

WORLD WRESTLING ENTERTAINMENTINC  
Form 10-Q/A  
April 23, 2004

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

**FORM 10-Q/A**

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

For the quarterly period ended October 24, 2003

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-27639

**WORLD WRESTLING ENTERTAINMENT, INC.**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of incorporation or organization)

**04-2693383**  
(I.R.S. Employer Identification No.)

**1241 East Main Street  
Stamford, CT 06902  
(203) 352-8600**

(Address, including zip code, and telephone number, including area code,  
of Registrant's principal executive offices)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

YesNo

x o

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

YesNo

x o

At November 7, 2003, the number of shares outstanding of the Registrant's Class A common stock, par value \$.01 per share, was 13,608,997 and the number of shares outstanding of the Registrant's Class B common stock, par value \$.01 per share, was 54,780,207.

This amendment is being filed to reflect the restatement of the Company's condensed consolidated financial statements as discussed in Note 2 thereto, and other information related to such restated financial statements.

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**World Wrestling Entertainment, Inc.**  
**Consolidated Statements of Operations**

(in thousands, except per share data)

(Unaudited)

	Three Months Ended		Six Months Ended	
	October 24, 2003	October 25, 2002	October 24, 2003	October 25, 2002
	(as restated, see Note 2)	(as restated, see Note 2)	(as restated, see Note 2)	(as restated, see Note 2)
Net revenues	\$ 94,431	\$ 90,323	\$ 169,106	\$ 175,772
Cost of revenues	52,227	62,172	101,488	118,790
Selling, general and administrative expenses	13,201	24,635	32,762	46,422
Stock compensation costs	158		316	
Depreciation and amortization	2,977	2,203	5,806	4,300
Operating income	25,868	1,313	28,734	6,260
Interest income	1,238	(658)	2,888	441
Interest expense	207	188	392	379
Other income (loss), net	236	(71)	291	(50)
Income before income taxes	27,135	396	31,521	6,272
Provision for income taxes	10,316	201	11,959	2,287
Income from continuing operations	16,819	195	19,562	3,985
Income (loss) from discontinued operations, net of tax	266	(1,863)	108	(3,190)
Net income (loss)	\$ 17,085	\$ (1,668)	\$ 19,670	\$ 795
Earnings (loss) per common share - basic and diluted:				
Continuing operations	\$ 0.25	\$ 0.00	\$ 0.28	\$ 0.06
Discontinued operations	0.00	(0.03)	0.00	(0.05)
Net income (loss)	\$ 0.25	\$ (0.03)	\$ 0.28	\$ 0.01
Weighted average common shares outstanding:				
Basic	68,392	70,407	68,710	70,750
Diluted	68,586	70,407	68,860	70,750

See Notes to Consolidated Financial Statements

**World Wrestling Entertainment, Inc.**  
**Consolidated Balance Sheets**  
(dollars in thousands)  
(Unaudited)

	As of October 24, 2003	As of April 30, 2003
	(as restated, see Note 2)	
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 82,449	\$ 128,473
Short-term investments	190,992	142,641
Accounts receivable (less allowance for doubtful accounts of \$3,015 as of October 24, 2003 and \$5,284 as of April 30, 2003)	42,731	49,729
Inventory, net	1,024	839
Prepaid expenses and other current assets	20,029	18,443
Assets of discontinued operations	20,761	21,129
	<hr/>	<hr/>
Total current assets	357,986	361,254
PROPERTY AND EQUIPMENT, NET	56,827	59,325
INTANGIBLE ASSETS, NET	5,487	4,625
OTHER ASSETS	9,104	7,447
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 429,404</b>	<b>\$ 432,651</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 806	\$ 777
Accounts payable	15,087	14,188
Accrued expenses and other liabilities	43,540	34,991
Deferred income	19,414	24,662
Liabilities of discontinued operations	9,531	11,554
	<hr/>	<hr/>
Total current liabilities	88,378	86,172
LONG-TERM DEBT	8,716	9,126
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS EQUITY:		
Class A common stock	136	182
Class B common stock	548	548
Treasury stock		(30,569)
Additional paid-in capital	247,926	297,315
Accumulated other comprehensive (loss) income	(122)	243
Retained earnings	83,822	69,634
	<hr/>	<hr/>
Total stockholders equity	332,310	337,353
	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$ 429,404</b>	<b>\$ 432,651</b>

See Notes to Consolidated Financial Statements

**World Wrestling Entertainment, Inc.**  
**Consolidated Statements of Cash Flows**

(dollars in thousands)

(Unaudited)

	Six Months Ended	
	October 24, 2003	October 25, 2002
	(as restated, see Note 2)	(as restated, see Note 2)
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 19,670	\$ 795
Adjustments to reconcile net income to net cash provided by operating activities:		
(Income) loss from discontinued operations, net of tax	(108)	3,190
Depreciation and amortization	5,806	4,300
Amortization of warrants	(670)	(635)
Stock compensation costs	316	
Provision for doubtful accounts	(1,976)	603
Provision for inventory obsolescence	(52)	513
Changes in assets and liabilities:		
Accounts receivable	8,976	14,958
Inventory	(133)	(158)
Prepaid expenses and other assets	(1,592)	(3,114)
Accounts payable	899	(4,394)
Accrued expenses and other liabilities	8,918	(5,454)
Deferred income	(6,217)	685
	<u>33,837</u>	<u>11,289</u>
Net cash provided by continuing operations	33,837	11,289
Net cash used in discontinued operations	(1,545)	(644)
	<u>32,292</u>	<u>10,645</u>
Net cash provided by operating activities	32,292	10,645
<b>INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(2,458)	(5,173)
Purchase of other assets	(1,641)	
(Purchase) sale of short-term investments, net	(49,172)	116
	<u>(53,271)</u>	<u>(5,057)</u>
Net cash used in continuing operations	(53,271)	(5,057)
Net cash used in discontinued operations		(6,830)
	<u>(53,271)</u>	<u>(11,887)</u>
Net cash used in investing activities	(53,271)	(11,887)
<b>FINANCING ACTIVITIES:</b>		
Repayments of long-term debt	(381)	(294)
Stock repurchase, net	(19,182)	(29,554)
Dividends paid	(5,482)	
Net proceeds from exercise of stock options		404
	<u>(25,045)</u>	<u>(29,444)</u>
Net cash used in continuing operations	(25,045)	(29,444)
Net cash provided by discontinued operations		322
	<u>(25,045)</u>	<u>(29,122)</u>
Net cash used in financing activities	(25,045)	(29,122)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(46,024)</b>	<b>(30,364)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>128,473</b>	<b>86,396</b>

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CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 82,449	\$ 56,032
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid during the period for income taxes, net of refunds	\$ 4,448	\$ 2,628
Cash paid during the period for interest	\$ 393	\$ 379
<b>SUPPLEMENTAL NON-CASH INFORMATION:</b>		
Receipt of warrants	\$ 1,638	\$

See Notes to Consolidated Financial Statements

**World Wrestling Entertainment, Inc.**  
**Consolidated Statement of Stockholders Equity and Comprehensive (Loss) Income**  
(dollars and shares in thousands)  
(Unaudited)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total
	Shares	Amount	Shares	Amount				
Balance, May 1, 2003	72,996	\$ 730	2,579	\$ (30,569)	\$ 297,315	\$ 243	\$ 69,634	\$ 337,353
Comprehensive income:								
Translation adjustment						205		205
Unrealized holding loss, net of tax						(570)		(570)
Net income (as restated)							19,670	19,670
Total comprehensive income (as restated)								19,305
Dividends paid							(5,482)	(5,482)
Stock compensation costs					316			316
Purchase of treasury stock			2,028	(19,246)				(19,246)
Sale of common stock	9		9	103	(39)			64
Retirement of treasury stock	(4,616)	(46)	(4,616)	49,712	(49,666)			
Balance, October 24, 2003 (as restated)	68,389	\$ 684		\$	\$ 247,926	\$ (122)	\$ 83,822	\$ 332,310

See Notes to Consolidated Financial Statements

**World Wrestling Entertainment, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(dollars in thousands, except share and per share data)**

**(Unaudited)**

**1. Basis of Presentation and Business Description**

The accompanying condensed consolidated financial statements include the accounts of World Wrestling Entertainment, Inc., and our wholly owned subsidiaries. In fiscal 2003, we closed the operations of our entertainment complex, *The World*. We recorded the results from operations of this business and the estimated shutdown cost as discontinued operations.

All significant intercompany balances have been eliminated. Certain prior year amounts have been reclassified to conform with the current year presentation. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of financial position, results of operations and cash flows at the dates and for the periods presented have been included. The results of operations of any interim period are not necessarily indicative of the results of operations for the full year.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Certain information and note disclosures normally included in annual financial statements have been condensed or omitted from these interim financial statements; these financial statements should be read in conjunction with the financial statements and notes thereto included in our Form 10-K for the year ended April 30, 2003.

We are an integrated media and entertainment company, principally engaged in the development, production and marketing of television programming and live events and the licensing and sale of branded consumer products featuring our World Wrestling Entertainment brand of entertainment. Our operations are organized around two principal activities:

*Live and televised entertainment, which consists of live events and television programming.* Revenues are derived principally from attendance at live events, sale of television advertising time and sponsorships, domestic and international television rights fees and pay-per-view buys.

*Branded merchandise, which consists of licensing and direct sale of merchandise.* Revenues are derived from sales of consumer products through third party licensees and direct marketing and sales of merchandise, magazines and home videos.

Revenues from the discontinued operations of our entertainment complex consisted primarily of food and beverage and retail sales.

**2. Restatement**

Subsequent to the issuance of our financial statements for the three and six months ended October 24, 2003, we determined that certain changes should be made to the accounting related to the March 2001 acquisition of certain assets of World Championship Wrestling, Inc. ( WCW ) and that our financial statements should be restated to reflect such changes. Specifically, \$1,655 capitalized as intangible assets during fiscal 2001 and \$4,900 capitalized as intangible assets in fiscal 2002 have now been accounted for as selling, general and administrative expense during those periods. These costs arose from the termination of certain WCW license and related agreements assumed in the transaction. In addition, the \$2,500 purchase price, which had been classified as an indefinite lived intangible asset and thus not amortized, is now being amortized over an estimated useful life of six years resulting in additional amortization expense of \$105 for both the three months ended October 24, 2003 and October 25, 2002 and \$210 for both the six months ended October 24, 2003 and October 25, 2002.



## World Wrestling Entertainment, Inc.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(dollars in thousands, except share and per share data)**  
**(Unaudited)**

There were no changes to revenues or cost of revenues as a result of this restatement.

We have also changed the presentation of interest income and other, net which has been reclassified as separate line items for each period presented, instead of being combined as a single line item as previously reported.

As a result, we have restated our three and six months ended October 24, 2003 and October 25, 2002 financial statements to reflect the changes noted above.

Additionally, certain disclosures previously omitted from the notes have been included; principally Note 10, Discontinued Operations has been restated to include disclosures relating to shutdown accruals.

The significant effects of this restatement on previously reported amounts are summarized as follows:

**(Dollars in thousands, except per share amounts)**

	Three months ended October 24, 2003		Three months ended October 25, 2002	
	As previously reported	As restated	As previously reported	As restated
<b>Consolidated Statements of Operations:</b>				
Depreciation and amortization	\$ 2,872	\$ 2,977	\$ 2,098	\$ 2,203
Operating income	25,973	25,868	1,418	1,313
Interest income and other, net	1,267		(917)	
Interest income		1,238		(658)
Interest expense		207		188
Other income (loss), net		236		(71)
Income from continuing operations before income taxes	27,240	27,135	501	396
Provision for income taxes	10,356	10,316	241	201
Income from continuing operations	16,884	16,819	260	195
Net income (loss)	\$ 17,150	\$ 17,085	\$ (1,603)	\$ (1,668)
<b>Earnings per share (basic and diluted):</b>				
Continuing operations	\$ 0.25	\$ 0.25	\$ 0.00	\$ 0.00
Net income	\$ 0.25	\$ 0.25	\$ (0.02)	\$ (0.03)
	Six months ended October 24, 2003		Six months ended October 25, 2002	
	As previously reported	As restated	As previously reported	As restated
Depreciation and amortization	\$ 5,596	\$ 5,806	\$ 4,090	\$ 4,300
Operating income	28,944	28,734	6,470	6,260
Interest income and other, net	2,787		12	
Interest income		2,888		441
Interest expense		392		379
Other income (loss), net		291		(50)
Income from continuing operations before income taxes	31,731	31,521	6,482	6,272

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Provision for income taxes	12,039	11,959	2,367	2,287
Income from continuing operations	19,692	19,562	4,115	3,985
Net income	\$ 19,800	\$ 19,670	\$ 925	\$ 795
Earnings per share (basic and diluted):				
Continuing operations	\$ 0.29	\$ 0.28	\$ 0.06	\$ 0.06
Net income	\$ 0.29	\$ 0.28	\$ 0.01	\$ 0.01

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## World Wrestling Entertainment, Inc.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(dollars in thousands, except share and per share data)  
(Unaudited)

	As of October 24, 2003	
	As previously reported	As restated
<b>Consolidated Balance Sheet:</b>		
Intangible assets, net	\$ 13,127	\$ 5,487
Other assets	6,200	9,104
Total assets	434,140	429,404
Retained earnings	88,558	83,822
Total stockholders' equity	337,046	332,310
Total liabilities and stockholders' equity	\$ 434,140	\$ 429,404

**3. Stockholders' Equity****Pro Forma Fair Value Disclosures**

The fair value of options granted to employees, which is amortized to expense over the option vesting period in determining the pro forma impact, is estimated on the date of the grant using the Black-Scholes option-pricing model.

Had compensation expense for our stock options been recognized based on the fair value on the grant date under the methodology prescribed by SFAS No. 123, our income from continuing operations and basic and diluted earnings from continuing operations per common share for the three and six months ended October 24, 2003 and October 25, 2002 would have been impacted as shown in the following table:

	Three months ended		Six months ended	
	October 24, 2003	October 25, 2002	October 24, 2003	October 25, 2002
Reported income from continuing operations	\$ 16,819	\$ 195	\$ 19,562	\$ 3,985
Add: Stock-based employee compensation expense included in reported income from continuing operations, net of related tax effects	98		196	
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(765)	(1,116)	(1,518)	(2,144)
Pro forma income (loss) from continuing operations	\$ 16,152	\$ (921)	\$ 18,240	\$ 1,841
Reported basic and diluted earnings from continuing operations per common share	\$ 0.25	\$ 0.00	\$ 0.28	\$ 0.06
Pro forma basic earnings (loss) from continuing operations per common share	\$ 0.24	\$ (0.01)	\$ 0.27	\$ 0.03
Pro forma diluted earnings (loss) from continuing operations per common share	\$ 0.24	\$ (0.01)	\$ 0.26	\$ 0.03

## World Wrestling Entertainment, Inc.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(dollars in thousands, except share and per share data)**  
**(Unaudited)**

In accordance with SFAS No. 123, the weighted average fair value of stock options granted to employees was based on a theoretical statistical model using assumptions. In actuality, because our stock options are not traded on any exchange, employees can receive no value or derive any benefit from holding stock options under these plans without an increase in market price of our common stock. Such an increase in stock price would benefit all stockholders commensurately.

In the months of October and July 2003, we paid a quarterly dividend of \$0.04 per share, totaling \$5,482 on all Class A and Class B common shares.

In June 2003, we purchased approximately 2.0 million shares of our common stock from Viacom, Inc. for approximately \$19,246, which was a slight discount to the then market value of our common stock. This transaction did not affect other aspects of our business relationship with Viacom. In October 2003, we retired all of our treasury shares.

In June 2003, we granted 792,500 options at an exercise price of \$9.60 and granted 178,000 restricted stock units at an average price per share of \$9.60. Such issuances were granted to officers and employees under our 1999 Long-Term Incentive Plan (the "Plan"). Total compensation costs related to the grant of restricted stock units, based on the estimated value of the units on the grant date, is \$1,709 and will be amortized over the vesting period, which is seven years, unless targeted EBITDA of \$65,000 is met for any fiscal year during the vesting period. In that event, the unvested restricted stock units immediately vest and accordingly, the unamortized balance at that date would be expensed. EBITDA is a measure of our operating performance, and is defined in the Plan as earnings from continuing operations before interest, taxes, depreciation and amortization.

Stock-based compensation expense related to the restricted stock grant for the three and six months ended October 24, 2003 was \$158 (\$98 net of tax) and \$316 (\$196 net of tax), respectively. We did not record compensation expense for the options granted under the intrinsic accounting method for any period presented.

#### 4. Earnings Per Share

For purposes of calculating basic and diluted earnings per share, we used the following weighted average common shares outstanding:

	Three months ended		Six months ended	
	October 24, 2003	October 25, 2002	October 24, 2003	October 25, 2002
Weighted average common shares outstanding:				
Basic	68,392,354	70,407,229	68,710,001	70,749,703
Diluted	68,586,005	70,407,229	68,859,596	70,749,703
Dilutive effect of outstanding options and restricted stock units	193,651		149,595	
Anti-dilutive outstanding options	7,421,050	7,248,925	7,421,050	7,248,925

#### 5. Segment Information

Our continuing operations are conducted within two reportable segments: live and televised entertainment and branded merchandise. The live and televised entertainment segment consists of live events and television programming. Our branded merchandise segment includes consumer products sold through third party licensees

## World Wrestling Entertainment, Inc.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(dollars in thousands, except share and per share data)**  
**(Unaudited)**

and the marketing and sale of merchandise, magazines and home videos. The results of operations for *The World* are not included in the segment reporting as they are classified as discontinued operations in our consolidated financial statements. We do not allocate corporate overhead to each of the segments and as a result, corporate overhead is a reconciling item in the table below. Included in corporate overhead for the three and six months ended October 24, 2003 was a favorable settlement of litigation of \$5,885. There are no intersegment revenues. Revenues derived from sales outside of North America were approximately \$16,810 and \$32,122 for the three and six months ended October 24, 2003, respectively, and approximately \$13,165 and \$23,505 for the three and six months ended October 25, 2002. Unallocated assets consist primarily of cash, investments and real property.

	Three months ended		Six months ended	
	October 24, 2003	October 25, 2002	October 24, 2003	October 25, 2002
<b>Net Revenues:</b>				
Live and televised entertainment	\$ 76,749	\$ 70,652	\$ 139,442	\$ 138,468
Branded merchandise	17,682	19,671	29,664	37,304
Total net revenues (1)	\$ 94,431	\$ 90,323	\$ 169,106	\$ 175,772
<b>Depreciation and Amortization:</b>				
Live and televised entertainment	1,028	\$ 861	\$ 2,086	\$ 1,668
Branded merchandise	666	373	1,308	748
Corporate	1,283	969	2,412	1,884
Total depreciation and amortization	\$ 2,977	\$ 2,203	\$ 5,806	\$ 4,300
<b>Operating Income:</b>				
Live and televised entertainment	\$ 30,111	\$ 16,951	\$ 47,780	\$ 35,890
Branded merchandise	6,171	5,032	8,225	8,664
Corporate	(10,414)	(20,670)	(27,271)	(38,294)
Total operating income	\$ 25,868	\$ 1,313	\$ 28,734	\$ 6,260

	As of	
	October 24, 2003	April 30, 2003
<b>Assets:</b>		
Live and televised entertainment	\$ 56,698	\$ 73,727
Branded merchandise	25,606	17,395
Unallocated (2)	347,100	341,529
Total assets	\$ 429,404	\$ 432,651

(1) Included in net revenues for the three and six months ended October 24, 2003 was \$335 and \$670 respectively and for the three and six months ended October 25, 2002 was \$317 and \$635, respectively, related to the amortization of deferred revenue resulting from the receipt of warrants. Warrants received from our licensees and our television programming distributor are initially recorded at their estimated fair value on

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the date of grant using the Black-Scholes option pricing model. A corresponding amount is recorded as deferred revenue and is amortized into operating income over the life of the related agreements using the straight-line method.

(2) Includes assets of discontinued operations of \$20,761 and \$21,129 as of October 24, 2003 and April 30, 2003, respectively.

## World Wrestling Entertainment, Inc.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(dollars in thousands, except share and per share data)  
(Unaudited)

**6. Property and Equipment**

Property and equipment consisted of the following:

	As of	
	October 24, 2003	April 30, 2003
Land, buildings and improvements	\$ 51,186	\$ 51,009
Equipment	40,130	40,374
Vehicles	639	639
Property under capital lease	1,056	1,056
	<u>93,011</u>	<u>93,078</u>
Less accumulated depreciation and amortization	36,184	33,753
<b>Total</b>	<b>\$ 56,827</b>	<b>\$ 59,325</b>

Depreciation and amortization expense for property and equipment was \$2,484 and \$4,958 for the three and six months ended October 24, 2003, respectively, and \$2,098 and \$4,090 for the three and six months ended October 25, 2002, respectively.

**7. Intangible Assets**

Intangible assets consisted of the following:

	As of		
	October 24, 2003		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Film libraries	\$ 4,710	\$ (638)	\$ 4,072
Trademarks and trade names	2,500	(1,085)	1,415
	<u>\$ 7,210</u>	<u>\$ (1,723)</u>	<u>\$ 5,487</u>
	As of		
	April 30, 2003		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Film library	\$ 3,000	\$	\$ 3,000

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Trademarks and trade names	2,500	(875)	1,625
	<u>          </u>	<u>          </u>	<u>          </u>
	\$ 5,500	\$ (875)	\$ 4,625
	<u>          </u>	<u>          </u>	<u>          </u>

During the six months ended October 24, 2003, we acquired film libraries and certain other assets for \$1,710, which will be amortized, using the straight-line method, over three years.

Amortization expense was \$493 and \$848 for the three and six months ended October 24, 2003, respectively, and was \$105 and \$210 for the three and six months ended October 25, 2002, respectively.

Estimated amortization expense for each of the fiscal years ending is as follows:

April 30, 2004	\$ 1,841
April 30, 2005	1,986
April 30, 2006	1,986
April 30, 2007	522
	<u>          </u>
	\$ 6,335
	<u>          </u>



## World Wrestling Entertainment, Inc.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(dollars in thousands, except share and per share data)  
(Unaudited)

**8. Investments**

Short-term investments consisted of the following as of October 24, 2003 and April 30, 2003:

	October 24, 2003		
	Amortized Cost	Unrealized Holding Gain (Loss)	Fair Value
Fixed-income mutual funds and other	\$ 167,232	\$ (723)	\$ 166,509
United States Treasury Notes	24,438	45	24,483
<b>Total</b>	<b>\$ 191,670</b>	<b>\$ (678)</b>	<b>\$ 190,992</b>

	April 30, 2003		
	Cost	Unrealized Holding Gain	Fair Value
Government obligations	\$ 63,755	\$	\$ 63,755
Corporate obligations and other	38,711		38,711
Fixed-income mutual funds	40,027	148	40,175
<b>Total</b>	<b>\$ 142,493</b>	<b>\$ 148</b>	<b>\$ 142,641</b>

**9. Commitments and Contingencies****Television programming agreements**

Our contract with UPN was renewed in October 2003 with modified terms. Under the provisions of this new contract, we do not sell the advertising inventory, but rather receive a fixed rights fee for the program and a share of all advertising revenue sold by UPN in excess of a certain contractual amount. Under our former agreement with UPN, we sold almost the entire advertising inventory related to our *SmackDown!* programming. UPN participated in this revenue to the extent of the greater of a contractual percentage or a minimum guaranteed amount. The impact of this change on our consolidated financial statements is a reduction in advertising revenues which was offset by an increase in television rights fees and the elimination of the participation costs to UPN.

**Legal Proceedings***World Wide Fund for Nature*

There has been no significant development in this legal proceeding subsequent to the disclosure in Note 11 of Notes to Consolidated Financial Statements in our Annual Report on Form 10-K/A for the fiscal year ended April 30, 2003. We cannot quantify the potential impact that an unfavorable outcome of the Fund's damage claim could have on our financial condition, results of operations or liquidity if such a claim were ever to be presented, but based solely on the Fund's unsubstantiated informal assertions, it could be material.

*Shenker & Associates*

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Reference is made to the disclosure in Note 11 of Notes to Consolidated Financial Statements in our Annual Report on Form 10-K/A for the fiscal year ended April 30, 2003. Subsequently, on May 23, 2003, we filed a motion for sanctions asserting significant litigation misconduct by the plaintiff, for which we sought, among other things, dismissal of all claims against us and a default judgment granting our counterclaims. On October 16, 2003, the Court issued a comprehensive opinion and order in which the Court dismissed all of

**World Wrestling Entertainment, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(dollars in thousands, except share and per share data)**  
**(Unaudited)**

plaintiff's case against us with prejudice and entered a default in favor of us on our counterclaims. The Court also directed us to file a report with the Court on the discovery it needs to prove the damages associated with its counterclaims, which we have done. Finally, the Court indicated it would consider an award of counsel fees for expenses directly incurred as a result of the sanctionable conduct of Stanley Shenker & Associates, Inc. upon the conclusion of the damages hearing.

In the Court's opinion, the sanctions awarded were proper because the plaintiff had admitted to a wide range of litigation misconduct committed by its principal and owner, Stanley Shenker, including giving perjured deposition testimony, providing perjured interrogatory answers, fabricating evidence after instituting this action, facilitating the destruction of evidence after instituting this action, concealing evidence, and conspiring with Mr. James Bell, our former Senior Vice President of Licensing and Merchandising, to engage in other litigation misconduct. On November 5, 2003, the plaintiff filed a motion to reconsider the Court's Order dismissing all of its claims and granting a default judgment in favor of us. This motion to reconsider was denied on November 20, 2003. We are continuing our legal action against Mr. Bell with respect to irregularities in the licensing program during his tenure at World Wrestling Entertainment, Inc., which have come to light as a result of discovery in this case. While we believe that the decision against Shenker was correct, he has the right to appeal. Assuming the decision stands, we will reverse the amounts accrued as commissions expense over the life of the agency agreement, to selling, general and administrative expense. The amount accrued as of October 24, 2003 was approximately \$7.0 million.

*Marvel Enterprises*

Reference is made to the disclosure in Note 11 of Notes to Consolidated Financial Statements in our Annual Report on Form 10-K/A for the fiscal year ended April 30, 2003. Subsequently, by Order dated July 31, 2003, the Court granted our motion for summary judgment in its entirety and dismissed all claims asserted against us. The Court also granted in part and denied in part Universal, Inc.'s (formerly known as World Championship Wrestling, Inc.) motion for summary judgment. Marvel has filed notices of appeal with respect to the Court's rulings in both actions. Universal, Inc. has also cross-filed a notice of appeal with respect to the Court's denial in part of its motion for summary judgment. While we believe the court's decision to dismiss the claims against us was correct, we are unable to predict the likelihood of success of Marvel's appeal. We are defending Universal, Inc. in connection with Marvel's claims against it. In light of the summary judgment rulings, we do not believe that an unfavorable outcome of the remaining claims against Universal, Inc. would have a material adverse effect on our financial condition or results of operations; however no assurances can be given in this regard.

*IPO Class Action*

Reference is made to the disclosure in Note 11 of Notes to Consolidated Financial Statements in our Annual Report on Form 10-K/A for the fiscal year ended April 30, 2003. Subsequently, the class plaintiffs and the issuer defendants, including our officers named in the suit and we have reached an agreement in principle for the settlement of all claims. To that end, a memorandum of understanding concerning the terms of the settlement (the MOU) was circulated for approval among all issuer defendants. While we strongly deny all allegations, we approved the MOU, subject to certain conditions, including, specifically, approval of the settlement as reflected in the MOU by our primary insurer. It is our understanding that the significant majority of issuer defendants have approved the MOU as well. We expect the settlement process will move forward toward the execution of a definitive settlement agreement; however no assurances can be given in this regard. If a settlement is consummated on the terms set forth in the MOU, we believe it will not have a material adverse effect on our financial condition or results of operations.

We are not currently a party to any other material legal proceedings. However, we are involved in several other suits and claims in the ordinary course of business, and we may from time to time become a party to other legal proceedings. The ultimate outcome of these other matters is not expected to have a material adverse effect on our financial condition or results of operations.

## World Wrestling Entertainment, Inc.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(dollars in thousands, except share and per share data)  
(Unaudited)

**10. Discontinued operations**

During fiscal 2003, as a result of continued losses, we closed the restaurant and retail operations of *The World*. As a result, we recorded a charge of approximately \$12,100 (\$8,900, after tax) related to *The World*'s shutdown, the majority of which represented the present value of our obligations under the facility's lease, less estimated sublease rental income over the lease term. As of April 30, 2003, we had a remaining accrual balance of approximately \$10,300 relating to the shutdown. Included in the \$10,300 was approximately \$9,900 of accrued rent and other related costs and approximately \$400 for accrued severance and other related costs. The accrual for rent and other related costs assumed no sub-rental income for fiscal 2004 and assumed 75% sub-rental income for fiscal years 2005 through the end of the lease term, which is October 31, 2017.

The following table presents the activity in the accruals relating to the shutdown of *The World* during the six months ended October 24, 2003:

	<b>Accrued Rent and Other Related Costs</b>	<b>Accrued Severance and Other Related Costs</b>	<b>Total</b>
Balance as of April 30, 2003	\$ 9,900	\$ 400	\$ 10,300
Amount paid during the six months ended October 24, 2003	1,300	300	1,600
Balance as of October 24, 2003	\$ 8,600	\$ 100	\$ 8,700

Although we are actively seeking to sub-let the property, we have not found a tenant. Our assumptions relating to the sub-rental income and the related rent accrual will continue to be monitored and adjusted accordingly.

In early May 2001, we formalized our decision to discontinue operations of the XFL. The results of *The World* business and the assets and liabilities of *The World* and the XFL have been classified as discontinued operations in our consolidated financial statements and are summarized as follows:

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>October 24, 2003</b>	<b>October 25, 2002</b>	<b>October 24, 2003</b>	<b>October 25, 2002</b>
Discontinued operations:				
Income (loss) from <i>The World</i> operations, net of tax expense of \$147 and \$50 for the three and six months ended October 24, 2003, respectively and net of tax benefits of \$1,142 and \$1,956 for the three and six months ended October 25, 2002, respectively	\$ 266	\$ (1,863)	\$ 108	\$ (3,190)

## World Wrestling Entertainment, Inc.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(dollars in thousands, except share and per share data)  
(Unaudited)

	As of	
	October 25, 2003	April 30, 2003
<b>Assets:</b>		
Cash	\$ 853	\$ 1,185
Accounts receivable	1	5
Income tax receivable	5,315	5,343
Prepaid expenses	90	94
Inventory	65	65
Deferred income taxes, net of valuation allowance of \$1,350	14,437	14,437
	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 20,761</b>	<b>\$ 21,129</b>
	<hr/>	<hr/>
<b>Liabilities:</b>		
Accounts payable	\$	\$ 19
Accrued expenses	9,579	11,561
Due to World Wrestling Entertainment, Inc.	240	262
Minority interest	(288)	(288)
	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>\$ 9,531</b>	<b>\$ 11,554</b>
	<hr/>	<hr/>

Included in income from discontinued operations for the three and six months ended October 24, 2003 was \$689 of expense recoveries. Assets of the discontinued operations are stated at their estimated net realizable value.

**Item 2.****Management's Discussion and Analysis of Financial Condition and Results of Operations**

As discussed in Note 2 to the condensed consolidated financial statements, our financial statements have been restated. The accompanying Management's Discussion and Analysis of Financial Condition and Results of Operations give effect to that restatement.

**Background**

We are an integrated media and entertainment company principally engaged in the development, production and marketing of television programming and live events and the licensing and sale of branded consumer products featuring our highly successful brands.

Our operations are organized around two principal activities:

*Live and televised entertainment, which consists of live events and television programming.* Revenues are derived principally from attendance at live events, sale of television advertising time and sponsorships, domestic and international television rights fees and pay-per-view buys.

*Branded merchandise, which consists of licensing and direct sale of merchandise.* Revenues are derived from sales of consumer products through third party licensees and direct marketing and sale of merchandise, magazines and home videos.

**Results of Operations****Second Quarter Ended October 24, 2003 compared to Second Quarter Ended October 25, 2002 (Dollars in millions)**

Net Revenues	October 24, 2003	October 25, 2002	better (worse)
Live and televised	\$ 76.7	\$ 70.6	9%
Branded merchandise	17.7	19.7	(10)%
Total	\$ 94.4	\$ 90.3	5%

The following chart reflects comparative revenues and key drivers for each of the businesses within our live and televised segment:

Live and Televised Revenues	October 24, 2003	October 25, 2002	better (worse)
Live events	\$ 17.7	\$ 18.1	(2)%
Number of events	84	87	(3)%
Average attendance	5,090	5,260	(3)%
Average ticket price (dollars)	\$ 40.70	\$ 38.41	6%
Pay-per-view	\$ 24.7	\$ 19.0	30%
Number of buys from domestic pay-per-view events	1,541,700	1,120,800	38%
Advertising	\$ 18.1	\$ 19.7	(8)%
Average weekly household ratings for <i>RAW</i>	3.8	3.7	3%
Average weekly household ratings for <i>SmackDown!</i>	3.3	3.5	(6)%
Sponsorship revenues	\$ 2.0	\$ 2.8	(29)%
Television rights fees:			
Domestic	\$ 10.7	\$ 9.2	16%
International	\$ 5.7	\$ 4.6	24%

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In the second quarter of fiscal 2004, four pay-per-view events were produced as compared to three in the prior year quarter. This was due to the timing of our first quarter end as compared to the date of our July pay-per-view event. We will produce 12 pay-per-view events in fiscal 2004, consistent with recent years.

Of the \$1.6 million decline in advertising revenues, \$0.8 million was due to a decrease in sponsorships. In addition, in connection with our new agreement with UPN which began in October 2003, UPN began to sell all advertising inventory and pay us a rights fees resulting in a \$2.4 million decrease in advertising revenues. This decline was offset partially by favorable underdelivery reserve adjustments related to advertising sales in connection with both our UPN and Spike TV programming.

Of the \$1.5 million increase in domestic television rights fees, \$1.0 million was due to rights fees related to our new agreement with UPN.

The following chart reflects comparative revenues and certain drivers for selected businesses within our branded merchandise segment:

Branded Merchandise Revenues	October 24, 2003	October 25, 2002	better (worse)
Licensing	\$ 4.9	\$ 5.2	(6)%
Merchandise	\$ 4.1	\$ 5.3	(23)%
Per capita spending	\$ 8.50	\$ 8.63	(2)%
Publishing	\$ 2.8	\$ 3.4	(18)%
Net units sold	1,056,800	1,497,400	(29)%
Home video	\$ 4.1	\$ 4.5	(9)%
Net units sold:			
DVD	256,700	349,500	(27)%
VHS	76,000	136,200	(44)%
Total	332,700	485,700	(32)%
Internet Advertising	\$ 1.5	\$ 1.2	25%

Of the \$1.2 million decrease in merchandise revenues, \$0.7 million was due to a change that occurred in fiscal 2004 from the direct sale of merchandise to a licensing arrangement for merchandise sold at our Canadian and International live events.

Cost of Revenues	October 24, 2003	October 25, 2002,	better (worse)
Live and televised	\$ 42.8	\$ 49.7	14%
Branded merchandise	9.4	12.5	25%
Total	\$ 52.2	\$ 62.2	16%
Profit contribution margin	45%	31%	

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The following chart reflects comparative cost of revenues for each of the businesses within our live and televised segment:

Cost of Revenues-Live and Televised	October 24, 2003	October 25, 2002	better (worse)
Live events	\$ 12.8	\$ 14.9	14%
Pay-per-view	\$ 8.5	\$ 7.2	(18)%
Advertising	\$ 7.3	\$ 12.3	41%
Television production costs	\$ 12.0	\$ 12.2	2%
Other	\$ 2.2	\$ 3.1	29%

Profit contribution margin was approximately 44% for the quarter ended October 24, 2003 and 30% for the quarter ended October 25, 2002.

The profit margin for the current period was favorably impacted by the airing of one additional pay-per-view event which resulted in a 4% increase in our overall pay-per-view margin. In addition, the live and televised profit contribution margin was favorably impacted by the change in our UPN agreement which was renewed in October 2003 with modified terms. Under the provisions of this new contract, we do not sell the advertising inventory, but rather receive a fixed rights fee for the program and a share of all advertising revenue sold by UPN in excess of a certain contractual amount. Under our former agreement with UPN, we sold almost the entire advertising inventory related to our *SmackDown!* programming. UPN participated in this revenue to the extent of the greater of a contractual percentage or a minimum guaranteed amount. The impact of this change on our consolidated financial statements is a reduction in advertising revenues which was offset by an increase in television rights fees and the elimination of the participation costs to UPN. Although there should be no material effect on our net income relative to this change in terms, it should result in a favorable impact to our profit margins in future periods.

Included in the prior year advertising cost of revenues was a \$3.5 million charge related to the William Morris Agency, Inc. settlement.

The following chart reflects comparative cost of revenues for certain of the businesses within our branded merchandise segment:

Cost of Revenues Branded Merchandise	October 24, 2003	October 25, 2002	better (worse)
Licensing	\$ 1.5	\$ 1.7	12%
Merchandise	\$ 3.6	\$ 5.6	36%
Publishing	\$ 1.7	\$ 2.4	29%
Home video	\$ 1.7	\$ 2.1	19%
Digital media	\$ 0.8	\$ 0.7	(14)%

Profit contribution margin was approximately 47% for the quarter ended October 24, 2003 and 37% for the quarter ended October 25, 2002.

The increase was due to improved merchandise, publishing and home video margins. Our merchandise margin was favorably impacted by a change that occurred in fiscal 2004 when we ceased the direct sale of our merchandise in favor of a licensing arrangement for merchandise sold at our Canadian and International live events. The effect of this change was the reduction of \$0.7 million in costs. Additionally, included in merchandise cost of revenues for the prior year period was a \$0.9 million charge arising from the termination of an agreement regarding a former e-commerce relationship.

Our publishing margin was favorably impacted by a \$0.4 million decrease in printing and paper costs and a \$0.2 million decrease in newsstand and promotion costs as compared to the year ago period.

Our home video margin was favorably impacted by a \$0.9 million increase in licensing revenues from our international home video sales, which generated approximately a 75% profit margin as compared to approximately a 45-50% margin on our direct sales.



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	October 24, 2003	October 25, 2002	better (worse)
<b>Selling, General and Administrative Expenses</b>	\$ 13.2	\$ 24.6	46%

The following chart reflects the amounts and percent change of certain significant overhead items:

	October 24, 2003	October 25, 2002	better (worse)
Staff related	\$ 10.4	\$ 9.2	(13)%
Legal	2.0	4.2	52%
Settlement of litigation	(5.9)	2.4	346%
Consulting and accounting	0.8	1.8	56%
Advertising and promotion	0.7	1.4	50%
All other	5.2	5.6	7%
<b>Total SG&amp;A</b>	<b>\$ 13.2</b>	<b>\$ 24.6</b>	<b>46%</b>

SG&A as a percentage of net revenues	14%	27%
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The increase in staff related expenses primarily reflects an accrual related to incentive compensation. Included in the current year quarter was a favorable settlement of litigation of \$5.9 million and included in the prior year quarter was an unfavorable settlement of litigation of \$2.4 million.

	October 24, 2003	October 25, 2002
<b>Stock compensation costs</b>	\$ 0.2	\$

In June 2003, we granted 792,500 options at an exercise price of \$9.60 per share and granted 178,000 restricted stock units at an average price per share of \$9.60. Such issuances were granted to officers and employees under our 1999 Long-Term Incentive Plan (the Plan). Total compensation costs related to the grant of restricted stock units, based on the estimated value of the units on the grant date, is \$1.7 million and will be amortized over the vesting period, which is seven years, unless EBITDA of \$65.0 million is met for any fiscal year during the vesting period. In that event, the unvested restricted stock units immediately vest and accordingly, the unamortized balance at that date would be expensed. EBITDA is a measure of our operating performance, and is defined in the Plan as earnings from continuing operations before interest, taxes, depreciation and amortization.

	October 24, 2003	October 25, 2002	better (worse)
<b>Depreciation and amortization</b>	\$ 3.0	\$ 2.2	(36)%

The increase reflects amortization related to our recently acquired film libraries and depreciation associated with our new *WWeshopzone.com* commerce engine.

	October 24, 2003	October 25, 2002	better (worse)
<b>Interest income</b>	\$ 1.2	\$ (0.7)	271%

The increase reflects a higher overall rate of return on our investments in the current quarter.

	October 24, 2003	October 25, 2002	better (worse)
<b>Interest expense</b>	\$ 0.2	\$ 0.2	



	October 24, 2003	October 25, 2002
<b>Provision for income taxes</b>	\$ 10.3	\$ 0.2
Effective tax rate	38%	51%

**Discontinued Operations** *The World*. In fiscal 2003, we closed the operations of our entertainment complex, *The World*. As a result, the operations of *The World* have been reflected in discontinued operations.

Income from discontinued operations of *The World*, net of taxes, was \$0.3 million for the three months ended October 24, 2003 as compared to a loss from discontinued operations, net of taxes, of \$1.9 million for the three months ended October 25, 2002. Included in income from discontinued operations for the three months ended October 24, 2003 was \$0.7 million of expense recoveries. The shutdown charge of \$8.9 million recorded in our fiscal year ended April 30, 2003 in accordance with SFAS No. 146 assumed no sub-let income for fiscal 2004 and assumed 75% sub-rental income for fiscal years 2005 through the end of the lease term, which is October 31, 2017. Although we are actively seeking to sub-let the property, we have not found a tenant. Our assumptions relating to the sub-rental income and the related rent accrual will continue to be monitored and adjusted accordingly. Rental payments for fiscal 2005, assuming no sub-let rental income, would be approximately \$2.5 million.

**Six Months Ended October 24, 2003 compared to Six Months Ended October 25, 2002 (Dollars in millions)**

Net Revenues	October 24, 2003	October 25, 2002	better (worse)
Live and televised	\$ 139.4	\$ 138.5	1%
Branded merchandise	29.7	37.3	(20)%
<b>Total</b>	<b>\$ 169.1</b>	<b>\$ 175.8</b>	<b>(4)%</b>

The following chart reflects comparative revenues and key drivers for each of the businesses within our live and televised segment:

Live and Televised Revenues	October 24, 2003	October 25, 2002	better (worse)
Live events	\$ 35.7	\$ 37.2	(4)%
Number of events	168	174	(3)%
Average attendance	5,140	5,500	(7)%
Average ticket price (dollars)	\$ 40.56	\$ 38.16	6%
Pay-per-view	\$ 38.4	\$ 38.1	1%
Number of buys from domestic pay-per-view events	2,419,000	2,255,900	7%
Advertising	\$ 34.2	\$ 36.5	(6)%
Average weekly household ratings for <i>RAW</i>	3.8	3.8	%
Average weekly household ratings for <i>SmackDown!</i>	3.3	3.4	(3)%
Sponsorship revenues	\$ 2.9	\$ 4.3	(33)%
Television rights fees:			
Domestic	\$ 19.9	\$ 17.7	12%
International	\$ 11.2	\$ 9.0	24%

The decrease in advertising revenues was due in part to our new agreement with UPN which began in October 2003. In connection with this agreement, UPN began to sell all advertising inventory and pay us a rights fee.

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Of the \$2.2 million increase in domestic television rights fees, approximately \$1.3 million was due to executive producer fees related to feature films starring *The Rock* and approximately \$1.0 million was related to rights fees received in connection with our new agreement with UPN.

The following chart reflects comparative revenues and certain drivers for selected businesses within our branded merchandise segment:

<b>Branded Merchandise Revenues</b>	<b>October 24, 2003</b>	<b>October 25, 2002</b>	<b>better (worse)</b>
Licensing	\$ 7.1	\$ 8.4	(15)%
Merchandise	\$ 8.5	\$ 11.6	(27)%
Per capita spending	\$ 8.29	\$ 8.78	(6)%
Publishing	\$ 4.5	\$ 7.0	(36)%
Net units sold	2,080,800	3,074,100	(32)%
Home video	\$ 6.6	\$ 8.0	(18)%
Net units sold:			
DVD	470,700	537,500	(12)%
VHS	126,200	323,500	(61)%
<b>Total</b>	<b>596,900</b>	<b>861,000</b>	<b>(31)%</b>
Internet Advertising	\$ 2.6	\$ 2.1	24%

Of the \$3.1 million decrease in merchandise revenues, approximately \$1.1 million was due to a change that occurred in fiscal 2004 from the direct sale of merchandise to a licensing arrangement for merchandise sold at our Canadian and International live events and approximately \$1.0 million was due to lower attendance and per capita spending at our live events.

The decrease in publishing revenues was due primarily to a decrease in the number of special magazines published in the current year as compared to the prior year period.

The decrease in home video revenues was due primarily to a decrease in the sale of catalog titles. The reduction in catalog units was related to a court ordered injunction prohibiting the sale of such titles containing our former logo.

<b>Cost of Revenues</b>	<b>October 24, 2003</b>	<b>October 25, 2002</b>	<b>better (worse)</b>
Live and televised	\$ 84.2	\$ 94.6	11%
Branded merchandise	17.3	24.2	29%
<b>Total</b>	<b>\$ 101.5</b>	<b>\$ 118.8</b>	<b>15%</b>
Profit contribution margin	40%	32%	

The following chart reflects comparative cost of revenues for each of the businesses within our live and televised segment:

<b>Cost of Revenues-Live and Televised</b>	<b>October 24, 2003</b>	<b>October 25, 2002</b>	<b>better (worse)</b>
Live events	\$ 27.0	\$ 29.4	8%
Pay-per-view	\$ 13.9	\$ 15.0	7%
Advertising	\$ 14.2	\$ 20.0	29%
Television production costs	\$ 23.8	\$ 24.3	2%
Other	\$ 5.3	\$ 5.9	10%

Profit contribution margin was approximately 40% for the six months ended October 24, 2003 as compared to 32% for the six months ended October 24, 2002, the increase due primarily to increased television rights fees and the impact of a \$3.5 million charge related to the William Morris Agency, Inc. settlement, which was included in advertising cost of revenues in the prior year. In addition, the live and televised profit contribution margin was favorably impacted by the change in our UPN agreement which was renewed in October 2003 with modified terms. Under the provisions of this new contract, we do not sell the advertising inventory, but rather receive a fixed rights fee for the program and a share of all advertising revenue sold by UPN in excess of a certain contractual amount. Under our former agreement with UPN, we sold almost the entire advertising inventory related to our *SmackDown!* programming. UPN participated in this revenue to the extent of the greater of a contractual percentage or a minimum guaranteed amount. The impact of this change on our consolidated financial statements is a reduction in advertising revenues which was offset by an increase in television rights fees and the elimination of the participation costs to UPN. Although there should be no material effect on our net income relative to this change in terms, it should result in a favorable impact to our profit margins in future periods.

The following chart reflects comparative cost of revenues for certain of the businesses within our branded merchandise segment:

<b>Cost of Revenues Branded Merchandise</b>	<b>October 24, 2003</b>	<b>October 25, 2002</b>	<b>better (worse)</b>
Licensing	\$ 2.1	\$ 2.8	25%
Merchandise	\$ 7.0	\$ 11.0	36%
Publishing	\$ 3.3	\$ 4.5	27%
Home video	\$ 3.0	\$ 4.0	25%
Digital media	\$ 1.6	\$ 1.7	6%

Profit contribution margin was approximately 42% for the six months ended October 24, 2003 as compared to 35% for the six months ended October 24, 2002, the increase due primarily to improved margins in our merchandise and home video businesses. Our merchandise margin was favorably impacted by a change that occurred in fiscal 2004 when we ceased the direct sale of our merchandise in favor of a licensing arrangement for merchandise sold at our Canadian and International live events. The effect of this change was the reduction of \$1.3 million in costs. Additionally, included in merchandise cost of revenues for the prior year period was a \$0.9 million charge arising from the termination of an agreement regarding a former e-commerce relationship.

Our home video margin was favorably impacted by a \$0.6 million increase in licensing revenues from our international home video sales, which generated approximately a 75% profit margin as compared to approximately a 45-50% margin on our direct sales.

	<b>October 24, 2003</b>	<b>October 25, 2002</b>	<b>better (worse)</b>
<b>Selling, General and Administrative Expenses</b>	\$ 32.8	\$ 46.4	29%

The following chart reflects the amounts and percent change of certain significant overhead items:

	October 24, 2003	October 25, 2002	better (worse)
Staff related	\$ 20.7	\$ 18.1	(14)%
Legal	5.1	7.5	32%
Settlement of litigation, net	(5.9)	(1.1)	436%
Consulting and accounting	3.1	4.1	24%
Advertising and promotion	1.9	5.9	68%
Bad debt	(2.0)	0.6	433%
All other	9.9	11.3	12%
<b>Total SG&amp;A</b>	<b>\$ 32.8</b>	<b>\$ 46.4</b>	<b>29%</b>
<b>SG&amp;A as a percentage of net revenues</b>	<b>19%</b>	<b>26%</b>	

The increase in staff related expenses primarily reflects an accrual related to incentive compensation. The current period reflects a \$5.9 million favorable settlement of litigation and the prior year period reflects the net impact of a \$3.5 million favorable settlement of litigation offset partially by a \$2.4 million unfavorable settlement of litigation. The decrease in advertising and promotion expenses was primarily a result of costs incurred in the prior year period related to our advertising campaign associated with our new company name and logo. The decrease in bad debt expense was a result of a payment received from a pay-per-view service in the current year that was fully reserved for in the prior year.

	October 24, 2003	October 25, 2002
<b>Stock compensation costs</b>	<b>\$ 0.3</b>	<b>\$</b>

In June 2003, we granted 792,500 options at an exercise price of \$9.60 per share and granted 178,000 restricted stock units at an average price per share of \$9.60. Such issuances were granted to officers and employees under our 1999 Long-Term Incentive Plan. Total compensation costs related to the grant of restricted stock units, based on the estimated value of the units on the grant date, is \$1.7 million and will be amortized over the vesting period, which is seven years, unless EBITDA of \$65.0 million is met for any fiscal year during the vesting period. In that event, the unvested restricted stock units immediately vest and accordingly, the unamortized balance at that date would be expensed. EBITDA is a measure of our operating performance, and is defined in the Plan as earnings from continuing operations before interest, taxes, depreciation and amortization.

	October 24, 2003	October 25, 2002	better (worse)
<b>Depreciation and amortization</b>	<b>\$ 5.8</b>	<b>\$ 4.3</b>	<b>(35)%</b>

The increase reflects amortization related to our recently acquired film libraries and depreciation associated with our new *WWEshopzone.com* commerce engine.

	October 24, 2003	October 25, 2002	better (worse)
<b>Interest income</b>	<b>\$ 2.9</b>	<b>\$ 0.4</b>	<b>625%</b>

The increase reflects a higher overall rate of return on our investments in the current year.

	October 24, 2003	October 25, 2002	better (worse)
<b>Interest expense</b>	<b>\$ 0.4</b>	<b>\$ 0.4</b>	



	October 24, 2003	October 25, 2002
<b>Provision for income taxes</b>	\$ 12.0	\$ 2.3
Effective tax rate	38%	36%

**Discontinued Operations** *The World*. In fiscal 2003, we closed the operations of our entertainment complex, *The World*. As a result, the operations of *The World* have been reflected in discontinued operations.

Income from discontinued operations of *The World*, net of taxes, was \$0.1 million for the six months ended October 24, 2003 as compared to a loss from discontinued operations, net of taxes, of \$3.2 million for the six months ended October 25, 2002. Included in income from discontinued operations for the six months ended October 24, 2003 was \$0.7 million of expense recoveries. The shutdown charge of \$8.9 million recorded in our fiscal year ended April 30, 2003 in accordance with SFAS No. 146 assumed no sub-let income for fiscal 2004 and assumed 75% sub-rental income for fiscal years 2005 through the end of the lease term, which is October 31, 2017. Although we are actively seeking to sub-let the property, we have not found a tenant. Our assumptions relating to the sub-rental income and the related rent accrual will continue to be monitored and adjusted accordingly. Rental payments for fiscal 2005, assuming no sub-let rental income, would be approximately \$2.5 million.

#### Liquidity and Capital Resources

Cash flows from operating activities for the six months ended October 24, 2003 and October 25, 2002 were \$32.3 million and \$10.6 million, respectively. Cash flows provided by operating activities from continuing operations were \$33.8 million and \$11.3 million for the six months ended October 24, 2003 and October 25, 2002, respectively. Working capital, consisting of current assets less current liabilities, was \$269.6 million as of October 24, 2003 and \$275.1 million as of April 30, 2003.

Cash flows used for investing activities were \$53.3 million and \$11.9 million for the six months ended October 24, 2003 and October 25, 2002, respectively. Capital expenditures for the six months ended October 24, 2003 were \$2.5 million as compared to \$5.2 million for the six months ended October 25, 2002. For fiscal 2004, we estimate capital expenditures to be approximately \$7.5 million, which includes a conversion of our critical business and financial systems, television equipment and building improvements. During the six months ended October 24, 2003, we acquired film libraries and certain other assets for approximately \$1.6 million. As of November 7, 2003, we had approximately \$166.5 million invested in fixed-income mutual funds, which primarily held AAA and AA debt rated instruments and \$24.5 million in United States Treasury Notes. Our investment policy is designed to assume a minimum of credit, interest rate and market risk.

Cash flows used in financing activities for the six months ended October 25, 2003 were \$25.0 million as compared to \$29.1 million for the six months ended October 25, 2002. In June 2003, we purchased approximately 2.0 million shares of our common stock from Viacom, Inc. for approximately \$19.2 million, which was a slight discount to the then market value of our common stock. This transaction did not affect other aspects of our business relationship with Viacom. We made this repurchase as we believed that it was an appropriate use of excess cash and was beneficial to our company and our stockholders.

We have not entered into any contracts that would require us to make significant guaranteed payments other than those that were previously disclosed in the Liquidity and Capital Resource section of our Annual Report on Form 10-K/A for our fiscal year ended April 30, 2003.

We believe that cash generated from operations and from existing cash and short-term investments will be sufficient to meet our cash needs over the next twelve months for working capital and capital expenditures.

#### Application of Critical Accounting Policies

There have been no changes to our accounting policies that were previously disclosed in our Annual Report on Form 10-K/A for our fiscal year ended April 30, 2003 nor in the methodology used in formulating these significant judgments and estimates that affect the application of these policies. Amounts included in our consolidated balance sheet in accounts that we have identified as being subject to significant judgments and estimates were as follows:





	As of	
	October 24, 2003	April 30, 2003
Pay-per-view accounts receivable	\$ 15.2 million	\$ 24.3 million
Advertising reserve for underdelivery	\$ 3.1 million	\$ 6.9 million
Home video reserve for returns	\$ 2.3 million	\$ 1.5 million
Publishing newsstand reserve for returns	\$ 3.4 million	\$ 5.0 million
Allowance for doubtful accounts	\$ 2.9 million	\$ 5.3 million
Accrued expenses that may be reversed pending the outcome of litigation see Note 9 of Notes to Consolidated Financial Statements	\$ 7.0 million	\$ 6.4 million

The decrease in our pay-per-view accounts receivable balance was due to the timing of certain of our pay-per-view events. As of April 30, 2003, the accounts receivable balance included approximately \$10.0 million related to our premier event, *Wrestlemania*, which took place in March 2003. In addition, the accounts receivable balance included approximately \$5.0 million related to our April 2003 pay-per-view event.

The decrease in our allowance for doubtful accounts reflects the payment during fiscal 2004 of a previously fully reserved balance from a pay-per-view service.

#### **Cautionary Statement for Purposes of the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995**

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for certain statements that are forward-looking and are not based on historical facts. When used in this Quarterly Report, the words may, will, could, anticipate, plan, continue, project, intend, estimate, expect and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. These statements relate to our future plans, objectives, expectations and intentions and are not historical facts and accordingly involve known and unknown risks and uncertainties and other factors that may cause the actual results or the performance by us to be materially different from future results or performance expressed or implied by such forward-looking statements. The following factors, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this Quarterly Report, in press releases and in oral statements made by our authorized officers: (i) our failure to continue to develop creative and entertaining programs and events would likely lead to a decline in the popularity of our brand of entertainment; (ii) our failure to retain or continue to recruit key performers could lead to a decline in the appeal of our storylines and the popularity of our brand of entertainment; (iii) the loss of the creative services of Vincent K. McMahon could adversely affect our ability to create popular characters and creative storylines; (iv) our failure to maintain or renew key agreements could adversely affect our ability to distribute our television and pay-per-view programming, and in this regard our primary distribution agreement with Viacom runs until Fall 2006 for its UPN network and Fall 2005 for its Spike TV network. Our primary television distribution agreement in the U.K. expires on December 31, 2004, and we are currently in negotiations to renew that contract. We cannot give any assurance as to the result of these negotiations; (v) a decline in general economic conditions could adversely affect our business; (vi) a decline in the popularity of our brand of sports entertainment, including as a result of changes in the social and political climate, could adversely affect our business; (vii) changes in the regulatory atmosphere and related private sector initiatives could adversely affect our business; (viii) the markets in which we operate are highly competitive, rapidly changing and increasingly fragmented, and we may not be able to compete effectively, especially against competitors with greater financial resources or marketplace presence; (ix) we face uncertainties associated with international markets; (x) we may be prohibited from promoting and conducting our live events if we do not comply with applicable regulations; (xi) because we depend upon our intellectual property rights, our inability to protect those rights, or our infringement of others' intellectual property rights, could adversely affect our business; (xii) we could incur substantial liabilities if pending material litigation is resolved unfavorably; (xiii) our insurance may not be adequate to cover liabilities resulting from accidents or injuries that occur during our physically demanding events; (xiv) we will face a variety of risks if we expand into new and complementary businesses; (xv) through his beneficial ownership of a substantial majority of our Class B common stock, our controlling stockholder, Vincent K. McMahon, can exercise control over our affairs, and his interests may conflict with the holders of our Class A common stock; (xvi) a substantial number of shares will be eligible for future sale by Mr. McMahon, and the sale of those shares could lower our stock price; and (xvii) our Class A

common stock has a relatively small public float. The forward-looking statements speak only as of the date of this Quarterly Report and undue reliance should not be placed on these statements.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

In the normal course of business, we are exposed to foreign currency exchange rate, interest rate and equity price risks that could impact our results of operations. Our foreign currency exchange rate risk is minimized by maintaining minimal net assets and liabilities in currencies other than our functional currency.

The only derivative instruments that we currently hold are warrants received from certain publicly traded companies with whom we have licensing agreements. These warrants are included in our financial statements at their net estimated fair value. Accordingly, we are exposed to market value fluctuations relative to the stock underlying these warrants. We do not utilize derivative instruments for specific purposes or to hedge our exposure to interest rate or foreign currency risks.

#### **Interest Rate Risk**

We are exposed to interest rate risk related to our corporate jet lease and investment portfolio. We have a lease agreement for a 1998 Canadair Challenger 604 airplane. The term of this aircraft lease is for twelve years ending on October 30, 2012. The monthly lease payment for this aircraft is determined by a floating rate, which is based upon 30-day commercial paper rate as stated by the Federal Reserve plus 1.95%.

Our investment portfolio currently consists primarily of fixed-income mutual funds and treasury notes, with a strong emphasis placed on preservation of capital. The market value of those securities can fluctuate with market interest rates. In an effort to minimize our exposure to interest rate risk, our investment portfolio's dollar weighted duration is less than two years.

### **Item 4. Controls and Procedures**

Based on their most recent review, which was completed within 90 days of filing of this report, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure and are effective to ensure that such information is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. While we are in the process of formalizing certain of our control procedures, there were no significant changes in our internal controls or in other factors that could significantly affect those controls subsequent to the date of this evaluation.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

See Note 9 to Notes to Consolidated Financial Statements, which is incorporated herein by reference.

**Item 4. Submission of Matters to a Vote of Security Holders**

The Annual Meeting of Stockholders was held on September 19, 2003.

- (a) The election of seven Directors of the Company:

Nominees	Votes	
	For	Withheld
Vincent K. McMahon	558,176,628	2,582,768
Linda E. McMahon	558,176,315	2,583,081
Lowell P. Weicker, Jr.	556,927,035	3,832,361
David Kenin	556,930,222	3,829,174
Joseph Perkins	557,004,348	3,755,048
Michael B. Solomon	556,927,017	3,832,379
Philip B. Livingston	556,888,503	3,870,893

On September 19, 2003, Robert Bowman was named as a member of the Board of Directors of the Company. Mr. Bowman was also named Chairman of the Audit Committee.

- (b) The approval of the Company's Management Bonus Plan:

Votes		
For	Against	Abstain
559,973,389	772,651	13,352

- (c) The appointment of Deloitte & Touche LLP as auditors for the Company for the fiscal year ending April 30, 2004:

Votes		
For	Against	Abstain
555,652,211	5,092,576	14,609

**Item 6. Exhibits and Reports on Form 8-K**

(a.) Exhibits

- 31.1 Certification by Vincent K. McMahon pursuant to Section 302 of Sarbanes-Oxley Act of 2002 (filed herewith).
- 31.2 Certification by Linda E. McMahon pursuant to Section 302 of Sarbanes-Oxley Act of 2002 (filed herewith).
- 31.3 Certification by Philip B. Livingston pursuant to Section 302 of Sarbanes-Oxley Act of 2002 (filed herewith).
- 32.1 Certification by Vincent K. McMahon, Linda E. McMahon and Philip B. Livingston pursuant to Section 906 of Sarbanes-Oxley Act of 2002 (filed herewith).

(b.) Reports on Form 8-K

The registrant filed a report on Form 8-K dated June 12, 2003 under Item 5, Other Events.

**SIGNATURE**

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

WORLD WRESTLING ENTERTAINMENT, INC.  
(Registrant)

Dated: April 23, 2004

By:

/s/ PHILIP B. LIVINGSTON

**Philip B. Livingston**  
**Chief Financial Officer**