers Information Bureau, and it's only current through December issues. But what it does say is that in our categories of magazines that DTC is a considerable challenge, DTC pharmaceuticals. And in the fourth calendar quarter, these are November and December issues PIB pages, DTC pages for magazines showed a little bit of an increase but that primarily driven by the big ED drugs. In the women's category of magazines, you're seeing a decline in the period; and from everything we can tell, that's persisted into our third quarter, or the first calendar quarter of 2005. But again we don't have any industry data to make any firm judgments about that. And also one of the categories that also declined for the industry overall and for our kind of magazines in particular in the fourth calendar quarter was home. These are again the PIB pages in November and December, and the new calendar year seems to have started out a little bit sluggishly in that category as well.

Karl Thanks, and circulation profitability?

Steve Yes, and Karl, your comment on circulation profitability. Really, there are several components of that that we execute. One of them has to do with always finding a way, a small way across a variety of the businesses, to increase the response rate over time. And that activity continues to go on as it has before. There's also continual testing of term and of price where we look to balance the ability to increase price around the ability to get the money in from the consumer and have them sample the product longer over time. And I believe that those activities which we've been about for many years and have had the ability to increase circulation profit over a long period of time, those initiatives will continue. And they are really augmented by what we're doing on

the Internet and our efforts to move some of our circulation profitability to the Net as well. The only difference, and the thing that I do want to point out, is that from period to period, depending on the needs of the particular magazine, the volume of mail does in fact fluctuate. And we try and balance that out a bit, but there are periods of time where we're required to drop more mail, and of course we expense that as incurred, and other periods of time where we drop less mail. Our strategy to continue to grow the profitability of circulation will continue, and we've had an ability to do that over a long period of time.

Karl Great. That's helpful. Thank you.

Bill Thanks, Karl.

Sonja And the next question comes from the line of Barton Crockett from JP Morgan. Please go ahead.

Barton Okay, good. Thank you very much. There's really two things I wanted some more color on and really both in the publishing segment. The first is just a little bit more granularity, if you can, on the magazine outlook, in that if you look at data for the February cover issue ad pages, it seems like there was a decent uptick there, but you're saying for the whole period, in the March ending quarter, that ad revenues will be down mid-single digits. And I was just wondering if you could give us a sense of what happened with pages or what you're seeing in pages in the other months of the quarter to get us to that guidance.

And then secondly, in terms of the Hispanic, I know there's not a whole lot that you're able to tell us at this point, but maybe two things just generally. First, should I assume that we won't see an impact of this until fiscal '06? And second, can you give us some sense, will the impact be material or immaterial on earnings?

Steve Okay. Let me start off by answering a couple of those questions, and I'm going to ask to have Jack come in and once again give us a little bit more color on third quarter advertising. First of all, I want to be clear in what I said. The advertising results in the second quarter were down in the mid single-digit range, and they are a little bit better than that in the third; they're down in the low single-digit range. So I wanted to make sure you had your facts straight on that. And then I'm going to ask Jack in a minute to come back and speak a little bit more to what we're seeing again in the third quarter.

On the Hispanic business, as I said on the call, it's really a two-part activity. And the footprint of it, we're really modeling after the American Baby business where we have a cornerstone magazine, and we also have a variety of integrated marketing activities and marketing services ventures that go along with that, hand in glove. And that's why I mentioned what we're doing for Proctor & Gamble, which will fit right into Hispanic ventures very, very well. As I said before, we will be very soon releasing some information on the launch of that business, but it will have a major magazine at the center, directed at Hispanic women, very much like *American Baby* does, and then a

variety of marketing services available around that. And there will be a financial impact in the latter part of fiscal 2005, and it's not a huge number at this point, will be a bigger number as we go into 2006. But that is contemplated in the guidance that I provided on the call and that you'll see available in the public documents.

But, Jack, why don't you give a little more color around advertising and anything you want to add on Hispanic ventures as well, other than what I've already stated.

Jack Sure. The public paging data that is presently available for advertising was released on Friday in the *Media Industry Newsletter*, and as you all know, they get that a little bit ahead of PIB, and it essentially speaks to February issues. And I think a careful scan of it reinforces what we've been saying about this really tremendous issue-to-issue and category-by-category volatility. For example, at Meredith we're in essentially three classes of magazine publishing. We're in the traditional women's service category, and we're in shelter, and we're in parenting with our subscription magazines. And there's a great deal of unevenness in those particular categories just in one month.

I would say further that we're still closing our third quarter magazine advertising, so it is not final. And with respect to kind of the general uncertainty in the advertising environment that you've been hearing about, we've seen again a repeat this year in 2005 of advertisers getting a later start to their year, making commitments much later and closer to magazine close. So we're not done yet, and again I just reinforce that there's ups in some categories and downs in others. And there's only one piece of, one month of data that is available, and obviously it is not a trend.

Barton Okay, good, good, and thanks for clarifying that expression of the ad trends there. Thank you.

Sonja Next question comes from the line of Michael Meltz from Bear Stearns.

Michael Hi, I have a few questions for you. The yield gains at the magazine group have actually been surprisingly good the past few quarters. Can you talk about what you're doing there differently and if that's going to persist? Secondly, you know, the book unit has been soft for the first six months, but you're talking about strong growth. Can you quantify what type of growth you're expecting for the full year? And I think, third, can you just say on those TV pacing numbers, can you break it out by month for us? Thank you.

Steve Let me take the book comment, and then, Suku, if you would take that pacing data by month, which I do not have right here in front of me. And then we'll go back and see if we've gotten everything.

Bill And you might want Jack to cover some of the things you're doing on the yield side.

Steve Yes. Jack, why don't you start with that first?

Jack Sure. We have sort of implemented, particularly in our magazine part of the business, a very rigorous focus on the realized pricing that we're achieving in the marketplace, and it runs a range of initiatives and a component of managers and salespeople's' commission and incentive plans that is highly geared to this objective. I would add further to that that we created in our magazine company a strategic pricing group that helps our managers and our sellers look at all the available data, make careful analyses about pricing approaches to particular competitive situations, and just much more analytics around that activity. And I think you are seeing that reflected here.

As to whether it continues, again I go back to the characterization of just the volatile environment that we're in, and we are trying to be very responsive to the market in terms of not only staying consistent with the pricing strategy but also yielding the short-term opportunities that come from this kind of "late-close" environment, I'll call it; and we might make judgments on the increment that are opportunistic that benefit the business overall. But this is a consistent and fundamental part of our strategy going forward, and we will be on it consistently.

Steve Suku, do you want to do pacings?

Suku Sure. Michael, as we said, for the quarter they're up in the low single digits, and the breakdown by month is mid to high single digits for January, flat for February, and up in the low single digits in March, and both local and national are up with local running ahead of national.

Steve Michael, did I, did we miss part of your question, or was that everything?

Michael The book question.

Bill Yes, the book question, Steve.

Steve Yes. Regarding book, it's very difficult for me right now to give you a strong sense of what the number will be, but what we're really looking at is the timing of the release of the book activity. In the first half of the year a year ago we had a lot of strong, new titles under the big licensing programs that we do. This first half we had the 75th *Edition of the Better Homes and Gardens Cook Book* and our new product releases, although in the process right now of being sold into retail, really skew very heavily into the back half of the year. So I think probably when we're on the third quarter call, we'll have a lot better sense of how they're pacing and how they're selling in at retail. And then, of course, we factor in what we believe our returns might be, and that depends a great deal on whether they're in traditional bookstores or whether they're at mass. And we've got, obviously, a pretty sophisticated methodology for that. So we're probably a little ahead of being able to give you a good sense, but what we do know is that the product release and the lineup is skewed much more heavily in the back six months than in the first six, as it was a year ago.

Michael Steve, maybe I'll ask it a different way. If you're down for the first six months, and you're pointing to strong growth for the full year, is strong, I do not know, high single digits, or is strong double digits? How would you characterize that?

Steve Strong would be high single digits.

Michael Okay, thank you.

Sonja Next we'll go to a line, Eric Elbell from Fenimore Asset Management. Please go ahead.

Eric First question would be if you can provide just a little more, a few specifics. You reference in the release and also in the call this morning, "disciplined expense management." Could you provide a little more detail on areas where you were disciplined there, whether that management of expenses will be sustainable?

Bill Steve, do you want to handle that, or do you want Suku to take it?

Steve Oh, no. I'm happy to do that. Obviously, in a period of more difficult advertising, we are very, very cautious really across the board in terms of replacement of open positions, other than those that are directly focused on revenue generation, in promotional activities that we undertake, in any sort of travel and entertainment activities, really absolutely across the board. We're always in the process of looking at major vendor renegotiations where we can make sure that our pricing is market-based. And we were very, very aggressive in all of those regards in the first half of the year. Obviously, we will continue to be very, very prudent, but I would say we're also very careful and have a lot of conversations to make sure, either on the broadcasting or on the publishing side, that we're not making a step that will cause long-term damage to the business. We're also in some cases reallocating monies so that we can move ahead with strategic initiatives, such as our Hispanic activity that we feel very, very strongly about, and continue to work on other new product development, whether that be in our retail business or in our traditional subscription business or continuing to expand news as we're doing in our television activities. But it's really very much across the board, and it starts with the biggest buckets of money and the biggest vendor relationships where we have the ability to do some shaving over time.

Eric Okay, thank you. And my second question is you haven't mentioned at all your smaller magazines, *Country Home*, *Midwest Living*, etc. If you could just provide some commentary on how those have been trending.

Steve Well, let me give you, while I'm flipping around here for some data – *American Baby* continues to perform very, very well as a business for us, well ahead of our expectations in the initial acquisition modeling that we did. *MORE* magazine has also during this time period performed very, very well, and *Traditional Home* and *Country Home* from an advertising standpoint, are solid but certainly not robust because they

really have some of the same category issues around home, especially that we mentioned earlier in terms of being soft.

Eric Okay. Last question would be to the extent you can or are willing to comment on any additional turnover you might have had on the broadcasting side following Kevin O'Brien's departure?

Steve Yes, I'd be happy to talk about that. As I think I've said on other calls and also as I said at some industry conferences, I have been to all the stations and to certain of them multiple times, been together with the news directors, with the general managers, with the general sales managers in a variety of forums, and I feel that we have quite strong management teams in place at each of the local markets. And when I look at the team, I look at the general manager, the general sales manager and the news director, really as the three critical leaders who make it happen in the business. We have had a couple other people who have left, not in major, significant leadership positions, and I think the rest of the team is really quite solid and really quite focused on delivering against their initiatives in the local market. And I think we all feel really quite good about where the business is headed. We feel that the strategies that were in place are the ones that should continue, and I think we'll continue to deliver strong results. And I think the team is solid and that we've had very few people who have left in the last 90 days, only a couple.

Bill I would simply add that has been at our initiative, and you should view it as the normal changes that take place in staff, based on individual performance.

Steve Yes, I guess that is. That's a key point, Bill. We have, as I said there have only been a couple, and they have been involuntary.

Eric Okay.

Steve No other voluntary departures in those leadership positions.

Eric Okay, good, thank you.

Sonja Ladies and gentlemen, once again if you have a question or comment, please press *1 at this time. There are no further questions.

Bill All right. I want to thank everyone for being with us again this morning, and we'll try to continue to deliver good quarters for you. Thanks again.

Sonja Ladies and gentlemen, this conference will be available for replay after 1:30 p.m. today, until February the 1st, 2005, at midnight. You may access the AT&T Executive Playback Service at any time by dialing 1-800-475-6701 and entering the access code 759566. Those numbers again are 1-800-475-6701, entering the access code 759566. That does conclude our conference for today. Thank you for your participation and for using AT&T Executive Teleconference Service. You may now disconnect.