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WESTWOOD ONE INC /DE/
Form 10-Q
May 07, 2004

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, 2004

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

WESTWOOD ONE, INC.

(Exact name of registrant as specified in its charter)

Delaware

95-398044

(State or other jurisdiction of
incorporation or organization)

(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 26, 2004 (excluding treasury
shares):

Common Stock, par value \$.01 per share - 96,999,467 shares Class B
Stock, par value \$.01 per share - 703,466 shares

WESTWOOD ONE, INC.

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Item 1 - Financial Statements

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

March 31,

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	2004 ----- (Unaudited)
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 20,027
Accounts receivable, net of allowance for doubtful accounts of \$4,676 (2004) and \$4,334 (2003)	116,499
Prepaid and other assets	20,974

Total Current Assets	157,500
PROPERTY AND EQUIPMENT, NET	49,399
GOODWILL	990,472
INTANGIBLE ASSETS, NET	7,054
OTHER ASSETS	41,909

TOTAL ASSETS	\$1,246,334 =====
LIABILITIES AND SHAREHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Accounts payable	\$ 13,516
Amounts payable to related parties	19,953
Deferred revenue	7,569
Income taxes payable	6,346
Accrued expenses and other liabilities	36,477

Total Current Liabilities	83,861
LONG-TERM DEBT	316,533
DEFERRED INCOME TAXES	37,902
OTHER LIABILITIES	8,786

TOTAL LIABILITIES	447,082
COMMITMENTS AND CONTINGENCIES	
SHAREHOLDERS' EQUITY	
Preferred stock: authorized 10,000 shares, none outstanding	-
Common stock, \$.01 par value: authorized, 261,288 shares; issued and outstanding, 97,449 (2004) and 99,057 (2003)	974
Class B stock, \$.01 par value: authorized, 3,000 shares: issued and outstanding, 704 (2004 and 2003)	7
Additional paid-in capital	464,605
Accumulated earnings	336,567

802,153	
Less treasury stock, at cost; 100 (2004) and 35 (2003) shares	(2,901)

TOTAL SHAREHOLDERS' EQUITY	799,252

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$1,246,334 =====

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Three Months Ended March 31,	
	2004	2003
	-----	-----
	(Unaudited)	
REVENUES	\$129,608	\$125,795
	-----	-----
Operating Costs (includes related party expenses of \$22,515 and \$21,128, respectively)	93,496	92,052
Depreciation and Amortization (includes related party warrant amortization of \$338 and \$338, respectively)	3,154	2,880
Corporate General and Administrative Expenses (includes related party expenses of \$703 and \$683, respectively)	1,970	1,644
	-----	-----
	98,620	96,576
	-----	-----
OPERATING INCOME	30,988	29,219
Interest Expense	2,917	2,451
Other Income	(40)	(20)
	-----	-----
INCOME BEFORE INCOME TAXES	28,111	26,788
INCOME TAXES	10,564	9,874
	-----	-----
NET INCOME	\$17,547	\$16,914
	=====	=====
NET INCOME PER SHARE:		
BASIC	\$.18	\$.16
	=====	=====
DILUTED	\$.18	\$.16
	=====	=====
WEIGHTED AVERAGE SHARES OUTSTANDING:		
BASIC	98,003	103,063
	=====	=====
DILUTED	100,068	105,638
	=====	=====

See accompanying notes to consolidated financial statements.

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WESTWOOD ONE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

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(In thousands)

	Three Months Ended March 31,	
	2004	2003
	----- (Unaudited) -----	
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	\$17,547	\$16,914
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,154	2,880
Deferred taxes	1,000	1,000
Amortization of deferred financing costs	458	159
	-----	-----
	22,159	20,953
Changes in assets and liabilities:		
Decrease in accounts receivable	19,221	18,777
Decrease in prepaid and other assets	2,642	4,551
(Decrease) in deferred revenue	(4,646)	(2,812)
Increase in income taxes payable	5,784	7,834
Increase in accounts payable and accrued and other liabilities	4,764	1,373
Increase in amounts payable to related parties	1,273	3,993
	-----	-----
Net Cash Provided By Operating Activities	51,197	54,669
	-----	-----
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditures	(989)	(1,046)
Acquisition of companies and other	12	(145)
	-----	-----
Net Cash Used For Investing Activities	(977)	(1,191)
	-----	-----
CASH FLOW FROM FINANCING ACTIVITIES:		
Issuance of common stock	5,843	4,235
Borrowings under bank and other long-term obligations	120,000	-
Debt repayments and payments of capital lease obligations	(100,146)	(138)
Repurchase of common stock	(63,286)	(59,525)
Deferred financing costs	(1,269)	(105)
	-----	-----
NET CASH (USED IN) FINANCING ACTIVITIES	(38,858)	(55,533)
	-----	-----
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	11,362	(2,055)
	-----	-----
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	8,665	7,371
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$20,027	\$5,316
	=====	=====

See accompanying notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except per share data)

NOTE 1 - Basis of Presentation:

The accompanying consolidated balance sheet as of March 31, 2004, the consolidated statements of operations and the consolidated statements of cash flows for the three month periods ended March 31, 2004 and 2003 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.

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,	
	-----	-----
	2004	2003
	----	----
Options	2,065	2,575

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 2004 and 2003:

	March 31,	
	-----	-----
	2004	2003
	----	----
Options	2,804	1,331

The per share exercise prices of the options were \$32.25-\$38.34 in 2004, and \$35.19-\$38.34 in 2003. Also excluded were 4,500 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, 2004	December 31, 2003
----------------	-------------------

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Term Loan	\$120,000	-
Revolving Credit Facility	-	\$100,000
4.64% Senior Unsecured Notes	50,000	50,000
5.26% Senior Unsecured Notes	150,000	150,000
Fair market value of Swap (a)	(3,467)	366
	-----	-----
	\$316,533	\$300,366
	=====	=====

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

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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% of 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 and interest coverage and leverage ratios. At March 31, 2004, the Company had available borrowings under the New Facility of \$180,000.

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:

	2004	2003
	----	----
Representation Agreement	\$ 6,954	\$ 6,735
Programming and Affiliations	15,561	14,393
Management Agreement (excluding warrant amortization)	703	683
Warrant Amortization	338	338
	-----	-----
	\$23,556	\$22,149
	=====	=====

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

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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 \$2,273 (\$.02 per basic and diluted share) in the first quarter of 2004 and \$2,037 (\$.02 per basic and diluted share) in the first quarter of 2003.

	Three Months Ended March 31,	
	2004	2003
	-----	-----
Net Income as Reported	\$17,547	\$16,914
Deduct: Total Stock Based Employee Compensation Expense, Net of Tax	(2,273)	(2,037)
	-----	-----
Pro Forma Net Income	\$15,274	\$14,877
	=====	=====
 Net Income Per Share:		
Basic - As Reported	\$.18	\$.16
	=====	=====
Basic - Pro Forma	.16	\$.14
	=====	=====
 Diluted - As Reported	\$.18	\$.16
	=====	=====
Diluted - Pro Forma	\$.15	\$.14
	=====	=====

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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 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.

The radio broadcasting industry has experienced a significant amount of consolidation in recent years. 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

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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

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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, 2004 Compared
With Three Months Ended March 31, 2003

Revenues

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

	2004		2003	
	\$	% of total	\$	% of total
Local/Regional	\$64,651	50%	\$63,362	50%
National	64,957	50%	62,433	50%
Total (1)	\$129,608	100%	\$125,795	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 2004 increased \$3,813, or 3%, to \$129,608 compared with \$125,795 in the first quarter of 2003. Both local/regional and national revenues increased in the quarter compared with the comparable 2003 period.

During the first quarter of 2004, revenues aggregated from the sale of local/regional airtime increased approximately 2%, or approximately \$1,289, and national based revenues increased approximately 4%, or \$2,524 compared with the first quarter of 2003. This increase was evident throughout the country.

In the first quarter of 2004, the increase in our aggregated national based revenues was accomplished through attaining higher revenues in the news and sports programming categories, through adding station affiliations, and new sports programming.

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resulting primarily from an anticipated overall increase in demand for our product offerings due to higher audience delivery, the Company's exclusive U.S. radio broadcast of the 2004 Summer Olympics, inventory management initiatives, and the development of new distribution alternatives for our content.

Operating Costs

Operating costs for the three months ended March 31, 2004, and 2003 were as follows:

	2004		2003	
	\$	% of total	\$	% of total
Programming, production and distribution expenses	\$59,919	64%	\$57,243	62%
Selling expenses	11,195	12%	10,140	11%
Other operating expenses	22,382	24%	24,669	27%
	\$93,496	100%	\$92,052	100%

Operating costs increased approximately 2%, or \$1,444, to \$93,496 in 2004 from \$92,052 in the first quarter of 2003. The increase was principally attributable to (i) increases in programming, production and distribution expenses resulting from the investment in additional network audiences as a result of adding station affiliations, and expanding into new traffic and information markets as well as the development of new program offerings, (ii) higher selling expenses related to increasing the size of our sales staff, higher commission expense due to increased revenue, partially offset by lower bad debt expense (approximately \$600) and (iii) lower other operating expenses due principally to reductions in personnel and personnel related costs.

We currently anticipate that operating costs will increase in 2004 compared with 2003 due to expenses attributable with the Company's broadcast of the 2004 Summer Olympics, additional investments in our national network audiences and programs and normal recurring contractual cost increases. In addition, we expect to make certain continued investments in our sales support functions to support our planned growth in revenues.

Depreciation and Amortization

Depreciation and amortization increased \$274, or 10%, to \$3,154 in the first quarter of 2004 from \$2,880 in the first quarter of 2003. The increase was principally attributable to depreciation expense attributable to management information systems implemented during the first quarter of 2004.

As a result of the May 29, 2002 extension of the Management Agreement with Viacom starting with the second quarter of 2004 and through the first quarter of 2009, the Company's quarterly amortization expense will increase by approximately \$2,100. The increase will result from the higher amortization attributable to the fair market value of the warrants issued to Infinity as part of the extension of the Management Agreement.

Corporate General and Administrative Expenses

Corporate general and administrative expenses increased \$326, or 20% to

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\$1,970 in the first quarter of 2004 from \$1,644 in the first quarter of 2003. The increase was principally attributable to higher expenses associated with our corporate governance activities, including fees incurred for professional services.

We expect our corporate general and administrative costs to increase in 2004 compared with 2003. We expect to incur increased expenses relating to our compliance and corporate governance activities. Further, we note that our incentive bonus arrangement with Infinity is variable, contingent upon our performance.

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Operating Income

Operating income increased \$1,769, or 6% to \$30,988 in the first quarter of 2004 from \$29,219 in the first quarter of 2003.

Interest Expense

Interest expense increased 19% in the first quarter of 2004 to \$2,917 from \$2,451 in 2003. The increased was attributable to higher debt outstanding as well as due to approximately \$325 amortization of previously capitalized deferred debt costs attributable to the refinancing of our bank credit facility.

We expect that our interest expense will increase in 2004 commensurate with our anticipated higher average debt levels.

Provision for income taxes

Income tax expense in the first quarter of 2004 was \$10,564 compared with \$9,874 in the first quarter of 2003. The Company's effective income tax rate was approximately 37.6% in the first quarter of 2004 compared with approximately 36.9% in the first quarter of 2003. The increase in the effective income tax rate is principally as a result of higher state taxes resulting from recently enacted tax law changes in the states in which we operate.

Net income

Net income in the first quarter of 2004 was \$17,547 compared with \$16,914 in the first quarter of 2003, an increase of \$633, or 4%. Net income per basic share increased approximately \$.02, or 9%, to \$.18 compared with \$.16 in the first quarter of 2003. Net income per diluted share increased approximately \$.02, or 10%, to \$.18 compared with \$.16 in the comparable 2003 period.

Earnings per share

Weighted averages shares outstanding used to compute basic and diluted earnings per share decreased approximately 5% to 98,003 and 100,068, respectively, in the first quarter of 2004 compared with 103,063 and 105,638, respectively, in the first quarter of 2003. 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, 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 short-term borrowings and/or long-term debt.

At March 31, 2004, the Company's principal sources of liquidity were its

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cash and cash equivalents of \$20,027 and available borrowings under its bank facility which is 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, 2004 and 2003, net cash provided by operating activities were \$51,197 and \$54,669, respectively.

At March 31, 2004, 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, 2004, the Company had available borrowings of \$180,000 under its New Facility.

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In conjunction with the Company's objective of enhancing shareholder value, the Company's Board of Directors has authorized a stock repurchase program. In the first quarter of 2004, the Company principally used cash flow from operations to purchase approximately 2,100 shares of the Company's Common Stock for a total cost of approximately \$63,286. In the first quarter of 2003, the Company purchased approximately 1,769 shares of the Company's Common Stock for a total cost of \$59,525. In the month of April 2004 (through April 26), the Company repurchased an additional 403 shares of Common Stock at a cost of approximately \$12,731. The Company expects to continue to use its cash flow to repurchase its Common Stock. At April 26, 2004, the Company had authorization to repurchase up to an additional \$302,624 of its Common Stock.

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.

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 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.

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

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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 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 regulatory bodies.

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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 leaders 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. 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.
- 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.
- Changes in tax rates may adversely affect the Company's profitability.
- 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 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 a 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 revolving credit 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 \$5,000 for every \$2 million of outstanding debt.

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 Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934, as amended) within 90 days of the filing date of this report, and have concluded that the Company's disclosure controls and procedures are effective for gathering, analyzing and disclosing the information we are required to disclose in our reports filed under the Securities and Exchange Act of 1934. There have been no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the evaluation date.

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PART II. OTHER INFORMATION

Item 1

This item is not applicable.

Item 2 - Use of Proceeds and 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 2004	280,000	\$32.80	4,060,424
February 2004	575,000	30.79	4,635,424
March 2004	1,245,300	29.23	5,880,724
	-----	-----	
	2,100,300	\$30.13	
	=====	=====	

(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.

Items 3 - 5

These items are not applicable.

Item 6 - Exhibits and Reports on Form 8-K

(a) EXHIBIT

NUMBER	DESCRIPTION
3.1	Restated Certificate of Incorporation, as filed on October 25, 2002. (14)
3.2	Bylaws of Registrant as currently in effect. (6)
4.1	Note Purchase Agreement, dated December 3, 2002, between Registrant and the Purchasers. (15)
*10.1	Employment Agreement, dated April 29, 1998, between Registrant and Norman J. Pattiz. (8)
*10.2	Amendment to Employment Agreement, dated October 27, 2003, between Registrant and Norman J. Pattiz.
10.3	Form of Indemnification Agreement between Registrant and its Directors and Executive Officers. (1)
10.4	Credit Agreement, dated March 2, 2004, between Registrant and The Lenders and JPMorgan Chase Bank as Administrative Agent.
10.5	Purchase Agreement, dated as of August 24, 1987, between Registrant and National Broadcasting Company, Inc. (2)
10.6	Agreement and Plan of Merger among Registrant, Copter Acquisition Corp. and Metro Networks, Inc. dated of June 1, 1999 (9)
*10.7	Amendment No. 1 to the Agreement and Plan Merger, dated as of August 20, 1999, by and among Registrant, Copter Acquisition Corp. and Metro

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- Networks, Inc. (10)
- 10.8 Management Agreement, dated as of March 30, 1999, and amended on April 15, 2002 between Registrant and Infinity Broadcasting Corporation. (9) (13)
- 10.9 Representation Agreement, dated as of March 31, 1997, between Registrant and CBS, Inc. (7) (13)
- 10.10 Westwood One Amended 1999 Stock Incentive Plan. (9)

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- 10.11 Westwood One, Inc. 1989 Stock Incentive Plan. (3)
- 10.12 Amendments to the Westwood One, Inc. Amended 1989 Stock Incentive Plan. (4) (5)
- 10.13 Leases, dated August 9, 1999, between Lefrak SBN LP and Westwood One, Inc. and between Infinity and Westwood One, Inc. relating to New York, New York offices. (11)
- 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 to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

No Reports on Form 8-K were filed during the first quarter of 2004. A Form 8-K was furnished on February 18, 2004 in connection with the Company's disclosure of certain earnings information.

*Indicates a management contract or compensatory plan

- (1) Filed as part of Registrant's September 25, 1986 proxy statement and incorporated herein by reference.
- (2) Filed an exhibit to Registrant's current report on Form 8-K dated September 4, 1987 and incorporated herein by reference.
- (3) Filed as part of Registrant's March 27, 1992 proxy statement and incorporated herein by reference.
- (4) Filed as an exhibit to Registrant's July 20, 1994 proxy statement and incorporated herein by reference.
- (5) Filed as an exhibit to Registrant's May 17, 1996 proxy statement and incorporated herein by reference.
- (6) Filed as an exhibit to Registrant's Quarterly report on Form 10-Q for the quarter ended September 30, 1996 and incorporated herein by reference.
- (7) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference.
- (8) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the year ended December 31, 1998 and incorporated herein by reference.
- (9) Filed as an exhibit to Registrant's August 24, 1999 proxy statement and incorporated herein by reference.
- (10) Filed as an exhibit to Registrant's current report on Form 8-K dated October 1, 1999 and incorporated herein by reference.
- (11) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference.
- (12) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference.
- (13) Filed as an exhibit to Registrant's April 29, 2002 proxy statement and

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incorporated herein by reference.

- (14) Filed as an exhibit to Registrant's Quarterly report on Form 10-Q for the quarter ended September 30, 2002 and incorporated herein by reference.
- (15) Filed as an exhibit to Registrant's current report on Form 8-K dated December 3, 2002 and incorporated herein by reference.

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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

Shane Coppola
Chief Executive Officer

By: /S/Andrew Zaref

Andrew Zaref
Chief Financial Officer

Dated: May 6, 2004

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