

To Our Shareholders



William T. Kerr
Chairman and Chief
Executive Officer



Stephen M. Lacy
President and Chief
Operating Officer

Fiscal 2005 was an outstanding year for Meredith. We produced the best earnings in our 103-year history and, on July 1, 2005, we completed our most significant Publishing transaction—the acquisition of *Parents*, *Family Circle*, *Fitness*, *Child*, and *Ser Padres* magazines. We expanded our consumer reach, extended our marketing services capabilities and increased audience share at our television stations.

We delivered record revenues, net income, earnings per share and earnings before interest, taxes, depreciation and amortization (EBITDA). Revenues rose 5 percent to \$1.2 billion. Earnings increased 23 percent to \$128.1 million and diluted earnings per share grew 25 percent to \$2.50 before the \$0.02 cumulative benefit of a change in accounting related to option expensing. EBITDA grew 16 percent to \$263.4 million. Net profit margin improved from 8.9 percent to 10.5 percent and return on equity increased from 17 percent to 19.7 percent.

Both of our operating units continued to improve their margins in fiscal 2005. Publishing's operating profit margin rose from 18.1 percent to 19.2 percent. Broadcasting's EBITDA margin increased from 31.8 percent to 35.2 percent.

We continued to return capital to shareholders this year

through dividends and share repurchases. In January, the Board of Directors increased the quarterly dividend 17 percent, which was on top of a 26 percent increase in the prior year. Fiscal 2005 was the 12th consecutive year in which the dividend was raised. We repurchased 1.96 million shares compared with approximately 750,000 in fiscal 2004.

For more detailed analysis of our financial performance, we encourage you to read the Form 10-K, which is included in this report.

While Meredith has produced outstanding earnings growth in recent years—increasing earnings per share at a 25 percent compound annual growth rate from fiscal 2003 to fiscal 2005—we assure you that your company is not resting on its laurels. We are pleased to report five fiscal 2005 accomplishments that enhance our ability to sustain strong earnings growth in fiscal 2006 and beyond:

- We broadened our magazine portfolio with the acquisition of *Parents*, *Family Circle*, *Fitness*, *Child*, and *Ser Padres*.
- We furthered our strategy to serve the rapidly growing Hispanic market.

Reaching Women at Major Life Stages



Median Age 30 years

40 years

50 years



- We extended our marketing services offerings to capture more corporate marketing dollars.
- We expanded significantly into the children's book market.
- We continued to increase the audience share for our newscasts at our existing television stations. We acquired the WB affiliate in Chattanooga and entered into a joint sales agreement with the WB affiliate in Kansas City.

Broadening the Magazine Portfolio

The acquisition of *Parents*, *Family Circle*, *Fitness*, *Child*, and *Ser Padres* broadens our magazine portfolio, particularly as it relates to younger women. It increases our reach and scale, adds to our Hispanic operations and extends our retail presence.

Our titles now have a combined circulation approaching 30 million, making us the second-largest magazine publisher in the United States in terms of circulation. Meredith is the leading women's magazine publisher, speaking to more than 75 million unduplicated women readers. We are in a position to offer advertisers the ability to reach women at major life stages, from expecting and new

mothers to women whose children are establishing lives of their own. Our expanded portfolio provides unparalleled understanding of the power and influence of women in today's marketplace. This knowledge will be critical for us as we execute new programs for our marketing partners.

The new titles strengthen our core advertising categories and bolster our targeted growth categories—cosmetics, media and entertainment, automotive, business and apparel. We now have 11 titles with a rate base of approximately one million or more. As we've stated previously, a rate base of this magnitude is critical in attracting non-endemic advertisers to our magazines.

The newly acquired magazines have significant profit improvement potential. We have a well laid-out execution plan and are confident that we will increase the profit of these titles over time. We will leverage our editorial, circulation, sales and database expertise to grow these businesses.

In particular, we will employ our long-term direct-to-publisher circulation model that emphasizes our editorial content and commitment to service journalism. Over time, this model has proven to be effective in generating highly profitable circulation. We expect our strategy will have a positive impact on our new titles as well.

Furthering Our Strategy to Serve the Hispanic Market

Parents' Spanish-language title, *Ser Padres*, is an established publication with a distribution of 500,000. Combined with *American Baby's* Hispanic titles (*Healthy Kids en Espanol*, *12meses* and *Espera*), our custom publications and *Siempre Mujer*—our new Spanish-language women's lifestyle magazine—Meredith is now the leading magazine company serving Hispanic women and advertisers targeting this rapidly growing market in the United States.

We believe the Hispanic market represents a significant growth opportunity. According to the Selig Center for Economic Growth, the Hispanic market currently represents \$700 billion in spending power and is expected to grow to nearly \$1 trillion in 2009. From our research, we know our core editorial expertise—home and family—is highly important to Hispanic women. We believe our efforts to establish an early and trusted presence with these consumers will be rewarded in future years.

Extending Marketing Services

In today's world of media fragmentation, consumers control when, how and through what medium they receive advertising and promotion. In response to these demands, we have developed products and services that reach target audiences more effectively. Our custom publishing, database marketing and management, interactive media, integrated marketing, and cross-platform programs—along with traditional national and local advertising—are an incredibly powerful combination. Our model distinguishes us from competitors and diversifies our revenue streams beyond traditional advertising. Revenues from sources other than magazine advertising and circulation were

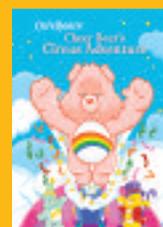
26 percent of total Publishing revenues in fiscal 2005, up from 20 percent in fiscal 2002.

In fiscal 2005, Meredith Integrated Marketing extended its service offerings, enhancing our ability to capture more corporate marketing dollars. Traditionally, integrated marketing primarily provided delivery of custom publishing programs designed to increase brand loyalty. In fiscal 2005, we continued to expand our offerings to include strategic customer relationship management services that include the Internet, direct mail and e-mail, along with loyalty magazines. We further leveraged our database expertise and our 80-million name database to provide data management and program evaluation services. Our comprehensive custom marketing programs for Hyundai, Nestlé and Carnival Cruise Lines are excellent examples of our ability to provide broader services.

Expanding to Children's Books

Meredith Books expanded significantly into the children's market. We published more than 60 children's books in fiscal 2005 compared with less than 10 in the prior year. Through relationships with DC Comics, Marvel Entertainment, Warner Brothers and DreamWorks, we have established a strong reputation. We look forward to building on this success and capturing more of the \$2 billion retail children's book market.

Children's Books





Increasing Broadcasting's Reach

Meredith Broadcasting continued to increase the audience share for its existing television stations' newscasts. We acquired the WB affiliate in Chattanooga and entered into a joint sales agreement with the WB affiliate in Kansas City, which complements our CBS station in that market.

Improving our news ratings and audience share is vital to the continued growth of Meredith Broadcasting. In particular, we have improved the share for our late news considerably in recent years.

For local television, the fastest growing day-part is morning news. We posted strong audience share for most of our morning newscasts in the May 2005 book. In Portland and Hartford, Meredith's stations captured approximately one-third of the television audience. In Nashville, Kansas City and Saginaw, the Company's stations garnered approximately one-fourth of the viewers.

Increasing news ratings and share is important, but only if the improvement can be monetized. We have done an outstanding job of growing spot advertising, outpacing the industry in 16 of the last 18 quarters, according to the Television Bureau of Advertising. We know we can do better. We need to ensure that our revenue share is equal to or greater than our audience share. New Broadcasting President Paul Karpowicz has made increasing revenue share a top priority since joining Meredith in mid-February. He has instituted quarterly revenue entitlement meetings with each station's sales management to ensure accountability for sales results. We are confident this new process will be very effective for us.

Growing Audience Share

Late News

Market	May 2002	May 2005	Change
Atlanta-CBS	6	7	1
Phoenix-CBS	6	9	3
Portland-FOX	8	15	7
Hartford-CBS	15	16	1
Nashville-NBC	21	18	(3)
Kansas City-CBS	13	17	4
Greenville-FOX	7	11	4
Las Vegas-FOX	7	10	3

Nielsen—Adults 25-54
Meredith's eight largest markets



We are very proud of the record earnings in fiscal 2005 and we can assure you that our focus is to sustain our strong earnings growth. We recognize fiscal 2006 presents challenges, but we have well-defined growth strategies and a proven track record of execution. We look forward to building on our strong momentum in fiscal 2006. On behalf of Meredith's 3,000 employees, we thank you for your ongoing trust and support.

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