PENTON MEDIA INC
Form 10-Q
November 14, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549-1004

FORM 10-Q

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

For the quarterly period ended September 30, 2001

OR

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

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, OH	44114
(Address of Principal Executive Offices)	(Zip Code)

216-696-7000
(Registrant's Telephone Number, Including Area Code)

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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date (November 13, 2001).

Common Stock 31,935,051

PENTON MEDIA, INC.
FORM 10-Q

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PENTON MEDIA, INC.
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS)

	September 30, 2001 (unaudited)
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 28,405
Accounts and notes receivable, less allowance for doubtful accounts of $6,517 and $3,863 in 2001 and 2000, respectively	67,594
Income tax receivable	18,905
Inventories, net	1,386
Deferred tax assets	5,562
Prepayments, deposits and other	23,824

	145,676
PROPERTY, PLANT AND EQUIPMENT:	
Land, buildings and improvements	8,969
Machinery and equipment	62,246
	71,215
Less: Accumulated depreciation	(39,392)
	31,823
OTHER ASSETS:	
Goodwill, less accumulated amortization of $69,939 and $49,142 in 2001 and 2000, respectively	558,589
Other intangibles, less accumulated amortization of $20,019 and $14,901 in 2001 and 2000, respectively	51,703
Investments	3,419
	613,711
	$ 791,210

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

PENTON MEDIA, INC.
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS)

	September 30, 2001 (unaudited)
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Senior debt facility	$ 14,908
Accounts payable	7,742
Income taxes payable	-
Accrued earnouts	2,868
Accrued compensation and benefits	13,843
Other accrued expenses	32,198
Unearned income, principally trade show and conference deposits	60,322
	131,881
LONG-TERM LIABILITIES AND DEFERRED CREDITS:	
Revolving credit facility	-
Senior debt facility	169,010
Senior subordinated notes, net of discount	180,896

Notes payable	3,325
Net deferred pension credits	15,771
Deferred tax liability	286
Other	3,344
	372,632
STOCKHOLDERS' EQUITY:	
Preferred stock, none issued	-
Common stock, par	319
Capital in excess of par value	228,143
Retained earnings	74,574
Notes receivable officers	(11,467)
Accumulated other comprehensive income	(4,872)
	286,697
	$ 791,210

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

PENTON MEDIA, INC.
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED; DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)

	Three Months Ended September 30,	
	2001	2000
REVENUES	$ 61,523	$ 76,720
OPERATING EXPENSES:		
Editorial, production and circulation	33,148	33,427
Selling, general and administrative	36,655	36,156
Impairment of assets	9,663	-
Restructuring charge	9,468	-
Depreciation and amortization	11,211	7,851
	100,145	77,434
OPERATING INCOME (LOSS)	(38,622)	(714)
OTHER INCOME (EXPENSE):		
Interest expense, net of interest earned	(8,263)	(3,129)
Gain on sale of investments	-	-
Miscellaneous, net	(794)	87

	(9,057)	(3,042)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(47,679)	(3,756)
PROVISION (BENEFIT) FOR INCOME TAXES	(18,184)	(2,512)
INCOME (LOSS) FROM CONTINUING OPERATIONS	(29,495)	(1,244)
LOSS FROM OPERATIONS OF DISCONTINUED BUSINESS, NET	-	-
NET INCOME (LOSS)	$ (29,495)	$ (1,244)
EARNINGS PER SHARE - Basic		
Income (loss) from continuing operations	$ (0.92)	$ (0.04)
Discontinued operations	-	-
Net income (loss)	$ (0.92)	$ (0.04)
EARNINGS PER SHARE - Diluted		
Income (loss) from continuing operations	$ (0.92)	$ (0.04)
Discontinued operations	-	-
Net income (loss)	$ (0.92)	$ (0.04)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:		
Basic	31,935	31,819
Diluted	31,935	31,819

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

PENTON MEDIA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000
(UNAUDITED; DOLLARS IN THOUSANDS)

	2001
Net cash provided by (used for) operating activities	$ (14,752)
Cash flows from investing activities:	
Capital expenditures	(8,378)
Acquisitions and investments, net of cash acquired	(8,285)
Earnouts paid	(11,975)

Proceeds from sale of INT Media Group, Inc. stock	-
Proceeds from sale of Direct Mail Segment	-
Net cash used for investing activities	(28,638)
Cash flows from financing activities:	
Proceeds from senior subordinated notes	180,836
Repayment of senior credit facility	(163,207)
Proceeds from senior credit facility	45,000
Employee stock purchase plan payments	(197)
Proceeds from deferred shares and options exercised	1,145
Repayment of notes payable	(201)
Payment of financing costs	(1,246)
Dividends paid	(1,912)
Net cash provided by financing activities	60,218
Effect of exchange rate changes on cash and cash equivalents	(28)
Net increase (decrease) in cash and equivalents	16,800
Cash and equivalents at beginning of period	11,605
Cash and equivalents at end of period	$ 28,405

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

PENTON MEDIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED; DOLLARS IN THOUSANDS; EXCEPT PER SHARE DATA)

NOTE 1 - NATURE OF BUSINESS AND FINANCIAL STATEMENT PRESENTATION

These financial statements have been prepared by management in accordance with generally accepted accounting principles for interim financial information and the applicable rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. However, in the opinion of management, the interim financial statements reflect all adjustments necessary for a fair presentation of the results of the periods presented. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year.

The accompanying unaudited interim consolidated financial statements should be read together with the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

RECLASSIFICATIONS

Certain reclassifications have been made to the 2000 financial statements to conform to the 2001 presentation.

NEW ACCOUNTING PRONOUNCEMENTS

In July 2001, the FASB issued FAS No. 142 "Goodwill and Other Intangible Assets". FAS 142 addresses financial accounting and reporting for intangible assets acquired individually or with a group of other assets at acquisition. FAS No. 142 presumes that goodwill and certain intangible assets have indefinite useful lives. Accordingly, goodwill and certain intangibles will not be amortized but rather will be tested at least annually for impairment. FAS No. 142 also addresses accounting and reporting for goodwill and other intangible assets subsequent to their acquisition. FAS No. 142 is effective for fiscal years beginning after December 15, 2001. We anticipate that the adoption of this Statement will lead to the elimination of approximately $27.4 million of goodwill amortization in 2002. We are currently in the process of evaluating the impact of the other provisions of this Statement on Penton.

USE OF ESTIMATES

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

NOTE 2 - ACQUISITIONS

2001 ACQUISITIONS

In 2001, Penton acquired nine companies for an aggregate purchase price of approximately $9.7 million in cash and $3.5 million in promissory notes, with potential contingent consideration of up to $4.8 million based on the achievement of specified business targets through 2003. The excess of the aggregate purchase price over the fair market value of net assets acquired of approximately $11.5 million is being amortized over periods ranging from 5 to 40 years.

2000 ACQUISITIONS

In September 2000, Penton acquired the assets of Duke Communications International ("Duke") for $100.0 million in cash plus contingent consideration of up to $50.0 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 AS/400 and Windows 2000 operating systems markets and other technology operating platform markets.

In September 2000, Penton acquired the stock of Streaming Media, Inc., for $65.0 million in cash plus contingent consideration of up to $35.0 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 20 years. Streaming Media, Inc. is a leading integrated media company serving the streaming media market.

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 addition, Penton acquired five companies in 2000 for an aggregate purchase price of approximately $3.8 million in cash with potential contingent consideration based on the achievement of specified business targets through 2001. 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 periods ranging from 5 to 20 years.

NOTE 3 - 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 for the nine months ended September 30, 2000 of $0.08 million, net of a tax benefit of $0.06 million, was recorded and classified as discontinued operations in the accompanying consolidated financial statements. This loss was in addition to the $0.06 million that was accrued for in 1999.

NOTE 4 - INCOME TAX RECEIVABLE

The income tax receivable of $18,905 at September 30, 2001 relates to federal income tax refunds expected on net operating loss carrybacks.

NOTE 5 - INVESTMENTS

In February 2000, Penton sold 2.0 million shares of INT Media Group, Inc. (formerly known as 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. At September 30, 2001, Penton maintains an 11.8% ownership interest in INT Media Group, Inc., or approximately 3.0 million shares. Penton treats its investment as available-for-sale; accordingly, Penton marks to market its investment in INT Media Group, Inc. At September 30, 2001, Penton's investment totaled $3.4 million, including a cumulative mark to market decrease of $0.9 million and related decrease in long-term deferred tax liability of $0.5 million and other comprehensive income of $0.4 million.

NOTE 6 - PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial information for the nine months ended September 30, 2000 assumes that the significant 2000 acquisitions occurred as of the beginning of the period, after giving effect to certain adjustments, including the amortization of intangible assets, interest expense on acquisition debt and related income tax effects. The pro forma financial information excludes the effects of synergies and cost reduction initiatives directly related to these acquisitions. These actions have already commenced and are expected to continue through the fourth quarter of 2001. Pro forma results for the nine months ended September 30, 2001 have not been presented because the impact of the 2001 acquisitions is immaterial.

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:

	Nine Month September 3
Pro forma revenues	$ 306,3
Pro forma income from continuing operations	$ 67,2
Pro forma net income applicable to common stockholders	$ 67,2
Per share data:	
Earnings per common share - basic:	
Income from continuing operations	$ 2.
Net income	$ 2.
Earnings per common share - diluted:	
Income from continuing operations	$ 2.
Net income	$ 2.

The pro forma financial information above does not reflect the 2001 acquisitions as the impact of the pro forma historical information is immaterial.

NOTE 7 - DEBT

SENIOR SUBORDINATED NOTES

In June 2001, Penton issued $185.0 million of 10 3/8% Senior Subordinated Notes ("the Notes") due 2011 to qualified institutional buyers pursuant to Rule 144A of the Securities Act of 1933, as amended. Interest is payable on the Notes semiannually on June 15 and December 15. The Notes are guaranteed, on a senior subordinated basis, by the Company's domestic subsidiaries and may be redeemed on or after June 15, 2006. In addition, the Company may redeem up to 35% of the aggregate principal amount of the Notes before June 15, 2004 with the proceeds of certain equity offerings. The Notes were offered at a discount of $4.2 million, which is being amortized over the term of the Notes. Amortization of the discount was not material for the nine months ended September 30, 2001. Costs representing underwriting fees and other professional fees of $1.5 million are being amortized over the term of the Notes. Net proceeds of $180.2 million were used to pay down $136.0 million under the revolving credit facility, $12.8 million of Term Loan A and $7.2 million of Term Loan B. The remaining net proceeds of $24.2 million are being used for general corporate purposes. The Notes are unsecured senior subordinated obligations of the Company, subordinated in right of payment to all existing and future senior

indebtedness of the Company, including the credit facility. The Notes contain covenants that will, among other things, restrict the Company's ability to borrow money, pay dividends on or repurchase capital stock, make investments, sell assets or enter into mergers or consolidations.

In October 2001, the Company filed Form S-4 with the Securities and Exchange Commission as required with respect to the debt offering completed in June 2001.

SENIOR 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"). 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 could not be increased on more than three separate occasions, and any increase had to take place by September 30, 2001. Concurrent with the closing of the amendment, the Company obtained committed financing in the amount of $60.0 million of the $100.0 million under the Revolver, thereby increasing the total available under the Revolver to $185.0 million. The option to increase Term Loan A, Term Loan B and/or the Revolver by an additional $40.0 million by September 30, 2001 was not exercised by the Company.

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 meet certain covenants. 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 September 30, 2001, Penton was in compliance with all covenants. See discussion in liquidity and capital resources section of Management's Discussion and Analysis regarding expected violation of certain covenants in the fourth quarter of 2001.

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 September 30, 2001, no amounts were 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. At September 30, 2001, $185.0 million was available under the facility.

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 September 30, 2001, the rate in effect was 4.50%. The loan, which requires quarterly principal payments, will mature on June 30, 2006. At September 30, 2001, $117.0 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 September 30, 2001, the rate in effect was 5.00%. The loan requires quarterly principal payments of approximately $0.2 million, and four balloon payments of $17.6 million

beginning in September 2006, and will mature on June 30, 2007. At September 30, 2001, $66.9 million was outstanding under Term Loan B.

Cash paid for interest for the nine months ended September 30, 2001 and 2000, was $14.0 million and $12.1 million, respectively. Included in interest expense in the Consolidated Statements of Income are $1.3 million and $5.1 million of interest income for the nine months ended September 30, 2001 and 2000, respectively.

NOTES PAYABLE

The Company's long-term notes payable at September 30, 2001 of $3.3 million represents indebtedness resulting from the acquisition of Hillgate in February 2001. Loan Note A in the amount of $2.9 million, bears interest at 1% and matures in April 2004. Loan Note B in the amount of $0.4 million, bears interest at 0.5% and matures in July 2004. Both notes are denominated in British pounds.

NOTE 8 - NET INCOME PER COMMON SHARE

The following table sets forth the reconciliation of basic and diluted weighted average shares (shares in thousands) for the three and nine months ended September 30, 2001 and 2000:

	Three Months Ended September 30,		E
	2001	2000	20
Numerator:			
Income (loss) applicable to common shareholders	$ (29,495)	$ (1,244)	$(36
Denominator (Number of shares):			
Basic - weighted average shares outstanding	31,935	31,819	31
Effect of dilutive securities:			

Stock options	-	-	
Diluted - weighted average shares outstanding	31,935	31,819	31

Due to the net loss from operations for the three months ended September 30, 2001 and 2000, and the net loss from operations for the nine months ended September 30, 2001, stock options, restricted stock units and deferred shares were excluded from the calculation of diluted earnings per share as the result would have been antidilutive.

NOTE 9 - COMMON STOCK AND COMMON STOCK AWARD PROGRAMS

STOCK OFFERINGS

In September 2000, Penton arranged a secondary offering in which existing stockholders, 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.

STOCKHOLDERS RIGHTS AGREEMENT

In June 2000, the Company adopted a Stockholders 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 Penton common stock. Under this option, Penton 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 consolidated 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 stockholders by allowing employees the opportunity to purchase shares of Penton at a discount. The plan, which was effective January 1, 2000, 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 to the appropriate sections of the Internal Revenue Service Codes.

MANAGEMENT STOCK PURCHASE PLAN

Effective January 2000, the Company established a Management Stock Purchase 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, 31,942 and 25,507 RSUs were granted at a fair market value of $25.10 and $25.94 per share, respectively. At September 30, 2001, 57,449 RSUs were outstanding. The discount, which is immaterial for the periods presented, is recorded as compensation expense over the minimum 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 full 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 full recourse notes. All notes bear interest compounded semi-annually 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 September 30, 2001, 449,430 shares had been issued under the Executive Loan Program and the outstanding loan balance was approximately $11.5 million (including $1.1 million of accrued interest), which is classified in the Stockholders' Equity section of the balance sheet as notes receivable from officers.

EQUITY AND PERFORMANCE INCENTIVE PLAN

In May 2001, the Stockholders approved an amendment to increase the number of shares of common stock reserved for issuance under the 1998 Equity and Performance Incentive Plan from 2.5 million shares to 5.5 million shares.

Stock Options

In May 2001, the Stockholders approved an amendment to increase the number of shares of common stock reserved for issuance under the 1998 Director Stock Option Plan from 100,000 shares to 250,000 shares.

In February 2001 and 2000, 539,500 options and 512,600 options, respectively, were granted under the Company's Performance Incentive Plan. 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. Option grants do not have any associated compensation charge as all grants are issued at fair market value.

Deferred Shares

In August 2001, 6,780 fully vested deferred shares were issued for common stock of Penton. At September 30, 2001 and 2000, respectively, 56,249 and 63,029 deferred shares, which were granted in 1998 and 1999, were outstanding. Of the shares outstanding at September 30, 2001, 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. For the nine months ended September 30, 2001 and 2000, approximately $0.3 million, respectively, were charged to expense for these shares.

Performance Shares

In February 2001, the Board of Directors approved a grant of 139,985 performance shares to certain key executives, subject to the attainment of certain performance goals over a three-year period from January 1, 2001 through December 31, 2003. Each grantee is eligible to receive between 50% and 150% of the granted shares.

In June 2000, the Board of Directors approved a grant of 20,000 performance shares to two 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 between 10% and 150% of the granted shares.

In February 2000, the Board of Directors approved a grant of 136,054 performance shares to certain key executives, subject to the attainment of certain performance goals over a three-year period from January 1, 2000 through December 31, 2002. For 99,000 of the shares, each grantee is eligible to receive between 50% and 150% of the granted shares.

Performance shares are not issuable until earned. Compensation expense related to these shares is recorded over the performance period. For the nine months ended September 30, 2001 and 2000, approximately $1.5 million and $1.6 million, respectively, were charged to expense for these shares.

NOTE 10 - COMPREHENSIVE INCOME

Total comprehensive loss for the nine months ended September 30, 2001 and 2000 was $48.4 million and $25.2 million, respectively.

	COMMON STOCK, PAR VALUE	CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	NOTES RECEIVABLE OFFICERS
Balance at December 31, 2000	$ 318	$ 226,446	$ 112,745	$ (10,207)
Comprehensive loss:				

Net loss	--	--	(36,256)	--
Unrealized loss on securities reported at fair value	--	--	--	--
Net loss on cash flow hedges	--	--	--	--
Foreign currency translation adjustment	--	--	--	--
Total comprehensive loss				
Dividends	--	--	(1,915)	--
Issuance of common stock:				
Executive loan shares issued	--	750	--	--
Deferred shares and options exercised	1	1,144	--	--
Employee Stock Purchase Plan	--	(197)	--	--
Receivable from officers	--	--	--	(1,260)
Balance at September 30, 2001	$ 319	$ 228,143	$ 74,574	$ (11,467)

NOTE 11 - HEDGING ACTIVITIES

ADOPTION OF FAS 133

The Company adopted Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended by Statement of Financial Accounting Standards 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, and Statement of Financial Accounting Standards No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133 (collectively referred to hereafter as "FAS 133"), on January 1, 2001.

The Company recorded a $1.4 million, net-of-tax, cumulative-effect adjustment in other comprehensive income as of January 1, 2001. The transition adjustment recorded in other comprehensive income will be reclassified to earnings on a quarterly basis as interest payments occur. The Company expects that within the twelve months following the date of initial application it will reclassify to earnings $0.9 million of the transition adjustment that was recorded in accumulated other comprehensive income.

PENTON MEDIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The Company had the following activity in other comprehensive income related to derivatives:

Total cumulative effect of adoption on other comprehensive income at January 1, 2001	$ 1,35
Net change related to hedging transactions in the period	94
Net amount reclassified to earnings	(115
Net deferred loss on cash flow hedges at March 31, 2001	2,17

Net change related to hedging transactions in the period	(30
Net amount reclassified to earnings	(182
Net deferred loss on cash flow hedges at June 30, 2001	1,96
Net change related to current quarter hedging transactions	82
Net amount reclassified to earnings	(381
Net deferred loss on cash flow hedges at September 30, 2001	$ 2,41

ACCOUNTING POLICY FOR DERIVATIVES AND HEDGING ACTIVITIES

All derivatives are recognized on the balance sheet at their fair value. On the date that the Company enters into a derivative contract, it designates the derivative as (1) a hedge of (a) the fair value of a recognized asset or liability or (b) an unrecognized firm commitment (a "fair value" hedge); (2) a hedge of (a) a forecasted transaction or (b) the variability of cash flows that are to be received or paid in connection with a recognized asset or liability (a "cash flow" hedge); (3) a foreign currency fair value or cash flow hedge (a "foreign currency" hedge); (4) a hedge of a net investment in a foreign operation; or (5) an instrument that is held for trading or non-hedging purposes (a "trading" or "non-hedging" instrument).

Changes in the fair value of a derivative that are highly effective as, and that are designated and qualify as, a fair value hedge, along with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk (including changes that reflect losses or gains on firm commitments), are recorded in current period earnings. The Company did not have any fair value hedges during the nine months ended September 30, 2001.

Changes in the fair value of a derivative that are highly effective as, and that are designated and qualify as, a cash flow hedge, to the extent that the hedges are effective, are recorded in other comprehensive income, until earnings are affected by the variability of cash flows of the hedged transaction (e.g., until periodic settlements of a variable rate asset or liability are recorded in earnings). Any hedge ineffectiveness (which represents the amount by which the changes in the fair value of the derivative exceed the variability in the cash flows of the forecasted transaction) is recorded in current period earnings. The Company had interest rate swaps and caps which were designated as cash flow hedges for the nine months ended September 30, 2001.

Changes in the fair value of a derivative that are highly effective as, and that are designated and qualify as, a foreign currency hedge are recorded in either current period earnings or other comprehensive income, depending on whether the hedging relationship satisfies the criteria for a fair value or cash flow hedge. If, however, a derivative is used as a hedge of a net investment in a foreign operation, the changes in the derivative's fair value, to the extent that the derivative is effective as a hedge, are recorded in the cumulative translation adjustment account within other comprehensive income. Changes in the fair value of derivative trading and non-hedging instruments are reported in current period earnings. For the nine months ended September 30, 2001, the Company did not have any foreign currency or net investment hedges.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair value, cash flow, or foreign currency hedges to (1) specific assets and liabilities on the balance sheet or (2) specific firm commitments or forecasted transactions. The

Company also formally assesses (both at the hedge's inception and on an ongoing basis) whether the derivatives that are used in hedging transactions have been highly effective in offsetting changes in the fair value or cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. When it is determined that a derivative is not (or has ceased to be) highly effective as a hedge, the Company discontinues hedge accounting prospectively, as discussed below.

The Company discontinues hedge accounting prospectively when (1) it determines that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item (including hedged items such as firm commitments or forecasted transactions); (2) the derivative expires or is sold, terminated, or exercised; (3) it is no longer probable that the forecasted transaction will occur; (4) a hedged firm commitment no longer meets the definition of a firm commitment; or (5) management determines that designating the derivative as a hedging instrument is no longer appropriate. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, the Company will carry the derivative at its fair value on the balance sheet, recognizing changes in the fair value in current period earnings.

At September 30, 2001, Penton had the following interest rate instruments in effect:

	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

At September 30, 2001, the interest rate instruments had a negative fair value of $4.2 million recorded as a liability in Other Accrued Expenses on the balance sheet. 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 other 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. The Company also maintains a policy requiring that all swap derivative contracts be pursuant to the International Swaps and Derivatives Association Master Agreement.

RISK MANAGEMENT

In the ordinary course of business, Penton is exposed to fluctuations in interest rates and foreign currency rates. 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; however, Penton does not manage this risk using derivative instruments. The Company is exposed to interest rate risk due to the variable interest rate of the Credit Agreement. The Company maintains an overall interest rate risk-management strategy that incorporates the use of derivative instruments to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. Derivative instruments that are used as part of the Company's interest rate risk-management strategy include primarily interest rate swaps and interest rate caps.

CASH FLOW HEDGES

The Company uses interest rate swaps to convert a portion of its variable-rate debt to fixed-rate debt. The specific terms and notional amounts of the swaps are determined based on management's assessment of future interest rates, the requirements under the Credit Agreement (see Note 7), and other factors. The Company purchases interest rate caps and swaps to minimize its exposure to volatility in LIBOR. The level of fixed rate debt, after the effects of interest rate swaps and caps have been considered, is maintained at a level that is greater than 50% of the total Company debt.

For the nine months ended September 30, 2001, the Company recognized a net loss of $0.7 million (reported as interest expense in the Consolidated Statements of Income), which represents the total ineffectiveness of all cash flow hedges, including the time value of option contracts. All components of each derivative's gain or loss were included in the assessment of hedge effectiveness except for the time value of interest rate caps (option contracts).

During the nine months ended September 30, 2001, the Company reclassified $0.7 million from accumulated other comprehensive income to current period earnings (reported as interest expense in the Consolidated Statements of Income). The net deferred loss recorded in accumulated other comprehensive income will be reclassified to earnings on a quarterly basis as interest payments occur. As of September 30, 2001, $1.1 million of deferred losses on derivative instruments accumulated in other comprehensive income are expected to be reclassified as earnings during the next twelve months. As of September 30, 2001, the maximum term over which the Company is hedging its exposure to the variability of future cash flows is thirteen months.

NOTE 12 - RESTRUCTURING AND IMPAIRMENT CHARGES

THIRD QUARTER:

During the third quarter of 2001, the Company recorded asset impairments of $9.7 million ($5.8 million after tax, or $0.18 per share on a diluted basis), and restructuring charges of $9.5 million ($5.7 million after tax, or $0.18 per share on a diluted basis).

Asset impairments of $9.7 million include the write-down of goodwill by $7.1 million on five small acquisitions, and $1.7 million for various Web sites which were shut down. In addition, $0.9 million of circulation software costs were written off at one of our business units due to a management decision to discontinue the development of the software and to outsource that function.

Restructuring charges of $9.5 million resulted primarily from strategic decisions to restructure a number of businesses and support departments, including reducing our overhead infrastructure by consolidating and closing several branch offices, centralizing information technology, and outsourcing certain corporate functions. Of the total charge, $3.5 million relates to employee termination benefits for the elimination of 240 positions, of which 107 positions and $1.1 million in payments have already been completed. Approximately 88% of the positions eliminated or to be eliminated are in the

U.S. with the remaining positions predominantly in the United Kingdom and Germany. The remaining $6.0 million of the restructuring charge relates to the closure of 15 Penton offices worldwide and include costs associated with existing office spaces under lease including rent and common area maintenance costs in addition to costs to vacate the space. The majority of cost savings related to these initiatives will be realized in 2002 and beyond.

An analysis of third-quarter restructuring charges recorded for the quarter ended September 30, 2001, are as follows:

Description	Provision	Cash Payments	Ending Accrual Balance
Severance, outplacement and other personnel costs	$ 3,501	$ 1,131	$ 2,370
Facility closing costs	5,967	-	5,967
Total	$ 9,468	$ 1,131	$ 8,337

The majority of the remaining costs incurred in connection with the plan are expected to be paid by the end of 2002 with the balance to be paid through the end of 2010.

FIRST QUARTER:

In February 2001, Penton announced a restructuring program with the intent of discontinuing certain Internet operations that have not demonstrated revenue growth, customer acceptance and near-term opportunity for profit. During the first quarter of 2001, Penton incurred a pre-tax charge of $5.6 million for this restructuring. The charge was reported as a component of operating expenses.

An analysis of first quarter restructuring charges recorded as of September 30, 2001, are as follows:

DESCRIPTION	Provision	Cash Payments	Other Adjustments
Severance, outplacement and other personnel costs	$ 1,913	$ 1,722	$ 23
Impaired assets	2,054	567	1,487
Other exit costs	1,600	638	541
Total	$ 5,567	$ 2,927	$ 2,051

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Asset impairment costs primarily included the write-off of capitalized software development costs associated with the discontinuance of the industry exchange component of New Hope Natural Media's Healthwell.com. Personnel costs include the reduction of approximately 60 employees at Healthwell.com as well as a reduction of workforce related to a number of other Internet initiatives throughout Penton. Such personnel costs include payments for severance, outplacement services and provision for continued benefits to personnel. Costs to exit activities reflect the costs associated with existing office spaces under lease and other contractual obligations. During the third quarter, $0.1 million in cash payments were charged against the reserve. Other adjustments reflect the write-off of impaired assets and other items that did not involve the use of cash during the nine months ended September 30, 2001.

The majority of the remaining costs incurred in connection with the first quarter restructuring plan are expected to be paid by the end of 2001.

NOTE 13 - SEGMENT INFORMATION

Historically, Penton had three reportable segments: Media Services, Printing, and Direct Mail. Due to the sale of the Printing segment in 1999 and the Direct Mail segment in 2000, Penton currently has only one segment. The Media Services segment serves specific industries with integrated media product offerings.

NOTE 14 - GUARANTOR AND NON-GUARANTOR SUBSIDIARIES

The following schedules set forth condensed consolidating balance sheets as of September 30, 2001 and December 31, 2000 and condensed consolidating statements of income and condensed consolidating statements of cash flows for the nine months ended September 30, 2001 and 2000. In the following schedules, "Parent Company" refers to the combined balances of Penton Media, Inc., "Guarantor Subsidiaries" refers to Penton's wholly owned domestic subsidiaries, and "Non-guarantor Subsidiaries" refers to Penton's foreign subsidiaries. "Eliminations" represent the adjustments necessary to (a) eliminate intercompany transactions and (b) eliminate the investments in our subsidiaries.

NOTE 14-- GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (CONTINUED)

PENTON MEDIA, INC.
CONDENSED CONSOLIDATING BALANCE SHEETS
AS OF SEPTEMBER 30, 2001

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 20,398	$ 2,373	$ 5,634
Accounts and notes receivable, net	46,591	89,687	11,316

Income tax receivable	18,905	--	--
Inventories	948	406	32
Deferred tax asset	3,600	1,962	--
Prepayments, deposits and other	8,373	7,791	7,660
	98,815	102,219	24,642
Property, plant and equipment, net	23,795	4,949	3,079
Goodwill, net	131,142	392,051	35,396
Other intangibles, net	12,460	36,960	2,283
Deferred tax asset	7,818	--	--
Investment in subsidiaries	--	--	--
Investments	238,468	147,654	--
	413,683	581,614	40,758
	$ 512,498	$ 683,833	$ 65,400
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Senior debt facility	$ 14,908	$ --	$ --
Accounts payable and accrued expenses	34,471	(3,553)	11,890
Accrued compensation and benefits	13,545	1,388	(1,090)
Unearned income	21,316	27,356	11,650
	84,240	25,191	22,450
LONG-TERM LIABILITIES AND DEFERRED CREDITS:			
Senior debt facility	169,010	--	--
Senior subordinated notes	180,896	--	--
Notes payable	80,000	--	3,325
Net deferred pension credits	15,771	--	--
Deferred tax liability	--	8,102	2
Intercompany advances	(262,181)	242,969	19,212
Other	1,714	375	1,255
	185,210	251,446	23,794
STOCKHOLDERS' EQUITY:			
Common stock	228,463	349,426	16,615
Retained earnings	28,507	58,300	4,428
Notes receivable officers/directors	(11,467)	--	--
Accumulated other comprehensive income	(2,455)	(530)	(1,887)
	243,048	407,196	19,156
	$ 512,498	$ 683,833	$ 65,400

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PENTON MEDIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 14-- GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (CONTINUED)

PENTON MEDIA, INC.
CONDENSED CONSOLIDATING BALANCE SHEETS
AS OF DECEMBER 31, 2000

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ --	$ 8,678	$ 3,970
Accounts and notes receivable, net	40,592	96,850	12,617
Inventories	495	282	21
Deferred tax asset	3,600	1,962	--
Prepayments, deposits and other	5,282	4,710	1,771
	49,969	112,482	18,379
Property, plant and equipment, net	28,951	5,462	1,084
Goodwill, net	139,023	405,987	29,616
Other intangibles, net	26,548	25,562	2,012
Deferred tax asset	2,472	--	6
Investment in subsidiaries	238,788	144,235	--
Investments	--	17,725	--
	435,782	598,971	32,718
	$ 485,751	$ 711,453	$ 51,097
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Senior debt facility	$ 11,250	$ --	$ --
Accounts payable and accrued expenses	32,273	7,412	6,400
Accrued compensation and benefits	15,200	2,985	300
Unearned income	17,253	28,860	9,659
	75,976	39,257	16,359
LONG-TERM LIABILITIES AND DEFERRED CREDITS:			
Revolving credit facility	91,000	--	--
Senior debt facility	199,875	--	--
Notes payable	80,000	--	--
Net deferred pension credits	15,395	--	--
Deferred tax liability	--	8,456	--
Intercompany advances	(273,733)	257,298	16,435
Other	2,395	25	(29)
	114,932	265,779	16,406
STOCKHOLDERS' EQUITY:			
Common stock	226,764	349,428	16,614
Retained earnings	78,372	48,982	2,372
Notes receivable officers/directors	(10,207)	--	--
Accumulated other comprehensive income	(86)	8,007	(654)

294,843	406,417	18,332	
$ 485,751	$ 711,453	$ 51,097	$

PENTON MEDIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 14-- GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (CONTINUED)

PENTON MEDIA, INC.
CONDENSED CONSOLIDATING STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	EL
REVENUES	$ 153,553	$ 95,842	$ 31,598	$
OPERATING EXPENSES:				
Editorial, production and circulation	68,016	36,481	12,663	
Selling, general and administrative	79,218	43,591	13,482	
Depreciation and amortization	28,947	4,435	543	
Impairment of other assets	8,558	910	195	
Restructuring charges	15,035	--	--	
	199,774	85,417	26,883	
OPERATING INCOME (LOSS)	(46,221)	10,425	4,715	
OTHER INCOME (EXPENSE):				
Interest expense, net of income earned	(23,909)	3,665	(269)	
Miscellaneous, net	(808)	(228)	(1,208)	
	(24,717)	3,437	(1,477)	
INCOME (LOSS) BEFORE INCOME TAXES	(70,938)	13,862	3,238	
PROVISION (BENEFIT) FOR INCOME TAXES	(23,308)	4,544	1,182	
NET INCOME (LOSS)	$ (47,630)	$ 9,318	$ 2,056	

PENTON MEDIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 14-- GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (CONTINUED)

PENTON MEDIA, INC.
CONDENSED CONSOLIDATING STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIM
REVENUES	$ 166,806	$ 78,325	$ 16,472	$
OPERATING EXPENSES:				
Editorial, production and circulation	67,978	24,556	6,097	
Selling, general and administrative	77,904	27,431	6,462	
Depreciation and amortization	19,810	2,834	236	
Restructuring charges	--	--	--	
Impairment of other assets	1,051	--	--	
	166,743	54,821	12,795	
OPERATING INCOME (LOSS)	63	23,504	3,677	
OTHER INCOME (EXPENSE):				
Interest expense, net of income earned	(8,714)	780	(371)	
Gain on sale of investments	110,210	--	--	
Miscellaneous, net	(671)	(128)	442	
	100,825	652	71	
INCOME BEFORE INCOME TAXES	100,888	24,156	3,748	
PROVISION FOR INCOME TAXES	42,978	10,816	1,124	
INCOME FROM CONTINUING OPERATIONS	57,910	13,340	2,624	
DISCONTINUED OPERATIONS:				
Loss from discontinued operations, net	(85)	--	--	
NET INCOME	$ 57,825	$ 13,340	$ 2,624	$

PENTON MEDIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 14-- GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (CONTINUED)

PENTON MEDIA, INC
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOW

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTO SUBSIDIARIES
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ (20,958)	$ (2,243)	$ 7,406
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(3,995)	(1,620)	(2,763)
Acquisitions and investments, net of cash acquired	(4,631)	(675)	(2,979)
Earnouts paid	(10,208)	(1,767)	--
Net cash used for investing activities	(18,834)	(4,062)	(5,742)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from senior subordinated notes	180,836	--	--
Proceeds from senior debt facility	45,000	--	--
Repayment of senior debt facility	(163,207)	--	--
Repayment of notes payable	--	--	(201)
Employee stock purchase plan payments	(197)	--	--
Proceeds from deferred shares and options exercised	1,145	--	--
Payment of financing costs	(1,246)	--	--
Dividends paid	(1,912)	--	--
Net cash provided by financing activities	60,419	--	(201)
Effect of exchange rate	(28)	--	--
Net increase (decrease) in cash and Equivalents	20,599	(6,305)	1,463
Cash and equivalents at beginning of period	--	8,678	3,970
Cash and equivalents at end of period	$ 20,599	$ 2,373	$ 5,433

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PENTON MEDIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 14-- GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (CONTINUED)

PENTON MEDIA, INC
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOW

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARA SUBSIDIAR
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ (11,338)	$ 7,048	$ 7,984
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(9,482)	(2,719)	(178
Acquisitions and investments, net of cash acquired	(192,389)	(1,664)	(4,589
Earnouts paid	(3,205)	(980)	(595
Proceeds from sale of INT Media Group Inc. stock	113,100	--	--
Net proceeds from sale of discontinued operations	4,000	--	--
Net cash provided by investing activities	(87,976)	(5,363)	(5,362
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from senior debt facility	80,000	--	--
Repayment of senior debt facility	(1,937)	--	--
Employee stock purchase plan payments	(348)	--	--
Proceeds from deferred shares and options exercised	779	--	--
Dividends paid	(2,861)	--	--
Net cash used for financing activities	75,633	--	--
Effect of exchange rate	(276)	--	--
Net increase in cash and equivalents	(23,957)	1,685	2,622
Cash and equivalents at beginning of period	24,664	2,918	2,788
Cash and equivalents at end of period	$ 707	$ 4,603	$ 5,410

NOTE 15 -- SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

For the nine months ended September 30, 2001, Penton issued 39,430 shares to an officer under the executive loan program, and marked to market its investment in INT Media Group, Inc. stock by negative $0.9 million. In addition, Penton acquired Hillgate in February 2001 for approximately $4.1 million, of which $3.3 million was in the form of notes payable.

For the nine months ended September 30, 2000, Penton issued 52,920 common shares valued at approximately $1.4 million in connection with New Hope's earnout; issued 400,000 shares to officers; and marked to market its investment in INT Media Group, Inc. stock by approximately $47.8 million.

The foregoing transactions did not provide for or require the use of cash and, accordingly, are not reflected in the Consolidated Statements of Cash

Flows.

NOTE 16 - SUBSEQUENT EVENTS

In October 2001, Penton sold the stock of Meko, Ltd., back to the original owner for one pound Sterling. In accordance with SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of", the Company recorded an impairment charge of $0.4 million related to the assets of Meko, Ltd. as of September 30, 2001. This charge was recorded to write-down the assets of Meko to fair market value.

In October 2001, the Company filed Form S-4 with the Securities and Exchange Commission with respect to the Company's $185.0 million of 10 3/8% Senior Subordinated Notes due 2011.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements and the notes thereto. Historical results and percentage relationships set forth in the consolidated financial statements, including trends which might appear, should not be taken as indicative of future operations. 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 and Internet strategies.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2001 COMPARED WITH THE THREE MONTHS ENDED SEPTEMBER 30, 2000

REVENUES

Total revenues decreased $15.2 million, or 19.8%, from $76.7 million for the three months ended September 30, 2000 to $61.5 million for the same period in 2001.

Publishing revenues decreased $4.7 million, or 8.7%, from $54.5 million for the three months ended September 30, 2000 to $49.8 million in the same period in 2001. The decrease was due primarily to revenue declines from technology magazines, especially Internet World magazine, as well as from select magazines serving the manufacturing industry and electronics OEM markets. These declines were primarily caused by the continued weakness in advertising resulting from the extended slowdown of the U.S. economy and, more recently, by struggling economies throughout Europe and Asia. These declines were partially offset by the following: (i) the addition of Windows 2000 Magazine, Business Finance Magazine, SQL Server Magazine and iSeries NEWS magazine, which were part of the Duke acquisition in September 2000; (ii) the addition of IT Consultant, m-CommerceWorld, ISPWorld, and Service Management magazines, which were part of the Hillgate acquisition in February 2001, and (iii) the addition of iTgraphics Magazine, and the Australian editions of Computer Reseller News and Information Week magazines, which were all part of the DWR Media acquisition completed in May 2001.

Trade show and conference revenues decreased $12.5 million, or 58.6%, from $21.3 million for the three months ended September 30, 2000 to $8.8 million for the same period in 2001, due primarily to the shift in timing of the Natural Products Expo East, International Leisure Industry Week, and CLEC Expo Fall (now titled Last Mile) trade shows, which were held in the third quarter of 2000 and will be held in the fourth quarter of 2001, as well as a decline in revenues year-over-year in the Internet World Summer show. These declines were somewhat offset by the Wireless Developer conference, which was acquired in June 2001; the IW Australia show which was held in the second quarter of 2000 compared with the third quarter of 2001; and several regional industrial shows held during the quarter, which were part of the PTS acquisition in September 2000.

Online media revenues increased $2.0 million, from $0.9 million for the three months ended September 30, 2000 to $2.9 million for the same period in 2001, due primarily to the addition of Duke's online media business, which was acquired in September 2000.

OPERATING EXPENSES

Operating expenses increased $22.7 million, or 29.3%, from $77.4 million for the three months ended September 30, 2000 to $100.1 million for the same period in 2001. As a percentage of revenues, operating costs increased from 100.9% in 2000 to 162.8% in 2001. The increase in operating expenses as a percentage of revenues was due primarily to the $19.1 million impairment of asset and restructuring charges taken in the quarter, the shift in timing of the three trade shows noted above, higher depreciation and amortization expense resulting from acquisitions completed in 2000 and 2001, as well as an increase in capitalized costs related to the relocation of the Company's corporate headquarters in the fourth quarter of 2000.

Editorial, Production and Circulation

Editorial, production and circulation expenses decreased to $33.1 million for the three months ended September 30, 2001, compared to $33.4 million for the same period in 2000, representing a change of $0.3 million, or 0.8%. The decrease was due primarily to the shift in the timing of the three trade shows noted previously since direct costs related to those shows are deferred and recognized when the show is held in the fourth quarter. This decrease was partially offset by editorial, production and circulation costs incurred by Duke, Streaming Media and PTS, which were acquired in September 2000 as well as additional costs related to the acquisitions completed in the first half of 2001.

As a percentage of revenues, editorial, production and circulation expenses increased from 43.6% in 2000 to 53.9% in 2001. The increase was due largely to the shift in timing of the higher margin trade shows, as noted above. Higher margin trade shows only represented 14.4% of revenues for the quarter compared with 27.8% of revenues for the same period in 2000.

Selling, General and Administrative

Selling, general and administrative expenses grew $0.5 million, or 1.4%, from $36.2 million for the three months ended September 30, 2000 to $36.7 million for the same period in 2001. The increase was due primarily to selling, general and administrative costs incurred by Duke, Streaming Media and PTS, which were acquired in September 2000, as well as additional costs related to the acquisitions completed in the first half of 2001. These increases were partially offset by the shift in the timing of the three trade shows noted previously since direct costs related to those shows are deferred and recognized when the show is held in the fourth quarter.

As a percentage of revenues, selling, general and administrative expenses increased from 47.1% in 2000 to 59.6% in 2001. The increase was due largely to the timing of the trade shows, as noted above.

Impairment of Assets

In connection with an ongoing review of its portfolio of businesses, Penton recorded asset and goodwill impairment charges of $9.7 million ($5.8 million after tax, or $0.18 per diluted share). In addition to the goodwill write-down of $7.1 million, asset impairments of $1.7 million were written down for various Web sites that were shut down. In addition, $0.9 million of circulation software costs were written off at one of our business units due to a management decision to discontinue the development of the software and to outsource that function.

Restructuring Charge

Restructuring charges of $9.5 million ($5.7 million after tax, or $0.18 per diluted share) resulted primarily from strategic decisions to restructure a number of businesses and support departments, and to reduce our overhead infrastructure by consolidating and closing several branch offices, centralizing information technology, and outsourcing certain corporate functions. Of the total charge, $3.5 million relates to employee termination benefits and $6.0 million relates to the closure of 15 Penton offices worldwide. The charge is reported as a

component of operating expenses. See Note 12 - Restructuring and Impairment Charges for additional information on related cash payments. The following sets forth additional detail concerning the principal components of the charge:

- Personnel costs of $3.5 million primarily are associated with the elimination of 240 positions, of which, 107 positions and payments of $1.1 million have already been completed. Approximately 88% of the positions eliminated or to be eliminated are in the U.S. with the remaining positions predominantly in the United Kingdom and Germany. Personnel costs include payments for severance, costs of outplacement services and a provision for continued benefits to personnel.

- Office closure costs of $6.0 million relate to the closure of 15 Penton offices worldwide and include costs associated with existing office spaces under lease including rent and common area maintenance costs in addition to costs to vacate the space.

Depreciation and Amortization

Depreciation and amortization increased $3.4 million, or 42.8%, to $11.2 million for the three months ended September 30, 2001. The higher expense primarily was the result of the amortization of goodwill and intangible assets related to acquisitions completed in 2000 and 2001, as well as increased depreciation associated with capital expenditures related to the corporate headquarters relocation in the fourth quarter of 2000.

OPERATING INCOME (LOSS)

Overall, Penton's operating loss increased $37.9 million, from a loss of $0.7 million for the three months ended September 30, 2000 to a loss of $38.6 million for the same period in 2001. Operating income as a percentage of revenue increased from a loss of 0.9% in 2000 to a loss of 62.8% in 2001.

OTHER INCOME (EXPENSE)

Interest expense, net of interest earned, increased $5.1 million to $8.3 million for the three months ended September 30, 2001, compared to the same prior year period of $3.1 million, due to a higher average debt balance outstanding for the three months ending September 30, 2001 when compared with the same prior year period, as well as a decrease in interest earned on Penton's lower average cash balance compared with the prior year.

EFFECTIVE TAX RATES

The effective tax rates were 38.1% and 66.9% for the three months ended September 30, 2001 and 2000, respectively. During the second quarter of 2001, Penton changed its method for calculating its interim tax provision from the use of the annual effective tax rate approach to the discrete period approach. The tax provision change was made due to the limited forward visibility on results of operations for the remainder of 2001.

NINE MONTHS ENDED SEPTEMBER 30, 2001 COMPARED WITH THE NINE MONTHS ENDED SEPTEMBER 30, 2000

REVENUES

Total revenues increased $19.4 million, or 7.4%, from $261.6 million for the nine months ended September 30, 2000 to $281.0 million for the same period in 2001.

Publishing revenues increased $1.9 million, or 1.2%, from $163.4 million for the nine months ended September 30, 2000 to $165.3 million in the same period in 2001, due primarily to the following: (i) the addition of Windows 2000 Magazine, Business Finance Magazine, SQL Server Magazine and iSeries NEWS magazine, which were part of the Duke acquisition in September 2000; (ii) the addition of IT Consultant, m-CommerceWorld, ISPWorld, and Service Management magazines, which were part of the Hillgate acquisition in

February 2001; (iii) the addition of Contractor magazine, which was acquired in April 2001; (iv) the addition of Group Computing magazine, which was acquired in December 2000; (v) the launch of Medical Design News magazine in the fourth quarter of 2000, and (vi) the launch of Netronics magazine in May 2001. These increases were partially offset by revenue declines from technology magazines, especially Internet World magazine, as well as from select magazines serving the manufacturing industry and electronics OEM markets and due to the timing of a major directory, which was published in the first quarter of 2000 and is scheduled to be published in the fourth quarter of 2001.

Trade show and conference revenues increased $10.1 million, or 10.5%, from $96.1 million for the nine months ended September 30, 2000 to $106.2 million for the same period in 2001, due primarily to the following: (i) added results of acquired properties, including Internet World Berlin, Streaming Media West and PTS regional events; (ii) the successful launches of Internet World Wireless East, ASPCON London, Streaming Media events in Berlin, Hong Kong and Tokyo, ASPCON Spring and m-Commerce World; and (iii) strong year-on-year growth of events, including Internet World UK, ISPCON London, Natural Product Expo West and Natural Products Expo Europe. Revenues were partially offset by a significant decline in the high-margin Internet World Spring show held in the first quarter of 2001, as well as the shift in timing of the Natural Products Expo East, International Leisure Industry Week, and CLEC Expo Fall (now titled Last Mile) trade shows which were held in the third quarter of 2000 and will be held in the fourth quarter of 2001.

Online media revenues increased $7.4 million, from $2.0 million for the nine months ended September 30, 2000 to $9.5 million for the same period in 2001, due primarily to the addition of Duke's online media business, which was acquired in September 2000.

OPERATING EXPENSES

Operating expenses increased $77.7 million, or 33.2%, from $234.4 million for the nine months ended September 30, 2000 to $312.1 million for the same period in 2001. As a percentage of revenues, operating costs increased from 89.6% in 2000 to 111.1% in 2001. The increase in operating expenses as a percentage of revenues was due primarily to the $24.7 million of impairment of asset and restructuring charges recognized during the year, the shift in timing of the three trade shows as previously discussed, lower margins earned from certain trade shows and magazines due to market conditions, and higher depreciation and amortization expense resulting from acquisitions completed in 2000 and 2001 as well as the corporate headquarters relocation costs incurred in the fourth quarter of 2000.

Editorial, Production and Circulation

Editorial, production and circulation expenses grew to $117.2 million for the nine months ended September 30, 2001 compared with $98.6 million for the same period in 2000, representing an increase of $18.5 million, or 18.8%. The increase in costs was due primarily to the acquisitions of Duke, Streaming Media and PTS in September 2000, as well as the nine acquisitions completed in the first half of 2001. The increase was offset, in part, by the shift in the timing of the three trade shows noted previously since direct costs related to those shows have been deferred and will be recognized when the shows are held in the fourth quarter.

As a percentage of revenues, editorial, production and circulation expenses increased from 37.7% in 2000 to 41.7% in 2001. The increase in percentage was due largely to lower margins earned from both trade shows and conferences and magazines in 2001 when compared with the same period in 2000, period costs associated with the acquisitions acquired in September 2000, as well as the timing of the three trade shows as previously discussed.

Selling, General and Administrative

Selling, general and administrative expenses grew $24.5 million, or 21.9%, from $111.8 million for the nine months ended September 30, 2000 to $136.3 million for the same period in 2001. The increase in costs was due primarily to the acquisition of Duke, Streaming Media and PTS in September 2000, as well as the nine acquisitions completed in the first half of 2001. The increase was offset, in part, by the shift in the timing of the three trade shows noted previously since direct costs related to those shows have been deferred and will be recognized when the shows are held in the fourth quarter.

As a percentage of revenues, selling, general and administrative expenses increased from 42.7% in 2000 to 48.5% in 2001. The increase was due largely to period costs associated with the acquisitions acquired in September 2000 as well as the first half of 2001, and to increased health care costs year-over-year.

Impairment of Assets

For the nine months ended September 30, 2001, in connection with an ongoing review of its portfolio of businesses, Penton recorded asset and goodwill impairment charges of $9.7 million ($5.8 million after tax, or $0.18 per diluted share). In addition to the goodwill write-down of $7.1 million, asset impairments of $1.7 million were written down for various Web sites that were shut down. In addition, $0.9 million of circulation software costs were written off at one of our business units due to a management decision to discontinue the development of the software and to outsource that function.

For the nine months ended September 30, 2000, the Company recorded a $1.1 million non-cash charge in the second quarter of 2000 to write down the carrying value of certain leasehold improvements, furniture and fixtures, and computer equipment to fair value.

Restructuring Charge

Third Quarter

Restructuring charges of $9.5 million ($5.7 million after tax, or $0.18 per diluted share) resulted primarily from strategic decisions to restructure a number of businesses and support departments, and to reduce our overhead infrastructure by consolidating and closing several branch offices, centralizing information technology, and outsourcing certain corporate functions. Of the total charge, $3.5 million relates to employee termination benefits and $6.0 million relates to the closure of 15 Penton offices worldwide. The charge is reported as a component of operating expenses. See Note 12 - Restructuring and Impairment Charges for additional information on related cash payments. The following sets forth additional detail concerning the principal components of the charge:

- Personnel costs of $3.5 million primarily are associated with the elimination of 240 positions, of which, 107 positions and payments of $1.1 million have already been completed. Approximately 88% of the positions eliminated or to be eliminated are in the U.S. with the remaining positions predominantly in the United Kingdom and Germany. Personnel costs include payments for severance, costs of outplacement services and a provision for continued benefits to personnel.

- Office closure costs of $6.0 million relate to the closure of 15 Penton offices worldwide and include costs associated with existing office spaces under lease including rent and common area maintenance costs in addition to costs to vacate the space.

First Quarter

As a result of economic conditions, Penton adjusted its portfolio of online media products to focus on those that are demonstrating revenue growth, customer acceptance and near-term opportunity for profit. To that end, Penton announced a restructuring program in February 2001 with the intent of discontinuing certain online media operations that did not met these objectives. Penton incurred a pre-tax charge of $5.6 million for this restructuring program in the first quarter of 2001. The charge was reported as a component of operating expenses. See Note 12 - Restructuring and Impairment Charges for additional information on related cash payments. The following sets forth additional detail concerning the principal components of the charge:

- Asset impairment costs totaled $2.1 million. These costs primarily included the write-off of capitalized software costs associated with the discontinuance of the industry exchange component of New Hope Natural Media's Healthwell.com.

- Personnel costs of $1.9 million primarily are associated with the separation of 60 employees at Healthwell.com as well as a reduction of workforce in a number of other online media initiatives at Penton. Personnel costs included payments for severance, costs of outplacement services and provision for continued benefits to personnel.

- Exit costs of $1.6 million reflecting the costs associated with existing office spaces under lease and other contractual obligations.

Depreciation and Amortization

Depreciation and amortization increased $11.0 million, or 48.3%, to $33.9 million for the nine months ended September 30, 2001. The higher expense is primarily the result of the amortization of goodwill and intangible assets from acquisitions completed in 2000, primarily Streaming Media, PTS and Duke, and 2001, as well as increased depreciation associated with capital expenditures related to the corporate headquarters relocation in the fourth quarter of 2000.

OPERATING INCOME (LOSS)

Overall, Penton's operating income decreased $58.3 million, or 214.1%, from income of $27.2 million for the nine months ended September 30, 2000 to a loss of $31.1 million for the same period in 2001. As a percentage of revenue, the Company had operating income of 10.4% in 2000 and an operating loss of 11.1% in 2001.

OTHER INCOME (EXPENSE)

Interest expense increased $12.2 million to $20.5 million for the nine months ended September 30, 2001, compared to $8.3 million in the same prior-year period, due to a higher average debt balance outstanding, as well as a significant decrease in interest earned on the Company's lower average cash balance compared with the prior year.

In February 2000, Penton sold 2.0 million shares of INT Media Group, Inc. 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.

Miscellaneous net expense increased $1.9 million to $2.2 million for the nine months ended September 30, 2001 compared with $0.4 million in the same prior-year period. The increase is due primarily to minority equity interests and various professional fees related to unsuccessful potential acquisitions which were written off.

EFFECTIVE TAX RATES

The effective tax rates were 32.7% and 42.6% for the nine months ended September 30, 2001 and 2000, respectively. During the second quarter of 2001, Penton changed its method for calculating its interim tax provision from use of the annual effective tax rate approach to the discrete period approach. The tax provision change was made due to the limited forward visibility on results for the remainder of 2001. The effective tax rate for the nine months ended September 30, 2000 was affected by Penton's sale of a portion of its investment in INT Media Group, Inc. stock, which resulted in the recognition of a pre-tax gain of $110.2 million.

ADJUSTED EBITDA

Net income before interest, taxes, depreciation and amortization, and one-time items ("adjusted EBITDA") is a widely used and commonly reported standard measure utilized by analysts and investors in the analysis of companies in 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 for operating performance relative to other media companies. Penton's calculation of adjusted EBITDA is as follows (in thousands):

	Three Months Ended September 30,		
	2001	2000	
Net income (loss)	$ (29,495)	$ (1,244)	$
Interest expense, net of interest earned	8,263	3,129	
Restructuring charge	9,468	-	
Gain on sale of investments	-	-	
Provision for income taxes	(18,184)	(2,512)	
Depreciation and amortization	11,211	7,851	
Impairment of assets	9,663	-	
Discontinued operation	-	-	
Miscellaneous, net	794	(87)	
Adjusted EBITDA	$ (8,280)	$ 7,137	$

For the three months ended September 30, 2001, the Company's adjusted EBITDA decreased $15.4 million, or 216.0%, to a loss of $8.3 million from income of $7.1 million for the same period in 2000. Adjusted EBITDA margins decreased to a loss of 13.5% for the quarter compared with income of 9.3% in the same year ago period. The decease in both adjusted EBITDA and adjusted EBITDA margins were primarily due to the shift in the timing of the three higher margin trade shows noted previously, significant declines on certain high-margin properties serving technology markets, declines on select manufacturing titles, and increased period costs primarily associated with the three larger acquisitions completed in September 2000.

For the nine months ended September 30, 2001, the Company's adjusted EBITDA decreased $23.6 million, or 46.2%, to $27.5 million from $51.2 million for the same period in 2000. Adjusted EBITDA margins were 9.8% for the nine months ended September 30, 2001 compared to 19.6% for the same period in 2000. The decreases reflect the timing of the three trade shows noted above, significant declines from certain high-margin properties serving technology markets, and declines from select manufacturing titles, partially offset by added results from acquisitions and profit improvements on certain existing properties.

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

	Three Months Ended September 30,		Ni
	2001	2000	2001
Publishing	$ 7,625	$ 12,233	$ 22,
Trade shows & conferences	(6,083)	4,782	35,
Online media	(777)	(1,812)	(2,
Subtotal	765	15,203	55,
General and administrative	(9,045)	(8,066)	(27,
Adjusted EBITDA	$ (8,280)	$ 7,137	$ 27,

For the three months ended September 30, 2001, adjusted EBITDA for the Company's publishing operations decreased $4.6 million, or 37.7%, when compared with the same prior year period. Adjusted EBITDA was heavily impacted by declines from Penton's technology magazines, most significantly Internet World; and declines from select manufacturing and electronic titles, partially offset by results of acquisitions.

For the three months ended September 30, 2001, adjusted EBITDA for the Company's trade show and conference operations decreased $10.9 million, or 227.2% when compared with the same prior year period. The decline was due primarily to the shift in timing of the three trade shows previously mentioned, and period costs associated with acquisitions primarily acquired in September 2000.

For the three months ended September 30, 2001, adjusted EBITDA for the Company's online media operations decreased from a loss of $1.8 million to a loss of $0.8 million. The improvement was due primarily to the addition of

Duke's online media business, acquired in September 2000.

For the three months ended September 30, 2001, general and administrative costs increased $1.0 million, when compared with the same prior year period, primarily due to an increase in health care costs and acquisitions completed in 2000 and 2001.

For the nine months ended September 30, 2001, adjusted EBITDA for the Company's publishing operations decreased $14.4 million, or 38.5%, when compared with the prior year period, as a result of declines on high-margin magazines serving technology markets, primarily Internet World; as well as select manufacturing and electronic magazines; investments in magazine launches; and the timing of a major directory, which was published in the first quarter of 2000 and is scheduled to be published in December 2001.

For the nine months ended September 30, 2001 adjusted EBITDA for the Company's trade show and conference operations decreased $6.2 million, or 15.0%. This decrease was due to a significant decline in the high-margin Internet World Spring show held in the first quarter of 2001, as well as the shift in timing of the three trade shows noted above. These declines were offset partially by added results of acquired properties, including Internet World Berlin, Streaming Media West and PTS regional events; successful launches, including Internet World Wireless East, ASPCON London, Streaming Media events in Berlin, Hong Kong and Tokyo, and m-Commerce World; and strong year-on-year growth of events, including Internet World UK, Service Management Europe, ISPCON London, Natural Products Expo West and Natural Products Expo Europe.

For the nine months ended September 30, 2001, adjusted EBITDA for the Company's online media operations decreased from a loss of $4.0 million in 2000, to a loss of $2.7 million for the same period in 2001. The improvement was due primarily to the addition of Duke's online media business, acquired in September 2000.

For the nine months ended September 30, 2001, general and administrative costs increased $4.3 million, when compared with the same prior-year period. The increase was primarily due to higher compensation expense, a significant year-over-year increase in healthcare costs, and acquisitions completed during 2000 and 2001.

FOREIGN CURRENCY

The functional currency of the Company'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 on the balance sheet date; income and expense are translated at the average rates of exchange prevailing during the period. There were no significant foreign currency transaction gains or losses for the periods presented.

LIQUIDITY AND CAPITAL RESOURCES

During the periods presented, Penton financed its operations primarily through cash generated from operating activities, borrowings under its credit facilities, the issuance of senior subordinated notes and the sale of investments.

Cash used by operating activities was $14.8 million for the nine months ended September 30, 2001, reflecting the Company's net loss of $36.3 million in addition to a net working capital decrease of $36.6 million and non-cash charges of approximately $58.1 million. Cash provided by operating activities was $3.7 million for the nine months ended September 30, 2000 reflecting the Company's net income of $73.8 million in addition to a net working capital increase of approximately $15.1 million and non-cash items of approximately $85.2 million.

Investing activities used $28.6 million for the nine months ended September 30, 2001, primarily due to the nine acquisitions completed in 2001, earnout payments related to 2000 and capital expenditures. For the nine months ended September 30, 2000, investing activities used $98.7 million, due to proceeds from the sale of 2.0 million shares of INT Media Group, Inc. stock and proceeds from the sale of the Direct Mail segment, offset by the use of cash for acquisitions and investments, earnout payments related to 1999, and capital expenditures.

Financing activities provided $60.2 million for the nine months ended September 30, 2001, primarily from borrowings under the Company's revolving credit facility and proceeds from the senior subordinated notes, offset partially by repayments under the credit facility, dividends paid to stockholders, and the payment of financing fees. Financing activities provided $75.6 million in 2000, primarily from borrowings under the Company's revolving credit facility, offset partially by the payment of dividends to stockholders.

In June 2001, Penton issued $185.0 million of 10 3/8% Senior Subordinated Notes ("the Notes") due 2011 to qualified institutional buyers pursuant to Rule 144A of the Securities Act of 1933, as amended. Interest is payable on the Notes semiannually on June 15 and December 15. The Notes are guaranteed, on a senior subordinated basis, by the Company's domestic subsidiaries and may be redeemed on or after June 15, 2006. In addition, the Company may redeem up to 35% of the aggregate principal amount of the Notes before June 15, 2004 with the proceeds of certain equity offerings. The Notes were offered at a discount of $4.2 million, which is being amortized over the term of the Notes. Amortization of the discount was not material for the nine-month period ended September 30, 2001. Costs representing underwriting fees and other professional fees of $1.5 million are being amortized over the term of the Notes. Net proceeds of $180.2 million were used to pay down the $136.0 million outstanding balance of the Revolving Credit Facility, $12.8 million of Term Loan A and $7.2 million of Term Loan B. The remaining proceeds will be used for general corporate purposes. The Notes are unsecured senior subordinated obligations of the Company, subordinated in right of payment to all existing and future senior indebtedness of the Company, including the credit facility. The Notes contain covenants that will, among other things, restrict the Company's ability to borrow money, pay dividends on or repurchase capital stock, make investments, sell assets, or enter into mergers or consolidations.

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. Concurrent with the closing of the amendment, the Company obtained committed financing in the amount of $60.0 million of the $100.0 million under the Revolver, thereby increasing the total available under the Revolver to $185.0 million. The remaining $40.0 million could not be requested on more than three separate occasions, and any increase had to have taken place by September 30, 2001. The Company did not exercise this option.

Because of recent economic conditions, we expect that in the fourth quarter we will be in violation of some of the financial covenants that we are required to maintain pursuant to the terms of our credit facility. We have informed the administrative agent of our credit facility of these matters and are currently in negotiations to amend the credit facility or to obtain a waiver so that we will not be in violation of any financial covenants. However, we cannot assure you that we will be able to obtain an amendment to, or waiver of, the covenants under our credit facility. This would impact our ability to borrow further under the credit facility.

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 majority of our trade shows and conferences are held in the second and fourth quarters and, accordingly, the majority of revenue is recognized in these quarters. Penton may also 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.

NEW ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("FAS") No. 141 "Business Combinations". FAS No. 141 requires that all business combinations be accounted for under the purchase method of accounting. In addition, this Statement addresses financial accounting and reporting for goodwill and other intangible assets acquired in a business combination at acquisition. The Statement also provides criteria for the separate recognition of intangible assets acquired in a business combination. FAS No. 141 is effective for all business combinations initiated after June 30, 2001.

In July 2001, the FASB issued FAS No. 142 "Goodwill and Other Intangible Assets". FAS 142 addresses financial accounting and reporting for intangible assets acquired individually or with a group of other assets at acquisition. FAS No. 142 presumes that goodwill and certain intangible assets have indefinite useful lives. Accordingly, goodwill and certain intangibles will not be amortized but rather will be tested at least annually for impairment. FAS No. 142 also addresses accounting and reporting for goodwill and other intangible assets subsequent to their acquisition. FAS No. 142 is effective for fiscal years beginning after December 15, 2001. We anticipate that the adoption of this Statement will lead to the elimination of approximately $27.4 million of goodwill amortization in 2002. We are currently in the process of evaluating the impact of the other provisions of this Statement on Penton.

In August 2001, the FASB issued FAS No. 143, "Accounting for Asset Retirement Obligations". This Statement requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes the cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. The Company is required to adopt this Statement for fiscal 2004. The Company is analyzing the effect of this Statement, and does not expect it to have a material effect on the Company's consolidated financial position, results of operations or cash flows.

In October 2001, the FASB issued FAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This Statement, which supersedes FAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", provides a single accounting model for long-lived assets to be disposed of. Although retaining many of the fundamental recognition and measurement provisions of FAS No. 121, the Statement significantly changes the criteria that would have to be met to classify an asset as held-for-sale. The Company is analyzing the effect of this Statement and does not expect it to have a material effect on the Company's consolidated financial position, results of operations or cash flows.

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, the introduction and use of the Euro has not materially affected Penton's business, results of operations or financial condition.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE 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 financial instruments for trading or speculative purposes.

In the normal course of business, Penton manages fluctuations in interest rates through interest rate swap and cap agreements to hedge at least 50% of its 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.

Penton maintains assets and operations in the United Kingdom and in various other countries. As a result, it may be exposed to cost increases relative to the markets in which it sells. At September 30, 2001, a hypothetical 10% strengthening of the U.S. dollar relative to the currencies of foreign countries in which Penton operates was not material.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS ON SENIOR SECURITIES

None

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

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) EXHIBITS

None

(B) REPORTS ON FORM 8-K AND/OR 8-K/A

DATE OF REPORT	ITEMS REPORTED	
September 20, 2001	Item 5.	Other Events
	Item 7.	Financial Statements, Pro Forma Financial Information and Exhibits
October 30, 2001	Item 5.	Other Events
	Item 7.	Financial Statements, Pro Forma Financial Information and Exhibits

SIGNATURE

Pursuant to the requirements of the Securities 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.
(Registrant)

By: /s/ Joseph G. Necastro

Joseph G. NeCastro

Chief Financial Officer

(Duly Authorized Officer and
Principal Financial Officer)

Date: November 14, 2001