

# WORLD WRESTLING ENTERTAINMENT INC

## FORM 10-Q (Quarterly Report)

Filed 12/9/2002 For Period Ending 10/25/2002

Address	1241 E MAIN ST STAMFORD, Connecticut 06902
Telephone	203-352-8600
CIK	0001091907
Industry	Recreational Activities
Sector	Services
Fiscal Year	04/30

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

---

**FORM 10-Q**

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

For the quarterly period ended October 25, 2002

or

- 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. Yes  No

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

At December 2, 2002, the number of shares outstanding of the Registrant's Class A common stock, par value \$.01 per share, was 15,625,935 and the number of shares outstanding of the Registrant's Class B common stock, par value \$.01 per share, was 54,780,207.

---

---

---

**World Wrestling Entertainment, Inc.**

**Table of Contents**

		<b>Page #</b>
<b>Part I—FINANCIAL INFORMATION</b>		
Item 1.	Financial Statements	
	Consolidated Balance Sheets as of October 25, 2002 (Unaudited) and April 30, 2002	2
	Consolidated Statements of Operations for the three and six months ended October 25, 2002 (Unaudited) and October 26, 2001 (Unaudited)	3
	Consolidated Statements of Stockholders' Equity and Comprehensive Income for the six months ended October 25, 2002 (Unaudited)	4
	Consolidated Statements of Cash Flows for the six months ended October 25, 2002 (Unaudited) and October 26, 2001 (Unaudited)	5
	Notes to Consolidated Financial Statements (Unaudited)	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	14
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	21
Item 4.	Controls and Procedures	21
<b>Part II—OTHER INFORMATION</b>		
Item 1.	Legal Proceedings	22
Item 4.	Submission of Matters to a Vote of Security Holders	22
Item 6.	Exhibits and Reports on Form 8-K	22
	Signature and Certifications	23

**World Wrestling Entertainment, Inc.**

**Consolidated Balance Sheets**

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

	As of October 25, 2002	As of April 30, 2002
	(Unaudited)	
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 56,701	\$ 86,659
Short-term investments	207,167	207,407
Accounts receivable (less allowance for doubtful accounts of \$2,662 as of October 25, 2002 and \$2,890 as of April 30, 2002)	48,632	63,835
Inventory, net	1,517	1,851

Prepaid expenses and other current assets	18,309	15,935
Total current assets	332,326	375,687
PROPERTY AND EQUIPMENT — NET	92,670	91,759
GOODWILL—NET	2,533	2,533
INTANGIBLE ASSETS	9,055	9,055
OTHER ASSETS	9,122	8,407
<b>TOTAL ASSETS</b>	<b>\$ 445,706</b>	<b>\$ 487,441</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt	\$ 624	\$ 601
Accounts payable	15,201	21,565
Accrued expenses and other liabilities	36,044	42,511
Deferred income	23,465	23,414
Net liabilities of discontinued operations	288	610
Total current liabilities	75,622	88,701
LONG-TERM DEBT	8,985	9,302
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
Class A common stock: (\$.01 par value; 180,000,000 shares authorized; 18,215,427 shares issued as of October 25, 2002 and 18,184,177 shares issued as of April 30, 2002)	182	181
Class B common stock: (\$.01 par value; 60,000,000 shares authorized; 54,780,207 shares issued as of October 25, 2002 and April 30, 2002)	548	548
Treasury Stock (2,589,492 shares repurchased as of October 25, 2002 and 100,000 shares repurchased as of April 30, 2002)	(30,693)	(1,139)
Additional paid-in capital	297,362	296,938
Accumulated other comprehensive loss	(659)	(525)
Retained earnings	94,359	93,435
Total stockholders' equity	361,099	389,438
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 445,706</b>	<b>\$ 487,441</b>

See Notes to Consolidated Financial Statements

**World Wrestling Entertainment, Inc.**

**Consolidated Statements of Operations**

(dollars in thousands, except per share data)

(Unaudited)

Three Months Ended		Six Months Ended	
October 25, 2002	October 26, 2001	October 25, 2002	October 26, 2001

Net revenues	\$ 92,768	\$ 98,208	\$ 180,915	\$ 188,877
Cost of revenues	64,189	62,835	122,708	121,101
Selling, general and administrative expenses	27,252	27,017	51,155	52,273
Depreciation and amortization	2,915	2,645	5,729	4,885
Operating (loss) income	(1,588)	5,711	1,323	10,618
Interest expense	188	169	379	400
Interest income and other (loss) income, net	(730)	2,274	390	17,045
(Loss) income before income taxes	(2,506)	7,816	1,334	27,263
(Benefit) provision for income taxes	(902)	2,975	410	10,430
Net (loss) income	\$ (1,604)	\$ 4,841	\$ 924	\$ 16,833
(Loss) earnings per common share — basic and diluted	\$ (0.02)	\$ 0.07	\$ 0.01	\$ 0.23

See Notes to Consolidated Financial Statements

3

**World Wrestling Entertainment, Inc.**

**Consolidated Statements of Stockholders' Equity and Comprehensive Income**

(dollars and shares in thousands)

(Unaudited)

	Common Stock		Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount					
Balance, May 1, 2002	72,864	\$ 729	\$ (1,139)	\$ 296,938	\$ (525)	\$ 93,435	\$ 389,438
Comprehensive income:							
Translation adjustment		—	—	—	(55)	—	(55)
Unrealized holding loss, net of tax		—	—	—	(79)	—	(79)
Net income		—	—	—	—	924	924
Total comprehensive income							790
Exercise of stock options	31	1	—	404	—	—	405
Tax benefit from exercise of stock options				20	—	—	20
Repurchase of common stock	(2,489)	—	(29,554)	—	—	—	(29,554)
Balance, October 25, 2002	70,406	\$ 730	\$ (30,693)	\$ 297,362	\$ (659)	\$ 94,359	\$ 361,099

See Notes to Consolidated Financial Statements

4

## Consolidated Statements of Cash Flows

(dollars in thousands)

(Unaudited)

	Six Months Ended	
	October 25, 2002	October 26, 2001
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 924	\$ 16,833
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Gain on sale of stock	—	(7,138)
Effect of change in accounting principle, net of tax	—	(1,487)
Revaluation of warrants	—	(401)
Depreciation and amortization	5,729	4,885
Amortization of deferred income	635	872
Provision for doubtful accounts	603	(378)
Provision for inventory obsolescence	513	1,403
Changes in assets and liabilities:		
Accounts receivable	14,859	28,573
Inventory	(179)	(567)
Prepaid expenses and other assets	(3,252)	2,782
Accounts payable	(6,363)	(1,864)
Accrued expenses and other liabilities	(6,311)	(6,509)
Deferred income	(585)	(3,002)
Net cash provided by continuing operations	6,573	34,002
Net cash used in discontinued operations	(645)	(13,042)
Net cash provided by operating activities	5,928	20,960
<b>INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(6,880)	(11,724)
Sale of short-term investments, net	116	1,840
Net proceeds from exercise and sale of warrants	—	10,903
Net cash (used in) provided by continuing operations	(6,764)	1,019
Net cash provided by discontinued operations	—	1,439
Net cash (used in) provided by investing activities	(6,764)	2,458
<b>FINANCING ACTIVITIES:</b>		
Repayments of long-term debt	(295)	(273)
Repurchase of common stock	(29,554)	(1,139)
Net proceeds from exercise of stock options	405	—
Net cash used in continuing operations	(29,444)	(1,412)
Net cash provided by discontinued operations	322	5,100
Net cash (used in) provided by financing activities	(29,122)	3,688
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(29,958)</b>	<b>27,106</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>86,659</b>	<b>45,040</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 56,701</b>	<b>\$ 72,146</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid during the period for income taxes, net of refunds	\$ 2,628	\$ 5,087

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 consolidated financial statements include the accounts of World Wrestling Entertainment, Inc., and its wholly owned subsidiaries, TSI Realty Company, World Wrestling Entertainment Canada, Inc., World Wrestling Entertainment (International) Limited, Stephanie Music Publishing, Inc., WCW, Inc., Event Services, Inc., The World Entertainment, Inc., WWE Hotel & Casino Ventures, LLC, WWE Sports, Inc. and the Company's majority-owned subsidiary Titan/Shane Partnership (collectively the "Company"). WWE Sports, Inc. owns 50% and had operating control of XFL, LLC, a professional football league, which was a venture with National Broadcasting Company ("NBC"). In early May 2001, the Company formalized its decision to discontinue operations of the XFL and, accordingly, reported XFL operating results and estimated shutdown costs as Discontinued Operations as of April 30, 2001. For the three and six months ended October 25, 2002 and October 26, 2001, there were no results from discontinued operations.

All significant intercompany transactions and 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 Company is an integrated media and entertainment company, principally engaged in the development, production and marketing of television programming, pay-per-view programming and live events, and the licensing and sale of branded consumer products featuring its World Wrestling Entertainment brand of entertainment. The Company's operations are organized around two principal activities:

- *Live and televised entertainment, which consists of live events, television programming and pay-per-view programming.* Revenues consist principally of 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 include sales of consumer products through third party licensees and direct marketing and sales of merchandise, magazines and home videos. Revenues also include those generated from its entertainment complex located in New York City.

**2. Earnings Per Share**

For the three months ended October 25, 2002, for the purpose of calculating earnings per share—basic and diluted, the weighted average number of common shares outstanding was 70,407,229.

For the six months ended October 25, 2002, for the purpose of calculating earnings per share—basic and diluted, the weighted average number of common shares outstanding was 70,749,703.

For the three months ended October 26, 2001, for the purpose of calculating earnings per share—basic and diluted, the weighted average number of common shares outstanding was 72,837,879.

---

For the six months ended October 26, 2001, for the purpose of calculating earnings per share—basic, the weighted average number of common shares outstanding was 72,884,339 and for the purpose of calculating earnings per share—diluted, the weighted average number of common shares outstanding was 72,884,588, which includes 249 shares representing the dilutive effect of common stock equivalents.

Excluded from the calculation of weighted average common shares outstanding for dilutive earnings per share purposes were outstanding options to purchase 7,248,925 common shares for the three and six months ended October 25, 2002 and 6,544,000 and 6,534,000 for the three and six months ended October 26, 2001, respectively, because the impact would have been anti-dilutive.

### 3. Segment Information

The Company's 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, television programming and pay-per-view programming. The branded merchandise segment includes consumer products sold through third party licensees and the marketing and sale of merchandise, magazines and home videos and the operations of the Company's entertainment complex. The Company does not allocate corporate overhead to each of the segments and as a result, corporate overhead is a reconciling item in the table below. There are no intersegment revenues. Revenues derived from sales outside of North America were approximately \$13,575 and \$23,500 for the three and six months ended October 25, 2002, respectively, and approximately \$6,975 and \$14,950 for the three and six months ended October 26, 2001, respectively. The table presents information about the financial results of each segment for the three and six months ended October 25,

7

2002 and October 26, 2001 and assets as of October 25, 2002 and April 30, 2002. Unallocated assets consist primarily of cash, short-term investments and real property.

	Three Months Ended		Six Months Ended	
	October 25, 2002	October 26, 2001	October 25, 2002	October 26, 2001
<b>Net Revenues:</b>				
Live and televised entertainment	\$ 70,652	\$ 72,676	\$ 138,468	\$ 145,069
Branded merchandise	22,116	25,532	42,447	43,808
Total net revenues	\$ 92,768	\$ 98,208	\$ 180,915	\$ 188,877
<b>Depreciation and Amortization:</b>				
Live and televised entertainment	\$ 861	\$ 743	\$ 1,668	\$ 1,475
Branded merchandise	1,190	628	2,387	1,202
Corporate	864	1,274	1,674	2,208
Total depreciation and amortization	\$ 2,915	\$ 2,645	\$ 5,729	\$ 4,885
<b>Operating Income:</b>				
Live and televised entertainment	\$ 16,951	\$ 22,439	\$ 35,890	\$ 46,117
Branded merchandise	2,027	3,434	3,518	2,475
Corporate	(20,566)	(20,162)	(38,085)	(37,974)
Total operating (loss) income	(\$ 1,588)	\$ 5,711	\$ 1,323	\$ 10,618
As of				
	October 25, 2002	April 30, 2002		
<b>Assets:</b>				
Live and televised entertainment	\$ 64,611	\$ 78,799		
Branded merchandise	50,454	51,540		
Unallocated	330,641	357,102		
Total assets	\$ 445,706	\$ 487,441		

8



#### 4. Property and Equipment

Property and equipment consisted of the following as of:

	October 25, 2002	April 30, 2002
Land, buildings and improvements	\$ 85,296	\$ 83,047
Equipment	42,325	43,747
Vehicles	740	769
	128,361	127,563
Less accumulated depreciation and amortization	35,691	35,804
Total	\$ 92,670	\$ 91,759

Depreciation and amortization expense for property and equipment was \$2,915 and \$5,729 for the three and six months ended October 25, 2002, respectively, and \$2,645 and \$4,885 for the three and six months ended October 26, 2001, respectively.

#### 5. Investments

Short-term investments consisted of the following as of October 25, 2002 and April 30, 2002:

	October 25, 2002		
	Cost	Unrealized Holding Loss	Fair Value
Government obligations	\$ 40,100	\$ —	\$ 40,100
Corporate obligations and other	117,265	(125)	117,140
Mortgage backed securities	49,927	—	49,927
Total	\$ 207,292	\$ (125)	\$ 207,167
	April 30, 2002		
	Cost	Unrealized Holding Loss	Fair Value
Government obligations	\$ 26,725	\$ —	\$ 26,725
Corporate obligations and other	129,763	(518)	129,245
Mortgage backed securities	51,437	—	51,437
Total	\$ 207,925	\$ (518)	\$ 207,407

#### 6. Commitments and Contingencies

##### *Legal Proceedings*

In April 2000, the World Wide Fund for Nature and its American affiliate, the World Wildlife Fund (collectively, the "Fund") instituted legal proceedings against the Company in the English High Court seeking injunctive relief and unspecified damages for alleged breaches of a 1994 agreement between the Fund and the Company regarding the use of the initials "wwf." The Fund alleged that the

that the Company breached the parties' agreement by using the "wwf" website addresses and scratch logo, and that a trial is not warranted on those issues. On October 1, 2001, the judge issued a form of written injunction barring the Company, either on its own or through its officers, servants, agents, subsidiaries, licensees or sublicensees, its television or other affiliates or otherwise, of most uses of the initials "wwf," including in connection with the "wwf" website addresses and the use of the scratch logo. On February 27, 2002, the Court of Appeals affirmed the trial judge's decision and dismissed the Company's appeal, and on June 10, 2002, the House of Lords declined to hear the Company's appeal. The Company was given five months from the date of the House of Lords' decision, until November 10, 2002, to comply with that injunction. The Fund also has pending before the English court a claim for damages associated with the Company's use of the initials "wwf." To date, no proceedings before the English court have been scheduled to adjudicate the Fund's alleged damages claims.

In compliance with the injunction, the Company has taken the following significant steps, many of which go beyond the literal requirements of the injunction: (1) changed its name to "World Wrestling Entertainment, Inc."; (2) switched its initials to "WWE"; (3) revised its logo to be a scratch "WW"; (4) incorporated these changes into, among other things, the Company's television and pay-per-view shows, promotional materials, advertising campaigns, statutory filings with federal and state agencies, and corporate stationery and corporate facilities; (5) advised its licensees and business partners of the terms of the injunction; and (6) directed its licensees and business partners to refrain from using the initials "WWF" in any manner which, if done by the Company, would be a breach of any of the prohibitions of the injunction. However, the elimination of certain historical uses of the scratch logo, including, specifically, WWE's archival video footage containing the scratch logo during the period 1998-May 2002 and the scratch logo embedded in programming code of WWE-licensed video games created during the period 1999-2001 is, as a practical matter, not possible and legally not consistent with WWE's exclusive rights of ownership and distribution of those copyrighted works under the United States Copyright Act.

The Company initiated discussions with the Fund in the summer of 2002 to attempt to resolve outstanding issues as well as to seek an overall settlement of the parties' dispute. In connection with those ongoing discussions, which continued through October 2002, the Fund proposed to extend the injunction compliance date until February 10, 2003, which proposal the Company accepted in writing. In reliance on that agreement, the Company advised its licensees that the injunction would not take effect until February 2003. On October 29, 2002, less than two weeks before the injunction compliance date, the Fund, through its Legal Advisor, took the position that there was no agreement and that it would not jointly move the Court to extend the injunction compliance date. In addition, the Fund for the first time asserted damages associated with the Company's use of the initials "wwf" and claimed that at least \$360 million would be required to fund a multi-year media advertising campaign to remedy the Fund's alleged loss of recognition/exclusivity as a result of the Company's use of the initials "wwf." The Fund, through its Legal Advisor, demanded a payment of \$90 million prior to the injunction compliance date to settle its alleged damages claims and resolve all remaining issues. The Company vigorously rejects the Fund's demand and contends that the Fund's tactics are a bad faith attempt to

---

coerce the Company into an unwarranted cash payment of \$90 million. Indeed, despite repeated inquiries by the Company throughout the parties' discussions, the Fund has never provided the Company with any documentation or support for any alleged damage claims, nor has the Fund come forward with any evidence throughout the entire litigation that it suffered any actual injury to its fundraising and/or environmental conservation activities as a result of the Company's conduct. The Company strongly disputes that the Fund has suffered any such damages. The Company is unable to predict the outcome of any adjudication of the Fund's claims in an English court if the Fund were actually to present a damages claim. An unfavorable outcome of the Fund's damages claims, however, may have a material adverse effect on the Company's financial condition, results of operations or prospects.

In addition to the damages claimed by the Fund against the Company, the Company also faces potential claims for losses, which could be substantial, that may be sustained by third party licensees in connection with the enforcement of the injunction against them for sale of licensed products containing the scratch logo after November 10, 2002. At a hearing on November 25 and 26, 2002, on application for relief by THQ/Jakks Pacific LLC ("THQ/Jakks"), the Company's videogame licensee, the English court ruled that THQ/Jakks' distribution of products containing historically embedded references to the WWF scratch logo visible only through the gameplaying functionality of the videogames would be in violation of the injunction and place both THQ/Jakks and the Company in contempt of court. The Company previously directed THQ / Jakks not to distribute videogames containing such references to the WWF scratch logo after November 10, 2002. THQ/Jakks has advised the Company that it will comply with that direction.

On November 14, 2000, Stanley Schenker & Associates, Inc. filed a complaint against the Company in Superior Court, Judicial District of Stamford/Norwalk, Connecticut, relating to the termination of an Agency Agreement between the Company and Plaintiff. Plaintiff seeks compensatory damages and punitive damages in an unspecified amount, attorneys' fees, an accounting and a declaratory judgment. On December 15, 2000, the Company filed a motion to strike all the claims against it, with the exception of one count for breach of contract. This motion was granted as to two claims. On March 27, 2001, the Plaintiff filed a substituted complaint reasserting all counts against the Company. On April 11, 2001, the Company answered the substitute complaint. On February 27, 2002, the Company filed amended counterclaims and on June 19, 2002, the Company filed second amended counterclaims. Discovery in this case is currently ongoing. The Court has scheduled a trial date of March 2003. The Company believes that it has meritorious defenses and intends to defend the action vigorously. An unfavorable outcome of this suit may have a material adverse effect on its financial condition, results of operations or prospects.

In response to a demand letter from the William Morris Agency, Inc., the Company filed an action on October 2, 2000, in the United States District Court for the Southern District of New York seeking declaratory, legal and equitable relief relating to Defendant's improper claims for commissions on business opportunities with which it had no involvement. William Morris filed a counterclaim on February 1, 2001,

alleging breach of contract and seeking to recover unspecified damages in the form of commissions allegedly owed. In October 2002, the Company settled its litigation with William Morris. Under the settlement, the Company paid William Morris \$13.0 million to end the litigation and to buy out all potential obligations under the parties' contract. As a result of the settlement, the Company took a charge of \$5.9 million, of which approximately \$3.5 million was included in cost of

---

revenues and approximately \$2.4 million was included in selling, general and administrative expenses for the three months ended October 25, 2002. Prior to the settlement, the Company had accrued and expensed approximately \$7.1 million, which was included in cost of revenues.

On October 19, 2001, the Company was served with a complaint by Marvel Enterprises, Inc. in the Superior Court of Fulton County, Georgia alleging that the Company breached the terms of a license agreement regarding the rights to manufacture and distribute toy action figures of various wrestling characters that perform under the "World Championship Wrestling" or "WCW" tradenames. The plaintiff seeks damages and a declaration that the agreement is in force and effect. The Company filed its Answer on November 19, 2001. The Company has denied liability and is contesting the claims. The Complaint also named as a defendant Universal Wrestling Corp. ("Universal, Inc."), formerly known as World Championship Wrestling, Inc. Due to a conflict between Universal, Inc. and plaintiff's counsel, by agreement of the parties Universal, Inc. was dismissed from the suit. On December 28, 2001, the plaintiff commenced a separate action against Universal, Inc., filed in the same court as a related action to the suit pending against the Company. The Company is currently reviewing whether it may have any indemnification obligations to Universal, Inc. in connection with these claims. On December 14, 2001, the Company filed a motion to dismiss all claims against it. That motion was denied on March 14, 2002. Discovery in the case is ongoing. An unfavorable outcome of this suit may have a material adverse effect on the Company's financial condition, results of operations or prospects.

On December 5, 2001, a purported class action Complaint was filed against the Company asserting claims for alleged violations of the federal securities laws. Also named as defendants in this suit were Bear, Stearns & Co. Inc., Merrill Lynch, Pierce, Fenner & Smith, Incorporated, Credit Suisse First Boston Corporation, WIT Capital Corporation, Donaldson, Lufkin & Jenrette Securities Corporation, Chase H&Q (Hambrecht & Quist LLC) (collectively, the "Underwriter Defendants"), Vincent K. McMahon, Linda E. McMahon and August J. Liguori (collectively, the "Individual Defendants"). The Complaint alleges, *inter alia*, (i) claims under Section 11 of the Securities Act against all defendants, (ii) claims under Section 12(2) of the Securities Act against the Underwriter Defendants, (iii) claims under Section 15 of the Securities Act against the Company and the Individual Defendants, (iv) claims under Section 10(b) of the Exchange Act and Rule 10(b)(5) against all defendants, and (v) claims under Section 20(a) of the Exchange Act against the Individual Defendants. According to the allegations of the Complaint, the Underwriter Defendants allegedly engaged in manipulative practices by, *inter alia*, pre-selling allotments of shares of the Company's stock in return for undisclosed, excessive commissions from the purchasers and/or entering into after-market tie-in arrangements which allegedly artificially inflated the Company's stock price. The plaintiff further alleges that the Company knew or should have known of such unlawful practices. As relief, the Complaint seeks (i) a ruling that the suit is properly maintainable as a class action, (ii) unspecified class damages and statutory compensation against all defendants, jointly and severally, (iii) an award of attorneys' fees and costs, and (iv) such other relief as the court deems proper. The Company denies all allegations against it, believes that it has meritorious defenses on plaintiffs' claims, and intends to defend this action vigorously. The Company understands that nearly 1,000 suits with similar claims and/or allegations have been filed over the past couple of years against companies which have gone public in that general time period. All of these claims have been consolidated before the same judge in the United States District Court for the Southern District of New York. The Company is a part of a motion to dismiss filed on behalf of all issuers on July 15, 2002. The Company cannot at this time predict the likely outcome of this litigation.

---

The Company is not currently a party to any other material legal proceedings. However, the Company is involved in several other suits and claims in the ordinary course of business, and it may from time to time become a party to other legal proceedings.

## 7. Discontinued Operations

In early May 2001, the Company formalized its decision to discontinue operations of the XFL and, accordingly, reported XFL operating results and estimated shutdown costs as Discontinued Operations in the Consolidated Statements of Operations. This decision was a culmination of management's analysis of the financial viability of the venture, which commenced during the fourth quarter of fiscal 2001.

On June 12, 2000, NBC purchased approximately 2.3 million newly issued shares of the Company's Class A common stock at \$13 per share for a total investment of \$30,000. In May 2002, the Company repurchased these shares from NBC for \$27,692. These shares were included in Treasury Stock in the Company's Consolidated Balance Sheet as of October 25, 2002.

The XFL business, which has been classified as Discontinued Operations in the accompanying Consolidated Balance Sheets, is summarized as follows:

Assets:						
Cash	\$	550	\$	3,907		
Total Assets			\$	550	\$	3,907
Liabilities:						
Accounts payable		39		39		
Accrued expenses		1,087		5,089		
Minority interest		(288)		(611)		
Total Liabilities			\$	838	\$	4,517
Net Liabilities			\$	(288)	\$	(610)

## Item 2.

### Management's Discussion and Analysis of Financial Condition and Results of Operations

#### Background and Recent Developments

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

Over the past several quarters, we have experienced softening in the key drivers of our business: television ratings, average attendance at our live events and pay-per-view buys, although ratings for each of our brand's flagship programs have remained relatively consistent for the current period and the prior quarter. We have continued to sign additional performers, deepening our talent pool and providing us the ability to have two separate and distinct brands under the WWE umbrella, *Raw* and *SmackDown*!. Each brand has its own talent roster, touring schedule, storyline and television programming lineup. Currently, our pay-per-view programs present matches from both brands. We are fine tuning our approach in delivering two compelling storylines that capture our audience's attention as we continue in our rebuilding phase to strengthen television ratings, live event attendance and pay-per-view buys. We still retain the distinction as consistently being the #1 regularly scheduled program on cable with *Raw* which airs Monday nights on TNN, and we are the highest-rated show on network television on Thursday nights among male teens with our UPN program, *SmackDown*!. We believe that the competition between our two brands is an important aspect in our genre of television programming.

International growth is one of our key initiatives. The creation of two brands has provided us with the logistical opportunity to tour more internationally. Since we have a television presence in over 130 countries worldwide, we already have a base from which we can embark on live event touring. Through October of calendar 2002, we have presented 12 events, playing to audiences totaling nearly 180,000 fans in Europe, Asia and Australia. Given the success of the tours, we have scheduled eight tours across five continents during calendar 2003. The successful expansion of our international live event tours, in conjunction with the subsequent introduction of a wide array of World Wrestling Entertainment, Inc. branded merchandise, ensures that we now have the critical elements in place to further increase our penetration in markets around the world.

In May 2002, we changed our name to World Wrestling Entertainment, Inc. The injunction issued by the English Court in legal proceedings instituted against us by World Wide Fund for Nature, unless modified or clarified, may adversely affect the future use or repackaging of our historical video library to the extent it contains our former logo and verbal references to the "WWF". See Note 6 to Notes to Consolidated Financial Statements.

In October 2002, we settled litigation with William Morris Inc. for \$13.0 million, of which \$7.1 million was previously accrued and expensed in cost of revenues in our financial statements, and the remaining \$5.9 million was recorded in the second quarter of fiscal 2003. Of the \$5.9 million, \$3.5 million was included in cost of revenues and \$2.4 million was included in selling, general and administrative expenses.

Our operations are organized around two principal activities:

- *Live and televised entertainment, which consists of live events, television programming and pay-per-view programming.* Revenues consist principally of 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 include the marketing and sale of merchandise, magazines and home videos, consumer products sold

---

through third party licensees and the operations of our entertainment complex located in New York City.

## Results of Operations

### Second quarter ended October 25, 2002 compared to second quarter ended October 26, 2001

**Net Revenues.** Net revenues were \$92.8 million for the three months ended October 25, 2002 as compared to \$98.2 for the three months ended October 26, 2001, a decrease of \$5.4 million, or 6%. Of this decrease, \$2.0 million was from our live and televised entertainment activities and \$3.4 million was from our branded merchandise activities.

*Live and Televised Entertainment.* Net revenues were \$70.7 million for the three months ended October 25, 2002 as compared to \$72.7 million for the three months ended October 26, 2001, a decrease of \$2.0 million, or 3%. Pay-per-view revenues decreased by \$3.1 million for the three months ended October 25, 2002. Pay-per-view buys for the three events held in the second quarter decreased by 0.2 million to approximately 0.9 million for the three months ended October 25, 2002. This was partially offset by an increase in the retail price from \$29.95 to \$34.95 effective with our Backlash event in April 2002. Prior year buys decreased 0.2 million to 0.1 million for the three months ended October 25, 2002. Advertising revenues decreased by \$1.2 million for the three months ended October 25, 2002 due primarily to a decline in television ratings and a decrease in sponsorship revenues. Revenues from live events increased by \$2.0 million as a result of an increase in total attendance as we held 87 events during the three months ended October 25, 2002 as compared to 55 events in the year ago quarter and to a lesser extent, an increase in the average ticket price. Average attendance decreased to approximately 5,300 from approximately 8,600 per event. Revenues from our television rights fees increased by \$0.3 million due primarily to the executive producer fee we received associated with the upcoming film , *Helldorado* .

*Branded Merchandise.* Net revenues were \$22.1 million for the three months ended October 25, 2002 as compared to \$25.5 million for the three months ended October 26, 2001, a decrease of \$3.4 million, or 13%. Licensing revenues decreased \$4.7 million primarily due to the timing of cash receipts in the prior year that were reflected in the second quarter of fiscal 2002 and to lower sales in the toy, apparel and book publishing categories. Revenues from our entertainment complex, *The World* , decreased by \$0.9 million primarily due to the decreased consumer traffic at the facility. Merchandise revenues decreased by \$0.2 million due to the decrease in shopzone.com and catalog sales offset partially by higher venue sales attributable to increased per capita spending. Home video revenues increased by \$1.2 million due to an increase in the number of units sold, combined with the shift in product mix from VHS units to DVD units, which wholesale for approximately \$5.00 more than a VHS unit. SmackDown! Records revenues increased by \$0.7 million due to the timing of the release of our recent album, *Forceable Entry* . New media revenues increased by \$0.4 million due to an increase in internet advertising revenues.

**Cost of Revenues.** Cost of revenues was \$64.2 million for the three months ended October 25, 2002 as compared to \$62.8 million for the three months ended October 26, 2001, an increase of \$1.4 million. Of this increase, \$3.0 million was from our live and televised entertainment activities offset by a decrease of \$1.6 million from our branded merchandise activities. Gross profit as a percentage of net revenues was 31% for the three months ended October 25, 2002 as compared to 36% for the three months ended October 26, 2001.

*Live and Televised Entertainment.* The cost of revenues for our live and televised entertainment activities was \$49.7 million for the three months ended October 25, 2002 as compared to \$46.7 million for the three months ended October 26, 2001, an increase of \$3.0 million, or 6%. Of this increase, \$2.0 million was due to an increased number of events held resulting in higher arena rentals, arena

---

advertising and talent travel costs for the three months ended October 25, 2002 as compared to the second quarter of fiscal 2002. In addition, cost of revenues increased by \$3.5 million due to the charge related to the settlement of the William Morris litigation. These increases were partially offset by a decrease of \$0.9 million in advertising costs primarily due to a decrease in the participation to TNN as a result of lower advertising revenues. In addition, television costs decreased by \$1.1 million and talent costs decreased by \$0.6 million as compared to the second quarter of fiscal 2002. Gross profit as a percentage of net revenues was 30% for the three months ended October 25, 2002 as compared to 36% for the three months ended October 26, 2001. The decrease in gross profit as a percentage of net revenues was due primarily to the decrease in pay-per-view revenues and the settlement of litigation.

*Branded Merchandise.* The cost of revenues for our branded merchandise activities was \$14.5 million for the three months ended October 25, 2002 as compared to \$16.1 million for the three months ended October 26, 2001, a decrease of \$1.6 million, or 10%. Licensing cost of revenues decreased by \$2.9 million due partially to a decrease in revenues resulting in lower talent royalties. In addition, in

December 2001, our agreement to sponsor an NHRA racing team lapsed, resulting in a decrease in licensing costs of \$1.0 million compared to the second quarter of fiscal 2002. Partially offsetting this decrease in cost of revenues were \$0.9 million of costs associated with certain changes within our shopzone.com operations. Gross profit as a percentage of net revenues was 34% for the three months ended October 25, 2002 as compared to 37% for the three months ended October 26, 2001. The decrease in gross profit as a percentage of net revenues was due primarily to the decrease in revenues from our entertainment complex, *The World*.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses ("SG&A") were \$27.3 million for the three months ended October 25, 2002 as compared to \$27.0 million for the three months ended October 26, 2001, an increase of \$0.3 million, or 1%. Excluding \$2.4 million associated with the unfavorable settlement of the William Morris litigation during the three months ended October 25, 2002, SG&A was \$24.9 million or a decrease of \$2.1 million as compared to the three months ended October 26, 2001. This decrease was due to expense reduction initiatives and the impact in the prior year of \$0.6 million of costs associated with our former Hotel & Casino. SG&A as a percentage of net revenues, excluding the \$2.4 million unfavorable settlement, was 27% for both the three months ended October 25, 2002 and the three months ended October 26, 2001. In July 2002, we began to realign our operating expenses and as a result, we decreased our workforce and have reduced our departmental operating expense budgets by \$20.0 million for fiscal 2003. We expect to continue to see the benefits of this realignment in subsequent quarters.

**Depreciation and Amortization.** Depreciation and amortization expense was \$2.9 million for the three months ended October 25, 2002 as compared to \$2.6 million for the three months ended October 26, 2001.

**Interest Expense.** Interest expense was \$0.2 million for the three months ended October 25, 2002 and the three months ended October 26, 2001.

**Interest Income and Other (Loss) Income, Net.** Interest income and other (loss) income, net decreased to (\$0.7) million for the three months ended October 25, 2002 as compared to \$2.3 million for the three months ended October 26, 2001, a decrease of \$3.0 million. The decrease was primarily due to a loss incurred in the second quarter of fiscal 2003 from an investment in mortgage back securities in addition to lower average rates earned from all of our investments.

**(Benefit) Provision for Income Taxes.** The (benefit) provision for income taxes decreased to (\$0.9) million for the three months ended October 25, 2002 compared to \$3.0 million for the three months ended October 26, 2001. Our effective tax rate was approximately 36% and 38% for the second quarter of fiscal 2003 and fiscal 2002, respectively.

---

## Six months ended October 25, 2002 compared to the six months ended October 26, 2001

**Net Revenues.** Net revenues were \$180.9 million for the six months ended October 25, 2002 as compared to \$188.9 million for the six months ended October 26, 2001, a decrease of \$8.0 million, or 4%. Of this decrease, \$6.6 million was from our live and televised entertainment activities and \$1.4 million was from our branded merchandise activities.

**Live and Televised Entertainment.** Net revenues were \$138.5 million for the six months ended October 25, 2002 as compared to \$145.1 million for the six months ended October 26, 2001, a decrease of \$6.6 million, or 5%. Pay-per-view revenues decreased by \$9.3 million for the six months ended October 25, 2002. Pay-per-view buys for the six events held in the six months ended October 25, 2002 decreased by 0.7 million to approximately 1.9 million from 2.6 million for the six months ended October 26, 2001. This was offset by an increase in the retail price from \$29.95 to \$34.95 effective with our Backlash event in April 2002. Prior year buys decreased 0.1 million to 0.4 million for the six months ended October 25, 2002. In addition, advertising revenues decreased by \$4.0 million for the six months ended October 25, 2002 due primarily to a decline in television ratings and a decrease in sponsorship revenues. These decreases were partially offset by increased live event revenues of \$6.1 million due to higher total attendance as a result of 76 more events held in the six months ended October 25, 2002. Average attendance decreased to approximately 5,500 from approximately 9,100 per event in the prior year. Revenues from our television rights fees increased by \$0.6 million due primarily to rights fees associated with a special that aired on TNN.

**Branded Merchandise.** Net revenues were \$42.4 million for the six months ended October 25, 2002 as compared to \$43.8 million for the six months ended October 26, 2001, a decrease of \$1.4 million, or 3%. Licensing revenues decreased \$2.2 million primarily due to lower sales in the toy, apparel and book publishing categories partially offset by an increase in the video game category. Revenues from our entertainment complex, *The World*, decreased by \$2.0 million due primarily to decreased consumer traffic at the facility. These decreases were partially offset by increased revenues from our merchandise business of \$1.1 million due primarily to an increase in per capita spending at our events. In addition, home video revenues increased by \$2.0 million due to an increase in the number of units sold, combined with the shift in product mix from VHS units to DVD units, which wholesale for approximately \$5.00 more than a VHS unit.

**Cost of Revenues.** Cost of revenues was \$122.7 million for the six months ended October 25, 2002 as compared to \$121.1 million for the six months ended October 26, 2001, an increase of \$1.6 million. Of this increase, \$3.4 million was from our live and televised entertainment activities offset by a decrease of \$1.8 million from our branded merchandise activities. Gross profit as a percentage of net revenues was 32% for the six months ended October 25, 2002 as compared to 36% for the six months ended October 26, 2001.

**Live and Televised Entertainment.** The cost of revenues for our live and televised entertainment activities was \$94.6 million for the six months ended October 25, 2002 as compared to \$91.2 million for the six months ended October 26, 2001, an increase of \$3.4 million, or 4%. This increase was primarily due to a \$4.2 million increase related to the additional number of live events we held in fiscal 2003, resulting in higher arena rentals, arena advertising and talent travel costs. In addition, cost of revenues increased by \$3.5 million due to the charge related to the settlement of the William Morris litigation. These increases were partially offset by a \$2.8 million decrease in advertising costs due primarily to a decrease in the participation to TNN as a result of lower advertising revenues and to a lesser extent, a decrease in sponsorship expenses. In addition, talent costs decreased by \$0.7 million and pay per view service fees decreased by \$0.5 million primarily due to a decrease in revenues. Gross profit as a percentage of net revenues was 32% for the six months ended October 25, 2002 as compared to 37%

17

---

for the six months ended October 26, 2001. The decrease in gross profit as a percentage of net revenues was due primarily to the decrease in pay-per-view revenues and the settlement of litigation.

**Branded Merchandise.** The cost of revenues for our branded merchandise activities was \$28.1 million for the six months ended October 25, 2002 as compared to \$29.9 million for the six months ended October 26, 2001, a decrease of \$1.8 million. Licensing cost of revenues decreased by \$3.1 million due partially to a decrease in revenues resulting in lower talent royalties. In addition, in December 2001, our agreement to sponsor an NHRA racing team lapsed, resulting in a decrease in licensing costs of \$2.1 million compared to the six months ended October 26, 2001. Cost of revenues for new media decreased by \$0.8 million due to lower maintenance and technical costs. In addition, cost of revenues from our entertainment complex, *The World*, decreased by \$0.7 million due primarily to the decline in revenues. These decreases in cost of revenues were offset partially by \$0.9 million of costs associated with certain changes within our shopzone.com operations. In addition, home video costs increased by \$0.4 million due primarily to increased distribution fees resulting from the increase in home video revenues and SmackDown! Record costs increased by \$0.5 million due to higher recording and marketing costs. Gross profit as a percentage of net revenues was 34% for the six months ended October 25, 2002 as compared to 32% in the second quarter of fiscal 2002. The increase in gross profit as a percentage of net revenues was due primarily to increases in home video revenues and the positive impact on expenses arising from the expiration of the NHRA agreement.

**Selling, General and Administrative Expenses.** SG&A was \$51.2 million for the six months ended October 25, 2002 as compared to \$52.3 million for the six months ended October 26, 2001, a decrease of \$1.1 million, or 2%. Excluding \$1.1 million of net favorable settlements of lawsuits during the six months ended October 25, 2002, SG&A was \$52.3 million or even when compared to the six months ended October 26, 2001. This was due to expense reduction initiatives and the impact in the prior year of \$0.9 million of costs associated with our former Hotel & Casino offset by an increase of \$2.6 million in advertising and promotion expenses. SG&A as a percentage of net revenues, excluding the net favorable settlements, was 29% for the six months ended October 25, 2002 as compared to 28% in the six months ended October 26, 2001. In July 2002, we began to realign our operating expenses and as a result, we decreased our workforce and reduced our departmental operating expense budgets by \$20.0 million for fiscal 2003. We expect to continue to see the benefits of this realignment in subsequent quarters.

**Depreciation and Amortization.** Depreciation and amortization expense was \$5.7 million for the six months ended October 25, 2002 as compared to \$4.9 million for the six months ended October 26, 2001.

**Interest Expense.** Interest expense was \$0.4 million for the six months ended October 25, 2002 and October 26, 2001.

**Interest Income and Other (Loss) Income, Net.** Interest income and other (loss) income, net was \$0.4 million for the six months ended October 25, 2002 as compared to \$17.0 million for the six months ended October 26, 2001, a decrease of \$16.6 million. Included in fiscal 2002 was a gain of \$7.1 million related to the exercise and sale of certain warrants. In addition, as a result of our adoption of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", we recorded income of \$2.2 million from the revaluation of certain warrants in the first quarter of fiscal 2002. Interest income decreased by \$7.4 million primarily due to a decrease in interest rates earned on all of our investments as well as a loss incurred from an investment in mortgage backed securities.

**Provision for Income Taxes.** The provision for income taxes decreased to \$0.4 million for the six months ended October 25, 2002 as compared to \$10.4 million for the six months ended October 26, 2001. Our effective tax rate was approximately 31% and 38% for the six months ended fiscal 2003 and fiscal 2002, respectively.

18

---

## Liquidity and Capital Resources

Cash flows provided by operating activities for the six months ended October 25, 2002 and for the six months ended October 26, 2001 were \$5.9 million and \$21.0 million, respectively. Cash flows provided by operating activities from continuing operations decreased to \$6.6 million as compared to \$34.0 million for the six months ended October 26, 2001. The decrease was due in part to the payment of

\$13.0 million in October 2002 as a result of the settlement of the William Morris litigation. Working capital, consisting of current assets less current liabilities, was \$256.7 million as of October 25, 2002 and \$287.0 million as of April 30, 2002.

Cash flows used in investing activities were \$6.8 million for the six months ended October 25, 2002 and cash flows provided by investing activities for the six months ended October 26, 2001 were \$2.5 million. Capital expenditures for the six months ended October 25, 2002 were \$6.9 million as compared to \$11.7 million for the six months ended October 25, 2001. For fiscal 2003, we estimate capital expenditures to be approximately \$15.0 million, which includes the purchase of computer equipment, television equipment and leasehold improvements. As of October 25, 2002, we had approximately \$207.2 million invested in short-term corporate and government obligations, which consisted of AA or AAA rated instruments and mortgage backed securities, which are Federal Government Agency rated instruments. The maturities of these instruments are generally for a term of three months or shorter.

Cash flows used in financing activities for the six months ended October 25, 2002 were \$29.1 million and cash flows provided by financing activities were \$3.7 million for the six months ended October 26, 2001. During the first quarter of fiscal 2001, we sold approximately 2.3 million newly issued shares of our Class A common stock to NBC for \$30.0 million. In May 2002, we repurchased these shares from NBC for approximately \$27.7 million.

In July 2002, we repurchased 0.2 million shares of our Class A common stock on the open market at an average price per common share of approximately \$10.24, totaling approximately \$1.9 million. These repurchased shares, together with the repurchased shares from NBC were classified in our Consolidated Balance Sheets as Treasury Stock as of October 25, 2002.

As a result of a variety of factors, including the September 11, 2001 terrorist attacks, several well-publicized cases of corporate fraud and claims history in connection with our performers, we have seen an increase of approximately \$2.5 million in our annual insurance premiums for our latest round of renewals. In general, while we have maintained a level of insurance coverage and deductibles consistent with the prior years for our policies, our participant legal liability insurance now has a deductible of \$10.0 million per occurrence, up from a zero deductible. Given the recent trends in the insurance industry, it has been difficult for us to maintain coverage levels at costs consistent with prior year amounts.

Through December 2, 2002, we believe that funding for the XFL has essentially been completed. Cumulatively, through December 2, 2002, we funded a total of approximately \$57.6 million (\$32.0 million, net of applicable tax benefits).

On October 26, 2000 we entered into a lease agreement with General Electric for a 1998 Canadian 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 lease is determined by a floating rate, which is based upon the 30-day US Commercial Paper Rate as stated by the Federal Reserve plus an additional 1.95%. The current monthly payment is approximately \$120,000.

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 for our fiscal year ended April 30, 2002.

---

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, capital expenditures and strategic investments. However, during such period or thereafter, depending on the size and number of the projects and investments related to our growth strategy, we may require the issuance of debt and/or additional equity securities.

### **Application of Critical Accounting Policies**

There have been no changes to our accounting policies from what was previously disclosed in our Annual Report on Form 10-K for our fiscal year ended April 30, 2002.

### **Recent Pronouncements**

In August 2001, SFAS No. 143 "Accounting for Asset Retirement Obligations" was released. This statement, effective for fiscal years beginning after June 15, 2002, addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. In October 2001, SFAS No. 144 "Accounting for Impairment or Disposal of Long-Lived Assets" was released. This statement, effective for fiscal years beginning after December 15, 2001, addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 143 and SFAS No. 144 are currently not expected to have a material impact on our results of operations or financial position.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". This Statement



addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The principal difference between this Statement and EITF Issue 94-3 relates to its requirements for recognition of a liability for a cost associated with an exit or disposal activity. This Statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. We have not determined the impact, if any, the adoption of this statement will have on our financial position or results of operations.

### **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 Annual Report, the words "may," "will," "could," "anticipate," "plan," "continue," "project," "intend," "estimate," "believe," "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 story lines and the popularity of our brand of entertainment; (iii) the loss of the creative services of Vincent McMahon could adversely affect our ability to create popular characters and story lines; (iv) our failure to maintain or renew key

20

---

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 2003 for its UPN network and Fall 2005 for its MTV and TNN networks; (v) we may not be able to compete effectively with companies providing other forms of entertainment and programming, and many of these competitors have greater financial resources than we; (vi) we may not be able to protect our intellectual property rights which could negatively impact our ability to compete in the sports entertainment market; (vii) general economic conditions or a change in the popularity of our brand of sports entertainment could adversely impact our business; (viii) risks associated with producing live events, both domestically and internationally, including without limitation risks that our insurance may not cover liabilities resulting from accidents or injuries and that we may be prohibited from promoting and conducting live events if we do not comply with applicable regulations; (ix) uncertainties associated with international markets; (x) we could incur substantial liabilities, or be required to conduct certain aspects of our business differently, if pending or future material litigation is resolved unfavorably; (xi) any new or complementary businesses into which we may expand in the future could adversely affect our existing businesses; (xii) through his beneficial ownership of a substantial majority of our Class B common stock, our controlling stockholder can exercise significant influence over our affairs, and his interests could conflict with the holders of our Class A common stock; and (xiii) a substantial number of shares will be eligible for future sale by our current majority stockholder, and the sale of those shares could lower our stock price. 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**

No information with respect to market risk has been included as it has not been material to our financial condition or results of operations.

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

Based on their most recent review, which was completed within 90 days of the filing of this report, the Company's Chief Executive Officer and Acting Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to the Company's management, including its Chief Executive Officer and Acting 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. There were no significant changes in the Company's internal controls or in other factors that could significantly affect those controls subsequent to the date of this evaluation.

Unrelated to the review of disclosure controls and procedures, during the six months ended October 25, 2002, the Company identified a series of suspicious financial transactions in connection with the operations of *The World*, the Company's entertainment complex in New York City. Although these financial transactions did not have a material impact on the Company's financial statements, they did result in a strengthening of controls in certain areas surrounding the Company's expenditure cycle. Such suspicious financial transactions were communicated to the audit committee and the Company's auditors on a timely basis.

21

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

See Note 6 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 27, 2002.

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

Nominees	Votes	
	For	Withheld
Vincent K. McMahon	562,099,988	752,845
Linda E. McMahon	562,099,993	752,840
Lowell P. Weicker, Jr.	562,569,332	283,301
David Kenin	562,569,320	283,313
Joseph Perkins	562,569,308	283,525
Michael B. Solomon	562,569,323	283,510
August J. Liguori	562,099,983	752,850

On October 31, 2002, August J. Liguori was terminated as Executive Vice President, Chief Financial Officer and Treasurer and resigned as a Director of the Company. Effective November 1, 2002, Frank G. Serpe, who has been with the Company since 1986 and most recently served as the Company's Senior Vice President and Chief Accounting Officer, has been serving as the Company's Acting Chief Financial Officer while the Company conducts a search for Mr. Liguori's replacement.

- (b) The approval of the World Wrestling Entertainment, Inc. Employee Stock Purchase Plan:

Votes	
For	Withheld
557,615,973	1,566,173

- (c) The appointment of Deloitte & Touche LLP as auditors for the Company for the fiscal year ending April 30, 2003:

Votes	
For	Withheld
562,651,511	194,155

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

- (a) Exhibits

None

- (b) Reports on Form 8-K

The Registrant filed a report on Form 8-K on October 10, 2002, 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: December 9, 2002

By: /s/ FRANK G. SERPE

---

Frank G. Serpe  
Senior Vice President and  
Acting Chief Financial Officer

23

---

*Securities and Exchange Act of 1934 Rule 13a-14 as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002:*

I, Linda E. McMahon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of World Wrestling Entertainment, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: December 9, 2002

Linda E. McMahon  
*Chief Executive Officer*

I, Frank G. Serpe, certify that:

1. I have reviewed this quarterly report on Form 10-Q of World Wrestling Entertainment, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: December 9, 2002

/s/ FRANK G. SERPE

---

Frank G. Serpe  
*Senior Vice President and Acting Chief Financial Officer*

In connection with the Quarterly Report of World Wrestling Entertainment, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended October, 25, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his/her knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Act of 1934: and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Dated: December 9, 2002

/s/ LINDA E. MCMAHON

---

Linda E. McMahon  
*Chief Executive Officer*

/s/ FRANK G. SERPE

---

Frank G. Serpe  
*Senior Vice President and Acting Chief Financial Officer*

26

---

#### QuickLinks

[World Wrestling Entertainment, Inc. Table of Contents](#)  
[World Wrestling Entertainment, Inc. Consolidated Balance Sheets \(dollars in thousands, except share and per share data\)](#)  
[World Wrestling Entertainment, Inc. Consolidated Statements of Operations \(dollars in thousands, except per share data\) \(Unaudited\)](#)  
[World Wrestling Entertainment, Inc. Consolidated Statements of Stockholders' Equity and Comprehensive Income \(dollars and shares in thousands\) \(Unaudited\)](#)  
[World Wrestling Entertainment, Inc. Consolidated Statements of Cash Flows \(dollars in thousands\) \(Unaudited\)](#)  
[World Wrestling Entertainment, Inc. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS \(dollars in thousands, except share and per share data\) \(Unaudited\)](#)  
[PART II. OTHER INFORMATION](#)  
[SIGNATURE](#)

---

#### End of Filing

Powered By  EDGAR  
Online

© 2005 | EDGAR Online, Inc.