

TO OUR SHAREHOLDERS

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

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

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

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

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

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

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



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

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

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

Building shareholder value

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

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

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

Taking a long-term view of the company, we see

Meredith's future predicated on two broad concepts.

First, we will be the leading provider of home

and family content valued by consumers and

delivered through any medium. Second, we will be

a leading marketing company, uniquely positioned

to deliver the messages of our customers.

- With these brands, we create a wealth of content that can be delivered in many formats. Our history and strong market position in magazine and book publishing provide a solid foundation for our home and family content expertise. This content can be distributed through any medium – whether it's printed in our magazines and books, or applied to the Internet or television programming. The same is true in our broadcasting markets, where we are experts in local news, weather, sports and other community information.
- Through our publishing and broadcasting operations, we reach more than 75 million consumers each month. This provides invaluable opportunities to promote our own products, in addition to those of our marketing customers. While many Internet start-ups are spending millions of dollars each year to market their new brands, products and Web sites, we already have many promotional vehicles in place.

- Our consumer database contains more than 60 million names, with information on seven out of ten U.S. home-owning households. Beyond its sheer size, our database represents a deep knowledge of a very demographically attractive market. The people included are more than just consumers – they have families, they own homes, they immerse themselves in a variety of interests and activities, and they have tremendous disposable income and buying power. Our sophisticated application of this information makes the database a valuable marketing tool.
- Our Internet presence includes 26 sites with a growing number of unique applications to generate user traffic and registrations – critical for revenue growth and circulation efficiencies. The Internet is founded on connectivity, integration and personalization. These traits complement our existing businesses and result in exciting new opportunities. Our presence and progress in this medium provide a catalyst for future growth.

MANAGEMENT AND BOARD DEVELOPMENTS

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

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

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

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

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

A vision to guide us

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

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

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

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

Second, we will be a leading marketing company, uniquely positioned to deliver the messages of our advertising and marketing customers. Through traditional advertising that

reaches millions of consumers at a time, through custom one-to-one programs, and through integrated programs that involve several media distribution platforms, we will continue to deliver results that help our clients build their brands and sell their products and services.

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

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

Sincerely,



William T. Kerr

Chairman of the Board and
Chief Executive Officer



E.T. Meredith III

Chairman of the Executive Committee
of the Board of Directors

August 30, 2000