# Meredith
CORPORATION


Publishing


Broadcasting


Interactive and Integrated Marketing

## 2000 Annual Report

As the cover indicates, Meredith Corporation consists of three closely linked operating groups – Publishing, Broadcasting and Interactive and Integrated Marketing. Regardless of the distribution method, each group provides branded content that is valued by consumers and effectively delivers the messages of our advertising and marketing customers. As a result, we believe Meredith is uniquely positioned to build long-term shareholder value.

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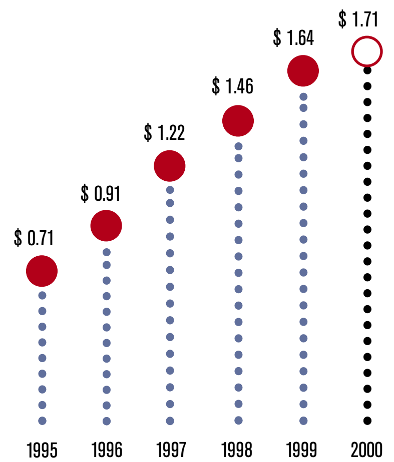
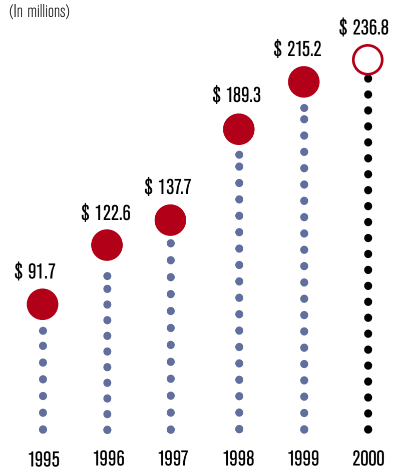
### Earnings Per Share from Continuing Operations before Nonrecurring Items




Earnings per share, from continuing operations before nonrecurring items, have grown at a 19 percent compound annual growth rate since fiscal 1995.

### EBITDA (Before nonrecurring items)

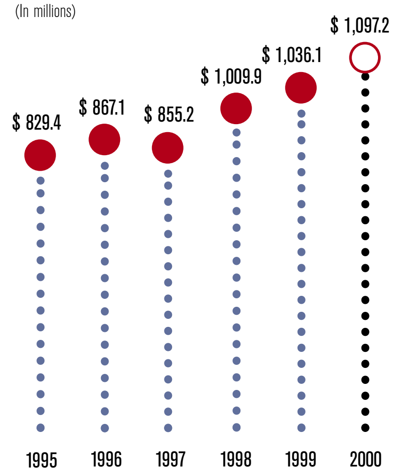
(In millions)




Earnings before interest, taxes, depreciation and amortization (EBITDA) have grown at a 21 percent compound annual growth rate since fiscal 1995.

### Total Revenues

(In millions)




Revenues have grown at a 6 percent compound annual growth rate since fiscal 1995.

## Meredith Corporation Financial Highlights (In millions except per share)

| Years ended June 30 | 2000 | 1999 | 1998 |
|---|---|---|---|
| Total revenues | $ 1,097.2 | $ 1,036.1 | $ 1,009.9 |
| EBITDA[1] | $ 236.8 | $ 215.2 | $ 189.3 |
| Income from operations | $ 161.3 | $ 171.1 | $ 152.5 |
| Earnings before nonrecurring items[2] | $ 90.1 | $ 88.2 | $ 79.9 |
| Diluted per share | $ 1.71 | $ 1.64 | $ 1.46 |
| Net earnings | $ 71.0 | $ 89.7 | $ 79.9 |
| Diluted per share | $ 1.35 | $ 1.67 | $ 1.46 |
| Dividends per share | $ 0.31 | $ 0.29 | $ 0.27 |
| Stock price: | | | |
| High | $ 42.00 | $ 48.50 | $ 46.94 |
| Low | $ 22.37 | $ 26.69 | $ 26.75 |
| Total assets | $ 1,439.8 | $ 1,423.4 | $ 1,066.0 |
| Long-term obligations (including current portion)[3] | $ 541.1 | $ 564.6 | $ 244.6 |
| Stockholders' equity[4] | $ 422.5 | $ 413.3 | $ 378.0 |

*1. EBITDA excludes nonrecurring items.*

*2. Nonrecurring items include a charge of 36 cents per diluted share in fiscal 2000 for the write-off of nondeductible intangible assets, severance payments and other charges primarily related to the closing of certain magazine titles, and a gain of 3 cents per diluted share in fiscal 1999 from the disposition of real estate operations.*

*3. Long-term obligations include broadcast rights payable and company debt.*

*4. Stockholders' equity includes the temporary equity classification titled, "Put option agreements."*

## PUBLISHING

The Meredith Publishing Group includes more than 20 magazine brands such as *Better Homes and Gardens, Ladies' Home Journal, Country Home, Traditional Home* and *Midwest Living.* Meredith titles include more than 100 Special Interest Publications annually, sold primarily on newsstands. Our book business also has more than 300 titles in print, sold mostly through retail distribution channels.

Our publishing brands provide the foundation of our home and family content expertise, centered on decorating, food, home improvement and remodeling, as well as gardening, health, family finance, crafts, and other hobbies and interests.

To continue its strong operating profit growth and to accelerate revenue growth, our Publishing Group is focused on the following strategies:

- **Capturing additional advertising revenues, particularly in growth categories such as technology, luxury goods, financial services and travel.**
- **Developing new and emerging brands.**
- **Building multi-platform marketing programs.**
- **Enhancing our circulation activities.**

## INTERACTIVE AND INTEGRATED MARKETING

The Meredith Interactive and Integrated Marketing Group strategically aligns the company's high-growth interactive media and integrated marketing businesses, as well as Meredith's consumer database operations.

Meredith's Internet presence includes 26 branded Web sites with a variety of content, marketing and e-commerce applications. Traffic and registrations generated by the sites continue to grow rapidly.

Meredith Integrated Marketing uses the company's extensive resources to create end-to-end marketing programs and custom publications for more than 60 of the country's most respected companies and brands such as The Home Depot, Kraft Foods and Nestlé USA.

The Meredith consumer database is one of the company's most valued assets, containing more than 60 million names and covering seven out of ten home-owning U.S. households. By combining this resource with the company's Interactive and Integrated Marketing initiatives, we will further develop its value in achieving revenue and profit margin growth.

The strategic alignment of these businesses and resources sharpens our focus on their significant revenue and profit growth potential. The group's strategies include:

- **Expanding and accelerating our Internet-related efforts on a company-wide basis. Initiatives are centered around *bhg.com*, our television stations' Web sites, strategic alliances and Web-based subscription sales.**
- **Adding new marketing clients and expanding our relationships with existing clients.**
- **Enhancing and leveraging our consumer database.**

## BROADCASTING

The Meredith Broadcasting Group includes 12 television stations in several of the nation's fastest-growing markets, including Atlanta, Phoenix, Orlando, Portland and Las Vegas. Eight of our stations are located among the country's 35 largest markets. Our Broadcasting Group consists of six FOX affiliates, five CBS affiliates and one NBC affiliate.


Our Broadcasting Group is pursuing several initiatives to improve its financial performance and enhance its competitive position. Our immediate focus is on the following:

- **Continuing to enhance the performance of WGCL-TV, the Atlanta CBS affiliate.**
- **Strengthening sales and marketing programs.**
- **Increasing the ratings of our local news programming.**
- **Improving cost management and station accountability.**


Better Homes and Gardens
NEW COOK BOOK
Midwest Living
Time to try something new!
Bright ideas to warm up your Midwest winter
GETAWAYS
SO-GOOD SOUPS
SNUGGLY FASHIONS from the NORTH WOODS
Winter Shortcake
more
50 WAYS TO FIND A LOVER
SUMMER STYLE HOT LIST
DOES SIZE MATTER? WOMEN TELL THE TRUTH
Country Home
flea-market cottage
arranging antiques
before&after decorating


food&family
an all-american summer
3 free recipe cards inside
Celebrate summer with all-American favorites
Linking Faith, Values and Finances
bond
class of 2000
Keeping the Faith
Arizona's First Television Station
NEWSHAWK5
Better Homes and Gardens
back to school
Decorating Attitude Quiz
Pool & Spa Guide


KPDX
Portland
KFXO
Bend
KVVU
Las Vegas
KPHO
Phoenix
KCTV
Kansas City
WNEM
Flint/
Saginaw
WFSB
Hartford
WSMV
Nashville
WHNS
Greenville, S.C.
WGCL
Atlanta
WOGX
Ocala/Gainesville
WOFL
Orlando


WFSB
HARTFORD CBS

# TO OUR SHAREHOLDERS

Fiscal 2000 was another year of improved financial performance for Meredith.

- Earnings per share grew to a record $1.71, marking our eighth consecutive year of improved earnings from continuing operations.
- Earnings before interest, taxes, depreciation and amortization grew 10 percent to a record $236.8 million.
- Return on equity was 21.3 percent.

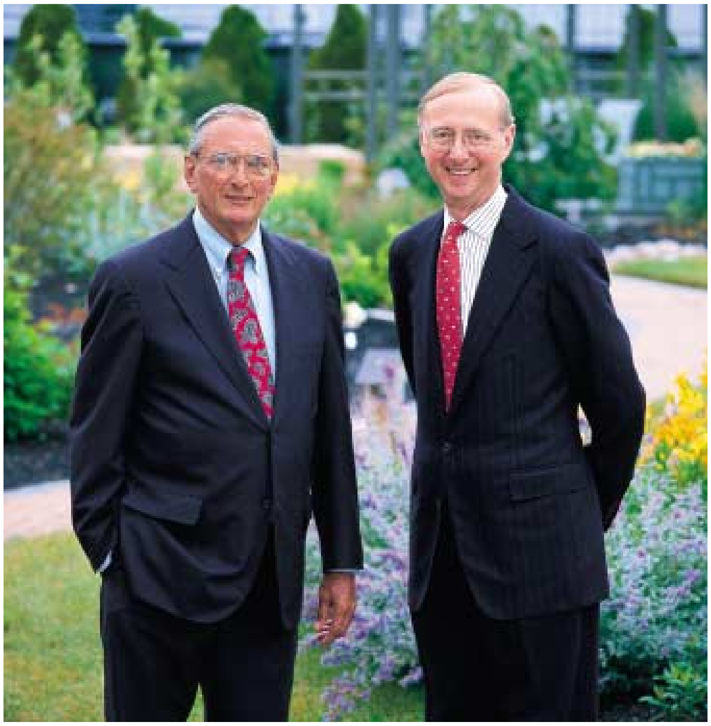
These results include the impact of strategic investments in circulation and the Internet. However, these results exclude one-time pre-tax charges of $23.1 million, or 36 cents per share, primarily associated with the closing of certain magazine titles that no longer fit our business strategies.

As you read this report, you will note that our Publishing Group recorded an exceptional year of financial growth. Nearly all of our publications continued to improve their performance. Our exceptional brands and proven strategies have fueled the Publishing Group's history of strong performance and position us for continued growth.

In fiscal 2000, we made an important strategic move by creating the Interactive and Integrated Marketing Group. The new group aligns our interactive media, integrated marketing and database operations, but also remains closely aligned with our publishing business. The group provides significant growth opportunities for Meredith.

Our Broadcasting Group made significant strides in fiscal 2000. Of particular note were sales, news and programming enhancements implemented at our CBS affiliate in Atlanta. Additionally, we continued to expand our news and improve programming and marketing across the group. However, broadcasting did not meet our performance expectations in fiscal 2000. We are implementing several initiatives, discussed later in this report, that focus on revenue and margin improvement for our television stations, both in the intermediate term and over time.

We recognize that our acquisition of the Atlanta television station in March 1999 and our accelerated Internet and circulation investments have temporarily slowed our rate of very strong earnings growth. We believe these factors, along with uncertainty surrounding local television broadcasting and our Broadcasting Group's performance in particular,



*Meredith Chairman and Chief Executive Officer William T. Kerr, at right, is pictured with E.T. Meredith III, Chairman of the Executive Committee of the Board of Directors, in the* Better Homes and Gardens *Test Garden in downtown Des Moines, Iowa.*

contributed to the volatility of our stock price in fiscal 2000. Nevertheless, we are confident that our investments and business strategies will drive significant long-term financial growth and profitable market share gains, which are critical for building shareholder value over time.

Reflecting our belief in the company and our strategies, we have increased our stock repurchase program. We repurchased 1.7 million shares in fiscal 2000, with the majority purchased in the second half of the year. This compares to the 1.1 million shares repurchased in the prior year.

## Building shareholder value

Convergence and consolidation are creating sweeping changes in the marketplace, and the blending of new and traditional media presents both challenges and opportunities. Through this transition, our commitment to serving our customers and building value for our shareholders remains unchanged.

As we look to the future, Meredith possesses a tremendous and unique set of assets that will be instrumental in achieving our growth objectives:

- We have well-established publishing and broadcasting brands that have earned the trust of consumers. Our brands go far beyond product identity – they represent trusted, quality products that provide a strong bond between our company, our audiences and our marketing customers. This bond will be the key to building new brands and extending our existing brands to create successful new businesses.

**Taking a long-term view of the company, we see Meredith's future predicated on two broad concepts. First, we will be the leading provider of home and family content valued by consumers and delivered through any medium. Second, we will be a leading marketing company, uniquely positioned to deliver the messages of our customers.**

- With these brands, we create a wealth of content that can be delivered in many formats. Our history and strong market position in magazine and book publishing provide a solid foundation for our home and family content expertise. This content can be distributed through any medium – whether it's printed in our magazines and books, or applied to the Internet or television programming. The same is true in our broadcasting markets, where we are experts in local news, weather, sports and other community information.
- Through our publishing and broadcasting operations, we reach more than 75 million consumers each month. This provides invaluable opportunities to promote our own products, in addition to those of our marketing customers. While many Internet start-ups are spending millions of dollars each year to market their new brands, products and Web sites, we already have many promotional vehicles in place.
- Our consumer database contains more than 60 million names, with information on seven out of ten U.S. home-owning households. Beyond its sheer size, our database represents a deep knowledge of a very demographically attractive market. The people included are more than just consumers – they have families, they own homes, they immerse themselves in a variety of interests and activities, and they have tremendous disposable income and buying power. Our sophisticated application of this information makes the database a valuable marketing tool.
- Our Internet presence includes 26 sites with a growing number of unique applications to generate user traffic and registrations – critical for revenue growth and circulation efficiencies. The Internet is founded on connectivity, integration and personalization. These traits complement our existing businesses and result in exciting new opportunities. Our presence and progress in this medium provide a catalyst for future growth.

## *MANAGEMENT AND BOARD DEVELOPMENTS*

We're pleased to welcome Suku V. Radia as our new vice president – chief financial officer. He has extensive experience counseling senior management of national and international companies. Suku replaces Stephen M. Lacy, who became president of the new Interactive and Integrated Marketing Group. We are confident that this group, under Steve's capable leadership, will significantly drive growth for Meredith.

Additionally, we promoted Cary D. Jones to president of our Broadcasting Group. Cary's experience and leadership will play a vital role in the execution of our broadcasting initiatives.

Richard S. Levitt will retire from our board of directors, effective with the November 2000 annual shareholder meeting. We have greatly valued his counsel and service throughout his 30 years as a director.

Mell Meredith Frazier has been nominated to fill Mr. Levitt's position. Mell has worked in a variety of strategic and financial positions in the company. She currently is director of corporate planning. Her nomination is part of a long-term transition planned for Meredith family representation on the board.

- Our integrated marketing business provides services that help our clients strengthen their relationships with consumers. Our consumer insight, editorial expertise and distribution resources translate into high-value communications programs for a large and growing number of well-known companies and brands.
- Finally, our employees – and their integrity, creativity, initiative, teamwork and entrepreneurial spirit – are the company's most important resource. After all, it is our employees who build the brands, create and distribute the content, analyze the consumer database and implement the marketing programs. A top priority is to continue recruiting, developing and retaining an exceptionally talented workforce.

## A vision to guide us

We will use this extensive set of assets and expertise to embrace evolving market trends and accomplish our strategic objectives. We recognize what our company must accomplish to create value for our shareholders over time. Our immediate focus is on several tasks:

- Continuing the strong performance of our Publishing Group.
- Strengthening the performance of our Broadcasting Group.
- Cycling through our current investment program to ensure strong earnings growth.
- Identifying additional ways to accelerate our revenue growth.
- Building and retaining a superior workforce.

Over the long term, we see Meredith's future predicated on two broad concepts.

First, we will be the leading provider of home and family content valued by consumers and delivered through any medium. This has been our foundation, and many of our products already provide market-leading content. Nevertheless, our ability to adapt and continue creating timely, helpful service journalism, which inspires our audiences and enables them to take action, will remain our core.

Second, we will be a leading marketing company, uniquely positioned to deliver the messages of our advertising and marketing customers. Through traditional advertising that reaches millions of consumers at a time, through custom one-to-one programs, and through integrated programs that involve several media distribution platforms, we will continue to deliver results that help our clients build their brands and sell their products and services.

This dual focus will result in exceptional businesses that produce strong financial results and build value for shareholders for many years.

We want to thank our shareholders, customers and employees for their continued support. Meredith is a great company with a proud tradition and an outstanding record of achievement. Our best days are yet to come. We look forward to growing and enhancing Meredith's leadership position in the media and marketing business.

Sincerely,

William T. Kerr
Chairman of the Board and
Chief Executive Officer

E.T. Meredith III
Chairman of the Executive Committee
of the Board of Directors

August 30, 2000

# PUBLISHING

**The Publishing Group posted another year of record revenues, operating profit and operating margins in fiscal 2000. *Better Homes and Gardens* magazine maintained an impressive leadership position in its field.**

Our success stories extend well beyond our largest title. Nearly all of our magazine brands continue to improve their performance, particularly *Traditional Home, Country Home* and *Midwest Living.* Our book publishing business and our lineup of Special Interest Publications are showing very strong growth. Emerging brands such as *MORE, Renovation Style* and *Hometown Cooking* are also key contributors to our revenue improvement.

To continue our strong operating profit and margin growth, as well as accelerate revenue growth, our strategies include:

- Continuing to broaden our advertising base.
- Developing new and emerging brands.
- Building multi-platform marketing programs.
- Enhancing our circulation activities.

Our editorial strength provides the core of our content expertise in decorating, food, home improvement and remodeling, as well as gardening, health, family finance, crafts and other hobbies and interests. Consumers recognize and value the unique editorial voice of Meredith brands. Our service journalism approach is focused on our readers and how they can redecorate their master bedrooms, plan quick but elegant meals or remodel their family rooms. From this editorial foundation, we have built – and will continue to build – numerous advertising and circulation successes. We fiercely protect our reputation for providing the best home and family content.


## Broadening our advertising base

One of the Publishing Group's key strategies is to continue expanding our advertising base. Our top advertising clients include home, food and auto companies that market their products and services to a broad segment of American families. At the same time, many of our products serve very upscale and targeted audiences that attract a new set of advertisers – especially in the technology, luxury goods, financial services and travel categories.

## Developing emerging brands

Our commitment to building new brands also fuels the Publishing Group's success.

We launched *MORE* magazine in the fall of 1998 as a bi-monthly magazine with a rate base of 320,000. The magazine, one of our strongest emerging titles, is increasing to a frequency of 10 times annually with a rate base of 600,000. *MORE* has also developed a Web presence through an alliance with ThirdAge Media, resulting in a branded beauty and style channel targeting women over 40.

*Family Money,* launched as a quarterly magazine, has grown to a bimonthly with a rate base of 525,000. The magazine is also significantly enhancing its Web offerings on familymoney.com. Additionally, we are applying the tax and financial planning content from *Family Money* to custom publications for The Principal Financial Group and to marketing promotions sold by our television stations.

**We fiercely protect our reputation for providing the best home and family content.**

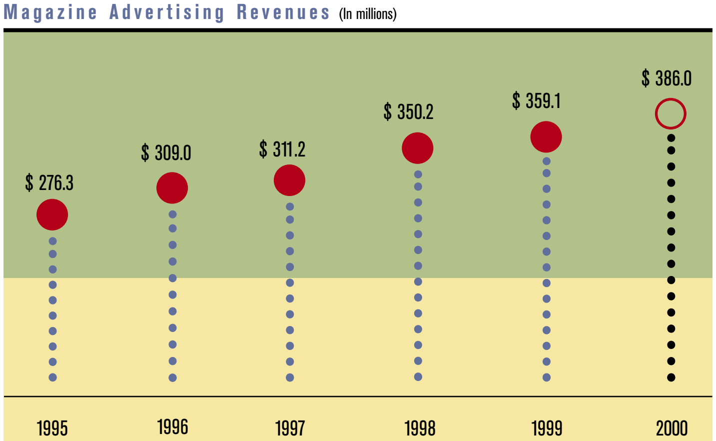
In fiscal 2000, we launched *Hometown Cooking* and *Antiques Extra* as our newest subscription magazines. *Hometown Cooking,*


**Our commitment to developing our new and emerging brands – such as *Renovation Style, Family Money, MORE, Hometown Cooking* and *Antiques Extra* – fuels the Publishing Group's success.**

a spin-off of the *Better Homes and Gardens* brand, features recipes from regional and local cookbooks across the country that are first tested in the *Better Homes and Gardens* Test Kitchen. The magazine has a unique editorial and design premise, and readers have responded enthusiastically to it. *Antiques Extra,* a spin-off of the *Country Home* brand, helps antique collectors identify the hottest trends and buying locations. The initial success of both titles demonstrates our ability to extend existing brands and efficiently cross-market additional products to our existing customers.

Note our emphasis on developing new brands – not just magazines. The difference is subtle, but critical for success in the new media and marketing environment. As we continue to develop new products to serve evolving consumer needs, we expect the content to be distributed through numerous media outlets to generate multiple revenue and profit streams.

**Magazine Advertising Revenues** (In millions)




Advertising revenues for our magazines have grown at a 7 percent compound annual growth rate since fiscal 1995.

## Building multi-platform marketing programs

Another driver of Meredith's publishing success is the creation of unique multi-platform marketing programs. For example, in early fiscal 2000 we created "Blueprint 2000 – America's Home for the New Millennium." Intel Corporation was a lead sponsor of the program, which was marketed through the full array of *Better Homes and Gardens* properties – including the Web site, television show, magazine, and a 20-city mall tour that included eight of our television markets.

For the summer and fall of calendar 2000, we created a similar program highlighting the *Better Homes and Gardens* "Intelligent Kitchen." Sponsors include a diverse lineup of advertisers, such as Microsoft, Armstrong Residential Flooring, 3Com and KitchenAid. (See the sidebar on page 10 for more details.)

## Enhancing our circulation activities

We have stepped up our consumer marketing initiatives to further boost the profit margin of our circulation efforts, sell more subscriptions through the Internet and increase revenues from single-copy sales.

To accomplish this, we have been increasing the volume and accelerating the timing of our direct-mail marketing efforts. The shift to more direct mail has a short-term accounting impact, because we are required to record costs at the time of the mailing but realize revenues over the life of a subscription. However, our direct-mail marketing efforts generally yield higher response rates, pay-up rates and renewal rates than other subscription sources or the industry averages. This success reflects the editorial strength of our products and the growing sophistication of our consumer database. As a result, we are confident that increasing our direct mail efforts will improve long-term circulation economics.

Another circulation initiative involves expanding our Internet-based programs that encourage more consumers to subscribe to and renew Meredith magazines online. Generating subscriptions through the Internet can dramatically increase circulation margins by reducing mailing costs related to our subscription acquisition efforts.

By increasing the number of subscribers gained through both direct mail and the Internet, we ultimately increase the quality of our circulation base and create more opportunities for cross-selling and renewals.

Also regarding circulation, we are boosting single-copy sales. While most large magazine companies have experienced declines, Meredith has increased revenues from single-copy sales over each of the past several years. We remain strong for several reasons. First, we have retail powerhouse titles – particularly our lineup of Special Interest Publications, as well as *Traditional Home* magazine and *Country Home* magazine. For example, the CAPEL CIRCULATION REPORT recognized *Traditional Home* for having one of the greatest newsstand growth rates and the most consistent newsstand growth of the past decade. In addition, the display of our magazines at book superstores and large retailers – including home improvement, home decorating and mass retailers – results in tens of thousands of new premium outlets for sales. These will be important sources of continued circulation revenue and margin growth.

Our Publishing Group's editorial, advertising and circulation strategies have served us well. The ability to apply our core strengths and extend our expertise to new initiatives and opportunities will continue to drive financial growth.

## THE INTELLIGENT KITCHEN – MULTI-MEDIA MARKETING IN ACTION

The Intelligent Kitchen, a studio set created by the editors of *Better Homes and Gardens,* illustrates how Meredith can combine its editorial and marketing expertise to create unique multi-platform programs that generate new revenues. The Intelligent Kitchen showcases a variety of the latest appliances currently available to consumers – in a techno-savvy yet accessible and livable environment. The kitchen's features include a halogen oven that doubles as a microwave, a warming drawer for storing food between cooking and serving, and Internet access through the phone, television and computer.

Sponsors of the Intelligent Kitchen include Microsoft Corporation, Armstrong Residential Flooring, 3Com and KitchenAid. The sponsors and editorial content are promoted through our full array of print, broadcast and interactive properties. These include:

- In-depth editorial sections in the November 2000 issue of *Better Homes and Gardens* magazine.
- A special Web section within the *Better Homes and Gardens* site, *bhg.com*, including a blueprint of the design and step-by-step animated instructions for creating the kitchen.
- A full episode of nationally syndicated *Better Homes and Gardens* Television, airing in October 2000.
- Customized television news segments and printed editorial supplements, which include marketing sponsorships sold by our television stations.
- A virtual video tour of the kitchen presented through the *Better Homes and Gardens* Mall Show at 20 major locations across the country, including eight of our television markets.

# INTERACTIVE AND INTEGRATED MARKETING

**Fiscal 2000 marked the creation of our Interactive and Integrated Marketing Group, although several of its operations are far from new to Meredith.**

Over the past few years, we have built an Internet presence that includes 26 branded Web sites. We are industry leaders in integrated marketing based on the number of clients, depth of services and measurable results we have achieved. We also have developed one of the media industry's most extensive consumer databases – a critical asset for supporting the growth of all our businesses.

The strategic alignment of these operations sharpens our focus on their significant revenue and profit growth potential. Our strategies for realizing this potential include:

- Expanding and accelerating our Internet-related efforts on a company-wide basis.
- Adding new marketing clients and expanding our relationships with existing clients.
- Enhancing and leveraging our consumer database.

## Accelerating Internet-related efforts

We are very optimistic about the success of Meredith's interactive media operations and our ability to develop a business that generates significant revenues *and* profits. Based on our Interactive efforts to date and a comprehensive Internet business assessment, we see many opportunities for cost savings and revenue growth.

In addition to shifting subscription and renewal activities from direct mail to the Internet, we can significantly reduce costs through Web-enabled self-service features such as address changes and other account maintenance.

Our Internet initiatives offer significant potential for advertising and sponsorship revenue, particularly as we continue to build traffic and compelling interactive applications. We also can increase e-commerce revenues through customized arrangements with manufacturers and retailers. Another significant way to monetize our leadership position in consumer media is to perform direct marketing services for clients.

As consumers register on our sites, we are able to supplement our existing database and build digital marketing applications with unparalleled depth.

With these cost-saving and revenue opportunities in mind, we have developed our Internet strategy with four fundamental initiatives.

First, we are creating the premier home and family Internet site, with extensive and unique content and applications in our core content areas of decorating, food, home improvement and remodeling. Employing a modular architecture, we will

**Based on our Interactive efforts to date and a comprehensive Internet business assessment, we see many opportunities for cost savings and revenue growth.**

**In fiscal 2000, we developed in-depth relationships with several Internet-based companies, including HomePortfolio.com, which is a leading Internet destination for premium home-design products, and ThirdAge Media, which includes a "Beauty and Style" Internet channel in alliance with *MORE* magazine.**

use our flagship site – *bhg.com* – as a launch platform, with branded content available for our other publishing and broadcasting sites. In addition to generating significant revenues and cost savings, this initiative focuses on broadening the consumer experience.

Broadening the consumer experience involves deepening our content, increasing functionality and making navigation easier. We plan to further "version" the site – building some sections with free content, and other areas where we will ask the consumer to register before accessing the content. We are also creating communities, in the form of discussion groups and message boards, to stimulate use of the site and retain visitors. In addition, the site enables visitors to take action by conducting e-commerce transactions such as purchasing Meredith products and services.

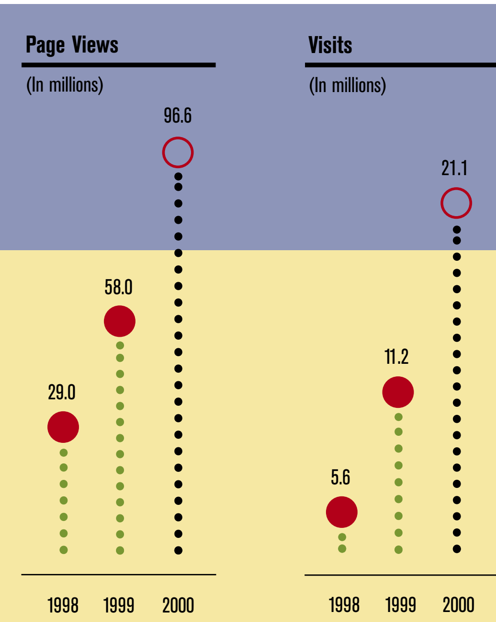
As a second initiative, our group is working closely with the Broadcasting Group to build a credible Internet presence for each of our television stations, to extend their brand identities and local news programming.

A third initiative involves expanding our program of strategic alliances and equity investments in Internet partners. We already have established important alliances with HomePortfolio.com, XSAg.com, ThirdAge Media, golf.com and America Online, and we continue to pursue additional opportunities.

As we develop these alliances, we ensure they include e-commerce and interactive applications to enrich the content on our sites, extend our brands, and drive traffic and revenue to Meredith sites. We include magazine advertising in many of the agreements as well, helping drive business to our publishing properties.

Finally, we are focused on acquiring significantly more subscriptions online. We have challenged ourselves to generate 1.5 million magazine orders through the Internet during the next three years.

We are encouraged by our progress. While absolute numbers are still in the tens of thousands, magazine subscriptions generated through the Internet are accumulating quickly. Even small shifts to the Internet can have a significant profit impact. Notably, we would not have reached many of these subscribers through traditional mailing sources, and we are capturing them at a relatively young age. This efficient source for attracting new customers bodes well for the future.




Over the past two years, page views on our flagship site, *bhg.com*, have more than tripled, and visits have grown nearly four-fold.

## Expanding our marketing relationships

Our Integrated Marketing business is expanding our relationships with existing clients and adding new marketing clients. We have established relationships with more than 60 of the country's leading companies and brands, including Kraft Foods, Nestlé USA, The Home Depot, Lutheran Brotherhood and Iams. These relationships are important because they provide additional revenue sources to complement our traditional advertising and circulation revenues.

Our ability to pull together numerous resources and build complete "concept-to-doorstep" programs sets our integrated marketing business apart from the competition. We work with our clients through every phase of the process – from sophisticated up-front planning, market analysis and research, customer segmentation and strategy development, to creation of superior content-driven communication programs and measurement of results.

Our effectiveness is evident from the significant growth of existing relationships. Our work for The Home Depot and Kraft Foods, for instance, began with single custom publishing projects. Our relationships with both companies have evolved into sophisticated, multi-element brand-building programs. In fact, revenues from our five largest relationships grew four-fold from fiscal 1997 to fiscal 2000.

In fiscal 2000, we also added several clients to our roster, including United Healthcare, The Principal Financial Group, Kodak and ConAgra's Healthy Choice brand. Our success has continued into fiscal 2001, as we have added programs with Hershey Foods and The Home Service Store. We expect to continue the rapid growth of this business.

## Leveraging the database

A third initiative of the Interactive and Integrated Marketing Group is enhancing and leveraging our consumer database. Our database, which contains more than 60 million names and contains information on seven out of ten home-owning U.S. households, is the largest domestic database among media companies. We can take advantage of this resource by developing best-customer profiles and extracting highly targeted consumer segments for our own products and in concert with our Integrated Marketing clients.

Because of the significant depth and breadth of the data – an average of 300 data points for each of the 60 million individuals – we can identify, select, market to and retain customers more efficiently and effectively than ever before. By aligning this resource with our Interactive and Integrated Marketing businesses, we are able to further expand the database and make it an integral part of our direct marketing initiatives. Its value in targeting specific products and services to individuals with corresponding needs and interests serves our publishing and broadcasting businesses, as well as our advertising and marketing clients. As a result, the database will continue to drive important revenue and profit margin growth for the entire company.

We are enthusiastic about the significant growth potential of this new operating group. Our more aggressive pursuit of these Internet, integrated marketing and database opportunities demonstrates our commitment to remaining a key content provider in the new economy and solidifying our position as a leading media and marketing company.


### *NEW INTEGRATED MARKETING RELATIONSHIPS*

Our integrated marketing business generated significant new revenues by launching custom and integrated communication programs with a diverse group of new clients in fiscal 2000, such as:

- United Healthcare, including the "Truly Yours" magazine and "Tapestry" newsletter. "Truly Yours" is mailed to 3 million customers three times per year. "Tapestry" reaches 200,000 customers three times per year.
- The Principal Financial Group, including the publication of "Plan Ahead, Get Ahead" in conjunction with *Family Money* magazine. The magazine is distributed quarterly to more than 1.2 million Principal Financial Group customers.
- Kodak, including a custom magazine called "Everyday Pictures."

# BROADCASTING

**Our Broadcasting Group faced a number of challenges in fiscal 2000. Going forward, we are focused on several initiatives to improve our stations' performance and optimize the group's potential.**

We believe a number of factors have contributed to the Broadcasting Group's challenges. In fiscal 2000, the network rating cycle clearly turned in favor of ABC and WB, while the FOX network and affiliates across the nation did not fare well. In addition, increases in available advertising inventory have affected the ability to raise rates throughout the industry.

Additionally, we have been making significant investments in WGCL-TV (WGNX prior to July 4, 2000) to improve the station's competitive position and long-term performance. We also have invested in expansions of local news production and extensive station branding and market research. While we expect these investments to pay off over the long term, they have caused a reduction in operating profit and margin for the group.

Nevertheless, broadcast television maintains high cash-flow margins and remains an exceptionally powerful and effective mass-reach medium. Broadcasters also have several advantages in the digital environment – most notably, valuable spectrum. As a result, we believe numerous opportunities lie ahead for local broadcasters, and we're undertaking several initiatives to improve our stations' results.

Our immediate focus is on:

- Continuing to enhance the performance of WGCL-TV.
- Strengthening our sales and marketing programs.
- Increasing the ratings of our local news programming.
- Improving cost management and station accountability.

**We believe numerous opportunities lie ahead for local broadcasters, and we're undertaking several initiatives to improve our stations' results.**


In addition, our long-term planning for the Broadcasting Group includes:

- Maintaining strong network relations.
- Developing additional revenue streams.
- Diversifying our affiliate portfolio.

## Enhancing the performance of WGCL-TV

No other initiative is more important to our Broadcasting Group than enhancing the performance of WGCL-TV, the Atlanta CBS affiliate. When announcing the acquisition, we heralded the addition of a fast-growing top 10 market and the station's great potential for significant revenue share gains and operating improvements.

Since we acquired the station, our efforts to improve its performance have concentrated on specific news, sales and marketing, and programming initiatives. These fundamental changes are not quickly or easily achieved – but we are encouraged by our initial progress with each step taken. For example, we tripled our daily local news production, from 90 minutes to 4.5 hours. The ratings decline that the station was experiencing has been reversed.

Our news products are attracting more viewers and establishing clear credibility in the market. In fact, the station won several of the top Associated Press awards for television news in Georgia this year – including Best Newscast, Best Spot News Coverage, Best General Reporting and Best Sportscast. The station also received a Regional Emmy Award for Best Newscast. Another important action to separate the station from its past performance is a complete brand positioning effort, which includes a change in call letters. On July 4, we launched a campaign transforming CBS Atlanta to WGCL-TV, "We're Georgia's Clear TV News."

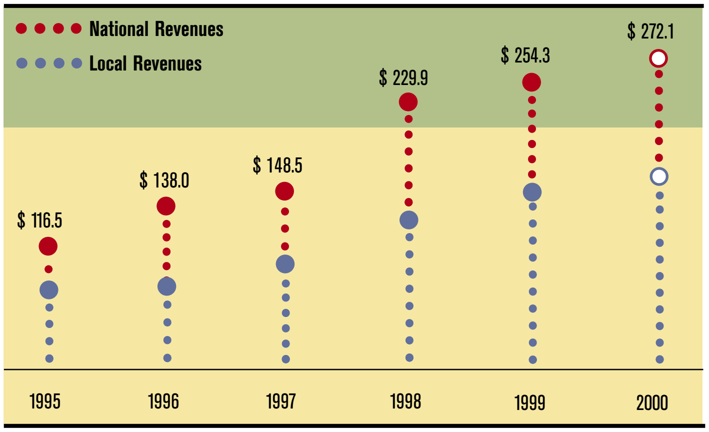
We look forward to translating the station's momentum into significant long-term revenue and profit growth.

## Strengthening our sales and marketing programs

Another core strategy is strengthening our sales programs. A significant step is creating enterprise sales teams in four of our markets. In the new structure, some sellers concentrate on existing clients that are negotiation-driven, while enterprise sellers focus on new business development from clients who have not traditionally advertised on television. We believe this action better positions each of our account executives to use their skills. In addition, the teams will be instrumental in driving new business and revenue growth at our stations. Depending on their success, we plan to roll out this model to our other large-market stations.

In addition, we realize that strong sales leadership is critical for each station. Aggressive sales training and development programs, as well as recruiting and retention initiatives, are ensuring that we have the best sales leadership teams in place now and in the future. As a result, we expect our stations' revenue performance to outpace the growth of their markets.

**Broadcasting Advertising Revenues** (In millions)




Since fiscal 1995, broadcasting advertising revenues have grown at a compound annual growth rate of 18 percent.

## Increasing local news ratings

In recent years, another priority for the Broadcasting Group has been expanding the amount of local news and other local programming produced by our stations. Over the past 30 months, we have increased the amount of local news across our group by more than 40 percent, from 152 to 217 hours per week.

With our news expansion investments nearing completion, our emphasis shifts to improving ratings for our news programming. As part of this strategy, we are stressing straightforward news and consumer-focused service journalism. Our strategy is ultimately designed to make our coverage a brand promise, distinctly different from our competition's approach.

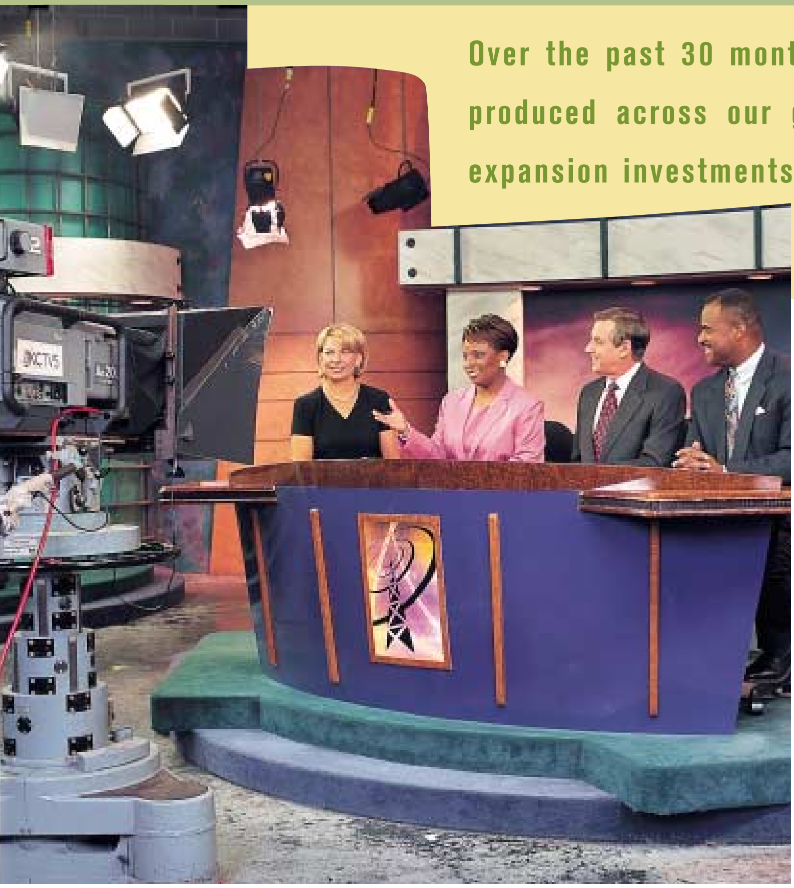
The result will be a stronger viewership among audiences in key demographics, which translates into advertising revenues. Several of our stations have made notable improvements in their news programming and are generating ratings share growth. Results at KCTV in Kansas City and WFSB-TV in Hartford have been particularly encouraging.

A strong local news presence is important for several reasons. Local advertisers generally allocate 25 to 35 percent of their advertising budgets to local news. In addition, stations control the entire advertising inventory for local news. Our additional news blocks lessen the stations' reliance on syndicated programming, and we control the changes that can be made to improve ratings. Our news initiatives also help our stations build stand-alone local brand identities to help insulate our performance from the inevitable ups and downs of the networks.

## Improving accountability and cost management

The general managers at our stations understand their markets well and make the most prudent decisions possible based on their circumstances. Each station manager has been directed to carefully balance spending with demand – again setting our focus on improving margins.

We are taking a hard line on staffing and only adding positions that lead to revenue generation.




**Over the past 30 months, we have increased the amount of local news produced across our group by more than 40 percent. With our news expansion investments nearing completion, our emphasis shifts to improving ratings for our news programming. Katie Horner, Tracy Townsend, Wendall Anschutz and William Jackson (shown, left to right) anchor our 6 p.m. and 10 p.m. newscasts at KCTV in Kansas City, which have generated notable share gains in key demographic ratings.**

## A look at the long term

With our immediate initiatives already underway, we also expect to grow the Broadcasting Group through several long-term strategies. First, we expect to maintain strong relationships with our current network partners. While many of our initiatives involve local news and other programming, we realize the network relationship can be mutually beneficial. Specifically, in fiscal 2000 we renewed our NBC contract for WSMV-TV in Nashville. The station continues to receive compensation from the network, albeit at a lower level than before.

We also are continuing to develop additional revenue streams. Our investment in iBlast Networks is one example. (See the sidebar on this page for more details.) In addition, we continue to develop unique marketing programs that capitalize on Meredith's consumer database and publishing assets. For example, the *Better Homes and Gardens* Back to School Guide, the *Ladies' Home Journal* Great American Health Test and the *Family Money* Tax and Financial Planner have helped our local stations differentiate themselves in their markets, bring new advertisers to television and drive incremental revenues.

Other new revenue opportunities include the digital repurposing of our local content. For instance, our stations are working with the Interactive and Integrated Marketing Group to improve their online presence, which extends their brand identities and leverages their local news and programming.

Finally, we want to continue to grow the group's overall household reach and diversify our affiliate portfolio over the long term. However, we will not make another large station acquisition until we're satisfied with the positioning of WGCL–TV.

Both in the intermediate term and over time, we believe our initiatives and long-term focus will contribute to revenue and operating profit growth for our Broadcasting Group and the company.

### *iBlast*

Meredith expects to benefit from an exciting new revenue opportunity for television. iBlast was formed when several broadcasters, including Meredith, dedicated a portion of their digital spectrum to create a powerful, wireless infrastructure for delivering content to consumers.

The iBlast network will allow content providers to deliver digital products to consumers through their computers. For example, the system could provide quick access to a rich variety of videos, music, games, text, images and software. The spectrum pipeline has a competitive advantage over traditional Internet connections, which are limited by their size and lack of portability.

Meredith owns a minority position in iBlast and will share in its revenues. We expect iBlast to begin operating in calendar 2001.

# Business and Product Descriptions

## Meredith Corporation and Subsidiaries

Meredith Corporation was founded in 1902 by Edwin Thomas Meredith and incorporated in Iowa in 1905. Since its beginnings in agricultural publishing, the company has expanded to include mass audience and special interest publications designed to serve the home and family market. In 1948, Meredith entered the television broadcasting business. The company now owns and operates television stations in twelve locations across the continental United States. These publishing and broadcasting businesses and associated trademarks have been the core of Meredith's success. In addition, the company has utilized these assets to expand into interactive and integrated marketing operations.

## Publishing

The Meredith Publishing Group includes more than 20 magazine brands that appeal primarily to consumers in the home and family market. Major brands include the following subscription titles:

| Title | Frequency | August 2000 Rate Base |
|---|---|---|
| *Better Homes and Gardens* | Monthly | 7,600,000 |
| *Ladies' Home Journal* | Monthly | 4,100,000 |
| *Country Home* | 8x/year | 1,000,000 |
| *Midwest Living* | Bimonthly | 815,000 |
| *Traditional Home* | Bimonthly | 800,000 |
| *WOOD* | 9x/year | 550,000 |
| *MORE* | Bimonthly | 525,000 |
| *Family Money* | Bimonthly | 525,000 |
| *Successful Farming* | 12x/year | 442,000 |
| *Golf for Women* | Bimonthly | 380,000 |

*Better Homes and Gardens* magazine, the company's flagship, accounts for a significant percentage of revenues and operating profit of the company and the publishing segment. Meredith's other magazine brands, in addition to those listed above, are *Renovation Style, Country Gardens,* and the crafts collection of publications, which includes *Crafts & Decorating Showcase, American Patchwork & Quilting, Paint Decor* and *Scrapbooks etc.* Meredith also has a 50 percent interest in a monthly Australian edition of *Better Homes and Gardens* magazine.

Two new titles, *Hometown Cooking* and *Antiques Extra,* were launched in fiscal 2000. *Hometown Cooking* features recipes from hometown cookbooks across the country. *Antiques Extra* is designed for readers seeking in-depth coverage of antiques and collectibles. In addition, Meredith published an Internet buying guide, *Shop Online 1·2·3,* that was delivered as a supplement to selected subscribers of 10 Meredith titles.

Crayola Kids® magazine was discontinued effective with the May 2000 issue. *Cross Stitch & Needlework* and *Decorative Woodcrafts* magazines were discontinued effective with the July/August 2000 issues.

The Company also publishes a group of Special Interest Publications, primarily under the *Better Homes and Gardens* name, that are typically sold only on the newsstand. These titles are issued from one to six times annually. Titles published quarterly or bimonthly include *Decorating, Home Plan Ideas, Kitchen and Bath Ideas, Do It Yourself, Garden, Deck & Landscape, Quick & Easy Decorating* and *Window & Wall Ideas.* More than 100 issues were published in total in fiscal 2000 in categories like decorating, do-it-yourself, home plans, crafts, gardening, holidays and cooking.

The two primary sources of magazine revenues are advertising and circulation. Advertising revenues are generated primarily from sales to clients engaged in consumer marketing. Subscription revenues, the largest source of circulation revenues, are generated through direct-mail solicitation, agencies, insert cards, the Internet and other means. Single-copy sales also are important sources of circulation revenues for most magazines. Magazine operations also realize revenues from the sale of ancillary products and services.

Meredith Integrated Marketing offers advertisers and other external clients integrated strategies that combine all of Meredith's custom capabilities. Meredith's consumer database, which contains more than 60 million names, is the largest domestic database among media companies and enables magazine and television advertisers to precisely target marketing campaigns. These marketing programs are important because they provide revenue sources that are independent of advertising and circulation. Fiscal 2000 clients include The Home Depot USA, Inc., Kraft Foods, Nestlé USA, Inc., Lutheran Brotherhood and The Iams Company.

The company publishes and markets a line of approximately 300 consumer home and family service books, published primarily under the *Better Homes and Gardens* trademark and the Ortho® and The Home Depot® names. They are sold through retail book and specialty stores, mass merchandisers and other means. Sixty-nine new or revised titles were published during fiscal 2000. The company has contracts with The Scotts Company and The Home Depot USA, Inc., to produce and sell books under the Ortho® and The Home Depot® names, respectively.

Meredith receives an annual license fee from GMAC Home Services, Inc., for the use of the *Better Homes and Gardens* trademark in connection with residential real estate marketing.

## Broadcasting

The company's television stations are:

| Station | Market | Market Rank | Network Affiliation | UHF/ VHF Channel |
|---|---|---|---|---|
| WGCL-TV | Atlanta, Ga. | 10 | CBS | 46 |
| KPHO-TV | Phoenix, Ariz. | 17 | CBS | 5 |
| WOFL-TV | Orlando/Daytona Beach/ Melbourne, Fla. | 22 | FOX | 35 |
| KPDX-TV | Portland, Ore. | 23 | FOX | 49 |
| WFSB-TV | Hartford/ New Haven, Conn. | 27 | CBS | 3 |
| WSMV-TV | Nashville, Tenn. | 30 | NBC | 4 |
| KCTV | Kansas City, Mo. | 31 | CBS | 5 |
| WHNS-TV | Greenville, S.C./ Spartanburg, S.C./ Asheville, N.C. | 35 | FOX | 21 |
| KVVU-TV | Las Vegas, Nev. | 53 | FOX | 5 |
| WNEM-TV | Flint/Saginaw/ Bay City, Mich. | 64 | CBS | 5 |
| WOGX-TV | Ocala/Gainesville, Fla. | 165 | FOX | 51 |
| KFXO-LP | Bend, Ore. | 200 | FOX | 39 |

The market rank is the 1999–2000 Designated Market Area (DMA) ranking based on estimated television households as reported by A. C. Nielsen Company.

WGCL-TV was acquired on March 1, 1999. The station's call letters were changed from WGNX to WGCL on July 4, 2000, as part of the station's branding initiatives. WFSB-TV was acquired on September 4, 1997. KPDX-TV, KFXO-LP and WHNS-TV were acquired on July 1, 1997.

Advertising is the principal source of revenues for the broadcasting segment. The stations sell commercial time to both local/regional and national advertisers. Rates for spot advertising are influenced primarily by the market size, number of in-market broadcasters and audience demographics for programming. National advertising representative firms sell most national advertising. Sales staff at each station generates local/regional advertising revenues.

All of the company's television stations are network affiliates. Generally, a network provides programs to its affiliated television stations, sells commercial advertising announcements within the network programs and, in some instances, compensates the local stations by paying an amount based on the television station's network affiliation agreement. In addition, the affiliated stations make payments to the network for certain programming costs such as professional football. Affiliation with a national network has an important influence on a station's advertising rates.

Local news programming is an important source of advertising revenues to television stations, as local advertisers typically allocate 25 to 35 percent of their advertising budgets to local news. The company's stations have increased the number of hours of news programming significantly over the last two years. In fiscal 2001, KPDX-TV, the company's FOX affiliate in Portland, will begin to produce local news programming which was previously purchased from a local competitor. The company also plans to continue to improve the news operation at WGCL-TV, the CBS affiliate in Atlanta acquired in March 1999, and at WOFL-TV, the company's FOX affiliate in Orlando.

Meredith's television stations are or will be required to transmit digital signals (DTV) under rules established by the Federal Communications Commission (FCC) in April 1997. The company's stations in Atlanta, Phoenix, Orlando, Portland and Hartford/New Haven are currently transmitting digital signals on specially assigned second channels. The company's remaining stations, with the exception of low-power KFXO, must follow suit by May 2002. Digital conversion requires capital expenditures of approximately $2 million per station to transmit a digital signal and comply with current DTV requirements.

In April 2000, Meredith and other broadcasters dedicated a portion of their digital spectrum to create a wireless infrastructure to deliver content to consumers. This new venture is called iBlast Networks. Meredith owns a minority position in iBlast and will share in its revenues. iBlast currently expects to begin service in calendar 2001.

## Business Developments

In March 2000, Meredith announced several major strategic initiatives designed to position the company for significant growth in a rapidly changing business environment that stresses convergence, interactivity and greater advertising accountability. These initiatives included the creation of a new business group – Interactive and Integrated Marketing – and expansion and acceleration of Internet-related efforts on a company-wide basis. To move forward with these initiatives, Meredith has committed up to $100 million for investments in Internet and e-commerce activities, continued development of its consumer database, and strategic alliances and partnerships. These operations are an integral part of the company's Publishing and Broadcasting Groups and are reported in the financial results of those segements.

Meredith plans to create the premier home and family Internet site using its award-winning flagship site – *bhg.com* – as a launch platform. This will include the development of extensive and unique content and applications in its core content areas of decorating, food, home improvement and remodeling. The company also plans to expand its Internet presence and applications at several of its broadcast stations. In addition, several strategic relationships and alliances have been undertaken to enhance Meredith's Internet presence, including investments in or alliances with:

- **HomePortfolio.com** – a leading Internet destination for premium home-design products.
- **ThirdAge Media** – an integrated media and direct marketing eNetwork for adults 45 years and older.
- **XSAg.com** – an Internet trading exchange for manufacturers, distributors, dealers and growers to buy and sell agricultural inputs.
- **Golf.com** – an online provider of comprehensive golf information and coverage.
- **America Online** – a leader in interactive services, Web brands, Internet technologies and e-commerce services.

The March 2000 announcement also included initiatives designed to grow the profit contribution of circulation activities. At the same time Meredith announced the closing of certain operations that no longer fit the company's business objectives.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion presents the key factors that have affected the company's business over the last three years. This commentary should be read in conjunction with the company's consolidated financial statements and the 11-year financial history presented elsewhere in this annual report. All per-share amounts refer to diluted earnings per share and are computed on a post-tax basis.

This section and other areas of this annual report – and management's public commentary from time to time – may contain certain forward-looking statements that are subject to risks and uncertainties. The words "expect," "anticipate," "believe," "likely," "will," and similar expressions generally identify forward-looking statements. These statements are based on management's current knowledge and estimates of factors affecting the company's operations. Readers are cautioned not to place undue reliance on such forward-looking information as actual results may differ materially from those currently anticipated. Factors that could adversely affect future results include, but are not limited to: downturns in national and/or local economies; a softening of the domestic advertising market; increased consolidation among major advertisers or other events depressing the level of advertising spending; the unexpected loss of one or more major clients; changes in consumer reading, purchasing and/or television viewing patterns; unanticipated increases in paper, postage, printing or syndicated programming costs; changes in television network affiliation agreements; technological developments affecting products or methods of distribution such as the Internet or e-commerce; changes in government regulations affecting the company's industries; unexpected changes in interest rates; and any acquisitions and/or dispositions.

## Significant Events

### Fiscal 2000

In March 2000, Meredith announced several major strategic initiatives designed to position the company for significant growth in a rapidly changing business environment that stresses convergence, interactivity and greater advertising accountability. These initiatives included the creation of a new business group – Interactive and Integrated Marketing, expansion and acceleration of Internet-related efforts on a company-wide basis, implementation of initiatives designed to grow the profit contribution of circulation activities and closing certain operations that no longer fit the company's business objectives.

To move forward with these initiatives, Meredith has committed up to $100 million for investments in the following: Internet and e-commerce activities, continued development of its consumer database, and strategic alliances and partnerships. Incremental spending related to these initiatives reduced earnings by 2 cents per share in the fourth quarter of fiscal 2000. Looking forward, the impact on fiscal 2001 earnings from these initiatives is expected to be 8 to 12 cents.

Investment spending related to the circulation initiatives reduced fiscal 2000 fourth quarter earnings by 10 cents per share and is expected to reduce fiscal 2001 earnings by 8 to 10 cents per share.

The final initiative resulted in the closing of *Cross Stitch & Needlework* and *Decorative Woodcrafts* magazines and the decision to exit certain other publishing operations. In addition, the company announced it will no longer publish Crayola Kids® magazine due to a disagreement with the licensor regarding the direction of the magazine. These decisions contributed to a nonrecurring charge of $23.1 million ($19.1 million after-tax) or 36 cents per share. Details of the nonrecurring charge follow:

| Description | Nonrecurring Charge | Noncash Write-offs | Cash Payments | 6-30-2000 Accrual Balance |
|---|---|---|---|---|
| (In millions) | | | | |
| Asset write-downs | $ 16.8 | $ (16.8) | $ — | $ — |
| Contractual obligations | 3.8 | (1.7) | — | 2.1 |
| Personnel costs | 2.5 | — | (1.4) | 1.1 |
| Total before tax benefit | $ 23.1 | $ (18.5) | $ (1.4) | $ 3.2 |

The asset write-downs primarily represent the write-down of intangible assets associated with the closing of the magazine properties. The intangible write-down, which is largely non-deductible for federal tax purposes, will reduce future amortization expense by $2.5 million annually. Contractual obligations result from the decision to exit certain publishing operations and a comprehensive review of the impact of news expansion on film valuations at one television station. The personnel costs represent expenses for severance and out-placement charges related to the involuntary termination of 29 employees as a result of the magazine closings and other restructuring efforts. Remaining contractual obligations and personnel costs are expected to be paid out over the next 36 months from internally generated cash flows. Going forward, the decision to exit certain publishing operations will result in an approximate $25 million annual reduction in revenues, but will not have a material impact on operating profits of the publishing segment.

### Fiscal 1999

On March 1, 1999, the company acquired the net assets of WGNX-TV, the CBS affiliate serving the Atlanta market. In July 2000, the call letters of the station were changed to WGCL-TV. As part of the acquisition, Meredith purchased the assets of KCPQ-TV, a FOX affiliate serving the Seattle market, for $380 million from Kelly Television Company. The assets of KCPQ-TV were then transferred to Tribune Company in exchange for the assets of WGCL-TV and $10 million. As a result, the net cost of WGCL-Atlanta was approximately $370 million.

Effective July 1, 1998, Meredith sold the net assets of the *Better Homes and Gardens* Real Estate Service to GMAC Home Services, Inc. The sale resulted in a net gain of $1.4 million, or 3 cents per share. In a separate transaction, Meredith and GMAC Home Services entered into a licensing agreement that authorizes GMAC Home Services to use the *Better Homes and Gardens* trademark in connection with residential real estate marketing for a period not to exceed 10 years. GMAC Home Services will pay Meredith an annual license fee for the use of the trademark.

**Fiscal 1998**

On July 1, 1997, Meredith purchased the net assets of three television stations affiliated with the FOX television network from First Media Television, L.P. (First Media) for $216 million. Those stations are: KPDX-TV (Portland, Ore.); KFXO-LP (Bend, Ore. – a low-power station); and WHNS-TV (Greenville, S.C./ Spartanburg, S.C./Asheville, N.C.). On September 4, 1997, Meredith acquired and then exchanged the net assets of the fourth First Media station, WCPX-TV in Orlando, for WFSB-TV, a CBS network-affiliated television station serving the Hartford/ New Haven, Conn. market. WFSB-TV was acquired from Post-Newsweek Stations, Inc., through an exchange of assets plus a $60 million cash payment to Meredith. The result was a net cost to the company of $159 million for WFSB-TV.

## Results of Operations

| Years ended June 30 | 2000 | Change | 1999 | Change | 1998 |
|---|---|---|---|---|---|
| (In millions except per share) | | | | | |
| Total revenues | $ 1,097.2 | 6 % | $ 1,036.1 | 3 % | $ 1,009.9 |
| Nonrecurring (charge) gain | $ (23.1) | nm | $ 2.4 | nm | $ — |
| Income from operations | $ 161.3 | (6)% | $ 171.1 | 12 % | $ 152.5 |
| Earnings before nonrecurring items | $ 90.1 | 2 % | $ 88.2 | 10 % | $ 79.9 |
| Net earnings | $ 71.0 | (21)% | $ 89.7 | 12 % | $ 79.9 |
| Diluted earnings per share: | | | | | |
| Earnings before nonrecurring items | $ 1.71 | 4 % | $ 1.64 | 12 % | $ 1.46 |
| Net earnings | $ 1.35 | (19)% | $ 1.67 | 14 % | $ 1.46 |

nm–not meaningful

**Fiscal 2000 compared to 1999 –** Earnings of $71.0 million, or $1.35 per share, were recorded in fiscal 2000 compared to net earnings of $89.7 million, or $1.67 per share, in fiscal 1999. Fiscal 2000 net earnings included a nonrecurring post-tax charge of $19.1 million, or 36 cents per share, for the write-down of nondeductible intangibles, severance payments and other charges primarily related to the closing of certain magazine titles announced in March 2000. Fiscal 1999 net earnings included a post-tax gain of $1.4 million, or 3 cents per share, from the disposition of the *Better Homes and Gardens* Real Estate Service.

Excluding those one-time items, fiscal 2000 earnings were $90.1 million, or $1.71 per share, compared to $88.2 million, or $1.64 per share, in fiscal 1999. Fiscal 2000 results included pre-tax spending of $10.2 million, or 12 cents per share, for investments in circulation initiatives, Internet and e-commerce activities, and development of the consumer database. Despite these investments, the publishing group reported record operating profits in fiscal 2000. This strong performance was largely offset by dilution from the acquisition of WGCL-TV, the CBS affiliate in Atlanta, and lower operating profits in the comparable broadcasting business. Overall, management estimates that the acquisition of WGCL-Atlanta diluted earnings by 27 cents per share in fiscal 2000, compared to 8 cents per share in fiscal 1999 from the acquisition date of March 1, 1999. These estimates include the after-tax effects of the station's operating results after amortization of acquired intangibles and interest expense on debt incurred to finance the acquisition.

Fiscal 2000 revenues increased 6 percent, reflecting the acquisition of WGCL-Atlanta and growth of publishing revenues. Adjusting for the effects of the WGCL-Atlanta acquisition and discontinued magazines, revenues also increased 6 percent. Increased magazine advertising and circulation, book sales and integrated marketing revenues were the primary factors in the growth in comparable revenues.

Operating costs and expenses, excluding nonrecurring charges, increased 6 percent as a result of a full year of operating costs and expenses at WGCL-Atlanta, growth in the volume of book publishing and integrated marketing business, higher magazine paper costs and increased investment in television news and sales development expenses. These increased expenses were partially offset by lower magazine production costs and lower expenses resulting from the write-down of broadcast rights. Compensation costs increased as a result of the WGCL-Atlanta acquisition, expanded local news programming at several television stations and normal merit increases. Depreciation and amortization increased in total and as a percentage of revenues, primarily from a full year of amortization at WGCL-Atlanta. Unallocated corporate expenses declined because of cost containment efforts and prior-year costs related to the acquisition of WGCL-Atlanta. The operating profit margin, excluding nonrecurring charges, was 16.8 percent of revenues in fiscal 2000, compared to 16.5 percent in fiscal 1999.

Net interest expense increased to $33.8 million in fiscal 2000 versus expense of $21.3 million in the prior year due to a full year of interest expense on debt incurred to finance the acquisition of WGCL-Atlanta.

The company's effective tax rate was 44.3 percent in fiscal 2000, compared with 41.1 percent in the prior year. The increase was a result of the nondeductible write-down of intangibles related to the discontinuation of certain publishing operations. Excluding that impact, the normalized effective tax rate was 40.2 percent.

The decline from the prior year primarily reflected lower effective state tax rates.

The weighted-average number of shares outstanding declined approximately 2 percent in fiscal 2000 as a result of company share repurchases.

**Interactive Media –** The following table presents supplemental data regarding the results of the company's interactive media operations. These operations are an integral part of the company's Publishing and Broadcasting Groups and are reported in the financial results of those segments. To date, most of the company's Internet activities have been in the Publishing Group. The results are pro forma and are presented for informational purposes only. The results do not attempt to reflect how the operations would have been reported had they been a stand-alone business. Nevertheless, because of Meredith's planned expansion and acceleration of Internet-related efforts on a company-wide basis, management believes this supplemental disclosure will be useful in analyzing the company's performance.

| Years ended June 30 | 2000 | Change | 1999 | Change | 1998 |
|---|---|---|---|---|---|
| (In millions) | | | | | |
| Total revenues | $ 3.5 | 205 % | $ 1.1 | (12) % | $ 1.3 |
| Operating loss | $ (6.3) | (57) % | $ (4.0) | (31) % | $ (3.1) |

Interactive media revenues increased to $3.5 million in fiscal 2000 from $1.1 million in the prior year, an increase of 205 percent. Revenues include banner advertising, Web site sponsorships, content management fees and print advertising in the company's publications related to strategic alliance agreements. Other "dot com" advertising is not included. The cost savings associated with subscription sales on the company's Web sites are reflected as a reduction in expense. Interactive expenses include only directly attributable costs. Purchases of in-house advertising in the company's publications for purposes of promotion of the interactive Web sites are reflected at cost.

Interactive media incurred an operating loss of $6.3 million in fiscal 2000 versus a loss of $4.0 million in fiscal 1999. These results reflect the company's increasing level of investment in interactive media, as previously announced.

**Fiscal 1999 compared to 1998 –** Earnings of $89.7 million, or $1.67 per share, were recorded in fiscal 1999, compared to net earnings of $79.9 million, or $1.46 per share, in fiscal 1998. Fiscal 1999 net earnings included a post-tax gain of $1.4 million, or 3 cents per share, from the disposition of the *Better Homes and Gardens* Real Estate Service.

Excluding that gain, fiscal 1999 earnings per share increased 12 percent as a result of the strong performance of the publishing segment. Increased interest expense resulting from debt incurred to finance the acquisition of WGCL-Atlanta partially offset the operating improvement. Overall, management estimates that the acquisition of WGCL-Atlanta diluted earnings by 8 cents per share in fiscal 1999. This estimate includes the after-tax effects of the station's operating profit after amortization of acquired intangibles and interest expense on debt incurred to finance the acquisition.

Fiscal 1999 revenues increased 3 percent, reflecting the acquisition of WGCL-Atlanta and growth of ongoing operations. Adjusting for the impacts of the real estate sale, the WGCL-Atlanta acquisition, the closing of *Country America* magazine and the fiscal 1998 first quarter acquisition of WFSB-Hartford/New Haven, revenues increased 4 percent. Increased advertising, circulation and integrated marketing revenues were the primary factors in the growth.

Operating costs and expenses increased approximately one percent as a result of the acquisition of WGCL-Atlanta, a full year of operating costs and expenses at WFSB-Hartford/New Haven, the write-down of certain broadcast rights to net realizable value, growth in the amount of integrated marketing business, and increased investment in television programming and news expense. These increased expenses were partially offset by the absence of costs from the real estate operation, lower magazine production costs and lower average paper prices. Compensation costs increased as a result of the television station acquisitions, expanded local news programming at three television stations and normal merit increases. Depreciation and amortization increased in total and as a percentage of revenues primarily from the acquisition of WGCL-Atlanta. The operating profit margin rose from 15.1 percent of revenues in fiscal 1998 to 16.5 percent in fiscal 1999.

Net interest expense increased to $21.3 million in fiscal 1999 versus expense of $13.4 million in fiscal 1998, primarily from debt incurred to finance the acquisition of WGCL-Atlanta.

The company's effective tax rate was 41.1 percent in fiscal 1999 compared with 42.6 percent in fiscal 1998. The decline reflected lower effective state tax rates and the diminished impact of nondeductible items because of increased earnings.

The weighted-average number of shares outstanding declined slightly in fiscal 1999, primarily from company share repurchases.

## Publishing

The publishing segment includes magazine and book publishing, integrated marketing, interactive media, brand licensing and other related operations.

| Years ended June 30 | 2000 | Change | 1999 | Change | 1998 |
|---|---|---|---|---|---|
| (In millions) | | | | | |
| Revenues | | | | | |
| Advertising | $ 386.0 | 7 % | $ 359.1 | 3 % | $ 350.2 |
| Circulation | 275.6 | 1 % | 273.6 | 1 % | 271.0 |
| Other | 156.1 | 10 % | 141.3 | (5)% | 148.0 |
| Total revenues | $ 817.7 | 6 % | $ 774.0 | 1 % | $ 769.2 |
| Operating profit | $ 139.9 | 17 % | $ 119.6 | 18 % | $ 101.1 |

Note: Fiscal 2000 operating profit is reported before nonrecurring charges

**Fiscal 2000 compared to 1999–** Publishing revenues increased 6 percent to $817.7 million in fiscal 2000 from $774.0 million in fiscal 1999. Revenue growth was affected by the closing of *Country America* and Crayola Kids® magazines and the absence of Northwest WorldTraveler magazine after December 1999. The company and Northwest Airlines mutually agreed to end their custom publishing relationship at that time. Excluding the impact of those items, comparable revenues increased 8 percent versus the prior year. The discussion that follows excludes the revenues of these discontinued titles.

Comparable advertising revenues grew 9 percent, reflecting additional advertising pages and higher average revenues per page at most titles. Advertising categories reporting strong growth in fiscal 2000 included retail, pharmaceutical, financial and travel. Titles reporting double-digit percentage advertising revenue growth included *Traditional Home, MORE, Renovation Style, Family Money, Mature Outlook* and the *Better Homes and Gardens Special Interest Publications*. The company's largest circulation title, *Better Homes and Gardens* magazine, also reported solid advertising revenue gains. The increase at *Family Money* magazine reflects one additional issue in fiscal 2000, compared to the prior year. Also contributing to the growth in advertising revenues was the addition of *Shop Online 1-2-3,* an Internet buying guide distributed as a supplement to 5 million subscribers of 10 Meredith titles, and growth in online advertising at *bhg.com*.

During fiscal 2000, Meredith launched two new subscription magazines, *Hometown Cooking* and *Antiques Extra.* In addition, *MORE, Golf for Women, Country Gardens* and *American Patchwork & Quilting* magazines increased their rate bases during fiscal 2000. The company also has announced increases in frequencies and/or rate bases for *MORE, Renovation Style* and *Family Money* magazines, as well as several *Better Homes and Gardens Special Interest Publications*, effective in fiscal 2001.

Comparable circulation revenues increased 3 percent in fiscal 2000, primarily reflecting strong newsstand sales of the *Better Homes and Gardens Special Interest Publications.* Also contributing to the increase was the addition of revenues from two new titles, *Hometown Cooking* and *Antiques Extra* magazines, and an additional issue of both *Country Home* and *MORE* magazines due to increases in frequency. These revenue increases were partially offset by lower circulation revenues at *Ladies' Home Journal* magazine as a result of a reduction in its rate base to 4.1 million, effective with the February 2000 issue. Other publishing revenues grew 15 percent on a comparable basis because of increased sales in the integrated marketing and consumer book businesses.

Publishing operating profit before nonrecurring charges increased 17 percent to a record level in fiscal 2000, despite fourth quarter investments totaling $10.2 million in circulation initiatives, Internet and e-commerce activities and development of the consumer database. The improvement reflected higher magazine advertising revenues and lower magazine production costs, as well as volume-related increases in book publishing and integrated marketing operating profits. Fiscal 2000 magazine results were led by *Better Homes and Gardens* magazine. *Ladies' Home Journal, Country Home* and *Traditional Home* magazines, as well as the *Better Homes and Gardens Special Interest Publications*, also posted strong operating profit increases. In addition, fiscal 1999 results were affected by costs for the closing of *Country America* magazine and a favorable settlement related to the discontinuation of a direct marketing alliance.

Paper, printing and postage costs account for approximately 40 percent of the publishing segment's operating costs. Total paper expense increased as a result of volume increases and higher average prices. At June 30, 2000, paper prices had increased in the mid-single digits on a percentage basis from a year earlier. Paper prices are driven by overall market conditions and, therefore, are difficult to predict. However, at this time, management anticipates little change in paper prices over the next year.

Printing costs declined on a per-unit basis in the second half of fiscal 2000 as a result of contracts entered into with major print suppliers.

The United States Postal Service has filed a rate case proposing a 15 percent increase in the cost of mailing periodicals. Management views this increase as excessive and has been working diligently, with others in the industry and through trade organizations, to attempt to moderate the proposed increase, which is anticipated to be effective in January 2001. The actual amount of the increase is expected to be announced in November 2000.

**Fiscal 1999 compared to 1998 –** Publishing revenue growth was affected by the sale of the real estate operations, effective July 1, 1998, and the mid-year closing of *Country America* magazine. Excluding the impact of those items, revenues increased 5 percent compared to fiscal 1998. Magazine advertising revenues grew 3 percent, reflecting additional advertising pages and higher average revenues per page at most titles. Advertising categories reporting strong growth in fiscal 1999 included pharmaceutical, travel and household furnishings and appliances.

The company's largest circulation title, *Better Homes and Gardens* magazine, reported solid advertising revenue gains, as did *Country Home, Traditional Home, Midwest Living,* Crayola Kids®, *Family Money* and *MORE* magazines. The increases at *Country Home, Family Money* and *MORE* magazines reflect additional issues in fiscal 1999 compared to fiscal 1998. This growth in advertising revenue was partially offset by lower advertising revenues at *Ladies' Home Journal, Successful Farming* and *American Park Network,* resulting from fewer advertising pages.

*Traditional Home,* Crayola Kids®, and *Golf for Women* magazines increased their rate bases during fiscal 1999. *Family Money* reduced its rate base effective with the March/April 1999 issue. This reflected the decision by Metropolitan Life Insurance Company to discontinue its program of purchasing customized subscriptions to *Family Money. MORE* magazine increased its rate base to 500,000, effective with the July/August 1999 issue.

Circulation revenues increased slightly in fiscal 1999. Excluding the impact of the closing of *Country America* magazine, circulation revenues increased 3 percent, primarily from the rollout of *MORE* magazine. Other publishing revenues declined as a result of the sale of the real estate operations. Excluding the effect of that sale, other publishing revenues grew 14 percent because of increased sales in the integrated marketing and consumer book businesses.

Publishing operating profit increased 18 percent to $119.6 million in fiscal 1999. The improvement reflected higher magazine advertising revenues, lower production costs and lower average paper prices. Fiscal 1999 results were led by *Better Homes and Gardens* magazine. *Traditional Home, Country Home, Midwest Living* and Crayola Kids® magazines, as well as Meredith Integrated Marketing, also posted strong operating profit increases. Investment spending for the fiscal 1999 test of *Hometown Cooking* magazine was less than the spending in fiscal 1998 for the launch of *MORE* magazine. In addition, fiscal 1999 results were affected by costs for the closing of *Country America* magazine and a favorable settlement related to the discontinuation of a direct marketing alliance.

Paper, printing and postage costs accounted for approximately 40 percent of the publishing segment's operating costs in fiscal 1999. Total paper expense grew slightly as increased usage more than offset lower average prices. At June 30, 1999, paper prices had declined in the mid-single digits on a percentage basis from a year earlier.

The U.S. Postal Service enacted rate changes in January 1999 that increased mailing costs an average of 4.6 percent for magazine publishers taken as a whole. Meredith's effective increase was less than the average because of the company's efficient mailing processes.

## Broadcasting

The broadcasting segment includes the operation of network-affiliated television stations and syndicated television program marketing and development.

| Years ended June 30 | 2000 | Change | 1999 | Change | 1998 |
|---|---|---|---|---|---|
| (In millions) | | | | | |
| Revenues | | | | | |
| Advertising | $ 272.1 | 7 % | $ 254.3 | 11 % | $ 229.9 |
| Other | 7.4 | (6)% | 7.8 | (28)% | 10.8 |
| Total revenues | $ 279.5 | 7 % | $ 262.1 | 9 % | $ 240.7 |
| Operating profit | $ 59.6 | (18)% | $ 72.3 | (3)% | $ 74.5 |

Note: Fiscal 2000 operating profit is reported before nonrecurring charges

**Fiscal 2000 compared to 1999 –** Revenues increased 7 percent in fiscal 2000, as a result of the March 1999 acquisition of WGCL-Atlanta. Excluding WGCL-Atlanta, comparable revenues were flat with the prior year. Growth was hampered by a decline of nearly $6 million in political advertising revenues due to the biennial nature of political elections. Excluding the political impact, comparable revenues increased 2 percent, with most stations reporting higher revenues. KVVU-Las Vegas reported the strongest gain as the station benefited from a healthy growth market and strong ratings. Notable improvements, excluding the political impact, were also reported at WFSB-Hartford/New Haven, WSMV-Nashville, WNEM-Flint/Saginaw and KFXO-Bend. Partially offsetting the revenue improvements were lower advertising revenues at KPHO-Phoenix and WOFL-Orlando.

Broadcasting operating profit declined to $59.6 million in fiscal 2000, compared to operating profit of $72.3 million in the prior year. One of the factors in the decline was the inclusion of operating results at WGCL-Atlanta in the company's first full year of ownership. Meredith is investing in expanding and improving the station's news, programming and sales development efforts. Progress has been evidenced in improved ratings, and management believes that these investments will lead to future revenue growth and improved operating results. Excluding the impact of newly acquired WGCL-Atlanta, comparable broadcasting operating profit declined 11 percent. The decline reflects the lack of revenue growth noted previously, in combination with investments in programming, news expansions and sales development. In addition, the company made payments to the FOX network in the current year, resulting from contract changes implemented in July 1999. Fiscal 1999 results included a charge of approximately $5 million for the write-down of certain broadcast rights to estimated net realizable value, compared to a charge of $1.1 million in the current year.

**Fiscal 1999 compared to 1998 –** Revenues increased 9 percent in fiscal 1999, including the impact of the March 1999 acquisition of WGCL-Atlanta. Excluding that impact and the effect of the September 1997 acquisition of WFSB-Hartford/New Haven, revenues increased 3 percent. The growth reflected moderate increases in local advertising revenues and the addition of political advertising revenues for the November 1998 elections. These increases were partially offset by the absence of advertising related to the 1998 Winter Olympics at the company's CBS affiliates; lower General Motors advertising, primarily in the fiscal 1999 first quarter due to the GM labor dispute; and weak advertising sales nationwide in the fiscal 1999 fourth quarter.

Fiscal year revenue changes among the stations were mixed. The strongest gains were at the company's FOX affiliates, KPDX-Portland, KVVU-Las Vegas and WOFL-Orlando. The Las Vegas and Orlando stations benefited from the introduction of local news programming late in fiscal 1998, while the increase at Portland reflected strong ratings growth resulting from investments in programming. Lower advertising revenues were reported at most of the company's CBS affiliates, primarily because of the aforementioned Olympic revenues in fiscal 1998. In addition, WHNS-Greenville, S.C./Spartanburg, S.C./Asheville, N.C. reported lower advertising revenues primarily due to weak local economic factors.

Broadcasting operating profit declined to $72.3 million in fiscal 1999, compared to operating profit of $74.5 million in the prior year. The decline was primarily the result of a write-down of approximately $5 million of certain broadcast rights to estimated net realizable value. The write-down was largely related to the weak ratings performance of "The Roseanne Show." Several of the company's stations have programming contracts for the show through September 2000. Excluding this charge, operating profits increased slightly, reflecting higher advertising revenues, lower investment spending for television program development and the addition of WGCL-Atlanta. However, investments in programming for the television stations – including local news expansion – and sales, marketing and research activities affected the profit growth.

In April 1999, the company was notified that FOX planned to change financial arrangements with its affiliates. In June, the company signed an agreement that was slightly more favorable to its FOX-affiliated stations than the original proposal. The new contract took effect in July 1999.

## Liquidity and Capital Resources

| Years ended June 30 | 2000 | Change | 1999 | Change | 1998 |
|---|---|---|---|---|---|
| (In millions) | | | | | |
| Net earnings | $ 71.0 | (21)% | $ 89.7 | 12 % | $ 79.9 |
| Cash flows from operations | $ 148.0 | 10 % | $ 134.7 | 7 % | $ 125.6 |
| Cash flows from investing | $ (46.3) | 88 % | $ (386.5) | (4)% | $ (372.7) |
| Cash flows from financing | $ (89.9) | nm | $ 257.9 | 45 % | $ 177.5 |
| Net cash flows | $ 11.8 | 95 % | $ 6.1 | nm | $ (69.5) |
| EBITDA | $ 236.8 | 10 % | $ 215.2 | 14 % | $ 189.3 |

nm–not meaningful

Cash and cash equivalents increased by $11.8 million in fiscal 2000, compared to an increase of $6.1 million in the prior year. The change primarily reflected increased cash provided by operations in the current year. Cash provided by operating activities increased because of growth in earnings before depreciation and amortization and nonrecurring items, which were largely noncash charges. Year-to-year changes in cash flows from investing and financing activities resulted primarily from the prior-year acquisition of WGCL-TV, the Atlanta CBS affiliate.

EBITDA is defined as earnings before interest, taxes, depreciation and amortization, and excludes nonrecurring items. EBITDA is often used to analyze and compare companies on the basis of operating performance and cash flow. Fiscal 2000 EBITDA increased 10 percent from fiscal 1999. EBITDA is not adjusted for all noncash expenses or for working capital, capital expenditures and other investment requirements. EBITDA should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles.

At June 30, 2000, long-term debt outstanding totaled $505 million. This debt was incurred primarily for the acquisitions of five television stations. The company has two variable-rate bank credit facilities with total outstanding debt of $305 million at June 30, 2000. Interest rates are based on applicable margins plus, at the company's option, either LIBOR or the higher of the overnight federal funds rate plus 0.5 percent or the bank's prime rate. In addition, at June 30, 2000, the company has $200 million outstanding in fixed-rate unsecured senior notes issued to five insurance companies. Interest rates on the notes range from 6.51 percent to 6.65 percent. Principal payments on the debt due in succeeding fiscal years are:

| Years ended June 30 | |
|---|---|
| (In millions) | |
| 2001 | $ 50.0 |
| 2002 | 55.0 |
| 2003 | 100.0 |
| 2004 | 100.0 |
| 2005 | 75.0 |
| Later years | 125.0 |
| Total | $ 505.0 |

Funds for payments of interest and principal on the debt are expected to be provided by cash generated by future operating activities. The weighted-average interest rate on debt outstanding at June 30, 2000, was approximately 6.5 percent. These debt agreements include certain financial covenants related to debt levels and coverage ratios. As of June 30, 2000, the company was in compliance with all debt covenants.

Meredith uses interest rate swap contracts to manage interest cost and risk associated with possible increases in variable interest rates. Under these contracts, Meredith pays fixed rates of interest while receiving floating rates of interest based on three-month LIBOR. These contracts effectively fix the base interest rate on a substantial portion of the variable-rate credit facilities, although the applicable margins vary based on the company's debt-to-EBITDA ratio. The notional amount covered by the contracts was $250 million at June 30, 2000. The swap contracts expire on June 28, 2002, and the notional amount varies over the terms of the contracts. The company is exposed to credit-related losses in the event of nonperformance by counterparties to the contracts. Management does not expect any counterparties to fail to meet their obligations, given their strong creditworthiness.

At June 30, 2000, Meredith had available credit totaling $137 million, including $130 million under a revolving credit facility. Any amounts borrowed under this agreement are due and payable on May 31, 2002.

During fiscal 2000 the board of directors authorized the repurchase of an additional 3 million shares of the company's common stock through public and private transactions as part of the company's ongoing share repurchase program. In fiscal 2000, the company spent $54.5 million to repurchase an aggregate of 1.7 million shares of Meredith Corporation common stock at then current market prices. This compares with fiscal 1999 spending of $43.9 million for the repurchase of an aggregate of 1.1 million shares. The company expects to continue to repurchase shares from time to time in the foreseeable future, subject to market conditions. As of August 1, 2000, approximately 1.7 million shares could be repurchased under existing board authorizations. The status of this program is reviewed at each quarterly board of directors meeting.

In August 1998 the company entered into put option agreements to repurchase up to 1.6 million common shares at market prices, subject to certain restrictions and discounts, over the following 24 months. These put option agreements were entered into to provide an orderly process for the planned liquidation of blocks of Meredith stock by certain trusts of the Bohen family, nonaffiliate descendants of the company's founder. As of June 30, 2000, 348,000 shares had been repurchased under these agreements, including 271,000 shares repurchased in fiscal 2000. The remainder of the put options expired on July 31, 2000.

Dividends paid in fiscal 2000 were $15.9 million, or 31 cents per share, compared with $15.1 million, or 29 cents per share, in fiscal 1999. In January 2000, the board of directors increased the quarterly dividend by 7 percent, or one-half cent per share, to 8.0 cents per share effective with the dividend payable on March 15, 2000. On an annual basis, this increase will result in the payment of approximately $1 million in additional dividends, based on the current number of shares outstanding.

Expenditures for property, plant and equipment were $39.4 million in fiscal 2000, compared to $25.7 million in fiscal 1999. The increase primarily reflected the purchase of land and initial construction costs for a new broadcasting facility for WGCL-Atlanta, costs for the completion of a new broadcasting facility for KPDX-Portland, expenditures for the initial implementation of digital television technology and expenditures for broadcast news equipment related to the introduction or expansion of local news programming. The broadcasting segment has commitments to spend approximately $30 million over the next three fiscal years for the completion of a new building for WGCL-Atlanta, introduction of local news programming at KPDX-Portland and for the initial transition to digital technology at six stations. Also, Meredith has a commitment to spend approximately $12 million in the next six months for replacement aircraft and associated facilities. The company has no other material commitments for capital expenditures. Funds for capital expenditures are expected to be provided by cash from operating activities or, if necessary, borrowings under credit agreements.

At this time, management expects that cash on hand, internally generated cash flow and debt from credit agreements will provide funds for any additional operating and recurring cash needs (e.g., working capital, cash dividends) for the foreseeable future.

## Quantitative and Qualitative Disclosures about Market Risk

### Market Risk

The market risk inherent in the company's financial instruments subject to such risks is the potential market value loss arising from adverse changes in interest rates. All of the company's financial instruments subject to market risk are held for purposes other than trading.

### Long-term Debt and Interest Rate Swap Contracts

At June 30, 2000, Meredith had outstanding $305 million in variable-rate long-term debt and $200 million in fixed-rate long-term debt. The company uses interest rate swap contracts to reduce exposure to interest rate fluctuations on its variable-rate debt. At June 30, 2000, the company had interest rate swap contracts that effectively converted a substantial portion of its variable-rate debt to fixed-rate debt. Thus changes in interest rates would have little impact on future interest expense related to this debt. Therefore, there is no material earnings or liquidity risk associated with the company's variable-rate debt and the related interest rate swap agreements. The fair market value of the variable-rate debt approximates the carrying amount due to the periodic resetting of interest rates. The fair market value of the interest rate swaps is the estimated amount, based on discounted cash flows, the company would pay or receive to terminate the swap contracts. A 10 percent decrease in interest rates would result in a fair market value of $2.0 million compared to the current fair market value of $4.1 million at June 30, 2000.

There is no earnings or liquidity risk associated with the company's fixed rate debt. The fair market value of the debt, based on discounted cash flows using borrowing rates currently available for debt with similar terms and maturities, varies with changes in interest rates. A 10 percent decrease in interest rates would result in a fair market value of ($193.0 million) compared to the current fair market value of ($185.1 million) at June 30, 2000.

### Put Option Agreements

At June 30, 2000, the company had put option agreements outstanding to repurchase up to 1.3 million common shares. These agreements expired in July 2000 with no further activity and, therefore, there is no market risk associated with the put options.

### Broadcast Rights Payable

The company enters into contracts for broadcast rights to air on its television stations. These contracts are generally on a market-by-market basis and subject to terms and conditions of the seller of the broadcast rights. Generally, these rights are sold to the highest bidder in each market and the process is very competitive. There are no earnings or liquidity risks associated with broadcast rights payable. Fair market values are determined using discounted cash flows. At June 30, 2000, a 10 percent decrease in interest rates would result in a $1.4 million increase in the fair market value of the available and unavailable broadcast rights payable.

## Independent Auditors' Report

To the Board of Directors and
Shareholders of Meredith Corporation:

We have audited the accompanying consolidated balance sheets of Meredith Corporation and subsidiaries as of June 30, 2000 and 1999, and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the years in the three-year period ended June 30, 2000. These consolidated financial statements are the responsibility of company management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Meredith Corporation and subsidiaries as of June 30, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended June 30, 2000, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

KPMG LLP
Des Moines, Iowa
July 28, 2000

## Report of Management

To the Shareholders of Meredith Corporation:

Meredith management is responsible for the preparation, integrity and objectivity of the financial information included in this annual report to shareholders. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and include amounts based on management's informed judgments and estimates.

To meet management's responsibility for financial reporting, internal control systems and accounting procedures are designed to provide reasonable assurance as to the reliability of financial records. In addition, the internal audit staff monitors and reports on compliance with company policies, procedures and internal control systems.

The consolidated financial statements have been audited by independent auditors. In accordance with generally accepted auditing standards, the independent auditors conducted a review of the company's internal accounting controls and performed tests and other procedures necessary to determine an opinion on the fairness of the company's consolidated financial statements. The independent auditors were given unrestricted access to all financial records and related information, including all board of directors' and board committees' minutes. The audit committee of the board of directors, which consists of five independent directors, meets with the independent auditors, management and internal auditors to review accounting, auditing and financial reporting matters. To ensure complete independence, the independent auditors have direct access to the audit committee, with or without the presence of management representatives.

Suku V. Radia

Suku V. Radia
Vice President – Chief Financial Officer

# Financial Statements and Supplementary Data

## Consolidated Statements of Earnings

### Meredith Corporation and Subsidiaries

| Years ended June 30 | 2000 | 1999 | 1998 |
|---|---|---|---|
| (In thousands except per share) | | | |
| Revenues: | | | |
| Advertising | **$ 658,049** | $ 613,400 | $ 580,029 |
| Circulation | **275,642** | 273,621 | 271,004 |
| All other | **163,474** | 149,101 | 158,894 |
| **Total revenues** | **1,097,165** | 1,036,122 | 1,009,927 |
| Operating costs and expenses: | | | |
| Production, distribution and editorial | **453,684** | 427,556 | 408,560 |
| Selling, general and administrative | **406,699** | 393,396 | 412,026 |
| Depreciation and amortization | **52,349** | 44,083 | 36,840 |
| Nonrecurring items | **23,096** | — | — |
| Total operating costs and expenses | **935,828** | 865,035 | 857,426 |
| **Income from operations** | **161,337** | 171,087 | 152,501 |
| Gain from disposition | **—** | 2,375 | — |
| Interest income | **1,195** | 710 | 1,278 |
| Interest expense | **(34,946)** | (21,997) | (14,665) |
| Earnings before income taxes | **127,586** | 152,175 | 139,114 |
| Income taxes | **56,556** | 62,518 | 59,256 |
| **Net earnings** | **$ 71,030** | $ 89,657 | $ 79,858 |
| **Basic earnings per share** | **$ 1.38** | $ 1.72 | $ 1.51 |
| Basic average shares outstanding | **51,313** | 52,188 | 52,945 |
| **Diluted earnings per share** | **$ 1.35** | $ 1.67 | $ 1.46 |
| Diluted average shares outstanding | **52,774** | 53,761 | 54,603 |

*See accompanying Notes to Consolidated Financial Statements*

# Consolidated Balance Sheets

## Meredith Corporation and Subsidiaries

## Assets

| June 30 | 2000 | 1999 |
|---|---|---|
| (In thousands) | | |
| **Current assets:** | | |
| Cash and cash equivalents | **$ 22,861** | $ 11,029 |
| Accounts receivable (net of allowances of $14,368 in 2000 and $12,010 in 1999) | **145,845** | 138,723 |
| Inventories | **35,805** | 33,511 |
| Current portion of subscription acquisition costs | **44,606** | 41,396 |
| Current portion of broadcast rights | **18,686** | 14,644 |
| Other current assets | **20,996** | 16,872 |
| **Total current assets** | **288,799** | 256,175 |
| Property, plant and equipment: | | |
| Land | **12,772** | 11,141 |
| Buildings and improvements | **98,554** | 89,807 |
| Machinery and equipment | **186,677** | 171,576 |
| Leasehold improvements | **7,439** | 7,846 |
| Construction in progress | **15,976** | 13,940 |
| Total property, plant and equipment | **321,418** | 294,310 |
| Less accumulated depreciation | **(147,261)** | (134,554) |
| Net property, plant and equipment | **174,157** | 159,756 |
| Subscription acquisition costs | **37,349** | 31,182 |
| Broadcast rights | **10,300** | 10,230 |
| Other assets | **35,968** | 29,248 |
| Goodwill and other intangibles (at original cost less accumulated amortization of $164,157 in 2000 and $120,445 in 1999) | **893,200** | 936,805 |
| **Total assets** | **$ 1,439,773** | $ 1,423,396 |

*See accompanying Notes to Consolidated Financial Statements*

## Liabilities and Stockholders' Equity

| June 30 | | 2000 | | 1999 |
|---|---|---|---|---|
| (In thousands except share data) | | | | |
| **Current liabilities:** | | | | |
| Current portion of long-term debt | $ | **50,000** | $ | 45,000 |
| Current portion of long-term broadcast rights payable | | **22,666** | | 21,123 |
| Accounts payable | | **53,892** | | 55,018 |
| Accruals: | | | | |
| Compensation and benefits | | **35,483** | | 34,596 |
| Distribution expenses | | **21,197** | | 17,429 |
| Other taxes and expenses | | **37,489** | | 35,204 |
| Total accruals | | **94,169** | | 87,229 |
| Current portion of unearned subscription revenues | | **137,974** | | 135,745 |
| **Total current liabilities** | | **358,701** | | 344,115 |
| Long-term debt | | **455,000** | | 485,000 |
| Long-term broadcast rights payable | | **13,480** | | 13,450 |
| Unearned subscription revenues | | **96,811** | | 90,276 |
| Deferred income taxes | | **48,260** | | 33,578 |
| Other noncurrent liabilities | | **45,012** | | 43,672 |
| **Total liabilities** | | **1,017,264** | | 1,010,091 |
| **Temporary equity: Put option agreements** | | | | |
| Common stock, outstanding 1,264,140 shares in 2000 and 1,535,140 shares in 1999 | | **42,665** | | 53,147 |
| **Stockholders' equity:** | | | | |
| Series preferred stock, par value $1 per share Authorized 5,000,000 shares; none issued | | **—** | | — |
| Common stock, par value $1 per share Authorized 80,000,000 shares; issued and outstanding 38,326,171 shares in 2000 (excluding 29,050,052 shares held in treasury) and 39,220,509 shares in 1999 (excluding 27,362,776 shares held in treasury) | | **38,326** | | 39,220 |
| Class B stock, par value $1 per share, convertible to common stock Authorized 15,000,000 shares; issued and outstanding 10,882,845 shares in 2000 and 11,063,708 shares in 1999 | | **10,883** | | 11,064 |
| Retained earnings | | **334,448** | | 312,553 |
| Accumulated other comprehensive loss | | **(776)** | | (625) |
| Unearned compensation | | **(3,037)** | | (2,054) |
| **Total stockholders' equity** | | **379,844** | | 360,158 |
| **Total liabilities and stockholders' equity** | $ | **1,439,773** | $ | 1,423,396 |

*See accompanying Notes to Consolidated Financial Statements*

# Consolidated Statements of Cash Flows

## Meredith Corporation and Subsidiaries

| Years ended June 30 | 2000 | 1999 | 1998 |
|---|---|---|---|
| (In thousands) | | | |
| **Cash flows from operating activities:** | | | |
| Net earnings | **$ 71,030** | $ 89,657 | $ 79,858 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | | |
| Depreciation and amortization | **52,349** | 44,083 | 36,840 |
| Amortization of broadcast rights | **35,265** | 38,529 | 27,677 |
| Payments for broadcast rights | **(40,225)** | (33,601) | (28,269) |
| Gain from disposition, net of taxes | **—** | (1,425) | — |
| Nonrecurring items, net of taxes | **19,077** | — | — |
| Changes in assets and liabilities: | | | |
| Accounts receivable | **(7,694)** | 387 | (44,641) |
| Inventories | **(2,308)** | 900 | (4,492) |
| Supplies and prepayments | **(2,296)** | (743) | 2,972 |
| Subscription acquisition costs | **(10,437)** | 11,433 | 8,136 |
| Accounts payable | **(1,126)** | (7,273) | 14,865 |
| Accruals | **11,872** | 5,143 | 16,797 |
| Unearned subscription revenues | **8,764** | (11,571) | (3,393) |
| Deferred income taxes | **13,288** | 2,179 | 11,269 |
| Other noncurrent liabilities | **457** | (3,022) | 7,960 |
| Net cash provided by operating activities | **148,016** | 134,676 | 125,579 |
| **Cash flows from investing activities:** | | | |
| Redemptions of marketable securities | **—** | — | 50,371 |
| Proceeds from dispositions | **—** | 9,922 | — |
| Acquisitions of businesses | **—** | (372,186) | (375,000) |
| Additions to property, plant, and equipment | **(39,403)** | (25,691) | (46,181) |
| Changes in investments and other | **(6,856)** | 1,426 | (1,858) |
| Net cash (used) by investing activities | **(46,259)** | (386,529) | (372,668) |
| **Cash flows from financing activities:** | | | |
| Long-term debt incurred | **25,000** | 400,000 | 270,000 |
| Repayment of long-term debt | **(50,000)** | (85,000) | (55,000) |
| Debt acquisition costs | **—** | (1,342) | (195) |
| Proceeds from common stock issued | **4,563** | 2,560 | 8,386 |
| Purchases of company stock | **(54,486)** | (43,852) | (31,194) |
| Dividends paid | **(15,892)** | (15,129) | (14,286) |
| Other | **890** | 692 | (167) |
| Net cash (used) provided by financing activities | **(89,925)** | 257,929 | 177,544 |
| Net increase (decrease) in cash and cash equivalents | **11,832** | 6,076 | (69,545) |
| Cash and cash equivalents at beginning of year | **11,029** | 4,953 | 74,498 |
| Cash and cash equivalents at end of year | **$ 22,861** | $ 11,029 | $ 4,953 |
| **Supplemental disclosures of cash flow information:** | | | |
| Cash paid | | | |
| Interest | **$ 34,202** | $ 15,394 | $ 15,301 |
| Income taxes | **$ 36,595** | $ 58,341 | $ 28,339 |
| Noncash transactions | | | |
| Broadcast rights financed by contracts payable | **$ 41,799** | $ 36,171 | $ 14,778 |
| Tax benefit related to stock options | **$ 3,541** | $ 1,577 | $ 8,275 |

*See accompanying Notes to Consolidated Financial Statements*

# Consolidated Statements of Stockholders' Equity

## Meredith Corporation and Subsidiaries

| (In thousands) | Common Stock | Class B Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Unearned Compensation | Total |
|---|---|---|---|---|---|---|---|
| **Balance at June 30, 1997** | $ 40,922 | $ 12,335 | $ — | $ 276,243 | $ (281) | $ (2,570) | $ 326,649 |
| Comprehensive income: | | | | | | | |
| Net earnings | — | — | — | 79,858 | — | — | 79,858 |
| Other comprehensive loss, net | — | — | — | — | (896) | — | (896) |
| Total comprehensive income | | | | | | | 78,962 |
| Stock issued under various incentive plans, net of forfeitures | 516 | — | 8,615 | — | — | (745) | 8,386 |
| Purchases of company stock | (899) | — | (17,146) | (13,149) | — | — | (31,194) |
| Reclassification of put option agreement | (598) | — | — | (27,465) | — | — | (28,063) |
| Conversion of class B to common stock | 1,055 | (1,055) | — | — | — | — | — |
| Dividends paid, 27 cents per share | | | | | | | |
| Common stock | — | — | — | (11,126) | — | — | (11,126) |
| Class B stock | — | — | — | (3,160) | — | — | (3,160) |
| Restricted stock amortized to operations | — | — | 256 | — | — | 965 | 1,221 |
| Tax benefit from incentive plans | — | — | 8,275 | — | — | — | 8,275 |
| **Balance at June 30, 1998** | $ 40,996 | $ 11,280 | $ — | $ 301,201 | $ (1,177) | $ (2,350) | $ 349,950 |
| Comprehensive income: | | | | | | | |
| Net earnings | — | — | — | 89,657 | — | — | 89,657 |
| Other comprehensive income, net | — | — | — | — | 552 | — | 552 |
| Total comprehensive income | | | | | | | 90,209 |
| Stock issued under various incentive plans, net of forfeitures | 66 | — | 2,125 | — | — | (664) | 1,527 |
| Purchases of company stock | (1,115) | (6) | (3,702) | (39,029) | — | — | (43,852) |
| Reclassification of put option agreement | (937) | — | — | (24,147) | — | — | (25,084) |
| Conversion of class B to common stock | 210 | (210) | — | — | — | — | — |
| Dividends paid, 29 cents per share | | | | | | | |
| Common stock | — | — | — | (11,893) | — | — | (11,893) |
| Class B stock | — | — | — | (3,236) | — | — | (3,236) |
| Restricted stock amortized to operations | — | — | — | — | — | 960 | 960 |
| Tax benefit from incentive plans | — | — | 1,577 | — | — | — | 1,577 |
| **Balance at June 30, 1999** | $ 39,220 | $ 11,064 | $ — | $ 312,553 | $ (625) | $ (2,054) | $ 360,158 |
| Comprehensive income: | | | | | | | |
| Net earnings | — | — | — | 71,030 | — | — | 71,030 |
| Other comprehensive loss, net | — | — | — | — | (151) | — | (151) |
| Total comprehensive income | | | | | | | 70,879 |
| Stock issued under various incentive plans, net of forfeitures | 374 | — | 5,771 | — | — | (1,898) | 4,247 |
| Purchases of company stock | (1,706) | (14) | (9,312) | (43,454) | — | — | (54,486) |
| Reclassification of put option agreement | 271 | — | — | 10,211 | — | — | 10,482 |
| Conversion of class B to common stock | 167 | (167) | — | — | — | — | — |
| Dividends paid, 31 cents per share | | | | | | | |
| Common stock | — | — | — | (12,492) | — | — | (12,492) |
| Class B stock | — | — | — | (3,400) | — | — | (3,400) |
| Restricted stock amortized to operations | — | — | — | — | — | 915 | 915 |
| Tax benefit from incentive plans | — | — | 3,541 | — | — | — | 3,541 |
| **Balance at June 30, 2000** | $ 38,326 | $ 10,883 | $ — | $ 334,448 | $ (776) | $ (3,037) | $ 379,844 |

*See accompanying Notes to Consolidated Financial Statements*

# Notes To Consolidated Financial Statements

## Meredith Corporation and Subsidiaries

### 1. Organization and Summary of Significant Accounting Policies

**a. Nature of operations**

Meredith Corporation is a diversified media company primarily focused on the home and family marketplace. The company's principal businesses are magazine publishing and television broadcasting. Operating profits of the publishing and broadcasting segments were 70 percent and 30 percent, respectively, of total operating profit before unallocated corporate expense in fiscal 2000. Magazine operations accounted for more than 85 percent of the revenues and operating profit of the publishing segment, which also includes book publishing, integrated marketing, interactive media, database-related activities, brand licensing and other related operations. The publishing segment also included the residential real estate franchising operations until their sale in July 1998. *Better Homes and Gardens* is the most significant trademark to the publishing segment and is used extensively in its operations. The company's television broadcasting operations include 12 network-affiliated television stations and syndicated television program marketing and development. Meredith's operations are diversified geographically within the United States, and the company has a broad customer base.

Advertising and magazine circulation revenues accounted for 60 percent and 25 percent, respectively, of the company's revenues in fiscal 2000. Revenues and operating results can be affected by changes in the demand for advertising and/or consumer demand for the company's products. National and local economic conditions largely affect the overall industry levels of advertising revenues. Magazine circulation revenues are generally affected by national and/or regional economic conditions and competition from other forms of media.

**b. Principles of consolidation**

The consolidated financial statements include the accounts of Meredith Corporation and its majority-owned subsidiaries. There are no significant intercompany transactions.

**c. Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.

**d. Cash and cash equivalents**

All cash and short-term investments with original maturities of three months or less are considered cash and cash equivalents, since they are readily convertible to cash. These short-term investments are stated at cost, which approximates fair value.

**e. Marketable securities**

No marketable securities were owned at any time during fiscal 2000 or fiscal 1999. Marketable securities owned during fiscal 1998 were classified as available-for-sale and consisted of short-term debt securities issued by the U.S. Treasury. Proceeds from sales and maturities of securities were $50.4 million during fiscal 1998. Realized gains and losses were not material. The costs used to compute realized gains and losses were determined by specific identification.

**f. Inventories**

Paper inventories are stated at cost, which is not in excess of market value, using the last-in first-out (LIFO) method. All other inventories are stated at the lower of cost (first-in first-out, or average) or market.

**g. Subscription acquisition costs**

Subscription acquisition costs primarily represent magazine direct-mail agency commissions. These costs are deferred and amortized over the related subscription term, typically one or two years.

**h. Property, plant and equipment**

Property, plant and equipment are stated at cost. Costs of replacements and major improvements are capitalized, and maintenance and repairs are charged to operations as incurred. Depreciation expense is provided primarily by the straight-line method over the estimated useful lives of the assets: five to 45 years for buildings and improvements, and three to 20 years for machinery and equipment. The costs of leasehold improvements are amortized over the lesser of the useful lives or the terms of the respective leases. Depreciation and amortization of property, plant and equipment was $23.7 million in fiscal 2000 ($21.4 million in fiscal 1999 and $17.8 million in fiscal 1998).

#### i. Broadcast rights

Broadcast rights and the liabilities for future payments are reflected in the consolidated financial statements when programs become available for broadcast. These rights are valued at the lower of cost or estimated net realizable value and are generally charged to operations on an accelerated basis over the contract period. Amortization of these rights is included in production, distribution and editorial expenses. Reductions in unamortized costs to net realizable value are typically included in amortization of broadcast rights in the accompanying Consolidated Financial Statements. Fiscal 2000 results include expense of approximately $1.1 million for such reductions in unamortized costs ($5 million in fiscal 1999 and immaterial in fiscal 1998).

#### j. Goodwill and other intangibles

Goodwill and other intangibles represent the excess of the purchase price over the estimated fair values of net tangible assets acquired in the purchases of businesses. The values of identifiable intangibles have been determined by independent appraisals. The unamortized portion of intangible assets consisted of the following:

| June 30 | 2000 | 1999 |
|---|---|---|
| (In thousands) | | |
| Federal Communications Commission (FCC) licenses | $ 428,909 | $ 440,385 |
| Goodwill | 248,799 | 270,367 |
| Television network affiliation agreements | 202,313 | 208,407 |
| Other | 13,179 | 17,646 |
| Goodwill and other intangibles | $ 893,200 | $ 936,805 |

Virtually all of these assets were acquired after October 31, 1970, and are being amortized by the straight-line method over the following periods: 40 years for television FCC licenses; 20 to 40 years for goodwill; and 15 to 40 years for network affiliation agreements. The company evaluates the recoverability of its intangible assets as current events or circumstances warrant to determine whether adjustments are needed to carrying values. Such evaluation may be based on projected income and cash flows on an undiscounted basis from the underlying business or from operations of related businesses. Other economic and market variables also are considered in any evaluation.

#### k. Derivative financial instruments

All interest rate swap agreements are held for purposes other than trading, and are accounted for by the accrual method. Amounts due to or from counterparties are recorded as adjustments to interest expense in the periods in which they accrue.

The fair market value of put options outstanding is reclassified from stockholders' equity to the temporary equity classification entitled, "Put option agreements." Adjustments to the fair market value resulting from changes in the stock price of the company's common shares result in adjustments between equity and temporary equity, with no effect on earnings.

#### l. Revenues

Advertising revenues are recognized when the advertisements are published or aired. Magazine advertising revenues totaled $386.0 million in fiscal 2000 ($359.1 million in fiscal 1999 and $350.2 million in fiscal 1998). Broadcasting advertising revenues were $272.1 million in fiscal 2000 ($254.3 million in fiscal 1999 and $229.9 million in fiscal 1998). Revenues from magazine subscriptions are deferred and recognized proportionately as products are delivered to subscribers. Revenues from magazines sold on the newsstand and books are recognized at shipment, net of provisions for returns. Revenues from integrated marketing programs are recognized when the products are delivered

#### m. Advertising expenses

Total advertising expenses included in the Consolidated Statements of Earnings were $81.7 million in fiscal 2000 ($76.2 million in fiscal 1999 and $74.8 million in fiscal 1998). The majority of the company's advertising expenses relate to direct-mail costs for magazine subscription acquisition efforts. These costs are expensed as incurred.

**n. Stock-based compensation**

The company accounts for stock-based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees." The company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation."

**o. Income Taxes**

The company accounts for certain income and expense items differently for financial reporting purposes than for income tax reporting purposes. Deferred income taxes are provided in recognition of these temporary differences.

**p. Earnings per share**

Basic earnings per share is computed using the weighted average number of actual common shares outstanding during the period. Diluted earnings per share reflects the potential dilution that would occur from the exercise of common stock options outstanding and the issuance of other stock equivalents. The following table presents the calculations of earnings per share:

| Years ended June 30 | 2000 | 1999 | 1998 |
|---|---|---|---|
| (In thousands except per share) | | | |
| Net earnings | $ 71,030 | $ 89,657 | $ 79,858 |
| Basic average shares outstanding | 51,313 | 52,188 | 52,945 |
| Dilutive effect of stock options and equivalents | 1,461 | 1,573 | 1,658 |
| Diluted average shares outstanding | 52,774 | 53,761 | 54,603 |
| Basic earnings per share | $ 1.38 | $ 1.72 | $ 1.51 |
| Diluted earnings per share | $ 1.35 | $ 1.67 | $ 1.46 |

Antidilutive options excluded from the above calculations totaled 2,229,000 options at June 30, 2000 (with a weighted average exercise price of $34.12), 705,000 options at June 30, 1999 (with a weighted average exercise price of $40.11) and 5,000 options at June 30, 1998 (with a weighted average exercise price of $42.87).

**q. Other**

Certain prior-year financial information has been reclassified or restated to conform to the fiscal 2000 financial statement presentation.

Effective July 1, 2000, the company will adopt SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The adoption will not have a material effect on the results of operations or financial position of the company.

## 2. Nonrecurring Items

In March 2000, Meredith announced several major strategic initiatives designed to position the company for significant growth in a rapidly changing business environment that stresses convergence, interactivity and greater advertising accountability. These initiatives included the creation of a new business group – Interactive and Integrated Marketing, expansion and acceleration of Internet-related efforts on a company-wide basis, implementation of initiatives designed to grow the profit contribution of circulation activities and closing certain operations that no longer fit the company's business objectives.

These initiatives resulted in the closing of *Cross Stitch & Needlework* and *Decorative Woodcrafts* magazines and the decision to exit certain other publishing operations. In addition, the company announced it will no longer publish Crayola Kids® magazine due to a disagreement with the licensor regarding the direction of the magazine. These decisions contributed to a nonrecurring charge of $23.1 million ($19.1 million after tax) or 36 cents per share. Details of the nonrecurring charge follow:

| Description | Nonrecurring Charge | Noncash Write-offs | Cash Payments | 6-30-2000 Accrual Balance |
|---|---|---|---|---|
| (In thousands) | | | | |
| Asset write-downs | $ 16,783 | $ (16,783) | $ — | $ — |
| Contractual obligations | 3,853 | (1,737) | — | 2,116 |
| Personnel costs | 2,460 | — | (1,351) | 1,109 |
| Total before tax benefit | $ 23,096 | $ (18,520) | $ (1,351) | $ 3,225 |

The asset write-downs primarily represent the write-down of intangible assets associated with the closing of the magazine properties. The intangible write-down, which is largely non-deductible for federal tax purposes, was determined by the present value of estimated future cash flows using a discount rate commensurate with the risks involved. The write-down will reduce future amortization expense by $2.5 million annually.

Contractual obligations result from the decision to exit certain publishing operations and a comprehensive review of film valuations associated with expansion of news at one television station.

The personnel costs represent expenses for severance and outplacement charges related to the involuntary termination of employment of 29 employees as a result of the magazine closings and other restructuring efforts. As of June 30, 2000, 25 of these 29 employees had left the company. Remaining contractual obligations and personnel costs are expected to be paid out over the next 36 months from internally generated cash flows. Going forward, the decision to exit certain publishing operations will result in an approximate $25 million annual reduction in revenues, but will not have a material impact on operating profits of the publishing segment.

## 3. Acquisitions and Dispositions

On March 1, 1999, the company acquired the net assets of WGNX-TV, the CBS affiliate serving the Atlanta market. In July 2000, the call letters of the station were changed to WGCL-TV. As part of the acquisition, Meredith purchased the assets of KCPQ-TV, a FOX affiliate serving the Seattle market, for approximately $380 million from Kelly Television Company. The assets of KCPQ-TV were then transferred to Tribune Company in exchange for the assets of WGCL-TV and approximately $10 million.

On July 1, 1997, Meredith purchased the net assets of three television stations affiliated with the FOX television network from First Media Television, L.P. (First Media) for $216 million. Those stations are: KPDX-TV (Portland, Ore.); KFXO-LP (Bend, Ore. – a low-power station); and WHNS-TV (Greenville, S.C./Spartanburg, S.C./Asheville, N.C.).

Meredith had also agreed to acquire WCPX-TV, a CBS network-affiliated television station serving the Orlando, Fla., market, from First Media. However, the company already owned WOFL-TV, a FOX network-affiliated television station serving the Orlando market. FCC regulations at that time prohibited the ownership of more than one television station in a market. Therefore, Meredith transferred the net assets of WCPX-TV to Post-Newsweek Stations, Inc. (Post-Newsweek), in exchange for the net assets of WFSB-TV, a CBS network-affiliated television station serving the Hartford/New Haven, Conn., market. Post-Newsweek is a wholly owned subsidiary of the Washington Post Company. The acquisition of WCPX-TV and the subsequent exchange for WFSB-TV were completed on September 4, 1997, at a net cost of $159 million.

All of the above acquisitions were accounted for as asset purchases, and accordingly, the operations of the acquired properties have been included in the company's consolidated operating results from their respective acquisition dates. The costs of the acquisitions were allocated on the bases of the estimated fair market values of the assets acquired and liabilities assumed. These purchase price allocations included the following intangibles: FCC licenses of $185.0 million in 1999 and $212.4 million in 1998, network affiliation agreements of $70.0 million in 1999 and $90.7 million in 1998, and goodwill of $107.5 million in 1999 and $40.1 million in 1998. These intangibles are being amortized over periods ranging from 15 to 40 years. The acquisitions also included property, plant and equipment and broadcast program rights and the related payables. (See Note 5 for information on the debt incurred to finance these acquisitions.)

Effective July 1, 1998, the company sold the net assets of the *Better Homes and Gardens* Real Estate Service to GMAC Home Services, Inc., a subsidiary of GMAC Financial Services. Fiscal 1999 earnings include an after-tax gain of $1.4 million, or 3 cents per diluted share, from the sale, which closed on July 27, 1998.

## 4. Inventories

Inventories consist of paper stock, books and editorial content. Of net inventory values shown, approximate portions determined using the LIFO method were 39 percent at June 30, 2000, and 46 percent at June 30, 1999. LIFO inventory expense (income) included in the Consolidated Statements of Earnings was $2.4 million in fiscal 2000, ($2.0) million in fiscal 1999 and $1.4 million in fiscal 1998.

| June 30 | 2000 | 1999 |
|---|---|---|
| (In thousands) | | |
| Raw materials | $ 18,533 | $ 17,686 |
| Work in process | 19,980 | 16,569 |
| Finished goods | 6,360 | 5,965 |
| | 44,873 | 40,220 |
| Reserve for LIFO cost valuation | (9,068) | (6,709) |
| Inventories | $ 35,805 | $ 33,511 |

## 5. Long-term Debt

At June 30, 2000 the company had $305 million in long-term debt outstanding under two variable rate unsecured credit agreements. Interest rates are based on applicable margins plus, at the company's option, either LIBOR or the higher of the overnight federal funds rate plus 0.5 percent or the bank's prime rate. In addition, at June 30, 2000, the company had $200 million outstanding in fixed rate unsecured senior notes issued to five insurance companies. A summary of long-term debt outstanding follows:

| June 30 | 2000 | 1999 |
|---|---|---|
| (In thousands) | | |
| Variable rate credit facilities: | | |
| Amortizing term loan of $210 million due 5/31/2002 | $ 85,000 | $ 130,000 |
| Amortizing term loan of $200 million due 5/1/2004 | 200,000 | 200,000 |
| Revolving credit facility of $150 million due 5/31/2002 | 20,000 | — |
| Private placement notes: | | |
| 6.51% senior notes, due 3/1/2005 | 75,000 | 75,000 |
| 6.57% senior notes, due 9/1/2005 | 50,000 | 50,000 |
| 6.65% senior notes, due 3/1/2006 | 75,000 | 75,000 |
| Total long-term debt | 505,000 | 530,000 |
| Current portion of long-term debt | (50,000) | (45,000) |
| Long-term debt | $ 455,000 | $ 485,000 |

Principal payments on the debt due in succeeding fiscal years are:

| Years ended June 30 | |
|---|---|
| (In thousands) | |
| 2001 | $ 50,000 |
| 2002 | 55,000 |
| 2003 | 100,000 |
| 2004 | 100,000 |
| 2005 | 75,000 |
| Later years | 125,000 |
| Total long-term debt | $ 505,000 |

The debt agreements include certain financial covenants related to debt levels and coverage ratios. As of June 30, 2000, the company was in compliance with all debt covenants.

Meredith uses interest rate swap contracts to manage interest cost and risk associated with possible increases in variable interest rates. Under the contracts, Meredith pays fixed rates of interest while receiving floating rates of interest based on three month LIBOR. These contracts effectively fix the base interest rate on a substantial portion of the variable rate credit facilities, although the applicable margins vary based on the company's debt-to-EBITDA ratio. These contracts are held for purposes other than trading. The notional amount covered by the contracts was $250 million at June 30, 2000. The average notional amount of indebtedness outstanding under the contracts is $223 million in fiscal 2001 and $93 million in fiscal 2002. The contracts expire on June 28, 2002. The company is exposed to credit-related losses in the event of nonperformance by the counterparties to the interest rate swap contracts. Management does not expect any counterparties to fail to meet their obligations, given their creditworthiness.

The weighted-average interest rate on debt outstanding at June 30, 2000, was approximately 6.5 percent.

Interest expense related to long-term debt totaled $34.8 million (excluding $0.4 million in capitalized interest) in fiscal 2000, $21.5 million in fiscal 1999, and $14.3 million (excluding $1.3 million in capitalized interest) in fiscal 1998.

At June 30, 2000 Meredith had available credit totaling $137 million, including $130 million under a revolving credit facility.

## 6. Fair Values of Financial Instruments

Carrying amounts and estimated fair values of financial instruments are as follows:

| June 30 | 2000 | | 1999 | |
|---|---|---|---|---|
| | **Carrying Amount** | **Fair Value** | Carrying Amount | Fair Value |
| (In thousands) | | | | |
| Assets (Liabilities): | | | | |
| Broadcast rights payable | **$ (36,146)** | **$ (33,979)** | $ (34,573) | $ (32,419) |
| Long-term debt | **$ (505,000)** | **$ (490,088)** | $ (530,000) | $ (516,927) |
| Interest rate swaps | **$ —** | **$ 4,069** | $ — | $ 1,375 |

Fair values were determined as follows:

- Broadcast rights payable: Discounted cash flows.
- Long-term debt: Discounted cash flows using borrowing rates currently available for debt with similar terms and maturities.
- Interest rate swaps: Estimated amount the company would pay or receive to terminate the swap agreements.

The carrying amounts reported on the Consolidated Balance Sheets at June 30, 2000 and 1999, for all other financial instruments, including the put option agreements classified as temporary equity, approximate their respective fair values due to the short-term nature of these instruments. Fair value estimates are made at a specific point in time based on relevant market and financial instrument information. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

## 7. Income taxes

Income tax expense consists of:

| Years ended June 30 | **2000** | 1999 | 1998 |
|---|---|---|---|
| (In thousands) | | | |
| Currently payable: | | | |
| Federal | **$ 36,348** | $ 50,880 | $ 39,921 |
| State | **6,920** | 9,459 | 8,066 |
| | **43,268** | 60,339 | 47,987 |
| Deferred: | | | |
| Federal | **11,215** | 1,765 | 9,128 |
| State | **2,073** | 414 | 2,141 |
| | **13,288** | 2,179 | 11,269 |
| Total | **$ 56,556** | $ 62,518 | $ 59,256 |

The differences between the effective tax rates and the statutory U.S. federal income tax rate are as follows:

| Years ended June 30 | 2000 | 1999 | 1998 |
|---|---|---|---|
| U.S. statutory tax rate | **35.0%** | 35.0% | 35.0% |
| State income taxes, less federal income tax benefits | **4.0** | 4.2 | 4.8 |
| Nonrecurring goodwill write-downs | **3.5** | — | — |
| Goodwill amortization | **1.1** | 0.9 | 1.1 |
| Other | **0.7** | 1.0 | 1.7 |
| Effective income tax rate | **44.3%** | 41.1% | 42.6% |

The tax effects of temporary differences that gave rise to the deferred income tax assets and liabilities are as follows:

| June 30 | 2000 | 1999 |
|---|---|---|
| (In thousands) | | |
| Deferred tax assets: | | |
| Accounts receivable allowances and return reserves | **$ 15,012** | $ 13,998 |
| Compensation and benefits | **22,235** | 19,490 |
| Expenses deductible for taxes in different years than accrued | **17,251** | 18,265 |
| All other assets | **689** | 71 |
| Total deferred tax assets | **55,187** | 51,824 |
| Deferred tax liabilities: | | |
| Subscription acquisition costs | **27,518** | 23,372 |
| Accumulated depreciation and amortization | **47,267** | 31,569 |
| Gains from dispositions | **6,979** | 7,484 |
| Carrying value of accounts receivable | **6,010** | 9,133 |
| Expenses deductible for taxes in different years than accrued | **4,544** | 4,291 |
| All other liabilities | **639** | 558 |
| Total deferred tax liabilities | **92,957** | 76,407 |
| Net deferred tax liability | **$ 37,770** | $ 24,583 |

The current portions of deferred tax assets and liabilities are included in "Other current assets" in the Consolidated Balance Sheets.

## 8. Pension and Postretirement Benefit Plans

### Savings and Investment Plan

The company maintains a 401(k) Savings and Investment Plan which permits eligible employees to contribute funds on a pre-tax basis. The plan provides for employee contributions of up to 12.0 percent of eligible compensation. Beginning January 1, 1998, the company matched 100 percent of the first 3 percent and 50 percent of the next 2 percent of employee contributions. Previously, the company matched 75 percent of the first 5 percent contributed.

The 401(k) Savings and Investment Plan allows employees to choose among various investment options, including the company's common stock. Company contribution expense under this plan totaled $4.5 million in fiscal 2000, $4.3 million in fiscal 1999, and $3.7 million in fiscal 1998.

### Pension and Postretirement Plans

The company has noncontributory pension plans covering substantially all employees. Assets held in the plans are primarily a mix of noncompany equity and debt securities. Plan assets include 180,000 shares of Meredith Corporation common stock with a fair value of $5.0 million at March 31, 2000, the plans' measurement date. The company also sponsors defined health care and life insurance plans that provide benefits to eligible retirees. The company funds a small portion of its postretirement benefits through a 401(h) account. All 401(h) assets are held in noncompany equity securities.

The following table presents changes in, and components of, the company's net assets/liabilities for pension and other postretirement benefits:

| June 30 | Pension | | Postretirement | |
|---|---|---|---|---|
| | **2000** | 1999 | **2000** | 1999 |
| (In thousands) | | | | |
| Change in benefit obligation: | | | | |
| Benefit obligation, beginning of year | **$ 62,158** | $ 67,418 | **$ 14,078** | $ 14,758 |
| Service cost | **4,426** | 4,204 | **665** | 679 |
| Interest cost | **4,314** | 4,789 | **993** | 1,041 |
| Participant contributions | **—** | — | **224** | 190 |
| Plan amendments | **—** | 771 | **—** | — |
| Actuarial loss (gain) | **(3,290)** | (197) | **(935)** | (1,276) |
| Benefits paid (including lump sums) | **(3,995)** | (14,827) | **(1,149)** | (1,314) |
| Benefit obligation, end of year | **$ 63,613** | $ 62,158 | **$ 13,876** | $ 14,078 |
| Change in plan assets: | | | | |
| Fair value of plan assets, beginning of year | **$ 70,171** | $ 82,447 | **$ 934** | $ 1,244 |
| Actual return on plan assets | **13,228** | 1,052 | **113** | 41 |
| Employer contributions | **562** | 1,499 | **396** | 773 |
| Participant contributions | **—** | — | **224** | 190 |
| Benefits paid (including lump sums) | **(3,995)** | (14,827) | **(1,149)** | (1,314) |
| Fair value of plan assets, end of year | **$ 79,966** | $ 70,171 | **$ 518** | $ 934 |
| Funded status, end of year | **$ 16,353** | $ 8,013 | **$ (13,358)** | $ (13,144) |
| Unrecognized actuarial loss (gain) | **(23,816)** | (13,379) | **(1,279)** | (670) |
| Unrecognized prior service cost | **1,670** | 2,104 | **(2,244)** | (2,444) |
| Unrecognized net transition obligation | **1,104** | 1,460 | **—** | — |
| Contributions between measurement date and fiscal year end | **17** | 19 | **—** | — |
| Net recognized amount, end of year | **$ (4,672)** | $ (1,783) | **$ (16,881)** | $ (16,258) |
| Consolidated Balance Sheets: | | | | |
| Prepaid benefit cost | **$ 3,672** | $ 4,958 | **$ —** | $ — |
| Accrued benefit liability | **(8,344)** | (6,741) | **(16,881)** | (16,258) |
| Additional minimum liability | **(1,876)** | (2,421) | **—** | — |
| Intangible asset | **1,642** | 2,012 | **—** | — |
| Accumulated other comprehensive income | **234** | 409 | **—** | — |
| Net recognized amount, end of year | **$ (4,672)** | $ (1,783) | **$ (16,881)** | $ (16,258) |

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were $10.9 million, $9.1 million and $0.2 million, respectively, as of June 30, 2000, and $11.4 million, $8.9 million and $0.2 million, respectively, as of June 30, 1999.

Benefit obligations were determined using the following weighted-average assumptions:

| June 30 | Pension | | Postretirement | |
|---|---|---|---|---|
| | **2000** | 1999 | **2000** | 1999 |
| (In thousands) | | | | |
| Weighted-average assumptions: | | | | |
| Discount rate | **7.75 %** | 7.00 % | **7.75 %** | 7.00 % |
| Expected return on plan assets | **8.25 %** | 8.25 % | **8.25 %** | 8.25 % |
| Rate of compensation increase | **5.00 %** | 5.00 % | **5.00 %** | 5.00 % |

The rate of increase in health care cost levels used in measuring the postretirement benefit obligation for employees under age 65 was 8 percent, decreasing to 5.75 percent in 2003 and thereafter. For employees age 65 and older, the rate of increase used was 5.75 percent.

Assumed rates of increase in health care cost levels have a significant effect on the amounts reported for the health care plans.

A one-percentage-point change in the assumed health care cost trend rates would have the following effects:

| Year ended June 30, 2000 | 1-Percentage-Point Increase | 1-Percentage-Point Decrease |
|---|---|---|
| (In thousands) | | |
| Effect on service and interest cost components | $ 127 | $ (107) |
| Effect on postretirement benefit obligation. | $ 659 | $ (578) |

The components of net periodic benefit costs recognized in the Consolidated Statements of Earnings were as follows:

| June 30 | Pension 2000 | Pension 1999 | Pension 1998 | Postretirement 2000 | Postretirement 1999 | Postretirement 1998 |
|---|---|---|---|---|---|---|
| (In thousands) | | | | | | |
| Components of net periodic benefit cost: | | | | | | |
| Service cost | $ 4,426 | $ 4,204 | $ 3,642 | $ 665 | $ 679 | $ 479 |
| Interest cost | 4,314 | 4,789 | 5,247 | 993 | 1,041 | 1,086 |
| Expected return on plan assets | (5,470) | (6,554) | (5,041) | (75) | (101) | (72) |
| Prior service cost amortization | 434 | 434 | 379 | (200) | (200) | (200) |
| Actuarial loss (gain) amortization | (611) | (1,454) | (397) | — | — | — |
| Transition amount amortization | 356 | 356 | 356 | — | — | — |
| Settlement gain | — | (3,624) | (2,448) | — | — | — |
| Curtailment loss | — | — | 213 | — | — | — |
| Net periodic benefit expense (income) | $ 3,449 | $ (1,849) | $ 1,951 | $ 1,383 | $ 1,419 | $ 1,293 |

## 9. Capital Stock

The company has two classes of common stock outstanding, common and class B. Holders of both classes of common stock receive equal dividends per share. Class B stock, which has 10 votes per share, is not transferable as class B stock except to family members of the holder or certain other related entities. At any time, class B stock is convertible, share for share, into common stock with one vote per share. Class B stock transferred to persons or entities not entitled to receive it as class B stock will automatically be converted and issued as common stock to the transferee. The principal market for trading the company's common stock is the New York Stock Exchange (trading symbol MDP). No separate public trading market for the company's class B stock exists.

From time to time, the company's board of directors has authorized the repurchase of shares of the company's common stock on the open market.

Repurchases under these authorizations were as follows:

| Years ended June 30 | 2000 | 1999 | 1998 |
|---|---|---|---|
| (In thousands) | | | |
| Number of shares | 1,720 | 1,121 | 899 |
| Cost at market value | $ 54,486 | $ 43,852 | $ 31,194 |

As of June 30, 2000, approximately 1.8 million shares could be repurchased under existing authorizations by the board of directors, excluding those authorizations specifically related to the put options discussed in the following paragraph.

Meredith Corporation entered into two put option agreements with certain trusts of the Bohen family, nonaffiliate descendants of the company's founder, effective August 1, 1998 to repurchase up to 1.6 million common shares over the next 24 months. As of June 30, 2000, 348,000 shares had been repurchased under these agreements. The remainder of the put options expired on July 31, 2000. The market value of the shares subject to put option agreements has been reclassified from stockholders' equity to the temporary equity classification entitled, "Put option agreements."

## 10. Common Stock and Stock Option Plans

### Restricted Stock and Stock Equivalent Plans

The company has awarded common stock and/or common stock equivalents to eligible key employees under a stock incentive plan and to nonemployee directors under a restricted stock plan. All plans have restriction periods tied primarily to employment and/or service. In addition, certain awards are granted based on specified levels of company stock ownership. The awards are recorded at market value on the date of the grant as unearned compensation. The initial values of the grants are amortized over the restriction periods, net of forfeitures. The number of stock units and annual expense information follows:

| Years ended June 30 | 2000 | 1999 | 1998 |
|---|---|---|---|
| (In thousands except per share) | | | |
| Number of stock units awarded | 64 | 18 | 32 |
| Average market price of stock units awarded | $ 36.25 | $ 37.53 | $ 35.94 |
| Stock units outstanding | 201 | 228 | 319 |
| Annual expense, net | $ 915 | $ 960 | $ 1,221 |

In fiscal 1997, the company discontinued the pension plan for active nonemployee members of its board of directors. On November 11, 1996, the pension benefit for each of these directors was determined and converted to common stock equivalents at the market price on that date. Approximately 20,000 stock equivalents were established.

### Stock Option Plans

Under the company's stock incentive plan, nonqualified stock options may be granted to certain employees to purchase shares of common stock at prices not less than market prices at the dates of grants. All options granted under these plans expire at the end of 10 years. Most of these option grants vest one-third each year over a three-year period. Others have "cliff-type" vesting after either three- or five-year periods. Some of the options granted in fiscal 1998 were tied to attaining specified earnings per share and return on equity goals for the three years ended June 30, 2000. These goals were met and, therefore, the options become fully vested three years from the date of grant.

The company also has a nonqualified stock option plan for nonemployee directors. Options vest either 40, 30, and 30 percent in each successive year or one-third each year over a three-year period. No options can be issued under this plan after July 31, 2003, and options expire 10 years after issuance.

A summary of stock option activity and weighted average exercise prices follows:

| Years ended June 30 | **2000** | | 1999 | | 1998 | |
|---|---|---|---|---|---|---|
| | **Options** | **Exercise Price** | Options | Exercise Price | Options | Exercise Price |
| (Options in thousands) | | | | | | |
| Outstanding, beginning of year | **5,783** | **$ 20.79** | 5,328 | $ 18.63 | 4,704 | $ 15.32 |
| Granted at market price | **859** | **$ 33.07** | 593 | $ 40.82 | 1,029 | $ 30.74 |
| Exercised | **(319)** | **$ 11.50** | (87) | $ 17.94 | (385) | $ 10.10 |
| Forfeited | **(198)** | **$ 34.06** | (51) | $ 32.12 | (20) | $ 28.41 |
| Outstanding, end of year | **6,125** | **$ 22.57** | 5,783 | $ 20.79 | 5,328 | $ 18.63 |
| Exercisable, end of year | **3,593** | **$ 16.82** | 3,474 | $ 14.53 | 2,795 | $ 12.25 |
| Fair value of options granted: At market price | | **$ 11.59** | | $ 13.43 | | $ 9.40 |

A summary of stock options outstanding and exercisable as of June 30, 2000, follows:

| | Options outstanding | | | Options exercisable | |
|---|---|---|---|---|---|
| (Options in thousands) | | | | | |
| Range of exercise prices | Number outstanding | Weighted average remaining life (years) | Weighted average exercise price | Number exercisable | Weighted average exercise price |
| $ 6.61 – $ 11.56 | 1,729 | 3.48 | $ 10.09 | 1,729 | $ 10.09 |
| $ 11.67 – $ 20.94 | 1,540 | 5.62 | $ 18.67 | 1,269 | $ 18.32 |
| $ 21.09 – $ 32.54 | 1,548 | 6.90 | $ 28.30 | 380 | $ 29.43 |
| $ 33.16 – $ 42.88 | 1,308 | 8.66 | $ 36.87 | 215 | $ 39.80 |
| | 6,125 | 5.99 | $ 22.57 | 3,593 | $ 16.82 |

The maximum number of shares reserved for use in all company restricted stock, stock equivalent and stock incentive plans totals approximately 10.6 million. The total number of restricted and equivalent stock shares and stock options that have been awarded under these plans as of June 30, 2000, is approximately 7.9 million. No stock options have expired to date.

The company accounts for stock options in accordance with APB No. 25 and therefore no compensation cost related to options has been recognized in the Consolidated Statements of Earnings. Had compensation cost for the company's stock-based compensation plans been determined consistent with the fair value method of SFAS No. 123, the company's net earnings and earnings per share would have been as follows:

| Years ended June 30 | 2000 | 1999 | 1998 |
|---|---|---|---|
| (In thousands except per share) | | | |
| Net earnings as reported | $ 71,030 | $ 89,657 | $ 79,858 |
| Pro forma net earnings | $ 65,811 | $ 84,692 | $ 75,900 |
| Basic earnings per share as reported | $ 1.38 | $ 1.72 | $ 1.51 |
| Pro forma basic earnings per share | $ 1.28 | $ 1.62 | $ 1.43 |
| Diluted earnings per share as reported | $ 1.35 | $ 1.67 | $ 1.46 |
| Pro forma diluted earnings per share | $ 1.24 | $ 1.57 | $ 1.39 |

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting periods. Options vest over a period of several years and additional awards are generally made each year. Pro forma disclosures do not reflect compensation expense for options granted prior to fiscal 1996. Therefore, the full effect of applying SFAS No. 123 for providing pro forma disclosures was first evident in fiscal 1999. In addition, valuations are based on highly subjective assumptions about the future, including stock price volatility and exercise patterns. The company used the Black-Scholes option pricing model to determine the fair value of grants made. The following assumptions were applied in determining the pro forma compensation cost:

| Years ended June 30 | 2000 | 1999 | 1998 |
|---|---|---|---|
| Risk-free interest rate | 6.23% | 5.91% | 5.61% |
| Expected dividend yield | 0.75% | 0.75% | 1.00% |
| Expected option life | 6.5 yrs | 6.3 yrs | 6.4 yrs |
| Expected stock price volatility | 22.00% | 21.00% | 20.00% |

## 11. Commitments and Contingent Liabilities

The company occupies certain facilities and sales offices and uses certain equipment under lease agreements. Rental expense for such leases was $7.1 million in 2000 ($6.0 million in 1999 and $5.6 million in 1998). Minimum rental commitments at June 30, 2000, under all noncancellable operating leases due in succeeding fiscal years are:

| Years ended June 30 | |
|---|---|
| (In thousands) | |
| 2001 | $ 7,144 |
| 2002 | 6,074 |
| 2003 | 6,169 |
| 2004 | 6,325 |
| 2005 | 6,029 |
| Later years | 42,044 |
| Total amounts payable | $ 73,785 |

Most of the future lease payments relate to the lease of office facilities in New York City through December 31, 2011. In the normal course of business, leases that expire are generally renewed or replaced by leases on similar property.

The company has recorded commitments for broadcast rights payable in future fiscal years. The company also is obligated to make payments under contracts for broadcast rights not currently available for use, and therefore not included in the consolidated financial statements, in the amount of $86.5 million at June 30, 2000 ($81.1 million at June 30, 1999). The fair values of these commitments for unavailable broadcast rights were $73.0 million and $69.1 million at June 30, 2000 and 1999, respectively. The broadcast rights payments due in succeeding fiscal years are:

| Years ended June 30 | Recorded Commitments | Unavailable Rights |
|---|---|---|
| (In thousands) | | |
| 2001 | $ 22,666 | $ 11,735 |
| 2002 | 10,307 | 17,010 |
| 2003 | 2,896 | 20,375 |
| 2004 | 277 | 18,463 |
| Later years | — | 18,952 |
| Total | $ 36,146 | $ 86,535 |

The broadcasting segment has commitments to spend approximately $30 million over the next three fiscal years for completion of a new building for the Atlanta station, introduction of local news programming at the Portland station and for the initial transition to digital technology at six stations. Meredith also has a commitment to spend approximately $12 million for replacement aircraft and associated facilities in fiscal 2001.

The company is involved in certain litigation and claims arising in the normal course of business. In the opinion of management, liabilities, if any, arising from existing litigation and claims will not have a material effect on the company's earnings, financial position or liquidity.

## 12. Other Comprehensive Income

Comprehensive income is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources. Comprehensive income includes net earnings as well as items of other comprehensive income.

The following table summarizes the items of other comprehensive income (loss) and the accumulated other comprehensive income (loss) balances:

| (In thousands) | Foreign Currency Translation Adjustments | Minimum Pension Liability Adjustments | Accumulated Other Comprehensive Income (Loss) |
|---|---|---|---|
| **Balance at June 30, 1997** | $ — | $ (281) | $ (281) |
| Current year adjustments, pre-tax | (1,388) | (105) | (1,493) |
| Tax benefit | 555 | 42 | 597 |
| Other comprehensive loss | (833) | (63) | (896) |
| **Balance at June 30, 1998** | $ (833) | $ (344) | $ (1,177) |
| Current year adjustments, pre-tax | 754 | 164 | 918 |
| Tax expense | (301) | (65) | (366) |
| Other comprehensive income | 453 | 99 | 552 |
| **Balance at June 30, 1999** | $ (380) | $ (245) | $ (625) |
| Current year adjustments, pre-tax | (427) | 175 | (252) |
| Tax benefit (expense) | 170 | (69) | 101 |
| Other comprehensive (loss) income | (257) | 106 | (151) |
| **Balance at June 30, 2000** | **$ (637)** | **$ (139)** | **$ (776)** |

## 13. Financial Information about Industry Segments

Meredith Corporation is a diversified media and marketing company primarily focused on the home and family marketplace. Based on products and services, the company has established two reportable segments: publishing and broadcasting. The publishing segment includes magazine and book publishing, integrated marketing, interactive media, database-related activities, brand licensing and other related operations. In fiscal 1998, the publishing segment also included the residential real estate franchising operations that were sold effective July 1, 1998. The broadcasting segment includes the operations of 12 network-affiliated television stations and syndicated television program marketing and development. The broadcasting segment information includes the effects of the acquisitions of WGCL-TV in March 1999; WFSB-TV in September 1997; and KPDX-TV, KFXO-LP and WHNS-TV in July 1997. Virtually all of the company's revenues are generated and assets reside within the United States. There are no material intersegment transactions.

Operating profit for segment reporting is revenues less operating costs and does not include nonrecurring charges, gains from dispositions, interest income and expense, or unallocated corporate expense. Segment operating costs include allocations of certain centrally incurred costs such as employee benefits, occupancy, information systems, accounting services, internal legal staff and human resources administration expenses. These costs are allocated based on actual usage or other appropriate methods, primarily number of employees.

A significant noncash item included in segment operating costs, other than depreciation and amortization of fixed and intangible assets, is the amortization of broadcast rights in the broadcasting segment, totaling $35.3 million in fiscal 2000, $38.5 million in fiscal 1999 and $27.7 million in fiscal 1998.

EBITDA is defined as earnings before interest, taxes, depreciation and amortization, and excludes nonrecurring items. EBITDA is often used to analyze and compare companies on the basis of operating performance and cash flow. EBITDA is not adjusted for all noncash expenses or for working capital, capital expenditures and other investment requirements. EBITDA should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles.

Segment assets include intangible, fixed and all other noncash assets identified with each segment. Jointly used assets such as office buildings and information services and technology equipment are allocated to the segments by appropriate methods, primarily number of employees. Unallocated corporate assets consist primarily of cash and cash items, assets allocated to or identified with corporate staff departments and other miscellaneous assets not assigned to one of the segments.

Unallocated corporate capital expenditures included spending for the construction of the corporate headquarters expansion and related improvements in Des Moines in fiscal 1998.

Expenditures for long-lived assets other than capital expenditures included the acquisitions of one television station in fiscal 1999 and four television stations in fiscal 1998. These acquisitions resulted in broadcasting segment additions to intangible assets of $362.5 million in fiscal 1999 and $343.7 million in fiscal 1998 and additions to fixed assets of $6.4 million in fiscal 1999 and $33.9 million in fiscal 1998.

| Years ended June 30 | 2000 | 1999 | 1998 |
|---|---|---|---|
| (In thousands) | | | |
| **Revenues** | | | |
| Publishing | **$ 817,715** | $ 774,031 | $ 769,197 |
| Broadcasting | **279,450** | 262,091 | 240,730 |
| Total revenues | **$ 1,097,165** | $ 1,036,122 | $ 1,009,927 |
| **Operating profit** | | | |
| Publishing | **$ 139,905** | $ 119,581 | $ 101,145 |
| Broadcasting | **59,594** | 72,347 | 74,532 |
| Unallocated corporate expense | **(15,066)** | (20,841) | (23,176) |
| Nonrecurring items | **(23,096)** | — | — |
| Income from operations | **$ 161,337** | $ 171,087 | $ 152,501 |
| **Depreciation/amortization** | | | |
| Publishing | **$ 11,586** | $ 11,368 | $ 10,103 |
| Broadcasting | **38,713** | 30,735 | 24,924 |
| Unallocated corporate | **2,050** | 1,980 | 1,813 |
| Total depreciation/amortization | **$ 52,349** | $ 44,083 | $ 36,840 |
| **EBITDA** | | | |
| Publishing | **$ 151,491** | $ 130,949 | $ 111,248 |
| Broadcasting | **98,307** | 103,082 | 99,456 |
| Unallocated corporate | **(13,016)** | (18,861) | (21,363) |
| Total EBITDA | **$ 236,782** | $ 215,170 | $ 189,341 |
| **Assets** | | | |
| Publishing | **$ 320,358** | $ 317,297 | $ 349,783 |
| Broadcasting | **1,038,072** | 1,039,745 | 675,409 |
| Unallocated corporate | **81,343** | 66,354 | 40,797 |
| Total assets | **$ 1,439,773** | $ 1,423,396 | $ 1,065,989 |
| **Capital expenditures** | | | |
| Publishing | **$ 1,465** | $ 1,417 | $ 2,932 |
| Broadcasting | **32,925** | 16,470 | 13,945 |
| Unallocated corporate | **5,013** | 7,804 | 29,304 |
| Total capital expenditures | **$ 39,403** | $ 25,691 | $ 46,181 |

## 14. Selected Quarterly Financial Data (unaudited)

| Year ended June 30, 2000 | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Total |
|---|---|---|---|---|---|
| (In thousands except per share) | | | | | |
| **Revenues** | | | | | |
| Publishing | $ 193,240 | $ 189,545 | $ 224,093 | $ 210,837 | $ 817,715 |
| Broadcasting | 67,164 | 76,584 | 62,850 | 72,852 | 279,450 |
| Total revenues | $ 260,404 | $ 266,129 | $ 286,943 | $ 283,689 | $ 1,097,165 |
| **Operating profit** | | | | | |
| Publishing | $ 28,637 | $ 33,440 | $ 46,532 | $ 31,296 | $ 139,905 |
| Broadcasting | 13,306 | 21,471 | 7,930 | 16,887 | 59,594 |
| Unallocated corporate expense | (3,226) | (3,304) | (4,706) | (3,830) | (15,066) |
| Nonrecurring items | — | — | — | (23,096) | (23,096) |
| Income from operations | $ 38,717 | $ 51,607 | $ 49,756 | $ 21,257 | $ 161,337 |
| **Net earnings** | $ 18,023 | $ 25,459 | $ 24,816 | $ 2,732 | $ 71,030 |
| **Basic earnings per share** | $ 0.35 | $ 0.49 | $ 0.48 | $ 0.06 | $ 1.38 |
| **Diluted earnings per share** | $ 0.34 | $ 0.48 | $ 0.47 | $ 0.06 | $ 1.35 |
| **Dividends per share** | $ 0.075 | $ 0.075 | $ 0.080 | $ 0.080 | $ 0.31 |
| **Stock price per share:** | | | | | |
| High | $ 38.87 | $ 42.00 | $ 41.06 | $ 36.25 | |
| Low | $ 31.81 | $ 33.31 | $ 22.37 | $ 25.50 | |

### Fiscal 2000

Fourth-quarter results include post-tax nonrecurring charges of $23.1 million ($19.1 million after tax), or 36 cents per share, for asset write-downs, contractual obligations and personnel costs associated primarily with the decision to exit certain publishing operations (Note 2).

Fourth-quarter publishing operating profits were reduced by $10.2 million in investment spending related to circulation initiatives, Internet and e-commerce activities and development of the consumer database.

| Year ended June 30, 1999 | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Total |
|---|---|---|---|---|---|
| (In thousands except per share) | | | | | |
| **Revenues** | | | | | |
| Publishing | $ 190,816 | $ 182,858 | $ 202,071 | $ 198,286 | $ 774,031 |
| Broadcasting | 55,021 | 72,066 | 63,050 | 71,954 | 262,091 |
| Total revenues | $ 245,837 | $ 254,924 | $ 265,121 | $ 270,240 | $ 1,036,122 |
| **Operating profit** | | | | | |
| Publishing | $ 24,819 | $ 26,762 | $ 37,020 | $ 30,980 | $ 119,581 |
| Broadcasting | 13,060 | 25,915 | 14,728 | 18,644 | 72,347 |
| Unallocated corporate expense | (3,974) | (4,874) | (8,518) | (3,475) | (20,841) |
| Income from operations | $ 33,905 | $ 47,803 | $ 43,230 | $ 46,149 | $ 171,087 |
| **Net earnings** | $ 18,811 | $ 25,423 | $ 22,087 | $ 23,336 | $ 89,657 |
| **Basic earnings per share** | $ 0.36 | $ 0.48 | $ 0.43 | $ 0.45 | $ 1.72 |
| **Diluted earnings per share** | $ 0.35 | $ 0.47 | $ 0.41 | $ 0.44 | $ 1.67 |
| **Dividends per share** | $ 0.070 | $ 0.070 | $ 0.075 | $ 0.075 | $ 0.29 |
| **Stock price per share:** | | | | | |
| High | $ 48.50 | $ 40.00 | $ 40.25 | $ 38.00 | |
| Low | $ 28.56 | $ 26.69 | $ 30.87 | $ 30.62 | |

### Fiscal 1999

Financial results include the operations of WGCL-TV from its acquisition date of March 1, 1999 (Note 3).

First-quarter results include a gain from the disposition of the *Better Homes and Gardens* Real Estate Service (Note 3).

# Eleven-Year Financial History with Selected Financial Data

## Meredith Corporation and Subsidiaries

| Years ended June 30 | 2000 | 1999 | 1998 | 1997 |
|---|---|---|---|---|
| ($ In thousands except per share) | | | | |
| **Results of operations** | | | | |
| Total revenues | $ **1,097,165** | $ 1,036,122 | $ 1,009,927 | $ 855,218 |
| EBITDA | $ **236,782** | $ 215,170 | $ 189,341 | $ 137,668 |
| Income (loss) from operations | $ **161,337** | $ 171,087 | $ 152,501 | $ 114,671 |
| Net interest (expense) income | **(33,751)** | (21,287) | (13,387) | 3,756 |
| Gain from dispositions | — | 2,375 | — | — |
| Income taxes | **(56,556)** | (62,518) | (59,256) | (50,835) |
| Earnings (loss) from continuing operations | **71,030** | 89,657 | 79,858 | 67,592 |
| Discontinued operations | — | — | — | 27,693 |
| Cumulative effect of change in accounting principle | — | — | — | — |
| Net earnings (loss) | $ **71,030** | $ 89,657 | $ 79,858 | $ 95,285 |
| **Basic per-share information** | | | | |
| Earnings (loss) from continuing operations | $ **1.38** | $ 1.72 | $ 1.51 | $ 1.26 |
| Discontinued operations | — | — | — | 0.52 |
| Cumulative effect of change in accounting principle | — | — | — | — |
| Net earnings (loss) | $ **1.38** | $ 1.72 | $ 1.51 | $ 1.78 |
| **Diluted per-share information** | | | | |
| Earnings (loss) from continuing operations | $ **1.35** | $ 1.67 | $ 1.46 | $ 1.22 |
| Discontinued operations | — | — | — | 0.50 |
| Cumulative effect of change in accounting principle | — | — | — | — |
| Net earnings (loss) | $ **1.35** | $ 1.67 | $ 1.46 | $ 1.72 |
| **Average diluted shares outstanding** (in thousands) | **52,774** | 53,761 | 54,603 | 55,522 |
| **Dividends paid per share** | $ **0.31** | $ 0.29 | $ 0.27 | $ 0.24 |
| **Stock price per share:** | | | | |
| High | $ **42.00** | $ 48.50 | $ 46.94 | $ 29.37 |
| Low | $ **22.37** | $ 26.69 | $ 26.75 | $ 19.69 |
| **Financial Position at June 30** | | | | |
| Current assets | $ **288,799** | $ 256,175 | $ 246,801 | $ 337,208 |
| Working capital | $ **(69,902)** | $ (87,940) | $ (100,068) | $ 59,248 |
| Net assets of discontinued operations | $ — | $ — | $ — | $ — |
| Total assets | $ **1,439,773** | $ 1,423,396 | $ 1,065,989 | $ 760,433 |
| Long-term obligations (including current portion) | $ **541,146** | $ 564,573 | $ 244,607 | $ 17,032 |
| Stockholders' equity | $ **422,509** | $ 413,305 | $ 378,013 | $ 326,649 |
| **Number of employees (at June 30)** | **2,703** | 2,642 | 2,559 | 2,102 |

***General:***

*Prior years are reclassified to conform with current-year presentation.*

*Significant acquisitions occurred in March 1999 with the acquisition of WGCL; in September 1997 with the acquisition of WFSB; in July 1997 with the purchase of KPDX, WHNS and KFXO; in January 1995 with the purchase of WSMV; and in September 1992 with the purchase of North Central cable television systems.*

*EBITDA is earnings from continuing operations before interest, taxes, depreciation and amortization, excluding gains from dispositions and nonrecurring items. EBITDA should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles.*

*Data have been adjusted to reflect two-for-one stock splits in March 1997 and March 1995.*

*Long-term obligations include broadcast rights payable and company debt associated with continuing operations.*

*Stockholders' equity includes temporary equity where applicable.*

***Earnings (loss) from continuing operations (all share amounts are diluted and post-tax):***

***Fiscal 2000*** *included nonrecurring items of $23.1 million, or 36 cents per share, for asset write-downs, contractual obligations and personnel costs associated primarily with the decision to exit certain publishing operations.*

***Fiscal 1999*** *included a gain from the sale of the real estate operations.*

***Fiscal 1996*** *included a gain from the sale of three book clubs.*

***Fiscal 1995*** *included interest income of $8.6 million, or 8 cents per share, from the IRS for the settlement of the company's 1986 through 1990 tax years.*

***Fiscal 1994*** *included nonrecurring items of $5.6 million for broadcasting rights write-downs and $1.8 million for taxes on disposed properties, or a total of 7 cents per share, and a gain from the disposition of the Syracuse and Fresno properties.*

***Fiscal 1992*** *included nonrecurring items of $13.0 million for restructuring costs and $13.4 million for book inventory write-downs and other items, or a total of 26 cents per share.*

***Fiscal 1991*** *included gains from the dispositions of* Sail *magazine and Information/Fulfillment Services.*

| 1996 | 1995 | 1994 | 1993 | 1992 | 1991 | 1990 |
|---|---|---|---|---|---|---|
| $ 867,137 | $ 829,401 | $ 744,735 | $ 721,944 | $ 699,714 | $ 727,210 | $ 714,959 |
| $ 122,635 | $ 91,719 | $ 70,202 | $ 52,737 | $ 39,005 | $ 37,055 | $ 57,475 |
| $ 97,505 | $ 72,702 | $ 45,876 | $ 35,865 | $ (3,817) | $ 18,927 | $ 2,552 |
| (3,347) | 6,894 | 1,529 | 1,205 | 5,360 | 8,686 | (3,301) |
| 5,898 | — | 11,997 | — | — | 9,677 | — |
| (45,399) | (35,398) | (26,929) | (15,629) | (749) | (14,466) | (618) |
| 54,657 | 44,198 | 32,473 | 21,441 | 794 | 22,824 | (1,367) |
| (717) | (4,353) | (5,319) | (2,815) | 175 | 60,302 | (25,035) |
| — | (46,160) | — | — | (7,300) | — | — |
| $ 53,940 | $ (6,315) | $ 27,154 | $ 18,626 | $ (6,331) | $ 83,126 | $ (26,402) |
| $ 1.00 | $ 0.81 | $ 0.57 | $ 0.35 | $ 0.01 | $ 0.34 | $ (0.02) |
| (0.02) | (0.07) | (0.09) | (0.04) | — | 0.90 | (0.34) |
| — | (0.86) | — | — | (0.11) | — | — |
| $ 0.98 | $ (0.12) | $ 0.48 | $ 0.31 | $ (0.10) | $ 1.24 | $ (0.36) |
| $ 0.97 | $ 0.79 | $ 0.57 | $ 0.35 | $ 0.01 | $ 0.34 | $ (0.02) |
| (0.01) | (0.07) | (0.09) | (0.04) | — | 0.90 | (0.34) |
| — | (0.83) | — | — | (0.11) | — | — |
| $ 0.96 | $ (0.11) | $ 0.48 | $ 0.31 | $ (0.10) | $ 1.24 | $ (0.36) |
| 56,391 | 55,508 | 56,730 | 61,066 | 64,563 | 67,257 | 74,061 |
| $ 0.21 | $ 0.19 | $ 0.17 | $ 0.16 | $ 0.16 | $ 0.16 | $ 0.16 |
| $ 24.37 | $ 13.50 | $ 11.41 | $ 9.00 | $ 7.03 | $ 7.66 | $ 9.81 |
| $ 11.75 | $ 10.62 | $ 8.37 | $ 5.47 | $ 5.94 | $ 5.16 | $ 6.62 |
| $ 210,676 | $ 250,598 | $ 290,177 | $ 282,630 | $ 329,191 | $ 408,049 | $ 291,062 |
| $ (68,831) | $ (28,436) | $ 27,766 | $ 10,018 | $ 72,021 | $ 141,052 | $ (7,550) |
| $ 88,051 | $ 88,097 | $ 90,579 | $ 95,672 | $ 56,848 | $ — | $ 114,734 |
| $ 733,692 | $ 743,796 | $ 679,813 | $ 716,716 | $ 739,277 | $ 768,152 | $ 775,329 |
| $ 71,482 | $ 102,259 | $ 10,801 | $ 15,867 | $ 17,505 | $ 24,910 | $ 53,133 |
| $ 261,516 | $ 241,050 | $ 257,761 | $ 284,096 | $ 301,163 | $ 342,685 | $ 309,711 |
| 2,234 | 2,400 | 2,194 | 2,335 | 2,025 | 2,270 | 3,707 |

***Fiscal 1990*** *included nonrecurring items of $27.3 million for broadcasting rights write-downs, $3.3 million for book inventory write-downs and other items, and $6.3 million for litigation claims and other corporate non-operating items, or a total of 31 cents per share.*

***Discontinued operations:***

***In fiscal 1996,*** *the cable segment was classified as a discontinued operation.*

***Fiscal 1997*** *included a post-tax gain from the disposition of the company's remaining interest in the cable television operation.*

***Fiscal 1996*** *reflected cable net losses through the measurement date of September 30, 1995.*

***Fiscal 1995*** *included a post-tax gain of $1.1 million, or 2 cents per share, from the disposition of a cable property.*

***In fiscal 1990,*** *Meredith/Burda printing operations, MMT Sales, Inc., and two owned real estate brokerage firms were classified as discontinued operations.*

***Fiscal 1991*** *included a post-tax gain from the disposition of printing operations of $49.3 million and income tax credits of $8.3 million on the 1990 dispositions.*

***Fiscal 1990*** *included a provision of $31.1 million for a loss from the dispositions of two real estate brokerage firms and MMT Sales, Inc., net of available tax benefits.*

***Changes in accounting principles:***

***Fiscal 1995*** *reflected the adoption of Practice Bulletin 13, "Direct-Response Advertising and Probable Future Benefits."*

***Fiscal 1992*** *reflected the adoption of SFAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions."*

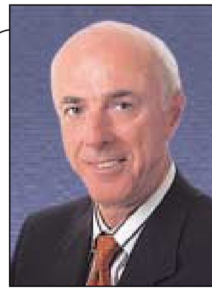
# Board of Directors

**Herbert M. Baum,** 63, is chairman, president and chief executive officer of The Dial Corporation, a manufacturer and marketer of consumer products including soaps, laundry detergents and air fresheners, among others. The Dial Corporation is based in Scottsdale, Ariz. A director since 1994, Mr. Baum serves on the finance and audit committees.

**Mary Sue Coleman,** 56, is president of the University of Iowa, a public educational institution based in Iowa City, Iowa. A director since 1997, Dr. Coleman serves on the audit and pension committees.

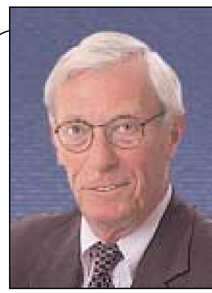
**Christina A. Gold,** 53, is vice chairman and chief executive officer of Excel Communications, Inc., a telecommunications service provider based in Dallas. Ms. Gold has been a director since 1999 and serves on the audit and pension committees.

**Frederick B. Henry,** 54, is president of the Bohen Foundation, a private charitable foundation based in New York City. A director since 1969, Mr. Henry chairs the pension committee and serves on the compensation/nominating committee.

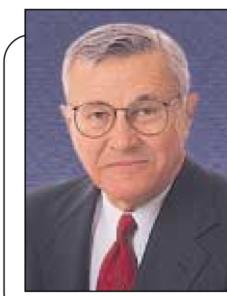


**Joel W. Johnson,** 57, is chairman, president and chief executive officer of Hormel Foods Corporation, a producer and marketer of meat and food products. Hormel Foods Corporation is based in Austin, Minn. A director since 1994, Mr. Johnson serves on the finance and pension committees.

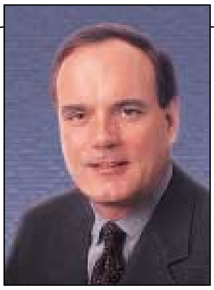
**William T. Kerr,** 59, is chairman and chief executive officer of Meredith Corporation. A director since 1994, Mr. Kerr serves on the executive committee.



**Robert E. Lee,** 65, is president of Glacier Properties, Inc., a private investment firm based in Denver. A director since 1982, Mr. Lee chairs the compensation/nominating committee and serves on the executive and finance committees.



**Richard S. Levitt,** 70, is chairman and chief executive officer of Nellis Corporation, a private capital management firm based in Rockville, Md. A director since 1971, Mr. Levitt chairs the audit committee and serves on the executive and compensation/nominating committees.



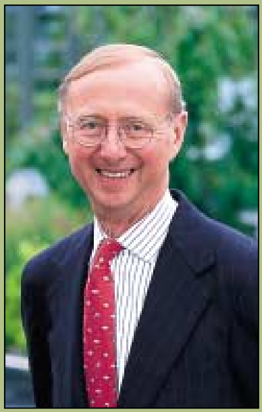
Philip A. Marineau, 53, is president and chief executive officer of Levi Strauss & Co., a worldwide brand apparel company based in San Francisco. A director since 1998, Mr. Marineau serves on the audit and pension committees.

E.T. Meredith III, 67, is chairman of the executive committee. Mr. Meredith has been a director of the company since 1966.

Nicholas L. Reding, 65, is chairman of the board of the Nidus Center for Scientific Enterprise, a St. Louis–based business incubator for entrepreneurs focused on plant science and biotechnology. A director since 1992, Mr. Reding chairs the finance committee and serves on the compensation/nominating committee.

Jack D. Rehm, 67, is retired chairman of the Meredith Corporation board of directors. He retired as the company's chairman on December 31, 1997. A director since 1988, he serves on the executive and finance committees.

# Corporate Officers



William T. Kerr, Chairman and Chief Executive Officer

*Left to Right:* Christopher M. Little, President–Publishing Group; Cary D. Jones, President–Broadcasting Group; Stephen M. Lacy, President–Interactive and Integrated Marketing Group

*Left to Right:* Leo R. Armatis, Vice President–Corporate Relations; Suku V. Radia, Vice President–Chief Financial Officer; Thomas J. Ferree–Controller; Michael A. Sell, Treasurer; John S. Zieser, Vice President–General Counsel and Secretary

# Operations *(As of August 1, 2000)*

## Publishing

### Magazines

| | |
|---|---|
| *Better Homes and Gardens* | www.bhg.com (AOL Keyword: bhg) |
| *Ladies' Home Journal* | www.lhj.com (AOL Keyword: lhj) |
| *Country Home* | |
| *Midwest Living* | www.midwestliving.com |
| *Traditional Home* | www.designerfinder.com |
| *WOOD* | www.woodmagazine.com |
| *MORE* | www.thirdage.com/beauty |
| *Family Money* | www.familymoney.com (AOL Keyword: family money) |
| *Successful Farming* | www.agriculture.com |
| *Golf for Women* | www.golfforwomen.com |
| *Renovation Style* | |
| *Country Gardens* | |
| *Hometown Cooking* | |
| *Antiques Extra* | |

Crafts Collection ................www.bhg.com/crafts

*Crafts & Decorating Showcase*
*American Patchwork & Quilting*
*Paint Décor*
*Scrapbooks etc.*

*Better Homes and Gardens Special Interest Publications*
(only bimonthly and quarterly titles are listed)

*Beautiful New Homes*
*Bedroom & Bath*
*The Best of Better Homes and Gardens Home Plans*
*Decorating*
*Designers Showcase*
*Do It Yourself*
*Garden, Deck & Landscape*
*Garden Shed*
*Home Plan Ideas*
*Kitchen and Bath Ideas*
*Quick & Easy Decorating*
*Remodeling Ideas*
*Window & Wall Ideas*

### Books

*Better Homes and Gardens* Books ...www.bhgbooks.com
*Country Home* Books
*Ladies' Home Journal* Books
Mary Engelbreit® Books
Meredith Press
*Midwest Living* Books
Ortho® Books
The Home Depot® Books
*Traditional Home* Books
*WOOD* Books

### Brand Licensing

GMAC Home Services, Inc./*Better Homes and Gardens* Real Estate Service
Wal-Mart Stores, Inc./*Better Homes and Gardens* premium gardening products

## Television Broadcasting

| | |
|---|---|
| WGCL-TV (CBS) Atlanta, Ga. | www.wgcl.com |
| KPHO-TV (CBS) Phoenix, Ariz. | www.cbsfive.com |
| WOFL-TV (FOX) Orlando/Daytona Beach/Melbourne, Fla. | www.wofl.com |
| KPDX-TV (FOX) Portland, Ore. | www.foxpdx.com |
| WFSB-TV (CBS) Hartford/New Haven, Conn. | www.wfsb.com |
| KCTV (CBS) Kansas City, Mo. | www.kctv.com |
| WSMV-TV (NBC) Nashville, Tenn. | www.wsmv.com |
| WHNS-TV (FOX) Greenville, S.C./Spartanburg, S.C./Asheville, N.C. | www.whns.com |
| WNEM-TV (CBS) Flint/Saginaw/Bay City, Mich. | www.wnem.com |
| KVVU-TV (FOX) Las Vegas, Nev. | www.kvvutv.com |
| WOGX-TV (FOX) Gainesville, Fla. | www.wogx.com |
| KFXO-LP (FOX) Bend, Ore. | www.kfxo.com |

## Television Programming

*Better Homes and Gardens* Television
*Ladies' Home Journal* Most Fascinating Women
*Shop Online 1•2•3* Easy Holiday Shopping

## Other Meredith Assets

*American Park Network* ..........www.americanparknetwork.com
California Tourism Publications
Meredith Integrated Marketing ..........www.meredithim.com
Meredith Interactive Media
Meredith List Marketing
Meredith Print Advantage

# Corporate Information

## Meredith Corporation and Subsidiaries

### Meredith Corporation

Meredith Corporation, headquartered in Des Moines, Iowa, is America's leading home and family media and marketing company. Meredith operates businesses in magazine and book publishing, television broadcasting, interactive media and integrated marketing.

### Annual Meeting

Holders of Meredith Corporation stock are invited to attend the annual meeting of stockholders at 10 a.m. Central Standard Time on November 13, 2000, at the company's principal office, 1716 Locust Street, Des Moines, Iowa.

### Stock Exchange

Common stock of Meredith Corporation is listed on the New York Stock Exchange. The exchange symbol for Meredith is MDP.

Class B stock of Meredith Corporation (issued as a dividend on common stock in December 1986) is not listed. The transfer of class B stock is limited basically to the relatives of original owners. The transfer agent automatically converts other trades to common stock. Conversion prior to sale is not required.

### Auditors

KPMG LLP

### Registrar and Transfer Agent

Fleet National Bank
c/o EquiServe LLP
P.O. Box 8040
Boston, MA 02266-8040
(800) 733-5001
www.equiserve.com

### Dividend Reinvestment

Meredith Corporation offers a dividend reinvestment plan that automatically reinvests shareholder dividends for the purchase of additional shares of stock. For more information or to join the plan, contact EquiServe at (800) 733-5001, or write to the preceding address.

### Form 10-K

A copy of the Meredith Corporation Fiscal 2000 Form 10-K annual report to the Securities and Exchange Commission (SEC) is available without charge to stockholders by calling (800) 284-4236. It is also available on the company's Internet site, www.meredith.com.

### Quarterly Information

Persons who wish to receive copies of Meredith Corporation quarterly SEC filings, earnings releases and dividend releases may call the company toll-free at (800) 284-4236 to be placed on a mailing list, or they may access the company's Internet site at www.meredith.com.

### Contact

Jennifer S. McCoy, APR
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Des Moines, IA 50309-3023
(800) 284-4236



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# Mission

We are Meredith Corporation, a publicly held media and marketing company founded upon service to our customers, and committed to building value for our shareholders. Our cornerstone is knowledge and understanding of the home and family market. From that, we have built businesses that serve well-defined readers and viewers, deliver the messages of advertisers, and extend our brand franchises and expertise to related markets. Our products and services distinguish themselves on the basis of quality, customer service and value that can be trusted.

MDP Listed NYSE THE NEW YORK STOCK EXCHANGE

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