PRIMEDIA INC
Form 10-Q
August 08, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: June 30, 2006

Commission file number: 1-11106

PRIMEDIA Inc.

(Exact name of registrant as specified in its charter)

Delaware	**13-3647573**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

745 Fifth Avenue, New York, New York

(Address of principal executive offices)

10151

(Zip Code)

Registrant s telephone number, including area code **(212) 745-0100**

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, and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer o Accelerated filer x Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x

Number of shares of common stock, par value $.01 per share, of PRIMEDIA Inc. outstanding as of July 31, 2006: 264,125,126

PRIMEDIA Inc.

INDEX

Part I. Financial Information:

PRIMEDIA INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (Unaudited)
(in thousands, except share and per share amounts)

	June, 30 2006	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,233	$ 7,255
Accounts receivable, net	127,003	134,773
Inventories	16,795	21,212
Prepaid expenses and other	44,854	29,722
Assets held for sale	89,565	109,129
Total current assets	282,450	302,091
Property and equipment (net of accumulated depreciation and amortization of $235,057 in 2006 and $226,600 in 2005)	53,843	56,868
Intangible assets, net	226,489	231,404
Goodwill	780,817	763,177
Other non-current assets	31,586	35,928
Total Assets	$ 1,375,185	$ 1,389,468
LIABILITIES AND SHAREHOLDERS DEFICIENCY		
Current liabilities:		
Accounts payable	$ 56,112	$ 52,984
Accrued expenses and other	113,759	122,319
Deferred revenues	112,183	107,940
Current maturities of long-term debt	3,866	7,677
Liabilities of businesses held for sale	21,491	33,203
Total current liabilities	307,411	324,123
Long-term debt	1,455,951	1,456,770
Deferred revenues	13,600	14,447
Deferred income taxes	88,991	87,655
Other non-current liabilities	72,664	78,202
Total Liabilities	1,938,617	1,961,197
Commitments and contingencies (Note 12)		
Shareholders deficiency:		
Common stock ($.01 par value, 350,000,000 shares authorized at June 30, 2006 and December 31, 2005; 272,384,069 and 272,158,878 shares issued at June 30, 2006 and December 31, 2005, respectively)	2,724	2,722
Additional paid-in capital (including warrants of $31,690 at June 30, 2006 and December 31, 2005)	2,365,519	2,363,071
Accumulated deficit	(2,855,798)	(2,861,645)
Common stock in treasury, at cost (8,442,409 shares at June 30, 2006 and December 31, 2005)	(75,877)	(75,877)
Total Shareholders Deficiency	(563,432)	(571,729)
Total Liabilities and Shareholders Deficiency	$ 1,375,185	$ 1,389,468

See notes to condensed consolidated financial statements (unaudited).

PRIMEDIA INC. AND SUBSIDIARIES
Condensed Statements of Consolidated Operations (Unaudited)
(in thousands, except share and per share amounts)

	Three Months Ended June 30, 2006	2005
Revenues, net:		
Advertising	$ 161,795	$ 167,468
Circulation	50,328	51,237
Other	41,344	36,897
Total revenues, net	253,467	255,602
Operating costs and expenses:		
Cost of goods sold (exclusive of depreciation of property and equipment)	59,551	56,454
Marketing and selling	46,603	46,939
Distribution, circulation and fulfillment	48,842	47,140
Editorial	17,299	17,531
Other general expenses	30,898	31,419
Corporate administrative expenses (including non-cash compensation of $1,619 and $1,203 in 2006 and 2005, respectively)	9,129	8,326
Depreciation of property and equipment	7,674	6,845
Amortization of intangible assets and other	3,070	2,363
Provision for severance, closures and restructuring related costs	1,541	267
Loss on sale of businesses, net	28	
Operating income	28,832	38,318
Other income (expense):		
Interest expense	(21,457)	(32,705)
Interest on shares subject to mandatory redemption		(6,409)
Amortization of deferred financing costs	(657)	(1,184)
Other income (expense), net	164	(4,840)
Income (loss) from continuing operations before provision for income taxes	6,882	(6,820)
Provision for income taxes	(3,277)	(2,104)
Income (loss) from continuing operations	3,605	(8,924)
Discontinued operations, net of tax (including loss on sale of businesses, net of tax, of $40 and $716 in 2006 and 2005, respectively)	(5,720)	13,935
Net income (loss)	$ (2,115)	$ 5,011
Basic income (loss) per common share:		
Continuing operations	$ 0.01	$ (0.03)
Discontinued operations	(0.02)	0.05
Net income (loss)	$ (0.01)	$ 0.02
Diluted income (loss) per common share:		
Continuing operations	$ 0.01	$ (0.03)
Discontinued operations	(0.02)	0.05
Net income (loss)	$ (0.01)	$ 0.02
Basic common shares outstanding (weighted average)	263,941,660	262,973,160
Diluted common shares outstanding (weighted average)	264,803,298	262,973,160

See notes to condensed consolidated financial statements (unaudited).

PRIMEDIA INC. AND SUBSIDIARIES
Condensed Statements of Consolidated Operations (Unaudited)
(in thousands, except share and per share amounts)

	Six Months Ended June 30, 2006	2005
Revenues, net:		
Advertising	$ 315,926	$ 318,345
Circulation	99,333	100,605
Other	85,130	71,091
Total revenues, net	500,389	490,041
Operating costs and expenses:		
Cost of goods sold (exclusive of depreciation of property and equipment)	117,415	104,468
Marketing and selling	96,550	96,235
Distribution, circulation and fulfillment	97,897	93,500
Editorial	34,679	34,560
Other general expenses	64,397	63,523
Corporate administrative expenses (including non-cash compensation of $2,537 and $2,404 in 2006 and 2005, respectively)	16,474	16,043
Depreciation of property and equipment	14,613	13,131
Amortization of intangible assets and other	6,099	4,654
Provision for severance, closures and restructuring related costs	1,916	1,300
Loss on sale of businesses, net	28	
Operating income	50,321	62,627
Other income (expense):		
Interest expense	(52,281)	(65,826)
Interest on shares subject to mandatory redemption		(17,354)
Amortization of deferred financing costs	(1,316)	(2,518)
Other income (expense), net	315	(4,178)
Loss from continuing operations before provision for income taxes	(2,961)	(27,249)
Provision for income taxes	(2,128)	(5,751)
Loss from continuing operations	(5,089)	(33,000)
Discontinued operations, net of tax (including gain on sale of businesses, net of tax, of $13,668 and $382,462 in 2006 and 2005, respectively)	10,914	403,524
Cumulative effect of change in accounting principle (from the adoption of Statement of Financial Accoutning Standards No. 123 (R))	22	
Net income	$ 5,847	$ 370,524
Basic and diluted income (loss) per common share:		
Continuing operations	$ (0.02)	$ (0.13)
Discontinued operations	0.04	1.54
Net income	$ 0.02	$ 1.41
Basic and diluted common shares outstanding (weighted average)	263,857,382	262,817,408

See notes to condensed consolidated financial statements (unaudited).

PRIMEDIA INC. AND SUBSIDIARIES
Condensed Statements of Consolidated Cash Flows (Unaudited)
(in thousands)

	Six Months Ended June 30, 2006	2005
Operating activities:		
Net income	$ 5,847	$ 370,524
Cumulative effect of change in accounting principle	(22)	
Adjustments to reconcile net income to net cash provided by operating activities	928	(341,072)
Changes in operating assets and liabilities	3,621	(55,570)
Net cash provided by (used in) operating activities	10,374	(26,118)
Investing activities:		
Additions to property, equipment and other	(10,767)	(13,505)
Proceeds from sales of businesses	17,000	431,306
Payments for businesses acquired, net of cash acquired	(15,813)	(26,961)
Net cash (used in) provided by investing activities	(9,580)	390,840
Financing activities:		
Borrowings under credit agreements	202,500	196,150
Repayments of borrowings under credit agreements	(142,500)	(219,136)
Payments for repurchases of senior notes	(62,094)	(81,017)
Proceeds from issuances of common stock	265	1,320
Redemption of Series D and F Exchangeable Preferred Stock		(264,494)
Deferred financing costs paid		(62)
Capital lease payments	(1,879)	(2,697)
Other	(108)	(101)
Net cash used in financing activities	(3,816)	(370,037)
Decrease in cash and cash equivalents	(3,022)	(5,315)
Cash and cash equivalents, beginning of period	7,255	13,000
Cash and cash equivalents, end of period	$ 4,233	$ 7,685
Supplemental information:		
Cash interest paid, including interest on capital and restructured leases	$ 64,718	$ 68,740
Cash interest paid on shares subject to mandatory redemption	$	$ 23,735
Cash taxes paid, net of refunds received	$ 4,740	$ 232
Cash paid for severence, closures and restructuring related costs	$ 2,715	$ 5,986
Businesses acquired:		
Fair value of assets acquired	$ 15,544	$ 27,151
(Liabilities assumed) net of deferred purchase price payments	269	(190)
Payments for businesses acquired, net of cash acquired	$ 15,813	$ 26,961

See notes to condensed consolidated financial statements (unaudited).

PRIMEDIA INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)
(in thousands, except share and per share amounts)

1. Summary of Significant Accounting Policies

Basis of Presentation

PRIMEDIA Inc., together with its subsidiaries, is herein referred to as either PRIMEDIA or the Company unless the context implies otherwise. In the opinion of the Company s management, the condensed consolidated financial statements present fairly the consolidated financial position of the Company as of June 30, 2006 and December 31, 2005 the results of consolidated operations of the Company for the three and six months ended June 30, 2006 and 2005 and consolidated cash flows of the Company for the six months ended June 30, 2006 and 2005. The adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The condensed consolidated balance sheet as of December 31, 2005 has been derived from the Company s audited consolidated balance sheet included in the Company s annual report on Form 10-K for the year ended December 31, 2005. All intercompany accounts and transactions have been eliminated in consolidation. These statements should be read in conjunction with the Company s annual consolidated financial statements and related notes for the year ended December 31, 2005, which are included in the Company s Annual Report on Form 10-K for the year ended December 31, 2005. The operating results for the three and six months ended June 30, 2006 are not necessarily indicative of the results that may be expected for a full year. Certain amounts in the prior periods condensed consolidated financial statements and related notes have been reclassified due to discontinued operations to conform to the presentation as of and for the three and six months ended June 30, 2006.

Stock-Based Compensation

The Company has a stock based employee compensation plan which is described in Note 9. Prior to January 1, 2006, the Company accounted for stock based compensation using the Financial Accounting Standards Board s Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation as amended by SFAS No. 148, Accounting for Stock Based Compensation Transition and Disclosure , under the prospective method. Upon adoption, the Company began expensing the fair value of stock based compensation for all grants, modifications or settlements made on or after January 1, 2003. Effective January 1, 2006, the Company adopted the provisions of, and account for stock-based compensation in accordance with SFAS No. 123 revised 2004 (SFAS No. 123(R)), Share-Based Payment , which replaced SFAS No. 123 and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. Under the fair value recognition provisions of this statement, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the requisite service period, which is the vesting period. The Company elected the modified prospective method, under which prior periods are not revised for comparative purposes. The modified prospective transition method requires recognition of compensation expense from the beginning of the fiscal period in which the recognition provisions are first applied as if the fair-value-based accounting method had been used to account for all employees awards granted, modified, or settled after the effective date and to any awards that were not fully vested as of the effective date. The adoption of SFAS No. 123(R) did not have a material impact on the Company s consolidated financial position, results of operations and cash flows.

Recent Accounting Pronouncements

In July of 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, effective for fiscal years beginning after December 15, 2006. This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes.* This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also requires entities to make further disclosures about uncertainties in their income tax position, and to include a rollforward of the tax benefits taken that do not qualify for financial statement recognition. The Company is in the process of assessing the impact of this Interpretation on its financial statements.

2. Divestitures

The Company has classified the results of certain divested entities as discontinued operations in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets .

On March 18, 2005, the Company completed the sale of About.com, part of the Enthusiast Media segment, the results of which have been classified as discontinued operations for the period up to the date of sale. Gross proceeds from the sale of approximately $410,600 were used to reduce the Company s borrowings under its revolving bank credit facilities and for general corporate purposes. The Company recorded a net gain on the sale of About.com of $378,906 included in discontinued operations for the six months ended June 30, 2005.

On March 31, 2005, the Company completed the sale of Bankers Training & Consulting Company, the financial services division of Workplace Learning in the Education segment. On April 1, 2005, the Company sold the remaining net assets of Workplace Learning for the assumption of liabilities. The Company recorded a net gain/(loss) of $(740) and $3,558 included in discontinued operations for the three and six months ended June 30, 2005, respectively. The operating results of Workplace Learning have been classified as discontinued operations for the period up to the date of sale.

On September 30, 2005, the Company sold its Business Information Segment for approximately $385,000, and during the fourth quarter of 2005, the Company sold Ward s Automotive Group (Ward s). The operating results of the Business Information segment, including Ward s, have been classified as discontinued operations for the periods up to the date of sale. Additionally, during the third quarter of 2005, the Company discontinued the operations of two magazines in the Enthusiast Media segment. Their operating results have been classified as discontinued operations for the period up to the date the two magazines were discontinued. The net proceeds from these sales are subject to routine post-closing adjustments.

During the fourth quarter of 2005, the Company decided to pursue the sales of its Crafts and History groups, part of the Enthusiast Media segment, and discontinue the operations of its Software on Demand division, part of the Education segment. The operating results of these operations have been classified as discontinued operations for all periods presented.

In February of 2006, the Company completed the sale of the History group for $17,000, resulting in a net gain of approximately $13,700. The sale of this group reflects the Company s increased focus on growing its properties that reach the valuable 18-34 male demographic. The net proceeds from this sale are subject to routine post-closing adjustments.

In the first quarter 2006, the Company decided to actively pursue the sale of its Films Media Group (FMG) included in the Education Segment. The operations of FMG were classified as discontinued operations for all periods presented. Subsequently, the Company actively solicited, but ultimately did not receive any reasonable offers to purchase FMG. The Company concluded that the offers did not reflect

FMG s financial potential and as a result, decided to hold and continue to operate FMG. In addition, the Company hired new management to operate FMG. Consequently, in the second quarter of 2006, the operations of FMG have been reclassified to continuing operations for all periods presented and are included in the Education Segment results.

Total revenues, net, and income before provision for income taxes included in discontinued operations on the accompanying condensed statements of consolidated operations are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Total revenues, net	$ 15,787	$ 83,994	$ 29,884	$ 171,656
Income (loss) before provision for income taxes	$ (3,747)	$ 14,939	$ (2,417)	$ 21,614

Income (loss) before provision for income taxes above excludes losses on sale of businesses, net of tax, of $40 and $716 for the three months ended June 30, 2006 and 2005, respectively. Income (loss) before provision for income taxes above excludes gains on sale of businesses, net of tax, of $13,668 and $382,462 for the six months ended June 30, 2006 and 2005, respectively.

Held for Sale

The assets and liabilities of businesses which the Company has initiated plans to sell, but had not sold, as of June 30, 2006 and December 31, 2005, have been reclassified to held for sale on the accompanying condensed consolidated balance sheets. As of June 30, 2006, this represents the assets and liabilities of the Crafts group. As of December 31, 2005, this represents the assets and liabilities of the Crafts and History groups.

	June 30, 2006	December 31, 2005
ASSETS		
Accounts receivable, net	$ 8,363	$ 12,994
Inventories	1,236	1,273
Prepaid expenses and other	1,706	883
Property and equipment, net	365	1,617
Intangible assets	2,532	5,148
Goodwill	74,291	87,214
Other non-current assets	1,072	
Assets held for sale	$ 89,565	$ 109,129
LIABILITIES		
Accounts payable	$ 4,194	$ 3,929
Accrued expenses and other	1,149	1,085
Deferred revenues current	16,131	28,189
Other non-current liabilities	17	
Liabilities of businesses held for sale	$ 21,491	$ 33,203

3. Acquisitions

Automotive.com Forward Agreement

On November 15, 2005, the Company purchased Automotive.com, Inc. (Automotive.com). PRIMEDIA and the minority shareholders entered into a forward agreement through which PRIMEDIA will purchase the remaining 20% of Automotive.com s stock within a short period of time after the 2008 audit date, or if the forward agreement is extended, the 2009 audit date (early 2010). The settlement price of the forward agreement is based on a measure of Automotive.com s earnings in the fiscal year prior to settlement.

For accounting purposes, the forward agreement was bifurcated into the components relating to the Chief Executive Officer (CEO) of Automotive.com and the other minority shareholders. The estimated fair value of the deferred purchase price is measured quarter-to-quarter as a charge or credit to interest expense, except for the estimated amount payable to Automotive.com s CEO, which is shown as non-cash compensation included in Enthusiast Media Segment EBITDA.

The component relating to the CEO was measured at intrinsic value for the one and one half months remaining in 2005 following the transaction date. On January 1, 2006, PRIMEDIA adopted the provisions of SFAS No. 123(R) (see Note 9), which requires that the portion of the forward agreement relating to the CEO be recorded as a liability and measured at fair value. The initial recognition of the liability, as of January 1, 2006, totaling $330, was recorded as a portion of the cumulative effect of an accounting change (due to the adoption of SFAS No. 123(R)). The liability measured on June 30, 2006 was $811 resulting in a reduction of compensation expense of $138 for the three months ended June 30, 2006, and an increase of compensation expense of $481 for the six months ended June 30, 2006.

The component of the forward agreement relating to the other minority shareholders was recorded as a liability at fair value as of the transaction date and an adjustment to the purchase price. On June 30, 2006, fair value of this liability was $11,639, resulting in a reduction to interest expense of $11,059 and $12,041 for the three and six months ended June 30, 2006, respectively.

RentClicks

In January 2006, the Consumer Guides segment acquired the assets of *RentClicks* for approximately $12,700 in cash and a potential earnout consideration. The amount of the earnout consideration will be charged to goodwill when and if it is earned and is based on a measure of *RentClicks* earnings for 2006. The Company is in the process of finalizing the purchase price allocation.

4. Accounts Receivable, Net

Accounts receivable, net, consisted of the following:

	June 30, 2006	**December 31, 2005**
Accounts receivable	$ 137,542	$ 146,289
Allowance for doubtful accounts	(7,662)	(8,256)
Allowance for returns and rebates	(2,877)	(3,260)
	$ 127,003	$ 134,773

5. Inventories

Inventories consisted of the following:

	June 30, 2006	**December 31, 2005**
Raw materials	$ 12,016	$ 17,895
Work in process	47	125
Finished goods	4,732	3,192
	$ 16,795	$ 21,212

6. Goodwill, Other Intangible Assets and Other

In accordance with SFAS No. 142, Goodwill and Other Intangible Assets , the Company assesses goodwill and indefinite lived intangible assets for impairment at least once a year. The Company has established October 31 as its annual impairment test date. In addition to the annual impairment test, an assessment is also required whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For the six months ended June 30, 2006 and 2005, there were no events or changes in circumstances requiring the Company to perform an impairment test related to goodwill, intangible assets or other finite lived assets, and accordingly, there were no impairments recorded.

With the adoption of SFAS No. 142, the Company no longer amortizes the book basis in the indefinite-lived intangibles, but continues to amortize these intangibles for tax purposes. For the three months ended June 30, 2006 and 2005, provision for income taxes primarily consisted of deferred income taxes of $3,905 and $2,019, respectively, and for the six months ended June 30, 2006 and 2005, $6,674 and $5,597, respectively. The Company expects that it will record a total of approximately $7,800, to increase deferred tax liabilities during the remainder of 2006.

Changes in the carrying amount of goodwill for the six months ended June 30, 2006, by operating segment, are as follows:

	Enthusiast Media	**Consumer Guides**	**Total**
Balance as of January 1, 2006	$ 650,510	$ 112,667	$ 763,177
Purchase price adjustments for valuation reports	11	651	662
Adjustment to goodwill allocated to assets held for sale	5,477		5,477
Goodwill acquired related to the acquisition of businesses		13,624	13,624
Goodwill written off related to the sale of businesses	(2,123)		(2,123)
Balance as of June 30, 2006	$ 653,875	$ 126,942	$ 780,817

Intangible assets subject to amortization in accordance with SFAS No. 142 consist of the following:

		June 30, 2006			**December 31, 2005**		
	Range of Lives	**Gross Carrying Amount**	**Accumulated Amortization**	**Net**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net**
Membership, subscriber and customer lists	2-20	$ 194,366	$ 168,143	$ 26,223	$ 194,926	$ 166,553	$ 28,373
Advertiser lists	4-20	95,234	79,026	16,208	96,065	79,418	16,647
Other	1-20	92,421	82,798	9,623	109,894	97,945	11,949
		$ 382,021	$ 329,967	$ 52,054	$ 400,885	$ 343,916	$ 56,969

Intangible assets not subject to amortization had a carrying value of $174,435 (excluding intangible assets classified as assets held for sale) at June 30, 2006 and December 31, 2005, and consisted primarily of trademarks. Amortization expense for other intangible assets still subject to amortization was $2,906 and $2,013 for the three months ended June 30, 2006 and 2005, respectively, and $5,775 and $3,959 for the six months ended June 30, 2006 and 2005, respectively. Amortization of deferred wiring costs of $164 and $350 for the three months ended June 30, 2006 and 2005, respectively, and $324 and $695 for the six months ended June 30, 2006 and 2005, respectively, is also included in amortization of intangible assets and other on the accompanying condensed statements of consolidated operations. At June 30, 2006, estimated future amortization expenses of other intangible assets still subject to amortization, excluding deferred wiring costs, are as follows: approximately $6,000 for the remainder of 2006 and approximately $10,000, $7,000, $5,000 and $5,000 for 2007, 2008, 2009 and 2010, respectively.

7. Accrued Expenses and Other

Accrued expenses and other current liabilities consisted of the following:

	June 30, 2006	December 31, 2005
Payroll, commissions and related employee benefits	$ 22,944	$ 30,333
Rent and lease liabilities	6,661	5,643
Retail display costs and allowances	9,324	11,450
Royalties	1,981	2,337
Circulation costs	3,891	5,399
Professional fees	3,145	2,943
Taxes	17,956	19,475
Deferred purchase price	2,690	2,724
Interest payable	13,010	13,794
Other	32,157	28,221
	$ 113,759	$ 122,319

8. Long-term Debt

Long-term debt consisted of the following:

	June 30, 2006	December 31, 2005
Borrowings under bank credit facilities	$ 573,000	$ 513,000
87⁄8% Senior Notes Due 2011	408,262	471,013
8% Senior Notes Due 2013	300,000	300,000
Senior Floating Rate Notes Due 2010	175,000	175,000
	1,456,262	1,459,013
Obligation under capital leases	3,555	5,434
	1,459,817	1,464,447
Less: Current maturities of long-term debt	3,866	7,677
	$ 1,455,951	$ 1,456,770

In the first quarter of 2006, the Company redeemed $7,025 principal amount of its 87⁄8% Senior Notes due May 15, 2011 in three different transactions for $6,832 plus $200 of accrued interest. In the second quarter of 2006, the Company redeemed $56,615 principal amount of its 87⁄8% Senior Notes due May 15, 2011 in six different transactions for $55,262 plus $400 of accrued interest. As a result of these transactions, the Company recorded a gain of $282 and $336 net of the write-off of unamortized deferred financing costs and bond discount for the three and six months ended June 30, 2006, respectively. This gain is included in the other income (expense), net line on the accompanying condensed statements of consoldiated operations.

Under the most restrictive covenants as defined in the bank credit facilities agreement, as amended on September 30, 2005, the Company must maintain a minimum interest coverage ratio, as defined, of 1.75 to 1 and a minimum fixed charge coverage ratio, as defined, of 1.05 to 1. The maximum allowable debt leverage ratio, as defined in the bank credit facilities, is 6.25 to 1 and decreases to 6.00 to 1 on October 1, 2007. The Company is in compliance with all of the financial and operating covenants of its financing arrangements.

The Senior Floating Rate Notes bear interest equal to the three-month LIBOR plus 5.375% per year. The interest rate of the Senior Floating Rate Notes was 10.545% at June 30, 2006.

9. Share-Based Compensation Plans

Accounting Prior to Adoption of SFAS No. 123(R)

Prior to January 1, 2006, the Company accounted for stock based compensation using SFAS No. 123 under the prospective method. Upon adoption on January 1, 2003, the Company began expensing the fair value of stock-based compensation for all grants, modifications or settlements made on or after January 1, 2003. The company adopted SFAS No. 123(R) on January 1, 2006.

The PRIMEDIA Inc. 1992 Stock Purchase and Option Plan, as amended (the Stock Option Plan), authorizes sales of shares of common stock and grants of incentive awards in the form of, among other things, stock options to key employees and other persons with a unique relationship with the Company. The Stock Option Plan has authorized grants of up to 45,000,000 shares of the Company s common stock or options to management personnel.

Stock options are generally granted with exercise prices at or above quoted market value at time of issuance. Most of the options are exercisable at the rate of 20%-33% per year commencing on the effective date of the grant. Options granted pursuant to the Stock Option Plan will expire no later than ten years from the date the option was granted. The grant date fair value is calculated using the Black-Scholes pricing model.

Summary of Impact of SFAS No. 123(R)

Under the fair value recognition provisions of SFAS No. 123(R), stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the requisite service period, which is the vesting period. The Company elected the modified prospective method, under which prior periods are not revised for comparative purposes. The modified prospective transition method requires recognition of compensation expense from the beginning of the fiscal period in which the recognition provisions are first applied as if the fair-value-based accounting method had been used to account for all employees awards granted, modified, or settled after the effective date and to any awards that were not fully vested as of the effective date.

Upon adoption of SFAS No. 123(R), the Company recorded an increase in net income of $352 as a portion of the cumulative effect of change in accounting principle due to SFAS No. 123(R) s requirement to apply an estimated forfeiture rate to unvested awards (previously the Company recognized forfeitures when occurred) and a reduction to net income of $330 as a portion of the cumulative effect of change in accounting principle as described in Note 3. The adoption of SFAS No. 123(R) did not have a material impact on the Company s consolidated financial position, results of operations and cash flows.

Pro Forma Disclosure for the Three and Six Months Ended June 30, 2005

Pro forma information regarding net income and earnings per share is required by SFAS No. 123(R), and has been determined as if the Company had accounted for its employee stock options granted on or before December 31, 2002 under the fair value method. The fair value of these options was estimated at the date of grant using the Black-Scholes pricing model with assumptions noted in the Stock Options section below.

	Three Months Ended June 30, 2005	**Six Months Ended June 30, 2005**
Reported net income	$ 5,011	$ 370,524
Add: stock-based employee compensation expense included in reported net income	586	1,152
Deduct: total stock-based employee compensation expense determined under fair value based method for all awards	(1,701)	(3,471)
Pro forma net income	$ 3,896	$ 368,205
Per common share:		
Reported basic and diluted income	$ 0.02	$ 1.41
Pro forma basic and diluted income	$ 0.01	$ 1.40

Fair Value Calculations by Award

Stock Options

The fair value of each option award was estimated at the date of grant using the Black-Scholes pricing model that uses the assumptions noted in the following table. Because the Black-Scholes pricing model incorporates ranges of assumptions for inputs, those ranges are disclosed. Expected volatilities are based on historical volatilities of the Company s stock. The Company uses historical data to estimate option exercises and employee terminations within the valuation model. The expected term of options granted is derived from the historical exercise behavior of employees and represents the period of time that options granted are expected to be outstanding. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

	Six Months Ended June 30, 2006		2005		
Expected volatility	63.63	%	72.31%	75.3	0%
Weighted-average volatility	63.63	%	72.39		%
Expected dividends					
Expected term (in years)	3		3		
Risk-free rate	4.95	%	3.63%	3.9	6%

The Black-Scholes pricing model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. The Company s employee stock options have characteristics significantly different from those of traded options, and changes in the subjective input assumptions can materially affect the fair value estimate of its employee stock options.

A summary of the company s stock options award activity as of June 30, 2006 and changes during the six months ended June 30, 2006 is presented below:

	Options	Weighted Average Exercise Price	Weighted Average remaining Contractual Term
Outstanding at January 1, 2006	20,712,058	$ 7.65	
Granted	4,000	1.89	
Exercised	(19,000)	1.85	
Expired	(265,949)	3.24	
Forfeited	(127,332)	6.07	
Outstanding at June 30, 2006	20,303,777	7.70	4
Exercisable at June 30, 2006	18,775,165	7.93	4

The weighted-average fair value per option for options granted during the six months ended June 30, 2006 was $0.87. Cash received from the exercise of stock options during the six months ended June 30, 2006 was $35. No options were settled in cash during the three and six months ended June 30, 2006.

The Company s policy for attributing the value of graded vested share-based compensation awards is on a straight-line basis over the requisite service period for the entire award. As of June 30, 2006, there was $760 of total unrecognized compensation cost related to unvested stock options. The cost is expected to be recognized over a weighted average period of less than 1 year.

Nonvested shares

The weighted average fair value of nonvested shares granted in the six months ended June 30, 2005 was $3.48.

A summary of the Company s nonvested shares award activity as of June 30, 2006 and changes during the six months ended June 30, 2006 is presented below:

	Number of Shares	**Weighted Average Grant-Date Fair Value**
Nonvested Shares at January 1, 2006	804,500	$ 2.95
Vested	(43,963)	$ 2.97
Forfeited	(3,333)	$ 2.90
Nonvested Shares at June 30, 2006	757,204	$ 2.95

As of June 30, 2006, there were $1,322 of total unrecognized compensation cost related to nonvested shares. The cost is expected to be recognized over a weighted average period of 1 year.

The total fair value of shares vested during the six months ended June 30, 2006 was $131.

The Company had reserved approximately 9,791,921 shares of the Company s common stock for future grants in connection with the Stock Option Plan at June 30, 2006.

Employee Stock Purchase Plan (ESPP)

Effective January 1, 2006, the ESPP was amended to provide that the purchase price of shares through the ESPP is 95% of the closing stock price on the last day of the offering period. Due to the amendment, the ESPP became non-compensatory and thus no charges were recorded for the three and six months ended June 30, 2006. ESPP non-cash compensation for the three and six months ended June 30, 2005 did not have a material impact on the Company s statements of consolidated operations. In January 2006, the Company issued 170,054 shares purchased under the ESPP during the offering period of the six months ended December 31, 2005.

The Company had reserved approximately 2,564,000 shares of the Company s common stock for future grants in connection with the ESPP at June 30, 2006.

Non-Cash Compensation

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2006	**2005**	**2006**	**2005**
Nonvested shares(1)	$ 345	$ 617	$ 737	$ 1,252
Share Based Compensation (SFAS 123(R) and SFAS 123)(2)	1,274	586	1,800	1,152
Total	$ 1,619	$ 1,203	$ 2,537	$ 2,404

(1) The Company recognized non-cash compensation charges related to the Company s grants of nonvested shares to certain executives during 2003, 2004 and 2005. These grants are being expensed ratably over their related vesting periods.

(2) In accordance with SFAS No. 123R in 2006 and SFAS No. 123 in 2005, the Company recorded a non-cash compensation charge relating to stock options in both 2006 and 2005 and the PRIMEDIA ESPP in 2005.

10. Provision for Severance, Closures and Restructuring Related Costs

In 2006, the Company began new cost reduction initiatives to streamline operations, reduce layers of management and consolidate real estate.

Details of the new initiatives implemented and the payments made related to both the new and previously implemented plans during the six months ended June 30, 2006 and 2005 are presented in the following tables:

	Liability as of January 1, 2006	Net Provision for the Six Months Ended June 30, 2006	Payments during the Six Months Ended June 30, 2006	Liability as of June 30, 2006
Severance and closures:				
Employee-related termination costs	$ 245	$ 1,577	$ (771)	$ 1,051
Termination of leases related to office closures	29,228	339	(1,944)	27,623
Total severance and closures	$ 29,473	$ 1,916	$ (2,715)	$ 28,674

	Liability as of January 1, 2005	Net Provision for the Six Months Ended June 30, 2005	Payments during the Six Months Ended June 30, 2005	Liability as of June 30, 2005
Severance and closures:				
Employee-related termination costs	$ 1,501	$ 1,381	$ (2,052)	$ 830
Termination of leases related to office closures	34,450	(81)	(2,985)	31,384
Total severance and closures	$ 35,951 (1)	$ 1,300 (2)	$ (5,037)	$ 32,214

(1) Reduced for liabilities relating to discontinued operations totaling $1,874 at January 1, 2005.

(2) Adjusted to exclude net provisions related to discontinued operations totaling $7 for the six months ended June 30, 2005.

The remaining liability related to real estate lease commitments for space that the Company no longer occupies, is expected to be paid through 2015. To reduce the lease related costs, the Company has aggressively pursued subleases of its available office space. These leases have been recorded at their net present value amounts and are net of sublease income amounts. The Company evaluates the appropriateness of its reserves on a quarterly basis.

As a result of the implementation of this new plan, the Company has closed 3 office location and has terminated a total of 67 individuals.

Liabilities of $4,992 and $3,972 representing the current portion of the provision for severance, closures and restructuring related costs are included in accrued expenses and other on the condensed consolidated balance sheets as of June 30, 2006 and December 31, 2005, respectively. Liabilities of $23,682 and $25,501 representing the non-current portion of the provision for severance, closures and restructuring related costs are included in other non-current liabilities on the condensed consolidated balance sheets as of June 30, 2006 and December 31, 2005, respectively.

For purposes of the Company s bank credit facility and Senior Note agreements, the provision for severance, closures and restructuring related costs is excluded from the Company s calculation of consolidated EBITDA.

11. Income (Loss) per Common Share

Basic and diluted income (loss) per share have been computed as follows:

	Three Months Ended June 30, 2006	2005	Six Months Ended June 30, 2006	2005
Basic income (loss) per share computation:				
Net income (loss)	$ (2,115)	$ 5,011	$ 5,847	$ 370,524
Weighted average number of common shares outstanding	263,941,660	262,973,160	263,857,382	262,817,408
Basic income (loss) per share	$ (0.01)	$ 0.02	$ 0.02	$ 1.41
Diluted income (loss) per share computation:				
Net income (loss)	$ (2,115)	$ 5,011	$ 5,847	$ 370,524
Weighted average number of common shares outstanding	263,941,660	262,973,160	263,857,382	262,817,408
Incremental shares for assumed exercise of securities	104,434			
Unvested restricted stock	757,204			
Total shares	264,803,298	262,973,160	263,857,382	262,817,408
Diluted income (loss) per share	$ (0.01)	$ 0.02	$ 0.02	$ 1.41

Stock options and warrants with exercise prices that exceeded the fair market value of the Company s common stock had an antidilutive effect and, therefore, were excluded from the computation of diluted earnings per shares. The securities that could potentially dilute basic earnings per share in the future consist of approximately 9,870,000 warrants and 20,303,777 stock options at June 30, 2006.

12. Commitments and Contingencies

The Company is involved in ordinary and routine litigation incidental to its business. In the opinion of management, there is no pending legal proceeding that would have a material adverse effect on the condensed consolidated financial statements of the Company.

In 2005, the Company sold the remaining net assets of Workplace Learning for the assumption of liabilities, however, the Company retained a secondary liability regarding the Carrolton, TX building lease and a lease for satellite time. At the time of the sale the Company received a third party guarantee of up to $10,000 against those lease obligations to reimburse the Company for lease payments made.

In 2006, the Company made certain lease payments on behalf of Workplace Learning pursuant to its secondary liability. During the second quarter of 2006, the Company determined that it was probable that the Company would be responsible for the lease payments. As a result, as of June 30, 2006, the Company recorded a receivable of $10,000 included in prepaid expenses and other current assets for the amount due from the third party guarantor, and a total liability of $15,584 for the fair value of the future lease payments, net of estimated sublease income, on the accompanying condensed consolidated balance sheet.

During the second quarter of 2006, the Company recorded a related provision in discontinued operations of $5,584 and a charge to discontinued operations of $1,643 for the net lease payments made by the Company prior to June 30, 2006.

13. Business Segment Information

The Company s products compete primarily in the United States, in three principal segments: Enthusiast Media, Consumer Guides and Education. PRIMEDIA believes that this structure aligns its businesses to provide a clearer sense of its strategic focus and operating performance.

The Enthusiast Media segment produces and distributes content through magazines and via the Internet to consumers in various niche and enthusiast markets. It connects buyers and sellers through the Company s consumer magazine brands, Internet, events, television, radio, licensing and merchandising.

The Consumer Guides segment is the nation s largest publisher and distributor of free publications, including *Apartment Guide*, *New Home Guide* and *Auto Guide* and operates related Internet sites.

The Education segment consists of Channel One, a proprietary network to secondary schools, Films Media Group and PRIMEDIA Healthcare, a continuing medical education business.

The following information includes certain intersegment transactions and is, therefore, not necessarily indicative of the results had the operations existed as stand-alone businesses. Intersegment transactions represent intercompany advertising and other services, which are billed at what management believes are prevailing market rates. These intersegment transactions, which represent transactions between operating units in different business segments, are eliminated in consolidation.

Information regarding the operations of the Company in different business segments is set forth below based primarily on the nature of the targeted audience. Corporate represents items not allocated to other business segments. PRIMEDIA evaluates performance based on several factors, of which the primary financial measure is segment earnings before interest, taxes, depreciation, amortization and other charges (income) (Segment EBITDA). Other charges (income) include non-cash compensation, provision for severance, closures and restructuring related costs and loss on sale of businesses and other, net.

	Three Months Ended June 30, 2006	2005	Six Months Ended June 30, 2006	2005
Revenues, net:				
Enthusiast Media	$ 157,706	$ 157,849	$ 307,834	$ 297,854
Consumer Guides	81,283	79,471	162,685	155,119
Education	14,516	18,352	29,985	37,235
Intersegment Eliminations	(38)	(70)	(115)	(167)
Total	$ 253,467	$ 255,602	$ 500,389	$ 490,041
Segment EBITDA: (1)				
Enthusiast Media	$ 32,635	$ 35,115	$ 53,682	$ 55,917
Consumer Guides	18,175	17,912	35,910	36,155
Education	(522)	3,105	(111)	5,708
Corporate Overhead	(7,524)	(7,136)	(13,967)	(13,664)
Total Segment EBITDA	$ 42,764	$ 48,996	$ 75,514	$ 84,116
Depreciation, amortization and other charges:(2)				
Enthusiast Media	$ 5,991	$ 4,696	$ 11,914	$ 9,231
Consumer Guides	3,965	2,707	7,093	5,254
Education	2,047	1,958	3,002	3,904
Corporate overhead	1,929	1,317	3,184	3,100
	$ 13,932	$ 10,678	$ 25,193	$ 21,489
Operating income (loss):				
Enthusiast Media	$ 26,644	$ 30,419	$ 41,768	$ 46,686
Consumer Guides	14,210	15,205	28,817	30,901
Education	(2,569)	1,147	(3,113)	1,804
Corporate	(9,453)	(8,453)	(17,151)	(16,764)
Total	$ 28,832	$ 38,318	$ 50,321	$ 62,627
Other income (expense):				
Interest expense (3)	(21,457)	(32,705)	(52,281)	(65,826)
Interest on shares subject to mandatory redemption (4)		(6,409)		(17,354)
Amortization of deferred financing costs	(657)	(1,184)	(1,316)	(2,518)
Other income (expense), net	164	(4,840)	315	(4,178)
Income (loss) from continuing operations before provision for income taxes	6,882	(6,820)	(2,961)	(27,249)
Provision for income taxes	(3,277)	(2,104)	(2,128)	(5,751)
Discontinued operations (5)	(5,720)	13,935	10,914	403,524
Cumulative effect of change in accounting principle (from the adoption of SFAS 123(R))			22	
Net income (loss)	$ (2,115)	$ 5,011	$ 5,847	$ 370,524

(1) Segment EBITDA represents the segments earnings before interest, taxes, depreciation, amortization and other charges (income) (see Note 2 below). Segment EBITDA is not intended to be and should not be considered as an alternative to net income or loss (as determined in conformity with generally accepted accounting principles), as an indicator of the Company s operating performance. Segment EBITDA is presented herein because the Company s chief operating decision maker evaluates and measures each business unit s performance based on its Segment EBITDA results. PRIMEDIA believes that Segment EBITDA is an accurate indicator of its segments results, because it focuses on

18

revenue and operating cost items driven by each operating managers performance, and excludes items largely outside of the operating managers control. Segment EBITDA as presented may not be comparable to similarly titled measures reported by other companies since not all companies necessarily calculate Segment EBITDA in an identical manner, and therefore, is not necessarily an accurate measure of comparison between companies.

(2) Other charges include non-cash compensation, provision for severance, closures and restructuring related costs and loss on sale of businesses and other, net.

(3) Interest expense for the three and six months ended June 30, 2006 was reduced by $11,059 and $12,041, respectively, due to the quarterly fair value measurement of the deferred purchase price liability arising from the forward agreement related to the Automotive.com acquisition. (See Note 3).

(4) During 2005, the Company redeemed all of its outstanding shares subject to mandatory redemption (liquidation preference of approximately $475,000).

(5) Discontinued operations include a gain/(loss) on sale of businesses, net of $(40) and $(716) for the three months ended June 30, 2006 and 2005, respectively, and $13,668 and $382,462 for the six months ended June 30, 2006 and 2005, respectively .

14. Financial Information for Guarantors of the Company s Debt

The information that follows presents condensed consolidating financial information as of June 30, 2006 and December 31, 2005 and for the six months ended June 30, 2006 and 2005 for a) PRIMEDIA Inc. (as the Issuer), b) the guarantor subsidiaries, which are with limited exceptions, the restricted subsidiaries, represent the core PRIMEDIA businesses and exclude investment and other development properties included in the unrestricted category, c) the non-guarantor subsidiaries (primarily representing Internet assets and businesses, new launches and other properties under evaluation for turnaround or shutdown), which are with limited exceptions, the unrestricted subsidiaries, d) elimination entries and e) the Company on a consolidated basis.

The condensed consolidating financial information includes certain allocations of revenues, expenses, assets and liabilities based on management s best estimates which are not necessarily indicative of the financial position, results of operations and cash flows that these entities would have achieved on a stand-alone basis and should be read in conjunction with the consolidated financial statements of the Company. The intercompany balances in the accompanying condensed consolidating financial statements include cash management activities, management fees, cross promotional activities and other intercompany charges between Corporate and the business units and among the business units. The non-guarantor subsidiaries results of operations include: Internet operations, certain distribution operations, certain start-up magazine businesses, revenues and related expenses derived from the licensing of certain products of guarantor subsidiaries and expenses associated with the cross promotion by the guarantor subsidiaries of the activities of the non-guarantor subsidiaries. The transactions described above are billed, by the Company, at what the Company believes are prevailing market rates. All intercompany related activities are eliminated in consolidation.

The Company is herewith providing detailed information and disclosure as to the methodology used in determining compliance with the leverage ratio in the credit facilities agreement and Senior Note agreements. Under its bank credit facilities and Senior Note agreements, the Company is allowed to designate certain businesses as unrestricted subsidiaries to the extent that the value of those businesses does not exceed the permitted amounts, as defined in these agreements. The Company has designated certain of its businesses as unrestricted (the Unrestricted Group), which primarily represent Internet businesses, trademark and content licensing and service companies, new launches (including traditional start-ups), other properties under evaluation for turnaround or shutdown and foreign subsidiaries. Except for those specifically designated by the Company as unrestricted, all businesses of the Company are restricted (the Restricted Group). Indebtedness under the bank credit facilities and Senior Note agreements is guaranteed by each of the Company s 100%-owned domestic subsidiaries in the Restricted Group in accordance with the provisions and limitations of the Company s bank credit facilities and Senior Note agreements. The guarantees are full, unconditional and joint and several. The Unrestricted Group does not guarantee the bank credit facilities or Senior Notes. Although Automotive.com is included in the Restricted Group under the bank credit facilities agreement it does not guarantee the debt. For purposes of determining compliance with certain financial covenants under the Company s bank credit facilities, the Unrestricted Group s results (positive or negative), are not reflected in the Consolidated EBITDA of the Restricted Group which, as defined in the bank credit facilities agreement, excludes losses of the Unrestricted Group, non-cash charges and restructuring charges and is adjusted primarily for the trailing four quarters results of acquisitions and divestitures and estimated savings for acquired business.

PRIMEDIA INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET
(UNAUDITED)
June 30, 2006
(dollars in thousands)

	Primedia Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Primedia Inc. and Subsidiaries
ASSETS					
Current assets:					
Cash and cash equivalents	$ 117	$ 3,868	$ 248	$	$ 4,233
Accounts receivable, net		108,274	18,729		127,003
Inventories		13,824	2,971		16,795
Prepaid expenses and other	16,934	17,058	10,862		44,854
Assets held for sale		89,565			89,565
Total current assets	17,051	232,589	32,810		282,450
Property and equipment, net	2,524	40,800	10,519		53,843
Investment in and advances to subsidiaries	1,321,866			(1,321,866)	
Intangible assets, net		186,428	40,061		226,489
Goodwill		664,617	116,200		780,817
Other non-current assets	4,570	25,248	1,768		31,586
	$ 1,346,011	$ 1,149,682	$ 201,358	$ (1,321,866)	$ 1,375,185
LIABILITIES AND SHAREHOLDERS DEFICIENCY					
Current liabilities:					
Accounts payable	$ 7,717	$ 44,815	$ 3,580	$	$ 56,112
Intercompany payables	257,871	(892,993)	635,122		
Accrued expenses and other	44,576	62,558	6,625		113,759
Deferred revenues	1,738	102,836	7,609		112,183
Current maturities of long-term debt	2,557	1,286	23		3,866
Liabilities of businesses held for sale		21,491			21,491
Total current liabilities	314,459	(660,007)	652,959		307,411
Long-term debt	1,453,896	1,950	105		1,455,951
Intercompany notes payable		2,235,142		(2,235,142)	
Deferred revenues	13,600				13,600
Deferred income taxes	88,991				88,991
Other non-current liabilities	38,497	18,952	15,215		72,664
Total liabilities	1,909,443	1,596,037	668,279	(2,235,142)	1,938,617
Shareholders deficiency:					
Common stock	2,724				2,724
Additional paid-in capital	2,365,519				2,365,519
Accumulated deficit	(2,855,798)	(446,355)	(466,921)	913,276	(2,855,798)
Common stock in treasury, at cost	(75,877)				(75,877)
Total shareholders deficiency	(563,432)	(446,355)	(466,921)	913,276	(563,432)
	$ 1,346,011	$ 1,149,682	$ 201,358	$ (1,321,866)	$ 1,375,185

PRIMEDIA INC. AND SUBSIDIARIES
CONDENSED STATEMENT OF CONSOLIDATING OPERATIONS
(UNAUDITED)
For the Six Months Ended June 30, 2006
(dollars in thousands)

	Primedia Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Primedia Inc. and Subsidiaries
Revenues, net	$	$ 399,418	$ 104,953	$ (3,982)	$ 500,389
Operating costs and expenses:					
Cost of goods sold (exclusive of depreciation of property and equipment)		99,314	18,101		117,415
Marketing and selling		81,543	15,007		96,550
Distribution, circulation and fulfillment		62,054	35,843		97,897
Editorial		29,294	5,385		34,679
Other general expenses	29	20,808	47,542	(3,982)	64,397
Corporate administrative expenses (including non-cash compensation)	13,366	48	3,060		16,474
Depreciation of property and equipment	689	9,710	4,214		14,613
Amortization of intangible assets and other		3,047	3,052		6,099
Provision for severance, closures and restructuring related costs	7	1,869	40		1,916
Loss on sale of businesses and other, net		28			28
Operating income (loss)	(14,091)	91,703	(27,291)		50,321
Other income (expense):					
Interest expense	(63,608)	(665)	11,992		(52,281)
Amortization of deferred financing costs		(1,257)	(59)		(1,316)
Intercompany management fees and interest	74,414	(71,460)	(2,954)		
Other income (expense), net	1,567	(1,095)	(157)		315
Income (loss) from continuing operat					