PENTON MEDIA INC
Form 10-K
March 30, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549-1004

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

COMMISSION FILE NUMBER 1-14337

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

DELAWARE	36-2875386
(STATE OF INCORPORATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

1300 EAST NINTH STREET, CLEVELAND, OHIO 44114

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

216-696-7000

(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

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

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
COMMON STOCK, $0.01 PAR VALUE	OVER-THE-COUNTER BULLETIN BOARD

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes [ ] No [X]

The aggregate market value of common stock held by non-affiliates of Penton Media, Inc., computed by reference to the closing price as of the last business day of the registrant's most recently completed second fiscal quarter, June 30, 2003, at a closing price of $0.59 per share, was approximately $12,871,068. Shares of common stock held by each officer and director, their respective spouses, and by each person who owns or may be deemed to own 10% or more of the outstanding common stock have been excluded because such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

AS OF MARCH 30, 2004, 33,496,070 SHARES OF PENTON MEDIA, INC. COMMON STOCK WERE OUTSTANDING.

PENTON MEDIA, INC.

INDEX TO
ANNUAL REPORT ON FORM 10-K

FOR THE YEAR ENDED DECEMBER 31, 2003

CAUTIONARY STATEMENT

This Annual Report on Form 10-K contains statements relating to Penton Media, Inc. (including its future results and business trends) that are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to the "safe harbor" created by those sections. 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. Actual results or events may differ materially from those projected as a result of certain risks and uncertainties. These risks and uncertainties include, but are not limited to, those set forth herein under the heading "Risk Factors." 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. These forward-looking statements are made only as of the date hereof, and we undertake no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

PART I

ITEM 1. BUSINESS

GENERAL

We are a diversified business-to-business ("b-to-b") media company. We provide media products that deliver proprietary business information to owners, operators, managers and professionals in the industries we serve. Through these products, we offer industry suppliers multiple ways to reach their customers and prospects as part of their sales and marketing efforts. We publish 48 specialized trade magazines, produce 49 trade shows and conferences, and provide Web sites, electronic newsletters and other online media products. Our products serve 12 industries, which we group into four segments:

INDUSTRY
Manufacturing
Design/Engineering
Mechanical Systems/Construction
Supply Chain
Government/Compliance
Aviation
LIFESTYLE
Natural Products

TECHNOLOGY
Internet Technologies
Enterprise Information Technology
Electronics
RETAIL
Food/Retail
Leisure/Hospitality

We believe we have leading media products in most of the industries we serve. We are structured along segment and industry lines rather than by product lines. This enables us to promote our related groups of publications, trade shows and conferences, and online media products to our customers.

Since our founding in 1892, we have grown from an industrial trade magazine publishing company into an integrated b-to-b media company serving a wide range of industrial, technology and retail markets. We became an independent company, incorporated in the State of Delaware, as a result of our spinoff from Pittway Corporation in August 1998.

Our principal executive offices are located at The Penton Media Building, 1300 East Ninth Street, Cleveland, Ohio 44114, telephone 216-696-7000.

We maintain a Web site at http://www.penton.com. The information contained on our Web site is not incorporated by reference in this report, and you should not consider it a part of this report. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports are available free of charge on our Web site as soon as reasonably practicable after they are filed, or furnished to, the Securities and Exchange Commission.

Unless otherwise noted herein, disclosures in this Annual Report on Form 10-K relate only to our continuing operations. Our discontinued operations consist of Penton Media Australia Pty, Limited ("PM Australia"), which was sold in December 2002, and Professional Trade Shows ("PTS"), which was sold in January 2003.

Unless the context otherwise requires, the terms "we," "our," "us," "Company," and "Penton" as used herein refer to Penton Media, Inc. and its subsidiaries.

OUR INDUSTRY

The b-to-b media industry provides information in various formats to targeted business and professional audiences. B-to-b media include print products such as magazines and newsletters; in-person media such as trade shows and conferences; and online media, such as Web sites, online conferences, electronic newsletters, and electronic books.

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Through b-to-b media, marketers can reach targeted business and professional audiences whose responsibilities include the buying or specifying of products and services for their business organizations. Marketing opportunities include advertising in specialized business magazines, exhibiting at or sponsoring trade shows and conferences; sponsorship of digital media and highly customized media products; and the strategic use of products related to core media products, such as direct marketing mailing and e-mail lists, article reprints and electronic reuse of content; and exclusive market intelligence and data.

The b-to-b media industry experienced a challenging year in 2003, as a weak economy, disappointing corporate profits, and the lingering effects of geopolitical events pressured companies to reduce costs, including marketing spending.

Advertising in b-to-b media serving technology and manufacturing-related markets suffered the greatest during the year. While certain markets saw upticks in ad spending in 2003 after two years of decline, spending in the computer market declined 16.9%, the software market declined 9.0%, and the manufacturing and electronic equipment/components market experienced an ad spending decline of 7.3% compared with 2002, according to the Business Information Network (BIN). According to BIN, advertising pages in b-to-b magazines overall declined a third consecutive year in 2003, although more modestly than the double-digit declines experienced in 2002 and 2001, as the economy showed signs of improvement throughout the year.

Trade shows, overall, also had lackluster performance in 2003. According to Tradeshow Week magazine, net square footage of exhibit space declined 0.4%. This was the third straight year of decline in exhibit space, although it represented a much more modest rate of decline than that experienced in 2002 and 2001. Tradeshow Week magazine notes that both the number of exhibiting firms and professional attendance grew in 2003 by 0.6% and 3.6%, respectively, after two years of declines.

In response to revenue pressures in 2003, the b-to-b media industry continued to reduce costs. The industry also focused significant effort on b-to-b marketers' increasing demand for a greater return on their marketing investments, particularly in the form of sales improvement and faster generation of qualified sales leads.

The industry augmented initiatives to sell more fully integrated marketing solutions to customers, incorporating traditional print and event media platforms, as well as greater use of online and custom media. These media products have gained appeal with marketers because of their ability to generate strong user response and their effectiveness in promoting customers' brands and services.

According to the July 2003 Veronis Suhler Stevenson ("VSS") Communications Industry Forecast & Report, continued improvement in economic conditions, a pickup in corporate spending and new product introductions are all expected to contribute to acceleration in the growth of U.S. spending in b-to-b media. Spending in the industry is expected to grow to $24.2 billion by 2007, from $19.2 billion in 2002, according to VSS. Spending on b-to-b magazines is forecast by VSS to experience a compound annual growth rate of 4.7% between 2002 and 2007, while spending on trade shows and exhibitions is expected to grow at a rate of 4.8% for the same period.

THE PENTON APPROACH

Penton's strategic goal is to be the leading provider of integrated media and marketing solutions in the target markets we serve.

Our business is organized along segment and industry lines, rather than product lines. This approach to our business allows our staff to develop deeper market knowledge and experience that benefits our customers through our ability to develop and produce the most relevant and timely information products, and our ability to provide marketing counsel and services to marketers that reflect the most current market conditions, trends and opportunities.

Operating in a market-focused manner also allows us to cross-promote our related groups of publications, trade shows and conferences, online media, and custom media solutions to our customers. This enables our customers to utilize multiple complimentary channels for delivering their marketing message to their best sales prospects.

IN PRINT: PUBLICATIONS

We publish specialized trade magazines in the U.S. as well as in the United Kingdom and Germany. Of our 32 magazines that are audited by a third-party service, 20 magazines, or 63%, hold the number-one or number-two market share position in their target markets, based on the number of advertising pages. Our publications are recognized for the quality of their editorial content; since 1990 our magazines have won nearly 850 editorial awards.

We publish 48 trade magazines with a combined circulation of more than 3.0 million subscribers worldwide. Our magazines generate revenues primarily from the sale of advertising space and are primarily distributed through controlled circulation free of charge to qualified subscribers in our target industries. Subscribers to controlled-circulation publications qualify to receive our trade magazines by verifying, among other things, their responsibility for specific job functions, including purchasing authority. We survey our magazine subscribers annually to verify their continuing qualification.

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

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

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

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

We also publish five industry directories as well as buyers' guides, which are respected sources of buying information for industry decision makers. Most of the business directories we publish have limited competition.

IN PERSON: TRADE SHOWS AND CONFERENCES

We produce 49 trade shows and conferences, which attract attendees with purchasing and specifying responsibility.

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

Trade show exhibitors pay a fixed price per square foot for 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 each. The high quality and unbiased nature of our conference content attracts professional attendees. We are able to cost-effectively promote to attendees by utilizing related media products serving the

same end user audience. For example, potential attendees are the readers of our magazines and the users of our Web sites and electronic newsletters.

ONLINE: WEB SITES AND ELECTRONIC NEWSLETTERS

We currently maintain dozens of market-specific Web sites serving numerous markets. Our online portfolio also includes electronic newsletters; online conferences; sponsored topic-specific microsites; and electronic books. These products provide timely and focused information to highly targeted professionals, and typically are sponsored by advertisers interested in delivering marketing information to our subscribers. We believe we have a competitive advantage in the online business because of our established customer relationships in the markets we serve, the industry expertise of our staff, and the opportunities we have to promote our online media to targeted audiences through our magazines and trade shows.

ANCILLARY MARKETING SERVICES

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

- Marketing Services. We provide a variety of marketing services, including article reprints, electronic re-use rights to our content, and database rentals. We use information from our subscription lists and other available databases to compile detailed mailing lists and electronic mail address lists for rental by marketers who want to promote their products and services through direct mail and electronic marketing programs. We offer these services to our customers to help them reach their targeted audiences.

- Custom Communications. We produce a range of client-sponsored communication services, including: topic-specific conferences held across multiple cities; newsletters; magazines; catalogs; directories; education and training materials; and other marketing communications.

- Specialized Advertising. We collect and forward reader inquiries to our advertisers. In addition, classified advertising sections in our publications and on our Web sites provide a cost-efficient medium for reaching prospects who are ready to buy specialized products and services. Also, print and online recruitment advertising provides an effective way to reach qualified professionals seeking career opportunities.

OUR BUSINESS SEGMENTS

Our four segments derive their revenues from in-print publications, in-person trade shows and conferences, and online media to customers in our 12 distinct industries. These segment results are regularly reviewed by the Company's executive management team to determine how resources will be allocated to the segment and in assessing its performance.

For information about the revenues from external customers, adjusted segment EBITDA and total assets of each of our business segments, see Note 18 -- Segment Information, in the notes to consolidated financial statements included herein. In addition, Item 7 -- "Management's Discussion and Analysis of Financial Condition and Results of Operations" provides a description of segment results.

INDUSTRY SEGMENT

Content of our Industry publications, trade shows and conferences, and online media products is geared to customers in the manufacturing, design/engineering, mechanical systems/construction, supply chain, government/compliance, and aviation industries. Our Industry segment generated 39.9%, 39.3% and 31.6% of our total revenues in 2003, 2002 and 2001, respectively. For the years ended December 31, 2003, 2002 and 2001, respectively, 92.2%, 90.5% and 90.1% of this segment's revenues were generated from publications, 5.1%, 7.5% and 7.9% from trade shows and conferences, and 2.7%, 2.0% and 2.0% from online media and ancillary sources.

Our manufacturing portfolio represented about 15.4% of our revenues in 2003. This portfolio targets executives in manufacturing organizations, managers of industrial facilities, and management personnel in the machine tool and metals industries. Our products in this portfolio, which include IndustryWeek, American Machinist and New Equipment Digest magazines, have a long history and are leaders in the industry. IndustryWeek, which was first published in 1882, brings together senior manufacturing executives to explore business issues, strategies, trends and technologies that can help them succeed in today's "better, faster, cheaper" global economy. IndustryWeek focuses on providing well-informed ideas and best practices presented from an authoritative point-of-view. American Machinist, first published in 1877, focuses on the metalworking marketplace, which consists of plants in industries primarily engaged in manufacturing durable goods and other metal products. New Equipment Digest, first published in 1936, presents concise descriptions and photos of new and/or improved industrial products, materials, components, equipment and services that established companies want to sell. Competition in this portfolio includes the manufacturing demographic editions of both BusinessWeek and Fortune magazines which compete against IndustryWeek; Manufacturing Engineering which competes against American Machinist; and Industrial Equipment News which competes against New Equipment Digest.

The design/engineering portfolio represented about 9.3% of our revenues in 2003. This portfolio serves the information needs of engineers and designers in the original equipment, medical and biomedical markets, and designers and engineers of products that incorporate hydraulic and motion systems technologies. Leading products in this portfolio include Machine Design magazine, first published in 1929, which holds the greatest share of advertising pages in its market, and Hydraulics & Pneumatics magazine. Machine Design serves design engineers in the original equipment market, process and consulting industries. It provides design engineers with information on new technologies, industrial developments, research and development activities, products, and engineering procedures for designing manufactured products. Articles concentrate on practical applications, new developments and solutions to design problems. Hydraulics & Pneumatics serves design engineers, manufacturing engineers and other technical personnel who are involved in buying or specifying fluid power components, systems, materials, and controls. Competition in this portfolio includes Design News and Product Design & Development magazines.

The mechanical systems/construction portfolio represented about 6.0% of our revenues in 2003. This portfolio serves engineers, designers, and contractors in the mechanical systems (heating/ventilation/air conditioning/refrigeration/plumbing) markets, as well as professionals in the architectural and construction trades. Our leading products in this portfolio have a long history in the industry and a reputation of excellence. They include Contracting Business magazine, established in 1944, Contractor magazine, first published in 1954, and HPAC Engineering magazine, first published in 1929.

Contracting Business is dedicated to the residential, commercial and industrial mechanical systems contracting marketplace. Its editorial coverage includes new market opportunities, Internet technologies, design and engineering, and the service and maintenance of HVACR systems. For 50 years, Contractor has been the newsmagazine for mechanical contracting. Editorial content focuses on industry news, market trends, business management advice and new product information exclusively for plumbing, heating and piping contractors. HPAC Engineering magazine serves the growing mechanical engineered systems market in the areas of building construction, renovation and retrofit. Editorial content features articles in the area of systems design and sizing, facility and energy management controls systems, energy and water efficiency, indoor air quality, comfort management and deregulation. The main competitors in this portfolio are ACHR News and Plumbing & Mechanical magazines, both published by Business News Publishing, as well as Engineered Systems magazine.

The supply chain portfolio represented about 2.7% of our revenues in 2003. Products in this portfolio target decision makers along the entire supply chain, including material handling engineers, third-party logistics providers, and those responsible for carrying, delivering and warehousing goods. Leading products in this portfolio include Material Handling Management and Logistics Today magazines. Material Handling Management magazine reaches subscribers responsible for material handling functions in manufacturing, warehousing and distribution. Editorial content focuses on material handling applications, technology and management strategies for increasing productivity, cutting operating costs, improving safety, supporting effective planning, and facilitating product/information flow. Logistics Today serves the transportation,

warehousing and distribution, technology, and global business markets. Its content focuses on what is new, what others are doing, and what trends will impact future work. Competition in this portfolio includes Modern Material Handling, which competes head to head with Material Handling Management and Logistics Management magazines, published by Reed Business Information US ("Reed"), and Inbound Logistics, published by Thomas Publishing Company, both of which compete with Logistics Today.

The government/compliance portfolio represented about 4.5% of our revenues in 2003. Products in this portfolio target government buyers and professionals who manage industrial safety, occupational health and environmental compliance. The leading products in this portfolio are Government Product News, established in 1962, which ranks number one in advertising market share, and Occupational Hazards magazine, which was established in 1938. Government Product News is a product information magazine read by government managers, engineers, administrators, department heads and procurement professionals who specify, plan and buy for city, county, state, and federal governments. Editorial content includes products, services and case histories. Occupational Hazards magazine serves the occupational safety and industrial hygiene market. Editorial content provides information to meet OSHA and EPA compliance requirements, improve the management of safety, industrial hygiene and environmental programs, and to find products and services that protect employees and property. Government Product News has three main competitors, including; American City & County, published by Primedia; Public Works, recently acquired by Hanley Wood; and Governing Magazine, published monthly by Congressional Quarterly Inc. Occupational Hazards magazines' main competitors are the Occupational Health & Safety magazine, which is published by Stevens Publishing, and the Industrial Safety & Hygiene News magazine, published by Business News Publishing.

The aviation portfolio represented about 2.0% of our revenues in 2003. This portfolio's products target executives in the worldwide commercial airline industry. The leading product in this portfolio and in the industry is our Air Transport World magazine, which was first published in 1964. Editorial content include topics covering airline operations, information technology, alliances, distribution, transport aircraft and engine programs, MRO, aero politics, safety and regulations, finance and leasing, airport development and air cargo. One of the Company's major competitors in the aviation sector is Airline Business magazine, which is published by Reed.

TECHNOLOGY SEGMENT

Content of our Technology publications, trade shows and conferences, and online media products is geared to customers in the electronics, enterprise information technology and Internet technologies industries. Our Technology segment generated 32.7%, 38.4% and 54.4% of our total revenues in 2003, 2002 and 2001, respectively. For the years ended December 31, 2003, 2002 and 2001, respectively, 63.2%, 59.4% and 40.5% of this segments revenues were generated from publications, 20.1%, 29.0% and 54.6% from trade shows and conferences and 16.7%, 11.6% and 4.9% from online media and ancillary sources.

The electronics portfolio represented about 9.7% of our revenues in 2003. Products in this portfolio reach electronics engineers and engineering managers in the OEM, communications systems, microwave systems, wireless applications and network design markets. Some of our largest magazines in this portfolio include Electronic Design, first published in 1952; Microwaves & RF, first published in 1962; and EE Product News, first published in 1941. Electronic Design magazine focuses on new and emerging technologies, and the magazine reaches design engineers, engineering managers and technical executive managers at the conceptual design stage, where many product and technology decisions are initiated. Microwaves & RF magazine serves engineers and engineering managers involved in high frequency design. Target readers work in both commercial and military applications at radio frequency and microwave device, component, software, systems and test levels. EE Product News magazine, serves engineers and engineering managers involved in prototype design, where concepts take shape and buying decisions are made. We also produce the Wireless Systems Design Conference and Expo, held annually. This show targets engineers, engineering managers and other technically minded professionals working in the wireless arena. Competition in this portfolio includes EE Times magazine, published by CMP Media ("CMP"); EDN and ECN magazines, both published by Reed; Electronic Products, published by Hearst Publishing, Microwave Journal, published by Horizon House, and RF Design, published by Primedia.

The enterprise information technology portfolio represented about 20.3% of our revenues in 2003. Our products in this portfolio serve professionals involved with the Microsoft Windows NT/2000/XP and SQL, IBM iSeries/AS400 and Lotus Domino application server environments; information security; graphics applications; and the emerging market addressing convergence of home office, controls and entertainment technologies. Leading products in this portfolio include the Windows & .NET Magazine and online network, the iSeries NEWSmagazine and online network, Business Finance magazine and SQL Server Magazine. Windows & ..NET Magazine serves Windows IT professionals by providing problem-solving information about the Windows platform, including Microsoft's .NET Framework, Windows XP, Windows 2000 and Windows NT. iSeries NEWS magazine helps iSeries and AS/400 professionals make strategic business decisions, solve programming problems, improve performance and security, and assess hardware and software products. Business Finance magazine informs finance executives about the growing role of finance within organizations from changes in technology, business strategy and economic trends and the implications of these changes for their business practices and career development. SQL Server Magazine is the independent guide to using SQL Server as a business application development platform. In addition, the enterprise information technology portfolio hosts numerous road shows throughout the year. A road show is a custom event bringing buyers and sellers together to introduce products and services and to generate sales leads for the sponsor. Competition in the Windows arena include Network World, published by IDG, and Network Computing, published by CMP. Other competitors in this portfolio include SQL Server Professional magazine, eServer Magazine and Search400.com.

The Internet technologies portfolio represented about 2.7% of our revenues in 2003. Media products in this portfolio target service providers and other professionals who utilize Web technologies and services to achieve their enterprises' e-business objectives. The leading products in this portfolio include the Internet World UK and Internet World North trade shows. These trade shows provide major networking opportunities for every industry and every discipline that is affected by the Internet.

LIFESTYLE SEGMENT

Content of our Lifestyle publications and trade shows and conferences is geared to professionals in the natural products industry. Our Lifestyle segment generated 15.5%, 13.1% and 8.3% of our total revenues in 2003, 2002 and 2001, respectively. For the years ended December 31, 2003, 2002 and 2001, respectively, 34.8%, 35.7% and 35.3% of this segment's revenues were generated from publications, and 65.2%, 64.3% and 64.7% of revenues were from trade shows and conferences.

The products in this portfolio serve the natural products and nutraceuticals markets, including producers of raw materials, manufacturers, distributors and retailers. Leading products in this portfolio include The Natural Foods Merchandiser and Delicious Living magazines, and the Natural Products Expo trade shows. The Natural Foods Merchandiser provides information to companies involved in the development, marketing, sales and distribution of natural and organic products and dietary supplements. Delicious Living magazine is purchased by natural products retailers and is distributed to their customers to educate and inform them about natural products and a healthy lifestyle. It provides articles on a wide range of topics, including diet and nutrition, fitness, herbal medicine, homeopathy, natural healing, cooking with natural foods, personal care and the environment. The Natural Products Expos are held annually on the West and East Coasts of the United States, in Europe and in Asia. In addition to the extensive exhibits, the shows offer educational conferences, entertainment and a host of social events to foster personal and professional growth. The combined conference and trade show format is designed to bring the industry together to learn and share information with industry leaders. Competition in this portfolio includes such magazines as Health Supplement Retailer, Vitamin Retailer and Health Product Business, which compete against The Natural Foods Merchandiser, and Better Nutrition, Energy Times, Let's Live and Vegetarian Times, which compete against Delicious Living. Trade shows that compete with our Natural Product Expo shows include the Fancy Foods show, the FMI show and the NNFA show.

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RETAIL SEGMENT

Content of our Retail publications, trade shows and conferences, and online media products is geared to customers in the food/retail and leisure/hospitality markets. Our Retail segment generated 11.9%, 9.2% and 5.7% of our total revenues in 2003, 2002 and 2001, respectively. For the years ended December 31, 2003, 2002 and 2001, respectively, 74.9%, 79.5% and 83.4% of this segment's revenues were generated from publications, 23.3%, 18.7% and 14.9% from trade shows and conferences and 1.8%, 1.8% and 1.7% from online media and ancillary sources.

The food/retail portfolio represented about 8.4% of our revenues in 2003. This portfolio targets full-service restaurant operators, decision makers in institutional foodservice and retail and large-volume baking operations, and management staff at convenience store headquarters. Leading magazines in this portfolio include Restaurant Hospitality, which dedicates 100% of its efforts to full-service restaurants; Modern Baking magazine, which serves bakeries offering higher quality bakery foods, including retail, supermarket in-store and specialty wholesale bakeries, and foodservice operators that bake on premise; Food Management magazine, which serves the noncommercial foodservice market, including food operations at colleges and universities, schools, healthcare providers, the military and airlines; and Convenience Store Decisions magazine, which focuses on reaching the decision makers in the retail segment of the convenience store industry. We also provide the bakery-net.com Web site, which has over 20,000 registered qualified users and includes a bakery buyers guide. In addition, our National Convenience Store Advisory Group provides event forums for interaction with top management among retail operators, manufactures and wholesalers. Competition for our baking magazines primarily includes Baking Buyer, published by Sosland Publishing Co., Baking & Snack magazine and Snack Food and Wholesale Baking magazine. Competitors for our restaurant magazines include Nation's Restaurant News, published by Lebhar-Friedman; Restaurants and Institutions, published by Reed; and Restaurant Business, published by VNU Business Publications ("VNU"). Competitors in the convenience store market include Convenience Store News, published by VNU, and Convenience Store Petroleum, published by CSP Information Group.

The leisure/hospitality portfolio represented about 3.5% of our revenues in 2003. This portfolio serves professionals managing leisure and recreation facilities and outdoor sports and grounds facilities in Europe and the hospitality industry in the United States. The leading products in this portfolio include our International Leisure Industry Week exhibition held annually in the United Kingdom and our Lodging Hospitality magazine, which was first published in 1949. Our Leisure Industry Week ("LIW") trade show was established in 1989 and is the UK's largest and longest-running trade show and conference serving the out-of-home leisure and hospitality market. The show is attended by more than 14,000 operators of theme parks, family entertainment centers, private and public sector leisure and sports venues, health and fitness clubs, museum and heritage sites, and leading tourist attractions. These operators use LIW as a primary sourcing event for soft and outdoor play equipment; kids and theme park rides; sports, fitness and recreational equipment; catering and vending options; and facilities management solutions, including disabled access, ticketing, security, membership systems, and sound and lighting. LIW has no direct competitors, though there are a number of shows which cross over with some sections of LIW, including Euro Amusement Show for the European theme park market, Hospitality Week/Hotel Olympia in the UK, and FIBO, which targets the European fitness industry and is held in Germany, and the UK's Professional Beauty show, which targets health center and spa markets. Our Lodging Hospitality magazine serves the lodging industry, including hotel owners, operators and developers. It reaches corporate and operations personnel hoteliers at all levels, corporate and operations, including chain headquarters, multi-unit owners and independent properties. Competitors include Hotel & Motel Management magazine, owned by Advanstar Communications, and Hotel Business magazine, owned by ICD Publications.

RECENT DEVELOPMENTS

See discussion of recent developments and significant 2003 events in "Significant 2003 Events" section of Management's Discussion and Analysis of Financial Condition and Results of Operations.

ACQUISITIONS AND DIVESTITURES

In January 2003, the Company completed the sale of the assets of its PTS group, which was part of our Industry segment, to Cygnus Business Media, Inc. for total consideration of approximately $3.2 million. The cash received from the sale was used to pay down the Company's outstanding credit facility. A gain of approximately $1.4 million on the sale was recorded in the first quarter of 2003. The results of PTS are included as a component of discontinued operations in the accompanying consolidated statements of operations.

In December 2002, the Company completed the sale of the assets of PM Australia, which was part of our Technology segment, to AJB Publishing Pty Limited for total consideration of approximately $0.1 million. Approximately $0.01 million was paid in cash upon closing, with the remaining consideration to be paid in 12 equal monthly installments starting in July 2003. The cash received from the sale was used to pay down the Company's outstanding credit facility. The related loss on the sale was approximately $0.6 million and is included as a component of discontinued operations in the accompanying consolidated statements of operations.

In December 2002, the Company disposed of four other properties. Three of these properties, Streaming Media, Boardwatch and ISPCON, were part of our Technology segment. The other property, A/E/C, was part of our Industry segment. The aggregate consideration for these properties was approximately $0.9 million. The cash received from these sales was used to pay down the Company's outstanding credit facility. The sale of the properties resulted in a loss of approximately $0.9 million and is included in operations as loss on sale of properties in the accompanying consolidated statements of operations as these properties did not qualify for discontinued operations treatment.

In 2001, Penton acquired nine companies for an aggregate purchase price of approximately $10.0 million in cash and $3.2 million in promissory notes.

CUSTOMERS

We serve a diverse group of customers worldwide in our 12 industry portfolios. We market our products directly to customers through our internal marketing and sales force. None of our customers accounted for more than 1.1% of our total revenues in 2003. Our top 10 customers accounted for approximately 3.7% of our total revenues in 2003.

COMPETITION

We experience intense competition for our products and services. We compete with several much larger international companies that operate in many markets and have broad product offerings in both publishing and trade shows and conferences. We compete for readers and advertisers in the publishing marketplace, which is fragmented. According to industry sources, in February 2003, there were about 1,500 publishing companies and 5,200 trade magazine titles.

We also compete for venues, exhibitors, sponsorships and show attendees in the trade show and conference marketplace. This market is also highly fragmented. Approximately 2,500 trade shows were expected to be held in the United States and Canada in 2003. About 1,500 independent companies and industry associations are expected to produce these shows, according to industry sources. Since our trade show business is relatively easy to enter, additional competitors may enter these markets. In addition, our trade show and conference business competes with many industry associations, and in several countries, the trade show and conference hall owner and operator may also be a competitor.

As online media has gained favor for both information delivery and for marketing purposes, there has been a major influx of new product offerings by b-to-b media companies and other information providers who represent added competition.

Our publications generally compete on the basis of:

- editorial quality and integrity;
- quantity and quality of circulation;
- the strength of complementary products serving the same niche;
- the effectiveness of sales and customer service; and
- advertising rates.

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

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

Our online media products generally compete on the basis of:

- quality and uniqueness of information content;
- quality and speed of sales lead generation;
- technical quality and the related ease of use for the end user;
- product development speed;
- advertising and sponsorship rates.

OUR BUSINESS STRATEGY

We experienced declines in our revenues as a result of difficult business conditions across most of our markets and particularly challenging conditions in our technology and manufacturing-related media portfolios, which constitute our largest portfolios. Due to these challenges and their impact on our financial performance, we have shifted our business strategy from accelerating growth through aggressive acquisitions and internal product development to improving profitability through cost reduction measures and process improvements.

Reduce Fixed Costs. Penton had built a cost structure to support the approximate 25% compounded annual revenue growth we experienced between 1996 and 2000. Beginning in 2001, and throughout 2002 and 2003, we implemented a number of cost reduction initiatives in an effort to align our cost structure with the sharp downturn in our business. These efforts included reducing net headcount by 96 positions in 2003 (a combined 52.6% net headcount reduction since January

2001); making adjustments to employee benefits, including freezing the Company's pension plan and introducing a defined contribution plan; reducing capital spending; outsourcing certain corporate and division functions; and implementing process improvements that resulted in a permanent reduction in the cost basis of our business. We expect to continue to reduce our operating costs if market conditions do not improve.

Grow Revenues Through Aggressive Sales of Integrated Media and Marketing Solutions. B-to-b marketing has evolved to a model that emphasizes using an integrated and broad array of media and marketing vehicles. Penton is responding by continuously adding to and diversifying its product offerings. In particular, we are focusing on launching online media products to complement our in-print and in-person portfolio. We are expanding our online media portfolio because digital media has gained a larger presence in our customers' marketing mix. Digital media offer benefits of speed of information delivery, rapid sales lead generation and effective interactivity with end users. Our online media launches require modest capital

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investment and typically produce positive adjusted EBITDA, before shared expenses, within the first year of launch because we often can leverage existing content and staff resources to develop these products.

Our focus on the sale of integrated solutions also encompasses aggressive development of custom media solutions for our customers. Single-sponsored magazines, newsletters and white papers, topic-specific conferences that are produced in multiple cities and specialized Web microsites are examples of such products. These creative marketing solutions are typically conceived and developed by existing staff in our market groups and are sold with selective pricing that typically produces attractive returns for Penton.

Restructure Product Portfolio. In 2003, we continued to restructure our portfolio to improve profitability. We canceled certain technology trade shows and discontinued certain publications due to weak market conditions. We believe these restructuring efforts will improve the adjusted EBITDA of our product lines without compromising the strength and integrity of our core media brands or their usefulness and value to our customers. We continually respond to opportunities in our current markets to develop new products and we will continue to make new product introductions.

DOMESTIC AND FOREIGN REVENUES AND ASSETS

Domestic revenues of our products and services constituted 90.2%, 89.1%, and 86.8% of total revenues for the years ended December 31, 2003, 2002 and 2001, respectively. Foreign revenues totaled 9.8%, 10.9% and 13.2% of our revenues for the years ended December 31, 2003, 2002 and 2001, respectively. In 2003, 2002 and 2001, 81.0%, 74.9% and 68.7%, respectively, of these foreign revenues were generated by Penton Media Europe Limited, a subsidiary of Penton located in the United Kingdom. See Note 18 -- Segment Information, in the notes to consolidated financial statements included herein, for a description of the Company's assets located in the United States and in the United Kingdom.

PRODUCTION AND DISTRIBUTION

All of the Company's print products are printed and bound by independent printers. We have a service contract through 2006 that provides for the printing of a majority of our 48 specialized trade magazines. If additional printing capacity is needed, we believe that additional printing services are readily available at competitive prices.

The principal raw material used in our print publications is paper. We believe that the existing arrangements providing for the supply of paper are adequate, and, in any event, alternative sources are available. Paper costs accounted for about 7.8%, 8.4% and 9.0% of our total editorial, production and circulation costs for the years ended December 31, 2003, 2002 and 2001, respectively. Paper prices are affected by a variety of factors, including demand, capacity, pulp supply, and general economic conditions.

Substantially all of our publications are delivered by the United States Postal Service within the continental United States. Consequently, postage costs are subject to postage rate changes. Postage costs represent a significant expense, accounting for about 14.5%, 14.2% and 12.7% of our total editorial, production and circulation costs for the years ended December 31, 2003, 2002 and 2001, respectively. Most of the Company's magazines are packaged and delivered to the United States Postal Service directly by the printer. Postage rates increased on July 1, 2001 and June 30, 2002. There were no rate increases in 2003 and none are expected in 2004.

TRADEMARKS AND INTELLECTUAL PROPERTY RIGHTS

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

We may be subject to claims of alleged infringement of our trademarks or our licenses of trademarks and other intellectual property rights of third parties from time to time in the ordinary course of business. We do

not believe that any legal proceedings or claims are likely to have, individually or in the aggregate, a material adverse effect on our business, financial condition or results of operations.

SEASONALITY

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

EMPLOYEES

On December 31, 2003, we employed about 850 people, primarily in the United States. None of our employees are represented by a labor union, and we consider relations with our employees to be good.

RISK FACTORS

The following are factors that may affect our actual operating results and could cause results to differ materially from those in any forward-looking statements. In addition to the other information contained in this document, you should carefully consider the following risk factors.

We are incurring substantial operating losses, we anticipate additional future losses and we must increase our revenues to become profitable.

We incurred net losses of $87.8 million, $286.3 million and $104.1 million in 2003, 2002 and 2001, respectively. We face an environment of uncertainty, and visibility for the Company's business, particularly advertising sales, remains limited. We expect that we will continue to incur operating losses in the near term.

In order to return to profitability, we must achieve substantial revenue growth. Revenue growth will depend on a recovery in marketing spending in traditional b-to-b media along with continued growth from new online media offerings. Although we have implemented a number of expense reduction and restructuring initiatives to more closely align our cost structure with the current business environment, expense reductions alone, without revenue growth, will not return us to profitability. We cannot assure you as to whether or when we will return to profitability or whether we will be able to sustain such profitability, if achieved.

We depend on advertising revenues, which decrease during economic downturns and fluctuate from period to period.

For the years ended December 31, 2003, 2002, and 2001 about 61.9%, 59.7% and 49.0%, respectively, of our revenues came from advertising. Our advertising revenues fluctuate with general economic cycles, and any material decline in these revenues could have a material adverse effect on our business, results of operations and financial condition. Historically, advertising revenues have increased during economic recoveries and decreased during both general economic downturns and regional economic recessions. In a general economic downturn or a recession, advertisers reduce their advertising budgets, intensify their attempts to negotiate lower advertising rates and pay outstanding invoices more slowly. We have experienced some of these effects in 2001, 2002 and 2003. Our advertising revenues decreased by 20.2% from 2001 to 2002 and by 9.0% between 2002 and 2003. If the anticipated recovery in marketing spending in traditional b-to-b media does not take place, or is significantly delayed, our results of operations may be adversely affected.

We have a significant amount of debt.

At December 31, 2003, we had total indebtedness of approximately $328.6 million, net of approximately $3.3 million of original-issue discount on our 10 3/8% senior subordinated notes ("Subordinated Notes") and approximately $0.6 million of original-issue discount on our 11 7/8% senior secured notes ("Secured Notes"). Subject to restrictions in our debt instruments, we had the ability to incur additional indebtedness of approximately $39.9 million under our credit facility at December 31, 2003.

The level of our indebtedness could have important consequences, including:

- Limiting cash flow available for general corporate purposes, including capital expenditures, because a substantial portion of our cash flow from operations must be dedicated to servicing our debt;

- Limiting our ability to obtain additional debt financing in the future for working capital, capital expenditures or acquisitions;

- Making us more vulnerable in the event of a further downturn in general economic conditions or in our business; and

- Limiting our flexibility in reacting to competitive and other changes in our industry.

Our current debt levels have subjected us to the risks described above. If new debt is added to our current debt levels, these risks could intensify.

We may not be able to service our debt.

Our ability to pay or to refinance our indebtedness will depend upon our future operating performance, which will be affected by general economic, financial, competitive, business, and other factors beyond our control.

We cannot assure you that our business will generate sufficient cash flow from operations, that currently anticipated revenues and cost-saving efforts will be realized on schedule or at all, or that future borrowings will be available to us under our credit facility or otherwise in amounts sufficient to enable us to service our debt obligations, to pay our indebtedness at maturity or otherwise, or to fund our other liquidity needs. If we are unable to meet our debt obligations or fund our other liquidity needs, we may need to further restructure or refinance our indebtedness, sell assets or seek additional equity capital. We cannot assure you that we will be able to accomplish those actions on satisfactory terms, if at all, which could cause us to default on our obligations and impair our liquidity. Our ability to restructure or refinance will depend on the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. In addition, the terms of the convertible preferred stock and warrants to purchase common stock, including the conversion price, dividend and liquidation preference adjustment provisions, could result in substantial dilution to stockholders. The redemption price premiums, and board representation rights, could negatively impact our ability to access the equity markets in the future.

Because a significant portion of our operations are currently conducted through our subsidiaries, our ability to pay our indebtedness is also dependent on the cash flows of our subsidiaries and the distribution of those cash flows to us, or upon loans or other payments of funds by our subsidiaries to us. The ability of our subsidiaries to make distributions or other payments to us will depend upon their operating results, applicable laws and any contractual restrictions contained in the instruments governing their indebtedness. If money generated by our subsidiaries is not available to us, our ability to repay our indebtedness may be adversely affected.

The terms of our debt instruments and preferred stock impose financial and operating restrictions.

The indentures governing our Subordinated Notes and our Secured Notes, our credit facility and our convertible preferred stock contain restrictive covenants that limit our ability to engage in a variety of transactions, including incurring or guaranteeing additional indebtedness, making investments, creating liens on our assets, transferring or selling our assets, paying dividends or engaging in mergers, acquisitions or consolidations. The terms of our credit facility prohibit us from voluntarily prepaying certain indebtedness.

A breach of any of the covenants or other provisions in our debt instruments could result in a default thereunder. Upon the occurrence of an event of default under our debt instruments, the lenders could elect to declare all amounts outstanding thereunder to be immediately due and payable and, terminate all commitments to extend further credit, which would adversely affect our ability to fund our operations. An acceleration

of amounts due under our credit facility would cause us to be in default under the indenture governing our Subordinated Notes and our Secured Notes, resulting in the acceleration of all outstanding amounts, and vice versa, given certain thresholds. If we are unable to repay any accelerated amounts under our debt instruments, the respective lenders/holders could proceed against the collateral granted to them to secure that indebtedness. If the lenders/holders under our debt instruments accelerate the repayment of borrowings, we cannot assure you that we will have sufficient assets to repay all of our indebtedness.

The preferred stockholders have the right to cause the Company to seek a buyer.

Under the preferred stock agreement, since the leverage ratio has exceeded 7.5 for four consecutive quarters, the preferred stockholders have the right to cause the Company to seek a buyer for all of the assets or issued and outstanding capital stock of the Company. If a buyer is found, we cannot assure the common stockholders that there will be enough proceeds from the sale to payoff all of our outstanding debt, the outstanding amount due the preferred stockholders, and have funds remaining for the common stockholders. If the Company would have been sold on the date of this filing, the bondholders would be entitled to receive $335.8 million and the preferred stockholders would be entitled to receive $226.6 million before the common stockholders would receive anything for their common shares.

If the U.S. and European economies worsen, the cost-saving efforts we implemented may not be sufficient to achieve the benefits we expect.

In 2002 and 2003, we experienced a significant decline in revenue, due primarily to weak economic conditions, which were exacerbated by the threat of additional terrorist attacks and the war with Iraq. We cannot predict if or when the economy or our revenues will improve. We have taken a number of steps designed to improve our profits and margins despite decreased revenues. We have sold properties that were underperforming; restructured a number of our businesses and support departments; and reduced overhead infrastructure by consolidating and closing several facilities; centralizing enterprise information technology services and outsourcing certain corporate functions. As a result, we recorded special charges to our income of $18.8 million in 2001, $16.4 million in 2002 and $5.7 million in 2003. If the U.S. and European economies worsen, or if additional terrorist attacks occur, our revenues may continue to decline. If revenues decline beyond our expectations, the cost-saving efforts we implemented in 2002 and in 2003 will likely not achieve the benefits we expect. We may be forced to take additional cost-saving steps that could result in additional charges and otherwise have a material adverse affect on our business.

The profitability and success of our trade shows and conferences could be adversely affected if we are unable to obtain desirable dates and locations.

In 2003, about 21.4% of our revenues came from trade shows and conferences. We compete for desirable dates and venues for our trade shows and conferences. If this competition intensifies, we may be unable to schedule important engagements. If we are unable to obtain desirable dates and venues for events, the profitability and future success of these events could be adversely affected. Although we generally reserve venues and dates more than one year in advance, these reservations are not binding until we sign a contract with a facility operator. These contracts generally hold venues and dates for only one year.

A significant portion of our revenues and operating margin is generated from our Natural Product Expo East and Natural Product Expo West trade shows. A decline in the performance of these shows would significantly reduce our revenues and operating income.

For the year ended December 31, 2003, our Natural Product Expo East and Natural Product Expo West trade shows represented approximately 8.9% of our total revenue and approximately 28.3% of operating margin. We expect that the Natural Product Expo East and Natural Product Expo West trade shows will continue to represent a significant portion of our overall revenue and contribution in the future. Therefore, a significant decline in the performance of one or both of the Natural Product Expo East and Natural Product Expo West trade shows could have a material adverse effect on our financial condition and results of operations.

A terrorist attack or the outbreak of diseases could have a significant effect on our trade shows.

The events of September 11, 2001 had a material adverse impact on the Company. The occurrence of another terrorist attack could again have a material adverse impact on the Company and its operations.

In 2003, there was an outbreak of Severe Acute Respiratory Syndrome (SARS), which primarily had an adverse impact on the Company's Asia trade show. If there were another outbreak of a disease (such as SARS) that affected travel behavior, particularly in the U.S., it could have a material adverse impact on the Companies trade show operations.

Our trade shows, conferences and publishing revenues vary due to the movement of annual events or publication mailing dates and the timing of our customers' product launches.

Our trade shows, conferences and publishing revenues are seasonal, due primarily to the timing of our large trade shows and conferences and publication of our large industry directories. Because event revenues are recognized when a particular event is held, and publication revenues are recognized in the month publications are mailed, we may also experience fluctuations in quarterly revenues based on the movement of annual events or mailing dates from one quarter to another. In 2003, about 26.4% of our total revenues was generated during the first quarter, about 24.5% during the second, about 26.2% during the third, and about 22.9% of our revenues was generated during the fourth quarter.

In addition, our trade show and conference revenues may fluctuate from period to period based on the spending patterns of our customers. Many of our large customers concentrate their trade show participation around major product launches. Because we cannot always know or predict when our large customers intend to launch new products, it is difficult to anticipate any related fluctuations in our trade shows and conferences revenues.

Loss of key personnel could impair our success.

We benefit from the leadership and experience of our senior management team, and we depend on its continuing services in order to successfully implement our business strategy. Although we have entered into employment agreements with Thomas L. Kemp, Daniel J. Ramella and other executive management, they and other key personnel may not remain in our employment. The loss of key personnel could have a material adverse effect on our business, results of operations and financial condition. We do not maintain "key person" life insurance with respect to our senior management team. See Recent Events section of Management's Discussion and Analysis of Financial Condition and Results of Operations regarding the Chief Executive Officer's departure from the Company.

Competition may adversely affect our earnings and results of operations.

We experience intense competition for our products and services. If we fail to compete effectively, our earnings and results of operations could be adversely affected. We compete for readers and advertisers in the publishing marketplace and for trade show and conference venues, exhibitors, sponsorships and show attendees. Because our industry is relatively easy to enter, we anticipate that additional competitors, some of whom may have greater resources than we do, may enter these markets and intensify competition.

Our overall operations may be adversely affected by risks associated with international operations.

We have operations outside the United States. The following risks in international markets could have a material adverse effect on our future international operations and, consequently, on our business, results of operations and financial condition:

- the uncertainty of product acceptance by different cultures;

- difficulties in staffing and managing multinational operations;

- general economic and political uncertainties and potential for social unrest;

- limitations on our ability to enforce legal rights and remedies;

- reduced protection for intellectual property rights in some countries;

- state-imposed restrictions on the repatriation of funds; and

- potentially adverse tax consequences.

New product launches or acquired products may reduce our earnings or generate losses.

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

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

The infringement or invalidation of our proprietary rights could have an adverse effect on our business.

We regard our copyrights and trademarks, including our Internet domain names, service marks and similar intellectual property, as critical to our success. We rely on copyright and trademark laws in the United States and other jurisdictions and on confidentiality agreements with some of our employees and others to protect our proprietary rights. If any of these rights were infringed or invalidated, our business could be adversely affected. In addition, our business activities could infringe upon the proprietary rights of others, who could assert infringement claims against us. If we are forced to defend against any such claims, whether they are with or without merit or are determined in our favor, then we may face costly litigation, diversion of technical and management personnel, or product and service delays. As a result of such a dispute, we may have to develop non-infringing technology or enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may be unavailable on terms acceptable to us, or at all. If there is a successful claim of infringement against us and we are unable to develop non-infringing technology or enter into royalty or licensing agreements on a timely basis, our business could be adversely affected.

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

Reliance on principal vendors could adversely affect our business.

We rely on our principal vendors and their ability or willingness to sell products to us on favorable price and other terms. Many factors outside our control may harm these relationships and the ability or willingness of these vendors to sell these products to us on such terms. Currently, our principal vendors are paper suppliers, the United States Postal Service and printing suppliers. If any of our principal vendors discontinues or temporarily terminates its services and we are unable to find adequate alternatives, we may experience increased prices, interruptions and delays in services. These factors could adversely affect our business.

Increases in paper or postage costs could cause our expenses to increase and may adversely affect our business.

Paper and postage are necessary expenses relating to our print products and magazine distribution. In 2003, these expenses accounted for approximately 7.8% and 14.5%, respectively, of our total editorial, production and circulation costs. Significant increases in paper prices, or in postage prices may have an adverse effect on our business. We do not use forward contracts, and all of our paper supply vendor arrangements

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provide for price adjustments to reflect prevailing market prices. We use the United States Postal Service for domestic distribution of substantially all of our magazines and marketing materials.

ITEM 2. PROPERTIES

The Company leases all of its principal properties. The general characteristics of the leased properties are as follows:

SEGMENT	LOCATION	PRINCIPAL USE	LEASE EXPIRATION	APPROX SQUARE
Industry/Corporate...........	Cleveland, Ohio(1)	General Offices	2010	161,
Industry/Corporate...........	Cleveland, Ohio	Warehousing	2004	28,
Industry.....................	Fremont, California(2)	General Offices	2005	13,
Industry.....................	Washington, D.C.	General Offices	2005	5,
Technology...................	Darien, Connecticut(3)	General Offices	2009	18,
Technology...................	New York, New York(2)	General Offices	2009	10,
Technology...................	Paramus, New Jersey	General Offices	2008	11,
Technology...................	Loveland, Colorado	General Offices	2005	35,
Technology...................	Loveland, Colorado	Warehousing	2006	7,
Technology...................	Isleworth, Middlesex, U.K.	General Offices	2014	7,

Technology..................	London, U.K.(4)	General Offices	2010	12,
Technology..................	Los Gatos, California(2)	General Offices	2005	5,
Lifestyle...................	Boulder, Colorado	General Offices	2006	29,
Retail......................	Des Plaines, Illinois	General Offices	2007	5,

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(1) The Company is no longer occupying 57,500 square feet of office space at its Cleveland, Ohio facility. The Company has sublet 28,766 square feet of this space.

(2) The Company has sublet these offices for the remainder of their respective lease terms.

(3) The Company is no longer occupying 13,650 square feet of this space.

(4) The Company is no longer occupying this space.

The Company has other smaller properties, including sales and/or general offices under leases expiring through 2013, located in cities throughout the United States, United Kingdom, and Hong Kong. We believe our facilities are suitable and adequate for our present needs.

ITEM 3. LEGAL PROCEEDINGS

In connection with the acquisition of Mecklermedia Corporation in 1998, a lawsuit was brought against the Company on December 1, 1998 by Ariff Alidina (the "Plaintiff"), a former stockholder of Mecklermedia Corporation, in the United States Federal District Court in the Southern District of New York for an unspecified amount, as well as other relief. The Plaintiff had claimed that the Company violated the federal securities laws by selling Mr. Meckler, a beneficial owner of approximately 26% of the shares of Mecklermedia, an 80.1% interest in internet.com Corporation (now known as Jupitermedia Corporation) for what the Plaintiff alleges was a below-market price, thereby providing Mr. Meckler more consideration for his common stock in Mecklermedia Corporation than was paid to other stockholders of Mecklermedia Corporation. On May 16, 2001, the United States District Court for the Southern District of New York granted the Plaintiff's motion for certification of a class consisting of all former stockholders of Mecklermedia who tendered their shares in the tender offer. By letter dated November 3, 2003, plaintiffs' counsel informed the Court that a settlement had been reached in this case and that a request for preliminary approval of the settlement will be submitted to the Court once the settlement papers are finalized. The parties will soon submit papers to the Court and seek its preliminary approval of the settlement. If approved, the class settlement will be paid entirely from insurance proceeds.

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In the normal course of business, Penton is subject to a number of lawsuits and claims, both actual and potential in nature. While management believes that resolution of existing claims and lawsuits will not have a material adverse effect on Penton's financial statements, management is unable to estimate the magnitude or financial impact of claims and lawsuits that may be filed in the future.

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

No matters were submitted to a vote of security holders during the fourth quarter of 2003.

PART II

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

In June 2003, the Company was notified by the New York Stock Exchange ("NYSE") that it would begin delisting procedures of the Company's common stock. The NYSE reached its decision because Penton had been unable to comply with the NYSE's continued listing criteria, which include minimum levels for stock price, market capitalization, and stockholders' equity. The NYSE took this action at this time because Penton was not expected to be able to increase its equity to the minimum listing requirements within the required time frame. On June 17, 2003, Penton's stock began trading on the Over-the-Counter Bulletin Board under the symbol PTON.

The following tables set forth, for the periods indicated, the high and low sales prices for Penton's common stock.

	PRICE RANGE OF COMMON STOCK	
	HIGH	LOW
Year Ended December 31, 2003:		
First Quarter	$0.84	$0.32
Second Quarter	0.80	0.29
Third Quarter	1.70	0.59
Fourth Quarter	1.52	1.14

	PRICE RANGE OF COMMON STOCK	
	HIGH	LOW
Year Ended December 31, 2002:		
First Quarter	$9.35	$5.26
Second Quarter	9.11	1.90
Third Quarter	2.15	0.19
Fourth Quarter	1.05	0.21

The Company had approximately 981 record holders of its common stock on February 27, 2004.

Our dividend policy is determined by our Board of Directors. In July 2001, a decision was made by our Board of Directors to discontinue the payment of dividends. We paid quarterly dividends for the first half of 2001 in the amount of $0.03 per share. Any decision to pay dividends in the future will be made by our Board of Directors based upon the results of our operations and financial condition and such other matters as our Board of Directors considers relevant. The terms of our outstanding convertible preferred stock, however, limit the payment of dividends on the common stock until all accrued dividends have been paid on the convertible preferred stock. We may not pay accrued dividends on the convertible preferred stock unless approved by the holders of not less than 75% of the then outstanding shares of convertible preferred stock. Furthermore, the Company's ability to pay dividends is restricted by certain covenants in the bond indentures and credit facility.

Redeemable common stock relates to common stock that may be subject to rescissionary rights. The purchase of common stock by certain employees in the Company's 401(k) plan from May 2001 through March 2003 was not registered under the federal securities laws (the "unregistered purchases"). As a result, such purchasers of our common stock during that period have the right to rescind their purchases for an amount equal to the purchase price paid for the shares, plus interest from the date of purchase, unless the employee has released the Company from such obligation as noted below. Any rescissionary rights will lapse one year from the date of any such purchase. The Company may also be subject to civil and other penalties by regulatory authorities. The unregistered purchases did not cause an event of default under the Subordinated Notes, the Secured Notes or the senior secured credit facility. However, an event of default could occur as an indirect result of the unregistered purchases, if for instance, such unregistered purchases lead to restricted payments under the indentures and/or the loan agreement. On March 31, 2003, the Company filed a Form S-8 registration and registered 6.0 million additional shares to be offered under the 401(k) plan.

In April 2003, the Company offered to reimburse employees who had purchased Penton common stock through the Company's 401(k) plan between March 25, 2002 and March 25, 2003. Employees who signed a release were reimbursed the amount by which the price they paid for the common stock exceeded the closing price of the stock on the date they executed the release, or if the stock had been sold, the amount by which the price paid by the employee exceeded the sales price. Employees who did not sign the release by May 22, 2003 retain any rights they may have under the Federal securities laws. Over 80% of the employees who were offered the reimbursement accepted the terms of the release, representing a liability of approximately $0.6 million, which was deposited into each individual's 401(k) account in July 2003. This amount is included in restructuring and other charges in the consolidated statement of operations.

At December 31, 2003, the Company had classified 4,191 shares, related to the potential rescissionary rights, outside of stockholders' deficit because the redemption of the stock is not within the control of the Company. All rescissionary rights expired on March 14, 2004.

ITEM 6. SELECTED FINANCIAL DATA

The following table presents our selected financial data. The operating data for the three years ended December 31, 2003, 2002 and 2001 and the balance sheet data as of December 31, 2003 and 2002 have been derived from our audited consolidated financial statements and related notes, which appear elsewhere in this Form 10-K. The operating data for the two years ended December 31, 2000 and 1999 and the balance sheet data as of December 31, 1999, 2000 and 2001 have been derived from our audited consolidated financial statements and related notes that are not included in this Form 10-K.

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

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

- All historical amounts have been restated to reflect the classification of (i) our former Printing segment, which was sold in

November 1999; (ii) our Direct Mail segment, which was sold in March 2000; (iii) our PM Australia component, which was sold in December 2002; and (iv) our PTS component, which was sold in January 2003, as discontinued operations.

- Operating expenses include the following charges: (a) impairment of Internet asset charges of $2.1 million in 2000; (b) impairment of other asset charges of $45.8 million, $223.4 million, and $59.8 million, in 2003, 2002 and 2001, respectively; (c) restructuring charges of $5.7 million, $16.4 million, $18.8 million in 2003, 2002 and 2001, respectively (of which $1.0 million is classified with discontinued operations in 2002); (d) loss on sale of properties of $0.9 million in 2002; and (e) amortization of goodwill in 1999, 2000 and 2001. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" for an overview of these items that affect comparability of the financial data in this five-year summary.

- In 2002, Penton adopted Statement of Financial Accounting Standard ("SFAS") No. 142 and recorded a transitional one-time, non-cash goodwill impairment charge of $39.7 million related to two of our reporting units, which are part of our Technology segment. The charge was recorded as a cumulative effect of accounting change. See Note 4 -- Goodwill and Other Intangibles in the notes to the consolidated financial statements.

- In 2002, the amortization of deemed dividend and accretion of preferred stock included a $42.1 million, one-time, non-cash charge, which was the result of stockholder approval on May 31, 2002 to remove the 10-year mandatory redemption date on our preferred stock. See Note 7 -- Mandatorily Redeemable Convertible Preferred Stock in the notes to consolidated financial statements.

- The 2003 and 2002 benefit for income taxes includes a $19.0 million and $36.2 million charge, respectively, to establish a full valuation allowance for our net deferred tax assets and net operating loss carryforwards. See Note 10 -- Income Taxes in the notes to consolidated financial statements appearing elsewhere herein.

- Penton sold its stock in Jupitermedia Corporation (formerly known as INT Media Group, Inc.) and recognized a gain from its sale of $1.5 million, $110.2 million and $5.9 million in 2002, 2000 and 1999, respectively.

- Included in interest expense in 2003 is approximately $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. Also included in interest expense in 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 in 2002 is approximately $0.7 million related to the write-off of unamortized finance fees associated with the commitment reduction of our credit facility revolver from $185.0 million to $40.0 million in March 2002 and approximately $1.4 million related to hedging activities.

- The extinguishment of debt of $0.3 million in 2002 consists of a gain on the purchase of $10.0 million face value of our Subordinated Notes in March 2002, at prevailing market prices, offset by the write-off of unamortized deferred finance costs associated with the payoff of our term loan A and term loan B facilities. In 1999, the extinguishment of debt of $8.4 million related to the write-off of unamortized deferred finance costs associated with our former credit facility and the extinguishment of part of our outstanding former senior debt.

- Included in cash flows from operations in 2003 and 2002 are tax refunds of $52.7 million and $12.2 million, respectively.

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CONSOLIDATED COMPARATIVE SUMMARY OF SELECTED FINANCIAL DATA

(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)	YEAR ENDED DECEMBER 31, 2003	2002	2001	2000
OPERATING RESULTS:				
Revenues	$ 206,260	$ 235,106	$ 358,871	$ 399,717
Operating expenses	255,013	482,659	440,493	344,444
Operating income (loss)	(48,753)	(247,553)	(81,622)	55,273
Interest expense	(39,686)	(38,193)	(30,487)	(19,485
Interest income	523	768	1,862	5,352
Gain on sale of investments	--	1,491	--	110,210
Gain (loss) on extinguishment of debt	--	277	--	--
Writedown (recovery) of Internet investments	24	(41)	824	(9,490
Other, net	(748)	(635)	(2,839)	(45
Benefit (provision) for income taxes	53	40,514	16,318	(61,790
Income (loss) from continuing operations	(88,587)	(243,372)	(95,944)	80,025
Income (loss) from discontinued operations	738	(3,252)	(8,163)	(435
Cumulative effect of accounting change	--	(39,700)	--	--
Net income (loss)	(87,849)	(286,324)	(104,107)	79,590
Amortization of deemed dividend and accretion of preferred stock	(8,886)	(46,174)	--	--
Net income (loss) applicable to common stockholders	$ (96,735)	$(332,498)	$(104,107)	$ 79,590
Earnings per common share -- basic:				
Income (loss) from continuing operations	$ (2.93)	$ (8.94)	$ (3.00)	$ 2.52
Net income (loss) applicable to common stockholders	$ (2.91)	$ (10.27)	$ (3.26)	$ 2.51
Basic average shares outstanding	33,299	32,374	31,917	31,730
Earnings per common share -- diluted:				
Income (loss) from continuing operations	$ (2.93)	$ (8.94)	$ (3.00)	$ 2.50
Net income (loss) applicable to common stockholders	$ (2.91)	$ (10.27)	$ (3.26)	$ 2.49
Diluted average shares outstanding	33,299	32,374	31,917	32,010
Dividends per common share	n/a	n/a	$ 0.06	$ 0.12

(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)	YEAR ENDED DECEMBER 31, 2003	2002	2001	2000
CASH FLOWS AND OTHER DATA:				
Cash flows:				
Operating	$ 27,715	$ (16,585)	$ (18,248)	$ 9,240
Investing	$ 626	$ (3,307)	$ (27,455)	$(111,168
Financing	$ (5,655)	$ 6,607	$ 54,231	$ 83,306
Capital expenditures	$ (3,294)	$ (3,855)	$ (7,602)	$ (27,272
Depreciation and amortization	$ 13,790	$ 19,329	$ 44,048	$ 32,811
BALANCE SHEET DATA:				
Total assets of continuing operations	$ 318,890	$ 412,723	$ 700,477	$ 781,757
Current assets of discontinued operations	$ --	$ 2,049	$ --	$ --
Total assets	$ 318,890	$ 414,772	$ 700,477	$ 781,757
Goodwill	$ 214,411	$ 251,972	$ 493,141	$ 574,626
Current liabilities of discontinued operations	$ --	$ 1,050	$ --	$ --
Total debt	$ 328,613	$ 333,137	$ 364,765	$ 302,125
Total long-term liabilities and deferred credits	$ 348,816	$ 352,664	$ 369,804	$ 314,668
Mandatorily redeemable preferred stock	$ 55,060	$ 46,174	$ --	$ --
Redeemable common stock	$ 2	$ 1,118	$ --	$ --
Stockholders' equity (deficit)	$(144,929)	$ (62,201)	$ 220,530	$ 336,569

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

Set forth below is a discussion and analysis of our financial condition and results of operations. You should read this discussion and analysis in conjunction with the audited consolidated financial statements of Penton Media, Inc. included elsewhere in this document. This "Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward-looking statements. See "Cautionary Statement" and "Risk Factors" in Item 1 of this annual report on Form 10-K for a discussion of the uncertainties, risks and assumptions associated with these statements.

OVERVIEW

We believe we are a leading, global b-to-b media company. We provide media products that deliver proprietary business information to owners, operators, managers and professionals in the industries we serve. Through these products, we offer industry suppliers multiple ways to reach their customers and prospects as part of their sales and marketing efforts. We publish specialized trade magazines, produce trade shows and

conferences, and maintain Web businesses, including electronic newsletters. Our products serve 12 industries, which we group into four segments:

INDUSTRY	TECHNOLOGY
Manufacturing	Internet Technologies
Design/Engineering	Enterprise Information Technology
Mechanical Systems/Construction	Electronics
Supply Chain	
Government/Compliance	RETAIL
Aviation	Food/Retail
	Leisure/Hospitality
LIFESTYLE	
Natural Products	

We believe we have leading media products in each of the industries we serve. We are structured along segment and industry lines rather than by product lines. This enables us to promote our related groups of products, including publications, trade shows and conferences, and online media products to our customers.

The b-to-b media industry experienced sales pressures in 2003 for the third consecutive year as the weak economy and corporate spending cuts adversely affected marketing expenditures.

Advertising in b-to-b magazines was most dramatically affected, particularly titles serving the technology and manufacturing markets. According to BIN, ad spending in the computer segment fell 16.9%, spending fell by 9.0% in the software segment, and the manufacturing and electronic equipment/components segment experienced an ad-spending decline of 7.3% compared with 2002. These decreases followed significantly steeper declines in 2002 and 2001.

While the trade show industry fared somewhat better, net square footage of exhibit space declined, although at a slower rate, for the third consecutive year in 2003, again as a result of cautious corporate spending in a weak economy. The number of exhibiting companies and professional attendance experienced a modest uptick after two years of declines. Large, horizontal trade shows in technology and manufacturing markets were particularly impacted, causing many producers to cancel or postpone events until market conditions improve.

Penton's financial performance was significantly impacted by these marketing spending trends in 2003, as its manufacturing and technology media portfolios are among the Company's largest.

While a recovery in b-to-b media spending typically has lagged economic recoveries by 6 to 12 months, management of the Company is uncertain as to the predictability of such a recovery for Penton. The magnitude and length of the most recent b-to-b media recession have been unprecedented, making it difficult to forecast a full recovery of the business, particularly in the Company's core manufacturing and technology segments.

In addition to trends in declining media spending across most of our market segments, and particularly in technology and manufacturing, we have witnessed a trend of our customers migrating from the predominant use of traditional media to market products and build brand recognition, to marketing strategies employing a range of integrated media solutions that produces greater return on investment, as measured by increases in sales and sales lead generation. In particular, there is much greater interest on the part of our customers in the creative combination of electronic media solutions, custom media solutions and "value-added" marketing tools, such as direct marketing mailing/e-mail lists and editorial reprints.

In response to these developments, in 2003 we focused on development of new online media products to enhance our approach to selling comprehensive media/marketing packages focused on customers' specific business needs and marketing objectives. We continue in 2004 with our efforts to roll out new digital media products that respond to customer and market needs and with aggressive sales and marketing efforts.

We are focused on applying proper resources to these efforts, even as we have significantly reduced costs of the business over the past few years, and recognize the importance of continued cost management to expand profits and profit margins. Our intention is to center our cost reduction efforts, primarily on corporate overheads, and to apply optimal staffing and investment resources to our products, protecting the Company's reputation for high-quality media brands and excellent customer service.

MANAGEMENT OBJECTIVES

The Company's objective is to conserve cash, grow profitability and build lasting value for our stockholders. The Company's strategies to accomplish these objectives are to continue to reduce fixed costs, to drive revenue growth, and to continue to restructure our portfolio. Our cost reduction efforts include freezing the Company's defined benefits plan effective January 1, 2004, continuing to reduce capital spending and implementing process improvements that add a permanent reduction in the cost basis of our business. We plan to focus on driving revenues through aggressive, consultative selling of integrated marketing solutions to our customers and through the introduction of creative media products, particularly e-media and custom media that address our customers' need to reach qualified buyers. We continue to restructure our portfolio of products to improve profitability. We cancel or discontinue trade shows or publications if market conditions are too weak to support them and continually respond to opportunities in our markets to develop new products that respond to market trends and customer needs.

The most important thing we accomplished in 2003 was the aggressive reduction in the cost basis of the business through reductions in operating and corporate expenses, process improvements, the greater use of technology for productivity improvements and portfolio management. Through the combination of all of these efforts, we reduced the cost basis of the business by $31.0 million in 2003 from the prior year, adjusting for the sale of properties in December 2002 and January 2003. Since we reduced costs by more than our revenue declined, we were able to achieve improvement in our operating results in what remained difficult market conditions for most b-to-b media companies in 2003.

SIGNIFICANT EVENTS

Chairman and Chief Executive Officer to Leave Company

On March 24, 2004, the Company announced that its Chairman and Chief Executive Officer ("CEO"), Thomas L. Kemp, will be leaving the Company later this year. To serve the Company's best interest and ensure an orderly transition, Mr. Kemp will remain Chairman and CEO until his replacement has been named. A national search, led by a committee of independent directors, will begin immediately.

New York Stock Exchange Notification

On June 11, 2003, the Company received notice from the NYSE that it would begin delisting procedures related to the Company's common stock. The NYSE reached its decision because the Company was unable to comply with the NYSE's continued listing criteria, which included minimal levels for stock price, market capitalization, and stockholders' equity. On June 17, 2003, trading of the Company's common stock was transferred from the NYSE to the Over-the-Counter Bulletin Board. The Company's common stock is currently traded under the symbol PTON.

Tax Refund

In January 2003, the Company received a tax refund of $52.7 million.

Financing Activity

In January 2003, the Company amended its senior credit facility. The amended agreement permitted the Company to sell certain properties in excess of the $5.0 million aggregate limit required by the original amended agreement. In return, the banks lending commitment was reduced from $40.0 million to $32.0 million, and at such time as the aggregate sum of the cash and cash equivalents of Penton equaled or exceeded

$40.0 million, an additional one-time reduction of $10.0 million was required. In addition, upon the sale of PTS in January 2003, the revolving commitment was further reduced by $1.9 million.

In August 2003, the Company replaced its senior secured credit facility with a new four-year loan and security agreement. Pursuant to the terms of the revolving loan and security agreement, the Company can borrow up to the lesser of (i) $40.0 million; (ii) 2.5x the Company's last 12 months adjusted EBITDA measured monthly during the first year, 2.25x during the second year and 2.0x thereafter; (iii) 40% of the Company's last six months of revenues; or (iv) 25% of the Company's enterprise value, as determined annually by a third party. The revolving credit facility bears interest at LIBOR plus 5.0% subject to a LIBOR minimum of 1.5%. The Company must comply with a quarterly financial covenant limiting the ratio of maximum bank debt to the last twelve months EBITDA to 2.5x through March 31, 2004, 2.25x from June 30, 2004 through March 31, 2005 and 2.0x thereafter. The loan agreement permits the Company to sell assets of up to $12.0 million in the aggregate during the term or $5.0 million in any single asset sale and to complete acquisitions of up to $5.0 million per year. At December 31, 2003 $39.9 million was available under the loan agreement. There were no amounts outstanding.

Dispositions

In January 2003, the Company completed the sale of the assets of its PTS group, which was part of our Industry segment, to Cygnus Business Media, Inc. for total consideration of approximately $3.2 million. The cash received from the sale was used to pay down the Company's outstanding credit facility. The Company recognized a gain of approximately $1.4 million on the sale, which was recorded in the first quarter of 2003. The results of PTS are included as a component of discontinued operations in the accompanying consolidated statements of operations.

Preferred Stock Leverage Ratio Event of Non-Compliance

An event of non-compliance continues to exist under our Series B Convertible Preferred Stock because the Company's leverage ratio of 13.9 at December 31, 2003 (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. When the event of non-compliance initially occurred on April 1, 2003, the holders of a majority of the preferred stock were able to nominate two additional members to our Board of Directors. Since the event of non-compliance was not cured by June 30, 2003, the holders of a majority of the preferred stock then outstanding had the right to elect one less than a minimum majority of our Board of Directors. As the holders of the preferred stock already maintained one less than a minimum majority of our board, no change was necessary. In addition, upon the occurrence of this event of non-compliance, the 5% 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 up to the maximum rate of 10%. The conversion price on the preferred stock decreased by $0.76 as of April 1, June 30, September 28 and December 27, 2003 and March 26, 2004 to the maximum reduction of $3.80. The conversion price is currently $3.81 as of the date of this filing. The conversion price will adjust to what it would have been absent such event, to the extent of any preferred shares still outstanding, once the leverage ratio is less than 7.5. Furthermore, the dividend rate will adjust back to 5% as of the date on which the leverage ratio is less than 7.5. Under the preferred stock agreement, since the leverage ratio has exceeded 7.5 for four consecutive quarters, the preferred stockholders have the right to cause the Company to seek a buyer for all of the assets or issued and outstanding capital stock of the Company. If the Company would have been sold on December 31, 2003, the bondholders would be entitled to receive $335.8 million and the preferred stockholders would be entitled to receive $184.7 million before the common stockholders would receive anything for their common shares. 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 new credit facility. As such, there will not be an acceleration of any outstanding indebtedness as a result of this event. In addition, this event of non-compliance and the resulting consequences do not result in any cash outflow from the Company.

Under the conversion terms of the preferred stock, each holder has a right to convert dividends into additional shares of common stock. At December 31, 2003, no dividends had been declared. However, in light

of each holder's conversion right and considering the increase in the dividend rate and the concurrent reduction of the conversion price as noted above, the Company has recognized a deemed dividend for the beneficial conversion feature inherent in the accumulated dividend based on the original commitment date(s). All such accruals have been reported as an increase in the carrying value of the preferred stock and a charge to capital in excess of par value since the Company has a stockholder deficit.

RESULTS OF OPERATIONS

Since early 2001, the Company, like many of our customers and competitors, have been adversely impacted by the broad economic slowdown. The b-to-b media industry, in particular, has experienced severe declines as companies have reduced their overall marketing expenditures in response to the global economic slowdown and the resulting pressure on their businesses.

The overall slowdown in b-to-b media has impacted our margins and operating income. As a result of sharply reduced revenues across our magazines and trade shows, we recorded special charges of $59.1 million, $239.7 million and $78.5 million in 2003, 2002 and 2001, respectively, primarily for asset impairments and restructuring and other costs resulting from our cost reduction initiatives and the closure of certain facilities.

REVENUES

We recognize advertising revenues from Penton's trade magazines in the month the publications are mailed. Amounts received in advance of trade shows and conferences are deferred and recognized in the month the events are held.

Web site revenues, primarily advertising revenues, are recognized on a straight-line basis over the contract term as services are provided ratably over the term of the contract.

Our magazines generate revenues primarily from the sale of advertising space. Our magazines are primarily controlled circulation and are 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 each.

The following table summarizes our net revenues:

	2003	2002	CHANGE	2001	CHANGE
		(IN MILLIONS)			
Revenues.................................	$206.3	$235.1	(12.3)%	$358.9	(34.5)%

Our business is beginning to stabilize as we move into 2004 and there seems to be a stream of increasingly positive news about the U.S. economy. Our 2003 net revenues, however, continued to be impacted by the lack of recovery in our core technology and manufacturing markets. Business conditions for our customers in the technology and manufacturing markets have improved from the depressed levels of 2002, but it remains to be seen how confident marketers are in the sustainability of this recovery and how that translates into increased marketing spending.

While there has been some advertising recovery in selected segments such as consumer PC magazines, networking titles, security, government/defense and automotive trade magazines, b-to-b advertising has not yet experienced a full recovery in a broad range of sectors. The lack of recovery in advertising and the industry as a whole suggests two things: a lag in the recovery of marketing spending in our end markets; and a secular change in b-to-b marketing in regard to how our customers are spending their marketing budgets. As our customers increasingly embrace the Internet, as well as new, customized marketing channels, traditional advertising pages may lag the recovery in marketing budgets. We believe that Penton's development of its e-media products and custom marketing initiatives will be extremely important if Penton expects to share in any recovery in b-to-b marketing spending.

2003 vs. 2002

Total revenues decreased $28.8 million, or 12.3%, from $235.1 million in 2002 to $206.3 million in 2003. The decrease was due primarily to a decrease in publishing revenues of $17.5 million, or 10.6%, from $165.7 million in 2002 to $148.2 million in 2003 and a decrease in trade show and conference revenues of $12.5 million, or 22.0%, from $56.7 million in 2002 to $44.2 million in 2003. Online media revenues increased $1.2 million, or 9.2%, from $12.7 million in 2002 to $13.9 million in 2003. Included in revenues for 2002 were publishing revenues of $1.3 million, tradeshow revenues of $5.4 million and online revenues of $0.8 million associated with properties sold in December 2002, which were not classified as discontinued operations.

The $17.5 million decrease in publishing revenues was due primarily to a decrease in our Industry and Technology segments. Our manufacturing and design/engineering portfolios accounted for $6.2 million of the decrease, while our Internet technology, electronics and enterprise information technology portfolios accounted for an additional $11.1 million of the decrease. Overall, advertising revenues accounted for 9.0% of the 10.6% publishing revenue decrease as companies remained cautious about their marketing budgets. Subscription revenues, which represent about 6.5% of our total 2003 publishing revenues, decreased by approximately $1.7 million when compared with 2002. List rental revenues and licensing revenues also showed declines in 2003 when compared to 2002.

The $12.5 million decrease in our trade show and conference revenues was due primarily to a decrease of $12.4 million in our Technology segment, and a decrease of $2.7 million in our Industry segment. These declines were partially offset by revenue improvements in our Lifestyle segment of $0.9 million and an increase in our Retail segment of $1.7 million. Exhibitor revenues, which represent about 69.0% of 2003 trade show and conference revenues, declined nearly 24.2%, due primarily to a decrease in booth rentals. Exhibitor cancellation revenues declined $3.3 million from $4.5 million in 2002 to $1.2 million in 2003. Attendee revenues declined nearly $1.9 million, however sponsorship revenues more than offset this decrease.

The $1.2 million increase in online media revenues was primarily due to an increase in our Technology segment of $0.8 million and an increase in our Industry segment of $0.4 million. Most of the increase in online revenues was due to increases in electronic newsletters and online events.

2002 vs. 2001

Total revenues decreased $123.8 million, or 34.5%, from $358.9 million in 2001 to $235.1 million in 2002. The decrease was due primarily to a decrease in trade show and conference revenues of $81.2 million, or 58.9%, from $137.9 million in 2001 to $56.7 million in 2002 and a decrease in publishing revenues of $43.1 million, or 20.7%, from $208.8 million in 2001 to $165.7 million in 2002. Online media revenues increased $0.6 million, or 4.9%, from $12.1 million in 2001 to $12.7 million in 2002. Included in total revenues for 2002 and 2001 were revenues of $7.6 million and $27.2 million, respectively, associated with properties sold in December 2002, which were not classified as discontinued operations.

The significant decrease in our trade show revenues was primarily due to weak performance in our global portfolio of Internet technology trade shows held during the year. Our Internet technology trade shows represented $77.9 million, or 63.0%, of our total revenue decline. In addition, declines were also experienced in our electronics and mechanical systems/construction markets, which accounted for an additional $3.3 million of the total revenue decline. Exhibitor revenues, which represent about 71.0% and 73.6% of trade show and conference revenues in 2002 and 2001, respectively, declined nearly 60.3% between 2001 and 2002. Booth rentals and cancellation revenues accounted for most of this decrease. Exhibitor cancellation revenues decreased $19.2 million from $23.7 million in 2001 to $4.5 million in 2002. Attendee revenues, sponsorship revenues, media sales and license fees all showed sharp declines.

The $43.1 million decrease in publishing revenues was due primarily to a decrease in our Industry and Technology segments. Our Internet technology, electronics and enterprise information technology portfolios accounted for $25.6 million of the decrease, while our manufacturing and design/engineering portfolios accounted for $13.9 million of the decrease. Overall, advertising revenues accounted for 84.2% of the publishing revenue decrease as companies cut costs in response to their revenue declines and the slowdown

and uncertainty in the economy. Subscription revenues, which represent about 6.8% and 6.4% of our total 2002 and 2001 publishing revenues, respectively, decreased by approximately $2.1 million when compared with 2001. List rental revenues also showed declines in 2002 when compared to 2001 by nearly $3.1 million.

The $0.6 million increase in online media revenues was primarily due to an increase in our Technology segment of $1.0 million offset by a decrease in our Industry segment of $0.4 million. Most of the increase in online revenues was due to increases in electronic newsletters and online events.

EDITORIAL, PRODUCTION AND CIRCULATION

	2003	2002	CHANGE	2001	CHANGE
			(IN MILLIONS)		
Editorial, production and circulation...........	$92.6	$103.9	(10.9)%	$148.4	(30.0)%
Percent of revenues............................	44.9%	44.2%		41.3%	

Our editorial, production and circulation expenses include personnel costs, purchased editorial costs, hall rental costs, postage charges, qualification costs and paper costs. The decrease in editorial, production and circulation expenses for 2003 compared to 2002 primarily reflects the effects of our expense reduction initiatives including, lower headcount and personnel-related costs and the elimination of some unprofitable properties. The decrease also reflects lower costs due to decreases in volume, as well as the sale of four properties in December 2002, which were not classified as discontinued operations. These properties accounted for $3.1 million of the decrease.

The decrease in editorial, production and circulation expenses for 2002 compared to 2001 primarily reflect the effects of our expense reduction initiatives, including the elimination of unprofitable properties, the reduction of production costs through process improvements and the selective reduction in frequency and circulation levels, the outsourcing of various functions in the organization and the effects of staff reductions made in the second half of 2001 and in 2002.

SELLING, GENERAL AND ADMINISTRATIVE

	2003	2002	CHANGE	2001	CHANGE
			(IN MILLIONS)		
Selling, general and administrative.............	$89.5	$119.7	(25.2)%	$169.6	(29.4)%
Percent of revenues............................	43.4%	50.9%		47.3%	

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 2003 compared with 2002 was due primarily to cost savings associated with additional office closings completed in the second half of 2002 and in 2003 as well as other facility cost reductions; additional staff reductions done in 2002 and 2003; the continued cost reductions across all corporate functions; the continued cost reduction of division overhead; a pension plan curtailment gain of $2.2 million recognized in 2003; reduced marketing expenses; and the sale of properties in December 2002, which were not classified as discontinued operations. These properties accounted for $5.1 million of the decrease.

The decrease in SG&A expenses for 2002 compared with 2001 was due primarily to cost savings associated with the closure of nine offices; significant reductions in staff costs realized from the restructuring actions taken in the second half of 2001 and in 2002; a significant decrease in marketing and marketing related costs; and a significant reduction in all corporate function costs.

IMPAIRMENT OF ASSETS

	2003	2002	CHANGE	2001	CHANGE
			(IN MILLIONS)		
Impairment of assets...............................	$45.8	$223.4	n/m	$59.8	n/m

2003 IMPAIRMENTS

During the third quarter of 2003, we completed our annual impairment test of goodwill and other intangible assets under the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") and recorded a non-cash charge of $37.6 million related to the reduction of the carrying value of goodwill in three of our seven identified reporting units. We utilized a third-party valuation company to determine the fair value of the reporting units. Two of the reporting units are part of our Technology segment and one of the reporting units is part of our Retail segment. The fair value of our reporting units was determined using the income approach, which is similar to the discounted cash flows approach.

Due to the impairment of goodwill in three of our seven reporting units, as noted above, we also completed an assessment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144") at September 30, 2003 and recorded non-cash charges of $8.2 million. These charges primarily relate to the write-off of trade names and advertiser relationships for properties in our Technology segment. The fair value of the asset groups was determined using the income approach.

2002 IMPAIRMENTS

During the third quarter of 2002, we completed our transitional goodwill impairment test under SFAS 142 for January 1, 2002 and recorded a non-cash charge of $39.7 million to reduce the carrying value of goodwill for two of our seven identified reporting units. Penton utilized a third-party valuation company to determine the fair value of its reporting units. Both of these reporting units are part of the Company's Technology segment. The charge is reflected as a cumulative effect of accounting change in the accompanying consolidated statements of operations.

During the third quarter, a number of events occurred that indicated that a possible additional impairment of goodwill might exist. These events included lower-than-expected revenues and adjusted EBITDA results for the year; a letter from the NYSE indicating that the Company had fallen below minimum listing standards; a significant decline in the Company's stock price; and the decision by management to potentially sell or dispose of certain non-core assets. As a result of these triggering events and circumstances, the Company completed an additional SFAS 142 impairment review at September 30, 2002. This review resulted in a non-cash charge of approximately $203.3 million, further reducing the carrying value of goodwill for these two reporting units in our Technology segment. The fair value of the reporting units for the initial and interim impairment test was determined using the income approach.

Because of the events noted above, we also completed an assessment in accordance with SFAS 144 and recorded a non-cash charge of $20.0 million. This charge primarily relates to the write-off of mailing/exhibitor lists and sponsor relationships for properties in our Technology segment. The fair value of the asset groups was determined using the income approach.

2001 IMPAIRMENTS

In 2001, triggered by the decline in the economy, the deterioration of the technology markets that we serve and