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BRIAN SHIPMAN

Good afternoon, everyone. Thank you for being here this afternoon. I am Brian Shipman, advertising and publishing analyst for UBS. It's my pleasure to introduce the management team from Meredith, and I'd like to turn it right over to Bill Kerr, Chairman and CEO, who will introduce the rest of the management team and take the presentation from there. Thank you, Bill.

BILL KERR

Thank you, Brian. We are delighted to be here. With me today are, on my immediate left, Steve Lacy who is our President and Chief Operating Officer, and then Suku Radia, who is our Chief Financial Officer. For those of you who are less familiar with Meredith, we are a publishing and broadcasting company who has served the needs of American families for 102 years now, largely through our service journalism. And each month we reach approximately 75 million American consumers through a combination of our magazines, our books, custom publications, our websites and obviously our television stations.

I am going to give you a very brief overview, and then Steve will discuss in detail both our broadcasting and publishing operations; and Suku will provide a financial update, including our current outlook. And then we'll take your questions.

Let me just start by restating today three objectives that we have articulated repeatedly and are still true today.

First, we are very committed to deliver on our continually strong track record of success and growth and particularly organic growth in our existing businesses. And as I think most of you know who are close to our industry, that's something that frankly requires a little cash investment on our part.

The second area that we are putting a lot of our emphasis is towards targeted acquisitions to fill in some gaps that we've discussed previously and to expand our reach in general. And I think you'll find that these acquisitions will clearly have readily apparent business logic. They're generally going to be manageable in size, and we expect them to be immediately or very quickly accretive to our earnings. I think good examples of recent ones are *American Baby* in our publishing area and the two Warner Brothers affiliates, the one in Chattanooga and the other in Kansas City, which we've acquired recently in our broadcasting arena.

The third avenue is one that obviously flows from these is growing shareholder value, and I think those of you who know our company know we have a great willingness to return any excess cash to our shareholders, whether that's through dividend increases or through the repurchase of stock, whichever may be most appropriate. Again, Steve will discuss our specific business strategies, and I am just going to highlight a few points as we get started.

As I said, our first real objective is to deliver strong organic growth from our existing businesses. And back in 2001 at the time of the advertising recession and before the events of 9/11, we put into place a series of growth initiatives that positioned us to lead in the rebound in advertising that has taken place in both of our industries. And I think the results we've been able to demonstrate over the last three years really confirm that those moves resonated well with the marketplace.

In terms of advertising, which of course is our dominant revenue stream, both of our businesses have significantly outperformed their respective industries. This graph, which breaks broadcasting revenue in six-month periods going back to 2001, shows the percentage point variance between our broadcasting station performance and the industry averages, again on a six-month basis going back to 2001, and is one of a significant and strong track record of performance.

The next chart really does the same thing for our publishing side of our business, and this graph again highlights the percentage point variance that our advertising page growth has had versus the entire magazine industry. And I think with our leading home and family magazines, our circulation expertise, and our ability to serve the needs of our consumers, we expect that differential to continue as we go forward.

All of this has contributed to a very strong financial performance over the last few years. This chart just summarizes our earnings per share growth going back to fiscal year 2002, and we have a June 30th fiscal year; simply to remind you that fiscal 2003 earnings per share increased 35%; '04 was 22%, again producing a record for us. The current First Call mean estimate has our earnings growing about 23% this year. If you put that all together, that would equate to about a 27% compound growth over this time period. That has translated itself into significant value creation for our shareholders, and I think that's well reflected on this chart, which again keys off from September 21, 2001 – that's when the markets opened after 9/11 – and where we've grown really over three times as fast as the S&P in this particular comparison.

I want to simply, before Steve goes on, reiterate some of the financial objectives that we've talked about as a company. And that has really revolved around continuing to grow the margins in our two core businesses and to ensure that we have the right kind of earnings per share growth. Two years ago we articulated when we had a 23% EBITDA margin in broadcasting that we would get to a 40% EBITDA margin by 2006. We ended 2004 at 32%, and we are very confident that we will achieve that 40% target that we've articulated.

In Publishing, where we really look at margins in terms of operating income, we had articulated a growth from a 17% margin by about a point a year to a 20% margin in '06. We're more than 18% in '04. We're well underway, and we'll certainly achieve that target as we go forward.

We've also said generally, as a way to think about us is that in political years you ought to be looking for at least mid-teen to high-teen earnings per share growth, in nonpolitical years, probably low double-digit growth – and clearly over the last few years we've been tracking ahead of those minimal targets we've set for ourselves.

What Steve is now going to do is talk to you about the two businesses and why we believe we can continue to keep that momentum going and continue to produce really strong performance for our shareholder base. I'll turn it over to Steve Lacy, our Chief Operating Officer.

STEVE LACY

Thank you very much, Bill, and good afternoon, everyone. We certainly look forward to the opportunity to be here with you each and every year at this point in time.

Let me start by addressing a couple topics that, given my experience in speaking to this group over a period of years, are probably top of mind for you as you think of our company at this point in time.

First and probably foremost, how are we going to continue the track record that Bill just discussed of both strong top and bottom-line growth? And let me start for just a moment with my view of the limitations around that as we look to the future.

In calendar 2004 that's about to finish, we booked a significant amount of political advertising at our television stations that certainly won't repeat in 2005. Additionally, like the rest of the magazine industry, we continue to experience volatile quarter-to-quarter, and even really issue-to-issue, advertising patterns. I think I'll be able to outline the answer to this important question during the balance of my presentation this afternoon.

But the short version is in fact that we have put in place some very sound and proven business strategies and have executed against these strategies in a market-leading fashion, time and time again. As a result, we continue to outpace our respective industries, as Bill just outlined on his slides a few moments ago. Also we've created new revenue streams in both of our businesses. In Publishing, our book and our custom publishing operation are growing rapidly, and those help reduce our dependence on magazine advertising. In our broadcasting business, we've added three new television stations and a radio outlet in 2004 alone.

Secondarily, you might be concerned about the change in our Broadcasting Group leadership and how that might disrupt our momentum. I'm here to tell you that we are very committed to sustaining and even increasing that momentum as we look to the future. The search for the new Broadcasting Group president is well underway, and I'm pleased to report that we've received really considerable interest from several very strong candidates. And I'm confident that we'll find an outstanding leader in the relative near term.

In the last 45 days, I have visited every station, some of them as many as three times. And let me share a couple of key observations from those visits.

First of all, we have a very strong group of station general managers in place and solid sales and news leadership at each location. On average, our station general managers have 25 years of broadcasting experience.

Second, we've continued to execute very well against our proven growth strategies. In the past month and a half alone, second-quarter pacings have increased about four percentage points. We finalized a series of agreements to extend most of our CBS network affiliations through the year 2011, and we completed the KSMO transaction in Kansas City that I'll talk about in a few minutes.

So with that as sort of an overview, let's take a closer look at our two businesses, starting with broadcasting. Here is a quick map of the Broadcasting Group. At present, you can see that we own six CBS stations, four FOX, one NBC in Nashville, a UPN, and a WB station. Eight of our stations are in the company's top 35 markets; and Las Vegas, which is ranked as market 51 in terms of population, really behaves as market 28 in terms of revenue. Additionally, we have an AM station in Flint/Saginaw, Michigan. Recently we announced that we're operating KSMO, the WB affiliate in Kansas City, through a joint sales agreement. I'll provide more details on that transaction in just a few moments.

Let's take a quick look at our broadcasting growth strategies. As I mentioned, these are the ones we've been continuing to operate against, and they are really around four major themes.

We'll continue to focus on the turnaround of our existing station group by increasing our news ratings at each station and of course converting those ratings to revenue and profit growth over time. We'll continue to add new revenue streams, and we want to form more duopolies and regional clusters as appropriate. We're anxious to acquire stations that will extend our reach. In particular, we're targeted on mid-size and growing markets across the country. Our growth strategies are very well targeted, and we have an excellent sense of execution around them.

Now, let me show you quickly how we've been delivering strong results.

Overall, the Broadcasting Group has improved its EBITDA margin more than six full percentage points when you look back to fiscal '03 and three points above that in fiscal '04, which of course was a nonpolitical year. We expect to continue this momentum and increase our EBITDA margin in fiscal '05, which for us will end on June 30th.

Improving our news culture has been a very important part of leading to better ratings over time. This slide highlights our late news improvement, comparing the household share from the November 2004 book to where we were in November of 2001. As you can see, we have enjoyed gains in our largest markets – Atlanta, Phoenix, Portland and Hartford – and at our CBS affiliates in Kansas City and FOX affiliate in Las Vegas.

I want to share a couple important highlights from the November 2004 book that I think demonstrate successful execution of our strategy of improving news by focusing on live and late-breaking stories. Our late news in Kansas City has led the market now for the first time since 1991. In Phoenix, our CBS station, KPHO, recorded its best overall rating book in the station's history. Its late news is now just one share point away from first place in that dynamic market. Both stations have created winning news cultures and news products that are resonating well in the marketplace, and we look forward to continuing on building that success over time.

Obviously, improving ratings is important but only if we're able to convert those rate gains to revenue growth. We've done an impressive job of growing the top line. This graph highlights our revenue growth for the 12-month period ending in September of 2004, compared with several of the broadcasters and the industry average, according to TVB.

As I said earlier, adding new revenue streams is also an important part of our growth strategy. Our Cornerstone programs leverage our publishing brands and package content from our magazines with print ads from local advertisers. The result is a customized mini magazine delivered to target customers in the local television marketplace. We've created additional revenue streams beyond Cornerstones at our TV stations as well, focused on local interests and events such as 4th of July celebrations across the country. Revenue from these Cornerstone programs and the additional programs in Internet sales at the station has increased from about \$3 million back in '01 to approximately \$22 million at the end of our fiscal '04. For fiscal '05, we expect revenue from these programs to be somewhere in the range of \$25 to 30 million.

We continue to expand our presence in growing and vibrant television markets. I want to provide a little more detail around our recent transaction in Kansas City. As a company, we've operated KCTV, the CBS affiliate in Kansas City, for 50 years. Given its strong local programming and our knowledge of the market, we've been exploring ways to extend our presence. Recently we entered into a joint sales agreement to operate KSMO-TV, the WB affiliate in the market. This transaction positions us very well to serve advertisers seeking the younger WB audience, along with the very powerful CBS audience with its top-rated prime time programming, market-leading sports, and our own award-winning local news.

As part of the agreement, we will move the KSMO staff into our KCTV facility and gain cost efficiencies as we integrate operations such as engineering, traffic and accounting. Bill and I were there yesterday to see the progress of this integration, and it's moving along very, very well. We expect this transaction to be earnings neutral in its first year and accretive thereafter.

The KSMO transaction marks the third time in calendar '04 that we've executed against our strategy of expanding our television presence. In January we launched WSHM, a low-powered CBS station up in Springfield, Massachusetts. It's operated out of our CBS station in Hartford. That station has generated nearly \$2 million in incremental revenue in the first nine months of calendar '04 alone. In August we acquired the WB affiliate in Chattanooga, Tennessee, adding to our southeastern cluster, which includes Atlanta, Nashville and Greenville. With these new stations and our duopoly in Portland, we have experienced generating cost efficiencies through operating multiple stations from a central location. We'll build on that experience to grow our broadcasting portfolio, once again focused primarily on duopolies and regional clusters across the country.

Our Broadcasting Group really is in great shape. Our strategies are very much on target, we have stations in growth markets, and experienced leadership in place. We've got a strong track record for delivering powerful results.

So with that look at Broadcasting, let's turn our attention for a few moments to the Publishing side of the business.

As most of you know, the Publishing Group has been a core strength of Meredith for well over a hundred years. Today we publish against 18 subscription titles, led of course by *Better Homes and Gardens* and *Ladies' Home Journal*. Our mid-size magazines, which include *MORE*, *Country Home*, *Traditional Home* and *Midwest Living*, are also quite successful. The American Baby Group, which we acquired in December of '02, extends our magazine portfolio to younger women and the growing Hispanic marketplace. We also have a lineup of approximately 150 special interest publications sold primarily at newsstand across the country. We have approximately 350 books in print, a custom publishing operation with marketing relationships with some of America's leading companies, including the Home Depot, DIRECTV and Chrysler. We also have a significant Internet presence with 26 web sites that we operate out of this group.

Here's a quick look at our publishing growth strategies. We'll continue to grow our existing businesses by increasing our advertising market share, expanding our advertising categories over time, increasing rate base and frequency of our mid-size titles, and of course growing circulation profitability. We'll broaden our magazine portfolio through acquisitions, or launches, and we're particularly interested in reaching younger women and the growing Hispanic marketplace. We'll expand our brand franchises by continuing to extend *Better Homes and Gardens*, *American Baby* and *MORE*, and create new services and revenue streams over time.

As Bill said, our long-term objective is to increase Publishing's operating profit margin to the 20% level by our fiscal 2006. We've improved operating profit margin more than a full point in each of the past two fiscal years, and clearly we're on track to achieve that 20% objective.

In terms of advertising pages, our magazines have outpaced the industry for the 12-month period ending with the October issues of this year. According to PIB, our total advertising pages grew 5.4%, and that's nearly triple the industry average, as you can see here on the slide. Looking at PIB data once again, you can see that *Better Homes and Gardens* and *Ladies' Home Journal* have once again increased their combined share of the women's service field, and we've done this about a point each year over the past decade.

We continue to experience strength in most of our core advertising categories, and this data is for the first nine months of calendar '04. The left side of the slide highlights performance in our five largest categories. The right side summarizes advertising performance in some of our key growth areas, in particular, retail, automotive, business and finance, and technology have experienced strong growth during this particular time period.

As we've discussed with this group before, circulation practices by certain members of both the magazine and the newspaper industries have become an overall industry concern. Our long-term, direct-to-publisher subscription strategy continues to differentiate Meredith in the marketplace and drive circulation profitability. And there are three fundamental principles to our subscription model.

First of all, we generate better than industry-average response rates from our direct mail, primarily due to our industry-leading consumer database and our expertise at marketing our editorial content.

Second, we derive the majority of our subscriptions from direct mail, insert cards and the Internet, rather than agent sources such as sweepstakes. This direct-to-publisher model results in higher renewal rates and delivers a responsive audience for our advertising partners.

And third, our subscription model is focused on long-term offers, generally two to three years in length. As a result, we generate higher renewal rates and spend less money to acquire replacement subscriptions for those who don't renew. Our direct-to-publisher model continues to perform well and is delivering strong circulation profit growth in our fiscal 2005.

As I mentioned earlier, we're focused on broadening our portfolio through launches and acquisitions. *MORE* Magazine and the American Baby Group both demonstrate successful execution against this strategy. *MORE* is our lifestyle title for affluent women for age 40 and above. It was launched in 1998 and has provided advertisers with an outstanding vehicle to reach this tremendous audience. Its advertising pages have grown at a 15% compound annual growth rate over the past five years. In September, we raised *MORE*'s rate base to one million, which will help us attract additional nonendemic advertising to the magazine.

As Bill mentioned, the American Baby Group has been an outstanding acquisition. It extends our magazine portfolio in two important audiences, younger women and the rapidly growing Hispanic marketplace. There are now 20 million women between the age of 30 and 40, and we see this group as an important growth opportunity. Health, parenting and fitness are topics that help attract these readers. We're looking for the right acquisition or launch opportunities around these subject areas.

Our core competencies in home décor, family advice and child-rearing are highly relevant to the Hispanic women in the marketplace. In the fall of 2005, we plan to launch a new product to serve this rapidly growing Hispanic market. At this point, it's premature to discuss details on a more broad basis, but we believe this market holds significant potential as we look to the future.

In addition to our powerful magazine business, we operate businesses that generate revenues from sources other than advertising and circulation. More and more, these businesses are also a point of differentiation between Meredith and our magazine competitors. Let's start with a look at Integrated Marketing, our custom publishing operation.

Integrated Marketing produced outstanding results in our fiscal '04, and we expect a strong second quarter in fiscal '05 as well. Larger programs that we're currently operating include the monthly programming guide that you see here on the slide for DIRECTV and customer loyalty programs for such major companies as Chrysler and Carnival Cruise Lines.

We continue to win major new business. For Proctor and Gamble, we'll now provide custom content and design for their direct-to-consumer marketing materials that are sent to specific P&G customer segments. The first segment we'll be supporting them on is the Hispanic market.

Additionally, we're leveraging our 75-million name consumer database to provide more comprehensive services to these corporate clients. For Hyundai, we're providing not only traditional customer and dealer loyalty programs but also services that take advantage of our database and our consumer marketing expertise. We're hosting Hyundai's database on our

system, supplementing their records with data from our files, to help them more effectively target and retain customers over time. As we look forward, we expect to add more clients and expand our existing relationships as a result of this database marketing expertise.

In the second quarter, our book business is experiencing strong sales of the 75th Anniversary *Better Homes and Gardens Cook Book* that you see here on the slide. And as a matter of fact we're sold out at this point in time. We recently signed three licensing agreements that will continue to strengthen our pipeline of new products.

First, we've established a multiyear strategic alliance with Discovery Communications to create home-related books developed from programs on the Discovery Channel, TLC, and the Discovery Home Channel.

Second, we recently signed a multiyear agreement to develop and publish children's books for Marvel Enterprises, featuring many of its popular characters, such as Spider-Man and the Incredible Hulk.

Third, we've signed an agreement with DC Comics to publish children's products based on the upcoming feature film, *Batman Begins*.

I'll close the book discussion by telling you that, based on the books we plan to publish in fiscal '05, our book business is delivering strong revenue and profit growth for the full fiscal year that will end on June 30th of '05.

So in closing, our publishing business is in great shape as well. We'll continue to grow our existing businesses, broaden our magazine portfolio, once again reaching out to younger readers and the Hispanic marketplace, expand our brand franchises, and create new services and revenue streams such as those we've discussed this afternoon.

So with that, I'm going to turn the program over to Suku Radia, our Chief Financial Officer, for a financial update, and then we'll be happy to answer any questions that you may have. Thank you very much.

SUKU RADIA

Thank you, Steve. Let me take just a few moments to discuss our strong financial position. Currently, we have \$300 million of debt outstanding, which is our private placement debt and will be repaid in tranches through fiscal 2008. As of September 30, 2004, our debt to trailing 12-month EBITDA ratio was 1.2, and our debt agreements require this ratio to be less than 3.5.

We also have access to \$400 million of additional capital, which allows us to be opportunistic with respect to strategic acquisitions. We will continue to look for properties like American Baby and the broadcasting transactions in Chattanooga and Kansas City that Steve described. In Publishing, we are targeting opportunities aimed at younger women and the Hispanic market, and in Broadcasting, we will concentrate on duopolies and clusters mostly in the mid-tier markets.

As Bill stated earlier, we will grow shareholder value and return excess cash to our shareholders. We certainly see the value in our stock and also view our active share repurchase program as an intelligent way to return cash to our shareholders. And this chart presents the cumulative amount paid for shares since fiscal 2000 to the present day. To date in fiscal 2005, we have repurchased more than 900,000 shares at a cost of approximately \$47 million, which is more than 120% of the total number of shares we repurchased in all of fiscal 2004.

Dividends are another intelligent method to return cash to our shareholders. We have paid a dividend for 57 consecutive years and have increased the dividend for the last 11 years. Traditionally, the Board sets the dividend at its January meeting. Earlier this year we increased the dividend by 26%, and; presuming that the tax rate on dividends remains at lower levels, we may choose to return more cash to our shareholders in the form of dividends.

With that review of our businesses and financial position, let's take a look ahead. It is our plan to update our outlook when we release second quarter earnings on January 25th. For now, let me reiterate the outlook we provided during our first quarter Earnings Call in late October. For the second quarter, we expect earnings per share to grow 40 to 45% from the 38 cents per share we earned in the prior year's second quarter. This growth equates to earnings per share of \$0.53 to \$0.55. And for all of fiscal 2005, as we stated in late October, earnings per share of \$2.63 are achievable.

And with that I am going to turn it back to Bill for concluding remarks. Thank you.

BILL KERR

Thanks, Suku. Just to sum up quickly, I think Brian is going to come back up and handle the questions, but I will just close with a couple of comments.

I want to reiterate again, we're on a very strong track for the organic growth of this business, and we're very committed to making that continue. We are pursuing what we think are intelligent, strategic acquisitions that have a lot of business logic and a lot of benefit. And we, as Suku has demonstrated in that last chart, are not shy about returning cash to the shareholder if we don't apply it in other forms.

I would say net-net, if you look at our company right now, both of our businesses are in great shape. We have a lot of depth in terms of our management teams, both in Publishing and in Broadcasting. I think we're producing outstanding products that are generating tremendous consumer demand, and we're producing very strong financial results, and we're committed to continuing to do that. So with that, we would, Brian, to you and anyone in the audience, we're happy to take questions.

BRIAN SHIPMAN

Thanks, Bill. There will be some microphones coming around. If you could wait for the microphone before you ask your question. While they're coming, I'll ask a couple of questions. Steve, could you clarify your comment on current pacings trends? When you announced for fiscal first quarter earnings, you had mentioned at that time that pacings were up roughly 20%,

and you mentioned today they're up 4%. So if you could clarify if that's regarding December or for the full quarter.

BILL KERR

Yeah. Do you want me to handle that?

STEVE LACY

Yeah.

BILL KERR

Yeah. In late October... I hope we did not confuse you with the statements here. In late October we were running a little under 20. We're now running a little over 20, so the growth is 4 points higher than it was in October.

BRIAN SHIPMAN

I see, okay. Thank you for the clarification.

BILL KERR

It has not gone from 20 to 4.

BRIAN SHIPMAN

Okay.

BILL KERR

It has gone from a little under 20 to a little over 20.

BRIAN SHIPMAN

Okay, thank you.

BILL KERR

And I'm glad you asked that, because that's a confusion I would rather not have coming out of the room.

BRIAN SHIPMAN

Almost every broadcaster I hear from would like to add to their duopoly positions or build duopoly positions, in addition to yourself. So is this desire having an impact on multiple selling, or sellers are asking for, and what are you really seeing out there in asking prices?

BILL KERR

Steve, do you want to deal with that one?

STEVE LACY

Well, Brian, I think the truth of the matter is that there is an awful lot more discussion of this topic than there are transactions executed and duopolies created. We do know, from a factual standpoint based on our experience in Portland, that there is a tremendous cost advantage. But I think the challenge is generally the ability to exchange properties that result in a transaction that's favorable for both parties. And I think that's the reason that there have really in fact been so few of them executed, although we all talk about it.

BILL KERR

I think I would have to add, there is just not enough deal flow to be able to make any conclusion about multiples at this point in time.

BRIAN SHIPMAN

Are there any questions from the audience? I would ask in addition, I suppose, if you have a preference for a network affiliation if you do make additional acquisitions?

BILL KERR

Steve, do you want to handle that on our preferences there?

STEVE LACY

Well, obviously at the moment we're enjoying the tremendous power of the CBS Network and the CBS audience. I think as we all know, those change over a period of time, and obviously, priced the right way, I think we're interested really in the market and what we can do in the market, maybe a little more than we are in the affiliation as we look at a particular transaction, Brian. Because we put a tremendous amount of emphasis on what we can do with the local news product that we create, especially if you're talking about one of the major affiliate opportunities.

BRIAN SHIPMAN

Question up front here.

QUESTION

When you bought the Atlanta property, you talked about a lot of things that you knew you had to do in order to turn it around. Right now, where are you in your game plan, and also what does that property mean to the portfolio as it has 7% of its market, according to your recent chart and the Annual Report?

BILL KERR

Steve, do you want to take the lead on that? Then I'll step in on it. There are really two parts: Where is Atlanta on track versus what we said, and what does it really mean for the future here?

STEVE LACY

That transaction, which we've now owned that business about five years, has certainly been slower in coming and proving itself than what we anticipated at the very beginning. We are now beginning to see some traction in our news product. We're beginning to get some ratings improvements and make some movement from a share standpoint. But we still have a ways to go before we would feel that it has really delivered against what we promised ourselves, our board and our shareholders. Interestingly enough, though, I think it's important to remember that it's the only CBS station in a top ten market that's not owned by the network, and we have certainly improved its value in the time that we have owned it. So I think it's a very, very powerful part of our portfolio and one that we would certainly be willing to use in a way that moves our business forward if it made sense in some sort of a transaction.

BILL KERR

Yeah. I think it's fair to say we had some early missteps there that probably cost us a couple years in terms of momentum, would be my feeling.

QUESTION

Considering your editorial expertise, the strength of your brands, and your relationship with advertisers, do you see opportunities for Meredith to be involved in a cable television, or I think television on a national basis, either through investing in a cable network, creating a cable network, or perhaps even as a producer of national programming?

BILL KERR

Steve, do you want to take that?

STEVE LACY

Sure. I do not think you'll probably see us move into a cable opportunity from an investment standpoint at this point in time, but I think there are some very interesting opportunities that I'll just comment on that we're focusing our efforts around at this point in time. I made reference to our special interest publication business, and in that business we create about 150 very targeted magazines that are not about inspiration, but they're about execution – how to remodel your kitchen, how to redo your bathroom, how to build a deck, how to create a beautiful perennial garden. We're doing some testing now, and there seems to be quite a bit of interest in terms of creating what you might think of as a video on demand companion to some of those activities. And it's a little bit like some of the cable television programming you see, but instead of, you know, the cable programming, which runs on their schedule, this would be a complement to our existing how-to business that would be purchased by the consumer and used on the consumer's

particular timetable. And we're actually creating one of those as we speak, for one of our major retail partners, and we'll get a good sense of what the consumer reaction is to that. So I think there are opportunities for our knowledge and to help impart that knowledge in a video fashion. But probably it won't be in a cable network sort of environment.

QUESTION

[inaudible question]

STEVE LACY

No. The way the content is housed – and I really appreciate that question – we developed a digital archive where all of our content is not only digitized but it's in a searchable archive. So as an example, if we want to pull information that has to do with remodeling your bathroom, it's all in one place, and we can use some of that photography and some of those stories to create these video products that we're speaking to. So it's really done more at the group level and with some assistance from the production capabilities that we have in our television stations, rather than add a particular brand level, although the products will most likely be branded Better Homes and Gardens. But it's not managed by the people that run the *Better Homes and Gardens* magazine.

QUESTION

Along the line, the question is about the use of the Internet. If all of your publications are in fact on the Internet and I can pull up all this type of information that's in your pages digitally, on the Internet, or if you have plans to do that?

STEVE LACY

Well, I think that's another wonderful point that I appreciate you bringing up. We have been a major player in the Internet space for about a decade now, and it was really my first job at Meredith after I left the Chief Financial Officer position. And they're very different businesses. We don't put the magazines on the Internet, because in the magazine it's very much about inspiration and very much about education, and on the Internet, as we all know, it's very much about taking action and doing something. So if you go to the Better Homes and Gardens website, which is a major portal – it has generally speaking, especially this time of year, somewhere in the range of five million unique visitors and sixty to eighty million page views that we serve every single month. There will be a very large number of important activities that you can execute against, such as putting together a holiday dinner by searching recipes. You can load all those recipes in to a tool that tells you the shopping list that you would buy, how to start all the recipes so everything ends at the same time. There are room arrangers for your furniture. There's how to create your own garden, and you can go to our archive and lift the plants that work in shade and work in sun and put it all together. So it's really about taking the inspiration that you'll find in our magazines and moving that to action on the Internet. We also use it, from a selfish standpoint, to sell many, many subscriptions to our magazines and our books and our products. That's how we monetize the activity, along with advertising.

BILL KERR

I think in today's world and as you go forward, it would be very hard, for example, to launch a new magazine without having a very vital Internet component with that magazine. I think they have become very integrated in the way at least a large number of consumers use them. And somewhat surprising to me, but a lot of our heavy users of the Internet-related parts of our products are not what we might expect in terms of our youngest readers but are in fact among our older readers who you do not think of typically as skewing towards your Internet and computer utilization, and that is something that we are sharing with a few manufacturers of computer equipment, as we look for advertising opportunities.

QUESTION – Peter

On the broad question, I was hoping you could share with us the renegotiation of the CBS Network affiliation agreements. How significant a burden does that create, if any, from a financial standpoint for you folks over the next year or couple of years? And then secondly in terms of the goal of the 40% EBITDA margin, which is very impressive, obviously, could you help us understand what the drivers of the improvement will be? Is it a function of just one or two markets turning around, or is it something more endemic to the broadcast business that has to happen to get you there?

BILL KERR

Sure. I'll let Steve take the lead on this, and he being the key guy in the negotiations with CBS, and I know we have some constraints on what we can say about that, but first let's do the affiliation extension.

STEVE LACY

Yeah. First of all, we do have obviously some confidentiality provisions around it, but we've always said, as long as I've been associated with the company – and I'm going to go to the compensation side of this – network compensation has never been a meaningful part of the revenue stream. And as a result of the renegotiation of these transactions, there's also no meaningful impact on our financial picture as we look out into the near term or longer term. So there's no major burden or anything that has been created. And in the markets that we were renegotiating these agreements, they've extended out through 2011, and it was a very amiable negotiation. And we are the largest owner of CBS stations other than the network itself, so we have an important relationship. And I am meeting tomorrow afternoon with Peter Schruth, as I do frequently when I'm in town, and it was an amiable arrangement and really good actually for both parties.

The second part of your question really had to do with, how do we move the numbers forward and how do we maintain the momentum. And first of all, I think it's important to remember that we've been about, and we're into the third year, I guess, of a turnaround of our group. And that's certainly not completed. We have made progress in our ratings and in our share of revenue, as we showed on the slide here earlier, but we're certainly not there. The greatest opportunities for us, as we look into the future, include not only the Atlanta market, which we've discussed, but

they also include Phoenix, where we've really been a laggard in terms of what the CBS stations should do in that market, and we're starting to really gain some traction there. And also up in Portland where we have the duopoly – and I think we've done a tremendous job of achieving the benefits from a cost standpoint – but that market has been weak, and we certainly are not where we would like to be from a revenue standpoint. In addition to that, obviously the ability to add our Chattanooga station and the station up in Springfield, and the radio opportunity, and what we're going to do in Kansas City with the second station, all of those help. But I think the most important thing is our consistent and aggressive focus on improving our news ratings and monetizing those ratings in the local market. And that is the key driver and the important determinant to reaching that ultimate objective of 40% EBITDA margin.

BILL KERR

I would just add two things to Steve's comments, that clearly, getting our programming costs under control has been a major component in this activity, and I think a large part of that has been achieved at this point in time. And I would simply again emphasize the continued execution of the strategy on news and the success in achieving news performance. You know, if you go back to the chart we have, with the exception of Hartford, we have not been the strong number one news player in virtually any market over a period of time. And we've come off the November book now, which is about the fifth book in a row of very strong movement forward generally at most of our stations. I think the Kansas City example that Steve gave, where we've really had the best performance and the first time the station has been in a number one position since 1991, and that is 13 years ago, and had been, had for many years been the perennial number three station. Then it started over the last couple years moving towards number two and this year was able to take the ten o'clock spot on news at night. That momentum is very strong across the stations. We have to continue that momentum, and we have to convert that into dollars. And I can tell you at this stage of the game it's a lot easier to convert it into dollars when you've actually got ratings improvement, rather than selling the prospect of ratings improvement. So that's what we've got to keep our foot on. But those are some of the elements in play.

SUKU RADIA

Let me just add one more comment, being the financial guy, to put the compensation in perspective. We have stated publicly that the network comp has been less than 2% of our broadcasting revenues historically. So that gives you a little better perspective on that.

QUESTION

Could you comment on whether you've seen any meaningful or noticeable threat or erosion to your advertising revenues from the Internet? And if it has been noticeable, have you noticed it more on the broadcasting side or the publishing side?

STEVE LACY

Well, first of all, obviously whenever you take the advertising pie and add a new media outlet, there's movement of dollars. In our particular case, I believe if we could figure that out, and I don't know that we can ever get those exact numbers, we would most likely find that it has been

incremental to our advertising picture. Because from the very beginning of the industry in any meaningful way, especially on the magazine side, we have had a very, very strong Internet presence. So we've been able to go in and bundle together not only a print deal but also add an Internet component. And usually the Internet component is some sort of a custom mini site which is part of the overall package and serves the user in a little different way. On the broadcast side is where we have been more challenged to actually drive revenue that we could count and measure into the local station marketplace. We do have pretty good sites and certainly credible sites at each and every station, and when you have a major storm or some kind of a major event, we get tremendous bursts of traffic. But we've tried a variety of things, having a dedicated seller at every station, tried to sell them at the group level. We're now looking at a rep opportunity from a national basis. But we've never been able to really move the cash register in the stations. But there's also not a meaningful amount of Internet revenue in most of those local markets either. But it's been good for us in Publishing.

BILL KERR

Yeah, and if you think about it on the broadcasting side, at our stations about 70% of the revenue is coming from local advertisers. And these have generally not been the people who have been taking advantage of the Internet as an advertising vehicle. And as Steve said, we've gained and are gaining at a fast rate, significant growth in Internet revenues. And there's no question the Internet has become a meaningful player in the advertising arena.

QUESTION

Could you give us an update on postage, paper and printing. I think at your Analyst Day this fall, you thought postage might be up significantly in calendar 2005. I think that's changed now, hasn't it?

STEVE LACY

Well, I'll start with the good news. From a printing standpoint, you can really look at about a decade-long decline in per-unit printing costs, and we really do have a tremendous relationship between our printers – and I'll use Donnelly as an example, where we create our big *Better Homes and Gardens* and *Ladies' Home Journal* magazines – but we actually have teams of people that work together over a long period of time to take cost out of the system. Those cost benefits are passed through to us, and so we certainly have not seen an increase and generally a meaningful decline in per-unit printing costs. And I don't believe that that will change significantly in the future. Paper is a commodity, and we move with the market, and our rates are renegotiated on a quarterly basis, and we're in an uptick at this point in time, kind of like that when we finish this year, we'll be sort of in the low single digits, low to mid-single digit increase in paper costs across the group. But it's manageable. The major concern that we have as an industry, and this is the magazine side once again, is a proposed, pretty significant price increase on the magazine side in postal, somewhere probably in the 10 to 15% range; some people say even higher. And we won't really understand how that'll all come together until we get into early calendar '06, would be our best estimate at this point. So there's no impact of this in the current fiscal year that we're in, and whatever impact there will be will be in the second half of our fiscal year ended June 30 of '06.

Any other questions? We'll wrap it up? Okay. Thank you very much.