To Our Shareholders

In the history of every company, there are times that present very substantial challenges. Successful companies plan for these occasions. They count on strong brands, a rock-solid financial foundation and a superior workforce to weather the storm. That's been our business philosophy at Meredith Corporation for the past 100 years, and in fiscal 2002 – our centennial year – it served us well.

Make no mistake: Fiscal 2002 was a challenging year for the entire media industry and for Meredith. A deep advertising recession, compounded by the effects of the September 11th tragedies, created the worst economic environment for the media industry in 60 years. Excluding special items, our earnings per share were $1.11, compared with $1.55 for fiscal 2001. Earnings before interest, taxes, depreciation and amortization were $175.2 million before special items, compared with $213.4 million reported a year ago. Return on equity was 11.2 percent.

These results are not typical for our Company. But we take solace in the fact that we outperformed both industries in which we compete. In our publishing business, magazine advertising pages in our Publishers Information Bureau-measured titles rose nearly 5 percent in fiscal 2002, compared to a decline of nearly 12 percent for the publishing industry as a whole. On the broadcasting front, Meredith's

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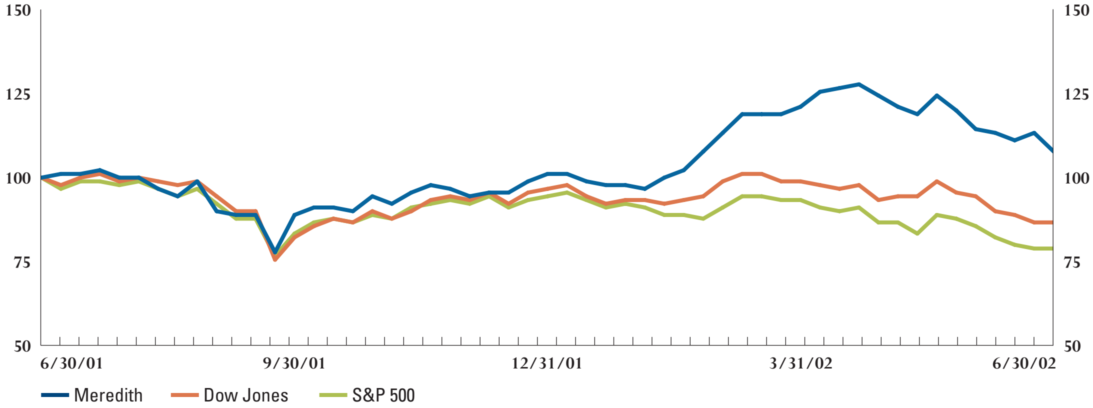
advertising revenue declined 6 percent, compared to nearly 8 percent for the industry.

During this difficult economic climate, we made strategic investments and took actions to strengthen our market position in both publishing and broadcasting. At the same time, we reduced costs company-wide and improved the efficiency of our operations. The price trend for Meredith stock indicated shared confidence

Relative Price Performance of Meredith Corporation versus Market Indices

(June 30, 2001 through June 30, 2002)



in our efforts. Our shares outperformed many of our peers and the major indices.

We were encouraged by our results in the second half of the fiscal year and enter fiscal 2003 with guarded optimism. Our outlook springs not only from our recent performance, but also from the belief that our strategies will serve us well over time.

In publishing, the importance of established, market-leading brands was evident. Our flagship publication, *Better Homes and Gardens*, not only held its ground, it grew market share during the year. Many of the products it has spawned over the years improved their competitive position as well.

According to Mediamark Research Inc. (MRI), the consumer readership of *Better Homes and Gardens* rose to 39 million in the spring of 2002. That's a 4 percent increase from the fall of 2001 and represents the largest readership in the 80-year history of the title. Even more impressive, *Better Homes and Gardens* is now drawing an audience 50 percent larger than its closest competitor in the women's service field.

The MRI study also reported impressive audience gains for our mid-sized titles. The audience for *Country Home* rose more than 14 percent from the fall of 2001, and the audience for *Traditional Home* was up 6 percent. Both are *Better Homes and Gardens* spin-offs that have clearly established their own market identities. We continued to build our *Better Homes and Gardens Special Interest Publications* and the *Better Homes and Gardens* Creative Collection. Together, they represent the second-largest profit center in the Publishing Group. (Read more about publishing beginning on page 6.)

In our Broadcasting Group, we made significant progress at improving performance and rebuilding margins. Revitalizing leadership, increasing advertising revenues and improving news programming were priorities in fiscal 2002.

We hired Kevin O'Brien – a 33-year television industry veteran with a strong track record – to lead the group. Immediately, Kevin began to change the culture at our stations, insisting on a stronger focus on sales and customer service. He rebuilt much of our management team, replacing five general managers, six news directors and six general sales managers.

We established a duopoly in the Portland, OR, market by exchanging our stations in Orlando and Ocala, FL, for KPTV in Portland. By creating a duopoly of KPTV and KPDX, we will achieve operational efficiencies, while providing advertisers with stronger outlets and offering viewers enhanced programming.

To improve broadcasting advertising revenues, we continued our emphasis on attracting clients new to television advertising. We laid the foundation for continuous improvement in news programming, initiated strategies to improve the quality of our syndicated programming and upgraded our process for purchasing programs. (Read more about broadcasting beginning on page 10.)

Financial stability – achieved through a history of prudent financial management, cost containment and intelligent investment – has long been a hallmark of the Meredith approach

At Meredith, we have always placed a high priority on good corporate governance. We support the recent calls for improvements in this area, including the New York Stock Exchange's recommended changes in listed-company standards and the Sarbanes-Oxley Act of 2002. Our corporate governance practices are already consistent with the NYSE's recommendations and the federal legislation in many respects:

- The majority of our board members are independent directors, and the key committees consist entirely of independent directors.
- Our Board meets with our independent auditors, and in executive session, without any company employees present.
- Our stock option programs have always been subject to shareholder approval, and we use executive options appropriately and in moderation.

Jack Rehm will retire from our Board of Directors as of November 2002, after 40 years with Meredith. Jack was chief executive officer from 1989 through 1997, and served as chairman of the Board of Directors from 1992 to 1997. Jack guided Meredith through a period of tremendous success. His wisdom, energy and insight have been invaluable to our company. We wish Jack all the best as he begins a new chapter in his life.

to business. In fiscal 2002, we reduced our debt by $85 million to $385 million and maintained a low debt-to-EBITDA ratio.

We reduced costs by 2 percent in fiscal 2002 without detracting from the strength of our brands. We achieved the reductions despite higher postal rates for our Publishing Group, higher syndicated programming costs for our Broadcasting Group and a sharp rise in employee benefit costs.

We continue to believe that repurchasing shares of Meredith stock is a sound investment, reflecting our confidence in the company's fundamentals and our growth strategies. In fiscal 2002 we invested more than $30 million to repurchase nearly 900,000 shares.

In fiscal 2002, we filled a key Board position when we welcomed David J. Londoner, a former media investment analyst, who replaced Christina A. Gold. We are already benefiting from his knowledge of the media industry, his insight into the investment community and his business acumen.

Jack D. Rehm, former chairman and chief executive officer, announced he will retire from our Board of Directors as of November 2002. (Please read the sidebar above about Jack's outstanding contribution to Meredith.) Charles D. Peebler, Jr., a veteran of the advertising and marketing business, has been nominated to replace Jack on the Board.

As we enter the new fiscal year, we are pursuing three key strategies:

Expanding our powerful publishing base – We will increase advertising revenues by strengthening our large magazines, *Better Homes and Gardens* and *Ladies' Home Journal*, while tapping the potential of our mid-sized titles: *Country Home*, *Traditional Home*, *MORE* and *Midwest Living*. We continually seek promising opportunities to launch new magazines, and we are expanding our efforts to create multi-platform advertising and marketing programs through Meredith Corporate Solutions.

To build publishing revenues from nonadvertising sources, we are intensifying our circulation efforts, strengthening our franchise of *Better Homes and Gardens Special Interest Publications*, and leveraging our home and family expertise to increase book sales. We are working to strengthen our existing integrated marketing relationships and add new clients. Additionally, we plan to expand licensing opportunities for our strong brands.

Improving our broadcasting performance – Challenges notwithstanding, our Broadcasting Group has enormous potential. By rebuilding our management team, implementing sound sales strategies, and improving news and syndicated programming, we are confident we can increase broadcasting revenues and rebuild margins.

Strengthening our excellent financial position – We intend to continue generating the cash we need to make investments in our business, reduce our debt and repurchase shares, while maintaining a low debt-to-EBITDA ratio.

After a century of excellence, we enter our next 100 years confident that our tradition of strong brands, service journalism and customer service will enable us to continue building value for our shareholders in the new fiscal year and for many years to come.

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