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WESTWOOD ONE INC /DE/  
Form 10-Q  
May 10, 2005

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 March 31, 2005

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 0-13020  
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WESTWOOD ONE, INC.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

95-3980449  
(I.R.S. Employer  
Identification No.)

40 West 57th Street, New York, NY  
(Address of principal executive offices)

10019  
(Zip Code)

(212) 641-2000  
Registrant's telephone number, including area code

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

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

Number of shares of Stock Outstanding at April 29, 2005 (excluding treasury  
shares):

Common Stock, par value \$.01 per share - 92,333,315 shares  
Class B Stock, par value \$.01 per share - 291,796 shares

WESTWOOD ONE, INC.  
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Item 1 - Financial Statements

WESTWOOD ONE, INC.  
CONSOLIDATED BALANCE SHEETS  
(In thousands)

	March 31, 2005	(Un
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,679	
Accounts receivable, net of allowance for doubtful accounts of \$3,231 (2005) and \$2,556 (2004)	123,051	
Prepaid and other assets	19,057	
	-----	
Total Current Assets	146,787	

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PROPERTY AND EQUIPMENT, NET	45,800
GOODWILL	982,219
INTANGIBLE ASSETS, NET	5,884
OTHER ASSETS	36,020
	-----
TOTAL ASSETS	\$ 1,216,710
	=====

## LIABILITIES AND SHAREHOLDERS' EQUITY

### CURRENT LIABILITIES:

Accounts payable	17,336
Amounts payable to related parties	23,763
Deferred revenue	10,697
Income taxes payable	13,463
Accrued expenses and other liabilities	32,052
	-----

### Total Current Liabilities

LONG-TERM DEBT	346,500
DEFERRED INCOME TAXES	12,694
OTHER LIABILITIES	8,290
	-----

### TOTAL LIABILITIES

464,795

### COMMITMENTS AND CONTINGENCIES

### SHAREHOLDERS' EQUITY

Preferred stock: authorized 10,000,000 shares, none outstanding	-
Common stock, \$.01 par value: authorized, 252,751,250 shares; issued and outstanding, 92,283,315 (2005) and 94,353,675 (2004)	923
Class B stock, \$.01 par value: authorized, 3,000,000 shares; issued and outstanding, 291,796 (2005 and 2004)	3
Additional paid-in capital	321,706
Accumulated earnings	430,300
	-----
	752,932

Less treasury stock, at cost; 50,000 (2005) and 0 (2004) shares (1,017)

### TOTAL SHAREHOLDERS' EQUITY

751,915

### TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY

\$ 1,216,710

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See accompanying notes to consolidated financial statements

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WESTWOOD ONE, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

Three Months Ended  
March 31,

2005

2004

(Unaudited)

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NET REVENUES	\$ 134,082	\$ 129,6
	-----	-----
Operating Costs (include related party expenses of \$21,415 and \$22,515, respectively)	97,026	93,4
Depreciation and Amortization (includes related party warrant amortization of \$2,427 and \$338, respectively)	5,256	3,1
Corporate General and Administrative Expenses (includes related party expenses of \$759 and \$703, respectively)	2,584	1,9
	-----	-----
	104,866	98,6
	-----	-----
OPERATING INCOME	29,216	30,9
Interest Expense	3,711	2,9
Other (Income) Expense	(60)	(
	-----	-----
INCOME BEFORE INCOME TAXES	25,565	28,1
INCOME TAXES	9,776	10,5
	-----	-----
NET INCOME	\$ 15,789	\$ 17,5
	=====	=====
EARNINGS PER SHARE:		
BASIC	\$ 0.17	\$ 0.
	=====	=====
DILUTED	\$ 0.17	\$ 0.
	=====	=====
WEIGHTED AVERAGE SHARES OUTSTANDING:		
BASIC	93,696	98,0
	=====	=====
DILUTED	94,331	100,0
	=====	=====

See accompanying notes to consolidated financial statements

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## WESTWOOD ONE, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS (In thousands)

	Three Months	
	March 3	
	2005	
	(Unaudite	
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	\$ 15,789	\$
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,256	
Deferred taxes	153	
Amortization of deferred financing costs	84	
	-----	
	21,282	
Changes in assets and liabilities:		
Accounts receivable	18,963	
Prepaid and other assets	2,086	

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Deferred revenue	(3,561)	
Income taxes payable	8,286	
Accounts payable and accrued expenses and other liabilities	6,749	
Amounts payable to related parties	3,489	
	-----	
Net Cash Provided By Operating Activities	57,294	
	-----	
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditures	(803)	
Acquisition of companies and other	(204)	
	-----	
Net Cash Used in Investing Activities	(1,007)	
	-----	
CASH FLOW FROM FINANCING ACTIVITIES:		
Issuance of common stock	193	
Borrowings under bank and other long-term obligations	10,000	
Debt repayments and payments of capital lease obligations	(25,156)	
Repurchase of common stock	(47,577)	
Deferred financing costs	-	
	-----	
Net Cash Used in Financing Activities	(62,540)	
	-----	
NET DECREASE/INCREASE IN CASH AND CASH EQUIVALENTS	(6,253)	
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	10,932	
	-----	
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 4,679	\$
	=====	=====

See accompanying notes to consolidated financial statements

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## WESTWOOD ONE, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(In thousands, except per share data)

### NOTE 1 - Basis of Presentation:

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The accompanying consolidated balance sheet as of March 31, 2005, the consolidated statements of operations and the consolidated statements of cash flows for the three month periods ended March 31, 2005 and 2004 are unaudited, but in the opinion of management include all adjustments necessary for a fair presentation of the financial position, the results of operations and cash flows for the periods presented. Results of operations for interim periods are not necessarily indicative of annual results. These financial statements should be read in conjunction with the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission.

### NOTE 2 - Earnings Per Share:

-----

Net income per share is computed in accordance with SFAS No. 128. Basic earnings per share excludes all dilution and is calculated using the weighted average number of shares outstanding in the period. Diluted earnings per share reflects the potential dilution that would occur if all financial instruments which may be exchanged for equity securities were exercised or converted to Common Stock.

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The Company has issued options and warrants which may have a dilutive effect on reported earnings if they were exercised or converted to Common Stock. The following numbers of shares related to options and warrants were added to the basic weighted average shares outstanding to arrive at the diluted weighted average shares outstanding for each period:

	March 31,	
	2005	2004
Options	635	2,065

Common equivalent shares are excluded in periods in which they are anti-dilutive. The following options were excluded from the calculation of diluted earnings per share because the exercise price was greater than the average market price of the Company's Common Stock for the first quarter of 2005 and 2004:

	March 31,	
	2005	2004
Options	3,734	2,804

The per share exercise prices of the options were \$26.96-\$38.34 in 2005, and \$32.25-\$38.34 in 2004. Also excluded from the computation of diluted earnings per share were 4,000 warrants issued in May 2002 in conjunction with extending the terms of the Company's management agreement with a related party.

## NOTE 3 - Debt:

Long-term debt consists of the following at:

	March 31, 2005	December 31, 2004
Revolving Credit Facility/Term Loan	\$145,000	\$160,000
4.64% Senior Unsecured Notes	50,000	50,000
5.26% Senior Unsecured Notes	150,000	150,000
Fair market value of Swap (a)	1,500	(561)
	\$346,500	\$359,439

- (a) write-up (write-down) to market value adjustments for debt with qualifying hedges that are recorded as debt on the balance sheet.

On March 3, 2004, the Company refinanced its existing senior loan agreement with a syndicate of banks led by JP Morgan Chase Bank and Bank of America. The new facility is comprised of a five-year \$120,000 term loan and a five-year \$180,000 revolving credit facility (collectively the "New Facility"). In connection with the closing of the New Facility, the Company borrowed the full amount of the term loan, the proceeds of which were used to repay the outstanding borrowings under the prior facility. Interest on the New Facility is payable at the prime rate plus an applicable margin of up to .25% or LIBOR plus an applicable margin of up to 1.25%, at the Company's option. The New Facility contains covenants relating to dividends, liens, indebtedness, capital expenditures and interest coverage and leverage ratios. At March 31, 2005, the Company had available borrowings under the New Facility of \$155,000.

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## NOTE 4 - Related Party Transactions:

In return for receiving services under a management agreement (the "Management Agreement"), the Company compensates Infinity Broadcasting Corporation ("Infinity"), a wholly-owned subsidiary of Viacom Inc. via an annual base fee and provides Infinity the opportunity to earn an incentive bonus if the Company exceeds pre-determined targeted cash flows. In addition to the base fee and incentive compensation, the Company also granted Infinity fully vested and non-forfeitable warrants to purchase Company common stock.

In addition to the Management Agreement, the Company also enters into other transactions with Infinity in the normal course of business. These transactions are more fully described in the Company's Annual Report on Form 10-K.

The Company incurred the following expenses relating to transactions with Infinity or its affiliates for the three-month periods ended March 31:

	2005	2004
	----	----
Representation Agreement	\$ 6,256	\$ 6,126
Programming and Affiliations	15,189	16,389
Management Agreement (excluding warrant amortization)	759	703
Warrant Amortization	2,427	338
	-----	-----
	\$24,631	\$23,556
	=====	=====

## NOTE 5 - Stock Options:

The Company applies APB 25 and related interpretations in accounting for its stock option plans. Accordingly, no compensation expense has been recognized for its plans. Had compensation cost been determined in accordance with the methodology prescribed by SFAS 123, the Company's net income and earnings per share would have been reduced by approximately \$1,682 (\$.02 per basic and diluted share) in the first quarter of 2005 and \$2,273 (\$.02 per basic and diluted share) in the first quarter of 2004.

	Three Months Ended March 31,	
	-----	-----
	2005	2004
	----	----
Net Income as Reported	\$15,789	\$17,547
Deduct: Total Stock Based Employee Compensation Expense, Net of Tax	(1,682)	(2,273)
	-----	-----
Pro Forma Net Income	\$14,107	\$15,274
	=====	=====
Net Income Per Share:		
Basic - As Reported	\$ .17	\$ .18
	=====	=====
Basic - Pro Forma	\$ .15	\$ .16
	=====	=====
Diluted - As Reported	\$ .17	\$ .18
	=====	=====

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Diluted - Pro Forma

\$ .15  
=====

\$ .15  
=====

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In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), which replaces SFAS No. 123, "Accounting for Stock-Based Compensation," ("SFAS 123") and supercedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values beginning with the next fiscal year after June 15, 2005, with early adoption encouraged. The pro forma disclosures previously permitted under SFAS 123 no longer will be an alternative to financial statement recognition. The Company is required to adopt SFAS 123R in the first quarter of fiscal 2006. Under SFAS 123R, the Company must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at date of adoption. The transition methods include prospective and retroactive adoption options. Under the retroactive option, prior periods may be restated either as of the beginning of the year of adoption or for all periods presented. The prospective method requires that compensation expense be recorded for all unvested stock options and restricted stock at the beginning of the first quarter of adoption of SFAS 123R, while the retroactive methods would record compensation expense for all unvested stock options and restricted stock beginning with the first period restated. The Company is evaluating the requirements of SFAS 123R and expects that the adoption of SFAS 123R will have a material impact on the Company's consolidated results of operations and earnings per share. The Company has not yet determined the method of adoption or the effect of adopting SFAS 123R. The Company believes the pro forma disclosures above provide an appropriate short-term indicator of the level of expense that will be recognized in accordance with SFAS No. 123R. However, the total expense recorded in future periods will depend on several variables, including the number of share-based awards that vest and the fair value of those vested awards.

### NOTE 6 - Subsequent Events:

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On April 29, 2005 the Company's Board of Directors declared a quarterly cash dividend of \$0.10 per share for every issued and outstanding share of Common Stock and \$0.08 per share for every issued and outstanding share of Class B Stock, payable on May 31, 2005 to shareholders of record at the close of business on May 20, 2005. In addition, the Board of Directors authorized an additional \$300 million for its existing stock repurchase program.

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### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (In thousands except for share and per share amounts)

#### EXECUTIVE OVERVIEW

Westwood One supplies radio and television stations with content, information services and programming. The Company is the largest domestic outsource provider of traffic reporting services and the nation's largest radio network, producing and distributing national news, sports, talk, music and special event programs, in addition to local news, sports, weather, video news and other information programming. The commercial airtime that we sell to our advertisers is acquired from radio and television affiliates in exchange for our programming, content, information, and in certain circumstances, cash compensation.



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The radio broadcasting industry has experienced a significant amount of consolidation. As a result, certain major radio station groups, including Infinity and Clear Channel Communications, have emerged as leaders in the industry. Westwood One is managed by Infinity under a Management Agreement, which expires on March 31, 2009. While Westwood One provides programming to all major radio station groups, the Company has affiliation agreements with most of Infinity's owned and operated radio stations, which in the aggregate, provide the Company with a significant portion of the audience that it sells to advertisers. Accordingly, the Company's operating performance could be materially adversely impacted by its inability to continue to renew its affiliate agreements with Infinity stations.

The Company derives substantially all of its revenues from the sale of :10 second, :30 second and :60 second commercial airtime to advertisers. Our advertisers who target local/regional audiences generally find the most effective method is to purchase shorter duration :10 second advertisements, which are principally correlated to traffic and information related programming and content. Our advertisers who target national audiences generally find the most cost effective method is to purchase longer :30 or :60 second advertisements, which are principally correlated to news, talk, sports and music and entertainment related programming and content. Generally, the greater amount of programming we provide our affiliates the greater amount of commercial airtime is available for the Company to sell. Additionally, over an extended period of time an increase in the listening audience results in our ability to generate more revenues. Our goal is to maximize the yield of our available commercial airtime to optimize revenues.

In managing our business, we develop programming and exploit the commercial airtime by concurrently taking into consideration the demands of our advertisers on both a market specific and national basis, the demands of the owners and management of our radio station affiliates, and the demands of our programming partners and talent. Our continued success and prospects for growth are dependent upon our ability to manage the aforementioned factors in a cost effective manner. Our results may also be impacted by overall economic conditions, trends in demand for radio related advertising, competition, and risks inherent in our customer base, including customer attrition and our ability to generate new business opportunities to offset any attrition.

There are a variety of factors that influence the Company's revenues on a periodic basis including but not limited to: (i) economic conditions and the relative strength or weakness in the United States economy, (ii) advertiser spending patterns and the timing of the broadcasting of our programming, principally the seasonal nature of sports programming, (iii) advertiser demand on a local/regional or national basis for the Company's related advertising products, (iv) increases or decreases in our portfolio of program offerings and related audiences, including changes in the demographic composition of our audience base and (v) competitive and alternative programs and advertising mediums.

Our ability to specifically isolate the relative historical aggregate impact of price and volume is not practical as commercial airtime is sold and managed on an order-by-order basis. It should be noted, however, that the Company closely monitors advertiser commitments for the current calendar year, with particular emphasis placed on the next three month period. Factors

impacting the pricing of commercial airtime include, but are not limited to: (i) the dollar value, length and breadth of the order, (ii) the desired reach and audience demographic, (iii) the level of commercial airtime available for the

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desired demographic requested by the advertiser for sale at the time their order is negotiated; and (iv) the proximity of the date of the order placement to the desired broadcast date of the commercial airtime. Our commercial airtime is perishable, and accordingly, our revenues are significantly impacted by the commercial airtime available at the time we enter into an arrangement with an advertiser.

The principal critical components of our operating expenses are programming, production and distribution costs (including affiliate compensation and broadcast rights fees), selling expenses (including bad debt expenses, commissions and promotional expenses), depreciation and amortization, and corporate, general and administrative expenses. Corporate general and administrative expenses are primarily comprised of costs associated with the Infinity Management Agreement, personnel costs and other administrative expenses, including those associated with new corporate governance regulations.

We consider the Company's operating cost structure to be predominantly fixed in nature, and as a result, the Company needs at least several months lead-time to make reductions in its cost structure to react to what it believes are more than temporary declines in advertiser demand. This factor is important in predicting the Company's performance in periods when advertiser revenues are increasing or decreasing. In periods where advertiser revenues are increasing, the fixed nature of a substantial portion of our costs means that Operating Income will grow faster than the related growth in revenue. Conversely, in a period of declining revenue Operating Income will decrease by a greater percentage than the decline in revenue because of the lead-time needed to reduce the Company's operating cost structure. Furthermore, if the Company perceives a decline in revenue to be temporary, it may choose not to reduce its fixed costs, or may even increase its fixed costs, so as to not limit its future growth potential when the advertising marketplace rebounds.

### Results of Operations

Three Months Ended March 31, 2005 Compared  
With Three Months Ended March 31, 2004

#### Revenues

Revenues presented by type of commercial advertisements are as follows for the three-month periods ending March 31,:

	2005		2004	
	\$	% of total	\$	% of total
Local/Regional	\$68,378	51%	\$64,651	50%
National	65,704	49%	64,957	50%
Total (1)	\$134,082	100%	\$129,608	100%
	=====	=====	=====	=====

- (1) As described above, the Company currently aggregates revenue data based on the type of commercial airtime sold. A number of advertisers purchase both local/regional and national commercial airtime. Accordingly, this factor should be considered in evaluating the relative revenues generated on a local/regional versus national basis. Our objective is to optimize total revenues from those advertisers.

Revenues for the first quarter of 2005 increased \$4,474, or 3.5%, to \$134,082 compared with \$129,608 in the first quarter of 2004. Both

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local/regional and national revenues increased in the quarter compared with the comparable 2004 period.

During the first quarter of 2005, revenues aggregated from the sale of local/regional airtime increased approximately 5.8%, or approximately \$3,727, and national based revenues increased approximately 1.1%, or \$747 compared with the first quarter of 2004.

In the first quarter of 2005, the increase in our aggregated local/regional based revenues was the result of an increase in demand for our :10 second commercial airtime and the increased demand for information services and data by non-terrestrial radio providers of programming and/or information.

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The increase in our aggregated national based revenues was accomplished primarily through new programming initiatives and expanded distribution of our content to non-terrestrial providers of programming and/or information. Further, the increase in our aggregated national based revenues was primarily in the sports, talk, and music/entertainment categories, partially offset by a reduction in the news category.

We expect our revenues in 2005 to increase compared with 2004, resulting primarily from an anticipated overall increase in demand for our product offerings due to the implementation of sales strategies to optimize network audience delivery, new programming initiatives, inventory management initiatives, and the development of new distribution alternatives for our content.

### Operating Costs

Operating costs for the three months ended March 31, 2005 and 2004 were as follows:

	2005		2004	
	----		----	
	\$	% of total	\$	% of total
	-----	-----	-----	-----
Programming, production and distribution expenses	\$72,767	75%	\$69,233	74%
Selling expenses	14,051	14%	13,523	15%
Other operating expenses	10,208	11%	10,740	11%
	-----	---	-----	----
	\$97,026	100%	\$93,496	100%
	=====	=====	=====	=====

Operating costs increased approximately 3.8%, or \$3,530, to \$97,026 in the first quarter of 2005 from \$93,496 in the first quarter of 2004. The net increase is primarily attributable to: (i) increases in Programming, production and distribution expenses resulting from costs related to the development of new or expanded program offerings, new and expanded traffic and information markets, higher broadcast rights fees resulting from increases with respect to existing program commitments offset by a decrease in certain station affiliations in conjunction with our network reconfiguration, and (ii) higher selling expenses related to increased promotional spending and higher commission expense correlated to increased revenue.

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We currently anticipate that operating costs will increase in 2005 compared with 2004 due to expenses attributable to additional investments in our national network audiences and programs, and normal recurring contractual cost increases. In addition, we expect to continue investing in our sales and sales support functions to support our planned growth in revenues.

### Depreciation and Amortization

Depreciation and amortization increased \$2,102, or 67%, to \$5,256 in the first quarter of 2005 from \$3,154 in the first quarter of 2004. The increase was principally attributable to higher amortization resulting from an increase in the fair market value of the warrants issued to Infinity as part of the extension of the Management Agreement which commenced in the second quarter of 2004. Amortization of these warrants totals approximately \$2,400 per quarter.

### Corporate General and Administrative Expenses

Corporate general and administrative expenses increased \$614, or 31% to \$2,584 in the first quarter of 2005 from \$1,970 in the first quarter of 2004. The increase was principally attributable to higher expenses associated with our corporate governance activities, including fees incurred for professional services when compared to the first quarter of 2004.

We expect our corporate general and administrative costs to increase in 2005 compared with 2004. Further, we note that our incentive bonus arrangement with Infinity is variable, contingent upon our performance.

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### Operating Income

Operating income decreased \$1,772, or 5.7% to \$29,216 in the first quarter of 2005 from \$30,988 in the first quarter of 2004.

### Interest Expense

Interest expense increased 27% in the first quarter of 2005 to \$3,711 from \$2,917 in the first quarter of 2004. The increase was attributable to higher debt outstanding and a higher average interest rate.

We expect that our interest expense will increase in 2005 commensurate with our anticipated higher average debt levels.

### Provision for income taxes

Income tax expense in the first quarter of 2005 was \$9,776 compared with \$10,564 in the first quarter of 2004. The Company's effective income tax rate was approximately 38.2% in the first quarter of 2005 compared with approximately 37.6% in the first quarter of 2004. The increase in the effective income tax rate was principally a result of recent tax developments in the states in which we operate.

### Net income

Net income in the first quarter of 2005 was \$15,789 compared with \$17,547 in the first quarter of 2004, a decrease of \$1,758 or 10%. Net income per basic and diluted share decreased approximately \$.01, or 5.6%, to \$.17 in the first quarter of 2005 compared with \$.18 in the first quarter of 2004.

### Earnings per share

Weighted averages shares outstanding used to compute basic and diluted

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earnings per share decreased approximately 4.4% to 93,696 and 5.7% to 94,331, respectively, in the first quarter of 2005 compared with 98,003 and 100,068, respectively, in the first quarter of 2004. The decrease is principally attributable to the Company's stock repurchase program.

### Liquidity and Capital Resources

The Company continually projects anticipated cash requirements, which include share repurchases, dividends, acquisitions, capital expenditures, and principal and interest payments on its outstanding indebtedness. Funding requirements are financed through cash flow from operations and the issuance of long-term debt.

At March 31, 2005, the Company's principal sources of liquidity were its cash and cash equivalents of \$4,679 and available borrowings under its bank facility which are further described below.

The Company has and continues to expect to generate significant cash flows from operating activities. For the three month periods ended March 31, 2005 and 2004, net cash provided by operating activities were \$57,294 and \$51,197, respectively.

At March 31, 2005, the Company had an unsecured \$120,000 term loan and a \$180,000 bank revolving credit facility (the "New Facility"), \$50,000 in senior unsecured notes due in 2009 and \$150,000 in senior unsecured notes due in 2012 (collectively the "Notes"). At March 31, 2005, the Company had available borrowings of \$155,000 under its New Facility.

In conjunction with the Company's objective of enhancing shareholder value, the Company's Board of Directors authorized an additional \$300 million for its existing stock repurchase program and declared the payment of a cash dividend of

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\$0.10 per share of outstanding Common Stock and \$0.08 per share of outstanding Class B Stock. In the first quarter of 2005, the Company principally used cash flow from operations to purchase and retire approximately 2,081 shares of the Company's Common Stock for a total cost of approximately \$47,577. In the first quarter of 2004, the Company purchased approximately 2,100 shares of the Company's Common Stock for a total cost of \$63,286. In the month of April 2005 (through April 29), the Company repurchased an additional 580 shares of Common Stock at a cost of approximately \$11,520. On April 29, 2005 the Board of Directors has authorized an additional \$300 million of Common Stock repurchases under its existing stock repurchase program. Accordingly on April 29, 2005, the Company had authorization to repurchase up to an additional \$402,023 of its Common Stock. The Company expects to continue to use its cash flows and available bank borrowings to repurchase its Common Stock and pay quarterly dividends, although the establishment of record and payment dates is subject to the final determination by the Board of Directors.

The Company's business does not require, and is not expected to require, significant cash outlays for capital expenditures.

The Company believes that its cash, other liquid assets, operating cash flows and available bank borrowings, taken together, provide adequate resources to fund ongoing operating requirements.

### New Accounting Standards and Interpretations Not Yet Adopted

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), which replaces SFAS No. 123, "Accounting for Stock-Based

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Compensation," ("SFAS 123") and supercedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values beginning with the next fiscal year after June 15, 2005, with early adoption encouraged. The pro forma disclosures previously permitted under SFAS 123 no longer will be an alternative to financial statement recognition. The Company is required to adopt SFAS 123R in the first quarter of fiscal 2006. Under SFAS 123R, the Company must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at date of adoption. The transition methods include prospective and retroactive adoption options. Under the retroactive option, prior periods may be restated either as of the beginning of the year of adoption or for all periods presented. The prospective method requires that compensation expense be recorded for all unvested stock options and restricted stock at the beginning of the first quarter of adoption of SFAS 123R, while the retroactive methods would record compensation expense for all unvested stock options and restricted stock beginning with the first period restated. The Company is evaluating the requirements of SFAS 123R and expects that the adoption of SFAS 123R will have a material impact on the Company's consolidated results of operations and earnings per share. The Company has not yet determined the method of adoption or the effect of adopting SFAS 123R. The Company believes the pro forma disclosures above provide an appropriate short-term indicator of the level of expense that will be recognized in accordance with SFAS No. 123R. However, the total expense recorded in future periods will depend on several variables, including the number of shared-based awards that vest and the fair value of those vested awards.

### Forward-Looking Statements and Factors Affecting Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on the behalf of the Company. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These statements are based on management's views and assumptions at the time the statements are made, however no assurances can be given that management's expectations will come to pass. The forward-looking statements included in this document, including those related to our revenue, operating costs, general and administrative costs, interest expense and capital expenditure trend for 2005, are only made as of the date of this document and the Company does not have any obligation to publicly update any forward-looking statement to reflect subsequent events or circumstances.

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### Factors That May Affect Forward-Looking Statements

A wide range of factors could materially affect future developments and performance including the following:

- The Company is managed by Infinity under the terms of the Management Agreement, which expires in 2009. In addition, the Company has extensive business dealings with Infinity and its affiliates in its normal course of business. The Company's business prospects could be adversely affected by its inability to retain Infinity's services under the Management Agreement beyond the contractual term.
- The Company competes in a highly competitive business. Its radio programming competes for audiences and advertising revenues directly

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with radio and television stations and other syndicated programming, as well as with such other media as newspapers, magazines, cable television, outdoor advertising and direct mail. Audience ratings and revenue shares are subject to change and any adverse change in a particular geographic area could have a material and adverse effect on the Company's ability to attract not only advertisers in that region, but national advertisers as well. Future operations are further subject to many factors which could have an adverse effect upon the Company's financial performance. These factors include:

- economic conditions, both generally and relative to the broadcasting industry;
- shifts in population and other demographics;
- the level of competition for advertising dollars;
- fluctuations in programming costs;
- technological changes and innovations;
- changes in labor conditions; and - changes in governmental regulations and policies and actions of federal and state regulatory bodies.

Although the Company believes that its radio programming will be able to compete effectively and will continue to attract audiences and advertisers, there can be no assurance that the Company will be able to maintain or increase the current audience ratings and advertising revenues.

- The radio broadcasting industry has experienced a significant amount of consolidation in recent years. As a result, certain major station groups, including Infinity and Clear Channel Communications, have emerged as powerful forces in the industry. Given the size and financial resources of these station groups, they may be able to develop their own programming as a substitute to that offered by the Company or, alternatively, they could seek to obtain programming from the Company's competitors. Any such occurrences, or merely the threat of such occurrences, could adversely affect the Company's ability to negotiate favorable terms with its station affiliates, to attract audiences and to attract advertisers. In addition, a major station group has recently announced plans to reduce overall amounts of commercial inventory broadcast on their radio stations. To the extent similar initiatives are adopted by other major station groups, this could adversely impact the amount of commercial inventory made available to the Company or increase the cost of such commercial inventory at the time of renewal of existing affiliate agreements.
- Changes in U.S. financial and equity markets, including market disruptions and significant interest rate fluctuations, could impede the Company's access to, or increase the cost of, external financing for its operations and investments.
- The Company believes relations with its employees and independent contractors are satisfactory. However, the Company may be adversely affected by future labor disputes, which may lead to increased costs or disruption of operations in any of the Company's business units.

This list of factors that may affect future performance and the accuracy of

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forward-looking statements is illustrative, but by no means all inclusive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

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

In the normal course of business, the Company employs established policies and procedures to manage its exposure to changes in interest rates using financial instruments. The Company uses derivative financial instruments (fixed-to-floating interest rate swap agreements) for the purpose of hedging specific exposures and holds all derivatives for purposes other than trading. All derivative financial instruments held reduce the risk of the underlying hedged item and are designated at inception as hedges with respect to the underlying hedged item. Hedges of fair value exposure are entered into in order to hedge the fair value of a recognized asset, liability, or firm commitment.

In order to achieve a desired proportion of variable and fixed rate debt, in December 2002, the Company entered into a seven year interest rate swap agreement covering \$25 million notional value of its outstanding borrowing to effectively float the interest rate at three-month LIBOR plus 74 basis points and two ten year interest rate swap agreements covering \$75 million notional value of its outstanding borrowing to effectively float the interest rate at three-month LIBOR plus 80 basis points.

These swap transactions allow the Company to benefit from short-term declines in interest rates. The instruments meet all of the criteria of a fair-value hedge. The Company has the appropriate documentation, including the risk management objective and strategy for undertaking the hedge, identification of the hedging instrument, the hedged item, the nature of the risk being hedged, and how the hedging instrument's effectiveness offsets the exposure to changes in the hedged item's fair value or variability in cash flows attributable to the hedged risk.

With respect to the borrowings pursuant to the Company's New Facility, the interest rate on the borrowings is based on the prime rate plus an applicable margin of up to .25%, or LIBOR plus an applicable margin of up to 1.25%, as chosen by the Company. Historically, the Company has typically chosen the LIBOR option with a three month maturity. Every .25% change in interest rates has the effect of increasing or decreasing our annual interest expense by \$5 thousand for every \$2 million of outstanding debt. As of March 31, 2005, the Company had \$145,000 outstanding under the New Facility.

The Company continually monitors its positions with, and the credit quality of, the financial institutions that are counterparties to its financial instruments, and does not anticipate nonperformance by the counterparties.

The Company's receivables do not represent a significant concentration of credit risk due to the wide variety of customers and markets in which the Company operates.

### Item 4. Controls and Procedures

The Company's management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the Company's disclosure controls and procedures as of the end of the most recent fiscal period (the "Evaluation"). Based upon the Evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

In addition, there were no changes in our internal control over financial reporting during our first fiscal quarter of 2005 that have materially affected,



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or are reasonably likely to materially affect, our internal controls over financial reporting.

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### PART II. OTHER INFORMATION

#### Item 1

None.

#### Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds

##### Issuer Purchases of Equity Securities

Period	Number of Shares Purchased in Period	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program
< -----	-----	-----	-----
January 2005	635,000	\$25.03	12,871,224
February 2005	505,000	23.47	13,376,224
March 2005	991,200	21.03	14,367,424
	-----	-----	
	2,131,200	\$22.80	
	=====	=====	

(A) Represents remaining authorization from the \$250 million repurchase authorization approved on September 25, 2002 and the additional \$250 million repurchase authorization approved by the Company's Board of Directors on February 24, 2004.

On April 29, 2005 the Board of Directors declared the payment of a cash dividend of \$0.10 per outstanding share of Common Stock and \$0.08 per outstanding share of Class B Stock. Additionally, on April 29, 2005, the Company's Board of Directors authorized an additional \$300 million for its existing stock repurchase program.

#### Items 3 - 5

None.

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

##### (a) EXHIBIT

##### NUMBER

##### DESCRIPTION

- 31.a Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.b Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.a Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.b Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant

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to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

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

WESTWOOD ONE, INC.

By: /S/ Shane Coppola  
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Shane Coppola  
Chief Executive Officer

By: /S/Andrew Zaref  
-----  
Andrew Zaref  
Chief Financial Officer

Dated: May 10, 2005

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