

Edgar Filing: PENTON MEDIA INC - Form 10-K

PENTON MEDIA INC
Form 10-K
March 29, 2001

1

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549-1004

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NUMBER 1-14337

PENTON MEDIA, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE

36-2875386

(STATE OF INCORPORATION)

(I.R.S. EMPLOYER IDENTIFICATION NO.)

1300 EAST NINTH STREET, CLEVELAND, OHIO 44114

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

216-696-7000

(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS

NAME OF EACH EXCHANGE ON WHICH REGISTERED

COMMON STOCK, \$.01 PAR VALUE

NEW YORK STOCK EXCHANGE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

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 []

Edgar Filing: PENTON MEDIA INC - Form 10-K

Aggregate market value of common stock held by non-affiliates as of March 23, 2001 at a closing price of \$13.70 per share as reported by the New York Stock Exchange was approximately \$318,173,280. Shares of common stock held by each officer and director, their respective spouses, and by each person who owns or may be deemed to own 10% or more of the outstanding common stock have been excluded because such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

31,908,480 COMMON SHARES OUTSTANDING AS OF MARCH 23, 2001

2

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the annual meeting of shareholders to be held on May 4, 2001 are incorporated by reference into Part III of this report.

PENTON MEDIA, INC.

INDEX TO
ANNUAL REPORT ON FORM 10-K

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

PART I

- Item 1. Business
- Item 2. Properties
- Item 3. Legal Proceedings
- Item 4. Submission of Matters to a Vote of Security Holders

PART II

- Item 5. Market for the Registrant's Common Equity and Related Shareholder Matters
- Item 6. Selected Financial Data
- Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
- Item 7A. Quantitative and Qualitative Disclosures About Market Risk
- Item 8. Financial Statements and Supplemental Data
- Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

PART III

- Item 10. Directors and Executive Officers of the Registrant
- Item 11. Executive Compensation
- Item 12. Security Ownership of Certain Beneficial Owners and Management
- Item 13. Certain Relationships and Related Transactions

PART IV

- Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

2

3

Edgar Filing: PENTON MEDIA INC - Form 10-K

PART I

ITEM 1. BUSINESS.

OVERVIEW

We are a leading business-to-business media company. We provide media products that deliver proprietary business information to owners, operators, managers and professionals in the industries we serve. Through these products, we offer industry suppliers multiple ways to reach their customers and prospects. We publish 62 trade magazines, produce 185 trade shows and conferences and maintain 139 Web sites and other electronic media products serving the following twelve industries:

- Internet/Broadband
- Design/Engineering
- Electronics
- Manufacturing
- Natural Products
- Food/Retail
- Information Technology
- Supply Chain
- Aviation
- Government/Compliance
- Mechanical Systems/Construction
- Leisure/Hospitality

We believe we have leading media products in each of the industry sectors we serve. We are structured along industry rather than product lines. This enables us to promote our related group of products, including publications, trade shows and conferences and Web sites, to our more than 20,000 customers.

Since our founding in 1892, we have grown from an industrial trade magazine publishing company into a leading, integrated business-to-business media company serving a range of industrial, service and technology markets. We became an independent company, incorporated in the State of Delaware, as a result of our spinoff from Pittway Corporation in August 1998. Our independence has enabled us to focus on building our business through acquisitions and internal growth. We have acquired numerous companies since the spinoff. We also have launched several new media properties. These initiatives have helped us:

- Strengthen our presence in our existing markets;
- Provide us with strong market positions in new, growing markets;
- Expand our presence in higher-margin trade shows and conferences;
and
- Increase our international product offerings.

OUR GROWTH STRATEGY

We believe we have significant growth potential. We intend to increase our revenues, cash flows and market share by continuing to:

Strengthen Our Market Positions. We believe we can strengthen our market positions by:

- capitalizing on our industry expertise to create new products to serve the needs of our customers;
- completing strategic acquisitions of complementary business media products and services;

Edgar Filing: PENTON MEDIA INC - Form 10-K

- adding Internet-based products and services to meet the expanding information and marketing needs of our customers;
- repositioning or eliminating publications and trade shows and conferences that are not market leaders;
- cross-promoting media products within similar markets; and
- improving the operating efficiency of existing publications and trade shows and conferences.

Expand Our Trade Show and Conference Business. We believe that significant opportunities exist to capitalize on the editorial content and the nationally recognized brand names of our existing publications to produce new and expand existing trade shows and conferences. We intend to continue to acquire trade shows

3

4

and conferences in the industries we currently serve, such as our 2000 acquisition of the Streaming Media trade shows. We believe that increasing the percentage of revenues generated by trade shows and conferences improves margins and profitability and mitigates the cyclical nature of advertising in slower economic times.

Acquire Leading Positions in New, Growing Markets. We continuously evaluate trends in new markets to identify acquisition opportunities in attractive markets. For example, the acquisition of Duke Communications has provided us with a leadership position in the Windows 2000 and AS/400 operating systems markets.

Expand Market Positions Globally. We intend to extend our established brands into key international markets. In doing so, we hope to broaden our customer base by capitalizing on our strong brand names. For example, we added additional Internet World and ISPCON trade shows in Europe, Asia and the Middle East in 2000, and expect to continue that trend in 2001.

Develop Web Sites That Capture Growing Internet Business Spending. We intend to further develop our Web media portfolio to better complement our publications and trade shows and conferences. We believe that customized information delivery capabilities, real-time access to customers, commerce opportunities, audience targeting and global reach benefits, and, the cost efficiency of Internet-based media will be increasingly attractive to our customers.

OUR PRODUCTS AND SERVICES

We serve specific industry sectors with our business publications, our trade shows and conferences and our Web sites and electronic media products.

IN PRINT: PUBLICATIONS

Trade Magazines. We publish specialized trade magazines in the United States. According to Advertising Age's annual ranking of magazines in the United States, Penton publishes two of the ten largest business-to-business magazines, based on advertising revenues. Eighty-three percent of Penton's audited magazines hold the leading or number-two market share positions in their fields. Our publications are widely recognized for the quality of our editorial content. Since 1990, our magazines have won nearly 600 editorial awards.

We publish 62 trade magazines with a combined circulation of over 4.0

Edgar Filing: PENTON MEDIA INC - Form 10-K

million subscribers worldwide. Our magazines are primarily controlled-circulation. They are distributed free-of-charge to qualified subscribers in our targeted industries.

Our publications generate revenues primarily from the sale of advertising space. Subscribers to controlled-circulation publications qualify to receive our magazines by verifying their responsibility for specific job functions, including purchasing authority. We survey subscribers to our controlled-circulation magazines annually to verify their continued qualification.

Circulation information for the majority of our publications is audited each year by BPA International, an independent auditor of magazine circulation. These audits verify that we have accurately identified the number and job responsibilities of qualified subscribers and that those subscribers are eligible to receive the relevant publication according to our established criteria.

Each of our publications has its own advertising sales team and rate structure. Some advertisers may qualify for discounts based on advertising in multiple publications. We enable marketers to be more cost efficient in their advertising purchases by providing a single source for integrated products.

In addition, each of our publications has its own editorial staff, including writers, designers and production personnel. To preserve the editorial integrity of each publication's news reporting and analysis, we seek to maintain separation between the editorial and sales staffs of each publication. We believe that our reputation for objective, fair and credible editorial content contributes significantly to our success. Fifteen of our publications have served their industries for over 50 years.

4

5

Our editorial staffs meet frequently with readers of their publications to maintain a current understanding of the information needs and interests of those readers in an effort to serve them more effectively. We devote considerable resources to the study of trends in our industries and strive to make our publications the most widely used among our targeted audiences. Many of our editors and contributors are recognized as experts in their fields and are regularly contacted by the general press to comment on developments and trends in their respective markets.

Directories and Buyer's Guides. We also publish about 20 directories and buyer's guides, which are respected sources of buying information for industry decision makers. Most of the business directories we publish have limited competition.

IN PERSON: TRADE SHOWS AND CONFERENCES

We produce 185 trade shows and conferences in our twelve industry sectors which annually attract more than a million attendees with significant buying and specifying responsibility. In addition to these events, we maintain licensing agreements for eight trade shows and we produce one trade show under a management contract.

In the early 1990s, we entered the trade show and conference business and have more recently expanded our presence through acquisitions. For example, the acquisition of Streaming Media in September 2000 added the Streaming Media Europe and West trade shows to our portfolio, while the acquisition of New Hope in 1999 added the Natural Products Expo East and West trade shows. In addition, we have expanded our global presence. In 2000, we acquired ComMunic, which

Edgar Filing: PENTON MEDIA INC - Form 10-K

produces trade shows, conferences and business publications in Germany and its German speaking neighboring countries, serving the Internet, telecommunications and other growing technology markets.

Attendees at our trade shows and conferences are professionals and managers in the industries we serve. Most trade shows include an extensive conference program, which provides a forum for the exchange and dissemination of information relevant to the particular event's focus. In addition, most trade shows have one or more "keynote" sessions with speakers who are known for their industry knowledge and expertise.

Trade show exhibitors pay a set price per square foot of booth space. Typically, a majority of each trade show's exhibitors commit to booth space during that year's show for the following year. In addition, Penton receives revenues from attendee fees at trade shows and conferences.

ONLINE: WEB SITES AND ELECTRONIC MEDIA

We currently maintain 139 Web sites serving numerous market segments. We believe that the Internet presents us with significant growth potential. We have been developing a broad range of market-focused Web sites that include features for valued information exchange within targeted business communities. These sites incorporate state-of-the-art Web technologies and leverage the inherent assets of Penton's existing media products: the brand recognition of our magazines and trade shows; our editorial content; and our customer and product databases. We believe we have a competitive advantage in the online business because of our established customer relationships in the markets we serve, the industry expertise of our staff, and the opportunities we have to promote our Web sites to targeted audiences through our magazines and trade shows. Our sites include major industry-focused portals as well as a unique set of online trade shows.

Penton's online portfolio also includes 59 electronic newsletters. These products provide timely and focused information to highly targeted professionals and typically are sponsored by advertisers interested in delivering marketing information to our targeted subscribers.

5

6

OTHER

We also provide ancillary information services that complement our principal business media platforms. These services include:

- Market Access & Business Development Services. We provide a variety of marketing services, including database rentals. We use information from our subscription lists and other available databases to compile detailed mailing lists for rental by marketers who want to promote their products and services through direct mail programs. We offer these services to our customers to help them reach their targeted audience.
- Specialized Advertising Services. We collect and forward reader inquiries to our advertisers. In addition, classified advertising sections in our publications and on our Web sites provide a cost-efficient medium for reaching prospects who are ready to buy specialized products and services. Also, recruitment advertising provides an effective way to reach qualified professionals seeking career opportunities.
- Custom Communications/Promotion. We produce a range of

Edgar Filing: PENTON MEDIA INC - Form 10-K

client-specific communications services for print, electronic media and the Internet, including newsletters, magazines, catalogs, directories, education and training materials, and other support materials.

RECENT DEVELOPMENTS

During 2000, Penton continued its strategic acquisition program. The Company completed the following eight transactions:

- In November 2000, Penton acquired the assets of Group Computing, a magazine and online resource serving Lotus professionals.
- In September 2000, Penton acquired the stock of Duke Communications International ("Duke"), a leading integrated media company serving the Windows 2000 and AS/400 operating systems markets.
- In September 2000, Penton acquired the assets of Professional Trade Shows ("PTS"). PTS produces 50 regional trade shows for the plant engineering and maintenance, material handling, buildings and facilities maintenance, design engineering, and machine tool industries.
- In September 2000, Penton acquired the stock of Streaming Media, Inc., a leading integrated media company serving the streaming media market.
- In August 2000, Penton acquired the stock of Meko Ltd. ("Meko") of Surrey, UK, a provider of newsletters, comprehensive market studies, and custom information services for the European computer display market.
- In July 2000, Penton acquired the assets of National Advisory Group ("NAG"), a trade group serving the convenience store and petroleum marketing industry.
- In May 2000, Penton purchased 50% of the outstanding stock of a German Corporation, ComMunic GmbH, which produces trade shows, conferences and business publications in Germany and its German speaking neighboring countries. ComMunic serves the Internet, telecommunications and other growing technology markets.
- In February 2000, Penton acquired the assets of Profit.Net, Inc. which includes bakery-net.com, a Web site for the commercial baking market.

The aggregate purchase price of these acquisitions was approximately \$185.8 million, excluding future contingent consideration of up to \$85.1 million based on the acquired companies' ability to meet or exceed certain performance goals. All of these transactions have been accounted for under the purchase method of accounting.

In February 2000, we sold 2.0 million shares of common stock of internet.com Corporation in a secondary offering at a price of \$60.00 per share for net proceeds of \$113.1 million. internet.com Corporation provides a network of Web sites for Internet professionals that allow advertisers to target specific Internet audiences. We currently own about 3.0 million shares of internet.com Corporation shares.

Edgar Filing: PENTON MEDIA INC - Form 10-K

CUSTOMERS

We have over 20,000 customers. None of our customers accounted for more than 0.6% of our total revenues in 2000. Our top ten customers accounted for approximately 3.4% of our total revenues in 2000.

COMPETITION

We experience intense competition for our products and services. We compete with several much larger international companies that operate in many markets and have broad product offerings in publishing and trade shows and conferences. We compete for readers and advertisers in the publishing marketplace, which is fragmented. According to industry sources, there are about 1,500 trade magazine publishing companies that publish about 5,000 titles. We also compete for venues, sponsorships, exhibitors and show attendees in the trade show and conference marketplace. This market is also highly fragmented. There are about 3,900 trade shows in the United States and Canada produced by more than 2,100 independent companies and industry associations, according to industry sources. Because our industry is relatively easy to enter, additional competitors may enter these markets.

Our publications generally compete on the basis of:

- advertisers' perception of the target audience served by the magazine;
- readers' preference of the target audience served by the magazine;
- readers' acceptance of the publication's authoritative position in its markets;
- editorial quality;
- quantity and quality of circulation;
- readers' response to advertisers' products and services;
- the strength of complementary products serving the same niche;
- the effectiveness of sales and customer service; and
- advertising rates.

Our trade shows and conferences generally compete on the basis of:

- the availability of attractive venues and dates;
- the ability to provide events that meet the needs of particular market segments;
- the ability to attract qualified attendees; and
- the ability to provide high quality show services, exhibition space and attractive marketing and sponsorship opportunities.

In addition, in our trade show and conference business, we compete with many industry associations and, in several countries, the trade show and conference hall owner and operator may also be a competitor.

DOMESTIC AND FOREIGN REVENUES AND ASSETS

Domestic revenues of our products and services comprised 89.7%, 92.2% and

Edgar Filing: PENTON MEDIA INC - Form 10-K

92.3% of total revenues for the fiscal years ended December 31, 2000, 1999 and 1998, respectively. Foreign revenues totaled 10.3%, 7.8% and 7.7% of our revenues for the fiscal years ended December 31, 2000, 1999 and 1998, respectively. In 2000, 1999 and 1998, 37.4%, 73.0% and 92.8%, respectively, of these foreign revenues were to customers in the

7

8

United Kingdom. Substantially all of the United Kingdom revenues were generated by Independent Exhibitions, Ltd. (INDEX), a subsidiary of Penton located in the United Kingdom.

See Note 17 of the Notes to Consolidated Financial Statements included herein for a description of the Company's assets located in the United States and in the United Kingdom.

PRODUCTION AND DISTRIBUTION

In November 1999, we sold our printing facility in Berea, Ohio to R. R. Donnelley & Sons Company for approximately \$31.0 million and signed a seven-year service contract providing for the printing of a majority of our 62 specialized business magazines. If additional printing capacity is needed, we believe that additional printing services are readily available at competitive prices.

The principal raw material used in our print publications is paper. We believe that the existing arrangements providing for the supply of paper are adequate and that, in any event, alternative sources are available. Paper costs accounted for about 4.3%, 4.9% and 8.1% of our total operating costs for the years ended December 31, 2000, 1999 and 1998, respectively. Paper prices are affected by a variety of factors, including demand, capacity, pulp supply and general economic conditions.

Substantially all of our publications are delivered by the United States Postal Service within the continental United States. Postage costs also represent a significant expense, accounting for about 4.9%, 6.3% and 6.8% of our total operating costs and expenses for the years ended December 31, 2000, 1999 and 1998, respectively.

TRADEMARKS AND INTELLECTUAL PROPERTY RIGHTS

We regard our copyrights, trademarks, service marks and similar intellectual property as critical to our success and rely upon copyright and trademark laws, as well as confidentiality agreements with our employees and others, to protect our rights. We pursue the registration of our material trademarks in the United States and, depending upon use, in other countries. Effective trademark and copyright protection may not be available in every country in which our publications and services are available.

We may be subject to claims of alleged infringement of our trademarks or our licensees of trademarks and other intellectual property rights of third parties from time to time in the ordinary course of business. We do not believe that these legal proceedings or claims are likely to have, individually or in the aggregate, a material adverse effect on our business, financial condition or results of operations.

SEASONALITY

For a discussion of seasonality, see Item 7 of this Annual Report on form 10-K "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Seasonality."

Edgar Filing: PENTON MEDIA INC - Form 10-K

ENVIRONMENTAL MATTERS

We are subject to various federal, state and local environmental laws and regulations that (1) govern activities and operations that may have adverse environmental effects, such as discharges to air and water, as well as handling and disposal practices for solid and hazardous or toxic wastes, or (2) impose liability for the costs of cleaning up, and damages resulting from sites of past spills, disposals, or other releases of hazardous or toxic substances.

EMPLOYEES

On December 31, 2000, we employed about 1,750 persons, primarily located in the United States. None of our employees are represented by a labor union, and we consider our relations with our employees to be good.

8

9

UNCERTAINTY OF FORWARD-LOOKING STATEMENTS

Penton considers portions of this information to be forward-looking statements within the meaning of Section 27A of the Securities Exchange Act of 1933 and Section 21E of the Securities Exchange Act of 1934, both as amended, with respect to Penton's expectations for future periods. Although Penton believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be achieved. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects," "seeks," "estimates" and similar expressions are intended to identify forward-looking statements. A number of important factors could cause Penton's results to differ materially from those indicated by such forward-looking statements, including, among other factors, pending litigation, government regulation, competition, technological change, intellectual property rights, capital spending, international operations and Penton's acquisition strategies.

RISK FACTORS

The following are factors that may affect our actual operating results and could cause results to differ materially from those in any forward-looking statements. There may be other factors, and new risk factors may emerge in the future. You should carefully consider the following information.

We Depend on Advertising Revenues, Which Decrease During Economic Downturns and Fluctuate from Period to Period.

For the years ended December 31, 2000, 1999 and 1998 about 50.6%, 60.4% and 78.6% of our revenues came from advertising. Our advertising revenues fluctuate with general economic cycles. Any material decline in advertising revenue would have a material adverse effect on our business, results of operations and financial condition. Historically, advertising revenues have increased during economic recoveries and decreased during both general economic downturns and regional economic recessions. In the event of a general economic downturn or a recession, our advertisers may reduce their advertising budgets or intensify their attempts to negotiate lower advertising rates.

Our advertising revenues may fluctuate from period to period based on the spending patterns of our customers. Many of our large customers may concentrate their advertising expenditures around major new product launches. We cannot always know or predict when our large customers intend to launch new products. We cannot predict any related fluctuation in our advertising revenues.

Edgar Filing: PENTON MEDIA INC - Form 10-K

If We Are Unable to Complete Acquisitions or Integrate Acquisitions Effectively, Our Business Could Be Adversely Affected.

We intend to continue to grow in part through acquisitions. We may not be able to identify suitable candidates or make acquisitions on terms that are favorable to us. In addition, we may not be able to successfully complete some acquisitions or integrate acquisitions into our existing operations or effectively manage those businesses once integrated. If we are unable to integrate our recent or future acquisitions successfully, our business could be adversely affected.

Financing of Future Acquisitions May Increase Our Debt, Reduce Our Cash and Adversely Affect our Shareholders.

We may finance future acquisitions with internally generated funds, bank borrowings, public offerings or private placements of debt securities, or through a combination of these sources. This may have the effect of increasing our debt and reducing our cash available for other purposes. In addition, we could issue additional shares of our common stock as consideration for acquisitions. If we do, our shareholders may experience dilution.

9

10

Acquisitions May Divert Our Management's Attention Away From Running Our Company.

Acquisitions are an important part of our business strategy. Acquisitions may require substantial attention from, and place substantial additional demands upon, our senior management. This may divert their attention from our existing businesses, making it more difficult to manage effectively. In addition, unanticipated events or liabilities relating to these acquisitions or the failure to retain key personnel could have a material adverse effect on our business, results of operations and financial condition.

The Terms of Our Indebtedness May Restrict Our Ability to Pursue Our Growth Strategy.

The terms of our credit agreement impose restrictions on our ability to, among other things, borrow and make investments, acquire other businesses, and make capital expenditures and distributions on our capital stock. In addition, our credit agreement requires us to satisfy specified financial covenants. Our ability to comply with these provisions depends, in part, on factors over which we may have no control. These restrictions could adversely affect our ability to pursue our growth strategy. If we breach any of our financial covenants or fail to make scheduled payments, our creditors could declare all amounts owed to them to be immediately due and payable. We may not have available funds sufficient to repay the amounts declared due and payable, and we may have to sell assets to repay those amounts. Our credit agreement is secured by substantially all of our assets, including the stock of our subsidiaries. If we cannot repay all amounts that we have borrowed under our credit agreement, our lenders could proceed against our assets.

The Profitability and Success of Our Trade Shows and Conferences Could Be Adversely Affected if We Lose Scheduled Dates and Locations of Those Events.

For the years ended December 31, 2000, 1999 and 1998 about 27.6%, 22.2% and 10.7% of our revenues came from booth rentals. As the trade show and conference industry grows, we increasingly compete for desirable dates and venues for our trade shows and conferences. As this competition intensifies, we could lose important engagements. If we lose dates and venues for events, the profitability

Edgar Filing: PENTON MEDIA INC - Form 10-K

and future success of these events could be adversely affected. Although we generally reserve venues and dates more than a year in advance, these reservations are not binding until we sign a contract with the facility operator. These contracts generally hold venues and dates for only one year. In addition, we may desire to increase the size of our trade shows and conferences to take advantage of increasing demand in the future. If we are unable to secure larger venues with suitable exhibit space to accommodate this demand, the growth of our trade show and conference business could be adversely affected. Moreover, circumstances beyond our control, like natural disasters, labor strikes and transportation shutdowns, could present financial risk to our trade shows and conferences, which could have an adverse effect on our business, results of operations and financial condition.

A Significant Decline in Our Internet/Broadband Trade Show and Conference Business Could Adversely Affect Our Results of Operations.

Our Internet/Broadband trade shows and conferences produce a significant portion of our cash flow. As a result, a significant decline in the performance of these trade shows and conferences could adversely affect our business, results of operations and financial condition.

We Depend on Trade Show and Conference and Publishing Revenues, Which Vary Due to Seasonality.

Our trade shows and conferences and publishing revenues are seasonal. Our revenue typically reaches its highest level during the second and fourth quarters of each calendar year. As a result, we could incur a net loss during the first and third calendar quarters. This is due largely to the timing of our trade shows and conferences and the general increase in publishing revenue in the second and fourth quarters.

Competition May Adversely Affect Our Earnings and Results of Operations.

We experience intense competition for our products and services. If we fail to compete effectively, our earnings and results of operations could be adversely affected. We compete with several much larger international companies that operate in many markets and have broad product offerings in publishing and

10

11

trade shows and conferences. We compete for readers and advertisers in the publishing marketplace, and for trade show and conference venues, sponsorships, exhibitors, and show attendees. Because our industry is relatively easy to enter, we anticipate that additional competitors, some of whom may have greater resources than Penton, may enter these markets and intensify competition.

Our Overall Operations May be Adversely Affected by Risks Associated with International Operations.

We have operations outside the United States. We intend to expand further into international markets. We have limited experience in developing localized versions of our publications and trade shows and conferences and in marketing and distributing them internationally. In addition, the following risks in the international markets could have a material adverse effect on our future international operations and, consequently, on our business, results of operations and financial condition:

- the uncertainty of the product acceptance by different cultures;
- the risks of divergent business expectations or cultural incompatibility inherent in establishing joint ventures with foreign

Edgar Filing: PENTON MEDIA INC - Form 10-K

partners;

- difficulties in staffing and managing multi-national operations;
- currency fluctuations;
- general economic and political uncertainties and potential for social unrest;
- limitations on our ability to enforce legal rights and remedies;
- state-imposed restrictions on the repatriation of funds; and
- potentially adverse tax consequences.

New Product Launches or Acquired Products May Reduce Our Earnings or Generate Losses.

Our future success will depend in part on our ability to continue offering new products that successfully gain market acceptance by addressing the needs of specific audience groups within our targeted industries. Our efforts to introduce new or integrate acquired products may not be successful or profitable. The process of internally researching and developing, launching, gaining acceptance and establishing profitability for a new product, or assimilating and marketing an acquired product, is both risky and costly. New products generally incur initial operating losses.

In addition, we have invested in, and intend to continue to invest in, the development of various Internet media products, which are currently generating losses. The Internet is still in the early stages of development as a commercial medium. These products may not be successful or profitable.

Costs related to the development of new products are expensed as incurred and, accordingly, our profitability from year to year may be adversely affected by the number and timing of new product launches.

Reliance on Principal Vendors Could Adversely Affect Our Business.

We rely on our principal vendors. Currently, our principal vendors are paper suppliers, the United States Postal Service and our printing supplier. If any of our principal vendors discontinues or temporarily terminates its services and we are unable to find adequate alternatives, we may experience increased prices, interruptions and delays in services. These factors could adversely affect our business.

Increases in Paper or Postage Costs Would Cause Our Expenses to Increase and May Adversely Affect Our Profitability.

Paper is a significant expense relating to our print products, accounting for about 4.3% of our total operating expenses in 2000. Significant increases in paper prices, which have been volatile in recent years, may have an adverse effect on our business. We do not use forward contracts and all of our paper supply vendor arrangements provide for price adjustments on a quarterly basis to reflect then-prevailing market prices.

Postage for magazine distribution and direct mail solicitations is also a significant expense for us, accounting for about 4.9% of our total operating expenses in 2000. Significant increases in postage prices may have an adverse effect on our business. We use the United States Postal Service for domestic

Edgar Filing: PENTON MEDIA INC - Form 10-K

distribution of substantially all of our products and marketing materials.

Loss of Key Personnel Could Impair Our Success.

We benefit from the leadership and experience of our senior management team, and we depend on their continued services in order to successfully implement our business strategy. Although we have entered into employment agreements with Thomas L. Kemp, Daniel J. Ramella and other management members, they and other key personnel may not remain in our employment. The loss of key personnel could have a material adverse affect on our business, results of operation or financial condition.

Takeover Defense Provisions May Adversely Affect the Market Price of Our Common Stock.

Various provisions of Delaware corporation law and of our corporate governance documents may inhibit changes in control not approved by our Board of Directors and may have the effect of depriving shareholders of an opportunity to receive a premium over the prevailing market price of our common stock in the event of an attempted hostile takeover. In addition, the existence of these provisions may adversely affect the market price of our common stock. These provisions include:

- a classified Board of Directors;
- a prohibition on shareholder action through written consents;
- a requirement that special meetings of shareholders be called only by the Board of Directors;
- advance notice requirements for shareholder proposals and nomination; and
- availability of "blank check" preferred stock.

We also have a shareholder rights plan that provides for, among other things, distributions to our shareholders upon an actual or prospective change in control of our Company. The plan has an anti-takeover effect because a distribution under the plan may cause a substantial dilution to a person or group that attempts to acquire a substantial number of our shares without approval of our Board of Directors.

The Infringement or Invalidation of Our Proprietary Rights Could Have An Adverse Effect On Our Business.

We regard our copyrights and trademarks, including our Internet domain names, service marks and similar intellectual property, as critical to our success. We rely on copyright and trademark laws in the United States and other jurisdictions and on confidentiality agreements with some of our employees and others to protect our proprietary rights. If any of these rights were infringed or invalidated, our business could be adversely affected. In addition, our business activities could infringe upon the proprietary rights of others, who could assert infringement claims against us. We could face costly litigation if we are forced to defend these claims. If we are unsuccessful in doing so, our business could be adversely affected.

We seek to register our trademarks in the United States and elsewhere. These registrations could be challenged by others or invalidated through administrative process or litigation. In addition, our confidentiality agreements with some of our employees or others may not provide adequate protection of our proprietary rights in the event of unauthorized use or disclosure of our proprietary information or if our proprietary information

Edgar Filing: PENTON MEDIA INC - Form 10-K

otherwise becomes known, or is independently developed, by competitors.

Ownership by Significant Shareholders and Sales of Substantial Amounts of Our Common Stock May Adversely Affect the Market for Our Common Stock.

R. Douglas Greene and Mario J. Gabelli, and entities controlled directly or indirectly by Mr. Gabelli, own a significant amount of our common stock.

12

13

These concentrations of voting power may inhibit changes in control of our Company and may adversely affect the market price for our common stock. In addition, sales of a substantial amount of common stock in the public market, or the perception that these sales may occur, could adversely affect the market price of our common stock prevailing from time to time and could impair our ability to raise additional capital through the sale of our equity securities.

ITEM 2. PROPERTIES.

The Company's principal properties and their general characteristics are as follows:

LOCATION -----	PRINCIPAL USE -----	LEASE EXPIRATION -----	AP SQ ---
Cleveland, Ohio.....	General Offices	2010	
Cleveland, Ohio.....	Warehousing	2001	
Hasbrouck Heights, New Jersey.....	General Offices	2001	
Darien, Connecticut.....	General Offices	2009	
New York, New York.....	Sales Offices	2009	
Boulder, Colorado.....	General Offices	2006	
Golden, Colorado.....	Sales Offices	2001	
Isleworth, Middlesex UK.....	General Offices	2014	
Los Gatos, California.....	General Offices	2005	
Fremont, California.....	General Offices	2005	
San Francisco, California.....	General Offices	2003	
Loveland, Colorado.....	Warehousing	2002	
Loveland, Colorado.....	General Offices	2005	

In 2000, the Company signed a 10-year lease agreement and relocated its corporate headquarters. Other smaller properties include 34 sales and/or editorial offices under leases expiring through 2013 located in major cities throughout the United States and the United Kingdom. We believe our facilities are adequate for our present needs.

ITEM 3. LEGAL PROCEEDINGS.

In connection with the acquisition of Mecklermedia Corporation, on December 1, 1998, a lawsuit was brought against the Company by Ariff Alidina (the "Plaintiff"), a former shareholder of Mecklermedia Corporation, in Federal District court in the Southern District of New York for an unspecified amount, as well as other relief. The Plaintiff has claimed that the Company violated the federal securities laws by selling Mr. Meckler, a beneficial owner of approximately 26% of the shares of Mecklermedia, an 80.1% interest in internet.com Corporation for what the Plaintiff alleges was a below-market price, thereby giving to Mr. Meckler more consideration for his common stock in Mecklermedia Corporation than was paid to other shareholders of Mecklermedia

Edgar Filing: PENTON MEDIA INC - Form 10-K

Corporation. The Company intends to vigorously defend this suit. In January 2000, the United States District Court for the Southern District of New York denied class certification for this case. Two other former shareholders have since moved to intervene as plaintiffs and renewed the motion for class certification. This motion was also denied by the United States District court for the Southern District of New York.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matter was submitted to a vote of security holders during the fourth quarter of fiscal 2000.

13

14

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS.

Our common stock is traded on the New York Stock Exchange under the symbol PME. The following table sets forth, for the periods indicated, the high and low sales prices from the common stock as reported on the New York Stock Exchange.

	PRICE RANGE OF COMMON STOCK	
	HIGH	LOW
Year Ended December 31, 2000:		
First Quarter.....	\$27.81	\$21.25
Second Quarter.....	36.00	22.19
Third Quarter.....	36.38	26.13
Fourth Quarter.....	32.00	22.00

	PRICE RANGE OF COMMON STOCK	
	HIGH	LOW
Year Ended December 31, 1999:		
First Quarter.....	\$22.50	\$18.13
Second Quarter.....	29.63	19.50
Third Quarter.....	24.25	12.63
Fourth Quarter.....	24.75	14.75

The Company had approximately 699 record holders of its common stock on March 23, 2001.

Our dividend policy is determined by our Board of Directors. We currently pay quarterly dividends in an amount of \$0.03 per share and we have made quarterly payments of \$0.03 for the past two fiscal years. Any decision to pay dividends in the future will depend on business decisions that will be made by our Board of Directors from time to time based upon the results of our

Edgar Filing: PENTON MEDIA INC - Form 10-K

operations and financial condition and such other matters as our Board of Directors considers relevant.

In January 2000, the Company established an Executive Loan Program to issue stock to six key executives to purchase an aggregate of up to 400,000 shares of Penton common stock at fair market value, in exchange for recourse notes. All 400,000 shares were issued in 2000. In October 2000, the Board of Directors approved the addition of another key executive to the Executive Loan Program. This executive is permitted to purchase up to an aggregate of \$1.0 million in Penton common stock at fair market value, in exchange for a recourse note, of which 10,000 shares have been issued in 2000. In issuing such stock, Penton relied upon the exemption from registration provided by Section 4(2) under the Securities Act as these transactions did not involve a public offering.

In June 2000, the Company adopted a Shareholder Rights Agreement (the "Rights Agreement"). Under the plan, the rights will initially trade together with Penton Media, Inc. common stock and will not be exercisable. In the absence of further Board action the rights generally will become exercisable and allow the holder to acquire Penton Media, Inc. common stock at a discounted price if any person or group acquires 20 percent or more of the outstanding shares of the Company's common stock. Rights held by the persons who exceed the applicable threshold will be void. Under certain circumstances, the rights will entitle the holder to buy shares in an acquiring entity at a discounted price.

The plan also includes an exchange option. In general, after the rights become exercisable, the Penton Board may, at its option, effect an exchange of part or all of the rights other than rights that have become void for shares of Penton Media, Inc. common stock. Under this option, Penton Media, Inc. would issue one share of common stock for each right, subject to adjustment in certain circumstances.

14

15

The Penton Board may, at its option, redeem all rights for \$0.01 per right, generally at any time prior to the rights becoming exercisable. The rights will expire June 27, 2010, unless earlier redeemed, exchanged or amended by the Penton Board.

A copy of the Rights Agreement was filed with the Securities and Exchange Commission in June 2000 as an Exhibit to a Registration Statement on Form 8-K. The foregoing is a description of the material terms of the Rights and is qualified in its entirety by reference to that Registration Statement on Form 8-K and the Rights Agreement.

In May 1999, Penton acquired the assets of New Hope for, among other consideration, 2,102,564 shares of Penton common stock. In March 2000, Penton made a contingent payment to New Hope, in part, with 52,920 shares of Penton common stock. In August 1998, Penton acquired the outstanding stock of Donohue/Meehan Publishing Company ("DM Publishing") for, among other consideration, 1,541,638 shares of Penton common stock. In making such payments, Penton relied upon the exemption from registration provided by Section 4(2) under the Securities Act as these transactions did not involve a public offering.

ITEM 6. SELECTED FINANCIAL DATA.

The following table presents our selected financial data. The statement of income data for each of the three years in the period ended December 31, 2000 and the balance sheet data as of December 31, 2000 and 1999 have been derived from our audited consolidated financial statements and related notes, which appear elsewhere in this Form 10-K. The statement of income data for each of the two years in the period ended December 31, 1997 and the balance sheet data as of

Edgar Filing: PENTON MEDIA INC - Form 10-K

December 31, 1996, 1997 and 1998 have been derived from our audited consolidated financial statements and related notes that are not included in this Form 10-K.

You should read the following information together with our audited consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere herein.

You should also consider the following when reading the statement of income data:

- All historical amounts have been restated to reflect the classification of our former Printing segment and Direct Mail segment as discontinued.
- Penton defines adjusted EBITDA as net income before interest, taxes, depreciation and amortization, and nonrecurring items. Adjusted EBITDA is often used to analyze and compare companies on the basis of operating performance and cash flow. However, adjusted EBITDA is not adjusted for all non-cash expenses or for working capital, capital expenditures and other investment requirements. Adjusted EBITDA should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. Adjusted EBITDA is not a measure of performance under GAAP because it excludes those items listed above that are significant components in understanding and evaluating Penton's financial performance. Not all companies calculate adjusted EBITDA in the same manner, and adjusted EBITDA as presented may not be comparable to similarly titled measures presented by other companies.
- Operating income equals revenues less operating expenses. See Consolidated Statements of Income included elsewhere herein.
- Cash flows from investing activities include capital expenditures and acquisitions.
- Refer to Item 7, Management's Discussion and Analysis for an overview of items that affect comparability of the financial data in this five year summary.

15

16

CONSOLIDATED COMPARATIVE SUMMARY OF SELECTED FINANCIAL DATA

(DOLLARS AND SHARES IN THOUSANDS,
EXCEPT PER SHARE DATA)

	2000	1999	1998	1997
OPERATING RESULTS				
Revenues.....	\$ 404,571	\$300,824	\$ 207,682	\$181,10
Operating income.....	54,711	39,390	26,218	24,85
Income from continuing operations.....	79,675	7,930	11,186	14,61
Income (loss) from discontinued operations.....	--	33	(296)	26
Gain (loss) on sale of discontinued operations.....	(85)	8,660	--	--
Extraordinary item -- early extinguishment of debt.....	--	(8,413)	--	--
Net income.....	79,590	8,210	10,890	14,87

Edgar Filing: PENTON MEDIA INC - Form 10-K

Earnings per common share -- basic:				
Income from continuing operations.....	2.51	0.28	0.51	0.6
Discontinued operations.....	--	0.31	(0.01)	0.0
Extraordinary item.....	--	(0.30)	--	-
Net income.....	2.51	0.29	0.50	0.7
Weighted average number of common shares.....	31,730	28,108	21,882	21,24
Earnings per common share -- diluted:				
Income from continuing operations.....	2.49	0.28	0.51	0.6
Discontinued operations.....	--	0.31	(0.01)	0.0
Extraordinary item.....	--	(0.30)	--	-
Net income.....	2.49	0.29	0.50	0.7
Weighted average number of common shares.....	32,010	28,209	21,882	21,24
Dividends per common share.....	0.12	0.12	0.06	-
CASH FLOWS AND OTHER DATA				
Cash flows				
Operating.....	\$ 9,240	\$ 34,357	\$ 25,749	\$ 23,18
Investing.....	(111,168)	(27,770)	(271,157)	(53,19
Financing.....	83,306	19,879	246,993	30,85
Capital expenditures.....	27,272	5,884	5,775	5,45
Depreciation and amortization.....	33,431	27,918	7,791	3,90
Adjusted EBITDA.....	91,288	67,308	34,009	28,75
AT PERIOD END				
Total assets of continuing operations.....	\$ 781,757	\$805,151	\$ 479,301	\$156,42
Investment in discontinued operations.....	--	4,228	--	-
Total assets.....	781,757	809,379	479,301	156,42
Goodwill and other intangibles.....	628,748	451,236	387,612	71,82
Total debt.....	302,125	215,000	307,000	34,17
Shareholders' equity.....	336,569	402,601	87,489	69,61

16

17

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

Set forth below is a discussion and analysis of the Company's financial condition and results of operations. Such discussion should be read in conjunction with the consolidated financial statements, the notes thereto and the comparative summary of selected financial data appearing elsewhere in this report. Historical results and percentage relationships set forth in the consolidated financial statements, including trends that might appear, should not be taken as indicative of future operations.

OVERVIEW

Penton was spun off from Pittway Corporation ("Pittway") and acquired DM Publishing in August 1998; then acquired Internet World Media, Inc. ("IWM") in November 1998; MFG in February 1999; Jon Peddie in May 1999; New Hope in May 1999; Multimedia Week in August 1999; Stardust.com in October 1999; Nutracon in December 1999; BAKERY-NET.com in February 2000; ComMunic in May 2000; National Advisory Group in July 2000; Meko, Ltd. in July 2000; Duke Communications in September 2000; Professional Trade Shows in September 2000; and Streaming Media in September 2000. As Penton acquires additional companies, its sales mix, market focus, cost structure, operating leverage and the seasonality of its business may change significantly. Consequently, Penton's historical and future results of operations reflect and will reflect the impact of acquisitions, and period-to-period comparisons may not be meaningful in certain respects. Historical information for companies subsequent to their acquisition may include integration and other costs that are not expected to continue in the future.

In November 1999, Penton completed the sale of its Printing segment to R.R.

Edgar Filing: PENTON MEDIA INC - Form 10-K

Donnelley & Sons Company for approximately \$31.0 million. Penton recorded a gain on the sale of \$15.5 million (\$9.3 million, or \$0.33 per share, after tax). Also in the fourth quarter of 1999, Penton signed a letter of intent to sell its Direct Mail segment for approximately \$4.0 million. This decision resulted in a loss in 1999 estimated at \$0.7 million, including a \$0.06 million provision for operating losses during the phase-out period. During the first quarter of 2000, Penton completed the sale of the net assets of its Direct Mail segment for \$4.0 million in cash. An additional operating loss through the date of sale of \$0.08 million, net of a tax benefit of \$0.06 million, was recorded. Operating results and net assets for the Printing and Direct Mail segments have been reflected as discontinued operations in the accompanying financial statements. Net income for the Printing segment was \$0.3 million and \$0.5 million in 1999 and 1998, respectively (\$0.01 and \$0.02 per share), on revenues of \$10.4 million and \$11.7 million, respectively. Net losses for the Direct Mail segment were \$0.3 million and \$0.8 million in 1999 and 1998, respectively (\$0.01 and \$0.04 per share), on revenues of \$12.2 million and \$13.8 million, respectively.

17

18

RESULTS OF OPERATIONS

The following table sets forth income statement data of the Company expressed as a percentage of revenues for the periods indicated:

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Revenues.....	100.0%	100.0%	100.0%
Operating Expenses:			
Editorial, production and circulation.....	36.3%	38.9%	41.5%
Selling, general and administrative.....	41.1%	38.8%	42.2%
Impairment of Internet assets.....	0.5%	--	--
Impairment of other assets.....	0.3%	--	--
Depreciation and amortization.....	8.3%	9.2%	3.7%
	-----	-----	-----
	86.5%	86.9%	87.4%
	-----	-----	-----
Operating Income.....	13.5%	13.1%	12.6%
Other Income (expenses):			
Interest expense, net of interest earned.....	(3.5)%	(7.0)%	(2.7)%
Gain on sale of investments.....	27.2%	2.0%	--
Writedown of Internet investments.....	(2.3)%	--	--
Miscellaneous, net.....	--	(0.1)%	--
	-----	-----	-----
	21.4%	(5.1)%	(2.7)%
	-----	-----	-----
Income from continuing operations before income taxes.....	34.9%	8.0%	9.9%
Provision for income taxes.....	15.2%	5.4%	4.5%
	-----	-----	-----
Income from continuing operations.....	19.7%	2.6%	5.4%
Discontinued operations.....	--	2.9%	(0.2)%
	-----	-----	-----
Income before extraordinary item.....	19.7%	5.5%	5.2%
Extraordinary item -- early extinguishment of debt.....	--	(2.8)%	--
	-----	-----	-----

Edgar Filing: PENTON MEDIA INC - Form 10-K

Net income.....	19.7%	2.7%	5.2%
	=====	=====	=====

2000 COMPARED WITH 1999

Revenues

Total revenues increased \$103.7 million, or 34.5%, from \$300.8 million in 1999 to \$404.6 million in 2000.

Publishing revenues increased \$27.6 million, or 13.7%, from \$202.5 million in 1999 to \$230.1 million in 2000, due primarily to the following: (i) the addition of Windows 2000 Magazine and the NEWS/400 and Business Finance magazines, which were part of the Duke acquisition in September 2000; (ii) a full year of revenues from Natural Foods Merchandiser, Delicious Living!, Nutrition Science News and Expansion Management magazines, which were part of the New Hope acquisition in May 1999; (iii) the turnaround of Internet World magazine, whose revenues increased almost 50% in 2000 compared with 1999; (iv) increased revenues year-over-year in Penton's core magazines, such as Electronic Design, American Machinist, Boardwatch, Food Management, Government Product News and EE Product News; and (v) the Fluid Power Handbook & Directory, which was published in 2000 and is published every other year. These increases were somewhat offset by the discontinuance of the IW Growing Companies magazine during the first quarter of 2000 and lower revenues from various other core magazines compared with the prior year.

Trade show and conference revenues increased \$71.0 million, or 72.9%, from \$97.4 million in 1999 to \$168.4 million in 2000, due primarily to the following: (i) the first-time inclusion of the Streaming Media

18

19

Europe and Streaming Media East shows, which were part of the Streaming Media acquisition in September 2000; (ii) the first-time inclusion of certain PTS trade shows, which were acquired in September 2000; (iii) the first-time inclusion of the Natural Products Expo West show, which was part of the New Hope acquisition in May 1999, and the launch of the Natural Products Expo Amsterdam show, which was held for the first time in 2000; (iv) the first-time inclusion of Stardust conferences, which were acquired in October 1999; (v) the first-time inclusion of the Nutracon conference, which was acquired in December 1999; (vi) the addition of the Internet Everywhere CEO Summit, the Internet World China show, the eCRM Spring show, the CLEC Expo Fall show and the Advanced Building Systems Technology Conference & Expo show, which were held for the first time in 2000; (vii) significant year-over-year revenue increases from the Internet World Spring, Internet World UK, ISPCON Spring, Internet World Fall, Wireless/Portable Symposium & Exhibition and ISPCON London shows. These increases were somewhat offset by lower year-over-year revenues from the Service Management Europe show, the Supply Chain Expo and the Internet World Summer show, and the absence of the CONEXPO show, which was held in 1999 and is held every three years.

Internet revenue increased \$5.1 million from \$0.9 million in 1999 to \$6.0 million in 2000, due primarily to the addition of Duke's Internet sites in September 2000, a number of new Web sites introduced in 2000 and a full year of operations from the Web sites introduced in 1999.

Operating Expenses

Operating expenses increased \$88.5 million, or 33.8%, from \$261.4 million in 1999 to \$349.9 million in 2000. As a percentage of revenues, operating costs decreased from 86.9% in 1999 to 86.5% in 2000. The improvement in operating

Edgar Filing: PENTON MEDIA INC - Form 10-K

expenses as a percentage of revenues was due primarily to higher margins earned on acquired trade shows that were held for the first time in 2000 and the continued change in the Company's product mix toward higher-margin trade shows. These improvements were offset by an increase in depreciation and amortization related to acquisitions and the impairment of Internet and other assets.

Editorial, Production and Circulation

Total editorial, production and circulation expenses grew to \$147.0 million in 2000 compared with \$116.9 million in 1999, representing an increase of \$30.1 million, or 25.7%. The increase was due primarily to a full year of operations for the acquisitions completed during 1999, including New Hope, Stardust and Nutracon, as well as the acquisitions of PTS, Streaming Media and Duke in September 2000. Increases were also due to costs associated with trade shows held for the first time in 2000, such as the Internet Everywhere CEO Summit and the CLEC Expo Fall show, as well as costs related to the biennial Fluid Power Handbook & Directory, which was published in 2000 and not in 1999.

As a percentage of revenues, editorial, production and circulation expenses decreased from 38.9% in 1999 to 36.3% in 2000. The decrease was due largely to higher margins earned from trade shows.

Selling, General and Administrative

Total selling, general and administrative expenses grew \$49.7 million, or 42.6%, from \$116.6 million in 1999 to \$166.3 million in 2000. The increase was due primarily to the acquisitions of New Hope in May 1999, Stardust in October 1999 and Nutracon in December 1999, as well as the acquisitions of PTS, Duke and Streaming Media in September 2000; costs associated with trade shows held for the first time in 2000; costs related to the biennial Fluid Power Handbook & Directory, which was published in 2000 and not in 1999, and higher executive compensation expense.

As a percentage of revenues, selling, general and administrative expenses increased from 38.8% in 1999 to 41.1% in 2000. The increase was due largely to higher Web development spending, costs associated with the corporate headquarters move and higher executive compensation expenses.

19

20

Impairment of Internet Assets

The Company wrote off \$2.1 million of impaired assets related to certain internally funded Internet media initiatives. The Company is adjusting its portfolio of Internet media products to focus on those that are demonstrating good revenue potential, customer acceptance and near-term opportunity for profit. The Company expects to take approximately \$5.0 million in restructuring charges in the first quarter of 2001 as a result of these actions.

Impairment of Other Assets

Based upon the Company's review of the impairment of long-lived assets in accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," the Company recorded a \$1.0 million non-cash charge in 2000 to write down the carrying value of certain leasehold improvements, furniture and fixtures, and computer equipment to fair value.

Depreciation and Amortization

Depreciation and amortization increased \$5.5 million, or 19.7%, from \$27.9

Edgar Filing: PENTON MEDIA INC - Form 10-K

million in 1999 to \$33.4 million in 2000. The higher expense was primarily the result of the amortization of intangible assets from the PTS, Duke and Streaming Media acquisitions in September 2000 and a full year of depreciation and amortization from the acquisitions completed in 1999, including New Hope, which was acquired in May 1999.

Operating Income

Overall, Penton's operating income increased \$15.3 million, or 38.9%, from \$39.4 million in 1999 to \$54.7 million in 2000. Operating income as a percentage of revenue increased from 13.1% in 1999 to 13.5% in 2000.

Other Income (Expense)

Interest expense decreased \$7.0 million to \$14.1 million due to a lower average debt balance outstanding in 2000 when compared with 1999, as well as the significant increase in interest earned in 2000 on the cash received from the sale of internet.com Corporation stock.

In February 2000, Penton sold 2.0 million shares of internet.com Corporation stock as part of a 3.75 million-share secondary offering. Penton received cash of \$113.1 million and recognized a pre-tax gain of approximately \$110.2 million. In July 1999, Penton sold approximately 0.5 million shares of internet.com Corporation stock and recognized a pre-tax gain of approximately \$5.9 million.

In 2000, the Company invested \$6.3 million in Cayenta Inc., a total service provider of end-to-end e-commerce systems, and \$3.4 million in Leisurehub.com, an online B2B trading community for the global leisure industry. During 2000, the Company determined that its investments in these Internet-related companies had suffered declines in value that were other than temporary. As a result, the Company recognized losses totaling \$9.5 million, reducing its investment in Cayenta Inc. and Leisurehub.com to zero.

Effective Tax Rates

The effective tax rates from continuing operations were 43.6% and 67.0% for 2000 and 1999, respectively. The decrease in the effective tax rate is due to Penton's sale of a portion of its investment in internet.com Corporation stock in 2000. The sale resulted in a pretax gain of \$110.2 million (\$66.1 million net of tax).

20

21

1999 COMPARED WITH 1998

Revenues

Total revenues increased \$93.1 million, or 44.8%, from \$207.7 million in 1998 to \$300.8 million in 1999.

Publishing revenues increased \$22.8 million, or 13.2%, from \$179.7 million in 1998 to \$202.5 million in 1999, due primarily to the following: (i) the addition of Baking Management, Modern Baking and Convenience Store Decisions magazines, which were part of the DM Publishing acquisition in August 1998; (ii) the addition of Boardwatch magazine and Internet World magazine, which were part of the IWM acquisition in November 1998; (iii) the addition of Natural Foods Merchandiser, Delicious Living!, Health and Nutrition Breakthroughs, Nutrition Science News and Expansion Management magazines, which were part of the New Hope acquisition in May 1999; (iv) the addition of Midrange Enterprise magazine, which was part of the MFG acquisition in February 1999; (v) the addition of IW

Edgar Filing: PENTON MEDIA INC - Form 10-K

Growing Companies, the first issue of which was not published until the second quarter of 1998; and (vi) increased revenues year-over-year in Penton's core magazines, such as Contracting Business, Machine Design, Foundry Management and Technology, Government PROcurement and Penton's Embedded Systems Development. These increases were offset by (i) lower revenues from Electronic Design magazine compared with the same period in the prior year, due to a slowdown in the electronics market; (ii) the absence of the Fluid Power Handbook & Directory, which was published in 1998, and is published every other year; and (iii) lower revenues from various other core magazines compared with the same period in the prior year.

Trade show and conference revenues increased \$69.5 million, or 248.6%, from \$28.0 million in 1998 to \$97.4 million in 1999, due primarily to the following: (i) the first-time inclusion of IWM, which was acquired in late November 1998 and which added the Fall and Spring Internet World trade shows as well as the ISPCON trade shows; (ii) the first-time inclusion of New Hope, which was acquired at the end of May 1999 and includes the Natural Products Expo East and West trade shows; (iii) the addition of A/E/C Systems UK Show, A/E/C GEO Expo and the Metalmeccanica USA show, all of which were held for the first time in 1999; and (iv) significant year-over-year revenue increases for the Supply Chain Expo, Service Management Europe and Wireless Portable/Symposium & Exhibition Conference.

Operating Expenses

Operating expenses increased \$80.0 million, or 44.1%, from \$181.5 million in 1998 to \$261.4 million in 1999. As a percentage of revenues, operating costs decreased from 87.4% in 1998 to 86.9% in 1999. The improvement in operating expenses as a percentage of revenues was due primarily to higher margins earned on acquired trade shows that were held for the first time in 1999. These improvements were offset by the increase in depreciation and amortization related to the acquisitions and to the change in Penton's goodwill amortization policy for acquired trade shows, which reduced the write-off period from 40 years to 20 years.

Editorial, Production and Circulation

Total editorial, production and circulation expenses grew to \$116.9 million in 1999 compared with \$86.1 million in 1998, representing an increase of \$30.8 million, or 35.8%. Approximately \$29.4 million of the increase was due to the DM Publishing acquisition in August 1998, the IWM acquisition in November 1998 and the New Hope acquisition in May 1999. These increases in costs were offset by the absence of costs related to the biennial Fluid Power Handbook & Directory, which was published in 1998, but not in 1999. In addition, costs related to Penton's core publishing operations were down due to advertising slowdowns, primarily in the electronics and computer markets.

As a percentage of revenues, editorial, production and circulation expenses decreased from 41.5% in 1998 to 38.9% in 1999. The decrease was due largely to DM Publishing magazines, higher margins earned from the IWM and New Hope trade shows and production improvements.

21

22

Selling, General and Administrative

Total selling, general and administrative expenses grew \$29.0 million, or 33.1%, from \$87.6 million in 1998 to \$116.6 million in 1999. Approximately \$27.2 million of the increase was due to the DM Publishing acquisition in August 1998, the IWM acquisition in November 1998 and the acquisition of New Hope in May 1999. Costs related to the biennial Fluid Power Handbook & Directory, which was

Edgar Filing: PENTON MEDIA INC - Form 10-K

published in 1998, were not incurred in 1999. In addition, costs related to Penton's core publishing operations decreased due to advertising slowdowns, primarily in the electronics and computer markets.

As a percentage of revenues, selling, general and administrative expenses decreased from 42.2% in 1998 to 38.8% in 1999. The improvement was due largely to the addition of new trade shows and conferences to Penton's product mix.

Depreciation and Amortization

Depreciation and amortization increased \$20.1 million, or 258.3%, to \$27.9 million. The higher expense was the result primarily of the amortization of intangible assets of approximately \$0.6 million associated with the DM Publishing acquisition in August 1998; of approximately \$15.9 million from the IWM acquisition in November 1998; and approximately \$2.5 million from the New Hope acquisition in May 1999. In addition, the increase was due to the change in Penton's goodwill amortization policy for acquired trade shows, effective with the fourth quarter of 1998. Penton reduced the write-off period from 40 years to 20 years. The acquisitions of MFG, Jon Peddie, Multimedia Week, Stardust.com and Nutracon also contributed to the increase.

Operating Income

Overall, Penton's operating income increased \$13.2 million, or 50.2%, to \$39.4 million in 1999 from \$26.2 million in the prior year. Operating income as a percentage of revenue increased from 12.6% in 1998 to 13.1% in 1999.

Other Income (Expense)

Interest expense increased \$15.6 million to \$21.1 million, due to additional borrowings used to finance Penton's acquisition strategy since its spinoff in August 1998.

In July 1999, Penton sold approximately 0.5 million shares of internet.com Corporation stock and recognized a pre-tax gain of approximately \$5.9 million (\$3.5 million net of tax).

Effective Tax Rates

The effective tax rates from continuing operations were 67.0% and 45.8% in 1999 and 1998, respectively. Penton's acquisition of Independent Exhibitions, Ltd. (INDEX) in December 1997, DM Publishing in August 1998 and IWM in November 1998 resulted in the recording of goodwill. The amortization of goodwill for these transactions is recognized for financial statement purposes, but is not deductible for tax purposes due to the structure of the purchase transactions. Accordingly, Penton's effective tax rate increased from 1998 due to the full-year effect of the acquisitions.

Extraordinary Item

The extraordinary item in 1999, which aggregated \$8.4 million, net of \$5.6 million in taxes, relates to the write-off of unamortized deferred finance costs associated with the partial paydown of senior debt with the proceeds from the common stock offering completed in May 1999 and the refinancing of senior debt in September 1999.

ADJUSTED EBITDA

Net income before interest, taxes, depreciation and amortization, and

Edgar Filing: PENTON MEDIA INC - Form 10-K

nonrecurring items ("Adjusted EBITDA") is a widely used and commonly reported standard measure utilized by analysts and investors in the analysis of the media industry. Adjusted EBITDA is not a measure of performance under GAAP because it excludes those items listed above that are significant components in understanding and evaluating Penton's financial performance. However, the following adjusted EBITDA information can be helpful in determining Penton's ability to meet its debt service requirements and in comparative analyses of operating performance relative to other media companies. Penton's calculation of adjusted EBITDA is as follows (in thousands):

	YEARS ENDED DECEMBER 31,	
	2000	1999
Net income.....	\$ 79,590	\$ 8,210
Interest expense, net of interest earned.....	14,133	21,131
Gain on sale of investments.....	(110,210)	(5,906)
Provision for income taxes.....	61,559	16,065
Impairment of Internet assets.....	2,095	--
Depreciation and amortization.....	33,431	27,918
Writedown of Internet investments.....	9,490	--
Impairment of other assets.....	1,051	--
Extraordinary item, net of taxes.....	--	8,413
Discontinued operations, net of taxes.....	85	(8,693)
Miscellaneous, net.....	64	170
	-----	-----
Adjusted EBITDA.....	\$ 91,288	\$67,308
	=====	=====

Penton's adjusted EBITDA increased \$24.0 million, or 35.6%, from \$67.3 million in 1999 to \$91.3 million in 2000. EBITDA margins increased from 22.4% in 1999 to 22.6% in 2000. The increases were due primarily to: (i) the acquisitions of PTS, Duke and Streaming Media in September 2000; (ii) a full year of operations from New Hope, Stardust and Nutracon, which were all acquired in 1999; (iii) the turnaround in Internet World magazine; and (iv) significant year-over-year revenue increases from the Internet World Spring, Internet World UK, ISPCON Spring, Internet World Fall and ISPCON London shows, offset in part by higher corporate spending, higher period costs and Web site development charges.

Penton's calculation of adjusted EBITDA by product is as follows (in thousands):

	YEARS ENDED DECEMBER 31,	
	2000	1999
Publishing and other.....	\$51,269	\$46,170
Trade shows and conferences.....	78,846	43,133
Internet.....	(6,790)	(510)
Corporate.....	(32,037)	(21,485)
	-----	-----
Adjusted EBITDA.....	\$91,288	\$67,308

Adjusted EBITDA for Penton's publishing operations increased \$5.1 million, or 11.0%, from \$46.2 million in 1999 to \$51.3 million in 2000. Adjusted EBITDA increases for publishing operations were due primarily to: (i) the addition of Natural Foods Merchandiser, Delicious Living!, Nutrition Science News and Expansion Management magazines, which were part of the New Hope acquisition in May 1999; (ii) the addition of the Windows 2000 Magazine and NEWS/400 and Business Finance magazines, which were part of the Duke acquisition in September 2000; (iii) the turnaround of Internet World magazine in 2000 when compared with the same prior-year period; and (iv) the Fluid Power Handbook & Directory, which was not published in 1999.

23

24

Adjusted EBITDA for Penton's trade show and conference operations increased \$35.7 million, or 82.8%, from \$43.1 million in 1999 to \$78.8 million in 2000. These increases were due primarily to: (i) the first-time inclusion of the PTS and Streaming Media trade shows held in the fourth quarter of 2000, which were acquired in September 2000; (ii) the first-time inclusion of the Natural Products Expo West trade show, which was part of the New Hope acquisition in May 1999; (iii) the first-time inclusion of Stardust conferences, which were acquired in October 1999; (iv) the addition of the Nutracon conference, which was acquired in December 1999; (v) the addition of the Internet Everywhere CEO Summit, eCRM Expo Spring, Internet World China and Advance Building Systems Technology Conference & Expo shows, which were held for the first time in 2000; and (vi) significant year-over-year revenue increases from the Internet World Spring, Internet World UK, ISPCON Spring and ISPCON London shows.

Adjusted EBITDA for Penton's Internet operations decreased \$6.3 million from a loss of \$0.5 million in 1999 to a loss of \$6.8 million in 2000. These decreases were due primarily to the increase in various costs associated with the development of market-focused Web sites.

Corporate costs increased \$10.6 million from \$21.5 million in 1999 to \$32.0 million in 2000. The increases were due primarily to costs associated with acquisitions and to higher executive compensation expense.

FOREIGN CURRENCY

The functional currency of Penton's foreign operations is the local currency. Accordingly, assets and liabilities of foreign operations are translated to U.S. dollars at the rates of exchange on the balance sheet date; income and expense are translated at the average rates of exchange prevailing during the year. There were no significant foreign currency transaction gains or losses in 2000 or 1999.

LIQUIDITY AND CAPITAL RESOURCES

During the periods presented, Penton financed its operations primarily through cash generated from operating activities, borrowings under its credit facilities and the sale of equity securities and assets.

Cash provided by operating activities was \$9.2 million, \$34.4 million and \$25.7 million for the years ended December 31, 2000, 1999 and 1998, respectively. Operating cash flows for 2000 reflect the Company's net income of \$79.6 million offset by a net working capital decrease of approximately \$2.8 million and non-cash charges (depreciation and amortization, gain on sale of investments, writedowns and impairments, and other) of approximately \$67.6 million.

Edgar Filing: PENTON MEDIA INC - Form 10-K

The decrease in operating cash flows in 2000 compared to 1999 was due primarily to an increase in operating income of \$15.3 million offset by changes in working capital items and to increases in income tax payments required in 2000. These payments were largely attributable to the increase in operating income and the \$110.2 million gain realized in 2000 from the sale of internet.com Corporation stock. The most significant working capital changes in 2000 were attributable to accounts receivable, and accounts payable and accrued expenses. The accounts receivable increase reflects higher fourth quarter sales in 2000 compared with 1999 and the timing of payments received. The increase in accounts payable and accrued expenses is due primarily to timing of vendor and other payments. The increase in 1999 compared to 1998 was due primarily to an increase in operating income of \$13.2 million offset somewhat by a net decrease in working capital items, the most significant of which were accounts payable and accrued expenses, and unearned income.

Investing activities used \$111.2 million in 2000, primarily for acquisitions and investments (including Streaming Media, PTS, Duke, Cayenta and Leisurehub) and earnouts paid during the year, as well as capital expenditures. The increase in capital expenditures was due primarily to the move of the Company's corporate headquarters and the Company's continued investment in Internet related technologies. These uses were partially offset from proceeds from the sale of 2.0 million shares of internet.com Corporation stock and proceeds from the sale of the Direct Mail segment. Investing activities used \$27.8 million in 1999, primarily for acquisitions (including New Hope) and capital expenditures, partially offset by proceeds from the sale of the Printing segment and the sale of approximately 0.5 million shares of internet.com Corporation stock.

24

25

Investing activities used \$271.2 million in 1998, primarily for acquisitions (including Mecklermedia and DM Publishing) and capital expenditures, offset partially by the sale of an 80.1% interest in internet.com LLC.

Financing activities provided \$83.3 million in 2000, primarily from borrowings under the Company's revolving credit facility offset partially by debt repayments and dividends paid to shareholders. Financing activities provided \$19.9 million in 1999, primarily from net proceeds from an equity offering and proceeds from a new \$340.0 million Credit Facility offset partially by the repayment of the \$325.0 million Credit Facility, financing fees associated with the new debt facility and dividends paid to shareholders. Financing activities provided \$247.0 million in 1998, primarily from proceeds from the \$325.0 million Credit Facility offset partially by the repayment of notes payable, financing fees, payments to the Company's former parent and dividends paid to shareholders.

On September 1, 1999, Penton entered into a credit agreement with several banks under which it can borrow up to \$340.0 million. The agreement provided for a revolving credit facility of up to \$125.0 million, a long-term loan of \$140.0 million ("Term Loan A") and a long-term loan of \$75.0 million ("Term Loan B"). The proceeds of this credit agreement were used to repay Penton's debt outstanding under the \$325.0 million credit facility obtained when Penton purchased Internet World Media, Inc. ("IWM"). At December 31, 2000, Penton had \$211.1 million outstanding under its term loans and \$34.0 million available under its revolving credit facility. See Note 7 -- Debt for additional information.

On April 3, 2000, Penton amended its Credit Agreement to give the Company the flexibility to sell assets of up to \$30.0 million and the ability to monetize the Company's joint venture investments.

Edgar Filing: PENTON MEDIA INC - Form 10-K

On October 22, 2000, Penton amended its Credit Agreement to give the Company the option to increase, in the aggregate, its Term Loan A, Term Loan B and/or its Revolver by \$100.0 million. The Term Loans and the Revolver cannot be increased on more than three separate occasions and any increase must take place by September 30, 2001.

In May 1999, Penton completed a 6.5 million common share offering and received net proceeds of approximately \$118.4 million, which were used to repay senior debt and for general corporate purposes, including the acquisition of New Hope.

Based upon current and anticipated levels of operations, management believes that cash on hand and cash flow from operations, combined with borrowings available under Penton's credit facilities, will be sufficient to enable Penton to meet current and anticipated cash operating requirements, including scheduled interest and principal payments, capital expenditures and working capital needs. However, actual capital requirements may change, particularly as a result of any acquisitions that Penton may make. Penton's ability to meet current and anticipated operating requirements will depend upon its future performance, which, in turn, will be subject to general economic conditions and to financial, business and other factors, including factors beyond Penton's control. Depending on the nature, size and timing of future acquisitions, Penton may be required to raise additional capital through additional financing arrangements or the issuance of private or public debt or equity securities. Management cannot assure that such additional financing will be available at acceptable terms. Substantially all of Penton's debt bears interest at floating rates. Therefore, Penton's liquidity and financial condition are, and will continue to be, affected by changes in prevailing interest rates.

SEASONALITY

The introduction of trade shows and conferences into Penton's product mix through the acquisition of INDEX and ISOA in late 1997, the acquisition of IWM in November 1998, the acquisition of New Hope in May 1999 and the acquisition of Streaming Media in September 2000 has changed the seasonal pattern of revenue and profit because all five companies have pronounced seasonal patterns in their businesses. The majority of the trade shows of ISOA, Streaming Media and IWM are held in the second and fourth quarters and, accordingly, the majority of their revenue is recognized in these quarters. Furthermore, the majority of the INDEX shows historically have been held in the fourth quarter, and the New Hope shows have been held in the first and third or fourth quarters. Accordingly, these acquisitions have had and will have a positive impact on revenue and profit for these quarters.

25

26

Penton also may experience seasonal fluctuations as trade shows and conferences held in one period in the current year may be held in a different period in future years.

INFLATION

The impact of inflation on Penton's results of operations has not been significant in recent years.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 133, "Accounting for

Edgar Filing: PENTON MEDIA INC - Form 10-K

Derivative Instruments and Hedging Activities" ("SFAS 133"). Penton was required to adopt this statement in the first quarter of 2000. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities -- Deferral of the Effective Date of FASB Statement No. 133, an Amendment of FASB Statement No. 133" ("SFAS 137"). SFAS 137 deferred the effective date of adoption of SFAS 133 to all fiscal quarters of all fiscal years beginning after June 15, 2000. SFAS 133 was subsequently amended by SFAS 138 "Accounting for Certain Derivative and Certain Hedging Activities -- an Amendment of FASB Statement No. 133" (SFAS 138). Penton is required to adopt this statement effective January 1, 2000. Even though Penton has entered into interest rate cap, collar and swap agreements, management does not believe that these statements, when adopted, will have a material impact on Penton's business, results of operations or financial condition.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." SAB 101 provided guidance on applying existing generally accepted accounting principles to revenue recognition issues in financial statements. The Company adopted SAB 101 during the fourth quarter of 2000. The adoption of SAB 101 did not have a material effect on the Company.

EURO CONVERSION

On January 1, 1999, 11 of the 15 participating countries that are members of the European Union established a new uniform currency known as the euro. The currency existing prior to such date in the participating countries will be phased out during the transition period commencing January 1, 1999, and ending January 1, 2002. During this transition period, both the euro and the existing currency will be available in the participating countries. Although Penton generates revenues in some of the participating countries, management does not anticipate that the introduction and use of the euro will materially affect Penton's business, results of operations or financial condition.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Market risk is the potential loss arising from adverse changes in market rates and prices, such as foreign currency exchange and interest rates. Penton does not enter into derivatives or other financial instruments for trading or speculative purposes.

In the normal course of business, Penton manages fluctuations in interest rates through interest rate derivative agreements and, at a minimum, hedges 50% of the current outstanding term loans maintained as floating rate borrowings. Penton's objective in managing this exposure is to reduce fluctuations in earnings and cash flows associated with changes in interest rates. See Note 8 -- Fair Value of Financial Instruments.

Penton maintains assets and operations in Europe and Asia, and as a result, may be exposed to cost increases relative to the markets in which it sells. For 2000, a hypothetical 10% strengthening of the U.S. dollar relative to the currencies of foreign countries in which Penton operates created only an immaterial impact on its financial results.

PENTON MEDIA, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULE

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA.

Edgar Filing: PENTON MEDIA INC - Form 10-K

FINANCIAL STATEMENTS:

Report of Independent Accountants.....	28
Consolidated Balance Sheets at December 31, 2000 and 1999...	29
Consolidated Statements of Income for the Years Ended December 31, 2000, 1999 and 1998.....	31
Consolidated Statements of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998.....	32
Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2000, 1999 and 1998.....	33
Notes to Consolidated Financial Statements.....	34

FINANCIAL STATEMENT SCHEDULE:

Consolidated Financial Statement Schedule II -- Valuation and Qualifying Accounts.....	57
-------------------------------------------------------------------------------------------	----

All other schedules have been omitted because the required information is not present, or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements or notes thereto.

27

28

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Penton Media, Inc.

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Penton Media, Inc. (formerly Penton Publishing, Inc. and, prior to August 7, 1998, a wholly owned subsidiary of Pittway Corporation) and its subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers, LLP

Cleveland, Ohio
February 7, 2001

28

29

Edgar Filing: PENTON MEDIA INC - Form 10-K

PENTON MEDIA, INC.

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,	
	2000	1999
	(DOLLARS IN THOUSANDS)	
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 11,605	\$ 30,370
Accounts and notes receivable, less allowance for doubtful accounts of \$3,863 and \$3,958, respectively.....	70,059	40,199
Inventories.....	798	818
Deferred tax assets.....	5,562	--
Prepayments, deposits and other.....	11,763	7,583
Net investment in discontinued operations.....	--	4,228
	99,787	83,198
Property, plant and equipment, at cost:		
Land, buildings and improvements.....	8,205	3,730
Machinery and equipment.....	63,998	41,608
	72,203	45,338
Less: accumulated depreciation.....	36,706	30,252
	35,497	15,086
Other assets:		
Goodwill, less accumulated amortization of \$49,142 and \$27,399 in 2000 and 1999, respectively.....	574,626	411,173
Other intangibles, less accumulated amortization of \$14,901 and \$9,541 in 2000 and 1999, respectively.....	54,122	40,063
Investments.....	17,725	259,859
	646,473	711,095
	\$781,757	\$809,379
	\$781,757	\$809,379

29

30

PENTON MEDIA, INC.

CONSOLIDATED BALANCE SHEETS -- (CONTINUED)

	DECEMBER 31,	
	2000	1999
	(DOLLARS IN THOUSANDS)	
LIABILITIES AND SHAREHOLDERS' EQUITY		

Edgar Filing: PENTON MEDIA INC - Form 10-K

Current liabilities:		
Senior debt facility.....	\$ 11,250	\$ 3,875
Accounts payable.....	12,054	6,397
Income taxes payable.....	3,260	10,172
Accrued earnouts.....	14,704	7,447
Accrued compensation and benefits.....	18,485	8,599
Other accrued expenses.....	15,024	11,426
Deferred tax liability.....	--	39,634
Unearned income, principally trade show and conference deposits.....	55,772	30,214
	-----	-----
Total current liabilities.....	130,549	117,764
	-----	-----
Long-term liabilities and deferred credits:		
Revolving credit facility.....	91,000	--
Senior debt facility.....	199,875	211,125
Net deferred pension credits.....	15,395	16,269
Deferred taxes.....	5,978	60,887
Other.....	2,391	733
	-----	-----
	314,639	289,014
	-----	-----
Shareholders' equity:		
Preferred stock, 2,000,000 shares authorized; none issued.....	--	--
Common stock, \$0.01 par value, 60,000,000 shares authorized; 31,836,316 and 31,325,896 shares issued and outstanding at December 31, 2000, and 1999, respectively.....	318	313
Notes receivable officers/directors.....	(10,207)	--
Capital in excess of par value.....	226,446	214,551
Retained earnings.....	112,745	36,970
Accumulated other comprehensive income.....	7,267	150,767
	-----	-----
	336,569	402,601
	-----	-----
	\$781,757	\$809,379
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

30

31

PENTON MEDIA, INC.

CONSOLIDATED STATEMENTS OF INCOME

	FOR THE YEARS ENDED DECEMBER 31,		
	2000	1999	1998
	(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)		
Revenues.....	\$404,571	\$300,824	\$207,682
	-----	-----	-----
Operating expenses:			
Editorial, production and circulation.....	147,012	116,924	86,091

Edgar Filing: PENTON MEDIA INC - Form 10-K

Selling, general and administrative.....	166,271	116,592	87,582
Impairment of Internet assets.....	2,095	--	--
Impairment of other assets.....	1,051	--	--
Depreciation and amortization.....	33,431	27,918	7,791
	-----	-----	-----
	349,860	261,434	181,464
	-----	-----	-----
Operating income.....	54,711	39,390	26,218
Other income (expense):			
Interest expense, net of interest earned.....	(14,133)	(21,131)	(5,545)
Gain on sale of investments.....	110,210	5,906	--
Writedown of Internet investments.....	(9,490)	--	--
Miscellaneous, net.....	(64)	(170)	(45)
	-----	-----	-----
	86,523	(15,395)	(5,590)
	-----	-----	-----
Income from continuing operations before income taxes.....	141,234	23,995	20,628
Provision for income taxes.....	61,559	16,065	9,442
	-----	-----	-----
Income from continuing operations.....	79,675	7,930	11,186
Discontinued operations:			
Income (loss) from discontinued operations (less applicable income taxes (benefit) of \$34, and \$(199) in 1999 and 1998, respectively).....	--	33	(296)
Gain (loss) on sale of discontinued operations, including provision of \$60 in 1999 for operating losses during phaseout period (less applicable income taxes (benefit) of \$(57) and \$5,771, in 2000 and 1999, respectively).....	(85)	8,660	--
	-----	-----	-----
	(85)	8,693	(296)
Income before extraordinary item.....	79,590	16,623	10,890
Extraordinary item -- early extinguishment of debt (net of income taxes of \$5,600).....	--	(8,413)	--
	-----	-----	-----
Net income.....	\$ 79,590	\$ 8,210	\$ 10,890
	=====	=====	=====
Earnings per common share -- basic:			
Income from continuing operations.....	\$ 2.51	\$ 0.28	\$ 0.51
Discontinued operations.....	--	0.31	(0.01)
Extraordinary item.....	--	(0.30)	--
	-----	-----	-----
Net income.....	\$ 2.51	\$ 0.29	\$ 0.50
	=====	=====	=====
Earnings per common share -- diluted:			
Income from continuing operations.....	\$ 2.49	\$ 0.28	\$ 0.51
Discontinued operations.....	--	0.31	(0.01)
Extraordinary item.....	--	(0.30)	--
	-----	-----	-----
Net income.....	\$ 2.49	\$ 0.29	\$ 0.50
	=====	=====	=====
Weighted average number of shares outstanding:			
Basic.....	31,730	28,108	21,882
	=====	=====	=====
Diluted.....	32,010	28,209	21,882
	=====	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

Edgar Filing: PENTON MEDIA INC - Form 10-K

PENTON MEDIA, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31,		
	2000	1999	1998
	(DOLLARS IN THOUSANDS)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income.....	\$ 79,590	\$ 8,210	\$ 10,890
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	33,431	27,918	7,791
Gain on sale of investments.....	(110,210)	(5,906)	--
Loss (gain) from discontinued operations.....	85	(8,693)	296
Extraordinary loss on extinguishment of debt.....	--	8,413	--
Deferred income taxes.....	(4,379)	(363)	(5,093)
Retirement and deferred compensation plans.....	(875)	(1,182)	(1,584)
Provision for losses on accounts receivable.....	1,714	943	282
Impairment of assets.....	1,051	--	--
Impairment of Internet assets.....	2,095	--	--
Writedown of Internet investments.....	9,490	--	--
Changes in assets and liabilities, excluding effects from acquisitions and dispositions:			
Accounts and notes receivable.....	(22,817)	(3,470)	(1,960)
Inventories.....	403	(389)	284
Prepayments and deposits.....	1,295	869	(1,481)
Accounts payable and accrued expenses.....	7,531	(5,444)	10,170
Unearned income.....	12,894	12,325	2,421
Other changes, net.....	(2,058)	1,126	3,733
	9,240	34,357	25,749
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures.....	(27,272)	(5,884)	(5,775)
Acquisitions and investments, net of cash acquired.....	(200,996)	(57,415)	(283,382)
Proceeds from sale of internet.com stock and interests....	113,100	6,640	18,000
Net proceeds from sale of discontinued operations.....	4,000	28,889	--
	(111,168)	(27,770)	(271,157)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from \$325 million senior debt facility.....	--	24,500	306,000
Repayment of \$325 million senior debt facility.....	--	(330,500)	--
Proceeds from \$340 million senior debt facility.....	91,000	235,000	--
Repayment of \$340 million senior debt facility.....	(3,875)	(20,000)	--
Payment of notes payable.....	--	(1,000)	(38,066)
Payment of financing costs.....	(283)	(3,461)	(14,754)
Advances to parent company.....	--	--	(4,820)
Proceeds from equity offering, net.....	--	118,416	--
Employee stock purchase plan.....	(209)	--	--
Proceeds from deferred shares and options exercised.....	473	170	--
Dividends paid.....	(3,800)	(3,246)	(1,367)
	83,306	19,879	246,993
Effect of exchange rate changes on cash.....	(143)	(49)	(51)

Edgar Filing: PENTON MEDIA INC - Form 10-K

Net increase (decrease) in cash and equivalents....	(18,765)	26,417	1,534
Cash and equivalents at beginning of period.....	30,370	3,953	2,419
Cash and equivalents at end of period.....	\$ 11,605	\$ 30,370	\$ 3,953

The accompanying notes are an integral part of these consolidated financial statements.

32

33

PENTON MEDIA, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	PREFERRED SHARES	COMMON SHARES	COMMON STOCK PAR VALUE	CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	NOTE RECEIV OFFICE DIRECT
(DOLLARS IN THOUSANDS)						
Balance at December 31, 1997.....	--	21,240	\$212	\$ 29,630	\$ 39,771	
Comprehensive income:						
Net income.....	--	--	--	--	10,890	
Other comprehensive income:						
Foreign currency translation adjustments.....	--	--	--	--	--	
Comprehensive income.....	--	--	--	--	--	
Dividends.....	--	--	--	--	(1,367)	
Issuance of common stock:						
In connection with acquisitions.....	--	1,542	16	25,420	--	
Dividends to Pittway.....	--	--	--	--	(17,032)	
Balance at December 31, 1998.....	--	22,782	\$228	\$ 55,050	\$ 32,262	
Comprehensive income:						
Net income.....	--	--	--	--	8,210	
Other comprehensive income:						
Foreign currency translation adjustments.....	--	--	--	--	--	
Unrealized gain on securities reported at fair value.....	--	--	--	--	--	
Comprehensive income.....	--	--	--	--	--	
Dividends.....	--	--	--	--	(3,502)	
Issuance of common stock:						
Stock offering.....	--	6,430	64	118,352	--	
In connection with acquisitions.....	--	2,103	21	40,979	--	
Exercise of deferred shares and						

Edgar Filing: PENTON MEDIA INC - Form 10-K

stock options.....	--	11	--	170	--	
	-----	-----	----	-----	-----	-----
Balance at December 31, 1999.....	--	31,326	\$313	\$214,551	\$ 36,970	
	-----	-----	----	-----	-----	-----
Comprehensive income:						
Net Income.....	--	--	--	--	79,590	
Other comprehensive income:						
Unrealized loss on securities reported at fair value.....	--	--	--	--	--	
Reclassification adjustment for gain on securities.....	--	--	--	--	--	
Foreign currency translation adjustment.....	--	--	--	--	--	
Comprehensive income.....						
Dividends.....	--	--	--	--	(3,815)	
Issuance of common stock:						
Executive loan program.....	--	410	4	9,662	--	
Contingent shares.....	--	52	1	1,428	--	
Exercise of stock options.....	--	48	--	1,014	--	
Employee stock purchase plan.....	--	--	--	(209)	--	
Receivable from officers/directors.....	--	--	--	--	--	(10,000)
	-----	-----	----	-----	-----	-----
Balance at December 31, 2000.....	--	31,836	\$318	\$226,446	\$112,745	\$ (10,000)
	=====	=====	=====	=====	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

33

34

PENTON MEDIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 -- DESCRIPTION OF BUSINESS

Penton Media, Inc., ("Penton") is a leading diversified business-to-business media company that produces market focused magazines, Web sites, trade shows and conferences. Penton's integrated media portfolio serves the following market sectors: Internet/broadband; information technology; electronics; design/engineering; natural products; food/retail; government/compliance; leisure/hospitality; manufacturing; mechanical systems/construction; supply chain and aviation.

Prior to August 7, 1998, Penton was a wholly owned subsidiary of Pittway Corporation. On August 7, 1998, Pittway distributed 100% of Penton's common stock on a share-for-share basis to holders of Pittway stock.

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Penton and its subsidiaries. All significant intercompany accounts and transactions have been eliminated. All acquisitions have been accounted for under the purchase method of accounting and are included in the consolidated financial statements from their respective dates of acquisition. The consolidated financial statements also include the accounts of all companies more than 50% owned where

Edgar Filing: PENTON MEDIA INC - Form 10-K

the Company exercises control.

Investments in companies in which Penton has significant influence, but less than a controlling voting interest, are accounted for under the equity method. Investments in companies in which Penton does not have a controlling interest, or an ownership and voting interest so large as to exert significant influence, are accounted for at market value if the investments are publicly traded. Unrealized gain/(loss) on investments accounted for at market value are reported net-of-tax as a component of accumulated other comprehensive income(loss) until the investment is sold, at which time the realized gain/(loss) is included in earnings as the Company considers these investments to be available for sale. If the investment is not publicly traded, then the investment is accounted for at cost.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include primarily cash on hand and short-term investments. Short-term investments that have an original maturity of three months or less are considered cash equivalents. All investments in debt securities that have an original maturity of three months or less are considered to be held to maturity. Short-term securities are carried at amortized cost, which approximates fair value.

INVENTORIES

Inventories are stated at the lower of cost or market. Penton's inventory consists of paper stock, which is valued using the last-in, first-out (LIFO) method. The LIFO reserve balances are \$0.1 million and \$0.3 million at December 31, 2000, and 1999, respectively.

34

35

PENTON MEDIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost. Penton records depreciation using the straight-line method over the following estimated useful lives:

Computer equipment and software.....	3-5 years
Furniture, fixtures and equipment.....	3-10 years
Building.....	18-40 years
Leasehold improvements.....	Estimated useful lives or lease term, whichever is shorter

Depreciation expense amounted to approximately \$6.9 million, \$4.9 million and \$3.4 million for the years ended December 31, 2000, 1999 and 1998, respectively.

Edgar Filing: PENTON MEDIA INC - Form 10-K

Maintenance and repair expenditures are charged to appropriate expense accounts in the period incurred; replacements, renewals and betterments are capitalized. Upon sale or other disposition of property, the cost and accumulated depreciation of such properties are eliminated from the accounts, and the gains or losses thereon are reflected in operations.

INTANGIBLE ASSETS

Goodwill, trademarks and trade names identified in purchase transactions are amortized using the straight-line method over periods ranging from 15 to 40 years. Effective October 1, 1998, Penton changed its estimated useful life on goodwill associated with trade show acquisitions from 40 years to 20 years. The change decreased 1998 net income by \$0.3 million, or \$0.01 per share. The change was made to better reflect the estimated useful life of goodwill and to be consistent with prevalent industry practice.

Other intangibles developed internally or acquired in purchase transactions, consisting of non-compete agreements, customer mailing lists, exhibitor lists, patents and copyrights, are being amortized using the straight-line method over their estimated useful lives, ranging from 3 to 15 years.

Amortization expense amounted to approximately \$26.6 million, \$23.0 million and \$4.4 million for the years ended December 31, 2000, 1999 and 1998, respectively.

IMPAIRMENT OF LONG-LIVED ASSETS

The Company continually monitors events or changes in circumstances that could indicate that the carrying amount of long-lived assets, including goodwill and intangible assets, may not be recoverable. Long-lived assets held for use are reviewed for impairment by comparing estimated undiscounted cash flows over remaining useful lives to net book value. When impairment is indicated for a long-lived asset held for use, the amount of impairment loss is the excess of net book value over fair value. Assets to be disposed of are recorded at the lower of the carrying amount or fair value less cost of disposal. The Company evaluates the recoverability of goodwill by estimating the future discounted cash flows of the businesses to which the goodwill relates. At December 31, 2000, the Company recorded impairment charges related to certain assets, as discussed in Note 16.

DEFERRED FINANCING COSTS

Costs incurred in obtaining long-term financing are included in "Other intangibles" in the accompanying Consolidated Balance Sheets, and are amortized over the terms of the related indebtedness.

35

36

PENTON MEDIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

INTEREST RATE SWAP AGREEMENTS

Penton's interest rate swap agreements are designated and effective as modifications to existing debt obligations to reduce the impact of changes in the interest rates on its floating-rate borrowings and, accordingly, are accounted for using the settlement method of accounting. The differentials to be paid or received under the interest rate swap agreements are accrued as interest rates change and are recognized as adjustments to interest expense. Penton

Edgar Filing: PENTON MEDIA INC - Form 10-K

considers swap terms, including the reference rate, payment and maturity dates, and the notional amount, in determining if an interest rate swap agreement is effective at modifying an existing debt obligation. If the criteria for designation are no longer met or the underlying instrument matures or is extinguished, Penton accounts for outstanding swap agreements at fair market value, and any resulting gain or loss is recognized. Any gains or losses upon early termination of the agreements are deferred and amortized over the shorter of the remaining life of the hedged existing debt obligation or the original life of the interest rate swap agreement.

At December 31, 2000 and 1999, the effects of swap transactions were immaterial and recorded in interest expense. There were no swap agreements in effect at December 31, 1998.

REVENUE RECOGNITION

Advertising revenues from Penton's trade magazines are recognized in the month the publications are mailed. Amounts received in advance of trade shows and conferences are deferred until the month the events are held. As such, revenues from trade shows and conferences are recognized in the month the events are held. Web site revenues, which include primarily advertising revenues, are recognized on a straight-line basis over the contract term. Licensing revenues are recognized on a straight-line basis over the term of the license agreement.

ADVERTISING AND PROMOTION EXPENSES

Advertising and promotion costs are expensed as incurred. These costs amounted to \$26.1 million, \$18.2 million and \$12.4 million in 2000, 1999 and 1998, respectively.

INCOME TAXES

Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

TRANSLATION OF FOREIGN CURRENCIES

The functional currency of Penton's foreign operations is their local currency. Accordingly, assets and liabilities of foreign operations are translated to U.S. dollars at the rates of exchange at December 31, 2000, and 1999; income and expense are translated at the average rates of exchange prevailing during the applicable year. There were no significant foreign currency gains or losses in 2000, 1999 or 1998. The effects of translation are included in "Accumulated other comprehensive income" in shareholders' equity.

EARNINGS PER SHARE

Basic earnings per share are based upon the weighted-average number of common shares outstanding. Diluted earnings per share assumes the exercise of all options which are dilutive, whether exercisable or not.

Edgar Filing: PENTON MEDIA INC - Form 10-K

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NEW ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). Penton was required to adopt this statement in the first quarter of 2000. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities -- Deferral of the Effective Date of FASB Statement No. 133, an Amendment of FASB Statement No. 133" ("SFAS 137"). SFAS 137 deferred the effective date of adoption of SFAS 133 to all fiscal quarters of all fiscal years beginning after June 15, 2000. SFAS 133 was subsequently amended by SFAS 138 "Accounting for Certain Derivative and Certain Hedging Activities -- an Amendment of FASB Statement No 133" (SFAS 138). Penton is required to adopt this statement effective January 1, 2000. Even though Penton has entered into interest rate cap, collar and swap agreements, management does not believe that these statements, when adopted, will have a material impact on Penton's business, results of operations or financial condition.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." SAB 101 provided guidance on applying existing generally accepted accounting principles to revenue recognition issues in financial statements. The Company adopted SAB 101 during the fourth quarter of 2000. The adoption of SAB 101 did not have a material effect on the Company.

RECLASSIFICATIONS

Certain reclassifications have been made to the 1999 and 1998 financial statements to conform to the 2000 presentation.

NOTE 3 -- ACQUISITIONS

2000 ACQUISITIONS

In November 2000, Penton acquired the stock of Group Computing for \$0.2 million in cash. The excess of the aggregate purchase price over the fair market value of net assets acquired of approximately \$0.2 million is being amortized over 20 years. Group Computing serves Lotus professionals through its magazine and online resources.

In September 2000, Penton acquired the stock of Duke Communications International ("Duke") for \$100.0 million in cash plus contingent consideration of up to \$50 million based on the achievement of specified business targets through 2002. The excess of the aggregate purchase price over the fair market value of net assets acquired of approximately \$103.3 million is being amortized over periods ranging from 15 to 40 years. Duke is a leading integrated media company serving the Windows 2000 and AS/400 operating systems markets.

In September 2000, Penton acquired the assets of Professional Trade Shows ("PTS") for \$17.0 million in cash. The excess of the aggregate purchase price over the fair market value of net assets acquired of approximately \$16.1 million is being amortized over 20 years. PTS produces 50 regional trade shows for the plant engineering and maintenance, material handling, buildings and facilities maintenance, design engineering, and machine tool industries.

In September 2000, Penton acquired the stock of Streaming Media, Inc., for \$65.0 million in cash plus contingent consideration of up to \$35 million based on the achievement of specified business targets in 2001. The excess of the aggregate purchase price over the fair market value of net assets acquired of approximately \$62.9 million is being amortized over periods ranging from 15 to

Edgar Filing: PENTON MEDIA INC - Form 10-K

20 years. Streaming Media, Inc. is a leading integrated media company serving the streaming media market.

37

38

PENTON MEDIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

In July 2000, Penton acquired the stock of Meko Ltd. ("Meko") of Surrey, UK, for \$0.3 million in cash. The excess of the aggregate purchase price over the fair market value of net assets acquired of approximately \$0.3 million is being amortized over 20 years. Meko Ltd. is a provider of newsletters, comprehensive market studies, and custom information services for the European computer display market.

In July 2000, Penton acquired the assets of National Advisory Group ("NAG") for \$1.5 million in cash. The excess of the aggregate purchase price over the fair market value of net assets acquired of approximately \$1.4 million is being amortized over 20 years. NAG is a trade group serving the convenience store and petroleum marketing industry through its business development services and its conferences.

In May 2000, Penton purchased 50% of the outstanding stock of a German Corporation, ComMunic GmbH, which produces trade shows, conferences and business publications in Germany and its German speaking neighboring countries. ComMunic serves the Internet, telecommunications and other growing technology markets. Penton paid approximately \$1.4 million in cash with the potential for future contingent payments in 2000 and 2001 tied to future earnings. At December 31, 2000, Penton accrued contingent payments of approximately \$2.9 million.

In February 2000, Penton acquired the assets of Profit.Net, Inc. for \$0.4 million in cash and contingent payments of up to \$0.1 million in 2000. The excess of the aggregate purchase price over the fair market value of net assets acquired of approximately \$0.4 million is being amortized over 5 years. The assets of Profit.Net, Inc. include bakery-net.com, a Web site for the commercial baking market. At December 31, 2000, Penton accrued contingent payments of \$0.1 million.

1999 ACQUISITIONS

In December 1999, Penton completed the acquisition of the assets of Nutracon for \$3.1 million in cash. The excess of the aggregate purchase price over the fair market value of net assets acquired of approximately \$3.1 million is being amortized over 20 years. Nutracon is a conference serving the functional foods/ nutraceutical market.

In October 1999, Penton acquired all the outstanding stock of Stardust.com and simultaneously purchased the net assets of Stardust Technologies Inc. (collectively "Stardust"), for a combined purchase price of \$4.0 million in cash and future contingent payments of up to \$5.0 million tied to future earnings of Stardust through the year 2002. The excess of the aggregate purchase price over the fair market value of net assets acquired of approximately \$3.7 million is being amortized over 20 years. Stardust, through its Web portal site, conferences, forums and newsletters, facilitates collaboration among Internet technology standards bodies, technology product vendors and the IT user community to speed market adoption of next-generation Internet technologies. At December 31, 2000, Penton accrued contingent payments of approximately \$1.7 million.

In August 1999, Penton completed the asset acquisition of Multimedia Week for \$0.2 million in cash. Multimedia Week is a weekly publication that features

Edgar Filing: PENTON MEDIA INC - Form 10-K

IPOs and venture capital tracking, in-depth product and technology spotlights, information about new and emerging technologies, and market data.

In May 1999, Penton acquired substantially all of the assets of New Hope. In full consideration for the transfer of the assets, Penton agreed to pay a total purchase price of up to \$97.0 million for New Hope. The purchase price comprised \$41.0 million in cash and \$41.0 million (2,102,564 shares) in common stock which were paid and issued at the closing. New Hope is eligible to earn a contingent payment of up to \$15.0 million to be paid half in cash and half in common stock, based on New Hope's performance for the fiscal years 1999, 2000 and 2001. The excess of the aggregate purchase price over the fair market value of net assets acquired of approximately \$78.2 million is being amortized over periods ranging from 20 to 40 years. New Hope is a leading business media company serving the natural products industry through trade shows, conferences,

38

39

PENTON MEDIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

magazines and Web sites. At December 31, 2000 and 1999, Penton accrued contingent payments of approximately \$10.1 million and \$2.3 million, respectively. The 2000 contingent payment was paid all in cash.

In May 1999, Penton completed the acquisition of Jon Peddie Associates for \$1.3 million in cash and contingent payments of up to \$3.0 million tied to future earnings of Jon Peddie through the year 2001. The excess of the aggregate purchase price over the fair market value of net assets acquired of approximately \$1.0 million is being amortized over 40 years. At December 31, 1999, Penton accrued \$1.0 million for the 1999 contingent payout. No amounts were accrued for 2000. Jon Peddie is an information company that conducts research, publishes market studies and special reports, and provides consulting services to the electronics, semiconductor and digital media industries.

In February 1999, Penton acquired the assets of MFG Publishing, Inc. for a total purchase price of up to \$2.5 million, of which \$0.8 million was paid in cash and the remaining \$1.7 million is contingent upon earnings through the year 2001. The excess of the aggregate purchase price over the fair market value of net assets acquired of approximately \$0.6 million is being amortized over 40 years. MFG provides information to the enterprise resource planning segment of the manufacturing technology industry.

1998 ACQUISITIONS

In November 1998, Penton completed a cash tender offer for all the outstanding shares of Mecklermedia Corporation ("Mecklermedia"). Each Mecklermedia shareholder received \$29.00 in cash for each share of common stock held. The total value of the transaction was \$273.8 million, funded with the net proceeds from Penton's credit facility. Simultaneous with the completed transaction, Penton sold an 80.1% equity interest in internet.com Corporation to Alan M. Meckler for \$18.0 million (see Note 6) and renamed Mecklermedia Internet World Media, Inc ("IWM"). The excess of the aggregate purchase price over the fair market value of net assets acquired of approximately \$244.0 million is being amortized over periods ranging from 20 to 40 years. Penton increased its goodwill by \$1.5 million in 1999 as a result of resolving certain contingencies existing at the date of acquisition. IWM is a business media company serving the Internet market through publications, trade shows and conferences, and Web sites.

In August 1998, Penton completed the acquisition of DM Publishing for \$7.0 million in cash, 1,541,638 shares of Penton common stock and an additional \$3.0

Edgar Filing: PENTON MEDIA INC - Form 10-K

million in cash based on DM Publishing's pre-tax income for the years 1998 and 1999. The excess of the aggregate purchase price over the fair market value of net assets acquired of approximately \$31.3 million is being amortized over 40 years.

NOTE 4 -- DISCONTINUED OPERATIONS

During the first quarter of 2000, Penton completed the sale of the net assets of its Direct Mail segment for \$4.0 million in cash. An additional operating loss through the date of sale of \$0.08 million, net of a tax benefit of \$0.06 million, was recorded and classified as loss on sale of discontinued operations in the accompanying financial statements for the year ended December 31, 2000. This was in addition to the \$0.06 million that was accrued in 1999.

39

40

PENTON MEDIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Operating results for the discontinued Direct Mail segment for 1999 and 1998 are as follows (in thousands):

	YEARS ENDED DECEMBER 31,	
	1999	1998
Revenues.....	\$12,199	\$13,779
Loss before income tax benefit.....	(464)	(1,316)
Benefit for income taxes.....	(186)	(527)
Loss from discontinued operations.....	\$ (278)	\$ (789)
	=====	=====

On November 30, 1999, Penton sold its Printing segment, realizing cash proceeds of \$31.0 million. The sale resulted in a gain of \$9.3 million, net of \$6.2 million in income taxes. Operating results of the discontinued Printing segment for 1999 and 1998 are as follows (in thousands):

	YEARS ENDED DECEMBER 31,	
	1999	1998
Revenues.....	\$10,424	\$11,657
Income before income tax expense.....	531	821
Provision for income taxes.....	220	328
Income from discontinued operations.....	\$ 311	\$ 493
	=====	=====

NOTE 5 -- PRO FORMA FINANCIAL INFORMATION (UNAUDITED)

Edgar Filing: PENTON MEDIA INC - Form 10-K

The following unaudited pro forma financial information for the years ended December 31, 2000 and 1999, assumes that the 1999 and 2000 acquisitions occurred as of the beginning of the respective periods, after giving effect to certain adjustments, including the amortization of intangible assets, interest expense on acquisition debt, offering proceeds used directly for acquisitions and related income tax effects. The pro forma information excludes the effects of synergies and cost reduction initiatives directly related to all acquisitions. These actions have already commenced and are expected to continue in the year 2001.

40

41

PENTON MEDIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The pro forma information is presented for information purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had these transactions been consummated at the beginning of the period presented (in thousands, except per share data):

	YEARS ENDED DECEMBER 31,	
	2000	1999
	-----	-----
Pro forma revenues.....	\$449,366	\$376,205
	=====	=====
Pro forma income (loss) from continuing operations.....	\$ 72,710	\$ (1,093)
	=====	=====
Pro forma net income (loss) applicable to common shareholders.....	\$ 72,625	\$ (813)
	=====	=====
Per share data:		
Earnings per common share -- basic:		
Income (loss) from continuing operations.....	\$ 2.29	\$ (0.04)
Discontinued operations.....	--	0.31
Extraordinary item.....	--	(0.30)
	-----	-----
Net income (loss).....	\$ 2.29	\$ (0.03)
	=====	=====
Earnings per common share -- diluted:		
Income (loss) from continuing operations.....	\$ 2.27	\$ (0.04)
Discontinued operations.....	--	0.31
Extraordinary item.....	--	(0.30)
	-----	-----
Net income (loss).....	\$ 2.27	\$ (0.03)
	=====	=====

The pro forma information above does not include the operations of Jon Peddie and Multimedia Week, which were acquired in 1999, and Profit.Net, Inc. and ComMunic, which were acquired in 2000, as the historical information is immaterial.

NOTE 6 -- INVESTMENTS

In November 1998, Penton entered into a joint venture agreement with Mr. Meckler, formerly associated with Mecklermedia, with respect to internet.com, LLC. As part of the acquisition of Mecklermedia, Penton sold 80.1% of its

Edgar Filing: PENTON MEDIA INC - Form 10-K

interest in internet.com, LLC to Mr. Meckler; other ownership interests were contributed to internet.com, LLC management such that Penton's ownership interest decreased to 19.0%. In April and June 1999, Penton contributed \$0.4 million in cash and exercised a warrant for \$3.0 million in cash, respectively, increasing its ownership interest from 19.0% to 27.4%.

In June 1999, internet.com, LLC converted into a corporation and completed its initial public offering at \$14.00 per share. At that time, Penton received 5,483,383 shares in exchange for its interest in internet.com, LLC, retaining a 23.4% ownership interest. In July 1999, Penton sold 510,000 shares of internet.com Corporation stock as part of internet.com Corporation's initial public offering over-allotment option, which reduced Penton's ownership interest to 21.25%. Penton received cash of \$6.6 million, net of expenses, and recognized a gain of \$5.9 million. In February 2000, Penton sold 2.0 million shares of internet.com Corporation stock as part of a 3.75 million-share offering. Penton received cash of \$113.1 million and recognized a pre-tax gain of approximately \$110.2 million. At December 31, 2000, Penton maintains an 11.8% ownership interest, representing approximately 3.0 million shares, in internet.com Corporation.

Prior to the sale of its shares in February 2000, Penton did not have significant influence over the operating affairs of internet.com Corporation and intended for its investment to be temporary; accordingly, Penton marked to market its investment in internet.com Corporation and continues to mark its investment to market as it is an available for sale security. At December 31, 2000, the fair market value of Penton's

41

42

PENTON MEDIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

investment totaled \$17.7 million, including a cumulative mark to market adjustment of \$13.4 million and related adjustment in long-term deferred taxes of \$5.3 million and other comprehensive income of \$8.0 million.

NOTE 7 -- DEBT

SENIOR SECURED CREDIT FACILITY

Penton maintains a credit agreement with several banks under which it may borrow up to \$340.0 million. The agreement provides for a revolving credit facility of up to \$125.0 million, a long-term loan of \$140.0 million ("Term Loan A") and a long-term loan of \$75.0 million ("Term Loan B").

The credit facility is collateralized by all tangible and intangible assets of Penton, including the equity interests in all of its U.S. subsidiaries and not less than 65% of the equity interests of any of its foreign subsidiaries. Under the terms of the agreement, Penton is required to maintain certain financial ratios and other financial conditions. The agreement also prohibits Penton from incurring certain additional indebtedness; limits certain investments, advances or loans; and restricts substantial asset sales and cash dividends. At December 31, 2000, Penton was in compliance with all loan covenants.

In October 2000, Penton amended its Credit Agreement to give the Company the option to increase, in the aggregate, its Term Loan A, Term Loan B and/or its Revolver by \$100.0 million. The Term Loans and the Revolver cannot be increased on more than three separate occasions and any increase must take place by September 30, 2001.

Edgar Filing: PENTON MEDIA INC - Form 10-K

In April 2000, Penton amended its Credit Agreement to give the Company the flexibility to sell assets of up to \$30.0 million and the ability to monetize the Company's joint venture investments.

The revolving credit facility bears interest, at Penton's option, at either the Alternative Base Rate ("ABR"), defined as the higher of the Administrative Agent's Prime Rate or the Federal Funds Rate plus 0.50%, or at LIBOR, plus a rate margin ranging from 0.25% to 2.125% based on Penton's consolidated leverage ratio, as defined. Up to the full amount of the revolving credit facility may be borrowed, repaid and reborrowed until maturity on August 31, 2006; however, the revolving credit facility commitment shall be reduced as of September 30, 2003, by 7.5% per quarter until September 30, 2005, at which time it will be reduced by 10% per quarter until maturity. At December 31, 2000, \$91.0 million was outstanding under the revolving credit facility. Penton has agreed to pay a commitment fee ranging from 0.375% to 0.50%, based on Penton's consolidated leverage ratio, on the average unused portion of the revolving credit facility commitment.

Term Loan A bears interest, at Penton's option, at either the ABR rate or at LIBOR, plus a rate margin ranging from 0.25% to 2.125%, based on Penton's consolidated leverage ratio. Interest on ABR loans is payable quarterly in arrears, while interest on LIBOR loans is payable in arrears at the end of each applicable interest period not to exceed three months. At December 31, 2000, the rate in effect was 7.9375%. The loan, which requires quarterly principal payments starting in September 2000, will mature on August 31, 2006. At December 31, 2000, \$136.5 million was outstanding under Term Loan A.

Term Loan B bears interest, at Penton's option, at either the ABR rate or at LIBOR, plus a rate margin ranging from 0.5% to 2.50%, based on Penton's consolidated leverage ratio. Interest on ABR loans is payable quarterly in arrears, while interest on LIBOR loans is payable in arrears at the end of each applicable interest period not to exceed three months. At December 31, 2000, the rate in effect was 8.4375%. The loan requires quarterly principal payments of approximately \$0.2 million starting in September 2000, and four balloon payments of \$17.6 million beginning in September 2006, and will mature on August 31, 2007. At December 31, 2000, \$74.6 million was outstanding under Term Loan B.

42

43

PENTON MEDIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

As of December 31, 2000, the scheduled principal payments of the Term A and B loans for the next five years and thereafter are as follows (in thousands):

YEAR	AMOUNT
----	-----
2001.....	\$ 11,250
2002.....	18,250
2003.....	25,250
2004.....	32,250
2005.....	35,750
Thereafter.....	88,375

	\$211,125
	=====

Edgar Filing: PENTON MEDIA INC - Form 10-K

In the third quarter of 1999, Penton recognized a non-cash extraordinary charge of approximately \$6.3 million (\$0.20 per share), net of \$4.2 million in taxes, relating to the write-off of unamortized deferred finance costs associated with the former credit facility. In May 1999, Penton recognized a non-cash extraordinary charge of approximately \$2.1 million (\$0.08 per share), net of approximately \$1.4 million in taxes, for the write-off of unamortized deferred finance costs upon the extinguishment of part of the outstanding former senior debt with the proceeds from the 6.5 million share common stock offering completed in May 1999.

The Credit Agreement requires Penton to hedge not less than 50% of the term loans outstanding for a period of at least three years (see Note 8).

Cash paid for interest for 2000, 1999 and 1998, was \$19.5 million, \$19.9 million and \$5.5 million, respectively. Included in interest expense in the Consolidated Statements of Income are \$3.6 million, \$0.9 million and \$0.01 million of interest income for 2000, 1999 and 1998, respectively.

NOTE 8 -- FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, accounts and notes receivable, accounts payable and accrued expenses approximate fair value due to the short maturity of these instruments. The fair values of certain investments are determined using quoted market prices for those securities. The carrying amount of long-term debt approximates fair value, as the effective rates for these instruments are comparable to market rates at year-end.

At December 31, 2000, Penton had the following interest rate instruments in effect that provide protection on the three-month LIBOR rate upon which Penton's variable-rate term loans are based (actual rate paid is LIBOR plus the respective margin) (in thousands):

	NOTIONAL AMOUNT	RATE	PERIOD
	-----	----	-----
Interest rate swap.....	\$26,875	6.22%	1/00-10/02
Interest rate swap.....	\$35,832	6.77%	5/00-11/02
Interest rate swap.....	\$25,000	7.09%	6/00-12/01
Interest rate swap.....	\$17,916	5.95%	9/99-10/02
Interest rate cap.....	\$26,875	8.50%	10/99-10/02
Interest rate cap.....	\$28,500	8.50%	2/99-2/01

At December 31, 2000 and 1999, the interest rate instruments, had fair values of \$(1.2) million and \$0.4 million, respectively. The Company is exposed to credit loss in the event of non-performance by the other parties to the interest rate swap agreements. However, the Company does not anticipate non-performance by the counter-parties as they are major financial institutions. The Company controls the credit risk of its interest rate swap agreements through credit approvals, limits and monitoring procedures.

Edgar Filing: PENTON MEDIA INC - Form 10-K

The source of income (loss) on continuing operations before income tax expense consists of (in thousands):

	2000	1999	1998
	-----	-----	-----
U.S. domestic.....	\$135,164	\$23,021	\$20,359
Foreign.....	6,070	974	269
	-----	-----	-----
	\$141,234	\$23,995	\$20,628
	=====	=====	=====

The provision for income taxes (benefits) on continuing operations in the consolidated statements of income is as follows (in thousands):

	2000	1999	1998
	-----	-----	-----
Current --			
Federal.....	\$51,052	\$12,797	\$11,379
State and local.....	12,828	2,837	2,423
Foreign.....	2,058	794	733
	-----	-----	-----
	65,938	16,428	14,535
	-----	-----	-----
Deferred --			
Federal.....	(3,814)	(301)	(4,348)
State and local.....	(565)	(62)	(816)
Foreign.....	--	--	71
	-----	-----	-----
	(4,379)	(363)	(5,093)
	-----	-----	-----
	\$61,559	\$16,065	\$ 9,442
	=====	=====	=====

The consolidated provision for income taxes comprises the following (in thousands):

	2000	1999	1998
	-----	-----	-----
Provision for income taxes from continuing operations:.....	\$61,559	\$16,065	\$9,442
Provision for income taxes (benefit) from discontinued operations:.....	(57)	5,805	(199)
Provision for income (benefit) from extraordinary item:.....	--	(5,600)	--
	-----	-----	-----
Consolidated tax provision.....	\$61,502	\$16,270	\$9,243
	=====	=====	=====

The difference between the actual income tax provision on continuing operations and the tax provision computed by applying the statutory federal

Edgar Filing: PENTON MEDIA INC - Form 10-K

income tax rate of 35% to income before income taxes is as follows (in thousands):

	2000 -----	1999 -----	1998 -----
Income tax at statutory rate.....	\$49,432	\$ 8,398	\$7,220
Tax effect of:			
State income taxes, net of federal benefit.....	7,766	1,804	1,049
Non-deductible goodwill.....	5,104	4,830	--
Non-deductible expenses.....	259	548	1,173
Other items, net.....	(1,002)	485	--
	-----	-----	-----
Actual income tax provision.....	\$61,559	\$16,065	\$9,442
	=====	=====	=====
Effective income tax rate.....	43.6%	67.0%	45.8%
	=====	=====	=====

44

45

PENTON MEDIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The components of deferred tax assets and liabilities at December 31, 2000, 1999 and 1998 is as follows (in thousands):

	2000 -----	1999 -----	1998 -----
Deferred tax assets --			
Deferred pension credits.....	\$ 6,100	\$ 6,532	\$ 7,087
Accrued vacation.....	889	989	1,335
Bad debts.....	1,963	1,551	2,541
Reserves recorded for financial reporting purposes.....	3,420	2,107	1,735
Inventory capitalization.....	270	158	164
Investment writedown.....	3,821	--	--
Branch net operating losses.....	1,133	452	--
Other.....	13	30	379
	-----	-----	-----
Total deferred tax assets.....	17,609	11,819	13,241
	-----	-----	-----
Deferred tax liabilities --			
Mark to market adjustment for securities.....	(5,340)	(101,070)	--
Depreciation.....	(896)	(1,366)	(3,312)
Amortization.....	(10,265)	(9,209)	(9,249)
Trade show expenses.....	(954)	(668)	(196)
Other.....	(570)	(27)	--
	-----	-----	-----
Total deferred tax liabilities....	(18,025)	(112,340)	(12,757)
	-----	-----	-----
Net deferred tax asset (liability).....	\$ (416)	\$ (100,521)	\$ 484
	=====	=====	=====

Edgar Filing: PENTON MEDIA INC - Form 10-K

These balances are allocated between "Current assets" and "Long-term liabilities" in the accompanying Consolidated Balance Sheets.

The net change from the net deferred liability as of December 31, 2000, and the net deferred liability as of December 31, 1999, is primarily the result of the mark to market adjustment for investments, with such change having a balance sheet impact only.

For 2000, 1999, and 1998, cash paid for income taxes was \$71.6 million, \$13.9 million and \$10.0 million, respectively.

NOTE 10 -- EMPLOYEE BENEFIT PLANS

RETIREMENT PLAN

Penton has various non-contributory retirement plans covering substantially all current and former domestic employees. Retirement benefits for employees in foreign countries generally are provided by national statutory programs. Benefits for domestic employees are based on years of service and annual compensation as defined by each plan.

45

46

PENTON MEDIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following table sets forth the funded status of the plan and amounts recognized in the Consolidated Balance Sheets (in thousands):

	2000 -----	1999 -----
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation, January 1.....	\$ 37,433	\$ 42,370
Service cost.....	1,889	2,107
Interest cost.....	3,089	2,666
Benefits paid.....	(5,236)	(2,947)
Actuarial (gain) loss.....	3,555	(6,099)
Plan amendments.....	604	91
Curtailments.....	--	(755)
	-----	-----
Benefit obligation, December 31.....	\$ 41,334	\$ 37,433
	=====	=====
CHANGE IN PLAN ASSETS		
Fair value of plan assets, January 1.....	\$ 40,908	\$ 37,800
Actual return on plan assets.....	10,100	6,055
Benefits paid.....	(5,236)	(2,947)
	-----	-----
Fair value of plan assets, December 31.....	\$ 45,772	\$ 40,908
	=====	=====
FUNDED STATUS OF THE PLAN		
Projected benefit obligation (in excess of) less than fair value of assets, December 31.....	\$ 4,503	\$ 3,475
Unrecognized actuarial gain.....	(20,795)	(19,926)
Unrecognized prior service cost.....	897	1,022
Unrecognized net transition asset.....	--	(840)
	-----	-----
Net deferred pension credits.....	\$ (15,395)	\$ (16,269)
	=====	=====

Edgar Filing: PENTON MEDIA INC - Form 10-K

AMOUNTS RECOGNIZED IN THE CONSOLIDATED BALANCE SHEETS

Accrued benefit cost.....	\$ (15,395)	\$ (16,269)
Additional minimum liability.....	(297)	--
Intangible assets.....	297	--
	-----	-----
Net amount recognized, December 31.....	\$ (15,395)	\$ (16,269)
	=====	=====

ASSUMPTIONS AS OF DECEMBER 31

Discount rate		
Pre-Retirement.....	7.50%	8.00%
Post-Retirement.....	6.50%	7.00%
Expected return on plan assets.....	9.00%	9.00%
Weighted-average salary increase rate.....	5.00%	5.00%

46

47

PENTON MEDIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following table summarizes the components of pension expense for the years ended December 31, (in thousands, except for percentages):

	2000	1999	1998
	-----	-----	-----
NET PERIODIC COST			
Service cost.....	\$ 1,889	\$ 2,107	\$ 1,684
Interest cost.....	3,089	2,666	2,488
Expected return on assets.....	(3,737)	(3,782)	(3,065)
Amortization of:			
Transition asset.....	(840)	(841)	(841)
Prior service cost.....	169	346	357
Actuarial (gain) loss.....	(1,445)	(1,678)	(2,207)
	-----	-----	-----
Net pension expense (income).....	\$ (875)	\$ (1,182)	\$ (1,584)
	-----	-----	-----
Related to Printing segment:			
Cost of special termination benefits.....	--	91	--
Curtailement gain.....	--	(647)	--
	-----	-----	-----
Total net periodic pension cost			
(benefit).....	\$ (875)	\$ (1,738)	\$ (1,584)
	=====	=====	=====
ASSUMPTIONS AS TO PERIODIC PENSION COST			
Discount rate			
Pre-Retirement.....	8.00%	7.75%	7.00%
Post-Retirement.....	7.00%	6.75%	7.00%
Expected return on plan assets.....	9.00%	9.00%	7.00%
Weighted-average salary increase rate.....	5.00%	5.00%	5.00%

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

In February 2000, the Board of Directors approved the addition of 10 key employees to participate in Penton's supplemental executive retirement plan ("SERP") in addition to the two executives already participating in the plan. The projected benefit obligation and accumulated benefit obligation, for the SERP plan, which has an accumulated benefit obligation in excess of plan assets,

Edgar Filing: PENTON MEDIA INC - Form 10-K

were \$0.8 million and \$0.5 million, respectively, as of December 31, 2000. Amounts in 1999 were immaterial. The SERP plan is an unfunded, non-qualified plan, and hence has no plan assets.

401(K) PLAN

Effective September 1, 1998, the Company adopted the Penton Media, Inc. Retirement Savings Plan (the "401(k) Plan") covering substantially all domestic officers and employees. The 401(k) Plan permits participants to defer up to a maximum of 15% of their compensation. Penton matches 50% of the employee's contributions up to a maximum of 6% of the employee's annual compensation. The employee's contribution and Penton's matching contribution vest immediately. Penton's contributions to the 401(k) Plan for the years ended December 31, 2000, 1999, and 1998 were \$1.7 million, \$1.5 million and \$0.4 million, respectively.

NOTE 11 -- COMMITMENTS AND CONTINGENCIES

Penton leases certain office space and equipment under non-cancelable operating leases. Some of the leases contain renewal options, and certain equipment leases include options to purchase during or at the end of the lease term. Following is a schedule of approximate annual future minimum rental payments required

47

48

PENTON MEDIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2000 (in thousands):

YEARS ENDING
DECEMBER 31,

2001.....	\$ 8,257	
2002.....	7,544	
2003.....	6,731	
2004.....	5,992	
2005.....	5,549	
Thereafter.....	19,801	

	\$53,874	
	=====	

On January 5, 2000, Penton signed a 10-year lease agreement to relocate its corporate headquarters. The lease begins on December 1, 2000, with annual minimum rental payments for 2001, 2002, 2003, 2004 and thereafter of \$2.5 million, \$2.6 million, \$2.6 million, \$2.6 million and \$16.6 million, respectively. The lease provides that Penton pay taxes, maintenance, insurance and certain other operating expenses applicable to the premises. Penton has an option to extend this lease for two terms of five years each.

Future minimum lease payments under capital leases are as follows (in thousands):

Edgar Filing: PENTON MEDIA INC - Form 10-K

YEARS ENDING
DECEMBER 31,

2001.....	\$101
2002.....	57
2003 and Thereafter.....	17
Less: amount representing interest.....	(17)

Present value of net minimum lease payments.....	158
Less: current portion.....	(73)

Long-term obligations (included in other long-term liabilities).....	\$ 85
	=====

For the years ended December 31, 2000, 1999, and 1998, the total rent expense (including taxes, insurance and maintenance when included in the rent) incurred by Penton was approximately \$8.4 million, \$7.5 million and \$6.3 million, respectively.

In connection with the acquisition of Mecklermedia, a lawsuit was brought against Penton by a former shareholder of Mecklermedia for an unspecified amount, as well as other relief. The plaintiff is claiming that Penton violated federal securities laws by selling Mr. Meckler an 80.1% interest in internet.com, LLC for what the plaintiff alleges was a below-market price, thereby giving to Mr. Meckler more consideration for his common stock in Mecklermedia than was paid to the other shareholders of Mecklermedia. Penton believes that the allegations are without merit and intends to contest them vigorously. In January 2000, the United States District Court for the Southern District of New York denied class certification for this case. Two other former shareholders have since moved to intervene as plaintiffs and renewed the motion for class certification. This motion was also denied by the United States District court for the Southern District of New York.

In the normal course of business, Penton is subject to a number of lawsuits and claims, both actual and potential in nature. While management believes that resolution of existing claims and lawsuits will not have a

48

49

PENTON MEDIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

material adverse effect on Penton's financial statements, management is unable to estimate the magnitude or financial impact of claims and lawsuits that may be filed in the future.

NOTE 12 -- COMMON STOCK AND COMMON STOCK AWARD PROGRAMS

In connection with the spinoff (see Note 1), Penton amended its Certificate of Incorporation in June 1998, to authorize capital stock consisting of 60,000,000 shares of common stock, par value \$0.01 per share, and 2,000,000 shares of preferred stock, par value \$0.01 per share. Immediately thereafter, Penton issued 21,240,000 shares of common stock in replacement of the 1,000 shares of \$1 par value stock previously outstanding. An amount of \$0.2 million was transferred from capital in excess of par value to common stock. The financial statements and related notes have been restated to reflect this re-capitalization retroactively. Penton's transfer agent and registrar for preferred and common shares is Computershare Investor Services LLC.

Edgar Filing: PENTON MEDIA INC - Form 10-K

STOCK OFFERINGS

In September 2000, Penton arranged a secondary offering in which existing shareholders, other than management, offered 3,638,320 shares of common stock at a price of \$30.00 per share. The Company did not receive any proceeds from this offering.

In May 1999, Penton completed a 6,500,000 common share offering. Penton offered 6,250,000 of the shares and existing shareholders offered 250,000 shares. The underwriters exercised their option to purchase an additional 180,000 shares from Penton and 795,000 shares from existing shareholders to cover over-allotments. Penton received net proceeds of approximately \$118.4 million, which were used to repay debt, finance the acquisition of New Hope and for general corporate purposes. Penton did not receive any proceeds from the shares sold by the selling shareholders.

SHAREHOLDER RIGHTS AGREEMENT

In June 2000, the Company adopted a Shareholder Rights Agreement (the "Rights Agreement"). Under the plan, the rights will initially trade together with the Company's common stock and will not be exercisable. In the absence of further board action, the rights generally will become exercisable and allow the holder to acquire the Company's common stock at a discounted price if any person or group acquires 20 percent or more of the outstanding shares of the Company's common stock. Rights held by the persons who exceed the applicable threshold will be void.

Under certain circumstances, the rights will entitle the holder to buy shares in an acquiring entity at a discounted price. The plan also includes an exchange option. In general, after the rights become exercisable, the Penton board may, at its option, effect an exchange of part or all of the rights, other than rights that have become void, for shares of the Company's common stock. Under this option, the Company would issue one share of common stock for each right, subject to adjustment in certain circumstances.

The Penton board may, at its option, redeem all rights for \$0.01 per right, generally at any time prior to the rights becoming exercisable. The rights will expire June 27, 2010, unless earlier redeemed, exchanged or amended by the Penton board. The Rights Agreement has no impact on the financial statements or earnings per share.

EMPLOYEE STOCK PURCHASE PLAN

Effective January 2000, the Company established an Employee Stock Purchase Plan, with the intent of aligning the interests of Penton's employees and its shareholders by allowing employees the opportunity to purchase shares of Penton. The plan allows employees to purchase common stock at 85% of the lower of the market price at the beginning or end of each quarter. This plan was deemed to be non-compensatory pursuant

49

50

PENTON MEDIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

to the appropriate sections of the Internal Revenue Service Codes. As of December 31, 2000, 38,002 shares were purchased by employees under this plan.

MANAGEMENT STOCK PURCHASE PLAN

Effective January 2000, the Company established a Management Stock Purchase

Edgar Filing: PENTON MEDIA INC - Form 10-K

Plan for designated officers and other key employees. Participants in the plan may elect to receive restricted stock units ("RSUs") in lieu of a designated portion of up to 100% of their annual incentive bonus. Each RSU represents the right to receive one share of Penton common stock. RSUs are granted at a 20% discount from fair market value on the date awarded. RSUs vest two years after the date of grant and are settled in shares of common stock after a period of deferral (of no less than two years) selected by the participant, or upon termination of employment. In February 2001 and 2000, respectively, 31,942 RSUs and 25,507 RSUs were granted at a fair market value of \$25.10 and \$25.94 per share. As of December 31, 2000, 25,507 RSUs were outstanding. The discount is recorded as compensation expense over the vesting period.

EXECUTIVE LOAN PROGRAM

In January 2000, the Company established the Executive Loan Program, which allowed Penton to issue an aggregate of up to 400,000 shares of Penton common stock at fair market value to six key executives, in exchange for recourse notes. In addition, on October 27, 2000, the Board of Directors authorized one additional executive to borrow up to \$1.0 million under the Executive Loan Program for the purchase of Penton stock at fair value in exchange for a recourse note. All notes bear interest compounded semiannually, at a rate equal to the applicable interest rate as published by the Internal Revenue Service, and mature on or before the fifth anniversary of the first loan date. No principal or interest payments are required until maturity, at which time all outstanding amounts are due. At December 31, 2000, 410,000 shares had been issued under the Executive Loan Program and the outstanding loan balance was approximately \$10.2 million (including \$0.5 million of accrued interest), which is classified in the shareholders' equity section of the balance sheet as notes receivable from officers and directors.

EQUITY AND PERFORMANCE INCENTIVE PLAN

Effective August 1998, Penton established the Equity and Performance Incentive Plan, a stock plan under which Penton may issue non-qualified stock options and other awards to key employees, including officers, up to an aggregate of 2,500,000 shares of common stock. Awards may be issued in the form of options to purchase shares of common stock, stock appreciation rights ("SARs"), restricted shares, deferred shares, performance shares and performance units.

In 2000 and 1999, 719,654 shares and 405,749 shares, respectively, were granted under the Equity and Performance Incentive Plan, of which 548,600 and 349,500, respectively, were stock options; 0 and 56,249, respectively, were deferred shares; and 171,054 and 0, respectively, were performance shares.

Stock Options

Options granted under the plan generally vest equally over three years from the date of grant. However, most options granted are not exercisable until the third anniversary. All options granted pursuant to the plan will expire no later than 10 years from the date the option was granted.

50

51

PENTON MEDIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following table presents a summary of Penton's stock option activity and related information for the years ended 1998, 1999 and 2000 (in thousands, except per share amounts):

Edgar Filing: PENTON MEDIA INC - Form 10-K

	NUMBER OF OPTIONS		WEIGHTED AVERAGE
	EMPLOYEES	DIRECTORS	
Granted.....	686	69	\$16.23
Exercised.....	--	--	--
Canceled.....	(5)	--	\$16.23
	-----	-----	
Balance, December 31, 1998.....	681	69	
	-----	-----	
Granted.....	349	--	\$21.50
Exercised.....	(4)	--	\$16.23
Canceled.....	(65)	--	\$17.70
	-----	-----	
Balance, December 31, 1999.....	961	69	
	-----	-----	
Granted.....	519	30	\$22.72
Exercised.....	(37)	(8)	\$17.63
Canceled.....	(70)	--	\$20.51
	-----	-----	
Balance, December 31, 2000.....	1,373	91	
	=====	=====	

The following table summarizes information about stock options outstanding at December 31, 2000 (in thousands, except number of years and per share amounts):

OPTIONS OUTSTANDING			OPTIONS EXERCISABLE		
EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS EXERCISABLE AT DECEMBER 31, 2000	WEIGHTED-AVERAGE EXERCISE PRICE
\$29.19 ...	20	9.8 years	\$29.19	--	--
\$27.75 ...	16	9.4 years	\$27.75	--	--
\$22.94 ...	484	9.2 years	\$22.94	--	--
\$21.50 ...	298	8.1 years	\$21.50	--	--
\$16.23 ...	646	7.5 years	\$16.23	85	\$16.23

Deferred Shares

As noted above, 56,249 deferred shares were granted in 1999. Of these shares, 47,553 shares vest on the third anniversary of the grant date, while the remaining 8,696 shares vest at the rate of 20% per year over a five-year period from date of grant. Compensation expense is being recognized over the related vesting period based on the fair value of the shares at the date of grant. During 2000 and 1999, approximately \$0.4 million and \$0.08 million, respectively, were charged to expense for these shares. The Board of Directors may authorize the payment of dividend equivalents on such shares on a current, deferred or contingent basis, either in cash or in additional shares of common stock. At December 31, 2000, no such authorization had been made.

PENTON MEDIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Performance Shares

As noted above, during 2000, the Board of Directors approved grants for an aggregate of 171,054 performance shares to several key executives. Subject to the attainment of certain performance goals over a three-year period, from January 1, 2000 through December 31, 2002, each grantee is eligible to receive up to 150% of the granted shares. Performance shares are not issuable until earned. Compensation expense related to these shares is recorded over the performance period.

ACCOUNTING FOR STOCK-BASED COMPENSATION

Penton accounts for stock options under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and not the fair value method as provided by Financial Accounting Standard 123, "Accounting and Disclosure of Stock-Based Compensation" ("FAS 123"). Penton's Equity and Incentive Plan requires options to be granted at the market price on Penton's common stock on the date the options are granted and, as a result, under APB 25, no compensation expense is recognized.

Pro forma information regarding net income and earnings per share is required by FAS 123, and has been determined as if Penton had accounted for its employee stock options under the fair value method of FAS 123. The weighted average fair value of options granted in 2000, 1999 and 1998 was \$10.95, \$5.07 and \$3.70 respectively. For purposes of the pro forma presentation, the fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model, under the following assumptions for 2000, 1999 and 1998:

	2000 -----	1999 -----	1998 -----
Risk-free interest rate.....	5.06%	6.20%	5.40%
Dividend yields.....	0.40%	0.50%	0.30%
Expected volatility.....	55.93%	61.25%	70.60%
Expected life.....	4 years	4 years	4 years

Had compensation cost for Penton's stock-based compensation plans been determined based on the fair values of the options granted at the grant dates, consistent with FAS 123, Penton's net income and earnings per share would have been as follows (dollars in thousands, except per share data):

	2000 -----	1999 -----	1998 -----
Net income applicable to common shareholders			
As reported.....	\$79,590	\$8,210	\$10,890
Pro forma.....	\$77,406	\$6,238	\$10,007
Basic earnings per share			
As reported.....	\$ 2.51	\$ 0.29	\$ 0.50
Pro forma.....	\$ 2.44	\$ 0.22	\$ 0.46

Edgar Filing: PENTON MEDIA INC - Form 10-K

Diluted earnings per share			
As reported.....	\$ 2.49	\$ 0.29	\$ 0.50
Pro forma.....	\$ 2.42	\$ 0.22	\$ 0.46

NOTE 13 -- RELATED-PARTY TRANSACTIONS

Included in the Consolidated Statement of Income for 1998 is an allocation of corporate expenses related to services provided for Penton by Pittway. This allocation was based on an estimate of the incremental corporate expenses related to Penton's operations for the period presented, and, in the opinion of management, has been made on a reasonable basis. However, the allocation is not necessarily indicative of the level of expenses that might have been incurred had Penton been a separate company. The aggregate allocated costs

52

53

PENTON MEDIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

totalled \$0.02 million for 1998. Penton's employees also participated in Pittway's pension plan. Certain Penton employees participated in Pittway's 1990 stock awards plan, for which Pittway allocated costs to Penton totaling \$1.2 million in 1998.

Other transactions between Penton and Pittway, consisting principally of taxes and other reimbursable expenses paid by Pittway, have been reflected in the 1998 financial statements as though on a stand-alone basis, except that no interest income or expense has been allocated on intercompany balances.

Pittway utilized a centralized cash management system. Under this system, cash generated by Penton in excess of its cash requirements (including cash requirements for Penton's income taxes and other reimbursable expenses paid by Pittway) was transferred to Pittway. In August 1998, a final non-cash dividend of \$12.2 million was made to Pittway.

NOTE 14 -- EARNINGS PER SHARE

Earnings per share ("EPS") have been computed pursuant to the provisions of Statement of Financial Accounting Standards No. 128, "Earnings Per Share."

Computations of basic and diluted earnings per share for the years ended December 31, 2000, 1999 and 1998 are as follows (in thousands, except per share amounts):

	YEARS ENDED DECEMBER 31,		
	2000	1999	1998
	-----	-----	-----
Income from continuing operations applicable to common shareholders.....	\$79,675	\$ 7,930	\$11,186
	=====	=====	=====
Number of shares:			
Basic -- average shares outstanding.....	31,730	28,108	21,882
Effect of dilutive securities:			
Stock options.....	280	71	--
Deferred shares.....	--	3	--
Contingent shares.....	--	27	--

Edgar Filing: PENTON MEDIA INC - Form 10-K

Diluted -- average shares outstanding.....	32,010	28,209	21,882
	=====	=====	=====
Per share amount:			
Income from continuing operations			
Basic.....	\$ 2.51	\$ 0.28	\$ 0.51
Diluted.....	\$ 2.49	\$ 0.28	\$ 0.51

Options to purchase 750,055 shares of common stock at \$16.23 per share were outstanding at December 31, 1998, but were not included in the computation of diluted earnings per share because the options would have been anti-dilutive.

NOTE 15 -- COMPREHENSIVE INCOME

Comprehensive income, which is displayed in the Consolidated Statements of Shareholders' Equity, represents net income plus the results of certain shareholder equity changes not reflected in the Consolidated Statements of Income.

53

54

PENTON MEDIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The after-tax components of other comprehensive income (loss) are as follows:

	2000	1999	1998
	-----	-----	-----
Net income.....	\$ 79,590	\$ 8,210	\$10,890
Change in unrealized gain (loss) on securities reported at fair value, net of tax of \$29.3 million and \$60.6 million in 2000 and 1999, respectively.....	(73,323)	151,605	--
Reclassification adjustment for gain on sale of securities, net of tax of \$28.1 million in 2000.....	(70,272)	--	--
Change in accumulated translation adjustments.....	95	(787)	(51)
	-----	-----	-----
Comprehensive income.....	\$ (63,910)	\$159,028	\$10,839
	=====	=====	=====

NOTE 16 -- BUSINESS RESTRUCTURING AND OTHER CHARGES

In March 2000, Penton entered into a strategic alliance agreement with Cayenta, Inc. ("Cayenta"), a subsidiary of the Titan Corporation. Cayenta is a total service provider of end-to-end, e-commerce systems. As part of the agreement, Penton purchased 250,000 shares of Cayenta stock, which was recorded at its historical cost of \$6.3 million due to the Company's inability to exert significant influence over Cayenta.

In June 2000, Penton entered into a strategic investment and partnership agreement with LeisureHub.com, an online B2B trading community for the global leisure industry. Penton paid approximately \$3.4 million for a 19.9% stake in the company. As Penton has the ability to exercise significant influence over LeisureHub.com, the Company accounts for its investment using the equity method of accounting.

Edgar Filing: PENTON MEDIA INC - Form 10-K

During the fourth quarter of 2000, the Company determined that its investments in Cayenta and Leisurehub.com had suffered declines in value that were other than temporary. The decision was based on current market conditions, economic outlook and the future viability of these companies. As a result, the Company recognized losses totaling \$9.5 million and reduced its investment in Cayenta Inc., and Leisurehub.com to zero.

The Company wrote off \$2.1 million of impaired assets related to certain internally funded Internet media initiatives. The Company is adjusting its portfolio of Internet media products to focus on those that are demonstrating revenue growth, customer acceptance and near-term opportunity for profit. The impaired assets related to certain abandoned projects. The Company expects to take approximately \$5.0 million in restructuring charges in the first quarter of 2001 as a result of these actions.

In accordance with the Company's review of impairment of long-lived assets in accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," the Company recorded approximately a \$1.0 million non-cash charge in 2000 to write down the carrying value of certain leasehold improvements, furniture and fixtures, and computer equipment to fair value.

NOTE 17 -- SEGMENT INFORMATION

Historically, Penton had three reportable segments: Media Services, Printing and Direct Mail. As discussed in Note 4, due to the sale of the Printing and Direct Mail segments, Penton currently has only one segment. The Media Services segment serves specific industries with integrated product offerings.

54

55

PENTON MEDIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Revenues by product offerings are as follows for the years ended December 31, 2000, 1999 and 1998 (in thousands):

	2000	1999	1998
	-----	-----	-----
Publishing and other.....	\$230,120	\$202,472	\$179,729
Trade shows and conferences.....	168,436	97,444	27,953
Internet.....	6,015	908	--
	-----	-----	-----
	\$404,571	\$300,824	\$207,682
	=====	=====	=====

Domestic revenues of our products and services comprised \$362.9 million, \$277.3 million and \$191.7 million of total revenues for the years ended December 31, 2000, 1999 and 1998, respectively. Foreign revenues totaled \$41.7 million, \$23.5 million and \$16.0 million of our revenues for the years ended December 31, 2000, 1999 and 1998, respectively, of which \$15.6 million, \$17.8 million and \$12.0 million, respectively, were from the United Kingdom. No single customer accounted for 10% or more of sales during 2000, 1999, and 1998.

Long-lived assets at December 31, 2000, 1999 and 1998 include \$36.4 million, \$31.3 million and \$31.7 million, respectively, identified with foreign

Edgar Filing: PENTON MEDIA INC - Form 10-K

operations, substantially all of which are intangible assets, with the remaining assets identified with domestic operations. Long-lived assets from the United Kingdom comprise \$29.8 million, \$31.2 million and \$31.7 million of these foreign assets.

NOTE 18 -- SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

INVESTING ACTIVITIES

Penton assumed liabilities of approximately \$21.0 million, \$5.6 million and \$5.1 million in connection with acquisitions completed in 2000, 1999 and 1998, respectively. In conjunction with the acquisition of New Hope in May 1999, Penton issued 2.1 million common shares valued at \$41.0 million as consideration.

In 2000 and 1999, Penton marked to market its investment in internet.com Corporation stock by approximately \$13.4 million and \$252.7 million respectively.

At December 31, 1999, Penton had \$4.2 million of net investment in discontinued operations for the Direct Mail segment and a related non-cash loss of \$0.7 million.

FINANCING ACTIVITIES

At December 31, 2000, 1999 and 1998, dividends of \$1.0 million, \$0.9 million and \$0.7 million, respectively, were declared and not paid.

In August 1998, a final non-cash dividend of \$12.2 million was made to Pittway. In addition, 1,541,638 shares of common stock were issued in conjunction with the DM publishing acquisition.

The foregoing transactions do not provide or use cash and, accordingly, are not reflected in the statements of cash flows.

55

56

PENTON MEDIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 19 -- QUARTERLY RESULTS (UNAUDITED)

Quarterly results of operations for the years ended December 31, 2000 and 1999 are shown below (dollars in thousands, except per share amounts):

	2000 QUARTERS				TOTAL FOR YEAR
	FIRST	SECOND	THIRD	FOURTH	
Revenues.....	\$75,825	\$109,058	\$76,720	\$142,968	\$404,571
Operating income (loss).....	3,384	24,574 (b)	(714)	27,467 (c)	54,711
Income (loss) from continuing operations.....	66,423 (a)	8,695	(1,244)	5,801 (d)	79,675
Discontinued operations.....	(85)	--	--	--	(85)
Net income (loss).....	66,338	8,695	(1,244)	5,801	79,590
Earnings per share (basic):					
Income (loss) from continuing					

Edgar Filing: PENTON MEDIA INC - Form 10-K

operations.....	2.10	0.27	(0.04)	0.18	2.51
Discontinued operations.....	--	--	--	--	--
Net income (loss).....	2.10	0.27	(0.04)	0.18	2.51
Earnings per share (diluted):					
Income (loss) from continuing operations.....	2.09	0.27	(0.04)	0.18	2.49
Discontinued operations.....	--	--	--	--	--
Net income (loss).....	2.09	0.27	(0.04)	0.18	2.49

	1999 QUARTERS				TOTAL FOR YEAR
	FIRST	SECOND	THIRD	FOURTH	
Revenues.....	\$52,518	\$78,792	\$64,435	\$105,079	\$300,824
Operating income (loss).....	(2,637)	14,705	(953)	28,275	39,390
Income (loss) from continuing operations...	(3,033)	2,710	(5) (e)	8,258	7,930
Discontinued operations.....	197	454	205	7,837	8,693 (f)
Extraordinary item -- extinguishment of debt.....	--	(2,156)	(6,257)	--	(8,413)
Net income (loss).....	(2,836)	1,008	(6,057)	16,095	8,210
Earnings per share (basic and diluted):					
Income (loss) from continuing operations.....	(0.13)	0.10	--	0.26	0.28
Discontinued operations.....	0.01	0.02	0.01	0.25	0.31
Extraordinary item.....	--	(0.08)	(0.20)	--	(0.30)
Net income (loss).....	(0.12)	0.04	(0.19)	0.51	0.29

Income per share calculations for each of the quarters are based on the weighted average number of shares outstanding for each quarter, and the sum of the quarters may not necessarily be equal to the full year income per share amount.

(a) Includes \$110.2 million, or \$2.08 per dilutive share, gain on sale of 2.0 million shares of internet.com Corporation stock.

(b) Includes \$1.0 million, or \$0.02 per dilutive share, impairment of assets.

(c) Includes \$2.1 million, or \$0.04 per dilutive share, impairment of Internet assets.

(d) Includes \$9.5 million, or \$0.18 per dilutive share, writedown of Internet investments.

(e) Includes \$5.9 million, or \$0.11 per dilutive share, gain on sale of 0.5 million shares of internet.com stock.

(f) Includes gain on disposal of the Printing segment of \$9.3 million, net of tax, and loss on disposal of Direct Mail segment of \$0.7 million, net of tax.

Edgar Filing: PENTON MEDIA INC - Form 10-K

	BALANCE AT BEGINNING OF YEAR	CHARGE TO EXPENSES	OTHER (A)	DEDUCTIONS	BALANCE AT END OF YEAR
	-----	-----	-----	-----	-----
	(DOLLARS IN THOUSANDS)				
2000 -- Allowance for doubtful accounts.....	\$3,958	\$1,714	\$ --	\$(1,809)	\$3,863
1999 -- Allowance for doubtful accounts.....	\$4,899	\$ 943	--	\$(1,884)	\$3,958
1998 -- Allowance for doubtful accounts.....	\$2,406	\$ 282	\$3,102	\$(891)	\$4,899

(a) Acquisition date balances of acquired companies.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

57

58

PART III

Information required to be furnished in this part of the Form 10-K has been omitted because the Registrant will file with the Securities and Exchange Commission a definitive proxy statement pursuant to Regulation 14A under the Securities Exchange Act of 1934 not later than April 30, 2001.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information set forth under the headings "Election of Directors," "Board of Directors," "Executive Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Registrant's Proxy Statement for the annual meeting of shareholders to be held on May 4, 2001, is incorporated by reference.

ITEM 11. EXECUTIVE COMPENSATION.

The information set forth under the headings "Compensation," "Compensation Committee Interlocks and Insider Participation," "Compensation Committee Report on Executive Compensation," and "Performance Graph" in the Registrant's Proxy Statement for the annual meeting of shareholders to be held on May 4, 2001, is incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information set forth under the heading "Security Ownership of Certain Beneficial Owners and Management" in the Registrant's Proxy Statement for the annual meeting of shareholders to be held on May 4, 2001, is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information set forth under the headings "Certain Transactions" in the Registrant's Proxy Statement for the annual meeting of shareholders to be held on May 4, 2001, is incorporated herein by reference.

Edgar Filing: PENTON MEDIA INC - Form 10-K

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) The following documents are filed as part of this Report.

1. Financial statements: The following documents are filed as part of this report.

Report of Independent Accountants.

Consolidated Balance Sheets as of December 31, 2000 and 1999.

Consolidated Statements of Income for the years ended December 31, 2000, 1999 and 1998.

Consolidated Statements of Shareholders' Equity for the years ended December 31, 2000, 1999 and 1998.

Consolidated Statements of Cash Flows for the years ended December 31, 2000, 1999 and 1998.

Notes to Consolidated Financial Statements.

2. Financial Statement Schedule: The following financial statement schedule of Penton Media, Inc. is filed as part of this Report and should be read in conjunction with the Consolidated Financial Statements of Penton Media, Inc.

Schedule II Valuation and Qualifying Accounts

Schedules not listed above have been omitted because they are not applicable or are not required or the information required to be set forth therein is included in the Consolidated Financial Statements or Notes thereto.

(b) Reports on Form 8-K

DATE OF REPORT -----	ITEMS REPORTED -----
June 12, 2000.....	Item 5. Other Events Item 7. Financial Information and Exhibits
September 15, 2000.....	Item 5. Other Events Item 7. Financial Information and Exhibits
September 28, 2000.....	Item 5. Other Events Item 7. Financial Information and Exhibits
September 29, 2000.....	Item 2. Acquisition of Assets Item 7. Financial Information and Exhibits
October 3, 2000.....	Item 5. Other Events Item 7. Financial Information and Exhibits

(c) Exhibits: The Exhibits listed on the accompanying Index to Exhibits immediately following the financial statement schedules are filed as part of, or incorporated by reference into, this Report.

Edgar Filing: PENTON MEDIA INC - Form 10-K

59

60

EXHIBIT NO.	DESCRIPTION OF DOCUMENT
-----	-----
2.1	Asset Purchase Agreement, dated as of May 18, 1999, by and among Penton Media, Inc., New Hope Communications, Inc. and R. Douglas Greene (filed as Exhibit 2.0 to the Company's Form 8-K/A on August 10, 1999 and incorporated herein by reference). The Registrant agrees to furnish supplementally a copy of any omitted schedule to the Commission upon request.
2.2	Combination Agreement, dated May 21, 1998, by and among Penton Media, Inc., D-M Acquisition Corp., Pittway Corporation, Donohue Meehan Publishing Company, William C. Donohue, and John J. Meehan (filed as Exhibit 2.1 to the Company's Registration Statement No. 33-56877 and incorporated herein by reference). The Registrant agrees to furnish supplementally a copy of any omitted schedule to the Commission upon request.
3.1	Restated Certificate of Incorporation of the Registrant (filed as Exhibit 3.1 to the Registrant's Registration Statement No. 333-56877 on Form S-1, dated August 5, 1998, and incorporated herein by reference).
3.2	Amended and Restated Bylaws of the Registrant, filed herewith.
4.1	Rights Agreement, dated as of June 9, 2000, between Penton Media, Inc. and Harris Trust and Savings Bank, as Rights Agent, including a Form of Certificate of Designation of Series A Junior Participating Preferred Stock as Exhibit A thereto, a Form of Right Certificate as Exhibit B thereto and a Summary of Rights to Purchase Preferred Stock as Exhibit C thereto (filed as Exhibit 4.1 to the Company's Form 8-K on June 12, 2000, and incorporated herein by reference).
10.1	Credit Facility, dated September 1, 1999, between Penton Media, Inc., as borrower, the lenders listed therein, as lenders, Banc of America Securities, LLC, as syndication agent, The First National Bank of Chicago, as documentation agent and The Bank of New York, as administrative agent (filed as Exhibit 10.1 to the Company's Form 10-K on March 30, 2000 and incorporated herein by reference).
10.2	Amendment to Credit Facility, dated April 3, 2000, between Penton Media, Inc., as borrower, the lenders listed therein, as lenders, Banc of America Securities, LLC, as syndication agent, The First National Bank of Chicago, as documentation agent and The Bank of New York, as administrative agent (filed as Exhibit 10.1 to the Company's Form 10-Q on August 14, 2000 and incorporated herein by reference).
10.3	Amendment to Credit Facility, dated October 22, 2000, between Penton Media, Inc., as borrower, the lenders listed therein, as lenders, Banc of America Securities, LLC, as syndication agent, The First National Bank of Chicago, as documentation agent and The Bank of New York, as administrative agent, filed herewith.
	MANAGEMENT CONTRACTS AND COMPENSATORY PLANS
10.4	Penton Media, Inc. Retirement Savings Plan (filed as Exhibit 4.3 to the Company's Form S-8 on August 27, 1998, and

Edgar Filing: PENTON MEDIA INC - Form 10-K

- incorporated herein by reference).
- 10.5 Penton Media, Inc. Management Stock Purchase Plan (filed as Exhibit 4.3 to the Company's Form S-8 on March 21, 2000, and incorporated herein by reference).
- 10.6 Penton Media, Inc. Employee Stock Purchase Plan (filed as Exhibit 4.3 to the Company's Form S-8 on November 17, 1999 and incorporated herein by reference).
- 10.7 Penton Media, Inc. Amended 1998 Director Stock Option Plan, filed herewith.
- 10.8 Penton Media, Inc. Amended 1998 Equity and Performance Incentive Plan, filed herewith.
- 10.9 Penton Media, Inc. Retirement Plan (filed as Exhibit 10.9 to the Company's Registration Statement No. 333-56877 and incorporated herein by reference).
- 10.10 Penton Media, Inc. Senior Executive Bonus Plan (filed as Exhibit 10.8 to the Company's Form 10-K on March 30, 2000 and incorporated herein by reference).
- 10.11 Penton Media, Inc. Supplemental Executive Retirement Plan (As Amended and Restated Effective as of January 1, 2000 (filed as Exhibit 10.9 to the Company's Form 10-K on March 30, 2000 and incorporated herein by reference)).

60

61

EXHIBIT NO. -----	DESCRIPTION OF DOCUMENT -----
10.12	Employment Agreement, dated July 16, 1998, between Penton Media, Inc. and David Nussbaum (file as Exhibit 10.4 to the Company's Form 10-Q on November 16, 1998 and incorporated herein by reference).
10.13	Restated Employment Agreement, dated February 5, 1999, between Penton Media, Inc. and Thomas Kemp (filed as Exhibit 10.13 to the Company's Form 10-K on March 31, 1999 and incorporated herein by reference).
10.14	Restated Employment Agreement, dated February 10, 1999, between Penton Media, Inc. and Daniel J. Ramella (filed as Exhibit 10.14 to the Company's Form 10-K on March 31, 1999 and incorporated herein by reference).
10.15	Restated Employment Agreement, dated June 9, 2000, between Penton Media, Inc. and James W. Zaremba (filed as Exhibit 10.2 to the Company's Form 10-Q on August 14, 2000 and incorporated herein by reference).
10.16	Employment Agreement, dated August 24, 1999, between Penton Media, Inc. and Joseph G. NeCastro (filed as Exhibit 10.16 to the Company's Form 10-K on March 30, 2000 and incorporated herein by reference).
10.17	Employment Agreement, dated August 24, 1999, between Penton Media, Inc. and Preston L. Vice (filed as Exhibit 10.17 to the Company's Form 10-K on March 30, 2000 and incorporated herein by reference).
10.18	Employment Agreement, dated October 15, 2000, between Penton Media, Inc. and Darrell Denny, filed herewith.
21.	Subsidiaries of Penton Media, Inc.
23.	Consent of the Independent Accountants.
24.	Powers of Attorneys.

Edgar Filing: PENTON MEDIA INC - Form 10-K

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(D) OF THE SECURITIES AND EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED.

PENTON MEDIA, INC.

By: /s/ JOSEPH G. NECASTRO

Name: Joseph G. NeCastro
Title: Chief Financial Officer and Treasurer

Dated: March 29, 2001

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES INDICATED ON MARCH 29, 2001.

Table with 2 columns: SIGNATURE and TITLE. Rows include Thomas L. Kemp (Chairman and Chief Executive Officer), Joseph G. NeCastro (Chief Financial Officer), Jocelyn A. Bradford (Vice President), and several Directors (Anthony Downs, William J. Friend, Paul W. Brown, King Harris, Daniel J. Ramella).

Edgar Filing: PENTON MEDIA INC - Form 10-K

Edward J. Schwartz

/s/ * Director

Don E. Schultz

/s/ * Director

Richard B. Swank

/s/ * Director

William B. Summers

63

62

SIGNATURE

TITLE

/s/ * Director

John J. Meehan

/s/ * Director

R. Douglas Greene

/s/ * Director

David B. Nussbaum

* The undersigned, by signing his name hereto, does sign and execute this Annual Report on Form 10-K pursuant to a Power of Attorney executed on behalf of the above named officers and directors of Penton Media, Inc. and files herewith as Exhibit 24 on behalf of Penton Media, Inc. and each such person.

March 29, 2001

By: /s/ JOSEPH G. NECASTRO

Joseph G. NeCastro
Attorney-in-Fact

64

63

EXHIBIT INDEX

EXHIBIT NO.

DESCRIPTION OF DOCUMENT

2.1 Asset Purchase Agreement, dated as of May 18, 1999, by and among Penton Media, Inc., New Hope Communications, Inc. and

Edgar Filing: PENTON MEDIA INC - Form 10-K

R. Douglas Greene (filed as Exhibit 2.0 to the Company's Form 8-K/A on August 10, 1999 and incorporated herein by reference). The Registrant agrees to furnish supplementally a copy of any omitted schedule to the Commission upon request.

- 2.2 Combination Agreement, dated May 21, 1998, by and among Penton Media, Inc., D-M Acquisition Corp., Pittway Corporation, Donohue Meehan Publishing Company, William C. Donohue, and John J. Meehan (filed as Exhibit 2.1 to the Company's Registration Statement No. 33-56877 and incorporated herein by reference). The Registrant agrees to furnish supplementally a copy of any omitted schedule to the Commission upon request.
- 3.1 Restated Certificate of Incorporation of the Registrant (filed as Exhibit 3.1 to the Registrant's Registration Statement No. 333-56877 on Form S-1, dated August 5, 1998, and incorporated herein by reference).
- 3.2 Amended and Restated Bylaws of the Registrant, filed herewith.
- 4.1 Rights Agreement, dated as of June 9, 2000, between Penton Media, Inc. and Harris Trust and Savings Bank, as Rights Agent, including a Form of Certificate of Designation of Series A Junior Participating Preferred Stock as Exhibit A thereto, a Form of Right Certificate as Exhibit B thereto and a Summary of Rights to Purchase Preferred Stock as Exhibit C thereto (filed as Exhibit 4.1 to the Company's Form 8-K on June 12, 2000, and incorporated herein by reference).
- 10.1 Credit Facility, dated September 1, 1999, between Penton Media, Inc., as borrower, the lenders listed therein, as lenders, Banc of America Securities, LLC, as syndication agent, The First National Bank of Chicago, as documentation agent and The Bank of New York, as administrative agent (filed as Exhibit 10.1 to the Company's Form 10-K on March 30, 2000 and incorporated herein by reference).
- 10.2 Amendment to Credit Facility, dated April 3, 2000, between Penton Media, Inc., as borrower, the lenders listed therein, as lenders, Banc of America Securities, LLC, as syndication agent, The First National Bank of Chicago, as documentation agent and The Bank of New York, as administrative agent (filed as Exhibit 10.1 to the Company's Form 10-Q on August 14, 2000 and incorporated herein by reference).
- 10.3 Amendment to Credit Facility, dated October 22, 2000 between Penton Media, Inc., as borrower, the lenders listed therein, as lenders, Banc of America Securities, LLC, as syndication agent, The First National Bank of Chicago, as documentation agent and The Bank of New York, as administrative agent, filed herewith.

MANAGEMENT CONTRACTS AND COMPENSATORY PLANS
- 10.4 Penton Media, Inc. Retirement Savings Plan (filed as Exhibit 4.3 to the Company's Form S-8 on August 27, 1998, and incorporated herein by reference).
- 10.5 Penton Media, Inc. Management Stock Purchase Plan (filed as Exhibit 4.3 to the Company's Form S-8 on March 21, 2000, and incorporated herein by reference).
- 10.6 Penton Media, Inc. Employee Stock Purchase Plan (filed as Exhibit 4.3 to the Company's Form S-8 on November 17, 1999 and incorporated herein by reference).
- 10.7 Penton Media, Inc. Amended 1998 Director Stock Option Plan, filed herewith.
- 10.8 Penton Media, Inc. Amended 1998 Equity and Performance

Edgar Filing: PENTON MEDIA INC - Form 10-K

- Incentive Plan, filed herewith.
- 10.9 Penton Media, Inc. Retirement Plan (filed as Exhibit 10.9 to the Company's Registration Statement No. 333-56877 and incorporated herein by reference).
- 10.10 Penton Media, Inc. Senior Executive Bonus Plan (filed as Exhibit 10.8 to the Company's Form 10-K on March 30, 2000 and incorporated herein by reference).

64

65

EXHIBIT NO. -----	DESCRIPTION OF DOCUMENT -----
10.11	Penton Media, Inc. Supplemental Executive Retirement Plan (As Amended and Restated Effective as of January 1, 2000 (filed as Exhibit 10.9 to the Company's Form 10-K on March 30, 2000 and incorporated herein by reference).
10.12	Employment Agreement, dated July 16, 1998, between Penton Media, Inc. and David Nussbaum (file as Exhibit 10.4 to the Company's Form 10-Q on November 16, 1998 and incorporated herein by reference).
10.13	Restated Employment Agreement, dated February 5, 1999, between Penton Media, Inc. and Thomas Kemp (filed as Exhibit 10.13 to the Company's Form 10-K on March 31, 1999 and incorporated herein by reference).
10.14	Restated Employment Agreement, dated February 10, 1999, between Penton Media, Inc. and Daniel J. Ramella (filed as Exhibit 10.14 to the Company's Form 10-K on March 31, 1999 and incorporated herein by reference).
10.15	Restated Employment Agreement, dated June 9, 2000, between Penton Media, Inc. and James W. Zaremba (filed as Exhibit 10.2 to the Company's Form 10-Q on August 14, 2000 and incorporated herein by reference).
10.16	Employment Agreement, dated August 24, 1999, between Penton Media, Inc. and Joseph G. NeCastro (filed as Exhibit 10.16 to the Company's Form 10-K on March 30, 2000 and incorporated herein by reference).
10.17	Employment Agreement, dated August 24, 1999, between Penton Media, Inc. and Preston L. Vice (filed as Exhibit 10.17 to the Company's Form 10-K on March 30, 2000 and incorporated herein by reference).
10.18	Employment Agreement, dated October 15, 2000, between Penton Media, Inc. and Darrell Denny, filed herewith.
21.	Subsidiaries of Penton Media, Inc.
23.	Consent of the Independent Accountants.
24.	Powers of Attorneys.

65