MEREDITH CORPORATION

2001 ANNUAL REPORT

Meredith CORPORATION

Most of the photos in this annual report are part of a media campaign launched this year to emphasize our focus on the home and family market. It's a focus that sets us apart from our competitors. This deep knowledge, along with our longstanding commitment to service journalism, places Meredith in an unequaled position to deliver long-term shareholder value.

HOME.
FAMILY.

MEREDITH

Table of Contents

Meredith at a Glance 3

Letter to Shareholders 5

Review of Operations 9

Publishing 9

Broadcasting 15

Financial Review 18

Business and Product Descriptions 19

Business Developments 21

Management's Discussion and Analysis of Financial Condition and Results of Operations 22

Financial Statements and Supplementary Data 33

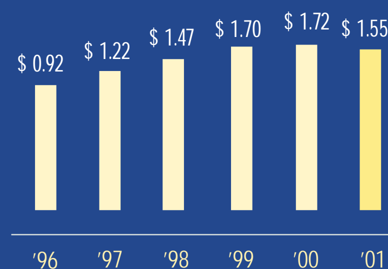
Financial Information about Industry Segments 49

Eleven-Year Financial History with Selected Financial Data 53

Board of Directors and Corporate Officers ... 55

Corporate Information 58

Operations 59



Meredith Corporation Financial Highlights

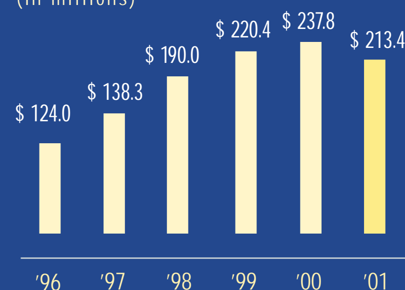
(In millions except per share)

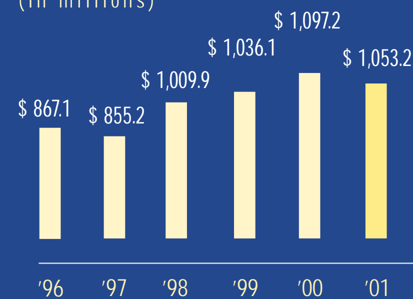
Years ended June 30	2001	2000	1999
Total revenues	$1,053.2	$1,097.2	$1,036.1
EBITDA[1,2]	$ 213.4	$ 237.8	$ 220.4
Income from operations	$ 126.6	$ 161.3	$ 171.1
Earnings before nonrecurring items[2]	$ 79.7	$ 90.8	$ 91.4
Diluted per share	$ 1.55	$ 1.72	$ 1.70
Net earnings	$ 71.3	$ 71.0	$ 89.7
Diluted per share	$ 1.39	$ 1.35	$ 1.67
Dividends per share	$ 0.33	$ 0.31	$ 0.29
Stock price:			
High	$ 38.97	$ 42.00	$ 48.50
Low	$ 26.75	$ 22.37	$ 26.69
Total assets	$1,437.7	$1,439.8	$1,423.4
Long-term debt (including current portion)	$ 470.0	$ 505.0	$ 530.0
Shareholders' equity[3]	$ 447.9	$ 422.5	$ 413.3

1. EBITDA excludes nonrecurring items.

2. Nonrecurring items include the following pre-tax amounts: write-down of broadcast rights of $9.9 million in fiscal 2001, $1.0 million in fiscal 2000 and $5.2 million in fiscal 1999; nonrecurring charges of $25.3 million in fiscal 2001 and $23.1 million in fiscal 2000; and gains from dispositions of $21.5 million in fiscal 2001 and $2.4 million in fiscal 1999.

3. Shareholders' equity includes temporary equity in fiscal 2000 and fiscal 1999.

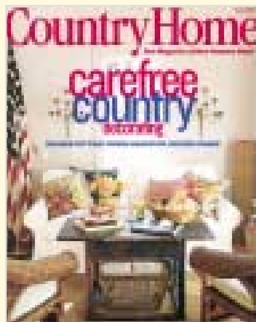




Publishing

The Meredith Publishing Group features 16 magazine brands, including *Better Homes and Gardens*, *Ladies' Home Journal*, *Traditional Home*, *Country Home* and *MORE*. Meredith publishes more than 120 special interest publications annually, which are primarily sold on newsstands. Our book business has approximately 300 titles in print, which are sold mostly through retail distribution channels. Newly established Meredith Corporate Solutions brings together all Meredith assets to offer solutions to clients' advertising and marketing needs, with an emphasis on selling additional pages in our magazines.

The Publishing Group also includes integrated marketing, interactive media and database operations. Integrated marketing uses the company's extensive resources to create end-to-end marketing programs and custom publications for many of the country's top companies, including The Home Depot, Kraft Foods, Nestlé USA and UnitedHealthcare. Interactive media manages our 23 branded Web sites, including *bhg.com*, the leading home and family site. Our Web sites offer users a wide variety of content, interactive resources and e-commerce applications. The Meredith consumer database is one of the company's most valuable assets, containing more than 60 million names and covering seven out of 10 U.S. home-owning households.



To continue its record of strong performance, the Publishing Group is focused on:

- Asserting Meredith's leadership position in the home and family market, and working to broaden and deepen our position in that segment.
- Creating innovative solutions for our advertisers and integrated marketing clients.
- Enhancing our existing lineup of magazines and looking for opportunities to launch new titles.
- Building revenues from books and integrated marketing, while we increase circulation margin.
- Achieving our goal of generating 1.5 million magazine subscriptions from the Internet by the end of fiscal 2003.
- Building upon and using our rich database to strengthen our own business and to help clients target their marketing programs.
- Improving the efficiency of our publishing operations.

Broadcasting

The Meredith Broadcasting Group includes 12 television stations, several of which are in some of the country's fastest-growing markets, including Atlanta, Phoenix, Orlando, Portland and Las Vegas. Eight of our stations are in the country's 35 largest markets, and we reach approximately 10 percent of U.S. television-owning housholds. Our Broadcasting Group consists of six FOX affiliates, five CBS affiliates and one NBC affiliate. The group includes many strong local brands, such as WSMV in Nashville, WFSB in Hartford, and KCTV in Kansas City.

Our Broadcasting Group is pursuing several initiatives to improve long-term performance and unlock earnings potential for the company. Those initiatives include:

- Revamping our sales programs to increase our revenue share in each of our markets.
- Raising the ratings of our newscasts and using them to build revenues.
- Controlling fixed costs, particularly in staffing and programming.

Integrating the Internet

We are infusing the Internet into all of our business processes to improve efficiency and to offer our customers new services. Meredith operates 23 Web sites and has multi-year alliance agreements with leading Internet providers America Online and the Microsoft Network (MSN).

To Our Shareholders:

Fiscal 2001 was a challenging year for media companies. Meredith Corporation faced the most difficult advertising market in a decade, affecting the performance of our Publishing and Broadcasting Groups.

Our year-end operating results, excluding one-time and nonrecurring items, reflected this difficulty:

- Earnings per share were $1.55, compared to $1.72 recorded in fiscal 2000.
- Earnings before interest, taxes, depreciation and amortization were $213.4 million, compared to $237.8 million in fiscal 2000.
- Return on equity was 17.8 percent.

In fiscal 2001, we took several steps to deal with the downturn, which are described later in this letter. More importantly, we made a number of strategic moves designed to position our company for long-term growth and to build enduring shareholder value.

In publishing, we sharpened our concentration on the home and family market by strengthening our lineup of magazines. We continued to build upon the strength of our flagship publication, *Better Homes and Gardens*. It maintained its clear leadership position in the women's service field. Please read more about the strength of the *Better Homes and Gardens* brand on page 11.

We increased the frequencies and rate bases of several of our mid-sized magazines, including *Country Home*, *Traditional Home* and *MORE*. We continued to invest in our *Better Homes and Gardens Special Interest Publications*, which reported significant revenue and profit gains.

William T. Kerr
Chairman and Chief Executive Officer

E.T. Meredith III
Chairman of the Executive Committee

In addition to these investments, we took other actions to strengthen our magazine portfolio. We sold Golf for Women magazine and the American Park Network publications. We also closed properties that no longer fit our strategic focus.

We reorganized our group sales function to form Meredith Corporate Solutions. This operation is designed to use a full range of our assets to provide clients with comprehensive advertising and marketing programs, with a focus on selling advertising pages in our magazines.

We grew book and integrated marketing revenues, and we improved our magazine circulation margin. In fiscal 2001, book, integrated marketing and circulation revenues comprised 55 percent of the total for our Publishing Group and were critical to our performance, considering the challenging advertising market.

We made significant progress acquiring magazine subscriptions over the Internet, generating nearly 290,000 subscriptions online during

Meredith is able to deliver content-based products and services to the demographic groups most valued by advertisers. Over the course of a year, articles or advertisements in Meredith publications reach nearly half of American homeowners and two-thirds of baby-boom women with children.

the year. Obtaining magazine subscriptions through the Internet is a priority, in part because of the potential for significant savings on subscription acquisition costs.

Reflecting our belief in the value of advertising, our Publishing Group launched a major promotional campaign to assert our leadership position in the home and family market. We believe these challenging times – when others are drawing back – offer an ideal opportunity to raise the awareness of our products and services.

In broadcasting, we launched sales improvement initiatives to generate new local business and to improve our overall sales performance. We completed our multi-year expansion in news programming, and we are now fine-tuning each newscast in order to grow ratings and maximize revenues.

While we have yet to realize every station's full potential, our 12-station group showed signs of progress. In the last half of the fiscal year, we saw growth in market share at many of our larger stations, including WGCL in Atlanta.

We took a number of steps corporate-wide in fiscal 2001 to offset the negative advertising environment, reducing costs by 2 percent versus fiscal 2000. We accomplished this despite higher paper prices; increased postal rates; and investments in interactive media, broadcasting and other areas of our business. We offered a special early retirement program and made other staff reductions. In addition, we created efficiencies and reduced costs in most of our business processes.

Reflecting our confidence in our company and strategies, we continued to repurchase shares, buying 1.3 million shares during fiscal 2001.

We believe the marketplace recognizes the value of these strategic measures, along with the strength of the Meredith organization and our commitment to building shareholder value. That recognition has been reflected in our share price, which outperformed major indices during the fiscal year.

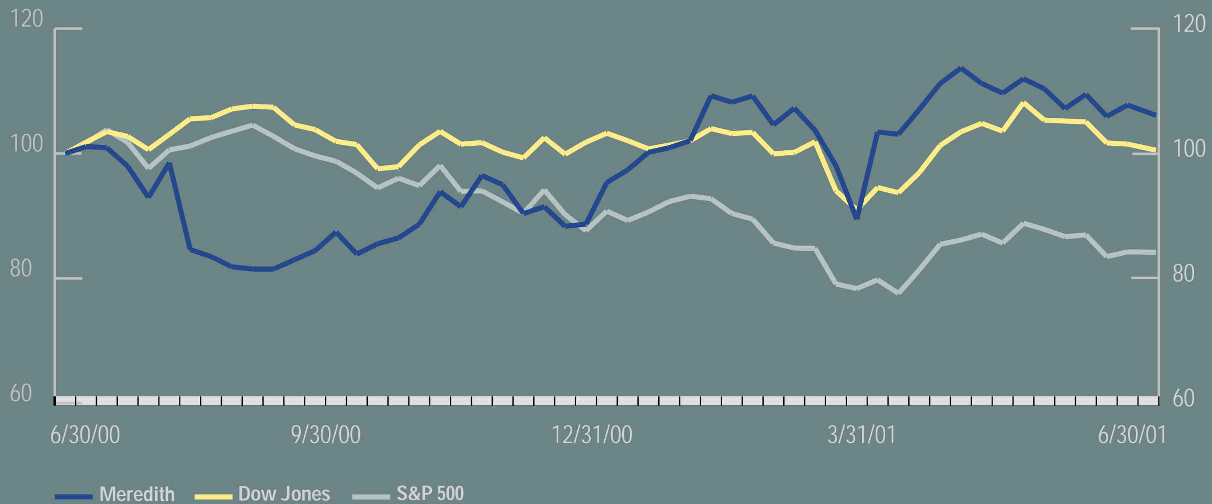
Building on Our Strengths

To excel in fiscal 2002 and beyond, we must build upon Meredith's strong foundation. Our key strengths are:

• ***Our ability to create high-quality content-based products and services.*** Our products improve our customers' homes, families and lives. Meredith is, without a doubt, the leader in the home and family media marketplace.

• ***Our stable of well-established brands.*** In publishing we have an impressive lineup of nationally circulated magazines, including *Better Homes and Gardens*, *Ladies' Home Journal*, *Country Home*, *Traditional Home* and *Midwest Living*. In broadcasting, our lineup includes several local stations with strong brand recognition, such as WSMV in Nashville, WFSB in Hartford and KCTV in Kansas City. These identities bond our products with readers and viewers, and with clients that rely on Meredith to deliver their marketing messages.

Relative Price Performance of Meredith Corporation versus Market Indices *(June 30, 2000 through June 30, 2001)*



• ***The creativity of our people.*** Our editors, writers and designers in publishing – along with our broadcasting newsroom staffs and programmers – keep our magazines, television programs and other products fresh and attractive to consumers. Our sales and marketing staffs also fuel our creative strength. They are adept at creating advertising and marketing programs and promotions that effectively deliver messages to targeted audiences. They also are working together to deliver multi-platform and multi-product programs to our customers.

• ***Our consumer database.*** Our database is the largest in the industry and contains information on seven out of 10 U.S. homeowning households. We continue to improve it by adding information and enhancing its functionality while maintaining stringent controls on customer confidentiality.

• ***A strong financial commitment.*** We have a manageable debt level, an active share repurchase program and a long-standing commitment to creating shareholder value.

Initiatives to Optimize Long-term Shareholder Value

To build upon our foundation and spur future growth, we are undertaking several initiatives. The key ones are:

• ***Improving our Broadcasting Group.*** The group is well-positioned in some of the fastest-growing markets in the United States. By implementing our broadcasting improvement initiatives in sales, news and other areas, we believe we can unlock earnings growth for the company.

• ***Building upon our lineup of strong magazines.*** We are strengthening our flagship, *Better Homes and Gardens*, while we tap the growth potential of our mid-sized and emerging magazines, including *Country Home*, *Traditional Home* and *MORE*. We are improving our special interest publications to build on their record of growth. In addition, we continue to look for opportunities to launch new magazines.

• ***Expanding revenues in integrated marketing and books, while improving circulation margin.*** We are adding important new integrated marketing clients and expanding many of our existing relationships. In books, we are leveraging our home and family expertise, and partnering with leading marketers to create a new group of titles with the potential for significant revenue growth. Our circulation margins are growing, and we continue to see strong newsstand sales. We have placed an increased emphasis on our newsstand operation to achieve higher sell-through and reduce waste.

• ***Infusing the Internet into our business operations to improve efficiency and build revenues.*** We continue to build our publishing Web sites, and we remain focused on our goal of generating 1.5 million online magazine subscriptions by the end of fiscal 2003. In broadcasting we are building Internet revenues by creating local content for our communities, which provides marketing opportunities for our advertisers.

Management and Board Developments

We filled key positions on our Board of Directors and in our management team during the fiscal year, continuing our tradition of strong leadership.

We welcomed Mell Meredith Frazier to the Board of Directors. The election of Mell, who is currently vice president of the Meredith Corporation Foundation and director of corporate planning, is related to the long-term plan for transition of Meredith family representation on the board.

We're grateful for the leadership and insight of Christopher M. Little, who retired as senior vice president and president of the Meredith Publishing Group in December 2000. With his departure, Stephen M. Lacy was named president of the group. Steve had been president of the Meredith Interactive and Integrated Marketing Group and was previously chief financial officer. Jerome M. (Jerry) Kaplan, a veteran Meredith publishing executive who had been Publishing Group vice president/publishing director, was named president of the Magazine Group.

We've launched a nationwide search for a new head of the Broadcasting Group, after the resignation of Cary Jones. We are searching for executive candidates with well-established industry experience, preferably in leading either a station group or major broadcast franchise.

We welcomed Tina Georgeou to our senior management team. Tina joined Meredith as vice president–corporate development in November, and in July was named vice president–business development in the Meredith Publishing Group. In this new position, Tina will develop and execute our domestic brand licensing strategy as well as international brand extension opportunities.

We also thank Michael A. Sell, corporate treasurer, for his services to Meredith. He retired in January after 33 years with the company.

A Bright Future

As Meredith Corporation enters its 100th year of service to its readers, viewers, advertisers and communities in 2002, we remain very confident and enthusiastic about the company's future. Meredith is well-positioned to meet and overcome today's challenges, to serve its customers and build long-term value for its shareholders.

We thank our shareholders, customers and employees for their continued support. We look forward to the future with the knowledge that the company's rich history and strong foundation, along with our initiatives to drive growth, will enhance Meredith's leadership position in the media and marketing business.

Our best days are yet to come.

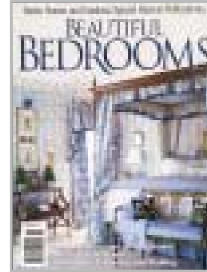
William T. Kerr
Chairman of the Board and
Chief Executive Officer

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

August 30, 2001

Publishing

In 2001, our Publishing Group launched a "Home" initiative, designed to strengthen our leading position in the shelter magazine category. Our strong presence in this area is beneficial, as American home ownership is at an all-time high, and spending on remodeling approaches $180 billion per year.



More than 60 million Americans, roughly one-third of all adults, turn to Meredith magazines, books and Internet sites for inspiration and advice. They seek trusted information on how to decorate and remodel their homes, cook their meals, plant their gardens, spend their leisure time, and more. Consumers trust Meredith because we are the leaders in serving the home and family market.

This strong foundation helped guide us through fiscal 2001, which was challenging for the media industry and our Publishing Group. Comparable revenues and operating profits were down for the group, primarily due to an industry-wide weakness in advertising demand. We worked to overcome the negative advertising market by carefully managing costs, and increasing revenues in books and integrated marketing. Results were also affected by investments in our interactive media operations and newer magazine titles, and by higher paper and postage costs.

While managing the short-term challenges, we positioned ourselves for long-term growth by:

- Asserting, broadening and deepening Meredith's leadership in the home and family market.
- Strengthening our existing lineup of magazines, and selling or discontinuing titles that did not fit our strategic focus.
- Creating innovative solutions for our advertisers and integrated marketing clients.
- Building revenues from books and integrated marketing, and increasing circulation margin.
- Expanding our Internet presence and generating nearly 290,000 online subscriptions, exceeding the first milestone in our goal of accumulating 1.5 million online subscriptions by the end of fiscal 2003.
- Improving our rich database.
- Increasing the efficiency of our publishing operations.

Leadership in the Home and Family Market

The home and family market has tremendous potential, and we are asserting our leadership position in it. In May, we launched a major marketing campaign to increase our visibility among advertisers.

We are working to capture a larger share of corporate advertising and marketing budgets directed at the home and family audience, especially those in the shelter-oriented categories. Our lineup of strong shelter magazines, including *Better Homes and Gardens*, *Country Home* and *Traditional Home*, positions us well in this competitive field.

Enhancing Our Magazines

Our second growth opportunity is enhancing our already strong lineup of magazine brands.

We are continuing to improve our larger magazines, *Better Homes and Gardens* and *Ladies' Home Journal*, to help better serve readers and advertisers. We launched these initiatives from a strong base. The *Better Homes and Gardens* brand is a powerhouse in the publishing industry. Please read more about the strength of the *Better Homes and Gardens* brand in the sidebar to the right.

Our mid-sized magazines offer additional growth potential. This group continues to build readership, and we are working to better leverage that growth into improved revenues and operating profits.

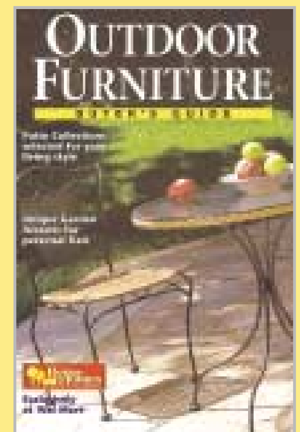
Country Home is a good example. It has a loyal group of readers, enjoys high renewal rates, and gained share in its advertising market in fiscal 2001. We will increase the frequency of *Country Home* to nine times a year in calendar 2002 and 10 times a year in calendar 2003, up from the current eight times a year. Its rate base will grow 10 percent – to 1.1 million – effective January 2002. We are also increasing the frequency of *Traditional Home* to eight times a year in calendar 2002, up from six times in 2001.

The Publishing Group's strong track record also creates the potential for successfully launching and nurturing new titles. *MORE* magazine is our most significant recent launch. The magazine's circulation and advertising continue to show impressive gains, making it one of the fastest-growing women's lifestyle magazines in America. We increased the frequency

Better Homes and Gardens®

We have built *Better Homes and Gardens* into one of the country's leading brands – one with a powerful connection to readers, customers and advertisers. We are constantly working to make it even stronger.

For every revenue dollar generated by *Better Homes and Gardens* magazine, nearly an additional dollar is generated by the products and services under its umbrella. Some of the leading brand extensions of *Better Homes and Gardens* are:



- Successful subscription magazines, including *Country Home*, *Traditional Home* and *WOOD*
- More than 100 newsstand-only *Better Homes and Gardens Special Interest Publications*
- A group of 125 *Better Homes and Gardens*-branded book titles
- *bhg.com*, the leading home and family Web site
- Licensing agreements with some of with America's leading retailers

of *MORE* to 10 times annually and raised its rate base to 600,000 in February. We will raise its rate base to 650,000 this fall.

We have been able to raise the cover prices for many of our *Better Homes and Gardens Special Interest Publications* while maintaining their industry-leading sell-through levels. We are making our special interest publications more attractive to advertisers. For example, we expanded our "Beautiful" series to include *Beautiful Kitchens* and *Beautiful Baths*, which both lend themselves well to luxury advertisers.

Creating Innovative Marketing Solutions

In today's fragmented media market, clients seek companies that can disseminate their messages effectively and efficiently through a wide variety of platforms. We reorganized our group sales function to form Meredith Corporate Solutions, bringing together all Meredith assets to solve clients' advertising and marketing needs. In addition, Meredith Corporate Solutions leads our effort to form strategic alliances with other media outlets, helping to provide our clients an even broader array of marketing options.

A good example of Meredith's ability to establish these strategic alliances was a program to introduce DaimlerChrysler's new Town & Country minivan. The program, developed in conjunction with Viacom Plus, included advertisements in Meredith magazines; travel vignettes and commercials on Meredith's CBS stations and on CBS-owned and -operated stations; travel segments on CBS network television; billboards; event marketing; radio vignettes; and a sweepstakes promotion in association with Marriott Vacation Clubs.

Another good illustration of our success in this area was a program we developed for Toyota and The Home Depot. To help Toyota increase its visibility in the do-it-yourself market, we used our ongoing Home Depot relationship to develop a wide-ranging program promoting Toyota Tundra pickups. As a result, do-it-yourself tips from our Home Depot 1•2•3 books ran opposite Toyota ads in many of our magazines. The program also included a sweepstakes promotion to win a Tundra pickup or a Home Depot shopping spree; a direct mail program in which information on Tundra trucks was sent to more than 3 million Home Depot customers; a program to encourage Home Depot customers to test-drive Tundras; and displays of Tundras at selected Home Depot stores.

WE CONTINUE TO STRENGTHEN OUR INDUSTRY-LEADING DATABASE, AN IMPORTANT TOOL IN BUILDING CIRCULATION AND LAUNCHING MAGAZINES. ADDITIONALLY, OUR DATABASE HELPS ADVERTISING AND INTEGRATED MARKETING CLIENTS BETTER TARGET THEIR MARKETING PROGRAMS.

To increase our presence in the automotive advertising market, we have expanded and reorganized our Detroit office and have placed an added emphasis on the West Coast, where many auto manufacturers have their marketing headquarters. Automobiles have been a strong advertising category in Meredith publications over the years, yet we believe there is room for significant growth.

We are selling more advertising in categories such as technology, pharmaceuticals and financial services. In the past three calendar years the value of advertising in each of these categories has more than doubled in our larger magazines.

Building Profits from Books, Integrated Marketing and Circulation

We've increased revenues and profits from books and integrated marketing, while improving circulation margins. Revenues from these sources comprised 55 percent of Publishing Group revenues in fiscal 2001.

The circulation contribution of our magazines is increasing, reflecting the value of our strong editorial content to consumers. We also see a bright future for our newsstand business, which has grown steadily in recent years, even as the overall industry experienced weakness.

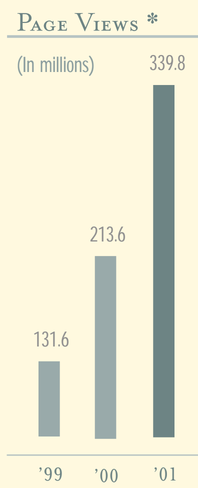
A key to our newsstand growth is the nearly 100,000 checkout pockets we have added in the past few years. Our efforts to place many of these pockets in nontraditional outlets, such as home improvement and crafts stores, have been very successful. For example, Meredith magazine sales at The Home Depot stores have increased nearly 80 percent since we added 40,000 additional check-out pockets last fall.

We have made significant progress in our book business. In the past three years it has grown revenues by more than 30 percent and operating profit has more than doubled. Our success has come from leveraging our expertise in the home and family market, and by partnering with some of America's leading marketers, such as The Home Depot and Ortho.

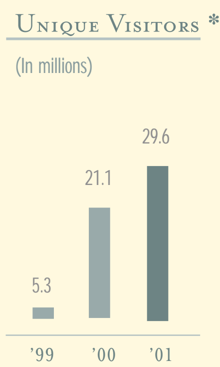
Our integrated marketing business is producing strong revenues and profits as we focus on large, renewable projects. In fiscal 2001, we continued to add key new clients, such as Carnival Corp., Hershey Foods Corp., Hunter Douglas, Inc. and Sub-Zero Freezer Co. Over the years we have developed a broad client base, including many of America's leading companies, such as Kraft Foods, Inc. and Nestlé USA, Inc. We also expanded our extensive relationships with many existing clients, including The Home Depot USA, Inc. and UnitedHealthcare, Inc. While these agreements often include some form of advertising in our magazines, their real focus is building in-depth strategic relationships with our clients. For more detail on our new integrated marketing relationships, please see the sidebar on page 14.

We continue to develop the potential of our interactive media business. Page views, unique visitors and registrations on our 23 branded Web sites are growing. In fiscal 2001 we redesigned two of our leading Web sites, *bhg.com* and *lhj.com*.

New multi-year alliance agreements with two of the leading Internet providers – Microsoft Network (MSN) and America Online – are helping to drive traffic to our sites. We are providing interactive content for MSN's HomeAdvisor.com, which is available to more than 56 million users per month. Under our expanded agreement with the America Online brand, millions of AOL and Compuserve users can access our top-ranked cooking, gardening, and health and lifestyle content, as well as our Web sites. These alliance agreements, which help drive traffic to our Web sites, will aid our efforts to build online magazine subscriptions.



In order to meet our goal of generating 1.5 million subscriptions via the Internet by the end of 2003, increasing web traffic is essential.



**On Meredith Web sites*

Our flagship Web site, *bhg.com*, has consistently ranked among the top 10 magazine sites and typically is the top women's-oriented magazine site in several leading rankings.

This growing traffic stream, along with our Internet alliances, is critical to achieving our goal of generating 1.5 million gross magazine subscriptions by the end of fiscal 2003.

Using Our Database

Another growth area for our Publishing Group is unlocking the value of our industry-leading database while we maintain stringent controls on customer confidentiality. The 60-million name database is already an excellent tool in our circulation and magazine launch programs. We are also deploying it to assist our integrated marketing clients by developing extensive customer profiles for their marketing programs. With those profiles, our clients can better target their marketing messages, vastly improving their effectiveness. In fiscal 2001 we used our database in marketing programs for Toyota Motor Corp., DuPont and other leading companies.

To further enhance the value of our database, we are connecting it to our stable of Web sites. This will help us tailor the content of our sites to the user's interests, helping us to better market our products and services to customers when they are most interested in receiving them.

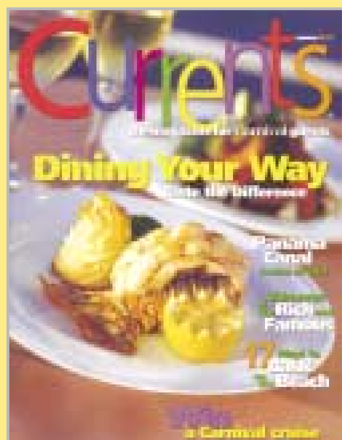
Finding Efficiencies in Our Operations

Finally, we believe there is potential to improve the efficiency of our Publishing Group operations. Along with our drive to acquire subscriptions over the Internet, we are moving customer service transactions online. In fiscal 2001, we conducted 11 percent of our subscription transactions, such as change of address notifications, online. This reduces costs and allows us to keep in closer contact with our subscribers. We are improving our sell-through on the newsstand while printing fewer magazines, and are achieving efficiencies in basic publishing processes, such as purchasing, pre-press work, printing and distribution.

Building Long-term Shareholder Value

We believe our Publishing Group is well-positioned to withstand short-term challenges and build long-term shareholder value. We have strong brands that consumers know and trust. We are the leaders in the home and family market and have solid initiatives in place to create profitable growth. In addition, we are focused on achieving our long-term objectives, including creating and acquiring new products and services, continually refreshing our products to meet the needs of changing markets and customers, and developing our people – the future leaders of the Publishing Group.

Our integrated marketing business continued to flourish in fiscal 2001. We added several leading companies to our client list.



Here are some examples of our new client relationships:

For Carnival Cruise Lines, we signed a multi-year agreement to publish its CURRENTS magazine, which is mailed three times a year to at least 2 million past Carnival guests.

For Hunter Douglas, the nation's leading maker of window fashions, we published a 144-page book, called BEAUTIFUL WINDOWS – STYLISH SOLUTIONS FROM HUNTER DOUGLAS, and a 28-page holiday planning guide entitled GATHERINGS.

For Sub-Zero, a manufacturer of premium refrigerators and other appliances, we are producing a high-end kitchen design book called GREAT AMERICAN KITCHENS.

Broadcasting

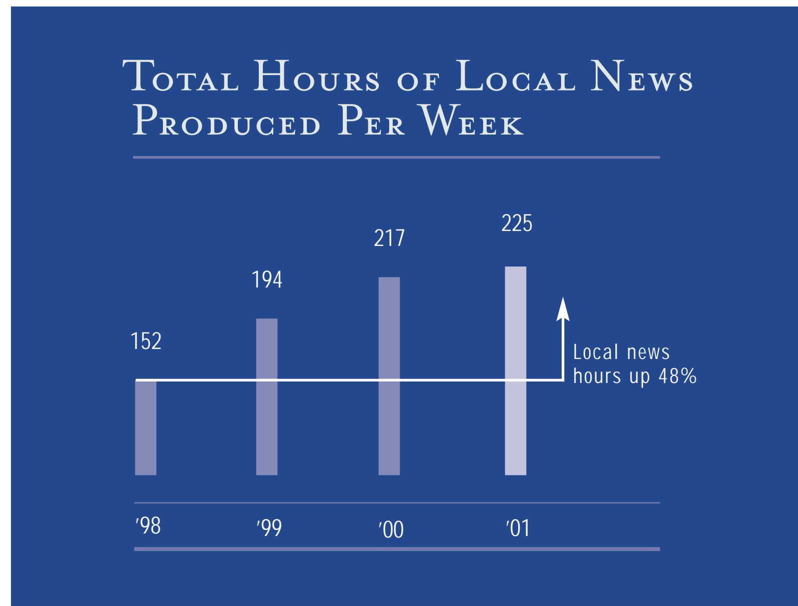
Our Broadcasting Group took steps to improve the sales structure and capabilities of each station. These initiatives will help us achieve specific share, revenue and profit goals in each market we serve.

Our Broadcasting Group, like the rest of the broadcast television industry, faced significant challenges in fiscal 2001. Although political advertising revenue was strong in the last half of calendar 2000, the broadcast television industry, overall, entered its deepest advertising downturn in a decade.

In this difficult environment, our broadcasting revenues and profits were lower. But there were clear signs of progress in our 12-station group. In the last half of the fiscal year, we grew market share at some of our larger stations, including WGCL in Atlanta, WOFL in Orlando, WFSB in Hartford, and KCTV in Kansas City.

To build on these gains, we are taking several steps to improve our Broadcasting Group's long-term performance. They include:

- Focusing on sales to increase our revenue share in each of our markets.
- Growing news ratings across our group to drive revenue growth.
- Controlling costs, particularly in our two largest areas – staffing and programming.



Improving Sales

In fiscal 2001 we launched several sales initiatives to improve the quality of our sales force and selling systems. We are implementing uniform systems and processes at each of our stations and have hired a group sales manager to lead this effort. This will increase the efficiency and effectiveness of our sales and account management teams.

To augment revenue growth, we are hiring and developing superior sales talent, improving the overall quality of our staffs and raising the targets for all of our salespeople. We established procedures to quickly identify and retain our top performers, to help us pursue the best possible outside talent and to identify those who need coaching. We increased our sales force by 15 percent, while we upgraded our sales management team. We replaced 25 percent of our sales managers through new hires and reassignments.

We are focused on generating new local business, including seeking clients that typically do not advertise on local television. In each of our markets we have sales teams that are specifically designed to attract these advertisers. This effort is beginning to yield positive results. Please read more about our success at attracting new advertisers on page 17.

Television News Improvements

In fiscal 2001 we completed our multi-year news expansion program. As a result we increased the number of hours of local news on our stations by more than 48 percent, to approximately 225 hours weekly. A major focus was starting and strengthening news operations at our FOX stations in Portland, Greenville, Orlando and Las Vegas. The quality of these newscasts has improved, and we believe that will be reflected in stronger ratings and higher revenues. In Portland, we began producing our own news in fiscal 2001, and we are pleased with the quality of the newscast.

We believe local news is the cornerstone of each station. Beyond generating revenues, high-quality news helps build brand identity for each of our stations, promoting viewer loyalty.

Controlling Costs

We have instituted a program to scrutinize Broadcasting Group costs. We have reduced staffing and trimmed nonessential costs, while investing in news improvement and expansion, along with sales initiatives. We have changed our programming purchasing procedures to make them more cost-effective and receptive to local stations' needs.

Building Long-term Shareholder Value

We have completed a period of heavy investments in our Broadcasting Group. Our news expansion is complete and we are building stronger sales teams. Our significant capital spending will likely decline after fiscal 2002, following the completion of initial investments in digital television required by the Federal Communications Commission. Our main focus now is building a group of stations that will create long-term value for our shareholders.

As noted in the shareholder letter, we believe there is an excellent opportunity for margin growth in our Broadcasting Group. Broadcast television remains an exceptionally powerful and efficient medium to reach a large audience. In addition, the spectrum controlled by local broadcasters is becoming more valuable because of the continued growth in digital communications and improvements in broadband Internet capacity.

With our short- and long-term initiatives in place, we believe our Broadcasting Group is well-positioned to build revenues and contribute to increased operating profit.

Our strategy to generate local business from advertisers new to television is showing results and setting us apart from the competition. We have more than 80 initiatives in place to generate new local business, which contributed to increased advertising revenue at our stations during the last half of fiscal 2001, despite a downturn in the market. Here are some highlights of our local advertising efforts:

- In Hartford, WFSB secured a significant commitment from a new-to-television auto glass manufacturer by hosting child-seat safety checks during the months of July and August.

- WSMV in Nashville launched its annual project called Tennessee Volunteer Heroes. The success of this community-oriented program is expected to build strong relationships with the five local sponsors.

- An Atlanta amusement park quadrupled its advertising budget on WGCL when the station helped it access the hard-to-reach teen demographic through a promotion tied to the Survivor II TV show.

Financial Review

Our home and family content expertise is ideally suited to the demographics of today's American households. Married couples with children spend an average of $51,000 per year on their homes and families, or more than $1.4 trillion per year, according to the most recent Consumer Expenditure Survey.

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 12 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 used its assets to expand into interactive media and integrated marketing operations. Meredith is one of the nation's leading media companies.

Publishing

The Meredith Publishing Group includes 16 magazine brands that appeal primarily to consumers in the home and family market. Major brands include the following subscription titles:

Title	Frequency	August 2001 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
MORE	10x/year	600,000
WOOD	9x/year	550,000
Successful Farming	12x/year	442,000

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 *Country Gardens*, *Renovation Style* and the Creative Collection, which includes *Creative Home*, *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. GOLF FOR WOMEN magazine was sold, effective with the first issue of fiscal 2002, and the assets of American Park Network were sold in fiscal 2001. *Antiques Extra, Mature Outlook,* and *Family Money* magazines and the *Shop Online 1·2·3* supplement were discontinued in fiscal 2001.

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 Planning Ideas*; *Kitchen and Bath Ideas*; *Do It Yourself*; *Garden, Deck & Landscape*; *Quick & Easy Decorating*; *Window & Wall Ideas*; and *Hometown Cooking*. Approximately 120 issues were published in fiscal 2001.

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 brand licensing and the sale of ancillary products and services.

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 new or revised titles were published during fiscal 2001. 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 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 2001 clients include The Home Depot USA, Inc.; Kraft Foods Inc.; Nestlé USA, Inc.; and UnitedHealthcare, Inc.

Meredith Interactive Media has extended many of the company's magazine brands to include a presence on the Internet. The flagship home and family site – *bhg.com* – is a leader in providing unique content and applications in its core content areas of decorating, food, home improvement and remodeling. In addition, Meredith has established multi-year alliance agreements with two of the leading Internet providers – Microsoft Network (MSN) and America Online – which drive additional traffic to the company's sites. These Web sites provide additional sources of advertising and other revenues and, more importantly, provide an opportunity to divert magazine subscription orders online with the potential for significant cost reductions.

Meredith's consumer database, which contains more than 60 million names, is the largest domestic database among media companies, and enables our magazine and television advertisers to precisely target marketing campaigns.

Broadcasting

The company's television stations are:

Station	Market	Market Rank	Network Affiliation	Channel
WGCL-TV	Atlanta, Ga.	9	CBS	46
KPHO-TV	Phoenix, Ariz.	16	CBS	5
WOFL-TV	Orlando/Daytona Beach/ Melbourne, Fla.	20	FOX	35
KPDX-TV	Portland, Ore.	23	FOX	49
WFSB-TV	Hartford/ New Haven, Conn.	28	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.	36	FOX	21
KVVU-TV	Las Vegas, Nev.	51	FOX	5
WNEM-TV	Flint/Saginaw/ Bay City, Mich.	64	CBS	5
WOGX-TV	Ocala/Gainesville, Fla.	164	FOX	51
KFXO-LP*	Bend, Ore.	201	FOX	39

* *Low-power station*

The market rank is the 2001–2002 Designated Market Area (DMA) ranking based on estimated television households as reported by Nielsen Media Research.

WGCL-TV was acquired on March 1, 1999. The station's call letters were changed to WGCL from WGNX-TV on July 4, 2000.

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 staffs at each station generate 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 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 specified programming 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 25 to 35 percent of a market's television advertising revenues are typically allocated to local news. The company's stations have increased the number of hours of local news programming significantly over the last several years and are continually working to improve their news operations and ratings.

Meredith's television stations are or will be required to transmit digital signals (DTV) under rules established by the Federal Communications Commission 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. Meredith owns a minority position in this new venture, named iBlast Networks, and will share in its revenues and operating results. iBlast currently expects to begin service in late calendar 2001.

Business Developments

In response to a widespread advertising downturn, Meredith took steps during the second half of fiscal 2001 to reduce the number of employees, including a one-time, special voluntary early retirement program and additional selective workforce reductions through attrition, realignments and job eliminations. In addition, the company wrote off certain Internet investments. These actions were the primary factors in a fiscal 2001 fourth quarter nonrecurring charge of $25.3 million ($15.4 million after-tax), or 30 cents per share.

Meredith recorded a charge of $9.9 million ($6.1 million after-tax), or 12 cents per share, for the writedown of certain broadcasting syndicated programming rights to net realizable value. A significant decline in first-run ratings for programming not yet available for broadcast was the primary factor in the writedown.

In May 2001, Meredith sold GOLF FOR WOMEN magazine to The Golf Digest Companies, a subsidiary of Advance Magazine Publishers, Inc., effective with the first issue of fiscal 2002. The sale resulted in a gain of $21.5 million ($13.1 million after-tax), or 26 cents per share.

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 and/or network affiliation relationships; 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 2001

In response to a weakening economy and a widespread advertising downturn, Meredith took steps to reduce the number of employees, including a one-time, special voluntary early retirement program and additional selective workforce reductions through attrition, realignments and job eliminations. A total of 155 positions were eliminated through early retirements and job eliminations during the fiscal year ended June 30, 2001. The company plans to eliminate another 50 to 75 positions by December 31, 2001. In addition, the company wrote off certain Internet investments and recorded other charges primarily related to the decision to discontinue certain publishing operations. These costs were partially offset by the reversal of certain accruals no longer deemed necessary. These actions resulted in a fiscal 2001 fourth-quarter nonrecurring charge of $25.3 million ($15.4 million after-tax), or 30 cents per share.

Personnel costs of $18.4 million represent expenses for retirement benefits, severance and outplacement charges related to the early retirement and the involuntary termination of employees. These costs are expected to be paid from internally generated cash flows. The majority of these costs will be paid out over the next 15 months. However, the payment of certain early retirement benefit costs will extend up to seven years.

The asset write-downs of $8.2 million consisted of the write-off of $6.0 million in investments in Internet-related alliances and $2.2 million for other charges. Meredith has ended its business relationships with two small Internet companies and a review of the fair value of Meredith's investments in the two businesses resulted in the write-off of these investments. Based on financial information provided by the companies, management believed both investments were worthless. The remaining charges consisted primarily of costs associated with the decision to discontinue certain publishing operations. Operations involved included *Family Money* magazine, *Mature Outlook* magazine, the *Shop Online 1•2•3* supplement and the *Better Homes and Gardens* television show, which is still in syndication.

The reversal of certain accruals resulted in a $1.3 million reduction in the amount of the nonrecurring charge. These reversals were primarily related to the accruals for contractual obligations recorded in the fiscal 2000 nonrecurring charge. The company was able to settle certain of these commitments for less than originally expected.

Meredith recorded a charge of $9.9 million ($6.1 million after-tax), or 12 cents per share, for the write-down of certain broadcasting syndicated programming rights to net realizable value. A significant decline in first-run ratings for programming not yet available for broadcast was the primary factor in the writedown.

In May 2001, Meredith sold Golf for Women magazine to The Golf Digest Companies, a subsidiary of Advance Magazine

Publishers, Inc., effective with the first issue of fiscal 2002. The sale resulted in a gain of $21.5 million ($13.1 million after-tax), or 26 cents per share. In addition, Meredith sold the assets of American Park Network in fiscal 2001. The resulting gain was not material.

Fiscal 2000

In March 2000, Meredith announced several major strategic initiatives. They 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 committed to continue to invest 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 5 cents per share in fiscal 2001 and by 2 cents per share in fiscal 2000.

Investment spending related to the circulation initiatives reduced fiscal 2001 earnings by 6 cents per share and fiscal 2000 earnings by 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 strategic 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, consisting of asset write-downs ($16.8 million), contractual obligations ($3.8 million) and personnel costs ($2.5 million).

The asset write-downs primarily included the write-off of goodwill and other intangibles allocated to *Cross Stitch & Needlework* magazine, which was part of the acquisition of Craftways Corporation in 1988. The company still operates other businesses acquired in the acquisition. Goodwill and intangibles associated with American Park Network, which the company had decided to no longer publish, were also written off. The intangible asset write-downs will reduce future amortization expense by $2.5 million annually. In addition, the asset write-downs included the write-off of deferred subscription acquisition costs and prepaid editorial costs associated with the discontinued magazines. Net accounts receivable of the discontinued titles were expected to be collected. Other tangible assets associated with the discontinued titles, such as paper inventories and office equipment, were redeployed in other magazines.

Contractual obligations resulted from the decision to exit certain publishing operations and from a comprehensive review of the impact of news expansion on film valuations at one television station. The personnel costs represent expenses for severance and outplacement charges related to the involuntary termination of 29 employees as a result of the magazine closings and other restructuring efforts. 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.

Results of Operations

Years ended June 30	2001	Change	2000	Change	1999
(In millions except per share)					
Total revenues	$ 1,053.2	(4)%	$ 1,097.2	6 %	$ 1,036.1
Nonrecurring items	$ (25.3)	(10)%	$ (23.1)	nm	$ —
Income from operations	$ 126.6	(22)%	$ 161.3	(6)%	$ 171.1
Gains from dispositions	$ 21.5	nm	$ —	nm	$ 2.4
Net earnings	$ 71.3	—	$ 71.0	(21)%	$ 89.7
Diluted earnings per share	$ 1.39	3 %	$ 1.35	(19)%	$ 1.67
Other data:					
Earnings before special items*	$ 79.7	(12)%	$ 90.8	(1)%	$ 91.4
Diluted earnings per share before special items*	$ 1.55	(10)%	$ 1.72	1 %	$ 1.70

nm—not meaningful

*Special items include broadcast rights write-downs (pre-tax write-downs of $9.9 million in fiscal 2001, $1.1 million in fiscal 2000 and $5.2 million in fiscal 1999) as well as the nonrecurring items and gains from dispositions shown above.

Fiscal 2001 compared to 2000 — Net earnings of $71.3 million, or $1.39 per share, were recorded in fiscal 2001, compared to net earnings of $71.0 million, or $1.35 per share, in fiscal 2000. Fiscal 2001 net earnings included the following special items: a post-tax charge of $6.1 million, or 12 cents per share, in production, distribution and editorial expenses for the write-down of broadcast rights to net realizable value; a nonrecurring post-tax charge of $15.4 million, or 30 cents per share, for employee severance, asset write-downs and other costs; and a post-tax gain of $13.1 million, or 26 cents per share, from the sale of GOLF FOR WOMEN magazine. Special items in fiscal 2000 net earnings included: a post-tax charge of $0.7 million, or 1 cent per share, in production, distribution and editorial expenses for the write-down of broadcast rights to net realizable value; and 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.

Excluding these special items, fiscal 2001 earnings were $79.7 million, or $1.55 per share, compared to $90.8 million, or $1.72 per share, in fiscal 2000. Fiscal 2001 results primarily reflected the weakness in advertising demand that has affected the media industry. In response to the advertising slowdown, management reduced costs, excluding special items, by 2 percent, compared to the prior year.

Fiscal 2001 revenues were $1,053.2 million, compared to revenues of $1,097.2 million in fiscal 2000. Excluding discontinued magazine titles, comparable revenues were $1,039.1 million in fiscal 2001 versus $1,049.9 million in fiscal 2000. The decline in comparable revenues primarily reflected lower magazine and broadcasting advertising revenues. Nonadvertising revenues increased 5 percent on a comparable basis, primarily reflecting growth in integrated marketing and book sales.

As previously mentioned, operating costs and expenses, excluding broadcast rights write-downs and nonrecurring charges, decreased 2 percent in fiscal 2001 despite higher paper prices, a January 2001 postal rate increase, increased interactive media spending and investments in Broadcasting Group news and sales operations. Incremental costs for Internet expansion reduced earnings by an additional 5 cents per share in fiscal 2001, compared to the fiscal 2000 investments. The 2 percent decline in expenses reflected volume-related declines in magazine manufacturing, distribution and subscription acquisition costs as well as management's cost containment efforts. In addition, lower per-unit magazine production costs benefited the first half of the fiscal year. Compensation costs increased slightly due to expanded local news programming at several television stations and annual merit increases. Unallocated corporate expenses, which represent general corporate overhead expenses not attributable to the operating groups, were $15.6 million in fiscal 2001, compared to $15.1 million in fiscal 2000.

Looking forward, the company's employment reduction programs are expected to lower costs by approximately $7 million in fiscal 2002. This will affect both production, distribution and editorial expenses and selling, general and administrative expenses. The write-down of broadcasting rights will result in a reduction of approximately $2 million in production, distribution and editorial expenses in fiscal 2002. However, these cost savings will be somewhat offset by increases in costs for employee health care and pension expenses, higher postal rates and higher amortization of other broadcasting program rights.

Net interest expense decreased to $31.9 million in fiscal 2001 versus $33.8 million in fiscal 2000 due to lower average debt levels.

The company's effective tax rate was 38.7 percent in fiscal 2001, compared with 44.3 percent in the prior year. The fiscal 2000 effective tax rate included the impact 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 in fiscal 2000.

The weighted-average number of shares outstanding declined 3 percent in fiscal 2001 as a result of company share repurchases.

Looking forward to fiscal 2002, management has not seen any indications of a turnaround in the advertising market in the near future. In publishing, first quarter comparable advertising pages are down in the low-single-digits on a percentage basis, while advertising revenues for Meredith's magazines as a group are up slightly from the prior-year first quarter. Management does not view the slight increase as evidence of a turnaround. In broadcasting, advertising bookings are currently pacing down in the high-single-digits on a percentage basis compared to the prior-year first quarter. In addition, comparisons of the first two quarters of fiscal 2002 to the prior year will be affected by the absence of $14.2 million in net political advertising at the company's broadcasting stations, related to the November 2000 elections; an increase in the volume of circulation mailings; and the cost increases mentioned previously. The increase in circulation mailings reflects a timing shift, as the overall level of mailings in fiscal 2002 is expected to be about equal to the prior year. The combination of these factors lead management to believe that earnings for the first two quarters of fiscal 2002 will be well below earnings in the same quarters of fiscal 2001. Due to the uncertainty of economic factors, management is not comfortable commenting on full fiscal year 2002 performance at this time.

Fiscal 2000 compared to 1999 – Net 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 after-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 2000 results also included an after-tax charge of $0.7 million, or 1 cent per share, for the write-down of certain broadcast rights to net realizable value. Fiscal 1999 net earnings included an after-tax gain of $1.4 million, or 3 cents per share, from the disposition of the *Better Homes and Gardens* Real Estate Service. In addition, fiscal 1999 net earnings included an after-tax charge of $3.1 million, or 6 cents per share, for the write-down of certain broadcast rights to net realizable value.

Excluding those special items, fiscal 2000 earnings were $90.8 million, or $1.72 per share, compared to $91.4 million, or $1.70 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 of comparable revenues.

Operating costs and expenses, excluding broadcast rights write-downs and 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. 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, which represent general corporate overhead expenses not attributable to the operating groups, were $15.1 million in fiscal 2000, compared to $20.8 million in fiscal 1999. The decline reflected cost containment efforts and the absence of prior-year costs related to the acquisition of WGCL-Atlanta. The operating profit margin, excluding broadcast rights write-downs and nonrecurring charges, was 16.9 percent of revenues in fiscal 2000, compared to 17.0 percent in fiscal 1999.

Net interest expense increased to $33.8 million in fiscal 2000 versus expense of $21.3 million in fiscal 1999 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 fiscal 1999. 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 fiscal 1999 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 included in the reported 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.

Interactive media 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 media 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.

Years ended June 30	2001	Change	2000	Change	1999
(In millions)					
Total revenues	$ 5.8	67 %	$ 3.5	205 %	$ 1.1
Operating loss	$ (7.7)	(23) %	$ (6.3)	(57) %	$ (4.0)

Fiscal 2001 compared to 2000 – Interactive media revenues increased 67 percent to $5.8 million in fiscal 2001 from $3.5 million in fiscal 2000. The revenue growth reflected increased advertising revenues and higher revenues for content creation services. Despite the revenue increase, interactive media incurred an operating loss of $7.7 million in fiscal 2001 versus a loss of $6.3 million in fiscal 2000, reflecting the company's ongoing investments in efforts to grow the business. Meredith made significant progress toward its goal of acquiring 1.5 million subscriptions online by the end of fiscal 2003. Nearly 290,000 subscriptions were acquired online in fiscal 2001.

Fiscal 2000 compared to 1999 – Interactive media revenues increased to $3.5 million in fiscal 2000, from $1.1 million in fiscal 1999, an increase of 205 percent. 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.

Publishing

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

Years ended June 30	2001	Change	2000	Change	1999
(In millions)					
Revenues					
Advertising	$ 352.5	(9) %	$ 387.1	7 %	$ 360.7
Circulation	263.6	(4) %	275.6	1 %	273.6
Other	166.8	7 %	156.1	10 %	141.3
Total revenues	$ 782.9	(4) %	$ 818.8	6 %	$ 775.6
Operating profit	$ 132.8	(4) %	$ 139.0	17 %	$ 118.9

Note: Operating profit is reported before nonrecurring charges of $15.1 million in fiscal 2001 and $21.1 million in fiscal 2000.

Fiscal 2001 compared to 2000 – Publishing revenues declined 4 percent to $782.9 million in fiscal 2001, from $818.8 million in fiscal 2000. Excluding the impact of the discontinued titles, revenues declined slightly from $771.5 million in fiscal 2000 to $768.8 million in fiscal 2001. Discontinued titles include: *Family Money*, *Mature Outlook*, *Country Home Antiques Extra*, CRAYOLA KIDS®, NORTHWEST WORLDTRAVELER, *Cross Stitch & Needlework* and *Decorative Woodcrafts* magazines; the *Shop Online 1•2•3* supplement; and the California Tourism publications. The following discussion excludes the revenues of these discontinued titles.

Comparable publishing advertising revenues declined 5 percent in fiscal 2001 versus the prior year, reflecting fewer advertising pages sold due to a slowdown in the demand for advertising. This slowdown in demand was widespread, affecting most categories of advertising and most of the company's titles. Comparable advertising pages for the group were down 4 percent. Some of the categories affected included home and building, packaged goods and retail. One notable exception to the trend was the strong

performance of *MORE* magazine, which reported a 25 percent increase in advertising pages and a 45 percent increase in advertising revenue. Two additional issues of *MORE* were published in fiscal 2001 due to an increase in frequency. The magazine also had a higher rate base compared to the prior year.

Comparable magazine circulation revenues increased 1 percent in fiscal 2001. The increase reflected increased newsstand sales of many titles including the *Better Homes and Gardens Special Interest Publications*, *MORE*, and the crafts group of titles. These newsstand revenue increases were nearly offset by lower subscription revenues resulting from a February 2000 rate base reduction at *Ladies' Home Journal* magazine.

Other publishing revenues grew 9 percent in fiscal 2001 on a comparable basis, primarily reflecting increased sales volumes in integrated marketing as a result of new and expanded custom publishing agreements. Growth in the volume of books sold also contributed to the revenue increase.

Publishing operating profit before nonrecurring charges was $132.8 million in fiscal 2001, down 4 percent from $139.0 million in the prior year. The decline in operating profit was primarily a result of lower advertising revenues. This revenue decline was partially offset by lower operating costs and expenses. Costs declined 4 percent in fiscal 2001, reflecting the absence of costs for the discontinued titles, management's cost control initiatives, lower subscription acquisition costs due to the timing of promotional mailings and lower magazine processing costs in the first half of the fiscal year. Partially offsetting these cost declines were higher magazine paper prices, a postal rate increase of nearly 10 percent in January 2001, volume-related increases in custom publishing costs and increased investment in interactive initiatives.

Paper, printing and postage costs account for approximately 40 percent of the publishing segment's operating costs. Average paper prices were approximately 3 percent higher in fiscal 2001 due to the timing of price changes. At June 30, 2001, paper prices were approximately 5 percent lower than the prices of one year earlier as a result of price declines during fiscal 2001. Paper prices are driven by overall market conditions and, therefore, are difficult to predict. Management anticipates little change in paper prices over the next year.

Meredith continued to benefit from lower printing costs on a per-unit basis through the first half of the fiscal year. These benefits resulted from contracts entered into with major print suppliers that took effect in January 2000.

Postal rates increased nearly 10 percent in January 2001. In addition, rates increased nearly 3 percent on July 1, 2001. Additional requests for rate increases are expected in the near future and changes in the level of service provided by the Postal Service are possible. Industry groups have raised serious questions about the financial stability of the United States Postal Service and are encouraging the elimination of operational inefficiencies in an attempt to moderate future price increases. Management cannot predict what impact possible changes in service and rates will have on the business.

Fiscal 2000 compared to 1999 – Publishing revenues increased 6 percent to $818.8 million in fiscal 2000, from $775.6 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 fiscal 1999. 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.

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.

Broadcasting

The broadcasting segment consists of the operation of network-affiliated television stations, including their interactive media operations.

Years ended June 30	2001	Change	2000	Change	1999
(In millions)					
Revenues					
Advertising	$ 263.3	(3)%	$ 271.0	7 %	$ 252.7
Other	7.0	(4)%	7.3	(6)%	7.8
Total revenues	$ 270.3	(3)%	$ 278.3	7 %	$ 260.5
Operating profit	$ 34.7	(43)%	$ 60.5	(17)%	$ 73.0

Note: Operating profit is reported before nonrecurring charges of $8.1 million in fiscal 2001 and $2.0 million in fiscal 2000.

Fiscal 2001 compared to 2000 – Revenues declined 3 percent in fiscal 2001 due to an industry-wide weakening in the demand for advertising. Partially offsetting this decline was an increase in political advertising for the November 2000 elections, especially at KCTV-Kansas City, WFSB-Hartford/New Haven and WNEM-Flint/Saginaw. Political advertising revenue totaled $14.2 million in fiscal 2001 versus $2.2 million in fiscal 2000. Excluding political advertising, which is not entirely incremental, revenues declined 7 percent. Most of the decline occurred in national advertising, which was down at nearly all of the company's stations. The categories of automotive, retail and fast-food advertising were weak across the group. Local advertising revenues were down less than 1 percent for the group. Strong growth in local advertising was reported at WOFL-Orlando and WGCL-Atlanta.

Fiscal 2001 broadcasting operating results included a charge of $9.9 million for the write-down of broadcast rights to net realizable value. Fiscal 2000 operating results included a charge of $1.0 million for such write-downs. Excluding these write-downs and nonrecurring charges, operating profit was $44.6 million in fiscal 2001, compared to $61.5 million in fiscal 2000. The decline reflected lower advertising revenues and increased costs resulting from investments in the improvement and expansion of news programming and investments in sales enhancement efforts. Excluding these items, costs were flat with the prior year.

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 advertising 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 before nonrecurring charges declined to $60.5 million in fiscal 2000, compared to operating profit of $73.0 million in fiscal 1999. Fiscal 1999 results included a charge of $5.2 million for the write-down of certain broadcast rights to estimated net realizable value, compared to a charge of $1.0 million in the current year. Excluding the impact of the write-down of broadcast rights and nonrecurring charges, operating profits were $61.5 million in fiscal 2000 versus $78.2 million in fiscal 1999. 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 the write-downs and the newly acquired WGCL-Atlanta, comparable broadcasting operating profit declined 16 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 fiscal 2000, resulting from contract changes implemented in July 1999.

Liquidity and Capital Resources

Years ended June 30	2001	Change	2000	Change	1999
(In millions)					
Net earnings	$ 71.3	—	$ 71.0	(21)%	$ 89.7
Cash flows from operations	$ 137.0	(7)%	$ 148.0	10 %	$ 134.7
Cash flows from investing	$ (38.7)	16 %	$ (46.3)	88 %	$ (386.5)
Cash flows from financing	$ (84.9)	6 %	$ (89.9)	nm	$ 257.9
Net cash flows	$ 13.4	13 %	$ 11.8	95 %	$ 6.1
Other data:					
EBITDA	$ 213.4	(10)%	$ 237.8	8 %	$ 220.4

nm–not meaningful

Cash and cash equivalents increased by $13.4 million in fiscal 2001, compared to an increase of $11.8 million in the prior year. The change primarily reflected cash received from dispositions and lower spending for stock repurchases in the current year, net of lower cash provided by operations and increased spending for property, plant and equipment. Cash provided by operating activities decreased because of a decline in earnings before special items.

EBITDA is defined as earnings before interest, taxes, depreciation and amortization, and excludes special items. The special items excluded from EBITDA consist of the following: the write-down of broadcast rights ($9.9 million in fiscal 2001, $1.0 million in fiscal 2000 and $5.2 million in fiscal 1999); nonrecurring charges ($25.3 million in fiscal 2001 and $23.1 million in fiscal 2000) and gains from dispositions ($21.5 million in fiscal 2001 and $2.4 million in fiscal 1999). EBITDA is often used to analyze and compare companies on the basis of operating performance and cash flow. Fiscal 2001 EBITDA decreased 10 percent from fiscal 2000, primarily due to the impact of the weak advertising market on company revenues and operating profit. 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. In addition, the calculation of EBITDA and similarly titled measures may vary between companies.

At June 30, 2001, long-term debt outstanding totaled $470.0 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 $270.0 million at June 30, 2001. 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, 2001, the company has $200.0 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. In March 2001, Meredith retired $85.0 million of term loan debt using proceeds from borrowings under a revolving credit facility. This change affected the timing of future principal payments but not the maturity date of May 31, 2002. Management expects to refinance this debt prior to its maturity. Principal payments on the debt due in succeeding fiscal years are:

Years ended June 30 (In millions)	
2002	$ 70.0
2003	100.0
2004	100.0
2005	75.0
2006	125.0
Total	$ 470.0

Funds for payments of interest and principal on the debt are expected to be provided by cash generated by future operating activities and debt refinancing. These debt agreements include certain financial covenants related to debt levels and coverage ratios. During the first fiscal quarter the company renegotiated certain covenants to provide Meredith more flexibility in the timing and level of investment and capital spending. As of June 30, 2001, 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. 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. At June 30, 2001, Meredith had interest rate swap contracts to pay fixed rates of interest (average 5.5 percent) and receive variable rates of interest (average 3-month LIBOR rate of 3.7 percent) on $206 million notional amount of indebtedness. This resulted in nearly 76 percent of Meredith's underlying variable-rate debt being subject to fixed interest rates. The weighted-average interest rate on debt outstanding at June 30, 2001, was approximately 6.3 percent. The average notional amount of indebtedness outstanding under the contracts is $195 million in fiscal 2002, $166 million in fiscal 2003 and $132 million in fiscal 2004. These contracts expire in May 2002 or June 2004. 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 $87.0 million, including $80.0 million under a revolving credit facility. Any amounts borrowed under this agreement are due and payable on May 31, 2002.

During fiscal 2001 the Board of Directors authorized the repurchase of an additional 2 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 2001, the company spent $43.5 million to repurchase an aggregate of 1.3 million shares of Meredith Corporation common stock at then current market prices. This compares with fiscal 2000 spending of $54.5 million for the repurchase of an aggregate of 1.7 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, 2001, the number of shares authorized for future repurchase was approximately 2.5 million shares. The status of this program is reviewed at each quarterly Board of Directors meeting.

The market value of the put option agreements that appeared as temporary equity in the Consolidated Balance Sheet at June 30, 2000, has been reclassified into shareholders' equity at June 30, 2001, reflecting the expiration of the put option agreements.

Dividends paid in fiscal 2001 were $16.5 million, or 33 cents per share, compared with $15.9 million, or 31 cents per share, in fiscal 2000. In January 2001, the Board of Directors increased the quarterly dividend by 6 percent, or one-half cent per share, to 8.5 cents per share effective with the dividend payable on March 15, 2001. 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 $56.0 million in fiscal 2001, compared to $39.4 million in fiscal 2000. The increase primarily reflected the purchase of replacement aircraft and associated facilities and spending for the construction of a new broadcasting facility for WGCL-Atlanta. The broadcasting segment has commitments to spend approximately $12 million over the next fiscal year for the initial transition to digital technology at six stations. 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.

Other Matters

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets." Meredith will be required to adopt this standard effective July 1, 2002, with an option to adopt effective July 1, 2001. The company has not yet determined its adoption date. Upon adoption, goodwill and certain intangible assets will no longer be amortized, but instead will be tested for impairment at least annually. In addition, the company will be required to reassess the useful lives and residual values of all intangible assets and make adjustments by the end of the first interim period after adoption. Goodwill and intangibles not subject to amortization will be reviewed for impairment upon adoption. Any transitional impairment losses resulting from this review will be measured as of the adoption date and will be recognized as the cumulative effect of a change in accounting principle in the first interim period.

At June 30, 2001, Meredith had unamortized goodwill of $240.8 million and unamortized identifiable intangible assets of $629.2 million. Amortization expense for the year ended June 30, 2001 included $7.8 million related to goodwill and $18.3 million related to identified intangible assets, a portion of which will no longer be amortized under SFAS No. 142. Because of the extensive effort needed to comply with SFAS No. 142, it is not practical to reasonably estimate the impact of the adoption of this standard on the financial statements of the company at the date of this report, or to ascertain the amount of impairment losses, if any. The company will have one year following adoption to determine the amount of such impairment. Also upon adoption, comparable data will be presented for all prior periods.

Quantitative and Qualitative Disclosures about Market Risk

Market Risk

The company is subject to certain market risks as a result of the use of financial instruments. 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, 2001, Meredith had outstanding $270 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, 2001, 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 will 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 ($4.1) million compared to the current fair market value of ($1.8) million at June 30, 2001.

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 ($204.5) million compared to the current fair market value of ($198.8) million at June 30, 2001.

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, 2001, a 10 percent decrease in interest rates would result in a $1.2 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, 2001 and 2000, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the years in the three-year period ended June 30, 2001. 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, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended June 30, 2001, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

KPMG LLP
Des Moines, Iowa
July 27, 2001

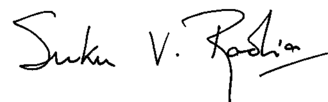
Report of Management

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 accounting principles generally accepted in the United States of America and include amounts based on management's informed judgments and estimates.

To meet its responsibility for financial reporting, management has designed internal control systems and accounting procedures 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 auditing standards generally accepted in the United States of America, 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
Vice President–Chief Financial Officer

Consolidated Balance Sheets

Meredith Corporation and Subsidiaries

Assets

June 30	2001	2000
(In thousands)		
Current assets:		
Cash and cash equivalents	$ 36,254	$ 22,861
Accounts receivable (net of allowances of $14,833 in 2001 and $14,368 in 2000)	137,384	145,845
Inventories	32,835	35,805
Current portion of subscription acquisition costs	43,237	44,606
Current portion of broadcast rights	13,487	18,686
Other current assets	27,885	20,996
Total current assets	291,082	288,799
Property, plant and equipment:		
Land	19,084	12,772
Buildings and improvements	110,824	98,554
Machinery and equipment	213,829	186,677
Leasehold improvements	8,572	7,439
Construction in progress	9,763	15,976
Total property, plant and equipment	362,072	321,418
Less accumulated depreciation	(158,274)	(147,261)
Net property, plant and equipment	203,798	174,157
Subscription acquisition costs	31,947	37,349
Broadcast rights	7,929	10,300
Other assets	33,020	35,968
Goodwill and other intangibles (at original cost less accumulated amortization of $180,229 in 2001 and $164,157 in 2000)	869,971	893,200
Total assets	$ 1,437,747	$ 1,439,773

See accompanying Notes to Consolidated Financial Statements

Consolidated Balance Sheets

Meredith Corporation and Subsidiaries

Liabilities and Shareholders' Equity

June 30	2001	2000
(In thousands except share data)		
Current liabilities:		
Current portion of long-term debt	$ 70,000	$ 50,000
Current portion of long-term broadcast rights payable	18,600	22,666
Accounts payable	45,976	53,892
Accruals:		
Compensation and benefits	40,610	35,483
Distribution expenses	24,231	21,197
Other taxes and expenses	40,292	37,489
Total accruals	105,133	94,169
Current portion of unearned subscription revenues	131,697	137,974
Total current liabilities	371,406	358,701
Long-term debt	400,000	455,000
Long-term broadcast rights payable	17,158	13,480
Unearned subscription revenues	89,605	96,811
Deferred income taxes	59,245	48,260
Other noncurrent liabilities	52,425	45,012
Total liabilities	989,839	1,017,264
Temporary equity: Put option agreements		
Common stock, no shares outstanding in 2001 and 1,264,140 shares outstanding in 2000	—	42,665
Shareholders' 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 39,247,701 shares in 2001 (excluding 27,823,898 shares held in treasury) and 38,326,171 shares in 2000 (excluding 29,050,052 held in treasury)	39,248	38,326
Class B stock, par value $1 per share, convertible to common stock Authorized 15,000,000 shares; issued and outstanding 10,544,174 in 2001 and 10,882,845 in 2000	10,544	10,883
Retained earnings	402,393	334,448
Accumulated other comprehensive loss	(1,967)	(776)
Unearned compensation	(2,310)	(3,037)
Total shareholders' equity	447,908	379,844
Total liabilities and shareholders' equity	$ 1,437,747	$ 1,439,773

See accompanying Notes to Consolidated Financial Statements

Consolidated Statements of Earnings

Meredith Corporation and Subsidiaries

Years ended June 30	2001	2000	1999
(In thousands except per share data)			
Revenues:			
Advertising	$ 615,722	$ 658,049	$ 613,400
Circulation	263,659	275,642	273,621
All other	173,832	163,474	149,101
Total revenues	1,053,213	1,097,165	1,036,122
Operating costs and expenses:			
Production, distribution and editorial	462,441	455,647	429,848
Selling, general and administrative	387,268	404,736	391,104
Depreciation and amortization	51,572	52,349	44,083
Nonrecurring items	25,308	23,096	—
Total operating costs and expenses	926,589	935,828	865,035
Income from operations	126,624	161,337	171,087
Gain from disposition	21,477	—	2,375
Interest income	1,028	1,195	710
Interest expense	(32,929)	(34,946)	(21,997)
Earnings before income taxes	116,200	127,586	152,175
Income taxes	44,928	56,556	62,518
Net earnings	$ 71,272	$ 71,030	$ 89,657
Basic earnings per share	$ 1.43	$ 1.38	$ 1.72
Basic average shares outstanding	49,977	51,313	52,188
Diluted earnings per share	$ 1.39	$ 1.35	$ 1.67
Diluted average shares outstanding	51,354	52,774	53,761

See accompanying Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

Meredith Corporation and Subsidiaries

Years ended June 30	2001	2000	1999
(In thousands)			
Cash flows from operating activities:			
Net earnings	$ 71,272	$ 71,030	$ 89,657
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	51,572	52,349	44,083
Amortization of broadcast rights	44,127	35,265	38,529
Payments for broadcast rights	(37,451)	(40,225)	(33,601)
Gain from disposition, net of taxes	(13,101)	—	(1,425)
Nonrecurring items, net of taxes	13,929	19,077	—
Changes in assets and liabilities:			
Accounts receivable	8,265	(7,694)	387
Inventories	2,735	(2,308)	900
Supplies and prepayments	2,252	(2,296)	(743)
Subscription acquisition costs	4,531	(10,437)	11,433
Accounts payable	(7,916)	(1,126)	(7,273)
Accruals	3,233	11,872	5,143
Unearned subscription revenues	(9,997)	8,764	(11,571)
Deferred income taxes	2,953	13,288	2,179
Other noncurrent liabilities	574	457	(3,022)
Net cash provided by operating activities	136,978	148,016	134,676
Cash flows from investing activities:			
Proceeds from dispositions	20,150	—	9,922
Acquisitions of businesses	—	—	(372,186)
Additions to property, plant, and equipment	(55,967)	(39,403)	(25,691)
Changes in investments and other	(2,837)	(6,856)	1,426
Net cash (used) by investing activities	(38,654)	(46,259)	(386,529)
Cash flows from financing activities:			
Long-term debt incurred	50,000	25,000	400,000
Repayment of long-term debt	(85,000)	(50,000)	(85,000)
Debt acquisition costs	—	—	(1,342)
Proceeds from common stock issued	8,867	4,563	2,560
Purchases of company stock	(43,506)	(54,486)	(43,852)
Dividends paid	(16,482)	(15,892)	(15,129)
Other	1,190	890	692
Net cash (used) provided by financing activities	(84,931)	(89,925)	257,929
Net increase in cash and cash equivalents	13,393	11,832	6,076
Cash and cash equivalents at beginning of year	22,861	11,029	4,953
Cash and cash equivalents at end of year	$ 36,254	$ 22,861	$ 11,029
Supplemental disclosures of cash flow information:			
Cash paid			
Interest	$ 32,675	$ 34,202	$ 15,394
Income taxes	$ 32,934	$ 36,595	$ 58,341
Noncash transactions			
Broadcast rights financed by contracts payable	$ 37,063	$ 41,799	$ 36,171
Tax benefit related to stock options	$ 5,248	$ 3,541	$ 1,577

See accompanying Notes to Consolidated Financial Statements

Consolidated Statements of Shareholders' 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, 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
Comprehensive income:							
Net earnings	—	—	—	71,272	—	—	71,272
Other comprehensive loss, net	—	—	—	—	(1,191)	—	(1,191)
Total comprehensive income							70,081
Stock issued under various incentive plans, net of forfeitures	651	—	8,680	—	—	(484)	8,847
Purchases of company stock	(1,285)	(47)	(13,928)	(28,246)	—	—	(43,506)
Reclassification of put option agreement	1,264	—	—	41,401	—	—	42,665
Conversion of class B to common stock	292	(292)	—	—	—	—	—
Dividends paid, 33 cents per share							
Common stock	—	—	—	(12,957)	—	—	(12,957)
Class B stock	—	—	—	(3,525)	—	—	(3,525)
Restricted stock amortized to operations	—	—	—	—	—	1,211	1,211
Tax benefit from incentive plans	—	—	5,248	—	—	—	5,248
Balance at June 30, 2001	$ 39,248	$ 10,544	$ —	$ 402,393	$ (1,967)	$ (2,310)	$ 447,908

See accompanying Notes to Consolidated Financial Statements

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. Revenues of the publishing and broadcasting segments were 74 percent and 26 percent, respectively, of total revenues in fiscal 2001. The publishing segment includes magazine and 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. 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 58 percent and 25 percent, respectively, of the company's revenues in fiscal 2001. 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 accounting principles generally accepted in the United States of America 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. 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.

f. 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.

g. 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 $25.5 million in fiscal 2001 ($23.7 million in fiscal 2000 and $21.4 million in fiscal 1999).

h. 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 2001 results included expense of $9.9 million for such reductions in unamortized costs ($1.0 million in fiscal 2000 and $5.2 million in fiscal 1999).

i. 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	2001	2000
(In thousands)		
Federal Communications Commission (FCC) licenses	$ 417,434	$ 428,909
Goodwill	240,768	248,799
Television network affiliation agreements	196,217	202,313
Other	15,552	13,179
Goodwill and other intangibles	$ 869,971	$ 893,200

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.

j. Derivative financial instruments

Meredith adopted Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," including subsequent amendments, as required on July 1, 2000. The adoption resulted in a $1.1 million reduction in comprehensive income in fiscal 2001.

The company's use of derivative financial instruments relates to the management of the risk that changes in interest rates will affect its future interest payments. All interest rate swap contracts are considered to be cash flow hedges against changes in the amount of future interest payments on the company's variable-rate debt obligations. Accordingly, the fair market value of the interest rate swap contracts is in "Accrued taxes and expenses" and "Other noncurrent liabilities" in the Consolidated Balance Sheet. The related unrealized gains (losses) on these contracts are recorded in shareholders' equity as a component of other comprehensive income, net of tax, and then recognized as an adjustment to interest expense over the same period in which the related interest payments being hedged are recognized in income. However, to the extent that any of these contracts are not considered to be highly effective in offsetting the change in the value of the interest payments being hedged, any changes in fair value relating to the ineffective portion of these contracts are immediately recognized in income. The net effect of this accounting on the company's operating results is that interest expense on the portion of the variable-rate debt being hedged is generally recorded based on fixed interest rates.

The fair market value of put options outstanding was reclassified from shareholders' 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 resulted in adjustments between equity and temporary equity, with no effect on earnings. The put options expired in July 2000 and the fair market value was reclassified into shareholders' equity.

k. Revenues

Revenues are recognized only when realized or realizable and earned, in accordance with accounting principles generally accepted in the United States of America. Advertising revenues are recognized, net of agency commissions, when the underlying advertisements are published, defined as the issue's on-sale date, or aired by the broadcasting stations. Magazine advertising revenues totaled $352.5 million in fiscal 2001 ($387.1 million in fiscal 2000 and $360.7 million in

fiscal 1999). Broadcasting advertising revenues were $263.3 million in fiscal 2001 ($271.0 million in fiscal 2000 and $252.7 million in fiscal 1999). Revenues from magazine subscriptions are deferred and recognized proportionately as products are delivered to subscribers. Revenues from magazine and book retail sales are recognized upon delivery, net of provisions for anticipated returns. The company bases its estimates for returns on historical experience and has not experienced significant fluctuations between estimated and actual return experience. Revenues from integrated marketing and other custom programs are recognized when the products are delivered.

l. Advertising expenses

Total advertising expenses included in the Consolidated Statements of Earnings were $68.2 million in fiscal 2001 ($81.7 million in fiscal 2000 and $76.2 million in fiscal 1999). The majority of the company's advertising expenses relate to direct-mail costs for magazine subscription acquisition efforts. These costs are expensed as incurred.

m. 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."

n. 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.

o. 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	2001	2000	1999
(In thousands except per share)			
Net earnings	$ 71,272	$ 71,030	$ 89,657
Basic average shares outstanding	49,977	51,313	52,188
Dilutive effect of stock options and equivalents	1,377	1,461	1,573
Diluted average shares outstanding	51,354	52,774	53,761
Basic earnings per share	$ 1.43	$ 1.38	$ 1.72
Diluted earnings per share	$ 1.39	$ 1.35	$ 1.67

Antidilutive options excluded from the above calculations totaled 560,000 options at June 30, 2001 (with a weighted average exercise price of $40.41), 2,229,000 options at June 30, 2000 (with a weighted average exercise price of $34.12) and 705,000 options at June 30, 1999 (with a weighted average exercise price of $40.11).

p. Other

Certain prior-year financial information has been reclassified or restated to conform to the fiscal 2001 financial statement presentation.

2. Nonrecurring Items

In response to a weakening economy and a widespread advertising downturn in fiscal 2001, Meredith took steps to reduce the number of employees through a one-time, special voluntary early retirement program and additional selective workforce reductions through attrition, realignments and job eliminations. In addition, the company wrote off certain Internet investments. These actions were the primary factors in a fiscal 2001 fourth-quarter nonrecurring charge of $25.3 million ($15.4 million after-tax), or 30 cents per share. Details of the nonrecurring charge follow:

Description	Fiscal 2001 Nonrecurring Charge	Balance Sheet Adjustments	Cash Payments	6-30-2001 Accrual Balance
(In thousands)				
Personnel costs	$ 18,362	$ (1,627)	$ (1,019)	$ 15,716
Asset write-downs & other	8,204	(8,159)	(45)	—
Reversal of excess accruals	(1,258)	1,258	—	—
Total	$ 25,308	$ (8,528)	$ (1,064)	$ 15,716

Personnel costs represent expenses for retirement benefits, severance and outplacement charges related to the early retirement and involuntary termination of employees. A total of 155 positions were eliminated through early retirements and job eliminations during the fiscal year ended June 30, 2001. The company plans to eliminate another 50 to 75 positions by December 31, 2001. The majority of personnel costs are expected to be paid out over the next 15 months; however, the payment of certain early retirement benefit costs will extend up to seven years.

The asset write-downs consisted of the write-off of $6.0 million in investments in Internet-related alliances and $2.2 million for other charges. Meredith has ended its business relationships with two small Internet companies and a review of the fair value of Meredith's investments in the two businesses resulted in the write-off of these investments. Based on financial information provided by the companies, management believed both investments were worthless. Other charges consisted primarily of costs associated with the decision to discontinue certain publishing operations. Operations involved included *Family Money* magazine, *Mature Outlook* magazine, the *Shop Online 1•2•3* supplement, and the *Better Homes and Gardens* television show. Charges reflect the write-off of the net assets of these businesses that could not be used by other publishing operations.

The amount of the nonrecurring charge recorded in fiscal 2001 was reduced by $1.3 million for the reversal of certain accruals remaining from the fiscal 2000 nonrecurring charge. The following includes further explanation of these reversals.

In March 2000, Meredith announced several major strategic initiatives. They 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 contributed to a fiscal 2000 nonrecurring charge of $23.1 million ($19.1 million after-tax), or 36 cents per share for asset write-downs ($16.8 million), contractual obligations ($3.8 million) and personnel costs ($2.5 million). The asset write-downs primarily included the write-off of goodwill and other intangibles allocated to *Cross Stitch & Needlework* magazine, which was part of the acquisition of Craftways Corporation in 1988. The company still operates other businesses acquired in the acquisition. Goodwill and intangibles associated with American Park Network, which the company had decided to no longer publish, were also written off. In addition, the asset write-downs included the write-off of deferred subscription acquisition costs and pre-paid editorial costs associated with the discontinued magazines. Net accounts receivable of the discontinued titles were expected to be collected. Other tangible assets associated with the discontinued titles, such as paper inventories and office equipment, were redeployed in other magazines.

The fiscal 2000 nonrecurring charge of $23.1 million resulted in noncash balance sheet adjustments of $18.5 million and cash payments of $1.4 million in fiscal 2000, leaving an accrual balance of $3.2 million at June 30, 2000. Details of the activity in the accrual account since that date follow:

Description	6-30-2000 Accrual Balance	Cash Payments	Other Adjustments	6-30-2001 Accrual Balance
(In thousands)				
Contractual obligations	$ 2,116	$ (192)	$ (1,135)	$ 789
Personnel costs	1,109	(890)	(123)	96
Total before tax benefit	$ 3,225	$ (1,082)	$ (1,258)	$ 885

Accrued contractual obligations represented costs associated with the decision to exit certain publishing operations. A review of the accrual balances at June 30, 2001 resulted in the reversal of $1.1 million in accruals no longer needed. These reversals resulted from the company's ability to exit certain operations at a lower cost than originally expected. The reversals reduced the amount of the nonrecurring charge recorded in fiscal 2001. The remaining accrual represents the estimated cost of fulfilling contractual obligations in case of third-party default.

Accrued personnel costs represent expenses for severance and outplacement charges related to the involuntary termination of 29 employees as a result of magazine closings and other restructuring efforts. A portion of the accrual relating to contingent payments was deemed no longer necessary and was reversed. As of June 30, 2001, all of these employees had left the company. Remaining personnel costs are expected to be paid out over the next three months from internally generated cash flows.

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 transaction, 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.

Pro forma results of operations as if this acquisition had occurred at the beginning of each period presented are as follows:

Years ended June 30	1999	1998
(In thousands except per share)		
Total revenues	$ 1,057,280	$ 1,044,227
Net earnings	$ 81,151	$ 69,675
Basic earnings per share	$ 1.55	$ 1.32
Diluted earnings per share	$ 1.51	$ 1.28

This acquisition was accounted for as an asset purchase, and accordingly, the operations of the acquired property have been included in the company's consolidated operating results from the acquisition date. The cost of the acquisition was allocated on the basis of the estimated fair market values of the assets acquired and liabilities assumed. This purchase price allocation included the following intangibles: FCC license of $185.0 million, network affiliation agreement of $70.0 million, and goodwill of $107.5 million. These intangibles are being amortized over 40 years. The acquisition also included property, plant and equipment, along with broadcast program rights and the related payables. (See Note 5 for information on the debt incurred to finance these acquisitions.)

In May 2001, Meredith sold GOLF FOR WOMEN magazine to The Golf Digest Companies, a subsidiary of Advance Magazine Publishers, Inc. The sale resulted in a gain of $21.5 million ($13.1 million after-tax), or 26 cents per share. In addition, Meredith sold the assets of American Park Network in fiscal 2001. The resulting gain was not material.

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 31 percent at June 30, 2001, and 39 percent at June 30, 2000. LIFO inventory (income) expense included in the Consolidated Statements of Earnings was ($1.1) million in fiscal 2001, $2.4 million in fiscal 2000 and ($2.0) million in fiscal 1999.

June 30	2001	2000
(In thousands)		
Raw materials	$ 13,480	$ 18,533
Work in process	20,830	19,980
Finished goods	6,477	6,360
	40,787	44,873
Reserve for LIFO cost valuation	(7,952)	(9,068)
Inventories	$ 32,835	$ 35,805

5. Long-term Debt

At June 30, 2001, the company had $270.0 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, 2001, the company had $200.0 million outstanding in fixed-rate unsecured senior notes issued to five insurance companies. A summary of long-term debt outstanding follows:

June 30	2001	2000
(In thousands)		
Variable-rate credit facilities:		
Amortizing term loan of $210 million due 5/31/2002	$ —	$ 85,000
Amortizing term loan of $200 million due 5/1/2004	200,000	200,000
Revolving credit facility of $150 million due 5/31/2002	70,000	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	470,000	505,000
Current portion of long-term debt	(70,000)	(50,000)
Long-term debt	$ 400,000	$ 455,000

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

Years ended June 30	
(In thousands)	
2002	$ 70,000
2003	100,000
2004	100,000
2005	75,000
2006	125,000
Total long-term debt	$ 470,000

The debt agreements include certain financial covenants related to debt levels and coverage ratios. As of June 30, 2001, the company was in compliance with all debt covenants.

The weighted-average interest rate on debt outstanding at June 30, 2001, was approximately 6.3 percent.

Interest expense related to long-term debt totaled $32.1 million (excluding $0.2 million in capitalized interest) in fiscal 2001, $34.8 million (excluding $0.4 million in capitalized interest) in fiscal 2000, and $21.5 million in fiscal 1999.

At June 30, 2001, Meredith had available credit totaling $87.0 million, including $80.0 million under a revolving credit facility.

6. Derivative Financial Instruments

The company's use of derivative financial instruments relates to the management of the risk that changes in interest rates will affect its future interest payments. Interest rate swap contracts are used to effectively convert a significant portion of the company's variable interest rate debt to fixed interest rate debt. Under an interest rate swap contract, Meredith agrees to pay an amount equal to a specified fixed rate of interest times a notional principal amount, and to receive in return an amount equal to a specified variable rate of interest times the same notional principal amount. The notional amounts of the contract are not exchanged. No other cash payments are made unless the contract is terminated prior to maturity, in which case the amount paid or received in settlement is established by agreement at the time of termination, and usually represents the net present value, at current rates of interest, of the remaining obligations to exchange payments under the terms of the contract. Meredith is exposed to credit-related losses in the event of nonperformance by counterparties to the swap contracts. This risk is minimized by entering into contracts with large, stable financial institutions.

At June 30, 2001, Meredith had interest rate swap contracts to pay fixed rates of interest (average 5.5 percent) and receive variable rates of interest (average three-month LIBOR rate of 3.7 percent) on $206 million notional amount of indebtedness. This resulted in 76 percent of Meredith's underlying variable-rate debt being subject to fixed interest rates. The average notional amount of indebtedness outstanding under the contracts is $195 million in fiscal 2002, $166 million in fiscal 2003 and $132 million in fiscal 2004. These contracts expire in May 2002 or June 2004.

The fair market value of the interest rate swap contracts was a liability of $1.8 million at June 30, 2001. Assuming no change in interest rates, the estimated amount of the loss expected to be reclassified into earnings over the next 12 months is $1.6 million. The net gain or loss on the ineffective portion of these interest rate swap contracts was not material in any period.

7. Fair Value of Financial Instruments

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

June 30	2001		2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(In thousands)				
Assets (Liabilities):				
Broadcast rights payable	$ (35,758)	$ (33,184)	$ (36,146)	$ (33,979)
Long-term debt	$ (470,000)	$ (468,823)	$ (505,000)	$ (490,088)
Interest rate swaps	$ (1,779)	$ (1,779)	$ —	$ 4,069

Fair values were determined as follows:

• *Broadcast rights payable:* Present value of future cash flows discounted at the company's current borrowing rate.

• *Long-term debt:* Present value of future 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 contracts. Interest rate swap contracts are recorded at fair market value in the Consolidated Balance Sheet at June 30, 2001, reflecting the adoption of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities."

The carrying amounts reported on the Consolidated Balance Sheets at June 30, 2001 and 2000, 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.

8. Income Taxes

Income tax expense consists of:

Years ended June 30	2001	2000	1999
(In thousands)			
Currently payable:			
Federal	$ 35,288	$ 36,348	$ 50,880
State	6,687	6,920	9,459
	41,975	43,268	60,339
Deferred:			
Federal	2,492	11,215	1,765
State	461	2,073	414
	2,953	13,288	2,179
Income taxes	$ 44,928	$ 56,556	$ 62,518

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

Years ended June 30	2001	2000	1999
U.S. statutory tax rate	35.0%	35.0%	35.0%
State income taxes, less federal income tax benefits	4.0	4.0	4.2
Nonrecurring goodwill write-downs	—	3.5	—
Goodwill amortization	0.8	1.1	0.9
Other	(1.1)	0.7	1.0
Effective income tax rate	38.7%	44.3%	41.1%

The current portions of deferred tax assets and liabilities are included in "Other current assets" in the Consolidated Balance Sheets. The tax effects of temporary differences that gave rise to the deferred income tax assets and liabilities are as follows:

June 30	2001	2000
(In thousands)		
Deferred tax assets:		
Accounts receivable allowances and return reserves	$ 14,734	$ 15,012
Compensation and benefits	26,618	22,235
Expenses deductible for taxes in different years than accrued	18,116	17,251
All other assets	1,652	689
Total deferred tax assets	61,120	55,187
Deferred tax liabilities:		
Subscription acquisition costs	25,936	27,518
Accumulated depreciation and amortization	60,659	47,267
Gains from dispositions	6,516	6,979
Carrying value of accounts receivable	2,968	6,010
Expenses deductible for taxes in different years than accrued	5,006	4,544
All other liabilities	18	639
Total deferred tax liabilities	101,103	92,957
Net deferred tax liability	$ 39,983	$ 37,770

9. 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. As of April 1, 2001, the plan allows employee contributions of up to 15 percent of eligible compensation. Previously, the plan allowed employee contributions of up to 12 percent of eligible compensation. The company matches 100 percent of the first 3 percent and 50 percent of the next 2 percent of employee contributions.

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 $4.6 million in fiscal 2001, $4.5 million in fiscal 2000, and $4.3 million in fiscal 1999.

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 $6.3 million at March 31, 2001, the plans' measurement date. The company also sponsors defined health care and life insurance plans that provide benefits to eligible retirees.

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	
	2001	2000	2001	2000
(In thousands)				
Change in benefit obligation:				
Benefit obligation, beginning of year	$ 63,613	$ 62,158	$ 13,876	$ 14,078
Service cost	4,555	4,426	671	665
Interest cost	4,940	4,314	1,082	993
Participant contributions	—	—	252	224
Plan amendments	4,995	—	—	—
Actuarial loss (gain)	1,871	(3,290)	1,591	(935)
Special termination benefits	42	—	1,531	—
Benefits paid (including lump sums)	(7,432)	(3,995)	(1,152)	(1,149)
Benefit obligation, end of year	$ 72,584	$ 63,613	$ 17,851	$ 13,876
Change in plan assets:				
Fair value of plan assets, beginning of year	$ 79,966	$ 70,171	$ 518	$ 934
Actual return on plan assets	(10,385)	13,228	(81)	113
Employer contributions	1,589	562	506	396
Participant contributions	—	—	252	224
Benefits paid (including lump sums)	(7,432)	(3,995)	(1,152)	(1,149)
Fair value of plan assets, end of year	$ 63,738	$ 79,966	$ 43	$ 518
Funded status, end of year	$ (8,846)	$ 16,353	$ (17,808)	$ (13,358)
Unrecognized actuarial loss (gain)	(3,633)	(23,816)	187	(1,279)
Unrecognized prior service cost	6,232	1,670	(2,045)	(2,244)
Unrecognized net transition obligation	747	1,104	—	—
Contributions between measurement date and fiscal year end	17	17	247	—
Net recognized amount, end of year	$ (5,483)	$ (4,672)	$ (19,419)	$ (16,881)
Consolidated Balance Sheets:				
Prepaid benefit cost	$ 3,091	$ 3,672	$ —	$ —
Accrued benefit liability	(8,574)	(8,344)	(19,419)	(16,881)
Additional minimum liability	(4,981)	(1,876)	—	—
Intangible asset	4,762	1,642	—	—
Accumulated other comprehensive loss	219	234	—	—
Net recognized amount, end of year	$ (5,483)	$ (4,672)	$ (19,419)	$ (16,881)

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 $16.5 million, $13.7 million and $0.1 million, respectively, as of June 30, 2001, and $10.9 million, $9.1 million and $0.2 million, respectively, as of June 30, 2000.

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

June 30	Pension		Postretirement	
	2001	2000	2001	2000
Weighted-average assumptions:				
Discount rate	7.25 %	7.75 %	7.25 %	7.75 %
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 was 7 percent for employees under age 65, 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, 2001	1-Percentage-Point Increase	1-Percentage-Point Decrease
(In thousands)		
Effect on service and interest cost components	$ 129	$ (110)
Effect on postretirement benefit obligation.	$ 828	$ (730)

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

Years ended June 30	Pension			Postretirement		
	2001	2000	1999	2001	2000	1999
(In thousands)						
Components of net periodic benefit cost:						
Service cost	$ 4,555	$ 4,426	$ 4,204	$ 671	$ 665	$ 679
Interest cost	4,940	4,314	4,789	1,082	993	1,041
Expected return on plan assets	(6,333)	(5,470)	(6,554)	(41)	(75)	(101)
Prior service cost amortization	434	434	434	(200)	(200)	(200)
Actuarial loss (gain) amortization	(1,445)	(611)	(1,454)	—	—	—
Transition amount amortization	356	356	356	—	—	—
Settlement gain	(149)	—	(3,624)	—	—	—
Net periodic benefit expense (income)	$ 2,358	$ 3,449	$ (1,849)	$ 1,512	$ 1,383	$ 1,419

Meredith offered a voluntary early retirement option to all employees meeting specified age and years of service criteria during the fourth quarter of fiscal 2001. The offer included enhanced pension and postretirement benefits. The effect of these special termination benefits was an increase in the projected benefit obligation of the pension plans of $0.1 million and an increase in the accumulated benefit obligation of the postretirement plan of $1.5 million. The associated expense was included in the nonrecurring charge.

10. 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	2001	2000	1999
(In thousands)			
Number of shares	1,332	1,720	1,121
Cost at market value	$ 43,506	$ 54,486	$ 43,852

As of June 30, 2001, approximately 2.5 million shares could be repurchased under existing authorizations by the Board of Directors.

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. An aggregate of 348,000 shares were repurchased under these agreements. The remainder of the put options expired on July 31, 2000. While the agreements were in effect, the market value of the shares subject to put option agreements was reclassified from shareholders' equity to the temporary equity classification entitled, "Put option agreements."

11. 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 restricted stock and stock equivalent plans. 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	2001	2000	1999
(In thousands except per share)			
Number of stock units awarded	33	64	18
Average market price of stock units awarded	$ 32.03	$ 36.25	$ 37.53
Stock units outstanding	197	201	228
Annual expense, net	$ 1,211	$ 915	$ 960

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 vesting after either three- or five-year periods. Certain options granted in August 1997 and August 2000 were tied to attaining specified earnings per share and return on equity goals for the subsequent three-year periods. Attaining these goals will result in the acceleration of vesting for all, or a portion, of the options to three years from the date of grant. The goals established for the August 1997 options were met and, therefore, the options became fully vested in August 2000. If the goals established for the August 2000 options are not met, the options will vest eight years from the date of grant, subject to certain tenure qualifications.

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:

	2001		2000		1999	
Years ended June 30	Options	Exercise Price	Options	Exercise Price	Options	Exercise Price
(Options in thousands)						
Outstanding, beginning of year	6,125	$ 22.57	5,783	$ 20.79	5,328	$ 18.63
Granted at market price	1,155	$ 28.55	859	$ 33.07	593	$ 40.82
Exercised	(610)	$ 13.39	(319)	$ 11.50	(87)	$ 17.94
Forfeited	(350)	$ 28.71	(198)	$ 34.06	(51)	$ 32.12
Outstanding, end of year	6,320	$ 24.21	6,125	$ 22.57	5,783	$ 20.79
Exercisable, end of year	3,817	$ 20.86	3,593	$ 16.82	3,474	$ 14.53
Fair value of options granted: At market price		$ 10.98		$ 11.59		$ 13.43

A summary of stock options outstanding and exercisable as of June 30, 2001, follows:

(Options in thousands)

	Options outstanding			Options exercisable	
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	1,323	2.51	$ 10.25	1,323	$ 10.25
$ 11.67 – $ 20.94	1,289	4.61	$ 18.66	1,119	$ 18.40
$ 21.09 – $ 28.06	1,389	7.70	$ 26.85	42	$ 25.84
$ 28.44 – $ 33.16	1,617	7.07	$ 31.16	927	$ 30.48
$ 34.78 – $ 42.88	702	7.34	$ 39.48	406	$ 39.71
	6,320	5.78	$ 24.21	3,817	$ 20.86

The maximum number of shares reserved for use in all company restricted stock, stock equivalent and stock incentive plans totals approximately 13.1 million. The total number of restricted and equivalent stock shares and stock options that have been awarded under these plans as of June 30, 2001, is approximately 8.8 million. No stock options have expired to date.

The company accounts for stock options in accordance with APB No. 25, "Accounting for Stock Issued to Employees," 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, "Accounting for Stock-based Compensation," the company's net earnings and earnings per share would have been as follows:

Years ended June 30	2001	2000	1999
(In thousands except per share)			
Net earnings as reported	$ 71,272	$ 71,030	$ 89,657
Pro forma net earnings	$ 66,331	$ 65,811	$ 84,692
Basic earnings per share as reported	$ 1.43	$ 1.38	$ 1.72
Pro forma basic earnings per share	$ 1.33	$ 1.28	$ 1.62
Diluted earnings per share as reported	$ 1.39	$ 1.35	$ 1.67
Pro forma diluted earnings per share	$ 1.29	$ 1.24	$ 1.57

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. 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	2001	2000	1999
Risk-free interest rate	5.20%	6.23%	5.91%
Expected dividend yield	0.75%	0.75%	0.75%
Expected option life	7.3 yrs	6.5 yrs	6.3 yrs
Expected stock price volatility	23.00%	22.00%	21.00%

12. 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 $8.7 million in 2001 ($7.1 million in 2000 and $6.0 million in 1999). Minimum rental commitments at June 30, 2001, under all noncancelable operating leases due in succeeding fiscal years are:

Years ended June 30	
(In thousands)	
2002	$ 5,891
2003	5,774
2004	5,845
2005	5,887
2006	5,669
Later years	33,462
Total amounts payable	$ 62,528

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 $91.6 million at June 30, 2001 ($86.5 million at June 30, 2000). The fair values of these commitments for unavailable broadcast rights were $80.7 million and $73.0 million at June 30, 2001 and 2000, respectively.

The broadcast rights payments due in succeeding fiscal years are:

Years ended June 30	Recorded Commitments	Unavailable Rights
(In thousands)		
2002	$ 18,600	$ 18,774
2003	11,076	27,134
2004	4,197	26,027
2005	1,478	15,869
2006	407	3,304
Later years	—	478
Total amounts payable	$ 35,758	$ 91,586

The broadcasting segment expects to spend approximately $12 million over the next fiscal year for the initial transition to digital technology.

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.

13. Other Comprehensive Income

Comprehensive income is defined as the change in equity during a period from transactions and other events and circumstances from nonowner 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	Interest Rate Swaps	Accumulated Other Comprehensive Income (Loss)
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)
Current-year adjustments, pre-tax	(166)	14	(5,849)	(6,001)
Tax benefit (expense)	55	(9)	2,281	2,327
Other comprehensive (loss) income	(111)	5	(3,568)	(3,674)
Cumulative effect of change in accounting principle (net of taxes)	—	—	2,483	2,483
Balance at June 30, 2001	$ (748)	$ (134)	$ (1,085)	$ (1,967)

The cumulative effect of change in accounting principle represents the transition adjustment from the adoption of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The transition adjustment, which was a gain of $4.1 million, net of $1.6 million in tax expense, was the initial amount necessary to record the fair value of Meredith's interest rate swap contracts.

14. Financial Information about Industry Segments

Meredith Corporation is a diversified media 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. The broadcasting segment includes the operations of 12 network-affiliated television stations. The broadcasting segment information includes the effect of the acquisition of WGCL-TV in March 1999. The syndicated television program

marketing and development operations, that were previously reported in the broadcasting segment, are now reported in the publishing segment. Prior-year information has been restated. Virtually all of the company's revenues are generated and assets reside within the United States. There are no material intersegment transactions.

Operating profit is the measure reported to the chief operating decision maker for use in assessing segment performance and allocating resources. 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 expenses. 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. Unallocated corporate expenses are corporate overhead expenses not attributable to the operating groups.

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 $44.1 million in fiscal 2001, $35.3 million in fiscal 2000 and $38.5 million in fiscal 1999.

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.

Expenditures for long-lived assets other than capital expenditures included the acquisition of one television station in fiscal 1999. This acquisition resulted in broadcasting segment additions to intangible assets of $362.5 million and additions to fixed assets of $6.4 million.

EBITDA is defined as earnings from continuing operations before interest, taxes, depreciation and amortization and excludes the following special items: write-downs of broadcast rights of $9.9 million in fiscal 2001, $1.0 million in fiscal 2000 and $5.2 million in fiscal 1999; nonrecurring charges of $25.3 million in fiscal 2001 and $23.1 million in fiscal 2000; and gains from dispositions of $21.5 million in fiscal 2001 and $2.4 million in fiscal 1999. 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 accounting principles generally accepted in the United States of America. In addition, the calculation of EBITDA and similarly titled measures may vary between companies.

Years ended June 30	2001	2000	1999
(In thousands)			
Revenues			
Publishing	$ 782,937	$ 818,826	$ 775,632
Broadcasting	270,276	278,339	260,490
Total revenues	$ 1,053,213	$ 1,097,165	$ 1,036,122
Operating profit			
Publishing	$ 132,815	$ 139,045	$ 118,887
Broadcasting	34,683	60,454	73,041
Unallocated corporate expense	(15,566)	(15,066)	(20,841)
Nonrecurring items	(25,308)	(23,096)	—
Income from operations	$ 126,624	$ 161,337	$ 171,087
Depreciation/amortization			
Publishing	$ 8,983	$ 11,561	$ 11,371
Broadcasting	40,034	38,705	30,732
Unallocated corporate	2,555	2,083	1,980
Total depreciation/amortization	$ 51,572	$ 52,349	$ 44,083
Assets			
Publishing	$ 310,066	$ 320,972	$ 318,129
Broadcasting	1,011,483	1,037,458	1,038,913
Unallocated corporate	116,198	81,343	66,354
Total assets	$ 1,437,747	$ 1,439,773	$ 1,423,396
Capital expenditures			
Publishing	$ 10,642	$ 1,465	$ 1,417
Broadcasting	24,745	32,925	16,470
Unallocated corporate	20,580	5,013	7,804
Total capital expenditures	$ 55,967	$ 39,403	$ 25,691
Other Data:			
EBITDA			
Publishing	$ 141,798	$ 150,606	$ 130,258
Broadcasting	84,647	100,211	109,002
Unallocated corporate	(13,011)	(12,983)	(18,861)
Total EBITDA	$ 213,434	$ 237,834	$ 220,399

15. Selected Quarterly Financial Data (unaudited)

Year ended June 30, 2001	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
(In thousands except per share)					
Revenues					
Publishing	$ 184,885	$ 182,259	$ 213,385	$ 202,408	$ 782,937
Broadcasting	65,137	78,629	58,922	67,588	270,276
Total revenues	$ 250,022	$ 260,888	$ 272,307	$ 269,996	$ 1,053,213
Operating profit					
Publishing	$ 28,410	$ 29,666	$ 39,879	$ 34,860	$ 132,815
Broadcasting	10,143	21,453	3,272	(185)	34,683
Unallocated corporate expense	(3,375)	(3,701)	(4,439)	(4,051)	(15,566)
Nonrecurring items	—	—	—	(25,308)	(25,308)
Income from operations	$ 35,178	$ 47,418	$ 38,712	$ 5,316	$ 126,624
Net earnings	$ 16,469	$ 24,041	$ 18,884	$ 11,878	$ 71,272
Basic earnings per share	$ 0.33	$ 0.48	$ 0.38	$ 0.24	$ 1.43
Diluted earnings per share	$ 0.32	$ 0.47	$ 0.37	$ 0.23	$ 1.39
Dividends per share	$ 0.080	$ 0.080	$ 0.085	$ 0.085	$ 0.33
Stock price per share:					
High	$ 35.00	$ 32.75	$ 37.55	$ 38.97	
Low	$ 26.75	$ 27.13	$ 30.50	$ 33.55	

Fiscal 2001

Fourth quarter results include after-tax nonrecurring charges of $15.4 million, or 30 cents per share, primarily for personnel costs associated with an early retirement program and other workforce reductions and for the write-off of certain Internet investments (Note 2).

Publishing operating profits were reduced by investment spending related to Internet and e-commerce activities. The quarterly impact of the incremental spending versus fiscal 2000 was $1.2 million, $1.6 million, $1.3 million and $0.3 million for the first through fourth quarters, respectively.

Broadcasting operating profits were reduced by $9.9 million in the fourth quarter for the write-down of certain programming rights to net realizable value.

Year ended June 30, 2000	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
(In thousands except per share)					
Revenues					
Publishing	$ 193,714	$ 189,970	$ 224,393	$ 210,749	$ 818,826
Broadcasting	66,690	76,159	62,550	72,940	278,339
Total revenues	$ 260,404	$ 266,129	$ 286,943	$ 283,689	$ 1,097,165
Operating profit					
Publishing	$ 28,398	$ 33,144	$ 46,416	$ 31,087	$ 139,045
Broadcasting	13,545	21,767	8,046	17,096	60,454
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 after-tax nonrecurring charges of $19.1 million, or 36 cents per share, for asset write-downs, contractual obligations and personnel costs associated with the decision to exit certain publishing operations (Note 2).

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

Broadcasting operating profits were reduced $0.6 million in the third quarter and $0.4 million in the fourth quarter for the write-down of certain programming rights to net realizable value.

Eleven-Year Financial History with Selected Financial Data

Meredith Corporation and Subsidiaries

Years ended June 30	2001	2000	1999	1998
($ in thousands except per share)				
Results of operations				
Revenues	$ 1,053,213	$ 1,097,165	$ 1,036,122	$ 1,009,927
EBITDA	$ 213,434	$ 237,834	$ 220,399	$ 189,652
Income (loss) from operations	$ 126,624	$ 161,337	$ 171,087	$ 152,501
Net interest (expense) income	(31,901)	(33,751)	(21,287)	(13,387)
Gain from dispositions	21,477	—	2,375	—
Income taxes	(44,928)	(56,556)	(62,518)	(59,256)
Earnings from continuing operations	71,272	71,030	89,657	79,858
Discontinued operations	—	—	—	—
Cumulative effect of change in accounting principle	—	—	—	—
Net earnings	$ 71,272	$ 71,030	$ 89,657	$ 79,858
Basic per-share information				
Earnings from continuing operations	$ 1.43	$ 1.38	$ 1.72	$ 1.51
Discontinued operations	—	—	—	—
Cumulative effect of change in accounting principle	—	—	—	—
Net earnings (loss)	$ 1.43	$ 1.38	$ 1.72	$ 1.51
Diluted per-share information				
Earnings from continuing operations	$ 1.39	$ 1.35	$ 1.67	$ 1.46
Discontinued operations	—	—	—	—
Cumulative effect of change in accounting principle	—	—	—	—
Net earnings (loss)	$ 1.39	$ 1.35	$ 1.67	$ 1.46
Average diluted shares outstanding (in thousands)	51,354	52,774	53,761	54,603
Dividends paid per share	$ 0.33	$ 0.31	$ 0.29	$ 0.27
Stock price per share:				
High	$ 38.97	$ 42.00	$ 48.50	$ 46.94
Low	$ 26.75	$ 22.37	$ 26.69	$ 26.75
Financial Position at June 30				
Current assets	$ 291,082	$ 288,799	$ 256,175	$ 246,801
Working capital	$ (80,324)	$ (69,902)	$ (87,940)	$ (100,068)
Net assets of discontinued operations	$ —	$ —	$ —	$ —
Total assets	$ 1,437,747	$ 1,439,773	$ 1,423,396	$ 1,065,989
Long-term obligations (including current portion)	$ 505,758	$ 541,146	$ 564,573	$ 244,607
Shareholders' equity	$ 447,908	$ 422,509	$ 413,305	$ 378,013
Number of employees (at June 30)	2,616	2,703	2,642	2,559

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 broadcasting film write-downs, 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 has 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.

Shareholders' equity includes temporary equity where applicable.

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

Fiscal 2001 *included nonrecurring items of $15.4 million, or 30 cents per share, primarily for employment reduction programs and Internet investment write-offs and a gain from the disposition of Golf for Women magazine.*

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

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 eight 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 seven cents per share, and a gain from the disposition of the Syracuse and Fresno television properties.*

1997	1996	1995	1994	1993	1992	1991
$ 855,218	$ 867,137	$ 829,401	$ 744,735	$ 721,944	$ 699,714	$ 727,210
$ 138,266	$ 124,023	$ 95,725	$ 72,378	$ 52,737	$ 39,005	$ 37,055
$ 114,671	$ 97,505	$ 72,702	$ 45,876	$ 35,865	$ (3,817)	$ 18,927
3,756	(3,347)	6,894	1,529	1,205	5,360	8,686
—	5,898	—	11,997	—	—	9,677
(50,835)	(45,399)	(35,398)	(26,929)	(15,629)	(749)	(14,466)
67,592	54,657	44,198	32,473	21,441	794	22,824
27,693	(717)	(4,353)	(5,319)	(2,815)	175	60,302
—	—	(46,160)	—	—	(7,300)	—
$ 95,285	$ 53,940	$ (6,315)	$ 27,154	$ 18,626	$ (6,331)	$ 83,126
$ 1.26	$ 1.00	$ 0.81	$ 0.57	$ 0.35	$ 0.01	$ 0.34
0.52	(0.02)	(0.07)	(0.09)	(0.04)	—	0.90
—	—	(0.86)	—	—	(0.11)	—
$ 1.78	$ 0.98	$ (0.12)	$ 0.48	$ 0.31	$ (0.10)	$ 1.24
$ 1.22	$ 0.97	$ 0.79	$ 0.57	$ 0.35	$ 0.01	$ 0.34
0.50	(0.01)	(0.07)	(0.09)	(0.04)	—	0.90
—	—	(0.83)	—	—	(0.11)	—
$ 1.72	$ 0.96	$ (0.11)	$ 0.48	$ 0.31	$ (0.10)	$ 1.24
55,522	56,391	55,508	56,730	61,066	64,563	67,257
$ 0.24	$ 0.21	$ 0.19	$ 0.17	$ 0.16	$ 0.16	$ 0.16
$ 29.37	$ 24.37	$ 13.50	$ 11.41	$ 9.00	$ 7.03	$ 7.66
$ 19.69	$ 11.75	$ 10.62	$ 8.37	$ 5.47	$ 5.94	$ 5.16
$ 337,208	$ 210,676	$ 250,598	$ 290,177	$ 282,630	$ 329,191	$ 408,049
$ 59,248	$ (68,831)	$ (28,436)	$ 27,766	$ 10,018	$ 72,021	$ 141,052
$ —	$ 88,051	$ 88,097	$ 90,579	$ 95,672	$ 56,848	$ —
$ 760,433	$ 733,692	$ 743,796	$ 679,813	$ 716,716	$ 739,277	$ 768,152
$ 17,032	$ 71,482	$ 102,259	$ 10,801	$ 15,867	$ 17,505	$ 24,910
$ 326,649	$ 261,516	$ 241,050	$ 257,761	$ 284,096	$ 301,163	$ 342,685
2,102	2,234	2,400	2,194	2,335	2,025	2,270

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.*

Discontinued operations:

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.*

Fiscal 1991 *included a post-tax gain of $49.3 million from the disposition of the Meredith/Burda printing operations and income tax credits of $8.3 million related to prior-year dispositions.*

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

Mr. Baum, 64, 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. The Dial Corporation is based in Scottsdale, Ariz. A director since 1994, he serves on the finance, audit and compensation/nominating committees.

Mary Sue Coleman

Dr. Coleman, 57, is president of the University of Iowa, a public educational institution based in Iowa City, Iowa. A director since 1997, she serves on the audit, executive and pension committees.

Mell Meredith Frazier

Ms. Frazier, 45, is vice president of the Meredith Corporation Foundation and director of corporate planning at Meredith Corporation. She serves on the pension committee.

Christina A. Gold

Ms. Gold, 54, is vice chairman and chief executive officer of Excel Communications, Inc., a telecommunications service provider based in Dallas. She has been a director since 1999 and serves on the audit and pension committees.

Frederick B. Henry

Mr. Henry, 55, is president of the Bohen Foundation, a private charitable foundation based in New York City. A director since 1969, he chairs the pension committee and serves on the compensation/nominating committee.

Joel W. Johnson

Mr. Johnson, 58, 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, he serves on the audit and finance committees.

William T. Kerr

Mr. Kerr, 60, is chairman and chief executive officer of Meredith Corporation. A director since 1994, he serves on the executive committee.

Robert E. Lee

Mr. Lee, 66, is president of Glacier Properties, Inc., a private investment firm based in Denver. A director since 1982, he chairs the compensation/nominating committee and serves on the executive and finance committees.

Philip A. Marineau

Mr. Marineau, 54, is president and chief executive officer of Levi Strauss & Co., a worldwide brand apparel company based in San Francisco. A director since 1998, he chairs the audit committee and serves on the pension committee.

E.T. Meredith III

Mr. Meredith, 68, is chairman of the executive committee. He has been a director of the company since 1966.

Nicholas L. Reding

Mr. Reding, 66, 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, he chairs the finance committee and serves on the compensation/nominating committee.

Jack D. Rehm

Mr. Rehm, 68, 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.

Board of Directors

Herbert M. Baum

Mary Sue Coleman

Mell Meredith Frazier

Christina A. Gold

Frederick B. Henry

Joel W. Johnson

William T. Kerr

Robert E. Lee

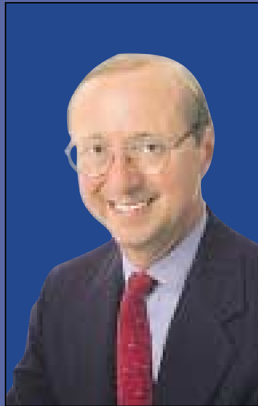
Philip A. Marineau

E.T. Meredith III

Nicholas L. Reding

Jack D. Rehm

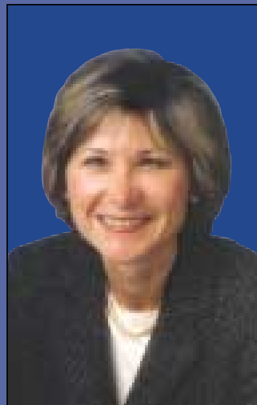
Corporate Officers



William T. Kerr
Chairman and Chief Executive Officer

Leo R. Armatis
Vice President – Corporate Relations

Thomas J. Ferree
Controller



Tina Georgeou
Vice President – Publishing Business Development

Jerome M. (Jerry) Kaplan
President – Magazine Group

Stephen M. Lacy
President – Publishing Group

Suku V. Radia
Vice President – Chief Financial Officer

John S. Zieser
Vice President – General Counsel and Secretary

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 shareholders at 10 a.m. Central Standard Time on November 12, 2001, 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

EquiServ Trust Company
P.O. Box 43010
Providence, RI 02940-3010
(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 2001 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.

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Manager, Investor Communication
Meredith Corporation
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Des Moines, IA 50309-3023
(800) 284-4236

Operations

(as of August 1, 2001)

Publishing

Magazines

Better Homes and Gardens .... www.bhg.com (America Online Keyword: BHG)
Ladies' Home Journal .... www.lhj.com (America Online Keyword: LHJ)
Country Home .... www.countryhome.com
Midwest Living .... www.midwestliving.com
Traditional Home .... www.designerfinder.com *or* www.traditionalhome.com
MORE .... www.thirdage.com/beauty
WOOD .... www.woodmagazine.com
Successful Farming .... www.agriculture.com
Renovation Style
Country Gardens

Creative Collection

Creative Home .... www.bhg.com/crafts (America Online Keyword: BHG Crafts)
American Patchwork & Quilting .... www.quiltvillage.com
Paint Decor
Scrapbooks etc.

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 .... www.gardenshed.bhg.com
Home Planning Ideas
Hometown Cooking .... www.hometowncook.com
Kitchen and Bath Ideas
Quick & Easy Decorating
Remodeling Ideas
Window & Wall Ideas

Books

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

Television Broadcasting

WGCL-TV (CBS) .... www.wgcltv.com
Atlanta, Ga.
KPHO-TV (CBS) .... www.kpho.com
Phoenix, Ariz.
WOFL-TV (FOX) .... www.wofl.com
Orlando/Daytona Beach/Melbourne, Fla.
KPDX-TV (FOX) .... www.kpdx.com
Portland, Ore.
WFSB-TV (CBS) .... www.wfsb.com
Hartford/New Haven, Conn.
WSMV-TV (NBC) .... www.wsmv.com
Nashville, Tenn.
KCTV (CBS) www.kctv5.com
Kansas City, Mo.
WHNS-TV (FOX) .... www.whns.com
Greenville, S.C./Spartanburg, S.C./Asheville, N.C.
WNEM-TV (CBS) .... www.wnem.com
Flint/Saginaw/Bay City, Mich.
KVVU-TV (FOX) .... www.kvvu.com
Las Vegas, Nev.
WOGX-TV (FOX) .... www.wogx.com
Gainesville, Fla.
KFXO-LP (FOX) .... www.kfxo.com
Bend, Ore.

Television Programming

Ladies' Home Journal Most Fascinating Women
Better Homes and Gardens Television

Meredith Integrated Marketing

www.meredithim.com

Meredith Interactive Media

www.meredith.com

Brand Licensing

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

Other Meredith Businesses

Meredith Corporate Solutions
Meredith Custom Publications
Meredith List Marketing
Meredith Print Advantage

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.

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