WORLD WRESTLING ENTERTAINMENTINC
Form 10-Q
August 09, 2010

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended June 30, 2010

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	04-2693383
(State or other jurisdiction of incorporation or organization)	(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 X No _____

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes _____ No _____

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o		Accelerated filer x
Non-accelerated filer o	(Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes _____ No X

At July 19, 2010 the number of shares outstanding of the Registrant's Class A common stock, par value $.01 per share, was 27,036,570 and the number of shares outstanding of the Registrant's Class B common stock, par value $.01 per share, was 46,482,591.

World Wrestling Entertainment, Inc.
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World Wrestling Entertainment, Inc.
Consolidated Income Statements
(in thousands, except per share data)
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Net revenues	$ 106,842	$ 138,794	$ 245,567	$ 246,619
Cost of revenues	63,094	75,750	136,779	132,187
Selling, general and administrative expenses	30,083	31,372	55,962	62,229
Depreciation and amortization	3,411	3,593	5,250	7,376
Operating income	10,254	28,079	47,576	44,827
Investment income, net	497	1,175	980	1,791
Interest expense	67	88	138	179
Other (expense) income, net	(1,030)	1,457	(2,072)	132
Income before income taxes	9,654	30,623	46,346	46,571
Provision for income taxes	3,403	10,749	15,358	16,375
Net income	$ 6,251	$ 19,874	$ 30,988	$ 30,196
Earnings per share				
Basic	$ 0.08	$ 0.27	$ 0.42	$ 0.41
Diluted	$ 0.08	$ 0.27	$ 0.41	$ 0.41
Weighted average common shares outstanding:				
Basic	74,303	73,513	74,267	73,494
Diluted	75,230	74,279	75,228	74,137

See Notes to Consolidated Financial Statements.

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

	As of June 30, 2010	As of December 31, 2009
CURRENT ASSETS:		
Cash and equivalents	$ 97,776	$ 149,784
Short-term investments	99,797	58,440
Accounts receivable, net	48,123	62,732
Inventory, net	1,628	2,182
Prepaid expenses and other current assets	30,934	21,721
Total current assets	278,258	294,859
PROPERTY AND EQUIPMENT, NET	81,740	84,376
FEATURE FILM PRODUCTION ASSETS	49,923	37,053
INVESTMENT SECURITIES	14,727	22,370
INTANGIBLE ASSETS, NET	218	276
OTHER ASSETS	1,594	1,687
TOTAL ASSETS	$ 426,460	$ 440,621
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 1,125	$ 1,082
Accounts payable	20,953	21,281
Accrued expenses and other liabilities	25,063	35,164
Deferred income	20,409	14,603
Total current liabilities	67,550	72,130
LONG-TERM DEBT	2,216	2,790
NON-CURRENT INCOME TAX LIABILITIES	13,215	17,152
NON-CURRENT DEFERRED INCOME	10,706	11,528
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Class A common stock	270	257
Class B common stock	465	477
Additional paid-in capital	332,928	326,008
Accumulated other comprehensive income	2,718	2,377
Retained (deficit) earnings	(3,608)	7,902
Total stockholders' equity	332,773	337,021
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 426,460	$ 440,621

See Notes to Consolidated Financial Statements.

World Wrestling Entertainment, Inc.
Consolidated Statements of Cash Flows
(dollars in thousands)
(unaudited)

	Six Months Ended June 30, 2010	June 30, 2009
OPERATING ACTIVITIES:		
Net income	$ 30,988	$ 30,196
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of feature film production assets	2,507	2,530
Revaluation of warrants	(226)	699
Depreciation and amortization	5,251	7,376
Realized gains on sale of investments	(52)	(613)
Amortization of investment income	776	627
Stock compensation costs	4,957	3,036
(Recovery) provision for doubtful accounts	(606)	1,847
Provision for inventory obsolescence	961	1,000
Benefit from deferred income taxes	(5,484)	(971)
Excess tax benefits from stock-based payment arrangements	(193)	(1)
Changes in assets and liabilities:		
Accounts receivable	15,215	(823)
Inventory	(407)	765
Prepaid expenses and other assets	(6,015)	9,043
Feature film production assets	(15,610)	(1,311)
Accounts payable	(328)	1,177
Accrued expenses and other liabilities	(11,767)	21,244
Deferred income	4,982	(792)
Net cash provided by operating activities	24,949	75,029
INVESTING ACTIVITIES:		
Purchases of property and equipment and other assets	(6,686)	(2,912)
Proceeds from infrastructure incentives	4,130	-
Purchase of short-term investments	(63,003)	(18,806)
Proceeds from sales or maturities of investments	29,414	30,630
Net cash (used in) provided by investing activities	(36,145)	8,912
FINANCING ACTIVITIES:		
Repayments of long-term debt	(532)	(492)
Dividends paid	(41,579)	(40,959)
Issuance of stock, net	508	508
Proceeds from exercise of stock options	598	252
Excess tax benefits from stock-based payment arrangements	193	1
Net cash used in financing activities	(40,812)	(40,690)
NET (DECREASE) INCREASE IN CASH AND EQUIVALENTS	(52,008)	43,251
CASH AND EQUIVALENTS, BEGINNING OF PERIOD	149,784	119,655
CASH AND EQUIVALENTS, END OF PERIOD	$ 97,776	$ 162,906

See Notes to Consolidated Financial Statements.

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

	Common Stock Shares	Common Stock Amount	Additional Paid - in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance, December 31, 2009	73,404	$ 734	$ 326,008	$ 2,377	$ 7,902	$ 337,021
Comprehensive income:						
Net income					30,988	30,988
Translation adjustment				(186)		(186)
Unrealized holding gain, net of tax				559		559
Reclassification adjustment for gains realized in net income, net of tax				(32)		(32)
Total comprehensive income						31,329
Stock issuances, net	57	1	253			254
Exercise of stock options	46		598			598
Excess tax benefits from stock based payment arrangements			193			193
Dividends paid			919		(42,498)	(41,579)
Stock compensation costs			4,957			4,957
Balance, June 30, 2010	73,507	$ 735	$ 332,928	$ 2,718	$ (3,608)	$ 332,773

See Notes to Consolidated Financial Statements.

World Wrestling Entertainment, Inc.
Notes to Consolidated Financial Statements
(dollars in thousands)
(unaudited)

1. Basis of Presentation and Business Description

The accompanying consolidated financial statements include the accounts of World Wrestling Entertainment, Inc., and our subsidiaries. "WWE" refers to World Wrestling Entertainment, Inc. and its subsidiaries, unless the context otherwise requires. References to "we," "us," "our" and the "Company" refer to WWE and its subsidiaries. We are an integrated media and entertainment company, principally engaged in the development, production and marketing of television and pay-per-view event programming and live events and the licensing and sale of consumer products featuring our World Wrestling Entertainment brands. Our operations are organized around four principal activities:

Live and Televised Entertainment

- Revenues consist principally of ticket sales to live events, sales of merchandise at these live events, television rights fees, sales of television advertising and sponsorships, and fees for viewing our pay-per-view and video on demand programming.

Consumer Products

- Revenues consist principally of the direct sales of WWE produced home videos and magazine publishing and royalties or license fees related to various WWE themed products such as video games, toys and books.

Digital Media

- Revenues consist principally of advertising sales on our websites, sale of merchandise on our website through our WWEShop internet storefront and sales of various broadband and mobile content.

WWE Studios

- Revenues consist of receipts from the distribution of filmed entertainment featuring our Superstars. To date, we have partnered with major studios to distribute our productions. We have recently announced plans to self-distribute our future filmed entertainment productions beginning with our next release, currently scheduled for September 2010.

All intercompany balances are eliminated in consolidation. The accompanying consolidated financial statements are unaudited. 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. Effective April 1, 2009, as a result of reconsidering contract elements of certain international live event contracts, the accounting treatment for these transactions was changed prospectively to reflect these transactions on a gross basis pursuant to the authoritative literature regarding gross vs. net revenue reporting. Previously, these contracts were incorrectly reported on a net basis pursuant to the same authoritative literature. The impact of the accounting of these contracts prior to April 1, 2009 was not material to any of the periods presented, and therefore, the periods have not been adjusted.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Certain information and note disclosures normally included in annual financial statements have been condensed or omitted from these interim financial statements; these financial statements should be read in conjunction with the financial statements and notes thereto included in our Form 10-K for the year ended December 31, 2009.

World Wrestling Entertainment, Inc.
Notes to Consolidated Financial Statements
(dollars in thousands)
(unaudited)

Recent Accounting Pronouncements

In September 2009, the FASB issued an accounting standard update regarding revenue recognition for multiple deliverable arrangements. This update requires the use of the relative selling price method when allocating revenue in these types of arrangements. This method allows a vendor to use its best estimate of selling price if neither vendor specific objective evidence nor third party evidence of selling price exists when evaluating multiple deliverable arrangements. This standard update is effective January 1, 2011 and may be adopted prospectively for revenue arrangements entered into or materially modified after the date of adoption or retrospectively for all revenue arrangements for all periods presented. We are currently evaluating the impact that this standard update will have on our consolidated financial statements.

2. Share Based Compensation

Compensation expense relating to grants of performance stock units (PSUs) and restricted stock units (RSUs) are recognized over the period during which the employee rendered service to the Company necessary to earn the award. Stock based compensation cost was approximately $2,642 and $1,903 for the three months ended June 30, 2010 and 2009, respectively, and $4,930 and $3,036 for the six months ended June 30, 2010 and 2009, respectively.

During 2009, we granted approximately 586,500 PSUs under our 2007 Omnibus Incentive Plan (“Plan”) at a weighted average price per share of $9.91. Based on the financial results for the year ended December 31, 2009, approximately 765,000 PSUs were ultimately issued in 2010 related to this grant at an average price per share of $16.07.

During the six months ended June 30, 2010, we granted 422,250 PSUs as part of the Plan at a weighted average price per share of $17.01. This grant is subject to the Company achieving established earnings targets for the financial results of the year ending December 31, 2010. Total compensation cost related to these PSUs, based on the estimated value of the units on the issuance date, net of estimated forfeitures, is $6,045. The compensation is being amortized over the service period, which is approximately three and one-half years. If these goals are met, the shares issued will vest in equal annual installments. At June 30, 2010, an aggregate of 1,531,993 PSUs were unvested for all PSU grants with a weighted average fair value of $15.50 per share.

During the six months ended June 30, 2010, we granted 4,500 RSUs under the Plan at a weighted average grant date fair value of $16.60 per share. Total compensation cost related to these grants, net of estimated forfeitures, is $69. The compensation is being amortized over the service period, which is approximately three years. At June 30, 2010, 166,097 RSUs were unvested with a weighted average fair value of $14.39 per share.

3. Stockholders’ Equity

Beginning in February 2008, the Board of Directors authorized an increase in the quarterly cash dividend to $0.36 per share on all Class A common shares not held by the McMahon family. At that time, the McMahon family and their trusts entered into an agreement with the Company to waive the increased portion of the dividend for all shares of Class A and Class B common stock beneficially held by the family for a period of three years, subject to early termination in the event of Vincent K. McMahon’s death. Instead, they continue to receive a quarterly cash dividend of $0.24 per share. Any new dividend waiver is subject to the agreement of members of the McMahon family and their receipt of the approval of the Internal Revenue Service. We paid cash dividends of $41,579 and $40,959 for the six months ended June 30, 2010 and June 30, 2009, respectively.

World Wrestling Entertainment, Inc.
Notes to Consolidated Financial Statements
(dollars in thousands)
(unaudited)

4. Earnings Per Share

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

	Three Months Ended		Six Months Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Basic				
Class A	27,238,398	25,799,000	26,881,836	25,780,264
Class B	47,064,259	47,713,563	47,385,304	47,713,563
Diluted				
Class A	28,166,038	26,565,156	27,842,308	26,423,782
Class B	47,064,259	47,713,563	47,385,304	47,713,563
Dilutive effect of outstanding options and restricted stock units	927,640	763,710	960,472	639,775
Anti-dilutive outstanding options	-	624,791	-	624,791

Net income per share of Class A Common Stock and Class B Common Stock is computed in accordance with a two- class method of earnings allocation. Any undistributed earnings for each period are allocated to each class of common stock based on the proportionate share of the amount of cash dividends that each class is entitled to receive.

As there were no undistributed earnings for the three and six months ended June 30, 2010, Class A and Class B earnings per share were not calculated separately.

5. Segment Information

We do not allocate corporate overhead to each of the segments, and as a result, corporate overhead is a reconciling item in the table below. There are no inter-segment revenues. Revenues derived from sales outside of North America were approximately $36,244 and $68,026 for the three and six months ended June 30, 2010, respectively, and $35,318 and $59,278 for the three and six months ended June 30, 2009, respectively. Revenues generated in the United Kingdom, our largest international market, were approximately $9,267 and $17,225 for the three and six months ended June 30, 2010, respectively, and $12,008 and $18,939 for the three and six months ended June 30, 2009, respectively. Unallocated assets consist primarily of cash, short-term investments, real property and other investments.

	Three Months Ended		Six Months Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Net revenues:				
Live and Televised Entertainment	$ 77,419	$ 109,209	$ 175,642	$ 173,290
Consumer Products	23,244	20,927	53,990	53,996
Digital Media	5,433	7,912	11,830	14,841
WWE Studios	746	746	4,105	4,492
Total net revenues	$ 106,842	$ 138,794	$ 245,567	$ 246,619

World Wrestling Entertainment, Inc.
Notes to Consolidated Financial Statements
(dollars in thousands)
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Depreciation and amortization:				
Live and Televised Entertainment	$ 1,761	$ 1,913	$ 2,059	$ 3,815
Consumer Products	56	353	118	707
Digital Media	298	302	584	575
WWE Studios	-	-	-	-
Corporate	1,296	1,025	2,489	2,279
Total depreciation and amortization	$ 3,411	$ 3,593	$ 5,250	$ 7,376
Operating income:				
Live and Televised Entertainment	$ 25,326	$ 42,556	$ 64,533	$ 63,945
Consumer Products	11,470	11,308	28,806	30,841
Digital Media	150	1,308	1,136	2,451
WWE Studios	(940)	(500)	486	1,283
Corporate	(25,752)	(26,593)	(47,385)	(53,693)
Total operating income	$ 10,254	$ 28,079	$ 47,576	$ 44,827

	As of June 30, 2010	December 31, 2009
Assets:		
Live and Televised Entertainment	$ 124,202	$ 141,915
Consumer Products	22,926	21,521
Digital Media	5,673	7,111
WWE Studios	60,747	43,186
Unallocated	212,912	226,888
Total assets	$ 426,460	$ 440,621

6. Property and Equipment

Property and equipment consisted of the following:

	As of June 30, 2010	December 31, 2009
Land, buildings and improvements	$ 74,548	$ 74,363
Equipment	68,145	67,527
Corporate aircraft	20,859	20,858
Vehicles	1,789	537
	165,341	163,285
Less accumulated depreciation and amortization	(83,601)	(78,909)
Total	$ 81,740	$ 84,376

During 2010 we received tax credits relating to our infrastructure improvements in conjunction with our transition to high definition. The credits were realized at $4,130 and were recorded as a reduction of the related assets.

Depreciation and amortization expense for property and equipment was $3,356 and $5,132 for the three and six months ended June 30, 2010 as compared to $3,239 and $6,669 for the three and six months ended June 30, 2009. Depreciation expense in the current period reflected a one-time benefit of $1,674 from the recognition of an infrastructure tax credit discussed above. As the credit was received in the current period and related to assets placed in service in prior years, the adjustment to depreciation expense reflects the amount of previously recognized expense associated with the reduction in cost basis.

World Wrestling Entertainment, Inc.
Notes to Consolidated Financial Statements
(dollars in thousands)
(unaudited)

7. Feature Film Production Assets

Feature film production assets are summarized as follows:

	As of June 30, 2010	As of December 31, 2009
Feature film productions:		
In release	$ 25,978	$ 27,772
In production	1,365	-
Completed but not released	21,302	8,473
In development	1,278	808
Total	$ 49,923	$ 37,053

There were no feature film releases in the current quarter. In the prior year we released one theatrical film, 12 Rounds, and one Direct-to-DVD film, Behind Enemy Lines: Colombia. 12 Rounds comprises $19,667 of our “In release” feature film assets, and Behind Enemy Lines: Colombia comprises $1,467 of “In release” feature film assets.

Feature film production assets are recorded net of the associated benefit of production incentives. During the six months ended June 30, 2010 and 2009, we received $0 and $6,556, respectively, of production incentives from domestic and international feature film production activities.

Unamortized feature film production assets are evaluated for impairment each reporting period. If the estimated revenue is not sufficient to recover the unamortized asset, the asset will be written down to fair value. As of June 30, 2010, we do not believe any capitalized assets included in Feature Film Production Assets are impaired.

Approximately 50% of “In release” film production assets are estimated to be amortized over the next 12 months and approximately 85% of “In release” film production assets are estimated to be amortized over the next three years.

We currently have four theatrical films designated as “Completed but not released” and one theatrical film designated as “In-production”. We also have capitalized certain script development costs for various other film projects. Capitalized script development costs are evaluated at each reporting period for impairment if, and when, a project is deemed to be abandoned. During the three and six months ended June 30, 2010, we did not expense any previously capitalized development costs related to abandoned projects. During the three and six months ended June 30, 2009, we expensed $808 of previously capitalized development costs related to abandoned projects.

8. Intangible Assets

Intangible assets consist of acquired sports entertainment film libraries, trademarks and trade names. We have classified these costs as intangible assets and amortize them over the period of the expected revenues to be derived from these assets, generally from three to six years. The net carrying amount of our intangible assets was $218 and $276 as of June 30, 2010 and December 31, 2009, respectively.

Amortization expense was $56 and $118 for the three and six months ended June 30, 2010 as compared to $354 and $707 for the three and six months ended June 30, 2009. Estimated future amortization expense is $85, $91 and $42 for the years ending December 31, 2010, 2011 and 2012, respectively.

World Wrestling Entertainment, Inc.
Notes to Consolidated Financial Statements
(dollars in thousands)
(unaudited)

9. Investment Securities and Short-Term Investments

Investment securities consisted of the following as of June 30, 2010 and December 31, 2009:

	June 30, 2010		
	Amortized Cost	Unrealized Holding Gain (Loss)	Fair Value
Student loan auction rate securities	$ 16,000	$ (1,273)	$ 14,727
Municipal bonds	61,450	634	62,084
Government agency bonds	25,000	10	25,010
Corporate bonds	12,772	(69)	12,703
Total	$ 115,222	$ (698)	$ 114,524

	December 31, 2009		
	Amortized Cost	Unrealized Holding Gain (Loss)	Fair Value
Student loan auction rate securities	$ 24,400	$ (2,030)	$ 22,370
Municipal bonds	48,108	427	48,535
Corporate bonds	9,849	56	9,905
Total	$ 82,357	$ (1,547)	$ 80,810

In February, 2008, we started to experience difficulty in selling our investments in auction rate securities (“ARS”) due to multiple failures of the auction mechanism that provided liquidity to these investments. All of our ARS are collateralized by student loan portfolios (substantially all of which are guaranteed by the United States Government). The securities for which the auctions have failed will continue to accrue interest and pay interest when due; to-date, none of the ARS in which we are invested has failed to make an interest payment when due. Our ARS will continue to be auctioned at each respective reset date until the auction succeeds, the issuer redeems the securities or they mature (the stated maturities of the securities are greater than 20 years). During the current quarter, $8,400 of ARS were redeemed at par by the issuer. As we maintain a strong liquidity position, we have no intent to sell the securities. We believe that it is not more likely than not that we will be required to sell the securities before recovery of their anticipated amortized cost basis.

As of June 30, 2010, we recorded a cumulative adjustment to reduce the fair value of our investment in ARS of $1,273, which is reflected as part of accumulated other comprehensive income in our Consolidated Statement of Stockholders’ Equity and Comprehensive Income. We do not feel that the fair value adjustment is other-than-temporary at this time due to the high underlying creditworthiness of the issuer (including the backing of the loans comprising the collateral package by the United States Government), our intent not to sell the securities and our belief that it is not more likely than not that we will be required to sell the securities before recovery of their anticipated amortized cost basis.

10. Fair Value Measurement

Fair value is determined based on the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement based on assumptions that "market participants" would use to price the asset or liability. Accordingly, the framework considers markets or observable inputs as the preferred source of value followed by assumptions based on hypothetical transactions, in the absence of market inputs. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of assets and liabilities should include consideration of non-performance risk including the Company's own credit risk.

World Wrestling Entertainment, Inc.
Notes to Consolidated Financial Statements
(dollars in thousands)
(unaudited)

Additionally, the guidance establishes a three-level hierarchy that ranks the quality and reliability of information used in developing fair value estimates. The hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. In cases where two or more levels of inputs are used to determine fair value, a financial instrument's level is determined based on the lowest level input that is considered significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are summarized as follows:

Level 1- quoted prices in active markets for identical assets or liabilities;

Level 2- quoted prices in active markets for similar assets and liabilities and inputs that are observable for the asset or liability; or

Level 3- unobservable inputs, such as discounted cash flow models or valuations

The following assets are required to be measured at fair value on a recurring basis and the classification within the hierarchy as of June 30, 2010 and December 31, 2009, respectively, was as follows:

	Quoted Market Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at June 30, 2010
Municipal bonds	$ -	$ 62,084	$ -	$ 62,084
Auction rate securities	-	-	14,727	14,727
Government agency bonds	-	25,010	-	25,010
Corporate bonds	-	12,703	-	12,703
Other	-	303	-	303
Total	$ -	$ 100,100	$ 14,727	$ 114,827

	Quoted Market Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at December 31, 2009
Municipal bonds	$ -	$ 48,535	$ -	$ 48,535
Auction rate securities	-	-	22,370	22,370
Corporate bonds	-	9,905	-	9,905
Other	-	77	-	77
Total	$ -	$ 58,517	$ 22,370	$ 80,887

Certain financial instruments are carried at cost on the consolidated balance sheets, which approximates fair value due to their short-term, highly liquid nature. The carrying amounts of cash, cash equivalents, money market accounts, accounts receivable and accounts payable approximate fair value because of the short-term nature of such instruments. Our short-term investments are carried at fair value.

World Wrestling Entertainment, Inc.
Notes to Consolidated Financial Statements
(dollars in thousands)
(unaudited)

We have classified our investment in ARS within Level 3. Starting in February 2008, we experienced difficulty selling our investment in ARS due to multiple failures of the auction mechanism that provided liquidity to these investments. The securities have been classified within Level 3 as their valuation requires substantial judgment and estimation of factors that are not currently observable in the market due to the lack of trading in the securities. The fair value of the ARS, as consistent with prior periods, was estimated through discounted cash flow models, which consider, among other things, the timing of expected future successful auctions, collateralization of underlying security investments and the risk of default by the issuer. We will continue to assess the carrying value of our ARS on each reporting date, based on the facts and circumstances surrounding our liquidity needs and developments in the ARS markets. During the current quarter, $8,400 of ARS were redeemed by the issuer at par value.

The table below includes a roll forward of our Level 3 assets (ARS) from January 1, 2010 to June 30, 2010 and January 1, 2009 to June 30, 2009, respectively.

	Significant Unobservable Inputs (Level 3)		Significant Unobservable Inputs (Level 3)
Fair value January 1, 2010	$ 22,370	Fair value January 1, 2009	$ 22,299
Purchases	-	Purchases	-
Redemptions/Proceeds	(8,400)	Redemptions/Proceeds	-
Transfers in	-	Transfers in	-
Realized gain	-	Realized gain	-
Unrealized gain	757	Unrealized gain	399
Fair value June 30, 2010	$ 14,727	Fair value June 30, 2009	$ 22,698

11. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following:

	June 30, 2010	December 31, 2009
Accrued pay-per-view event costs	$ 6,714	$ 3,995
Accrued payroll and bonus related costs	5,856	11,499
Accrued legal and professional fees	2,037	3,462
Accrued home video production and distribution	3,257	4,765
Accrued other	7,199	11,443
Total	$ 25,063	$ 35,164

Accrued other includes accruals for our publishing, television, and licensing business activities, none of which exceeds 5% of current liabilities.

World Wrestling Entertainment, Inc.
Notes to Consolidated Financial Statements
(dollars in thousands)
(unaudited)

12. Concentration of Credit Risk

Our accounts receivable represent a significant portion of our current assets and relate principally to a limited number of customers, including television, pay-per-view and home video distributors. The Company closely monitors the status of receivables with our customers and maintains allowances for anticipated losses as deemed appropriate. Our total allowance for doubtful accounts balance was $11,027 as of June 30, 2010 and $11,926 as of December 31, 2009.

13. Film and Television Production Incentives

The Company has access to various governmental programs that are designed to promote film and television production within the United States and certain international jurisdictions. Tax credits earned with respect to expenditures on qualifying film, television and other production activities, including qualifying capital projects, are included as an offset to the related asset or as an offset to production expenses when we have reasonable assurance regarding the realizable amount of the tax credits.

14. Income Taxes

At June 30, 2010, we have $9,456 of unrecognized tax benefits, which if recognized, would affect our effective tax rate.

We recognize potential accrued interest and penalties related to uncertain tax positions in income tax expense. We have approximately $2,036 of accrued interest and penalties related to uncertain tax positions as of June 30, 2010.

We file income tax returns in the United States, various states and various foreign jurisdictions. With few exceptions, we are subject to income tax examinations by tax authorities for years on or after April 30, 2006.

Based upon the expiration of statutes of limitations and possible settlements in several jurisdictions, we believe it is reasonably possible that the total amount of previously unrecognized tax benefits may decrease by approximately $631 within 12 months of June 30, 2010.

15. Commitments and Contingencies

Legal Proceedings

World Wide Fund for Nature

There has been no significant development in this legal proceeding subsequent to the disclosure in Note 13 of Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2009.

IPO Class Action

There has been no significant development in this legal proceeding subsequent to the disclosure in Note 13 of Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2009. The Company is a party to the settlement described in the Annual Report, and is not one of the parties appealing the settlement's approval. Assuming those other party appeals are unsuccessful and the settlement is completed, no financial obligation has been or will be incurred by the Company and, accordingly, no loss has been or will be recognized.

World Wrestling Entertainment, Inc.
Notes to Consolidated Financial Statements
(dollars in thousands)
(unaudited)

Other Matters

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

16. Comprehensive Income

The following table presents the comprehensive income for the current and prior year:

	Six months ended June 30, 2010	June 30, 2009
Net income	$ 30,988	$ 30,196
Translation adjustment	(186)	479
Unrealized holding gain, net of tax	559	535
Reclassification adjustment for gains realized in net income, net of tax	(32)	(410)
Total comprehensive income	$ 31,329	$ 30,800

Item 2.

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

Background

The following analysis outlines all material activities contained within each of our business segments.

Live and Televised Entertainment

- Revenues consist principally of ticket sales to live events, sales of merchandise at these live events, television rights fees, sales of television advertising and sponsorships, and fees for viewing our pay-per-view and video on demand programming.

Consumer Products

- Revenues consist principally of direct sales of WWE produced home videos and magazine publishing and royalties or license fees related to various WWE themed products such as video games, toys and books.

Digital Media

- Revenues consist principally of advertising sales on our websites, sale of merchandise on our website through our WWEShop internet storefront and sales of various broadband and mobile content.

WWE Studios

- Revenues consist of receipts from the distribution of filmed entertainment featuring our Superstars. To date, we have partnered with major studios to distribute our productions. We have announced plans to self-distribute our future filmed entertainment productions beginning with our next release, currently scheduled for September 2010.

Results of Operations

Three Months Ended June 30, 2010 compared to Three Months Ended June 30, 2009
(Dollars in millions, except as noted)

Summary

Net Revenues	June 30, 2010	June 30, 2009	better (worse)
Live and Televised Entertainment	$ 77.4	$ 109.2	(29%)
Consumer Products	23.3	20.9	11%
Digital Media	5.4	7.9	(32%)
WWE Studios	0.7	0.8	(13%)
Total	$ 106.8	$ 138.8	(23%)

Cost of Revenues:	June 30, 2010	June 30, 2009	better (worse)
Live and Televised Entertainment	$ 48.1	$ 62.2	23%
Consumer Products	10.4	8.1	(28%)
Digital Media	3.4	4.5	24%
WWE Studios	1.2	0.9	(33%)
Total	$ 63.1	$ 75.7	17%
Profit contribution margin	41%	45%	

Operating Income:	June 30, 2010	June 30, 2009	better (worse)
Live and Televised Entertainment	$ 25.3	$ 42.6	(41%)
Consumer Products	11.5	11.3	2%
Digital Media	0.2	1.3	(85%)
WWE Studios	(0.9)	(0.5)	(80%)
Corporate	(25.8)	(26.6)	3%
Total operating income	$ 10.3	$ 28.1	(63%)
Net income	$ 6.3	$ 19.9	(68%)

Our comparative results were significantly impacted by the timing of our annual WrestleMania pay-per-view event. WrestleMania XXVI occurred in the first quarter of 2010. In 2009, WrestleMania XXV occurred in the second quarter. WrestleMania XXV contributed approximately $32.2 million of revenues and $15.0 million of profit contribution ($9.7 million, net of tax) to our prior year quarter results.

In addition to the continued softness in the overall economic environment, our results were adversely impacted by additional items that occurred in the quarter. We believe certain of our key metrics, including live event attendance and pay-per-view buys, were impacted by the absence of several prominent members of our talent roster. Additionally, our profitability was negatively affected by approximately $0.7 million in logistical costs affecting our April 2010 European tour due to the volcano eruption in Iceland.

Please see the following discussion for additional details relating to the performance of each of our business segments.

The following chart reflects comparative revenues and key drivers for each of the businesses within our Live and Televised Entertainment segment:

Live and Televised Entertainment Revenues	June 30, 2010	June 30, 2009	better (worse)
Live events	$ 29.2	$ 34.4	(15%)
Number of North American events	62	51	22%
Average North American attendance	5,800	8,200	(29%)
Average North American ticket price (dollars)	$ 39.50	$ 46.25	(15%)
Number of international events	28	27	4%
Average international attendance	8,200	8,100	1%
Average international ticket price (dollars)	$ 61.47	$ 62.77	(2%)
Venue merchandise	$ 4.3	$ 6.3	(32%)
Domestic per capita spending (dollars)	$ 9.74	$ 11.26	(13%)
Pay-per-view	$ 10.4	$ 35.6	(71%)
Number of pay-per-view events	3	5	(40%)
Number of buys from pay-per-view events	532,500	1,819,000	(71%)
Average revenue per buy (dollars)	$ 18.29	$ 19.14	(4%)
Domestic retail price WrestleMania (dollars)	N/A	$ 54.95	N/A
Domestic retail price other events (dollars)	$ 44.95	$ 39.95	13%
Television rights fees			
Domestic	$ 19.6	$ 18.4	7%
International	$ 11.2	$ 9.9	13%
Television advertising	$ 1.5	$ 1.7	(12%)
WWE Classics On Demand	$ 1.2	$ 1.5	(20%)
Other	-	$ 1.4	(100%)
Total live and televised entertainment	$ 77.4	$ 109.2	(29%)
Ratings			
Average weekly household ratings for Raw	3.4	3.8	(11%)
Average weekly household ratings for SmackDown	1.9	1.9	-
Average weekly household ratings for WWE NXT/ECW	1.0	1.2	(17%)
Average weekly household ratings for WWE Superstars	1.1	1.4	(21%)

Cost of Revenues-Live and Televised Entertainment	June 30, 2010	June 30, 2009	better (worse)
Live events	$ 22.1	$ 22.2	-
Venue merchandise	2.2	3.5	37%
Pay-per-view	4.0	15.5	74%
Television	18.0	18.2	1%
Advertising	0.4	0.1	(300%)
WWE Classics on Demand	0.3	0.4	25%
Other	1.1	2.4	54%
Total	$ 48.1	$ 62.3	23%
Profit contribution margin	38%	43%	

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Live events revenues decreased primarily due the impact of our annual WrestleMania event, which occurred in the first quarter of 2010 as compared to the second quarter in 2009. Average attendance at our North American events was approximately 5,800 in the current quarter as compared to 8,200 in the prior year quarter. The average ticket price for North American events was $39.50 in the current quarter as compared to $46.25 in the prior year. In the prior year quarter, the WrestleMania event contributed approximately $8.4 million to live event revenue. Excluding the impact of WrestleMania, North American average attendance and ticket price was 7,200 and $34.47, respectively, in the prior year quarter. The profit contribution margin for live events decreased from 35% to 24% in the current quarter, reflecting the costs associated with the Icelandic volcano as well as the absence of WrestleMania.

Venue merchandise revenues decreased 32% from the prior year quarter, reflecting a 13% decrease in per capita spending by our fans and a 23% decline in attendance at our North American events. In the prior year quarter, revenues from our WrestleMania event contributed approximately $1.4 million, or 22%, of the quarterly venue merchandise revenue. The profit contribution margin increased from 44% to 49% in the current quarter due to a reduction in the costs of materials and the mix of products sold at venues.

Pay-per-view revenues decreased $25.2 million from the prior year quarter primarily due to the impact of WrestleMania XXV. WrestleMania XXV generated approximately one million pay-per-view buys in the prior year quarter, or approximately $21.0 million in related revenues. As we eliminated one pay-per-view event and experienced the timing difference of WrestleMania, there were three pay-per-view events in the current quarter as compared to five events in the prior year quarter. Pay-per-view profit contribution margin increased from 57% to 62% in the current quarter, reflecting the absence of advertising and production costs related to WrestleMania in the current quarter.

Television rights fees reflect rate increases both in domestic and international markets. Television cost of revenues was essentially unchanged from the prior year quarter and reflects our continued efforts to manage our production costs and more efficiently produce our television programs. The profit contribution margin increased from 36% to 42% in the current quarter.

WWE Classics On Demand, our subscription based video-on-demand service, reflected a 20% decrease in revenues in the current quarter based on weaker domestic performance. Currently, WWE Classics on Demand is offered in approximately 80% of video-on-demand enabled homes in the United States.

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

Consumer Products Revenues	June 30, 2010	June 30, 2009	better (worse)
Licensing	$ 8.7	$ 9.0	(3%)
Magazine publishing	$ 2.5	$ 3.1	(19%)
Net units sold	593,200	843,800	(30%)
Home video	$ 11.5	$ 8.6	34%
Gross units shipped	1,072,100	832,800	29%
Other	$ 0.6	$ 0.2	200%
Total	$ 23.3	$ 20.9	11%

Cost of Revenues-Consumer Products	June 30, 2010	June 30, 2009	better (worse)
Licensing	$ 2.6	$ 2.0	(30%)
Magazine publishing	2.6	2.4	(8%)
Home video	5.0	3.6	(39%)
Other	0.2	0.1	(100%)
Total	$ 10.4	$ 8.1	(28%)
Profit contribution margin	55%	61%	

Licensing revenues decreased by 3% in the current quarter, reflecting lower royalties earned on the sales of video games and music of approximately $3.0 million, partially offset by higher royalties earned on the sales of toys of $2.4 million. Licensing revenue from video games was down due to the absence of Legends of WrestleMania. This was a new title released in 2009 that did not have an equivalent release in the current year. Licensing profit contribution declined from 77% to 70% in the current quarter, reflecting additional talent related expenses based on the mix of products sold.

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Magazine publishing revenues declined based on lower sell-through rates. Magazine publishing cost of revenues rose in the current quarter as our gross issue print order increased by approximately 8% as compared to the prior year quarter.

Home video revenues increased by 34% in the current quarter, based on the volume of units shipped in the current quarter. The current quarter had seven new releases as compared to five releases in the prior year quarter. The increase in units sold was partially offset by a decrease in the average selling price, due to the sales of lower priced catalog titles. Profit contribution margin was 57% in the current quarter as compared to 59% in the prior year quarter, reflecting increased distribution and fulfillment fees per unit sold.

The following chart provides performance results and key drivers for our Digital Media segment:

Digital Media Revenues	June 30, 2010	June 30, 2009	better (worse)
WWE.com	$ 3.0	$ 4.5	(33%)
WWEShop	2.4	3.4	(29%)
Average revenues per order (dollars)	$ 50.73	$ 51.97	(2%)
Total	$ 5.4	$ 7.9	(32%)

Cost of Revenues-Digital Media	June 30, 2010	June 30, 2009	better (worse)
WWE.com	$ 1.6	$ 2.2	27%
WWEShop	1.8	2.3	22%
Total	$ 3.4	$ 4.5	24%
Profit contribution margin	37%	43%	

WWE.com revenues decreased primarily due to declines in advertising sold on our website and wireless revenue. The decline in advertising revenue reflects the downturn in the general economic environment and continued difficulties monetizing our website. The decline in wireless revenue was driven by the expiration of a key content agreement that was not renewed. The decrease in WWE.com cost of revenues reflects lower costs to operate our various web-based activities partially as a result of the decline in revenues. The margin was adversely impacted due to fixed costs which remained consistent with the prior year quarter.

WWEShop revenues declined due in part to a 24% decline in the number of orders processed to approximately 47,000 in the current quarter. We believe that a portion of this decline is related to transitions in the talent base. The average amount spent by customers per order declined by approximately 2% to $50.73 in the current quarter. The decrease in WWEShop profit contribution relates to increased inventory write-offs, partially as a result of changes in the talent roster.

WWE Studios

WWE Studios has released four feature films: See No Evil, The Marine, The Condemned and 12 Rounds and two direct-to-DVD films, Behind Enemy Lines: Columbia and The Marine 2. We recorded revenue of approximately $0.7 million in the current quarter as compared to $0.8 million in the prior year quarter related to our prior releases. We participate in revenues generated under the distribution of the films through all media after the print and advertising and distribution costs incurred by our distributors have been recouped and the results have been reported to us.

We previously announced that we will change to a self-distribution model for feature films. The first film to be released under this new model, Legendary, is tentatively scheduled for release in September 2010. Under this self-distribution model, we will begin recording the revenue and expenses once the film has been released.

Selling, General and Administrative

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

	June 30, 2010	June 30, 2009	better (worse)
Staff related	$ 14.1	$ 14.3	1%
Legal, accounting and other professional	3.5	3.5	-
Stock compensation costs	2.6	1.9	(37%)
Advertising and promotion	0.6	0.8	25%
Bad debt	0.9	1.4	36%
All other	8.4	9.4	11%
Total SG&A	$ 30.1	$ 31.3	4%
SG&A as a percentage of net revenues	28%	23%	

Stock compensation costs in the current quarter increased based on the fair value and the number of shares granted for the 2010 PSU grant as compared to the prior grant.

	June 30, 2010	June 30, 2009	better (worse)
Depreciation and amortization	$ 3.4	$ 3.6	6%
Investment income, net	$ 0.5	$ 1.2	(58%)

The decline in investment income reflects lower interest rates on investment balances and lower realized gains from investment sales in the current quarter.

Other (expense) income, net	$ (1.0)	$ 1.5	(167%)

Other expense, net includes realized foreign exchange gains and losses and the revaluation of warrants held in certain licensees. In the current quarter the company recorded realized foreign exchange losses of approximately $0.9 million as compared to gains of $1.6 million in the prior year quarter.

	June 30, 2010	June 30, 2009
Provision for income taxes	$ 3.4	$ 10.7
Effective tax rate	35%	35%

The current quarter effective tax rate was positively impacted by the increased IRC Section 199 deduction rate on qualified production activity income. The prior year rate was impacted by an adjustment relating to differences between the tax return and the tax provision.

Six Months Ended June 30, 2010 compared to Six Months Ended June 30, 2009
(Dollars in millions, except as noted)

Summary

Net Revenues	June 30, 2010	June 30, 2009	better (worse)
Live and Televised Entertainment	$ 175.7	$ 173.3	1%
Consumer Products	54.0	54.0	-
Digital Media	11.8	14.8	(20%)
WWE Studios	4.1	4.5	(9%)
Total	$ 245.6	$ 246.6	-

Cost of Revenues:	June 30, 2010	June 30, 2009	better (worse)
Live and Televised Entertainment	$ 104.8	$ 100.6	(4%)
Consumer Products	22.4	20.2	(11%)
Digital Media	7.1	8.8	19%
WWE Studios	2.5	2.6	4%
Total	$ 136.8	$ 132.2	(3%)
Profit contribution margin	44%	46%	

Operating Income:	June 30, 2010	June 30, 2009	better (worse)
Live and Televised Entertainment	$ 64.5	$ 63.9	1%
Consumer Products	28.8	30.8	(6%)
Digital Media	1.1	2.5	(56%)
WWE Studios	0.5	1.3	(62%)
Corporate	(47.3)	(53.7)	12%
Total operating income	$ 47.6	$ 44.8	6%
Net income	$ 31.0	$ 30.2	3%

Revenues were consistent with the prior year period, as an increase in our Live and Televised Entertainment segment was offset by a decline in our Digital Media business. In the current year, certain of our businesses were adversely impacted by negative economic conditions and content related challenges surrounding changes in our talent base. These issues were partially offset by additional television rights fees in the current period.

Our profit margin decreased in the current period partially due to approximately $0.7 million in costs related to the Icelandic volcano which interrupted a significant European tour and increases in talent-related expenses.

Operating income increased by 6%, reflecting lower depreciation and selling, general & administrative costs, partially offset by the aforementioned decline in the profit margins.

The following chart reflects comparative revenues and key drivers for each of the businesses within our Live and Televised Entertainment segment:

Live and Televised Entertainment Revenues	June 30, 2010	June 30, 2009	better (worse)
Live events	$ 55.2	$ 52.4	5%
Number of North American events	133	134	(1%)
Average North American attendance	7,000	6,900	1%
Average North American ticket price (dollars)	$ 38.97	$ 39.18	(1%)
Number of international events	32	31	3%
Average international attendance	8,500	8,200	4%
Average international ticket price (dollars)	$ 59.80	$ 62.77	(5%)
Venue merchandise	$ 10.8	$ 10.9	(1%)
Domestic per capita spending (dollars)	$ 10.12	$ 10.20	(1%)
Pay-per-view	$ 42.8	$ 49.2	(13%)
Number of pay-per-view events	6	7	(14%)
Number of buys from pay-per-view events	2,100,000	2,600,000	(19%)
Average revenue per buy (dollars)	$ 19.12	$ 18.17	5%
Domestic retail price WrestleMania (dollars)	$ 54.95	$ 54.95	-
Domestic retail price other events (dollars)	$ 44.95	$ 39.95	13%
Television rights fees			
Domestic	$ 38.0	$ 34.1	11%
International	$ 22.2	$ 19.1	16%
Television advertising	$ 2.9	$ 3.1	(6%)
WWE Classics on Demand	$ 2.5	$ 3.0	(17%)
Other	$ 1.3	$ 1.5	(13%)
Total live and televised entertainment	$ 175.7	$ 173.3	1%
Ratings			
Average weekly household ratings for Raw	3.6	3.8	(5%)
Average weekly household ratings for SmackDown	2.0	2.1	(5%)
Average weekly household ratings for WWE NXT/ECW	1.0	1.3	(23%)
Average weekly household ratings for WWE Superstars	1.2	1.4	(14%)

Cost of Revenues-Live and Televised Entertainment	June 30, 2010	June 30, 2009	better (worse)
Live events	$ 38.3	$ 34.5	(11%)
Venue merchandise	6.3	6.4	2%
Pay-per-view	19.4	20.5	5%
Television	34.9	34.7	(1%)
Advertising	0.8	0.3	(167%)
WWE Classics on Demand	0.7	0.7	-
Other	4.4	3.5	(26%)
Total	$ 104.8	$ 100.6	(4%)
Profit contribution margin	40%	42%	

Live events revenues increased primarily as a result of our performance at our international events, reflecting a higher average attendance. The overall profit contribution margin was 31% in the current period as compared to 34% in the prior year. The current period profit contribution margin was adversely impacted by approximately $0.7 million in costs related to the Icelandic volcano. In the prior year period, four of the international events performed were recorded as buy-out deals. Subsequently, it was determined that these events should have been recorded on a gross basis instead of a net basis. Had these deals been recorded on a gross basis, revenues and expenses would have each increased by approximately $1.3 million, with no change to profit. See Note 1 to the unaudited Consolidated Financial Statements.

Venue merchandise revenues and cost of revenues were essentially unchanged from the prior year period. The overall profit contribution margin was 42% in both the current and prior year period.

Pay-per-view revenues reflect the decline in total buys and the production of one fewer event in the current year period. We recorded approximately 0.9 million buys for WrestleMania XXVI in the current period as compared to approximately 1.0 million buys for WrestleMania XXV in the prior year period. The profit contribution margin for pay-per-view decreased to 55% in the current period from 58% in the prior year. The decline in profit contribution margin was driven by increased talent expenses as a result of the composition of pay-per-view offerings in the current period.

The increase in television rights fees reflects contractual increases both domestically and in international territories as well as the addition of our domestic show WWE Superstars on WGN. Television right fees cost of revenues were essentially unchanged from the prior year period as continued cost saving efforts were offset by increased production costs.

Advertising revenues for the current period are primarily comprised of the sale of various sponsorships and the sale of advertising on our Canadian television programs. The decrease in the current period primarily reflects a decline in sponsorship advertising revenue, reflecting the absence of sponsorship sales relating to several of our pay-per-view events in the current period that were sold in the prior year period.

WWE Classics On Demand generated 17% lower revenues in the current period based on weaker domestic performance. WWE Classics on Demand is currently offered in approximately 80% of video-on-demand enabled homes in the United States.

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

Consumer Products Revenues	June 30, 2010	June 30, 2009	better (worse)
Licensing	$ 28.6	$ 28.8	(1%)
Magazine publishing	$ 5.3	$ 6.5	(18%)
Net units sold	1,741,900	2,000,600	(13%)
Home video	$ 19.1	$ 17.8	7%
Gross units shipped	1,947,400	1,737,400	12%
Other	1.0	0.9	11%
Total	$ 54.0	$ 54.0	-

Cost of Revenues-Consumer Products	June 30, 2010	June 30, 2009	better (worse)
Licensing	$ 7.7	$ 7.1	(8%)
Magazine publishing	5.3	5.1	(4%)
Home video	8.8	7.4	(19%)
Other	0.6	0.6	-
Total	$ 22.4	$ 20.2	(11%)
Profit contribution margin	59%	63%	

Licensing revenues were essentially unchanged from the prior period as increases in our toy category, driven by our transition to Mattel in the current period, were offset by a decline in the royalties earned on sales of video games. In the current year, we did not have a corresponding release to Legends of WrestleMania, which was released in the prior year period. The increase in the licensing cost of revenues reflects higher talent participations as a result of the mix of products sold.

Magazine publishing revenue decreased by 18% in the current period based on a reduced number of units sold. We have experienced decreased newsstand sell-through and subscription sales in the current period. We published six issues of WWE Magazine and five WWEKids Magazine issues in both the current and prior year period. We also published three special issues in the current period as compared to two special issues in the prior year. Magazine publishing cost of revenues is essentially unchanged as compared to the prior year period as production levels remained consistent.

Home video revenues increased by 7% in the current period due to the 12% increase in number of units shipped, reflecting the release of 13 titles in the current period versus 11 in the prior year period. The increase in units shipped was partially offset by a decline in the average sales price per unit due to promotional activities. Profit contribution margin was 54% in the current period as compared to 58% in the prior year period. The profit contribution was negatively impacted by increased distribution costs as a result of our transitioning distributors and increased advertising expense.

The following chart provides performance results and key drivers for our Digital Media segment:

Digital Media Revenues	June 30, 2010	June 30, 2009	better (worse)
WWE.com	$ 6.4	$ 8.4	(24%)
WWEShop	5.4	6.4	(16%)
Average revenues per order (dollars)	$ 49.04	$ 50.82	(4%)
Total	$ 11.8	$ 14.8	(20%)

Cost of Revenues-Digital Media	June 30, 2010	June 30, 2009	better (worse)
WWE.com	$ 3.1	$ 4.4	30%
WWEShop	3.9	4.4	11%
Total	$ 7.0	$ 8.8	20%
Profit contribution margin	41%	41%	

WWE.com revenues declined primarily due to a $1.2 million reduction in advertising sold on our website and a $1.1 million reduction in wireless revenue in the current period. The decline in advertising revenue reflects the downturn in the general economic environment and continued difficulties monetizing our website. The decline in wireless revenue was driven by the expiration of a key content agreement that was not renewed. The decrease in WWE.com cost of revenues reflects lower support costs to operate our various web based activities.

WWEShop revenue reflects an 11% decrease in the number of orders processed to 109,000 in the current period due to the economic environment and the absence of certain of our popular talent from our programming for a significant portion of the second quarter. The decrease in WWEShop profit contribution margin was driven by increased inventory write-offs, partially as a result of changes in the talent roster.

WWE Studios

WWE Studios has released four feature films: See No Evil, The Marine, The Condemned and 12 Rounds and two direct-to-DVD films, Behind Enemy Lines: Columbia and The Marine 2. We recorded revenue of approximately $4.1 million in the current period related to our prior theatrical releases as compared to $4.5 million in the prior year period. We participate in revenues generated under the distribution of the films through all media after the print and advertising and distribution costs incurred by our distributors have been recouped and the results have been reported to us.

We previously announced that we will change to a self-distribution model for feature films. The first film to be released under this new model, Legendary, is tentatively scheduled for release in September 2010. Under this self-distribution model, we will begin recording the revenue and expenses once the film has been released.

Selling, General and Administrative

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

	June 30, 2010	June 30, 2009	better (worse)
Staff related	$ 27.7	$ 30.3	9%
Legal, accounting and other professional	4.8	7.4	35%
Stock compensation costs	4.9	3.0	(63%)
Advertising and promotion	1.7	2.2	23%
Bad Debt	(0.6)	1.8	133%
All other	17.5	17.5	-
Total SG&A	$ 56.0	$ 62.2	10%
SG&A as a percentage of net revenues	23%	25%	

Staff related expenses in the prior year reflect the impact of our corporate restructuring of approximately $2.2 million in severance related costs. Legal, accounting and professional fees in the current period benefited from a decrease in legal case activity. Stock compensation costs in the current period reflect additional expense based on the fair value of the 2010 equity grant under the Plan. Advertising and promotion in the current period also benefited from a strategic conservative approach for brand awareness and general promotional activities. Bad debt decreased as several previously reserved accounts were subsequently collected.

	June 30, 2010	June 30, 2009	better (worse)
Depreciation and amortization	$ 5.3	$ 7.4	28%

The decrease reflects a $1.7 million benefit from the recognition of an infrastructure tax credit received in the current period. As the credit was received in the current period and related to assets placed in service in prior years, the adjustment to depreciation expense reflects the amount of previously recognized expense associated with the reduction of the related asset cost.

Investment income, net	$ 1.0	$ 1.8	(44%)

The decline in investment income reflects lower interest rates on investment balances and lower realized gains from investment sales in the current period.

Other (expense) income, net	$ (2.1)	$ 0.1	(2,200%)

Other (expense) income, net includes realized foreign exchange gains and losses and the revaluation of warrants held in certain licensees. In the current period, we recorded realized losses of $1.8 million as compared to gains of $1.2 million in the prior year period. The prior year period also reflected a charge of $0.7 million relating to the revaluation of warrants as compared to income of $0.2 million in the current period.

	June 30, 2010	June 30, 2009
Provision for income taxes	$ 15.4	$ 16.4
Effective tax rate	33%	35%

The effective tax rate in the period was positively impacted by the increase in Section 199 deduction rate on qualified production activity income

Liquidity and Capital Resources

Cash flows from operating activities for the six months ended June 30, 2010 and June 30, 2009 were $24.9 million and $75.0 million, respectively. Approximately $27.1 million of this difference was due to the timing of film related spending. In the current period we spent approximately $21.8 million on film production related activities, of which we anticipate receiving $6.2 million of related tax incentives in future periods. We have not received any tax incentives for feature films in the current year period. In the prior year period we received $6.6 million in incentives related to film production, partially offset by $1.3 million of additional expenditures. Also driving a significant change in cash flow from operating activities was a $19.0 million increase in cash paid for taxes. In the prior year period we received a refund of $11.0 million related to an overpayment of prior year taxes. In the current period, our estimated payments are higher due to our estimated taxable income. Partially offsetting the decreases mentioned above was a $7.5 million advance received from a licensee in the current period, which was recorded as deferred income. Working capital, consisting of current assets less current liabilities, was $210.7 million as of June 30, 2010 and $222.7 million as of December 31, 2009.

We receive production tax credits or refunds through various governmental programs designed to promote film and television production within the United States and international jurisdictions. We anticipate receiving approximately $10.0 to $14.0 million in production credits within the next twelve months. The timing and realizable amount of credits is impacted by our production schedule and limitations associated with monetization of the credits.

Our accounts receivable represent a significant portion of our current assets and relate principally to a limited number of customers or distributors. Changes in the financial condition or operations of our distributors or customers may result in increased delayed payments or non-payments which would adversely impact our cash flows from operating activities and/or our results of operations.

Cash flows used in investing activities were $36.1 million as compared to cash flows provided by investing activities of $8.9 million for the six months ended June 30, 2010 and June 30, 2009. In the current period we purchased $63.0 million of short-term investment securities, including $40.0 million of government agency bonds. Capital expenditures for the six months ended June 30, 2010 were $6.7 million as compared to $2.9 million for the six months ended June 30, 2009. The increase in capital expenditures is partially due to $1.8 million in technological advancements relating to our television content. Capital expenditures for the remainder of 2010 are estimated to range between $6.0 million and $9.0 million, primarily reflecting additional purchases of broadcasting equipment and building related improvements.

Our investment policy is designed to preserve capital and minimize interest rate, credit and market risk. In February 2008, we started to experience difficulty in selling our ARS due to multiple failures of the auction mechanism that provides liquidity to these investments. All of our ARS are collateralized by student loan portfolios, substantially all of which are guaranteed by the United States Government. We anticipate that the securities for which the auctions have failed will continue to accrue interest and pay interest when due; to-date, none of the ARS in which we are invested have failed to make an interest payment when due. Our ARS will continue to be auctioned every 35 days until the auctions succeed, the issuer redeems the securities or they mature (the stated maturities of the securities are greater than 20 years). During the second quarter, $8.4 million of ARS were redeemed at par value. As we maintain a strong liquidity position, our intent is not to sell the securities and we believe that it is not more likely than not that we will be required to sell until one of the aforementioned remedies occurs.

As of June 30, 2010, we have recorded a cumulative adjustment of approximately $1.3 million to reduce the fair value of our investment in ARS, which has been reflected as part of accumulated other comprehensive income in our Consolidated Statement of Stockholders' Equity and Comprehensive Income. We do not believe that the fair market value adjustment is other-than-temporary at this time due to the high underlying creditworthiness of the issuer (including the backing of the loans included in the collateral package by the United States Government), our intent not to sell the securities and our determination that it is not more likely than not that we will be required to sell the securities before recovery of their anticipated amortized cost basis. The fair value of the ARS was estimated through discounted cash flow models, which consider, among other things, the timing of expected future successful auctions, collateralization of underlying security investments and the risk of default by the issuer. We will continue to assess the carrying value of our ARS on each reporting date, based on the facts and circumstances surrounding our liquidity needs and developments in the ARS markets.

Cash flows used in financing activities were $40.8 million and $40.7 million for the six months ended June 30, 2010 and June 30, 2009, respectively. Total dividend payments on all Class A and Class B common shares in the six month period ended June 30, 2010 were approximately $41.6 million as compared to $41.0 million in the prior year six month period ended June 30, 2009. Assuming the continuation of these cash dividend rates of $0.36 and $0.24 per share and the same stock ownership, the estimated amount of dividends to be paid during the remainder of 2010 is estimated to be approximately $41.8 million.

Contractual Obligations

In addition to long-term debt, we have entered into various other contracts under which we are required to make guaranteed payments, including:

- Various operating leases for office space and equipment.
- Employment contract with Vincent K. McMahon, which runs through October 2011, with annual renewals thereafter if not terminated by us or Mr. McMahon, as well as a talent contract with Mr. McMahon that is coterminous with his employment contract. Mr. McMahon waives all of his compensation under theses agreements, except for a salary of $850,000 per year.
- Other employment contracts which are generally for one to three-year terms.
- Service contracts with certain of our independent contractors, including our talent, which are generally for one to four-year terms.

Our aggregate minimum payment obligations under these contracts as of June 30, 2010, assuming the continued waiver of compensation by Mr. McMahon (except for the annual salary of $850,000, noted above), were as follows:

	Payments due by period ($ in millions)				
	2010	2011 - 2012	2013 - 2014	After 2014	Total
Long-term debt (including interest thereon)	$ 0.6	$ 2.7	$ 0.4	$ -	$ 3.7
Operating leases	1.2	3.5	2.7	3.2	10.6
Talent, employment agreements and other commitments	10.3	11.7	7.6	11.5	41.1
Total commitments	$ 12.1	$ 17.9	$ 10.7	$ 14.7	$ 55.4

We believe that cash generated from operations and our existing cash and short-term investment securities will be sufficient to meet our cash needs over the next twelve months for working capital, capital expenditures and the payment of quarterly dividends.

Application of Critical Accounting Policies

There have been no additional changes to our accounting policies that were previously disclosed in our Report on Form 10-K for our fiscal year ended December 31, 2009 or in the methodology used in formulating these significant judgments and estimates that affect the application of these policies. Amounts included in our consolidated balance sheets in accounts that we have identified as being subject to significant judgments and estimates were as follows:

	As of June 30, 2010	December 31, 2009
Pay-per-view accounts receivable	$ 14.8 million	$ 13.7 million
Feature film assets	$ 49.9 million	$ 37.1 million
Home video reserve for returns	$ 5.3 million	$ 5.5 million
Publishing newsstand reserve for returns	$ 4.5 million	$ 4.8 million
Allowance for doubtful accounts	$ 11.0 million	$ 11.9 million
Accrued income taxes	$ (2.5) million	$ (0.6) million

Recent Accounting Pronouncements

There are no other accounting standards or interpretations that have been issued, but which we have not yet adopted, that we believe will have a material impact on our financial statements.

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 Report, the words “may,” “will,” “could,” “anticipate,” “plan,” “continue,” “project,” “intend”, “estimate”, “believe” 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 Report, in press releases and in oral statements made by our authorized officers: (i) our failure to maintain or renew key agreements could adversely affect our ability to distribute our television and pay-per-view programming; (ii) 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; (iii) our failure to retain or continue to recruit key performers could lead to a decline in the appeal of our storylines and the popularity of our brand of entertainment; (iv) the loss of the creative services of Vincent K. McMahon could adversely affect our ability to create popular characters and creative storylines; (v) continued decline in general economic conditions and disruption in financial markets could adversely affect our business; (vi) our accounts receivable represent a significant portion of our current assets and relate principally to a limited number of distributors, increasing our exposure to bad debts and potentially impacting our results of operations; (vii) a decline in the popularity of our brand of sports entertainment, including as a result of changes in the social and political climate, could adversely affect our business; (viii) changes in the regulatory atmosphere and related private sector initiatives could adversely affect our business; (ix) the markets in which we operate are highly competitive, rapidly changing and increasingly fragmented, and we may not be able to compete effectively, especially against competitors with greater financial resources or marketplace presence; (x) we face uncertainties associated with international markets; (xi) we may be prohibited from promoting and conducting our live events if we do not comply with applicable regulations; (xii) because we depend upon our intellectual property rights, our inability to protect those rights, or our infringement of others’ intellectual property rights, could adversely affect our business; (xiii) we could incur substantial liabilities if pending litigation is resolved unfavorably; (xiv) we could incur substantial liability in the event of accidents or injuries occurring during our physically demanding events; (xv) our live events schedule exposes us to risks inherent in large public events as well as travel to and from such events; (xvi) we continue to face risks inherent in our feature film business; (xvii) through his beneficial ownership of a substantial majority of our Class B common stock, our controlling stockholder, Vincent K. McMahon, can exercise control over our affairs, and his interests may conflict with the holders of our Class A common stock; (xviii) we could face a variety of risks if we expand into new or complementary businesses; (xix) a substantial number of shares are eligible for sale by Mr. McMahon and members of his family or trusts established for their benefit, and the sale, or the perception of possible sales, of those shares could lower our stock price; and (xx) our Class A common stock has a relatively small public “float”. In addition, our dividend is significant and is dependent on a number of factors, including, among other things, our liquidity and historical and projected cash flow, strategic plan (including alternative uses of capital), our financial results and condition, contractual and legal restrictions on the payment of dividends, general economic and competitive conditions and such other factors as our Board of Directors may consider relevant including a waiver by the McMahon family of a portion of the dividends as described elsewhere in this Report. The forward-looking statements speak only as of the date of this Report and undue reliance should not be placed on these statements.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

We are exposed to currency fluctuations, primarily in the Euro, British Pound, Australian Dollar and Canadian Dollar. We attempt to minimize exposure to currency fluctuations by minimizing our net assets and liabilities denominated in foreign currencies. During the current year we were adversely impacted by the weakening of certain foreign currencies. The recognized impact of these exchange rate fluctuations is recorded in other (expense) income, net.

Interest Rate Risk

We are exposed to interest rate risk related to our debt and investment portfolio. Our debt consists of the mortgage related to our corporate headquarters, which has an annual interest rate of 7.6%. The fair value of this debt is not significantly different from its carrying amount.

Our investment portfolio consists of securities with a strong emphasis placed on preservation of capital. In an effort to minimize our exposure to interest rate risk, our investment portfolio's dollar weighted duration, including our long term auction rate securities, is less than one year. Due to the nature of our investments and our strategy to minimize market and interest rate risk, we believe that our portfolio would not be materially impacted by adverse fluctuations in interest rates.

Item 4. Controls and Procedures

Under the direction of our Chairman of the Board and Chief Executive Officer and our Chief Financial Officer, we evaluated our disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based on that evaluation, our Chairman of the Board and Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2010. No change in internal control over financial reporting occurred during the quarter ended June 30, 2010, that materially affected, or is reasonably likely to materially affect, such internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See Note 15 to Notes to Consolidated Financial Statements, which is incorporated herein by reference.

Item 1A. Risk Factors

We do not believe that there have been any material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2009.

Item 6. Exhibits

(a.) Exhibits

31.1 Certification by Vincent K. McMahon pursuant to Section 302 of Sarbanes-Oxley Act of 2002 (filed herewith).

31.2 Certification by George A. Barrios pursuant to Section 302 of Sarbanes-Oxley Act of 2002 (filed herewith).

32.1 Certification by Vincent K. McMahon and George A. Barrios pursuant to Section 906 of Sarbanes-Oxley Act of 2002 (filed herewith).

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, thereunto duly authorized.

World Wrestling Entertainment, Inc.
(Registrant)

Dated: August 9, 2010

By: /s/ George A. Barrios
George A. Barrios
Chief Financial Officer