SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

| | |
|---|---|
| For the fiscal year ended June 30, 2004 | Commission file number 1-5128 |

MEREDITH CORPORATION

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Iowa | 42-0410230 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 1716 Locust Street, Des Moines, Iowa | 50309-3023 |
| (Address of principal executive offices) | (ZIP Code) |

Registrant's telephone number, including area code: **(515) 284-3000**

Securities registered pursuant to Section 12 (b) of the Act:

| Title of each class | Name of each exchange on which registered |
|---|---|
| Common Stock, par value $1 | New York Stock Exchange |

Securities registered pursuant to Section 12 (g) of the Act:

Title of class

Class B Stock, par value $1

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes [X] No [ ]

The registrant estimates that the aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant at December 31, 2003, was $1,831,000,000 based upon the closing price on the New York Stock Exchange at that date.

| Shares of stock outstanding at July 31, 2004 | |
|---|---|
| Common shares | 40,794,017 |
| Class B shares | 9,650,297 |
| Total common and class B shares | 50,444,314 |

EXPLANATORY NOTE

This amended Form 10-K is being filed solely to clarify the circumstances surrounding the Company's decision to change its accounting policy with respect to the lives of its network affiliation agreements. The Company has amended the text in the second paragraph under the heading *Accounting Changes* in Management's Discussion and Analysis of Financial Condition and Results of Operations and the first paragraph of Note 2 in the Consolidated Financial Statements. The remainder of the Form 10-K originally filed with the Securities and Exchange Commission on September 13, 2004 is unchanged. Only Items 7 and 8 which reflect the above referenced changes are included in this amendment.



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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) consists of the following sections:

The MD&A should be read in conjunction with the other sections of this Annual Report on Form 10-K, including Item 1-Business, Item 6-Selected Financial Data, and Item 8-Financial Statements and Supplementary Data. The MD&A contains a number of forward-looking statements, all of which are based on our current expectations and could be affected by the uncertainties and risk factors described throughout this filing and particularly in the Outlook and Risk Factors section of the MD&A.

EXECUTIVE OVERVIEW

Meredith Corporation is one of America's leading home and family publishers and a broadcaster with television stations in top markets such as Atlanta and Phoenix. Each month we reach more than 75 million American consumers through our magazines, books, custom publications, web sites, and television stations. Our businesses 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.



Meredith operates in two business segments. Publishing consists of magazine and book publishing, integrated marketing, interactive media, database-related activities, brand licensing and other related operations. Broadcasting consists of 12 network-affiliated television stations and one radio station. Both segments operate primarily in the United States and compete against similar media and other types of media on both a local and national basis. Publishing accounted for 75 percent of the Company's $1.16 billion in revenues in fiscal 2004 while broadcasting revenues totaled 25 percent.

Meredith is committed to building value for its shareholders. We have three primary strategies. The first is to expand our powerful publishing base by broadening our magazine portfolio, extending and developing our brands, capturing the potential in the Hispanic market and expanding our book and custom publishing businesses. The second strategy is to continue to strengthen the broadcasting business by improving ratings and share especially for newscasts, aggressively selling the improved ratings, creating additional revenue sources, and managing costs. The third strategy is to maintain our excellent financial position which allows us to pursue targeted acquisitions and to invest in our businesses. In publishing we are primarily focused on acquiring properties aimed at women between the ages of 30 and 40. Topics of interest to this age group include fitness, health, and parenting. In broadcasting we are targeting the creation of duopolies (the ownership of two stations in a single market) or regional clusters that allow us to generate cost efficiencies by operating multiple stations from one location. We also seek to improve our network diversity and expand our audience reach while maintaining our geographic diversity.

PUBLISHING

Advertising revenues made up 48 percent of fiscal 2004 publishing revenues. These revenues are generated from the sale of advertising space in the Company's magazines and on web sites to clients interested in promoting their brands, products and services to consumers. Changes in advertising revenues tend to correlate with changes in the level of economic activity in the United States. Indicators of economic activity include changes in the level of gross domestic product, consumer spending, housing starts, unemployment rates, auto sales, and interest rates. Circulation levels of Meredith's magazines, reader demographic data, and the advertising rates charged relative to other available advertising opportunities also affect the level of advertising revenues.

Circulation revenues accounted for 28 percent of fiscal 2004 publishing revenues. Circulation revenues result from the sale of magazines to consumers through subscriptions and by single copy sales on newsstands, primarily at major retailers and grocery/drug stores. In the short term, subscription revenues, which accounted for nearly 70 percent of circulation revenues, are less susceptible to economic changes because subscriptions are generally sold for terms of one to three years. However, the same economic factors that affect advertising revenues can influence consumers' response to subscription offers and result in lower revenues and/or higher costs to maintain subscriber levels over time. A key factor in Meredith's subscription success is our industry-leading database. It contains approximately 75 million names, including about three-quarters of American homeowners, with an average of 300 data points on each name. This size and depth is a key to our circulation model and allows more precise consumer targeting. Newsstand revenues are more volatile than subscription revenues and can vary significantly month to month depending on economic and other factors.

The remaining 24 percent of publishing revenues came from a variety of activities that included the sale of books and custom publishing services as well as brand licensing, product sales and other related activities. These revenues generally are affected by the same economic factors that affect advertising revenues.



Publishing's major expense categories include production and delivery of publications and promotional mailings and employee compensation costs. Paper, postage, and production charges represented approximately 42 percent of the segment's operating expenses in fiscal 2004. Paper is a commodity, and pricing can vary significantly year to year. Prices fluctuate based on the worldwide demand and supply for paper in general and for specific types of paper used by Meredith. Postal rates are dependent on the financial condition of the United States Postal Service. Postal rates were last increased in June 2002, and no further rate increases are expected until 2006. Meredith works with others in the industry and through trade organizations to encourage the Postal Service to implement efficiencies and contain rate increases. Our publications are outsourced to printers, and rates can fluctuate with changes in the demand and supply for printing services in the United States. We typically have multi-year contracts for the production of our magazines, a practice which reduces price fluctuations over the contract term.

Employee compensation, which includes benefits expense, represented almost 20 percent of fiscal 2004 publishing operating expenses. Compensation expense is affected by salary and incentive levels, the number of employees, the costs of our various employee benefit plans, and other factors. The remaining 38 percent of fiscal 2004 publishing expenses included costs for magazine newsstand and book distribution, advertising and promotional efforts, and general overhead costs for facilities and technology services.

BROADCASTING

Broadcasting derives almost all of its revenues-98 percent in fiscal 2004-from the sale of advertising. The remainder comes from television rebroadcast rights fees, network compensation, television production services, and other services.

The stations sell both local/regional and national advertising. Political advertising associated with biennial election campaigns can result in cyclical increases (in odd-numbered fiscal years) and decreases (in even-numbered fiscal years) in advertising revenues. Meredith has also developed the Cornerstone program, which leverages our publishing brands. The program packages material from our national magazines with local advertising to create customized mini-magazines delivered to targeted customers. We have generated additional revenues from Internet activities and programs focused on local interests such as Community events and college and professional sports. Changes in advertising revenues tend to correlate with changes in the level of economic activity in the United States and in the local markets in which we operate stations; they also are linked to cyclical changes discussed previously. Indicators of economic activity include changes in the level of gross domestic product, consumer spending, unemployment rates, auto sales, and interest rates. Programming content, audience share, audience demographics, and the advertising rates charged relative to other available advertising opportunities also affect advertising revenues. On occasion, unusual events necessitate uninterrupted television coverage and will adversely affect spot advertising revenues.

Broadcasting's major expense categories are employee compensation and programming costs. Employee compensation represented approximately 49 percent of fiscal 2004 broadcasting operating expenses and is affected by the same factors as noted for publishing. Programming expense represented approximately 14 percent of this segment's fiscal 2004 expenses. Programming expense is affected by the costs of programs available for purchase and the selection of programs aired by our television stations. Sales and promotional activities and general overhead costs for facilities and technical resources accounted for the majority of the remaining 37 percent of operating expenses.

FISCAL 2004 HIGHLIGHTS

- In terms of advertising growth, both publishing and broadcasting outperformed their peers in fiscal 2004. According to the Publisher's Information Bureau (PIB), Meredith's magazine advertising pages increased 9 percent in fiscal 2004 while the industry was down 1 percent. Meredith increased broadcasting advertising revenue 6 percent while the industry grew 2 percent, according to the Television Bureau of Advertising (TVB).
- Both segments increased revenues and operating profits and improved their operating profit margins in fiscal 2004.



- Diluted earnings per share increased 24% to $2.14 from prior year earnings of $1.73 before the cumulative effect of a change in accounting principle. The increase reflected the improved performance of both operating groups as well as lower interest expense.
- We generated $171 million in operating cash flows in fiscal 2004. Our priorities for the use of available cash include investments in the businesses, debt reduction, dividend payments, and share repurchases. In fiscal 2004, long-term debt was reduced by $75 million to $300 million. The quarterly dividend was increased 26 percent from 9.5 cents per share to 12 cents per share effective with the March 2004 payment. In addition, we spent $37.4 million to repurchase shares of our common stock and $24.5 million on capital investments.
- We acquired a low-power television station serving Springfield-Holyoke, MA and signed a long-term affiliation agreement with CBS for the station. The station is operated by WFSB-TV, our CBS affiliate serving Hartford, CT. We also acquired an AM radio station serving the mid-Michigan market, including Saginaw and Bay City. The station's programming has been changed to a local news radio format utilizing the on-air talent and other news resources of WNEM-TV, our CBS affiliate serving the same market. We also announced plans to purchase WFLI-TV, the WB television affiliate serving Chattanooga, TN. This transaction closed in August 2004. While our initial investments in these acquisitions are not material, they demonstrate our ability to seek new, cost-effective ways to expand and grow revenues and operating profit.

RESULTS OF OPERATIONS

| Years ended June 30 | 2004 | Change | Restated 2003 | Change | 2002 |
|---|---|---|---|---|---|
| (In millions except per share) | | | | | |
| Total revenues | $ 1,161.7 | 8 % | $ 1,080.1 | 9 % | $ 987.8 |
| Costs and expenses | 923.3 | 6 % | 871.4 | 7 % | 816.4 |
| Depreciation and amortization | 35.3 | (3)% | 36.3 | (32)% | 53.6 |
| Total operating costs and expenses | 958.6 | 6 % | 907.7 | 4 % | 870.0 |
| Income from operations | 203.1 | 18 % | 172.4 | 46 % | 117.8 |
| Nonoperating (expense) income | - | 100 % | (1.6 ) | NM | 63.8 |
| Earnings before cumulative effect of change in accounting principle | 110.7 | 26 % | 88.1 | (4)% | 91.4 |
| Net earnings | 110.7 | NM | 2.3 | (97)% | 91.4 |

| | | | | | |
|---|---|---|---|---|---|
| Diluted earnings per share before cumulative effect of change in accounting principle | 2.14 | 24 % | 1.73 | (3)% | 1.79 |
| Diluted earnings per share | 2.14 | NM | 0.05 | (97)% | 1.79 |

NM-Not meaningful

OVERVIEW

Following are descriptions of significant acquisitions and dispositions as well as accounting changes that have affected the comparability of Meredith's results of operations over the last three fiscal years. Also included is a discussion of our rationale for the use of financial measures that are not in accordance with generally accepted accounting principles, or non-GAAP financial measures, and a discussion of the trends and uncertainties that affect our businesses. Following the Overview is an analysis of the results of operations for the publishing and broadcasting segments and an analysis of the consolidated results of operations for the last three fiscal years.



Acquisitions, Exchanges and Dispositions

In December 2002, Meredith purchased *American Baby* magazine and related assets (American Baby Group) from Primedia Inc. for $117.9 million. In June 2002, Meredith exchanged its Orlando and Ocala, FL television stations for KPTV in Portland, OR. The transaction created a Meredith duopoly in Portland where we already owned KPDX-TV. A duopoly (defined as the ownership of two stations in a single market) provides opportunities to combine operations and lower overall costs. The operations of the acquired properties have been included in our consolidated operating results since their respective acquisition dates. See Note 5 to the consolidated financial statements for further information.

Accounting Changes

At the beginning of fiscal 2003, Meredith adopted SFAS No. 142*, Goodwill and Other Intangible Assets*. SFAS No. 142 requires that goodwill and intangible assets with indefinite lives no longer be amortized to earnings but be reviewed at least annually for impairment. It also required an initial review for impairment as of the beginning of the fiscal year of adoption. Our initial review resulted in transitional impairment losses of $139.9 million ($85.7 million after tax), or $1.68 per diluted share. The charge was recorded net of tax as the cumulative effect of a change in accounting principle in the first quarter of fiscal 2003. No further impairments have been noted as a result of the subsequent annual reviews performed as of May 31, 2003 and 2004. Note 3 to the consolidated financial statements provides further information about the adoption of SFAS No. 142.

Upon the adoption of SFAS No. 142, we, like most broadcasters, determined that our broadcasting network affiliation agreement intangible assets had indefinite lives and ceased recording amortization expense on these assets. Subsequent to this determination, we had discussions with the staff of the Securities and Exchange Commission as to whether network affiliation agreements are definite lived assets and should be amortized over the period of time the agreements are expected to remain in place, assuming renewals without material modifications to the original terms and conditions. Based on these discussions, we reevaluated our accounting treatment and modified our accounting policy. We will amortize these assets effective with the adoption of SFAS No. 142 generally using lives of 25 to 40 years from their original acquisition dates. This change in accounting policy has resulted in the restatement of results for fiscal 2003 (and each of the quarters of fiscal 2003) and the first three quarters of fiscal 2004 in this annual report on Form 10-K. If future renewals result in modifications to the original terms and conditions of these agreements, the lives will be reassessed.

The elimination of amortization expense related to indefinite-lived intangible assets and goodwill as a result of SFAS No. 142 materially affected the comparisons of fiscal 2004 and 2003 results with the reported results for fiscal 2002. SFAS No. 142 does not permit the restatement of prior years' results. Because this reduction in amortization expense resulted from a change in accounting principle and did not reflect a change in the underlying performance of the business, we believe it is useful to present adjusted financial information as if the amortization provisions of SFAS No. 142 had been effective in all periods presented. The adjusted data do not reflect the after-tax impairment loss of $85.7 million that was recognized by the Company upon the adoption of SFAS No. 142 and do not take into account impairment charges that may have been recorded had the Company adopted this statement at an earlier date. If the statement had been adopted at the beginning of fiscal 2002 earnings and earnings per share would have been as follows:



| Years ended June 30 | 2004 | Change | Restated 2003 | Change | 2002 |
|---|---|---|---|---|---|
| (In millions except per share) | | | | | |
| Earnings before cumulative effect of change in accounting principle | | | | | |
| As reported | $ 110.7 | 26 % | $ 88.1 | (4)% | $ 91.4 |

SFAS No. 142 amortization (net of tax)

| | | | |
|---|---|---|---|
| | | | - |
| | | | - |
| | | | 12.0 |
| As adjusted | $ 110.7 | 26 % | $ 88.1 |
| | (15)% | | $ 103.4 |
| Diluted earnings per share before cumulative | | | |
| **effect of change in accounting principle** | | | |
| As reported | $ 2.14 | 24 % | $ 1.73 |
| | (3)% | | |

$

1.79

SFAS No. 142 amortization (net of tax)

-

-

.24

As adjusted

$

2.14

24 %

$

1.73

(15)%

$

2.03

Use of Non-GAAP financial measures

The adjusted earnings and earnings per share figures shown above are non-GAAP financial measures.

In the following discussions, results excluding the effect of this accounting change are disclosed as adjusted segment operating costs, adjusted segment operating profit, adjusted consolidated operating costs and expenses, and adjusted income from operations. These, too, are non-GAAP measures.

The following analysis of broadcasting segment results includes references to earnings before interest, taxes, depreciation, and amortization (EBITDA). EBITDA and EBITDA margin are non-GAAP measures. We use EBITDA along with operating profit and other GAAP measures to evaluate the financial performance of our broadcasting segment. EBITDA is a common alternative measure of performance in the broadcasting industry and is used by investors and financial analysts, but its calculation may vary among companies. Broadcasting segment EBITDA is not used as a measure of liquidity, nor is it necessarily indicative of funds available for our discretionary use.

We believe the non-GAAP measures used in the MD&A contribute to an understanding of our financial performance. These measures should not, however, be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. We use and present non-GAAP financial measures along with GAAP results to evaluate and communicate the performance of the Company and its segments. We believe the non-GAAP financial measures provide an additional analytic tool to understand our results from core operations and to reveal underlying trends.

Trends and Uncertainties

Advertising volume is the Company's key uncertainty, and its fluctuation can have a material effect on operating results. Advertising revenues accounted for approximately 60 percent of total revenues in fiscal 2004. Other significant uncertainties that can affect operating results include fluctuations in the cost of paper, postage rates and, over time, television programming rights. The Company's cash flow from operating activities, its primary source of liquidity, is adversely affected when the advertising market is weak or when costs rise. One of our priorities is to manage our businesses prudently during expanding and contracting economic cycles to maximize shareholder return over time. To manage the uncertainties inherent in our businesses, we prepare monthly forecasts of anticipated results of operations and monitor the economic indicators mentioned in the Executive Overview. See the Outlook and Risk Factors section of the MD&A for further discussion.

PUBLISHING

The following discussion reviews operating results for our publishing segment, which includes magazine and book publishing, integrated marketing, interactive media, brand licensing, and other related operations. The publishing segment contributed 75 percent of Meredith's revenues and 69 percent of the income from publishing and broadcasting operations in fiscal 2004.



The publishing segment achieved record revenues and operating profit in fiscal 2004. Revenues grew 8 percent and operating profit increased 16 percent as a result of a full year's ownership of the American Baby Group, higher advertising revenues, improved circulation contribution, and higher revenues and improved operating results from integrated marketing and interactive media operations. Publishing operating results for the last three fiscal years were as follows:

| Years ended June 30 | 2004 | Change | 2003 | Change | 2002 |
|---|---|---|---|---|---|
| (In millions) | | | | | |
| Revenues | $ 873.1 | 8 % | $ 808.0 | 10 % | $ 733.2 |
| Operating costs | 712.0 | 6 % | 668.7 | 9 % | 616.2 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Operating profit | $ | 161.1 | 16 % | $ | 139.3 | 19 % | $ | 117.0 |

In the following discussion, references to comparable results in both fiscal 2004 and fiscal 2003 exclude the impact of the American Baby Group acquisition that occurred in December 2002.

Publishing Revenues

The 8 percent increase in publishing revenues in fiscal 2004 followed a 10 percent increase in fiscal 2003. The table below presents the components of revenues for the last three fiscal years.

| Years ended June 30 | | 2004 | Change | 2003 | Change | 2002 |
|---|---|---|---|---|---|---|
| (In millions) | | | | | | |
| Revenues | | | | | | |
| Advertising | $ | 422.1 | | | | |

10 %

$

383.1

18 %

$

325.5

Circulation

248.6

(4)%

259.1

(1)%

261.6

Other

202.4

22 %

165.8

14 %

146.1

Total revenues

$

873.1

8 %

$

808.0

10 %

$

733.2

Advertising Revenues

The next table presents advertising page information according to PIB for our major subscription-based magazines for the last three fiscal years:

| Years ended June 30 | 2004 | Change | 2003 | Change | 2002 |
|---|---|---|---|---|---|
| Better Homes and Gardens | 2,104 | 4 % | 2,025 | 9 % | 1,865 |
| Ladies' Home Journal | 1,447 | 1 % | 1,431 | 18 % | 1,210 |
| American Baby[1] | 688 | 94 % | 354 | - | - |
| Country Home | 973 | 6 % | 922 | 17 % | 790 |

| | | | | | |
|---|---|---|---|---|---|
| Traditional Home | 962 | 22 % | 790 | 10 % | 716 |
| Midwest Living | 949 | 12 % | 846 | 23 % | 690 |
| MORE | 800 | 17 % | 685 | 22 % | 561 |

1. Acquired December 2002

Publishing advertising revenues increased 10 percent in fiscal 2004. Comparable (excluding American Baby Group) advertising revenues increased in the mid-single digits on a percentage basis. Comparable advertising revenue growth was stronger in the first half of the fiscal year than in the second half. Second half comparisons reflected both stronger comparative revenues in the prior year and some slowing in the advertising demand in the current calendar year. Online advertising revenues increased more than 40 percent in fiscal 2004 due to full-year ownership of American Baby Group and increased market demand.



Comparable advertising pages increased 6 percent in fiscal 2004 while average net revenues per page were down slightly. The decline in average net revenues per page reflected slowing advertising demand and our efforts to maintain or improve market share. According to PIB, we increased our share of overall magazine industry advertising revenues to 6.7 percent in the twelve months ended with the June issues compared with 6.3 percent in the prior year. Combined advertising pages for our two largest circulation titles, *Better Homes and Gardens* and *Ladies' Home Journal,* increased nearly 3 percent in fiscal 2004. *Ladies' Home Journal* faced difficult comparisons due to strong prior-year advertising page sales related to the release of a new editorial and design package in the third quarter. Advertising pages for our mid-size titles, *Country Home, Traditional Home, Midwest Living,* and *MORE*, increased 14 percent in fiscal 2004.

Advertising categories showing strength in fiscal 2004 included the home and building category as well as the food and beverage, retail and technology categories. Advertising was weaker in the pharmaceutical and direct response categories, especially at *Ladies' Home Journal*.

In fiscal 2003, publishing advertising revenues increased 18 percent. On a comparable basis, advertising revenues increased 11 percent as the advertising market slowly improved from the recession that followed September 11, 2001. Total comparable advertising pages increased 14 percent, and all of our major magazines reported higher revenues. During the recession, we acted to build market share through three measures: initiatives designed to capture a greater share of advertisers' budgets, specific market share incentives for sellers, and a trade industry promotional program. These measures contributed to our recovery in fiscal 2003 and allowed our growth to outpace the industry's.

Circulation Revenues

Fiscal 2004 magazine circulation revenues declined 4 percent from fiscal 2003. (The American Baby Group acquisition had no material effect on circulation revenues.) The decline in circulation revenues reflected lower newsstand sales due to continued industrywide weakness at the newsstand and fewer Special Interest Publications on sale in fiscal 2004. We reduced the number of Special Interest Publications in response to declining newsstand sales. Lower average subscription revenues per copy for several titles, due to an increase in the term of direct mail offers, also contributed to the decline. Our strategy to increase the term of direct mail offers lowers costs by reducing the need to find replacement subscribers.

In fiscal 2003, magazine circulation revenues declined 1 percent. The decline reflected lower average subscription revenues per copy for several titles due to an increase in the term of direct mail offers. The decline in subscription revenues was partially offset by higher newsstand revenues. The increase occurred in spite of industrywide weakness in the second half of the fiscal year. The industry downturn coincided with the start of the U.S.-Iraq conflict.

Other Revenues

Other publishing revenues increased 22 percent in fiscal 2004 (20 percent on a comparable basis), primarily reflecting strong new business growth in integrated marketing, our custom publishing operation. One of our larger new contracts is for publication of the monthly programming guide for DIRECTV® satellite television. Book sales also were up because of strong sales of books based on The Learning Channel® cable network's Trading Spaces® and the Discovery Channel® cable network's Monster Garage® television series and home improvement titles for The Home Depot®. The creation of license-branded books was a significant factor in the growth of our book business although we have experienced higher return rates of the licensed product compared to our internally-developed brands. Released in fiscal 2003, the 12th edition of the *Better Homes and Gardens New Cook Book* continued its strong performance in the fiscal year just ended.

In fiscal 2003, other publishing revenues increased 14 percent (7 percent on a comparable basis). The growth in comparable revenues was primarily the result of an increase in the volume of book sales. Book revenues increased 27 percent, led by the fall 2002 release of the 12th edition of the *Better Homes and Gardens New Cook Book* and the spring 2003 release of a book based on The Learning Channel® cable network's popular Trading Spaces® decorating show. Integrated marketing's fiscal 2003 new business was insufficient to offset programs reduced or eliminated by existing clients. Integrated marketing new business sales improved significantly in fiscal 2003, but, due to long lead times, revenues from most new programs did not commence until fiscal 2004.



Publishing Operating Costs

The following table details the impact of SFAS No. 142 on publishing operating costs:

| Years ended June 30 | 2004 | Change | 2003 | Change | 2002 |
|---|---|---|---|---|---|
| (In millions) | | | | | |
| Operating costs | $ 712.0 | 6 % | $ 668.7 | 9 % | $ 616.2 |
| SFAS No. 142 amortization | | | | | - |

| | | | |
|---|---|---|---|
| | | | - |
| | | | (2.3) |
| As adjusted | $ 712.0 | | |
| | 6 % | | |
| | $ 668.7 | | |
| | 9 % | | |
| | | | $ 613.9 |

Fiscal 2004 publishing costs increased 6 percent from fiscal 2003. Comparable (excluding American Baby Group) costs were up 5 percent. The higher comparable costs reflected volume-related increases in integrated marketing production and book costs as well as a 2 percent increase in average paper prices. In total, costs for production and delivery of publications and promotional mailings rose 7 percent. Higher employee compensation costs were another contributing factor. Comparable employee compensation costs increased in the mid-single digits on a percentage basis, reflecting higher staff levels primarily to support the growth in integrated marketing business and higher salary levels due to annual merit increases. Partially offsetting these increases were lower magazine subscription acquisition costs resulting from a shift to more profitable direct-to-publisher sources.

In fiscal 2003, publishing costs increased 9 percent after adjusting for the impact of SFAS No. 142. Comparable costs increased 4 percent in fiscal 2003 reflecting higher sales volume in advertising pages and books, higher postal rates, and higher employee compensation costs. The increases were partially offset by lower integrated marketing production costs resulting from lower sales volume, lower paper prices, and lower magazine subscription acquisition costs.

Publishing Operating Profit

The following table details the impact of SFAS No. 142 on publishing operating profit:

| Years ended June 30 | 2004 | Change | 2003 | Change | 2002 |
|---|---|---|---|---|---|

| (In millions) | | | | | |
|---|---|---|---|---|---|
| Operating profit | $ 161.1 | 16 % | $ 139.3 | 19 % | $ 117.0 |
| SFAS No. 142 amortization | - | | - | | 2.3 |
| As adjusted | $ 161.1 | 16 % | $ 139.3 | 17 % | $ 119.3 |

Publishing operating profit increased 16 percent in fiscal 2004. The primary factors were higher advertising revenues, increased integrated marketing sales and operating profits, lower subscription acquisition costs, and a full year's ownership of the American Baby Group. These improvements were partially offset by increased employee compensation costs and higher paper prices.

In fiscal 2003, publishing operating profit increased 17 percent after adjustment for the impact of SFAS No. 142. Major contributors were higher advertising revenues, increased book sales and operating profits, and lower paper prices. These positives were partially offset by higher postal rates and increased employee compensation costs.

BROADCASTING

The following discussion reviews operating results for the Company's broadcasting segment, which consists of 12 network-affiliated television stations, one radio station, and the related interactive media operations. The broadcasting segment contributed 25 percent of Meredith's revenues and 31 percent of the income from publishing and broadcasting operations in fiscal 2004.



Revenues grew 6 percent in fiscal 2004, leading to a 20 percent increase in operating profit. The revenue growth was achieved despite significantly lower political advertising due to the biennial nature of elections. Operating costs increased just 2 percent. Lower programming rights amortization expense nearly offset higher costs for sales and promotion efforts. Broadcasting operating results for the last three fiscal years were as follows:

| Years ended June 30 | 2004 | Change | Restated 2003 | Change | 2002 |
|---|---|---|---|---|---|
| (In millions) | | | | | |
| Revenues | $ 288.6 | 6 % | $ 272.1 | 7 % | $ 254.6 |
| Operating costs | 217.6 | 2 % | 213.1 | | |

(9)%

234.4

Operating profit

$

71.0

20 %

$

59.0

192 %

$

20.2

Broadcasting Revenues

Broadcasting revenues increased 6 percent in fiscal 2004 and 7 percent in fiscal 2003. The table below presents the components of revenues for the last three fiscal years.

| Years ended June 30 | 2004 | Change | 2003 | Change | 2002 |
|---|---|---|---|---|---|
| (In millions) | | | | | |
| Revenues | | | | | |
| Non-political advertising | $ 275.8 | 13 % | $ 244.6 | | |

-

| | | | |
|---|---|---|---|
| | | | $ 245.6 |
| Political advertising | | | 6.1 |
| | (71)% | | 20.9 |
| | | NM | 1.6 |
| Other | | | 6.7 |
| | 2 % | | 6.6 |
| | | (11)% | 7.4 |
| Total revenues | | | |

$ 288.6

6 %

$ 272.1

7 %

$ 254.6

NM-Not meaningful

Broadcasting revenues increased 6 percent in fiscal 2004, reflecting higher non-political advertising revenues. Political advertising declined 71 percent, or nearly $15 million. Non-political advertising revenues increased 13 percent in fiscal 2004. Most of our stations have improved their ratings, including ratings for local newscasts, over the last two years. Local newscasts typically account for 30 to 40 percent of a television station's advertising revenues. Our stations' sales staffs have worked aggressively to translate the improved ratings to higher revenues, and we believe their efforts were a significant factor in the revenue growth. All of our stations have recorded strong growth in advertising revenues from unique direct-to-consumer advertising and marketing programs, some of which use content from our well-known magazine titles.

In fiscal 2003, broadcasting revenues increased 7 percent due to strong political advertising revenues. Political advertising associated with the November 2002 election campaigns totaled $20.9 million compared with only $1.6 million in political advertising in fiscal 2002. Political advertising displaces a certain amount of non-political advertising, so political advertising revenues are not entirely incremental.

Another factor affecting the comparison of fiscal 2003 and fiscal 2002 revenues was the June 2002 exchange of our Orlando and Ocala, FL television stations for KPTV in Portland, OR. The exchange negatively affected revenues in fiscal 2003, but it did not have a material effect on operating profits because of cost savings associated with the duopoly in Portland. On a same-station basis, fiscal 2003 revenues increased 15 percent. Same-station comparisons include revenues of KPTV-Portland and exclude revenues of the two Florida stations in all periods. The strong same-station growth reflected cyclical political advertising revenues, an improving advertising market, and execution of strategies to improve performance-implementing management changes, revamping newscasts, and modifying sales practices. The television advertising market was weak in fiscal 2002, especially following September 11, 2001. Improvement began late in fiscal 2002 and continued into fiscal 2003.



Broadcasting Operating Costs

The following table details the impact of SFAS No. 142 on broadcasting operating costs:

| Years ended June 30 | 2004 | Change | Restated 2003 | Ch |
|---|---|---|---|---|