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t sectors. Some of the sectors that are core to Penton's business continue to record meaningful declines in print advertising pages this year. The continuing decline in print advertising pages across a broad range of business-to-business markets appears to be tied to the combination of the historical lag of advertising recovery and the secular changes that are occurring in our industry. While it is historically consistent for advertising recovery to lag the recovery of underlying end-markets, we are likely experiencing a structural change in how our customers are allocating their marketing budgets even as their business conditions improve. 39 While the secular changes vary by market and are not consistently applied across all sectors, we are witnessing increasing adoption of electronic marketing programs that include search engine advertising, as well as custom marketing programs that include events and print products. The changing marketing strategies of our customers continue to impact print advertising budgets in several sectors. The adoption of non-traditional media channels seems to be driven by a combination of sales lead generation goals and marketing accountability in several markets. Brand building and new product introductions, historically the strength of print advertising programs, are not the primary marketing strategies for many of our customers at this point in the economic cycle. In sectors where brands continue to be the primary focus of marketing plans, such as foodservice and retail, print advertising continues to be the foundation of marketing programs. As customers in other sectors return to brand building and introduction of new products, it is likely that print advertising will recover. However, it is also likely that print advertising recovery will lag the overall growth in our customers' total marketing budgets. While electronic media ("eMedia") is still a relatively small part of our operations, we expect to see accelerated growth of this product line as we introduce new digital media offerings across all of our markets.

COMPANY STRATEGY The Company's strategy is to build a full tripod of media products in all the markets we serve, ensuring we offer eMedia and events to leverage our strong print brands and deliver every possible media channel to our markets. Our objectives are to offer creative, unique opportunities to our customers to help them achieve broader business success. The secular changes taking place in the business-to-business media industry offers a great opportunity to drive a wide range of new marketing solutions to our customers, including eMedia properties, custom marketing programs and integrated marketing services, in addition to traditional print advertising and trade show exhibitions.

RECENT DEVELOPMENTS RESTATEMENT The consolidated financial statements have been restated in order to reflect certain adjustments to Penton's financial statements for 2004 as previously reported in Penton's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2004 filed on November 15, 2004. The restatement also affects the three and nine month periods ended September 30, 2003. See Note 2 - Restatement for additional details.

EXCHANGE OF PREFERRED STOCK On September 13, 2004, the Company filed a Certificate of Designations governing a new series of preferred stock, \$.01 par value (the "Series C Preferred Stock") with the Secretary of State for the State of Delaware. The Series C Preferred Stock was exchanged on a share-for-share basis with the Company's Series B Preferred Stock, \$.01 par value (the "Series B Preferred Stock"). The Certificate of Designations for the Series C Preferred Stock is identical to the Series B Preferred Stock Certificate of Designations except: - the new series allows for the sharing of the liquidation preference with the new Series M Preferred Stock (discussed below), - certain technical and correcting amendments have been made to the Certificate of Designations for the Series C Preferred Stock, including fixing the formula used to calculate the "Change of Control Cap" (as defined in the Series C Preferred Stock Certificate of Designations), and - certain conforming changes were made to the Series C Preferred Stock Certificate of Designations to account for the fact that the Series C Preferred Stock was issued in exchange for the Series B Preferred Stock.

SERIES M PREFERRED STOCK On September 13, 2004, the Company filed a Certificate of Designations for a new series of preferred stock, \$.01 par value (the "Series M Preferred Stock") with the Secretary of State for the State of Delaware. The Board of Directors of the 40 Company created the Series M Preferred Stock for issuance to certain officers of the Company as a long-term incentive plan to incentivize management by giving them an equity stake in the performance of the Company. The Series M Preferred Stock is limited to 150,000 shares of which 60,375 shares were issued on September 13, 2004. The Series M Preferred Stock is treated under fixed plan accounting and is classified in the mezzanine section of the balance sheet because redemption is outside the control of the Company. Among other rights and provisions, the Series M Preferred Stock provides that the holder of each share will receive a cash distribution upon any liquidation, dissolution, winding up or change of control of the Company. The amount of such distribution is first a percentage of what the holders of Series

C Preferred Stock and second a percentage of what the holders of the Company's common stock would receive upon such liquidation, dissolution, winding up or change of control. **NEW CHAIRMAN AND CHIEF EXECUTIVE OFFICER** On June 21, 2004, the Board of Directors announced the appointment of David B. Nussbaum as CEO of Penton. Mr. Nussbaum succeeds Thomas L. Kemp. The Company had announced on March 24, 2004 that Mr. Kemp would be leaving the Company. Mr. Nussbaum was previously an executive vice president with the Company and president of the Company's former Technology and Lifestyle Media Division. Mr. Nussbaum joined Penton in 1998 after an 18-year career with Miller Freeman, Inc., where he was a senior vice president responsible for its New York Division. In addition, the Board of Directors named Royce Yudkoff as its non-executive chairman. Mr. Yudkoff is a co-founder of ABRY Partners, an investment holding company based in Boston, and currently serves as its president and managing partner. **BOARD OF DIRECTOR CHANGES** Effective at the annual meeting of stockholders on July 15, 2004, the number of board members was reduced from 11 to 8. With this reduction, the holders of the preferred stock constitute a majority of the Company's Board of Directors. Upon the preferred stockholders obtaining this majority, the conversion price of the Company's preferred stock adjusted back to \$7.61 (see Preferred Stock Leverage Ratio Event of Non-Compliance below). The Company announced on June 14, 2004, that the preferred stockholders had appointed Mr. Yudkoff as a director to replace Daniel C. Budde, who resigned effective June 11, 2004. At the same meeting, the Board named Mr. Yudkoff its non-executive chairman. At the Company's Board of Directors meeting held on July 21, 2004, the Board named Mr. Nussbaum as a director and decreased the number of directors to seven. **MANAGEMENT RESTRUCTURING** On June 24, 2004, the Company announced a reorganization of its corporate leadership structure. These changes, which are aimed at accelerating product and service development, driving revenue growth, and flattening the company's organizational structure, included the following actions: - Daniel J. Ramella, president and Chief Operating Officer of Penton Media, Inc. and president of the Company's Industry Media Division, and William C. Donohue, who managed the Retail Media group operation, left the Company as of June 30, 2004. - David B. Nussbaum, the Company's new CEO, assumed the senior operating responsibilities for the Industry group and Darrell Denny, president of the Company's IT Media and Lifestyle Media groups, assumed the operating responsibilities for the Retail group as well as the IT Media and Lifestyle Media groups. - Eric Shanfelt, director of eMedia strategy for Penton's IT Media Group and New Hope Natural Media businesses, assumed the newly created corporate position of vice president of eMedia Strategy as Penton moves to expand its e-Media portfolio. **41 SENIOR EXECUTIVE BONUS AND TERMINATION BENEFITS** As noted above, on June 21, 2004, Penton's Board of Directors announced the appointment of David B. Nussbaum as CEO of the Company. In addition to the Company's standard executive incentive and benefit package, Mr. Nussbaum received a signing bonus of approximately \$1.7 million and 30,000 shares of Series M Preferred Stock. In addition, the Board accelerated the vesting of 135,000 deferred shares granted to Mr. Nussbaum on February 3, 2004. Mr. Nussbaum used the net proceeds from his signing bonus to repay a portion of his outstanding executive loan balance. On March 24, 2004, the Company announced that its Chairman and CEO, Thomas L. Kemp, would be leaving the Company. Mr. Kemp's employment was terminated effective June 30, 2004, and on July 1, 2004, Mr. Kemp and the Company signed a Separation Agreement and General Release agreement. Mr. Kemp's separation agreement includes the following: - A lump-sum payment of approximately \$2.3 million, of which \$0.8 million has been placed in escrow. Included in this payment is severance of approximately \$1.8 million per Mr. Kemp's employment agreement; \$0.3 million related to performance units granted on May 22, 2003; and \$0.2 million related to the settlement of Mr. Kemp's accrued supplemental executive retirement plan obligation; - The accelerated vesting of 100,000 stock options granted to Mr. Kemp prior to his termination making them immediately exercisable; and - The immediate vesting of 125,000 performance shares in accordance with the terms of his performance share agreement dated February 5, 2002. In addition, the Board and Mr. Kemp agreed upon a number of provisions related to Mr. Kemp's outstanding executive loan balance. The underlying goal of these provisions was to mitigate any tax exposure to the Company should the loan be discharged at a future date. Specifically, \$0.8 million of the lump-sum payment described above has been placed in escrow and will be returned to Mr. Kemp only if he pays off the entire loan balance by its due date. Furthermore, Mr. Kemp has granted Penton a security interest in approximately 1.1 million shares of Penton common stock. These pledged securities could be transferred to Penton's ownership under certain circumstances and used to pay the appropriate taxing authorities or to pay down the outstanding loan balance. On June 28, 2004, Mr. Kemp was granted 514,706 deferred shares that vest on January 3, 2005. In return for these shares, Mr. Kemp agreed to comply with the terms of certain restrictive covenants, including a non-compete and a non-solicitation covenant. At September

30, 2004, \$2.7 million in termination benefits related to Mr. Kemp have been included in selling, general and administrative expenses on the consolidated statements of operations. On June 27, 2004, the Company announced that its President and Chief Operating Officer, Daniel J. Ramella, would be leaving the Company as part of a management restructuring plan. Mr. Ramella's employment was terminated effective June 30, 2004, and on July 1, 2004, Mr. Ramella and the Company signed a Separation Agreement and General Release agreement. Mr. Ramella's separation agreement includes the following: - A lump-sum payment of approximately \$1.7 million. Included in this payment is severance of approximately \$1.4 million per Mr. Ramella's employment agreement; \$0.1 million related to performance units granted on May 22, 2003; and \$0.2 million related to the settlement of Mr. Ramella's accrued supplemental executive retirement plan obligation; - The accelerated vesting of 139,999 stock options granted to Mr. Ramella prior to his termination making them immediately exercisable; and - The immediate vesting of 90,000 performance shares in accordance with the terms of his performance share agreement dated February 5, 2002. In addition, the Board agreed to discharge the balance of Mr. Ramella's \$2.6 million executive loan in return for the full and final settlement of any claims Mr. Ramella may have had against the Company. At September 30, 2004, \$1.4 million in termination benefits related to Mr. Ramella were included in restructuring and other charges on the consolidated statements of operations.

42 PREFERRED STOCK LEVERAGE RATIO EVENT OF NON-COMPLIANCE At September 30, 2004, an event of non-compliance continues to exist under our Series C Preferred Stock because the Company's leverage ratio of 14.3 (defined as debt less cash balances in excess of \$5.0 million plus the liquidation value of the preferred stock and unpaid dividends divided by adjusted EBITDA) exceeds 7.5. Upon the occurrence of this event of non-compliance, the 5% per annum dividend rate on the preferred stock increased by one percentage point as of April 1, June 30, September 28 and December 27, 2003 and March 26, 2004 to the current maximum rate of 10% per annum. The dividend rate will adjust back to 5% as of the date on which the leverage ratio is less than 7.5. The conversion price of the preferred stock decreased by \$0.76 as of April 1, June 30, September 28 and December 27, 2003 and March 26, 2004 to its minimum conversion price of \$3.81. However, no such reduction to the conversion price will be made at any time that representatives of the preferred stockholders constitute a majority of the Board of Directors. In July 2004 at the Company's annual stockholders' meeting, changes were made to the Board of Directors such that the preferred stockholders now constitute a majority of the Board, and as a result, the conversion price was restored to \$7.61. The leverage ratio event of non-compliance does not represent an event of default or violation under any of the Company's outstanding notes or the loan agreement. As such, there is no acceleration of any outstanding indebtedness as a result of this event. In addition, this event of non-compliance and the resulting consequences have not resulted in any cash outflow from the Company. If the Company had been sold on September 30, 2004, the bondholders would have been entitled to receive \$335.8 million and the preferred stockholders would have been entitled to receive \$119.4 million before the common stockholders would have received any amounts for their common shares. The amount the preferred stockholders would be entitled to receive could increase significantly in the future under certain circumstances. Stockholders are urged to read the terms of the preferred stock agreement carefully.

RESULTS OF OPERATIONS REVENUES Our magazines generate revenues primarily from the sale of advertising space and are primarily controlled circulation distributed free of charge to qualified subscribers in our target industries. Subscribers to controlled-circulation publications qualify to receive our trade magazines by verifying their responsibility for specific job functions, including purchasing authority. We survey our magazine subscribers annually to verify their continuing qualification. Trade show exhibitors pay a fixed price per square foot of booth space. In addition, we receive revenues from attendee fees at trade shows and from exhibitor sponsorships of promotional media. Our conferences are supported by either attendee registration fees or marketer sponsorship fees, or a combination of both. Online revenues are primarily generated from web site banner advertising and sponsorships; advertising in, or the sponsorship of, electronic newsletters; and the sponsorship of web seminars and virtual trade show events. The following table summarizes our revenues for the three and nine months ended September 30, 2004 and 2003:

RESTATED THREE MONTHS ENDED SEPTEMBER 30,	2004	2003	CHANGE	2004	2003	CHANGE
(Dollars in millions) Revenues...	\$52.8	\$54.1	(2.4)%	\$158.2	\$158.7	(0.3)%
Three Month Comparison						
Total revenues decreased \$1.3 million, or 2.4%, from \$54.1 million for the three months ended September 30, 2003 to \$52.8 million for the same period in 2004. The decrease was due to a decrease in trade show revenues of \$2.3 million, or 16.8%, from \$13.7 million for the three months ended September 30, 2003 to \$11.4 million for the same 2004 period. This decrease was offset by an increase in online media revenues of \$0.9 million, or 27.2%, from \$3.2 million						

for the three months ended September 30, 2003 to \$4.1 million for the same 2004 period and an increase in publishing revenue of \$0.1 million, or 0.4%, from \$37.2 million for the three months ended September 30, 2003 to \$37.3 million for the same 2004 period. 43 The \$2.3 million, or 16.8%, decrease in trade show and conference revenues between the third quarter of 2003 and the third quarter of 2004 is due to a shift in timing of our Natural Products Expo East show from September in 2003 to October in 2004. Natural Products Expo East is the Company's second largest trade show. The effects of this shift were partially offset by the shift of our UK Service Management Europe, Manufacturing, and Computers in Manufacturing trade shows, all of which were held in November of 2003 and in September of 2004. The net effect of all these show shifts is lower revenues for the third quarter of 2004 of nearly \$4.4 million. This decrease was partially offset by quarter-on-quarter revenue increases of nearly \$0.5 million from our Leisure Industry Week and Comfortech HVAC events. In addition, trade show revenues increased nearly \$1.7 million in the third quarter of 2004 compared to 2003 due to the inclusion of revenues from our Motion & Controls event, which is produced biannually, and the addition of two new events launched in the third quarter, Effective IT and Engineering Green Buildings. The Natural Products Expo East show held in Washington D. C. in October 2004 posted growth in both attendance, with more than 22,000 attendees, and exhibitor revenues exceeding its September 2003 event. The \$0.9 million, or 27.2%, increase in online media revenues was primarily due to increases of nearly \$0.5 million in electronic newsletter sponsorships as well as increases in web seminar sponsorships and content related sponsorships. Quarter-on-quarter increases were realized in most of Penton's markets with our IndustryWeek and Business Finance online products generating the largest increases. The \$0.1 million, or 0.4%, increase in publishing revenues was primarily due to an increase in advertisements offset by lower subscription revenues and list rental revenues. Quarter-on-quarter revenue increases of \$1.1 million were realized from magazines but were offset by revenues decreases of \$1.0 million from special issues, card packs and print newsletters, as customers move their marketing dollars from print media to web-based marketing opportunities, and event marketing. Nine Month Comparison Total revenues decreased \$0.5 million, or 0.3%, from \$158.7 million for the nine months ended September 30, 2003 to \$158.2 million for the same period in 2004. The decrease was due primarily to a decrease in publishing revenues of \$3.7 million, or 3.3%, from \$113.1 million for the nine months ended September 30, 2003 to \$109.4 million for the same 2004 period. This decrease was partially offset by increases in online media revenues of \$2.5 million, or 24.8%, from \$10.3 million for the nine months ended September 30, 2003 to \$12.8 million for the same 2004 period and an increase in trade show revenues of \$0.7 million, or 2.1%, from \$35.3 million for the nine months ended September 30, 2003 to \$36.0 million for the same 2004 period. The \$3.7 million, or 3.3%, decrease in publishing revenues was due primarily to decreases in advertising revenues and revenues from subscriptions and list rentals. The two primary reasons for the decrease in magazine revenues is the period-on-period decrease in our IT Media publications and the elimination of our Internet World magazine in June of 2003, which generated revenues of approximately \$1.0 million in 2003. The \$2.5 million, or 24.8%, increase in online media revenues was primarily due to increases in sponsorship revenues for electronic newsletters, web seminars and online events. Period-on-period increases were realized by most of Penton's online media products, with the Windows IT Pro, IndustryWeek and Business Finance products generating the largest increases. The \$0.7 million, or 2.1%, increase in trade show and conference revenues for the nine months ended September 30, 2004 compared with the same prior year period was due primarily to an increase in sponsorship and attendee revenues offset by a decrease in exhibitor revenues from booth rentals. Increased trade show revenues were primarily due to: (i) the shift in timing of our UK Service Management Europe and UK Manufacturing shows from November of 2003 to September of 2004; (ii) the year-on-year results of a highly successful Natural Products Expo West show held in March 2004; (iii) the biannual Motion & Control event which was held in the UK in 2004; and (iv) the third quarter launch of our Effective IT and Engineering Green Buildings events. Revenues for the nine months ended September 30, 2004 do not include revenues from our Natural Products Expo East show because the event was held in October this year. Revenues for the nine months ended September 30, 2003 include this event because the show was held in September 2003. 44 A summary of revenues by product for the three and nine months ended September 30, 2004 and 2003 (as restated) are as follows:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30, 2004	SEPTEMBER 30, 2003	SEPTEMBER 30, 2004	SEPTEMBER 30, 2003
Publishing	\$37,328	\$37,187	\$109,383	\$113,106
Trade Shows & Conferences	11,377	13,680	36,088	35,348
Online Media	4,138	3,252	12,775	10,240
Total Revenues	\$52,843	\$54,119	\$158,246	\$158,694

Revenue trends within each segment are further detailed below in the segment discussion section. EDITORIAL, PRODUCTION AND

CIRCULATION THREE MONTHS ENDED NINE MONTHS ENDED SEPTEMBER 30, SEPTEMBER 30,
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(Dollars in millions) Editorial, production and circulation... \$24.2 \$23.5 3.1% \$69.4 \$69.3 0.1% Percent of revenues..... 45.9% 43.4% 43.8% 43.6% Our editorial, production and circulation expenses include personnel costs, purchased editorial costs, exhibit hall costs, online media costs, postage charges, circulation qualification costs and paper costs. The increase in editorial, production and circulation expenses for the third quarter of 2004 compared with the third quarter of 2003 primarily reflect costs associated with our Leisure Industry Week and Computers in Manufacturing events, which were held in the fourth quarter of 2003 and the third quarter of 2004; costs associated with our biannual Motion & Control event which was in the third quarter of 2004; costs associated with the launch of our Effective IT and Engineering Green Buildings events held in the third quarter of 2004; and costs associated with an increase in the number of road shows held during the quarter. These cost increases were partially offset by the lack of costs associated with our Natural Products East show, which was held in the third quarter of 2003 and not until the fourth quarter of 2004; lower headcount and personnel-related costs; lower postage costs; and lower paper and printing costs. Expenses in 2003 include some costs attributable to unprofitable properties, which have been eliminated, particularly Internet World magazine. The increase in editorial, production and circulation expenses for the nine months ended September 30, 2004 compared with the same 2003 period are primarily due to the same factors as noted in the three-month comparison. SELLING, GENERAL AND ADMINISTRATIVE RESTATED RESTATED THREE MONTHS ENDED NINE MONTHS ENDED SEPTEMBER 30, SEPTEMBER 30,

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(Dollars in millions) Selling, general and administrative..... \$20.5 \$22.4 (8.2)% \$69.2 \$68.6 0.8% Percent of revenues..... 38.9% 41.3% 43.7% 43.2% Our selling, general and administrative ("SG&A") expenses include personnel costs, independent sales representative commissions, product marketing, and facility costs. Our SG&A expenses also include costs of corporate functions, including accounting, finance, legal, human resources, information systems, and communications. The decrease in SG&A expenses for the third quarter of 2004 compared with the third quarter of 2003 was due primarily to the shift in timing of our Natural Products Expo East event, as certain costs are deferred until the show is held; and restructuring efforts undertaken in 2003 and 2004, which have resulted in lower headcount and personnel-related costs and lower facility costs. The increase in SG&A expenses for the nine months ended September 30, 2004 compared with the period in 2003 was due primarily to a 45 \$2.7 million charge related to executive separation costs for Mr. Kemp, who left the Company on June 30, 2004; a signing bonus of \$1.7 million paid to Mr. Nussbaum (net of the reversal of \$1.1 million related to Mr. Nussbaum's executive loan); and \$0.3 million in other executive-related separation costs. These additional costs were partially offset by the shift in our Natural Products Expo East event as noted above and restructuring efforts undertaken in 2003 and 2004. IMPAIRMENT OF ASSETS The Company completed its annual goodwill impairment review in accordance with Statement of Financial Accounting Standard ("SFAS") SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") as of September 30, 2004, which resulted in a non-cash charge of \$37.8 million and reduced the carrying value of goodwill for two reporting units in our Technology segment and one reporting unit in our International segment. As a result of the impairment of goodwill for three of our seven reporting units, the Company also completed an assessment at September 30, 2004, of its other intangibles in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), and recorded a non-cash charge of \$1.9 million. The 2004 goodwill impairment charge is primarily due to lower than expected future cash flows in two of our reporting units in our Technology segment and by lower than expected future cash flows in our International segment. Impaired long-lived assets in 2004 relate to exhibitor lists and advertising relationships in our Information Technology market due to lower than expected revenues and lower retention rates. At September 30, 2003, the Company completed its annual SFAS 142 impairment review and recorded a non-cash charge of approximately \$37.6 million to reduce the carrying value of goodwill for two reporting units in our Technology Media segment and one reporting unit in our Retail segment. The Company also completed an assessment at September 30, 2003, in accordance with SFAS 144, and recorded a non-cash charge of \$8.2 million. RESTRUCTURING AND OTHER CHARGES THREE MONTHS ENDED NINE MONTHS ENDED SEPTEMBER 30, SEPTEMBER 30,

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(Dollars in millions) Restructuring and other charges..... \$1.5 \$1.5 --% \$5.8 \$3.3 75.3% Percent of revenues..... 2.8% 2.8% 3.7% 2.1% Commencing in 2001 and continuing through the third quarter of 2004, we implemented a number of cost reduction initiatives to improve our

operating cost structure. For a more detailed discussion of activity under our restructuring plans, see Note 15 - Business Restructuring Charges of the notes to consolidated financial statements. 2004 RESTRUCTURING PLAN In 2004, the Company restructured its operations by flattening its organizational structure as well as implementing other cost savings strategies. The Company recorded restructuring charges of \$4.7 million and adjustments of \$1.1 million in the first nine months of 2004. These charges are primarily associated with the elimination of 58 positions, including several executive positions, primarily in the United States. As of September 30, 2004, the elimination of 55 positions and payments of \$3.3 million had been completed. Adjustments of \$1.1 million were made to reflect a new sublease with rates lower than what had been originally estimated and the settlement of a disputed contract in excess of what had originally been expected.

46 SUMMARY OF RESTRUCTURING ACTIVITIES The following table summarizes all of the Company's restructuring activity through September 30, 2004 (in thousands): SEVERANCE AND OTHER FACILITY OTHER PERSONNEL COSTS CLOSING COSTS EXIT COSTS TOTAL -----

	2004	2003	2002	2001	2000	2004	2003	2002	2001	2000
Charges	\$ 6,774	\$ 8,669	\$ 4,364	\$ 19,807						
Adjustments	(23)	--	(994)	(1,017)						
Cash payments	(4,468)	(267)	(2,423)	(7,158)						
Accrual at December 31, 2001	2,283	8,402	947	11,632						
Charges	10,344	3,421	1,648	15,413						
Adjustments	65	1,246	(363)	948						
Cash payments	(7,569)	(2,283)	(1,217)	(11,069)						
Accrual at December 31, 2002	5,123	10,786	1,015	16,924						
Charges	2,736	1,505	661	4,902						
Adjustments	(18)	(17)	(10)	(45)						
Cash payments	(6,044)	(3,273)	(965)	(10,282)						
Accrual at December 31, 2003 (restated)	1,797	9,001	701	11,499						
Charges	4,612	--	127	4,739						
Adjustments	(6)	673	222	889						
Cash payments	(4,727)	(2,022)	(843)	(7,592)						
Accrual at September 30, 2004 (restated)	\$ 1,676	\$ 7,652	\$ 207	\$ 9,535						

At September 30, 2004, the Company had an accrued restructuring balance of \$9.5 million. We expect to make cash payments through the remainder of 2004 of approximately \$1.3 million, comprised of \$0.8 million for employee separation costs, \$0.4 million for lease obligations and \$0.1 million for other contractual obligations. The balance of severance and other exit costs will be paid through 2007, and the balance of facility costs, primarily long-term leases, is expected to be paid through the end of the respective lease terms, which extend through 2013. Amounts due within one year of approximately \$3.2 million and \$3.7 million at September 30, 2004 and December 31, 2003, respectively, are classified in other accrued expenses on the consolidated balance sheets. Amounts due after one year of approximately \$6.4 million and \$7.6 million at September 30, 2004 and December 31, 2003, respectively, are included in other non-current liabilities on the consolidated balance sheets. The Company expects to realize sufficient savings from its 2004 restructuring efforts to recover the employee termination costs by July 31, 2005. Savings from terminations of contracts and lease costs will be realized over the estimated lives of the contracts or leases. OTHER INCOME (EXPENSE) Other income (expense) consists of the following: THREE MONTHS ENDED NINE MONTHS ENDED SEPTEMBER 30, SEPTEMBER 30,

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	2004	2003	CHANGE	2004	2003	CHANGE
(in millions) Interest expense...	\$(9.7)	\$(10.5)	(7.5)%	\$(28.5)	\$(30.2)	(5.7)%
Interest income....	\$ 0.1	\$ 0.1	--	\$ 0.2	\$ 0.3	(35.1)%
Other, net.....	\$ 0.1	\$ --	n/m	\$ 0.1	\$ (0.3)	n/m

Included in interest expense for the three months ended September 30, 2003 is approximately \$1.0 million related to the write-off of unamortized financing fees associated with the replacement of our senior secured credit facility in August 2003 with a new four-year loan agreement.

Included in interest expense for the nine months ended September 30, 2003 is an 47 additional \$0.9 million related to the write-off of unamortized financing fees associated with the commitment reduction of our credit facility revolver in January 2003 from \$40.0 million to \$20.1 million.

EFFECTIVE TAX RATES The effective tax rates for the three months ended September 30, 2004 (as restated) and 2003 (as restated) were a benefit of 0.8% and a provision of 0.9%, respectively, while the rates for the nine months ended September 30, 2004 (as restated) and 2003 (as restated) were provisions of 2.6% and 8.1%, respectively. The higher effective tax rate for the three months ended September 30, 2003 compared to September 30, 2004 is primarily related to the reversal of approximately \$1.0 million of contingent liabilities for which the statutes of limitations have expired partially offset by a provision for state taxes. The higher effective tax rate for the nine months ended September 30, 2003 as compared to September 30, 2004 is primarily due to valuation allowance adjustments created by the change in deferred taxes related to indefinite-lived assets and the reversal of approximately \$1.0 million of contingent liabilities. The tax provision for 2004 in the consolidated statements of operations relates to taxable temporary differences related to indefinite-lived assets, reversal of contingent liabilities, foreign tax valuations and state taxes. The tax provision for 2003 relates to taxable temporary differences related to indefinite-lived assets and state and foreign taxes. DISCONTINUED OPERATIONS

Discontinued operations in 2003 include the results of PM Australia, which was sold in December 2002, and the

results of Professional Trade Shows ("PTS"), which was sold in January 2003. PM Australia was part of our Technology segment, and PTS was part of our Industry segment. The \$0.8 million of income recognized in 2003 was primarily due to a gain of approximately \$1.4 million associated with the sale of PTS, offset by one month of operations for PTS, and settlement costs for certain pending lawsuits related to PM Australia. SEGMENTS Mr. Nussbaum is now Penton's chief operating decision maker. Mr. Nussbaum and the executive team assess and manage the Company's operations differently than the prior management team resulting in a change in the Company's reportable segments effective in the third quarter of 2004. As a result of this change in reportable segments, all prior periods have been recast to conform with the new segment format. The Company's newly designated segments include: Industry, Technology, Lifestyle, Retail and International. The results of these newly established segments will, consistent with past practice, be regularly reviewed by the Company's chief operating decision maker and the executive team to determine how resources will be allocated to each segment and to assess the performance of each segment. The segments derive their revenues from publications, trade shows and conferences, and online media products. The executive management team evaluates performance of the segments based on revenues and adjusted segment EBITDA. As such, in the analysis that follows, we have used adjusted segment EBITDA, which we define as net income (loss) before interest, taxes, depreciation and amortization, non-cash compensation, executive separation costs, impairment of assets, restructuring charges, provision for loan impairment, discontinued operations, general and administrative costs, and other non-operating items. General and administrative costs include functions such as finance, accounting, human resources and information systems, which cannot reasonably be allocated to each segment. See Note 16 - Segment Information, for a reconciliation of total adjusted segment EBITDA to consolidated net loss. 48 Financial information by segment for the three months ended September 30, 2004 and 2003, is summarized as follows (in thousands):

	2004	2003	2004	2003	2004	2003	
ADJUSTED SEGMENT REVENUES							
ADJUSTED SEGMENT EBITDA							
EBITDA MARGIN							
Industry	\$20,772	\$19,374	\$ 6,378	\$ 5,224	30.7%	27.0%	Technology 14,101 14,272 2,425 1,887
Lifestyle	3,914	10,340	(424)	4,507	(10.8)%	43.6%	Retail 5,751 5,057 1,920 1,524 33.4% 30.1%
International	8,305	5,076	1,802	628	21.7%	12.4%	Total \$52,843 \$54,119 \$12,101 \$13,770

Financial information by segment for the nine months ended September 30, 2004 and 2003 (as restated), is summarized as follows (in thousands):

	2004	2003	2004	2003	2004	2003	
ADJUSTED SEGMENT REVENUES							
ADJUSTED SEGMENT EBITDA							
EBITDA MARGIN							
Industry	\$ 57,205	\$ 57,059	\$16,350	\$15,792	28.6%	27.7%	Technology 44,563 46,184 7,545 6,368 16.9% 13.8%
Lifestyle	25,022	28,751	9,669	12,526	38.6%	43.6%	Retail 16,412 15,510 4,526 4,522 27.6% 29.2%
International	15,044	11,190	726	(441)	4.8%	(3.9)%	Total \$158,246 \$158,694 \$38,816 \$38,767

INDUSTRY Three Months Our Industry segment, which represented 39.3% and 35.8% of total Company revenues for the three months ended September 30, 2004 and 2003, respectively, serves customers in the manufacturing, design/engineering, construction, government/compliance and supply/logistics industries. For the three months ended September 30, 2004 and 2003, respectively, 88.4% and 91.0% of this segment's revenues were generated from publishing operations, 7.3% and 6.4% from trade shows and conferences, and 4.3% and 2.6% from online media products. Revenues for this segment increased \$1.4 million, or 7.2%, from \$19.4 million for the three months ended September 30, 2003 to \$20.8 million for the same period in 2004. This increase was due primarily to higher publishing revenues of \$0.7 million, higher conference revenues of \$0.3 million and higher online media revenues of \$0.4 million. The increase in publishing revenues was primarily attributable to a \$1.3 million improvement in our manufacturing group, from magazines such as American Machinist and IndustryWeek. This improvement in publishing revenues was partially offset by lower revenues attributed to our government/compliance products and slightly lower publishing revenues from our construction unit. The increase in trade show and conference revenues was primarily due to the July 2004 launch of our Engineering Green Buildings conference and a year-over-year increase in our Comfortech HVAC conference. The increase in online media revenues was primarily from quarter-over-quarter improvements in our manufacturing and government/compliance group websites. Adjusted segment EBITDA for our Industry portfolio increased \$1.2 million, or 22.1%, from \$5.2 million for the three months ended September 30, 2003 to \$6.4 million for the same period in 2004. Industry publications increased \$0.6 million, while trade shows and conferences improved \$0.3 million and online media improved \$0.3 million. The increase in adjusted segment EBITDA margins was due primarily to higher revenues and cost reduction efforts undertaken. 49

Nine Months Our Industry segment represented 36.1% and 35.9% of total Company revenues for the nine months ended September 30, 2004 and 2003, respectively. For the nine months ended September 30, 2004, and 2003, respectively, 92.6% and 94.5% of this segment's revenues were generated from publishing operations, 3.3% and 2.7% from trade shows and conferences, and 4.1% and 2.8% from online media products. Revenues for this segment increased \$0.1 million, or 0.3%, from \$57.1 million for the nine months ended September 30, 2003 to \$57.2 million for the same period in 2004. The increase was due primarily to higher trade show and conference revenues of \$0.4 million and higher online media revenues of \$0.7 million partially offset by lower publishing revenues and ancillary revenues of \$1.0 million. The increase in trade show and conferences revenues was attributed to our Comfortech HVAC conference which showed a 25.9% year-on-year revenue increase, and the launch of our Engineering Green Buildings conference in July 2004 and our IW Smart Manufacturing conference in June 2004 which attributed an additional \$0.5 million in revenues in 2004. The increase in online media revenues was primarily from year-over-year improvements in our manufacturing, government/compliance and design engineering group websites. Lower publishing revenues were primarily due to lower advertising revenues from our government/compliance group. Adjusted segment EBITDA for our Industry portfolio increased \$0.6 million, or 3.5%, from \$15.8 million for the nine months ended September 30, 2003 to \$16.4 million for the same period in 2004. This increase is due to our trade shows and conferences, which increased \$0.4 million and our online media products which increased by \$0.6 million. These increases were partially offset by a decrease of \$0.4 million in publishing. The increase in adjusted segment EBITDA margins was due primarily to cost reduction efforts undertaken.

TECHNOLOGY Three Months Our Technology segment, which represented 26.7% and 26.4% of total Company revenues for the three months ended September 30, 2004 and 2003, respectively, serves customers in the business technology, aviation, enterprise information technology and electronics industries. For the three months ended September 30, 2004 and 2003, respectively, 70.5% and 75.9% of this segment's revenues were generated from publishing operations, 9.9% and 7.5% from trade shows and conferences, and 19.6% and 16.6% from online media products. Revenues for this segment decreased \$0.2 million, or 1.2%, from \$14.3 million for the three months ended September 30, 2003 to \$14.1 million for the same period in 2004. The decrease was due primarily to lower publishing revenues of \$0.9 million, partially offset by higher trade show revenues of \$0.3 million and higher online media revenues of \$0.4 million. The decrease in publishing revenues was primarily the result of lower revenues from our IT Media publications, slightly lower revenues from our aviation magazines and the elimination of over \$0.1 million in revenues related to our Internet World magazine, which was shut-down in 2003. These declines were partially offset by improvements in our electronics industry publications. Higher trade show revenues were attributable to quarter-over-quarter increases in revenues generated from our Windows road show events held during the quarter. The increase in online media revenues was primarily attributable to strong eMedia performance in our electronics group. Adjusted segment EBITDA for our Technology portfolio increased \$0.5 million, or 28.5%, from \$1.9 million for the three months ended September 30, 2003 to \$2.4 million for the same period in 2004. The increase was attributable to online media of \$0.5 million and trade shows and conferences of \$0.3 million. These improvements were partially offset by a decline of \$0.3 million in the segment's publications. The increase in adjusted segment EBITDA margins was due primarily to cost reduction efforts undertaken.

Nine Months Our Technology segment represented 28.2% and 29.1% of total Company revenues for the nine months ended September 30, 2004 and 2003, respectively. For the nine months ended September 30, 2004 and 2003, respectively, 65.8% and 72.0% of this segment's revenues were generated from publishing operations, 13.9% and 11.7% from trade shows and conferences, and 20.3% and 16.3% from online media products. Revenues for this segment decreased \$1.6 million, or 3.5%, from \$46.2 million for the nine months ended September 30, 2003 to \$44.6 million for the same period in 2004. The decrease was due primarily to lower publishing revenues of \$3.9 million, offset by higher online media revenues of \$1.5 million and higher trade show revenues of \$0.8 million. The decrease in the segment's publishing revenues was due partially to the elimination of over \$1.0 million in revenues related to our Internet World magazine, which was shut down in 2003, and declines in our IT Media publications. The increase in online media revenues was due to year-over-year improvements in most of our web sites, increased revenues from sponsorships of our electronic newsletters, and increased revenues from sponsorships of web seminars. The increase in trade show revenues was primarily due to an increase of nearly 87% in Windows road show revenues in 2004 compared with 2003. Trade show revenues in 2003 included revenues of \$0.4 million from our IW Spring show and \$0.2 million from our Military Electronics event, neither of which were held in 2004. Adjusted segment EBITDA for our Technology portfolio increased \$1.2 million, or 18.5%, from \$6.4 million

for the nine months ended September 30, 2003 to \$7.5 million for the same period in 2004. The increase was attributable to online media of \$1.4 million and trade shows and conferences of \$0.8 million. These improvements were partially offset by a decline of \$1.4 million in the segment's publications. The increase in adjusted segment EBITDA margins was due to cost reduction efforts undertaken. LIFESTYLE Three Months Our Lifestyle segment, which represented 7.4% and 19.1% of total Company revenues for the three months ended September 30, 2004 and 2003, respectively, serves customers in the natural products industry. For the three months ended September 30, 2004 and 2003, respectively, 82.7% and 29.2% of this segment's revenues were generated from publishing and 17.1% and 70.8% from trade shows and conferences. Segment revenues from online media products for the three months ended September 30, 2004 generated 0.2%. Revenues for this segment decreased \$6.4 million, or 62.1%, from \$10.3 million for the three months ended September 30, 2003 to \$3.9 million for the same period in 2004. Trade shows and conferences accounted for \$6.6 million of this decrease, offset slightly by an increase in publishing revenues of \$0.2 million. The sharp decline in trade show and conference revenues was due to the shift in timing of our Natural Products Expo East event, which was held in the third quarter of 2003 but moved to the fourth quarter of 2004. Adjusted segment EBITDA for the Lifestyle segment decreased \$4.9 million, or 109.4%, from \$4.5 million for the three months ended September 30, 2003 to a loss of \$0.4 million for the same period in 2004. Trade shows and conferences accounted for all of this decline due to the shift in timing of the Natural Products Expo East event as noted above. Nine Months Our Lifestyle segment represented 15.8% and 18.1% of total Company revenues for the nine months ended September 30, 2004 and 2003, respectively. For the nine months ended September 30, 2004 and 2003, respectively, 38.0% and 30.3% of this segment's revenues were generated from publishing and 61.9% and 69.7% from trade shows and conferences. Segment revenues from online media products for the nine months ended September 30, 2004 generated 0.1%. Revenues for this segment decreased \$3.8 million, or 13.0%, from \$28.8 million for the nine months ended September 30, 2003 to \$25.0 million for the same period in 2004. Trade shows and conferences accounted for \$4.6 million of the decrease, offset by improvements in publishing revenues of \$0.8 million. The decline in our lifestyle segment was primarily due to the shift in timing of our Natural Products Expo East event, which was held in the third quarter of 2003 but moved to the fourth quarter of 2004. This decline was partially offset by a 19.3% year-over-year improvement in revenues from our Natural Products Expo West show, which was held in March 2004, and improvements in our publishing revenues primarily from Delicious Living and The Natural Foods Merchandiser magazines. Adjusted segment EBITDA for the Lifestyle segment decreased \$2.9 million, or 22.8%, from \$12.5 million for the nine months ended September 30, 2003 to \$9.7 million for the same period in 2004. Trade shows and conferences accounted for \$3.6 million of the decrease offset by a \$0.5 million improvement in publishing adjusted EBITDA. 51 RETAIL Three Months Our Retail segment, which represented 10.9% and 9.3% of total Company revenues for the three months ended September 30, 2004 and 2003, respectively, serves customers in the food/retail and hospitality industries. For the three months ended September 30, 2004 and 2003, respectively, 93.2% and 90.9% of this segment's revenues were generated from publishing, 5.2% and 7.1% from trade shows and conferences, and 1.6% and 2.0% from online media products. Revenues for this segment increased \$0.7 million, or 13.7%, from \$5.1 million for the three months ended September 30, 2003, to \$5.8 million for the same period in 2004. This increase was due primarily to quarter-over-quarter revenue improvements in our Restaurant Hospitality and Lodging Hospitality magazines. Trade show and conference revenues and online media revenues were flat with third quarter 2003 levels. Adjusted segment EBITDA for the Retail segment increased \$0.4 million, or 26.0%, from \$1.5 million for the three months ended September 30, 2003 to \$1.9 million for the same period in 2004. The increase was due primarily to the revenue increases noted above. Nine Months Our Retail segment represented 10.4% and 9.8% of total Company revenues for the nine months ended September 30, 2004 and 2003, respectively. For the nine months ended September 30, 2004 and 2003, respectively, 92.7% and 90.1% of this segment's revenues were generated from publishing, 5.8% and 7.9% from trade shows and conferences, and 1.5% and 2.0% from online media products. Revenues for this segment increased \$0.9 million, or 5.8%, from \$15.5 million for the nine months ended September 30, 2003 to \$16.4 million for the same period in 2004. The increase was due primarily to year-over-year revenue improvements in our Restaurant Hospitality, Lodging Hospitality and Baking Management magazines offset by lower year-on-year revenues from our Convenience Store Decision magazine, slightly lower trade show and conference revenues, and a modest decline in online media revenues. Adjusted segment EBITDA for the Retail segment remained flat for the nine months ended September 30, 2003 compared with the same period in 2004. Although EBITDA for publications increased by \$0.9 million due to revenue increases noted above, these

improvements were offset by a slight decrease from trade show and conferences and higher overhead costs.

INTERNATIONAL Three Months Our International segment, which consists of our European and German operations, represented 15.7% and 9.4% of total Company revenues for the three months ended September 30, 2004 and 2003, respectively. These operations primarily serve customers in the manufacturing, leisure and technology industries. For the three months ended September 30, 2004 and 2003, respectively, 5.3% and 21.8% of this segment's revenues were generated from publishing, 90.2% and 72.8% from trade shows and conferences, and 4.5% and 5.4% from online media products. Revenues for this segment increased \$3.2 million, or 63.6%, from \$5.1 million for the three months ended September 30, 2003, to \$8.3 million for the same period in 2004. This increase was due primarily to the shift in timing of our Service Management Europe and Manufacturing trade shows from the fourth quarter in 2003 to the third quarter in 2004. Also contributing to the increase was our biannual Motion & Control event, which took place in the quarter, and our launch of the Effective IT event in the quarter. Adjusted segment EBITDA for the International segment increased \$1.2 million, or 186.9%, from \$0.6 million for the three months ended September 30, 2003 to \$1.8 million for the same period in 2004. The increase was due primarily to the increase in revenues noted above.

52 Nine Months Our International segment represented 9.5% and 7.0% of total Company revenues for the nine months ended September 30, 2004 and 2003, respectively. For the nine months ended September 30, 2004 and 2003, respectively, 15.8% and 29.2% of this segment's revenues were generated from publishing, 76.7% and 63.8% from trade shows and conferences, and 7.5% and 7.0% from online media products. Revenues for this segment increased \$3.9 million, or 34.4%, from \$11.2 million for the nine months ended September 30, 2003 to \$15.0 million for the same period in 2004. The increase was primarily due to an increase in trade shows revenues of \$4.4 million and an increase in online media revenues of \$0.4 million. These increases were partially offset by a decline in publishing revenues of \$0.9 million. The increase in trade show revenues was due primarily to the shift in timing of our Service Management Europe and Manufacturing trade shows from the fourth quarter in 2003 to the third quarter in 2004. Also contributing to the increase was our biannual Motion & Control event, which was held in 2004, and the launch of our Effective IT event in 2004. The increase in online revenues is due primarily to the launch of our Service Management Online 365 virtual event in 2004. The decrease in publishing was due primarily to our German operations, which discontinued a number of magazines in 2003. Adjusted segment EBITDA for the International segment increased \$1.2 million, or 264.6%, from a loss of \$0.4 million for the nine months ended September 30, 2003 to \$0.7 million for the same period in 2004. The increase was due primarily to the increase in revenues noted above.

LIQUIDITY AND CAPITAL RESOURCES CURRENT LIQUIDITY At September 30, 2004, our principal sources of liquidity are our existing cash reserves of \$17.3 million and available borrowing capacity under our credit facility of \$39.7 million. Our primary fourth quarter 2004 cash needs will be for working capital, debt service, capital expenditures, and business restructuring charges. Cash payments expected to be made in the fourth quarter of 2004 include: debt service charges of \$18.5 million; capital expenditures of approximately \$0.4 million; restructuring related payments of \$1.3 million and a contribution of \$0.6 million to our Retirement and Savings Plan. We have no principal repayment requirements until maturity of our Secured Notes in October 2007. In addition, we have no bank debt and no maintenance covenants on our existing bond debt. We believe that our existing sources of liquidity, our available credit facility of \$39.7 million, and revenues expected to be generated from operations, will be sufficient to fund our operations, anticipated capital expenditures, working capital, and other financing requirements. However, we cannot assure you that this will be the case, and if we continue to incur operating losses and negative cash flows in the future, we may need to further reduce our operating costs or obtain alternate sources of financing, or both, to remain in business. Our ability to meet cash operating requirements depends upon our future performance, which is subject to general economic conditions and to financial, competitive, business, and other factors. The Company's ability to return to sustained profitability at acceptable levels will depend on a number of risk factors, many of which are largely beyond the Company's control. If we are unable to meet our debt obligations or fund our other liquidity needs, particularly if the revenue environment does not substantially improve, we may be required to raise additional capital through additional financing arrangements or the issuance of private or public debt or equity securities. We cannot assure you that such additional financing will be available at acceptable terms. In addition, the terms of our convertible preferred stock and warrants issued, including the conversion price, dividend, and liquidation adjustment provisions, could result in substantial dilution to common stockholders. The redemption price premiums and board representation rights could negatively impact our ability to access the equity markets in the future. The Company has implemented, and continues to implement, various cost-cutting programs and cash conservation plans, which involve the limitation of capital

expenditures and the control of working capital. **53 ANALYSIS OF CASH FLOWS** Penton's total cash and cash equivalents was \$17.3 million at September 30, 2004, compared with \$29.6 million at December 31, 2003. Cash used for operating activities was \$10.0 million for the nine months ended September 30, 2004, compared with cash provided by operating activities of \$39.1 million for the same period in 2003. Operating cash flows for the nine months ended September 30, 2004, reflected a net loss of \$65.5 million (as restated) and a net decrease in working capital items of approximately \$0.9 million, offset by non-cash charges (primarily impairment of assets, depreciation and amortization and restructuring charges) of approximately \$54.7 million. Operating cash flows for the nine months ended September 30, 2003, reflected a net loss of \$75.8 million, offset by a net increase in working capital items of approximately \$43.2 million and non-cash charges (primarily impairment of assets, depreciation and amortization and provision for loan impairment) of approximately \$71.8 million. The decrease in operating cash flows for the nine months ended September 30, 2004, compared with the same 2003 period was due primarily to the tax refund received in January 2003 of approximately \$52.7 million. Investing activities used \$2.0 million of cash for the nine months ended September 30, 2004 primarily for capital expenditures. Investing activities provided \$2.6 million of cash for the nine months ended September 30, 2003, primarily from proceeds of \$3.3 million from the sale of PTS in January 2003 and net proceeds of \$1.7 million received on notes receivable offset by capital expenditures of \$2.3 million. Financing activities used \$0.4 million of cash for the nine months ended September 30, 2004 primarily due to an increase in restricted cash and decrease in book overdrafts. Financing activities used \$6.5 million of cash for the nine months ended September 30, 2003, due primarily to the repayment of \$4.5 million on our senior secured credit facility, the payment of finance fees, and the payoff of a note payable of \$0.4 million. These uses were partially offset by proceeds of approximately \$0.3 million from the repayment of an officers loan and a decrease in restricted cash. **RISK FACTORS** Management's concerns remain consistent with and should be read in conjunction with the Risk Factors section of the Company's Annual Report on Form 10-K for the year ended December 31, 2003. **NEW ACCOUNTING PRONOUNCEMENTS** See Note 1 - Basis of Presentation of the notes to the consolidated financial statements. **CRITICAL ACCOUNTING POLICIES AND ESTIMATES** **Impairment of Long-Lived Assets** The Company completed its annual SFAS 142 impairment review at September 30, 2004. This review resulted in a non-cash impairment charge of approximately \$37.8 million to reduce the carrying value of goodwill for three reporting units, which are part of our Technology and International segments. The Company's SFAS 142 evaluations were performed by the Company with the assistance of a third party valuation firm, utilizing assumptions and projections we believe to be reasonable and supportable, and that reflect management's best estimate of projected future cash flows. Considerable judgment was required in selecting discount rates, allocating goodwill to new reporting units, developing cash flow projections and developing balance sheets for each reporting unit. Slight changes in any of these assumptions could create a material impact on the impairment charge recorded by the Company. We evaluate our long-lived assets for impairment whenever circumstances indicate that an impairment may exist pursuant to the provisions of SFAS 144. Factors indicating that an impairment may exist include permanent declines in cash flows, continued decreases in utilization of a long-lived asset, or a change in business strategy. The process involves management determining if the cash flows expected to be generated from the use of a long-lived asset (group) and its eventual disposition (undiscounted and without interest charges) are less than the carrying amount of the asset (group). If the criteria is met, the fair value is determined using appropriate assumptions. The determination and calculation of impairment requires management's judgment and estimates, including among other items, establishing asset groupings and determining discount rates. **54** During the nine months ended September 30, 2004, there were no other significant new critical accounting policies or estimates. **FOREIGN CURRENCY** The functional currency of our 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. **SEASONALITY** We may experience seasonal fluctuations as trade shows and conferences held in one period in the current year may be held in a different period in future years. **ITEM 4. CONTROLS AND PROCEDURES** **EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES** We maintain disclosure and controls and procedures (as defined in Exchange Act Rules 13a - 15(e) and 15d - 15(e)) that are designed to ensure that information required to be disclosed in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management,

including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding the required disclosure. Management had previously concluded the Company's disclosure controls and procedures were effective as of September 30, 2004. However, in connection with the preparation of this Amendment, an evaluation was performed under the supervision and with the participation of the Company's management, including the CEO and CFO, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of September 30, 2004. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were not effective as of September 30, 2004 because of the material weakness described below. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. On March 24, 2005 following a comprehensive review of the Company's deferred tax assets and deferred tax liabilities management concluded that the Company's previously issued consolidated financial statements should be restated to correct the computation of our valuation allowance for deferred tax assets, which resulted in an increase to income tax expense. Management determined that certain deferred tax liabilities had been incorrectly offset against its deferred tax assets. Under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," taxable temporary differences related to indefinite-lived intangible assets or tax-deductible goodwill (for which reversal cannot be anticipated) should not be offset against deductible temporary differences for other indefinite-lived intangible assets or tax-deductible goodwill when scheduling reversals of temporary differences. Management determined that this control deficiency constitutes a material weakness in the Company's disclosure controls and procedures and internal control over financial reporting. Management evaluated the materiality of the correction on its consolidated financial statements using the guidelines of Staff Accounting Bulletin No. 99, "Materiality" and concluded that the cumulative effects of the corrections were material to its annual consolidated financial statements for 2004, 2003 and 2002 and the related quarterly condensed consolidated financial statements for such periods. As a result, the Company concluded that it would restate its previously issued annual consolidated financial statements for the year ended December 31, 2004 and interim financial statements for each of the quarters ended March 31, 2004, June 30, 2004, and September 30, 2004, to recognize the impact of the correction. As of September 30, 2004, no steps had been taken by management to remediate this material weakness; however, as of the date of this Amendment, the Company had implemented steps to remediate this material weakness by adding additional levels of tax 55 review and requiring all personnel who have responsibilities for the Company's income taxes to attend an annual SFAS 109 review course.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING During the period covered by this report on Form 10-Q, there have been no changes in the Company's internal control over financial reporting that have materially affected or are likely to materially affect the Company's internal control over financial reporting.

56 **PART II - OTHER INFORMATION** ITEM 6. **EXHIBITS (A) EXHIBIT NO. DESCRIPTION OF DOCUMENT** ----- 31.1 Principal executive officer's certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. 31.2 Principal financial officer's certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. 32 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. 57 **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/ PRESTON L. VICE
----- Preston L. Vice Chief Financial Officer Date: October 13, 2005 58 **EXHIBIT INDEX**

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