PRIMEDIA INC
Form 10-Q
May 15, 2001

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934.

For Quarter Ended: March 31, 2001

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

Number of shares of common stock, par value $.01 per share, outstanding as of April 30, 2001: 216,049,658

The aggregate market value of the common equity of PRIMEDIA Inc. which is held by non-affiliates of PRIMEDIA Inc. at April 30, 2001 was approximately $603 million.

PRIMEDIA Inc.

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PRIMEDIA INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	March 31, 2001
	(dollars in thou
ASSETS	
Current assets:	
Cash and cash equivalents	$ 12,1

Accounts receivable, net		275,9
Inventories, net		32,1
Net assets held for sale		26,0
Prepaid expenses and other		77,7
Total current assets		424,0
Property and equipment, net		193,7
Other intangible assets, net		551,0
Excess of purchase price over net assets acquired, net		1,600,7
Deferred income tax asset, net		135,0
Other investments		169,0
Other non-current assets		90,9
	$	3,164,5
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities:		
Accounts payable	$	113,3
Accrued interest payable		25,5
Accrued expenses and other		223,5
Deferred revenues		217,7
Current maturities of long-term debt		114,9
Total current liabilities		695,1
Long-term debt		1,529,9
Deferred revenues		66,9
Other non-current liabilities		24,8
Exchangeable preferred stock		561,7
Shareholders' equity (deficiency):		
Common stock ($.01 par value, 223,361,579 shares and 167,798,702 shares issued at March 31, 2001 and December 31, 2000, respectively)		2,2
Additional paid-in capital		2,127,1
Accumulated deficit		(1,702,1
Accumulated other comprehensive loss		(10,2
Unearned compensation		(56,2
Common stock in treasury, at cost (7,467,693 shares and 0 shares at March 31, 2001 and December 31, 2000, respectively)		(74,8
Total shareholders' equity (deficiency)		285,8
	$	3,164,5

See notes to condensed consolidated financial statements (unaudited).

PRIMEDIA INC. AND SUBSIDIARIES
CONDENSED STATEMENTS OF CONSOLIDATED OPERATIONS (UNAUDITED)

		Thre
		2001
		(dollars in thousan
Sales, net	$	427,006
Operating costs and expenses:		
Cost of goods sold		101,600
Marketing and selling		112,625
Distribution, circulation and fulfillment		71,000
Editorial		38,691
Other general expenses		58,312
Corporate administrative expenses (excluding $2,560 and $14,792 of non-cash compensation in 2001 and 2000, respectively)		8,215
Depreciation of property and equipment		14,816
Amortization of intangible assets, excess of purchase price over net assets acquired and other		42,174
Non-cash compensation		2,560
Provision for severance, closures and integration costs		6,487
Gain on sales of businesses and other, net		(527
Operating income (loss)		(28,947
Other expense:		
Provision for the impairment of securities		(3,248
Interest expense		(33,161
Amortization of deferred financing costs		(1,013
Other, net		(19,439
Net loss		(85,808
Preferred stock dividends and related accretion		(13,674
Loss applicable to common shareholders	$	(99,482
Basic and diluted loss applicable to common shareholders per common share	$	(0.54
Basic and diluted common shares outstanding		183,027,919

See notes to condensed consolidated financial statements (unaudited).

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PRIMEDIA INC. AND SUBSIDIARIES
CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS (UNAUDITED)

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OPERATING ACTIVITIES:	
Net loss	$
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	
Accretion of discount on acquisition obligation and other	
Non-cash revenue related to assets-for-equity transactions	
Provision for the impairment of securities	
Non-cash compensation	
Gain on sales of businesses and other, net	
Other, net	
Changes in operating assets and liabilities:	
Increase in:	
Accounts receivable, net	
Inventories, net	
Prepaid expenses and other	
Increase (decrease) in:	
Accounts payable	
Accrued interest payable	
Accrued expenses and other	
Deferred revenues	
Other non-current liabilities	
Net cash used in operating activities	
INVESTING ACTIVITIES:	
Additions to property, equipment and other, net	
Proceeds from sales of businesses and other, net	
(Payments) for businesses acquired, net of cash acquired	
Payments for other investments	
Net cash provided by (used in) investing activities	
FINANCING ACTIVITIES:	
Borrowings under credit agreements	
Repayments of borrowings under credit agreements	
Proceeds from issuances of common stock, net of redemptions	
Taxes paid associated with stock option exercises	
Dividends paid to preferred stock shareholders	
Deferred financing costs paid	
Other	
Net cash provided by financing activities	
Increase (decrease) in cash and cash equivalents	
Cash and cash equivalents, beginning of period	

Cash and cash equivalents, end of period	$
Supplemental information:	
Cash interest paid	$
Businesses acquired:	
Fair value of assets acquired	$
Less: Liabilities assumed	
Less: Stock and stock option consideration for About.com, Inc. acquisition	
Less: Cash acquired in connection with the About.com, Inc. acquisition	
(Payments) for businesses acquired, net of cash acquired	$
Non-cash activities:	
Stock option exercise transactions	$
Exchange of the Company's common shares and stock options for all outstanding shares and stock options of About.com, Inc.	$
Conversion of the Company's investment in About.com, Inc. common shares held prior to the merger date into the Company's treasury stock	$
Compensatory common shares and stock options issued in connection with About.com, Inc. acquisition	$
Advertising-for-equity transactions	$

See notes to condensed consolidated financial statements (unaudited).

PRIMEDIA Inc.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

1. BASIS OF PRESENTATION

PRIMEDIA Inc., together with its subsidiaries, is herein referred to as either "PRIMEDIA" or the "Company". In the opinion of the Company's management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. All significant intercompany accounts and transactions have been eliminated in consolidation. These statements should be read in conjunction with the Company's annual financial statements and related notes for the year ended December 31, 2000, which is included in the Company's annual report on Form 10-K for the year ended December 31, 2000. The operating results for the three-month period ended March 31 is not necessarily indicative of the results that may be expected for a full year. Certain amounts in the prior period consolidated financial statements have been reclassified to conform to the presentation as of and for the three-month period ended March 31, 2001.

BARTER TRANSACTIONS

The Company trades advertisements in its traditional and online properties in exchange for trade show space and booths and advertising in properties of other companies. Revenue and related expenses from barter transactions are recorded at fair value in accordance with Emerging Issues Task Force No. 99-17, "Accounting for Advertising Barter Transactions." Revenue from barter transactions is recognized in accordance with the Company's revenue recognition policies. Expense from barter transactions is generally recognized as incurred. For the three months ended March 31, 2001, revenue and expense from barter transactions were approximately $10,000. There was no revenue and expense from barter transactions recorded during the three months ended March 31, 2000.

2. ACQUISITIONS

On February 28, 2001, the Company completed its merger with About.com, Inc. ("About"). About is a platform comprised of a network of more than 700 highly targeted topic-specific websites. Through the efforts of knowledgeable human guides who manage the sites, the sites provide high-quality original articles, moderated forums and chat rooms and links to related websites. This merger creates an integrated traditional and new media company, providing a vast array of marketing solutions to advertisers and niche content to users.

Under terms of the merger agreement, shareholders of About received approximately 45,000,000 shares of the Company or 2.3409 Company shares for each About share. This transaction is being accounted for under the purchase method of accounting. The preliminary purchase cost allocations for the About acquisition is subject to adjustment and will be finalized once additional information concerning asset and liability valuations is obtained. An independent appraisal will be completed and will be used to allocate the purchase price to identifiable intangibles. The final asset and liability fair values may differ from those set forth on the accompanying condensed consolidated balance sheet at March 31, 2001; however, the changes are not expected to have a material effect on the consolidated financial position, results of operations or cash flows of the Company. The excess of purchase price over net assets acquired related to the About merger will be amortized over an estimated useful life of three years. The Company believes that a three-year life is responsive to the rapid rate of change in the Internet industry and is consistent with other recent mergers of a comparable nature. The Company has determined that the value of its shares of common stock issued is $11.81 per share, based on the weighted-average market values for the two days prior and two days succeeding the acquisition announcement date. The fair value of the vested and unvested options issued was determined using a Black Scholes pricing model. The following is a summary of the calculation of the purchase price, as well as the allocation of purchase price to the fair value of net assets acquired:

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Total number of shares of PRIMEDIA common stock issued to consummate the merger	44,951,034
Fair value per share of PRIMEDIA common stock	$ 11.81
Value of shares of PRIMEDIA common stock issued	$ 530,872
Fair value of replacement options issued	102,404

Less: Unearned compensation relating to unvested options	(7,592)
Cost of About shares acquired prior to the merger converted to treasury stock	74,865
Direct merger costs	11,934
Total purchase price	712,483
Less: Fair value of net tangible assets of About	229,978
Excess of purchase price over net assets acquired	$ 482,505

In addition, in connection with the acquisition, the Company issued shares of restricted stock and below-market stock options to two key executives of About which resulted in unearned compensation of $51,235 at the merger completion date. These shares and options vest over four years and will result in non-cash compensation expense as earned over the vesting period (see Note 7).

The Company's consolidated results of operations includes results of operations of About from the merger date. The results of About are included in the Company's consolidated segment. The unaudited pro forma information below presents the consolidated results of operations as if the merger with About had occurred as of January 1, 2000. The unaudited pro forma information has been included for comparative purposes and is not indicative of the results of operations of the consolidated Company had the merger occurred as of January 1, 2000, nor is it necessarily indicative of future results.

	Three Months Ended	
	2001	
	(dollars in thousand per share amou	
Sales, net	$ 409,291	$
Loss applicable to common shareholders	$ (188,808)	$
Basic and diluted loss applicable to common shareholders per common share	$ (0.88)	$
Weighted average shares used in basic and diluted loss applicable to common shareholders per common share	213,858,143	

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3. INVENTORIES, NET

Inventories consist of the following:

	March 31, 2001	Dece
Finished goods	$ 9,179	$
Work in process	149	
Raw materials	24,731	
	34,059	
Less: Allowance for obsolescence	1,863	
	$ 32,196	$

4. OTHER INVESTMENTS

Other investments consist of the following:

	March 31, 2001	Dece
Cost method investments	$ 81,702	$
Equity method investments	62,057	
Available-for-sale securities	8,474	
Advances and other	16,833	
	$ 169,066	$

Available-for-sale securities consist of the following:

	Cost	Unrealized Gains	Unreali Losse
At March 31, 2001	$ 13,391	$ 742	$ 5,
At December 31, 2000	$ 19,015	$ 693	$

In the first quarter of 2000, the Company sold two investments in marketable securities for total proceeds of $11,279 and realized a gain of $10,689, which is included in gain on sales of businesses and other, net on the accompanying condensed statement of consolidated operations. The Company recorded an unrealized loss of $987 and $64,706 for the three months ended March 31, 2001 and 2000, respectively, related to investments in marketable securities. In addition, for the three months ended March 31, 2001, the Company recorded an unrealized loss of $4,672 related to its investment in CMGI, Inc. and an unrealized gain of $742 related to its investment in Liberty Digital. These unrealized gains and losses are recorded as a component of other comprehensive income (loss) ("OCI") within shareholders' equity (deficiency) (see Note 9).

ASSETS-FOR-EQUITY TRANSACTIONS

During 2000, the Company began making strategic investments in companies ("Investees") which included various assets-for-equity transactions. Under these transactions, the Company provides promotional services, such as print advertising, content licensing, customer lists, online advertising and other services in exchange for equity in these entities. Additionally, the Company made cash investments in certain of these Investees. The Company's investments in Investees, included in other investments on the accompanying condensed consolidated balance sheets, totaled approximately $119,000 (approximately $62,000 representing cost method investments and approximately $57,000 representing equity method investments) and $213,000 (approximately $140,000 representing cost method investments and approximately $73,000 representing equity method investments) at March 31, 2001 and December 31, 2000, respectively. Including advances to the Investees, approximately $41,200 and $38,600 of the investment as of March 31, 2001 and December 31, 2000, respectively, was in cash. The remainder represents advertising, content licensing and other services to be rendered by the Company in exchange for the equity in these entities. The Company recognizes these amounts as revenue in accordance with the Company's revenue recognition policies. During the three months ended March 31, 2001 and 2000, the Company recorded revenue from these agreements approximating $28,500 and $33, respectively. The 2001 revenue amount primarily represents revenue from the Company's transactions with About for the first two months of 2001 as well as revenue from the Company's equity method Investees. At March 31, 2001 and December 31, 2000, respectively, approximately $75,000 and $146,000 relating to these agreements is included as deferred revenues on the accompanying condensed consolidated balance sheets.

These transactions are recorded at the fair value of the equity securities received. As an observable market price does not exist for equity securities of private companies, estimates of fair value of such securities are more subjective than for securities of public companies. For significant transactions involving equity securities in private companies, the Company obtains and considers independent third-party valuations where appropriate. Such valuations use a variety of methodologies to estimate fair value, including comparing the security with the securities of publicly traded companies in similar lines of business, comparing the nature of security, price, and related terms of investors in the same round of financing, applying price multiples to estimated future operating results for the private company, and then also estimating discounted cash flows for that company. Using these valuations and other information available to the Company, such as the Company's knowledge of the industry and knowledge of specific information about the Investee, the Company determines the estimated fair value of the securities received. As required by EITF No. 00-8, "Accounting by a Grantee for an Equity Instrument to Be Received in Conjunction with Providing Goods and Services," the fair value of the equity securities received is determined as of the earlier of the date a performance commitment is reached or the vesting date.

The Company continually evaluates all of its investments for potential impairment in accordance with Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of". If an investment is deemed to be permanently impaired, its carrying value will be reduced to fair market value. During the three months ended March 31, 2001, the Company recorded a provision for impairment of its investments in certain Investees of $3,248 as the decline in value of the investments was deemed to be other than temporary.

During the three months ended March 31, 2001 and 2000, respectively, the Company recorded approximately $18,100 and $0 of equity method losses from Investees, which is included in other, net on the accompanying condensed statements of consolidated operations and consolidated cash flows, and during the

three months ended March 31, 2001 and 2000, respectively, the Company recognized approximately $2,900 and $0 of revenue related to the equity method Investees.

INVESTMENTS IN ABOUT

In 2000, the Company entered into additional business arrangements with About whereby the Company has provided or will provide approximately $89,000 of advertising and promotional services, over a five-year period, in exchange for an aggregate of 2,873,595 shares of common stock of About. In addition, prior to the merger, the Company had purchased 316,500 shares of About on the open market for approximately $7,800. The Company and About have also entered into certain agreements pursuant to which the Company has agreed to purchase advertising and promotional sales on the About network. These agreements provide for payments to About in the aggregate of $15,900. At the merger completion date, these agreements became intercompany agreements, resulting in the elimination of About investment and deferred revenue balances with all future activity to be eliminated in consolidation. At December 31, 2000, the Company's investment in About approximated $74,000.

5. LONG-TERM DEBT

Long-term debt consists of the following:

	March 31, 2001	Dece
Borrowings under credit facilities	$ 957,500	$
10 1/4% Senior Notes due 2004	100,000	
8 1/2% Senior Notes due 2006	299,257	
7 5/8% Senior Notes due 2008	248,911	
	1,605,668	
Obligation under capital leases	30,514	
Acquisition obligation payable	8,694	

	1,644,876	
Less: Current maturities of long-term debt	114,900	
	$ 1,529,976	$

As of March 31, 2001, the Company had unused bank commitments of approximately $300,000.

6. EXCHANGEABLE PREFERRED STOCK

Exchangeable Preferred Stock consists of the following:

	March 31, 2001	De
$10.00 Series D Exchangeable Preferred Stock	$ 196,270	$
$9.20 Series F Exchangeable Preferred Stock	121,466	
$8.625 Series H Exchangeable Preferred Stock	243,996	
	$ 561,732	$

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$10.00 SERIES D EXCHANGEABLE PREFERRED STOCK

The Company authorized 2,000,000 shares of $.01 par value $10.00 Series D Exchangeable Preferred Stock, all of which was issued and outstanding at March 31, 2001 and December 31, 2000. The liquidation and redemption value at March 31, 2001 and December 31, 2000 was $200,000.

$9.20 SERIES F EXCHANGEABLE PREFERRED STOCK

The Company authorized 1,250,000 shares of $.01 par value $9.20 Series F Exchangeable Preferred Stock, all of which was issued and outstanding at March 31, 2001 and December 31, 2000. The liquidation and redemption value at March 31, 2001 and December 31, 2000 was $125,000.

$8.625 SERIES H EXCHANGEABLE PREFERRED STOCK

The Company authorized 2,500,000 shares of $.01 par value $8.625 Series H Exchangeable Preferred Stock, all of which was issued and outstanding at March 31, 2001 and December 31, 2000. The liquidation and redemption value at March 31, 2001 and December 31, 2000 was $250,000.

7. NON-CASH COMPENSATION

During the three months ended March 31, 2001, the Company recorded $2,560 of non-cash compensation charges relating primarily to the retention of certain key executives. These non-cash compensation charges consist of a $2,224 charge related to certain restricted stock and option grants to key executives of About and a $336 charge related to the intrinsic value of unvested "in-the-money" options issued in connection with the About merger.

During the three months ended March 31, 2000, the Company recorded $14,792 of non-cash compensation charges relating to the hiring and retention of certain key executives. These non-cash compensation charges consist of a $2,354 charge related to 1,380,711 shares of common stock granted to a senior executive in 1999 and a $12,438 charge related to the extension of the expiration period of 1,000,000 options previously granted to a senior executive, for an additional 10 year period beyond the original expiration date.

8. PROVISION FOR SEVERANCE, CLOSURES AND INTEGRATION COSTS

During 2000 and 2001, the Company implemented plans to integrate the Company and consolidate many back office functions. The Company expects that these plans will result in future savings. All integration charges were expensed as incurred. A summary of the status of these plans as of March 31, 2001 is presented below.

2001 PLAN

With the acquisition of About coupled with other cost initiatives, during the first quarter of 2001, the Company announced the details of plans that would continue to implement and expand upon the initiatives enacted during 2000. Details of the initiatives implemented in the three months ended March 31, 2001 are presented in the following table:

	For the Three Months Ended and as of March 31, 20		
	Provision	Payments	
Severance and closures:			
Employee-related termination costs	$ 2,348	$ 208	$
Termination of contracts	558	290	
Termination of leases related to office closures	128	99	
	3,034	597	
Integration:			
Consulting services	2,595	2,214	
Relocation, recruiting and other employee costs	523	406	
Other	335	---	
	3,453	2,620	

Total severance, closures and integration costs	$ 6,487	$ 3,217	$

A significant portion of the remaining costs are expected to be paid during the remainder of 2001 with the balance to be paid in 2002. The Company is currently developing additional initiatives aimed largely at the consolidation of certain functions and the further integration of the Company, and accordingly expects to record additional severance, closures and integration charges during 2001.

2000 Plan

During 2000, the Company announced the implementation of a plan to integrate the Company and consolidate many back office functions. Details of the 2001 payments related to the initiatives implemented during 2000 are presented in the following table:

	Liability as of December 31, 2000	Payments during the Three Months Ended March 31, 2001	L
Severance and closures:			
Employee-related termination costs	$ 7,063	$ 2,166	$
Termination of contracts	1,519	22	
Termination of leases related to office closures	1,531	72	
Other	96	9	
	10,209	2,269	
Integration:			
Consulting services	498	498	
Relocation, recruiting and other employee costs	462	94	
	960	592	
Total severance, closures and integration costs	$ 11,169	$ 2,861	$

The majority of the remaining costs incurred in connection with the 2000 plan are expected to be paid by the end of 2001 with the balance to be paid through the end of 2003.

During the three months ended March 31, 2000, the Company recorded $6,319 of integration costs relating to a management reorganization. These integration costs consisted of $2,814 for consultants related to sourcing and integration initiatives, $2,102 related to severance costs and $1,403 related to recruiting for senior executives.

As a result of the 2000 and 2001 plans already put in place, the Company will close and consolidate in excess of fifteen office locations and will terminate approximately 490 individuals. All individuals who will be terminated under these plans have been notified. As of March 31, 2001, approximately 365 of those individuals have been terminated.

During the first quarter of 1999, the Company discontinued five unprofitable PRIMEDIA Workplace Learning product lines, as part of a program to return the Company's focus to accreditation-oriented vocational networks and associated products. In relation to these discontinuances, the Company recorded a $22,000 charge including $9,000 related to transponder and office site leases and $8,810 related to the recoverability of the related excess of purchase price over net assets acquired and certain other assets. During the fourth quarter of 2000, the Company reversed $3,302 of the original $22,000 charge as the

liabilities ultimately settled at amounts less than originally recorded. Through March 31, 2001, $9,704 of the cash payments have been made. The remaining $184 is expected to be paid during the remainder of 2001.

The liabilities representing the provision for severance, closures and integration costs are included in accrued expenses and other on the accompanying condensed consolidated balance sheets.

9. COMPREHENSIVE LOSS

Comprehensive loss for the three months ended March 31, 2001 and 2000 is presented in the following table:

	Three Months Ended March 31, 2001	Marc 20
Net loss	$ (85,808)	$
Other comprehensive loss:		
Unrealized loss on available-for-sale securities	(5,610)	
SFAS No.133 derivative adjustments	(2,566)	
Foreign currency translation adjustments	(531)	
Total comprehensive loss	$ (94,515)	$

10. LOSS PER COMMON SHARE

Loss per share for the three-month periods ended March 31, 2001 and 2000 has been determined based on net loss after preferred stock dividends and related accretion, divided by the weighted average number of common shares outstanding for all periods presented. The effect of the assumed exercise of non-qualified stock options was not included in the computation of diluted loss per share because the effect of inclusion would be antidilutive.

11. DERIVATIVE FINANCIAL INSTRUMENTS

Effective January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No.133, as amended and interpreted, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities.

SFAS No.133 requires that all derivatives, whether designated in hedging relationships or not, be recorded on the balance sheet at fair value regardless of the purpose or intent for holding them. If a derivative is designated as a fair-value hedge, changes in the fair value of the derivative and the hedged item are recognized in earnings. If a derivative is designated as a cash-flow hedge, changes in the fair value of the derivative are recorded in OCI and are recognized in the condensed statements of consolidated operations when the hedged item affects earnings. SFAS No.133 defines new requirements for designation and documentation of hedging relationships as well as ongoing effectiveness assessments in order to use hedge accounting. For a derivative that does not qualify as a hedge, changes in fair value are recognized in earnings.

Effective January 1, 2001, the Company recorded approximately $27 as a cumulative transition adjustment to earnings, which is included in other, net on the condensed statement of consolidated operations, relating to derivatives not designated as hedges prior to the adoption of SFAS No.133, and approximately $1,250 in OCI as a cumulative transition adjustment for derivatives designated as cash flow-type hedges prior to adopting SFAS No.133.

INTEREST RATE SWAP CONTRACTS

The Company uses derivative financial instruments, principally interest rate swap contracts, to manage the risks associated with interest rate fluctuations on its floating rate borrowings. Interest rate swap contracts are used to adjust the proportion of total debt that is subject to variable interest rates. Under the terms of its interest rate swap contracts, the Company agrees to pay an amount equal to a specified fixed-rate of interest times a notional principal amount, and to receive in return an amount equal to a specified variable-rate of interest times the same notional principal amount. The notional amounts of the contract are not exchanged. No other cash payments are made unless the contract is terminated prior to maturity, in which case the amount paid or received in settlement is established by agreement at the time of termination, and usually represents the net present value, at current rates of interest, of the remaining obligations to exchange payments under the terms of the contract. Any gains or losses upon early termination of the contracts are deferred and amortized over the shorter of the remaining life of the hedged existing debt obligation or the original life of the interest rate swap contract. Interest rate swap contracts are entered into with major financial institutions in order to minimize credit risk. Prior to entering into any interest rate swap contracts, the Company considers, among other things, swap terms including the reference rate, payment and maturity dates and the notional amount in determining if the interest rate swap contract will be effective at modifying an existing debt obligation.

The Company's interest rate swap contracts are considered to be a hedge against changes in the amount of future cash flows associated with the Company's interest payments. Accordingly, the interest rate swap contracts are reflected at fair value on the Company's condensed consolidated balance sheet and the related gains and losses on these contracts are deferred in shareholders' equity (deficiency) as a component of OCI. These gains and losses are then amortized as an adjustment to interest expense over the same period in which the related interest payments being hedged are recognized in operations. However, to the extent that any of these contracts are not considered to be perfectly effective in offsetting the change in the value of the interest payments being hedged, any changes in fair value relating to the ineffective portion of these contracts are immediately recognized in income. The net effect of this accounting on the Company's operating results is that interest expense on the portion of variable-rate debt being hedged is generally recorded based on fixed interest rates.

At March 31, 2001, the Company had interest rate swap contracts to pay fixed-rates of interest (average rate of 6.30%) and receive variable-rates of interest (average rate of 6.40%) on $200,000 of notional amounts of indebtedness, which resulted in approximately 46% of the Company's total debt being subject to variable interest rates. For the three-months ended March 31, 2001, the Company's interest rate swap contracts were considered to be highly effective and accordingly, the change in fair value of these contracts of $1,316 was deferred and recognized as a component of OCI. As a result of the fact that the Company's interest rate swap contracts are expected to be highly effective in the future, the Company does not expect to reclassify any material amounts from OCI to earnings during the next twelve-month period. The only transaction that would result in such a reclassification would be the cancellation and subsequent unwinding of the interest rate swap contracts.

NON-HEDGING DERIVATIVES

During 2000, in connection with certain of the Company's strategic investments in Investees, the Company received options and/or warrants representing the Company's right to acquire additional equity interests in certain Investees in exchange for cash, additional advertising space or other services. In accordance with SFAS No. 133, those options/warrants which permit "net settlement" qualify as derivatives. Accordingly, those option/warrant agreements which qualify as derivatives are reflected at fair value on the Company's condensed consolidated balance sheet as of March 31, 2001 and the changes in fair value of these derivatives are recognized in earnings. For the three-months ended March 31, 2001, the change in fair value of the non-hedging derivatives was $71 and is included on the condensed statement of consolidated operations as other, net.

12. NET ASSETS HELD FOR SALE

During the three months ended March 31, 2001, the Company decided to divest certain businesses as well as discontinue certain titles including certain titles of the youth entertainment group. The net assets held for sale, including QWIZ, Inc., are recorded at their carrying value on the accompanying condensed consolidated balance sheets.

13. BUSINESS SEGMENT INFORMATION

The Company's operations have been classified into two business segments: consumer and business-to-business. The Company's consumer segment produces and distributes magazines, guides and videos for consumers in various niche markets. The Company's business-to-business segment produces and distributes magazines, books, directories, databases and vocational training materials to business professionals in such fields as communications, agriculture, professional services, media, transportation and healthcare. These segment results are regularly reviewed by the Company's chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance. The Company's non-core businesses ("Non-Core Businesses") include QWIZ, Inc., Pictorial, Inc., certain business directories, certain titles of the youth entertainment group and certain other businesses to be divested. The Company has segregated the Non-Core Businesses from the aforementioned segments because the Company's chief operating decision-maker views these businesses separately when evaluating and making decisions regarding ongoing operations. Information as to the operations of the Company in different business segments is set forth below based 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 (income) and charges ("EBITDA"). Other (income) charges include non-cash compensation, provision for severance, closures and integration costs and gain on sales of businesses and other, net.

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	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
SALES, NET:		
Consumer	$ 298,301	$ 272,195
Business-to-business	124,520	118,807
Eliminations	(744)	-
Other:		
Non-Core Businesses	4,929	13,448
Total	$ 427,006	$ 404,450
EBITDA (1):		
Consumer	$ 30,676	$ 44,070
Business-to-business (2)	17,627	16,020
Other:		
Corporate	(8,230)	(8,112)
Non-Core Businesses	(3,510)	4,165
Total	$ 36,563	$ 56,143

The following is a reconciliation of EBITDA to operating income (loss):

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
Total EBITDA (1)	$ 36,563	$ 56,143
Depreciation of property and equipment	(14,816)	(11,288)
Amortization of intangible assets, excess of purchase price over net assets acquired and other	(42,174)	(34,384)
Non-cash compensation	(2,560)	(14,792)
Provision for severance, closures and integration costs	(6,487)	(6,319)
Gain on sales of businesses and other, net	527	10,992
Operating income (loss)	$ (28,947)	$ 352

(1) EBITDA represents earnings before interest, taxes, depreciation, amortization and other (income) charges. EBITDA is not intended to represent cash flow from operating activities 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 or to cash flows as a measure of liquidity. The Company believes EBITDA is a standard measure commonly reported and widely used by analysts, investors and other interested parties in the media industry. Accordingly, this information has been disclosed herein to permit a more complete comparative analysis of the Company's operating performance relative to other companies in its industry. EBITDA should not be considered in isolation or as a substitute for other measures of financial performance or liquidity. The primary

difference between EBITDA and cash flow provided by (used in) operating activities relates to changes in working capital requirements and payments made for interest and income taxes. Additionally, EBITDA is not available for the Company's discretionary use as there are legal requirements to pay preferred stock dividends and repay debt, among other payments. EBITDA as presented may not be comparable to similarly titled measures reported by other companies, since not all companies necessarily calculate EBITDA in identical manners, and therefore, is not necessarily an accurate measure of comparison between companies.

(2) Includes the reversal of a $4,000 sales tax accrual that was no longer required.

14. FINANCIAL INFORMATION FOR GUARANTORS OF THE COMPANY'S DEBT

The information that follows presents condensed consolidating financial information as of March 31, 2001 and December 31, 2000 and for the three months ended March 31, 2001 and 2000 for a) PRIMEDIA Inc. (as the Issuer), b) the guarantor subsidiaries, c) the foreign non-guarantor subsidiaries, d) the unrestricted Internet non-guarantor subsidiaries, e) elimination entries and f) 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 financial position, results of operations and cash flows that these entities would have achieved on a stand-alone basis and should be read in connection with the condensed consolidated financial statements of the Company.

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14. FINANCIAL INFORMATION FOR GUARANTORS OF THE COMPANY'S DEBT (CONTINUED)

PRIMEDIA INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
(UNAUDITED)

For the Three Months Ended March 31, 2001
(dollars in thousands)

	Primedia Inc.	Gu Subs
Sales, net	$ -	$
Operating costs and expenses:		
Cost of goods sold	-	
Marketing and selling	-	
Distribution, circulation and fulfillment	-	
Editorial	-	
Other general expenses	-	
Corporate administrative expenses (excluding non-cash compensation)	7,964	
Depreciation of property and equipment	300	
Amortization of intangible assets, excess of purchase price over net assets acquired and other	96	
Non-cash compensation	2,560	
Provision for severance, closures and integration costs	2,239	
Gain on sales of businesses and other, net	-	
Operating income (loss)	(13,159)	
Other income (expense):		
Provision for the impairment of securities	(3,248)	
Interest expense	(32,661)	
Amortization of deferred financing costs	-	
Equity in losses of subsidiaries	(72,473)	
Intercompany management fees and interest	54,071	

Other, net	(18,338)	
Net loss	$ (85,808)	$

	Unrestricted Internet Non-Guarantor Subsidiaries	Eliminatio
Sales, net	$ 26,413	$ (16,2
Operating costs and expenses:		
Cost of goods sold	21,589	(16,1
Marketing and selling	16,285	
Distribution, circulation and fulfillment	811	
Editorial	2,502	
Other general expenses	12,739	
Corporate administrative expenses (excluding non-cash compensation)	266	(
Depreciation of property and equipment	5,040	
Amortization of intangible assets, excess of purchase price over net assets acquired and other	13,784	
Non-cash compensation	-	
Provision for severance, closures and integration costs	728	
Gain on sales of businesses and other, net	-	
Operating income (loss)	(47,331)	
Other income (expense):		
Provision for the impairment of securities	-	
Interest expense	-	
Amortization of deferred financing costs	-	
Equity in losses of subsidiaries	-	72,4
Intercompany management fees and interest	-	
Other, net	35	
Net loss	$ (47,296)	$ 72,4

14. FINANCIAL INFORMATION FOR GUARANTORS OF THE COMPANY'S DEBT (CONTINUED)

PRIMEDIA INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET
(UNAUDITED)

March 31, 2001
(dollars in thousands)
Unrestricted

	Primedia Inc.	Guarantor Subsidiaries
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2	$ 9,37
Accounts receivable, net	471	260,83
Intercompany receivables	1,263,408	491,32
Inventories, net	-	31,78
Net assets held for sale	-	26,07
Prepaid expenses and other	11,621	53,74
Total current assets	1,275,502	873,14
Property and equipment, net	6,583	124,43
Investment in and advances to subsidiaries	1,685,474	
Other intangible assets, net	2,166	485,07
Excess of purchase price over net assets acquired, net	(12,978)	1,137,16
Deferred income tax asset, net	135,000	
Other investments	144,971	1,25
Other non-current assets	1,279	83,78
	$ 3,237,997	$ 2,704,86
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities:		
Accounts payable	$ 6,038	$ 101,80
Intercompany payables	642,704	986,44
Accrued interest payable	25,543	
Accrued expenses and other	57,341	122,19
Deferred revenues	49,351	188,92
Current maturities of long-term debt	105,760	9,13
Total current liabilities	886,737	1,408,50
Long-term debt	1,503,673	26,30
Intercompany notes payable	-	2,246,66
Deferred revenues	-	66,99
Other non-current liabilities	1	23,65
Exchangeable preferred stock	561,732	
Shareholders' equity (deficiency):		
Common stock	2,224	
Additional paid-in capital	2,127,197	
Accumulated deficit	(1,702,170)	(1,065,25
Accumulated other comprehensive loss	(10,265)	(2,00
Unearned compensation	(56,267)	
Common stock in treasury, at cost	(74,865)	
Total shareholders' equity (deficiency)	285,854	(1,067,25

	$ 3,237,997	$ 2,704,86

	Internet Non-Guarantor Subsidiaries	Eliminations
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,759	$
Accounts receivable, net	13,817	
Intercompany receivables	124,929	(1,884,45
Inventories, net	403	
Net assets held for sale	-	
Prepaid expenses and other	12,275	
Total current assets	153,183	(1,884,45
Property and equipment, net	62,672	
Investment in and advances to subsidiaries	-	(1,685,47
Other intangible assets, net	63,105	
Excess of purchase price over net assets acquired, net	473,268	
Deferred income tax asset, net	-	
Other investments	22,844	
Other non-current assets	5,844	
	$ 780,916	$ (3,569,92
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities:		
Accounts payable	$ 5,360	$
Intercompany payables	234,200	(1,884,45
Accrued interest payable	-	
Accrued expenses and other	43,757	
Deferred revenues	(21,072)	
Current maturities of long-term debt	5	
Total current liabilities	262,250	(1,884,45
Long-term debt	2	
Intercompany notes payable	700,549	(2,947,21
Deferred revenues	-	
Other non-current liabilities	962	
Exchangeable preferred stock	-	
Shareholders' equity (deficiency):		
Common stock	-	
Additional paid-in capital	-	
Accumulated deficit	(182,097)	1,258,52
Accumulated other comprehensive loss	(750)	3,21
Unearned compensation	-	

Common stock in treasury, at cost	-	
Total shareholders' equity (deficiency)	(182,847)	1,261,74
	$ 780,916	$ (3,569,92

14. FINANCIAL INFORMATION FOR GUARANTORS OF THE COMPANY'S DEBT (CONTINUED)

PRIMEDIA INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(UNAUDITED)

For the Three Months Ended March 31, 2001
(dollars in thousands)

	Primedia Inc.	G Su
OPERATING ACTIVITIES:		
Net loss	$ (85,808)	$
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	396	
Accretion of discount on acquisition obligation and other	120	
Non-cash revenue related to assets-for-equity transactions	-	
Provision for the impairment of securities	3,248	
Non-cash compensation	2,560	
Gain on sales of businesses and other, net	-	
Equity in losses of subsidiaries	72,473	
Intercompany (income) expense	(54,071)	
Other, net	18,088	
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable, net	(401)	
Inventories, net	-	
Prepaid expenses and other	(14,270)	
Increase (decrease) in:		
Accounts payable	(1,515)	
Accrued interest payable	6,721	
Accrued expenses and other	(5,409)	
Deferred revenues	(3)	
Other non-current liabilities	1	
Net cash used in operating activities	(57,870)	

INVESTING ACTIVITIES:	
Additions to property, equipment and other, net	(324)
Proceeds from sales of businesses and other, net	-
(Payments) for businesses acquired, net of cash acquired	-
Payments for other investments	(4,238)
Net cash provided by (used in) investing activities	(4,562)
FINANCING ACTIVITIES:	
Intercompany activity	40,925
Borrowings under credit agreements	251,800
Repayments of borrowings under credit agreements	(224,300)
Proceeds from issuances of common stock, net of redemptions	1,825
Dividends paid to preferred stock shareholders	(13,266)
Deferred financing costs paid	-
Other	(86)
Net cash provided by (used in) financing activities	56,898
Increase (decrease) in cash and cash equivalents	(5,534)
Cash and cash equivalents, beginning of period	5,536
Cash and cash equivalents, end of period	$ 2 $

	Unrestricted Internet Non-Guarantor Subsidiaries	Elimi
OPERATING ACTIVITIES:		
Net loss	$ (47,296)	$
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	18,824	
Accretion of discount on acquisition obligation and other	-	
Non-cash revenue related to assets-for-equity transactions	(4,143)	
Provision for the impairment of securities	-	
Non-cash compensation	-	
Gain on sales of businesses and other, net	-	
Equity in losses of subsidiaries	-	
Intercompany (income) expense	-	
Other, net	1	
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable, net	(415)	
Inventories, net	441	
Prepaid expenses and other	3,697	
Increase (decrease) in:		
Accounts payable	(2,069)	
Accrued interest payable	-	
Accrued expenses and other	(3,286)	
Deferred revenues	(1,332)	

Other non-current liabilities	19
Net cash used in operating activities	(35,559)
INVESTING ACTIVITIES:	
Additions to property, equipment and other, net	(6,096)
Proceeds from sales of businesses and other, net	-
(Payments) for businesses acquired, net of cash acquired	109,496
Payments for other investments	-
Net cash provided by (used in) investing activities	103,400
FINANCING ACTIVITIES:	
Intercompany activity	(66,232)
Borrowings under credit agreements	-
Repayments of borrowings under credit agreements	-
Proceeds from issuances of common stock, net of redemptions	-
Dividends paid to preferred stock shareholders	-
Deferred financing costs paid	-
Other	(46)
Net cash provided by (used in) financing activities	(66,278)
Increase (decrease) in cash and cash equivalents	1,563
Cash and cash equivalents, beginning of period	196
Cash and cash equivalents, end of period	$ 1,759 $

14. FINANCIAL INFORMATION FOR GUARANTORS OF THE COMPANY'S DEBT (CONTINUED)

PRIMEDIA INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
(UNAUDITED)

For the Three Months Ended March 31, 2000
(dollars in thousands)

	Primedia Inc.	Gua Subsi
Sales, net	$ -	$
Operating costs and expenses:		

Cost of goods sold	-
Marketing and selling	-
Distribution, circulation and fulfillment	-
Editorial	-
Other general expenses	-
Corporate administrative expenses (excluding non-cash compensation)	7,936
Depreciation of property and equipment	450
Amortization of intangible assets, excess of purchase price over net assets acquired and other	127
Non-cash compensation	14,792
Provision for severance, closures and integration costs	6,319
Gain on sales of businesses and other, net	-
Operating income (loss)	(29,624)
Other income (expense):	
Interest expense	(36,836)
Amortization of deferred financing costs	-
Equity in losses of subsidiaries	(47,837)
Intercompany management fees and interest	74,683
Other, net	183
Net loss	$ (39,431) $

	Unrestricted Internet Non-Guarantor Subsidiaries	Eliminat
Sales, net	$ 8,818	$ (
Operating costs and expenses:		
Cost of goods sold	6,668	(
Marketing and selling	7,881	
Distribution, circulation and fulfillment	2,726	
Editorial	344	
Other general expenses	5,852	
Corporate administrative expenses (excluding non-cash compensation)	176	
Depreciation of property and equipment	849	
Amortization of intangible assets, excess of purchase price over net assets acquired and other	133	
Non-cash compensation	-	
Provision for severance, closures and integration costs	-	
Gain on sales of businesses and other, net	(10,689)	
Operating income (loss)	(5,122)	
Other income (expense):		
Interest expense	-	
Amortization of deferred financing costs	(1)	
Equity in losses of subsidiaries	-	4
Intercompany management fees and interest	-	
Other, net	(153)	
Net loss	$ (5,276)	$ 4

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14. FINANCIAL INFORMATION FOR GUARANTORS OF THE COMPANY'S DEBT (CONTINUED)

PRIMEDIA INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET

December 31, 2000
(dollars in thousands)

	Primedia Inc.	Guarantor Subsidiaries
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,536	$ 16,99
Accounts receivable, net	70	257,07
Intercompany receivables	774,165	324,67
Inventories, net	-	27,82
Net assets held for sale	-	5,00
Prepaid expenses and other	2,253	31,91
Total current assets	782,024	663,48
Property and equipment, net	6,554	128,01
Investment in and advances to subsidiaries	950,319	
Other intangible assets, net	2,353	501,86
Excess of purchase price over net assets acquired, net	(13,070)	1,146,70
Deferred income tax asset, net	135,000	
Other investments	248,236	91
Other non-current assets	1,857	84,91
	$ 2,113,273	$ 2,525,89
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities:		
Accounts payable	$ 7,552	$ 109,65
Intercompany payables	-	899,20
Accrued interest payable	18,822	
Accrued expenses and other	67,734	144,27
Deferred revenues	26,164	190,91
Current maturities of long-term debt	105,744	9,70
Total current liabilities	226,016	1,353,74
Long-term debt	1,476,128	27,05

Intercompany notes payable	-	2,138,61
Deferred revenues	85,831	26,46
Other non-current liabilities	-	22,11
Exchangeable preferred stock	561,324	
Shareholders' deficiency:		
Common stock	1,678	
Additional paid-in capital	1,366,950	
Accumulated deficit	(1,603,096)	(1,040,27
Accumulated other comprehensive loss	(1,558)	(1,82
Unearned compensation	-	
Common stock in treasury, at cost	-	
Total shareholders' deficiency	(236,026)	(1,042,10
	$ 2,113,273	$ 2,525,89

	Unrestricted Internet Non-Guarantor Subsidiaries	Eliminations
ASSETS		
Current assets:		
Cash and cash equivalents	$ 196	$ -
Accounts receivable, net	8,084	-
Intercompany receivables	17,690	(1,116,533
Inventories, net	844	-
Net assets held for sale	-	-
Prepaid expenses and other	9,357	-
Total current assets	36,171	(1,116,533
Property and equipment, net	40,882	-
Investment in and advances to subsidiaries	-	(950,319
Other intangible assets, net	1,234	-
Excess of purchase price over net assets acquired, net	4,337	-
Deferred income tax asset, net	-	-
Other investments	16,318	-
Other non-current assets	140	-
	$ 99,082	$ (2,066,852
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities:		
Accounts payable	$ 3,379	$ -
Intercompany payables	201,162	(1,116,533
Accrued interest payable	-	-
Accrued expenses and other	10,498	-
Deferred revenues	17,881	-
Current maturities of long-term debt	15	-

Total current liabilities	232,935	(1,116,533
Long-term debt	9	-
Intercompany notes payable	-	(2,138,619
Deferred revenues	-	-
Other non-current liabilities	943	-
Exchangeable preferred stock	-	-
Shareholders' deficiency:		
Common stock	-	-
Additional paid-in capital	-	-
Accumulated deficit	(134,801)	1,186,049
Accumulated other comprehensive loss	(4)	2,251
Unearned compensation	-	-
Common stock in treasury, at cost	-	-
Total shareholders' deficiency	(134,805)	1,188,300
	$ 99,082	$ (2,066,852

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14. FINANCIAL INFORMATION FOR GUARANTORS OF THE COMPANY'S DEBT (CONTINUED)

PRIMEDIA INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(UNAUDITED)

For the Three Months Ended March 31, 2000
(dollars in thousands)

	Primedia Inc.	Guarantor Subsidiari
OPERATING ACTIVITIES:		
Net loss	$ (39,431)	$ (42,15
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	577	44,83
Accretion of discount on acquisition obligation and other	157	78
Non-cash revenue related to assets-for-equity transactions	-	(3
Non-cash compensation	14,792	

Gain on sales of businesses and other, net	-	(30
Equity in losses of subsidiaries	47,837	
Intercompany (income) expense	(74,683)	74,68
Other, net	-	(7
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable, net	(595)	(7,45
Inventories, net	-	(2,46
Prepaid expenses and other	(63)	(10,15
Increase (decrease) in:		
Accounts payable	(2,891)	(16,76
Accrued interest payable	4,236	
Accrued expenses and other	1,876	(22,14
Deferred revenues	-	5,11
Other non-current liabilities	(1)	(35
Net cash provided by (used in) operating activities	(48,189)	23,51
INVESTING ACTIVITIES:		
Additions to property, equipment and other, net	(159)	(9,39
Proceeds from sales of businesses and other, net	-	3,00
Payments for businesses acquired, net of cash acquired	-	(3,72
Payments for other investments	(6,725)	7
Net cash used in investing activities	(6,884)	(10,05
FINANCING ACTIVITIES:		
Intercompany activity	(7,065)	(15,61
Borrowings under credit agreements	206,000	
Repayments of borrowings under credit agreements	(113,000)	
Proceeds from issuances of common stock, net of redemptions	4,715	
Taxes paid associated with stock option exercises	(16,891)	
Dividends paid to preferred stock shareholders	(13,266)	
Deferred financing costs paid	-	(17
Other	(53)	(59
Net cash provided by (used in) financing activities	60,440	(16,38
Increase (decrease) in cash and cash equivalents	5,367	(2,92
Cash and cash equivalents, beginning of period	11,521	13,76
Cash and cash equivalents, end of period	$ 16,888	$ 10,83

	Unrestricted Internet Non-Guarantor Subsidiaries	Eliminat
OPERATING ACTIVITIES:		
Net loss	$ (5,276)	$ 47
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		

Depreciation and amortization	983	
Accretion of discount on acquisition obligation and other	-	
Non-cash revenue related to assets-for-equity transactions	-	
Non-cash compensation	-	
Gain on sales of businesses and other, net	(10,689)	
Equity in losses of subsidiaries	-	(47
Intercompany (income) expense	-	
Other, net	-	
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable, net	(1,426)	
Inventories, net	(1)	
Prepaid expenses and other	(4,374)	
Increase (decrease) in:		
Accounts payable	65	
Accrued interest payable	-	
Accrued expenses and other	(1,231)	
Deferred revenues	1,057	
Other non-current liabilities	5	
Net cash provided by (used in) operating activities	(20,887)	
INVESTING ACTIVITIES:		
Additions to property, equipment and other, net	(7,019)	
Proceeds from sales of businesses and other, net	11,284	
Payments for businesses acquired, net of cash acquired	(189)	
Payments for other investments	(4,890)	
Net cash used in investing activities	(814)	
FINANCING ACTIVITIES:		
Intercompany activity	22,106	
Borrowings under credit agreements	-	
Repayments of borrowings under credit agreements	-	
Proceeds from issuances of common stock, net of redemptions	-	
Taxes paid associated with stock option exercises	-	
Dividends paid to preferred stock shareholders	-	
Deferred financing costs paid	-	
Other	-	
Net cash provided by (used in) financing activities	22,106	
Increase (decrease) in cash and cash equivalents	405	
Cash and cash equivalents, beginning of period	404	
Cash and cash equivalents, end of period	$ 809	$

15. SUBSEQUENT EVENTS

In April 2001, the Company completed the sale of QWIZ, Inc. for gross consideration of approximately $10,000, $7,000 of which was received in cash with the remainder received in the form of preferred equity securities.

On May 8, 2001, the Company completed a private offering of $500,000 principal amount of 8.875% Senior Notes due 2011. The net proceeds of this offering will be used to repay outstanding indebtedness under the Company's revolving loan and term loan facilities.

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

INTRODUCTION

PRIMEDIA Inc., together with its subsidiaries, is herein referred to as either "PRIMEDIA" or the "Company."

The following discussion and analysis of the Company's unaudited financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto. The Company's two segments are consumer and business-to-business The Company's consumer segment produces and distributes magazines, guides and videos for consumers in various niche markets. The Company's business-to-business segment produces and distributes magazines, books, directories, databases and vocational training materials to business professionals in such fields as communications, agriculture, professional services, media, transportation and healthcare. The consumer segment includes PRIMEDIA Magazines Inc., PRIMEDIA Enthusiast Group, Channel One Communications Corporation, About.com, Inc. ("About"), Films for the Humanities & Sciences, Inc., and Haas Publishing Companies, Inc. The business-to-business segment includes Intertec Publishing Corporation, Bacon's Information, Inc., PRIMEDIA Workplace Learning, Inc., Industryclick Corporation, Kagan World Media, Inc. and affiliated companies and certain product lines of PRIMEDIA Information Inc.

Management believes a meaningful comparison of the results of operations for the three months ended March 31, 2001 and 2000 is obtained by using the segment information and by presenting results from continuing businesses ("Continuing Businesses") which exclude the results of the non-core businesses ("Non-Core Businesses"). The Non-Core Businesses include Pictorial, Inc. (divested in June 2000), QWIZ, Inc. (divested in April 2001), certain business directories (divested in October 2000) and certain other businesses and titles (including certain titles of the youth entertainment group) which are discontinued or will be divested.

EBITDA represents earnings before interest, taxes, depreciation, amortization and other (income) charges ("EBITDA"). EBITDA is not intended to represent cash flow from operating activities 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 or to cash flows as a measure of liquidity. The Company believes EBITDA is a standard measure commonly reported and widely used by analysts, investors and other interested parties in the media industry. Accordingly, this information has been disclosed herein to permit a more complete comparative analysis of the Company's operating performance relative to other companies in its industry. EBITDA should not be considered in isolation or as a substitute for other measures of financial performance or liquidity. The primary difference between EBITDA and cash flow provided by (used in) operating activities relates to changes in working capital requirements and payments made for interest and income taxes. Additionally, EBITDA is not available for the Company's discretionary use as there are legal requirements to pay preferred stock dividends and repay debt, among other payments. EBITDA as presented may not be comparable to similarly titled measures reported by other companies, since not all companies necessarily calculate EBITDA in identical manners, and therefore, is not necessarily an accurate measure of comparison between companies.

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Primedia Inc. and Subsidiaries
Unaudited Results of Consolidated Operations
(dollars in thousands)

	Three Months March 31 2001
Sales, Net:	
Continuing Businesses:	
Consumer	$ 298,301
Business-to-business	124,520
Eliminations	(744)
Subtotal	422,077
Non-Core Businesses	4,929
Total	$ 427,006
EBITDA:	
Continuing Businesses:	
Consumer	$ 30,676
Business-to-business	17,627
Corporate	(8,230)
Subtotal	40,073
Non-Core Businesses	(3,510)
Total	$ 36,563
Operating Income (Loss):	
Continuing Businesses:	
Consumer	$ (10,591)
Business-to-business	(1,013)
Corporate	(13,426)
Subtotal	(25,030)
Non-Core Businesses	(3,917)

Total		(28,947)
Other Expense:		
Provision for the impairment of securities		(3,248)
Interest expense		(33,161)
Amortization of deferred financing costs		(1,013)
Other, net		(19,439)
Net Loss	$	(85,808)

THREE MONTHS ENDED MARCH 31, 2001 COMPARED TO THREE MONTHS ENDED MARCH 31, 2000:

CONSOLIDATED RESULTS:

Sales from Continuing Businesses increased 7.9% to $422,077 in 2001 from $391,002 in 2000 due to growth in both segments. Total sales, including Non-Core Businesses, increased 5.6% to $427,006 in the first quarter of 2001 from $404,450 in the 2000 period.

Since the first quarter of 2000, the Company has entered various assets-for-equity transactions, some of which also included cash consideration. The remainder represents advertising, content licensing and other services to be rendered by the Company in exchange for the equity in these entities. The Company recognizes these amounts as revenue in accordance with the Company's revenue recognition policies. Revenue recognized in connection with these assets-for-equity transactions was approximately $28,500 and $33 during the three months ended March 31, 2001 and 2000, respectively, and will be substantially reduced in future quarters.

EBITDA from Continuing Businesses decreased 22.9% to $40,073 in 2001 from $51,978 in 2000 primarily due to higher investment in new media development. Total EBITDA, including Non-Core Businesses, decreased 34.9% to $36,563 in 2001 from $56,143 in 2000. New media losses for the first quarter of 2001 were essentially flat with new media losses for the fourth quarter of 2000.

Operating loss from Continuing Businesses increased to $(25,030) in 2001 compared to $(966) in 2000. This increase in operating loss was primarily attributable to the decrease in EBITDA as well as an increase in amortization expense related to excess of purchase price over net assets acquired as a result of the About acquisition. Total operating income (loss), including Non-Core Businesses, decreased to $(28,947) in 2001 compared to $352 in 2000.

Interest expense decreased by 13.5% in the first quarter of 2001 compared to 2000. This decrease is the result of the Company's use of proceeds from the sales of businesses, the Liberty Media investment in April 2000, and cash acquired in connection with the About merger to repay borrowings under its bank credit facilities.

CONSUMER:

Sales from Continuing Businesses increased 9.6% to $298,301 in the first quarter of 2001 from $272,195 in 2000 due primarily to growth at the Company's apartment guides and apartmentguide.com, growth in advertising at the enthusiast magazines and related websites, growth in advertising revenues at Channel One, and the About acquisition whose results are included in the consumer segment for the month of March 2001. These increases were partially offset by reduced newsstand sales at the soap opera and youth entertainment group titles and one less issue of SEVENTEEN magazine in the first quarter of 2001 as compared to 2000 due to changes in the production schedule. New media sales from Continuing Businesses increased 354.4% to $19,251 in 2001 from $4,237 in 2000 due to the About acquisition, growth at apartmentguide.com and growth in advertising at the enthusiast magazine related websites. Revenue recognized in connection with assets-for-equity transactions was approximately $23,700 and $33 during the three months ended March 31, 2001 and 2000, respectively.

EBITDA from Continuing Businesses decreased 30.4% to $30,676 in 2001 from $44,070 in 2000. The EBITDA margin for Continuing Businesses decreased to 10.3% in 2001 from 16.2% in 2000. The decrease is primarily attributable to increased Internet spending, one less issue of SEVENTEEN magazine in the first quarter of 2001 as compared to 2000 due to changes in the production schedule and reduced newsstand sales at the soap opera and youth entertainment group titles. These decreases were offset by strength at the Company's apartment guides and Channel One. New media losses for the first quarter of 2001 were essentially flat with new media losses for the fourth quarter of 2000. In addition, single copy

sales levels related to the soap opera titles for the first quarter of 2001 were consistent with sales levels for the fourth quarter of 2000.

Operating income (loss) from Continuing Businesses, decreased to $(10,591) in 2001 from $18,537 in 2000. The decrease in operating income was primarily attributable to the decrease in EBITDA as well as an increase in amortization expense related to excess of purchase price over net assets acquired as a result of the About acquisition.

BUSINESS-TO-BUSINESS:

Sales from Continuing Businesses increased 4.8% to $124,520 in the first quarter of 2001 from $118,807 in 2000 primarily due to higher new media sales at Industryclick, sales growth at PRIMEDIA Workplace Learning and an acquisition. New media sales from Continuing Businesses increased 40.4% to $5,668 in 2001 from $4,038 in 2000. Revenue recognized in connection with assets-for-equity transactions was approximately $4,800 and $0 during the three months ended March 31, 2001 and 2000, respectively.

EBITDA from Continuing Businesses increased 10.0% to $17,627 in 2001 from $16,020 in 2000. The EBITDA margin increased to 14.2% in 2001 from 13.5% in 2000 primarily due to the reversal of a $4,000 sales tax accrual that was no longer required.

Operating loss from Continuing Businesses increased to $(1,013) in 2001 from $(393) in 2000. The increase in operating loss is primarily attributable to the provision for severance, closures and integration costs recorded in 2001, which was partially offset by the increase in EBITDA as well as a decrease in amortization expense related to excess of purchase price over net assets acquired and other intangible assets as a result of certain divestitures.

LIQUIDITY AND CAPITAL RESOURCES

Consolidated working capital, including net assets held for sale and current portion of long-term debt, was $(271,079) at March 31, 2001 as compared to $(346,447) at December 31, 2000. Consolidated working capital reflects certain industry working capital practices and accounting principles, including the recording of certain deferred revenues as a current liability as well as the expensing of most advertising, editorial and product development costs as incurred. Consolidated working capital increased at March 31, 2001 due to increases in net assets held for sale as well as other working capital changes.

Net cash used in operating activities during the three months ended March 31, 2001, after interest payments of $28,356 in 2001 and $32,524 in 2000, was $101,830, as compared to $45,947 during the same 2000 period, due primarily to increased new media losses, as well as other working capital changes. Net additions to property, equipment and other were $14,311 during the three months ended March 31, 2001 compared to $16,573 during the 2000 period due to higher levels of spending last year relating to new office space and capitalized internal use software expenditures. Net cash provided by (used in) investing activities during the three months ended March 31, 2001 increased to $75,346 compared to $(17,750) in the same 2000 period primarily due to cash acquired from the About acquisition. Net cash provided by financing activities during the three months ended March 31, 2001 was $14,929, compared to $66,726 in the same 2000 period. Net borrowings were lower in 2001 primarily due to cash acquired from the About acquisition.

The Company believes its liquidity, capital resources and cash flow are sufficient to fund planned capital expenditures, working capital requirements, interest and principal payments on its debt, the payment of preferred stock dividends and other anticipated expenditures for the next two to three years.

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PROVISION FOR SEVERANCE, CLOSURES AND INTEGRATION COSTS

During 2000 and 2001, the Company implemented plans to integrate the Company and consolidate many back office functions. All integration costs were expensed as incurred. A summary of the status of these plans as of March 31, 2001 is presented below.

2001 PLAN

With the acquisition of About coupled with other cost initiatives, during the first quarter of 2001, the Company announced the details of a plan that would continue to implement and expand upon the initiatives enacted during 2000. During 2001, the Company recognized approximately $6,500 of severance, closures and integration costs and paid approximately $3,200 of these costs. These severance, closures and integration costs include charges relating to employee termination and other employee costs, contract and lease terminations, consulting, office relocation and recruiting.

A significant portion of the remaining costs are expected to be paid during the remainder of 2001 with the balance to be paid in 2002. The Company is currently developing additional initiatives aimed largely at the consolidation of certain functions and the further integration of the Company, and accordingly expects to record additional severance, closures and integration costs during 2001.

2000 PLAN

During 2000, the Company announced the implementation of a plan to integrate the Company and consolidate many back office functions. During 2001, the Company made payments approximating $2,900 relating to the balance outstanding as of December 31, 2000 in connection with the 2000 plan.

The majority of the remaining costs, which approximates $8,300, are expected to be paid by the end of 2001 with the balance to be paid through the end of 2003.

As a result of the 2000 and 2001 plans already put in place, the Company will close and consolidate in excess of fifteen office locations and will terminate approximately 490 individuals. All individuals who will be terminated under these plans have been notified. As of March 31, 2001, approximately 365 of those individuals have been terminated.

Management anticipates that these plans will result in significant savings during the remainder of 2001 and beyond.

RECENT DEVELOPMENTS

In April 2001, the Company completed the sale of QWIZ, Inc. for gross consideration of approximately $10,000, $7,000 of which was received in cash with the remainder received in the form of preferred equity securities.

On May 8, 2001, the Company completed a private offering of $500,000 principal amount of 8.875% Senior Notes due 2011. The net proceeds of this offering will be used to repay outstanding indebtedness under the Company's revolving loan and term loan facilities.

IMPACT OF INFLATION

The impact of inflation was immaterial during 2000 and through the first three months of 2001. The Company's paper expense decreased approximately 2% during the first three months of 2001. In the first three months of 2001, paper costs represented approximately 7% of the Company's total operating costs and expenses. Postage for product distribution and direct mail solicitations is also a significant expense of the Company. The Company uses the U.S. Postal Service for distribution of many of its products and marketing materials. Postage rates increased approximately 10% in January 2001. In the past, the effects of inflation on operating expenses have substantially been offset by PRIMEDIA's ability to increase selling prices. No assurances can be given that the Company can pass such cost increases through to its customers. In addition to pricing actions, the Company is continuing to examine all aspects of the manufacturing and purchasing processes to identify ways to offset some of these price increases.

FORWARD-LOOKING INFORMATION

This report contains certain forward-looking statements concerning the Company's operations, economic performance and financial condition. These statements are based upon a number of assumptions and estimates, which are inherently subject to uncertainties and contingencies, many of which are beyond the control of the Company, and reflect future business decisions, which are subject to change. Some of the assumptions may not materialize and unanticipated events will occur which can affect the Company's results.

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Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

During the first three-months of 2001, there were no significant changes related to the Company's market risk exposure.

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Item 6. REPORTS ON FORM 8-K

On March 1, 2001, PRIMEDIA Inc. filed its Current Report on Form 8-K to announce the completion of the merger between PRIMEDIA Inc. and About.com, Inc.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PRIMEDIA Inc.
(Registrant)

Date: May 15, 2001	/s/ Thomas S. Rogers
	(Signature) Chairman and Chief Executive Officer (Principal Executive Officer)
Date: May 15, 2001	/s/ Lawrence R. Rutkowski
	(Signature) Executive Vice President and Chief Financial Officer (Principal Financial Officer)