

SCRIPPS E W CO /DE
Form 10-Q/A
November 10, 2005
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

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

For the quarterly period ended September 30, 2005

OR

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

For the transition period from _____ to _____

Commission File Number 0-16914

THE E. W. SCRIPPS COMPANY

(Exact name of registrant as specified in its charter)

Edgar Filing: SCRIPPS E W CO /DE - Form 10-Q/A

Ohio
(State or other jurisdiction of
incorporation or organization)

31-1223339
(I.R.S. Employer
Identification Number)

312 Walnut Street

Cincinnati, Ohio
(Address of principal executive offices)

45202
(Zip Code)

Registrant's telephone number, including area code: (513) 977-3000

Not Applicable

(Former name, former address and former fiscal year, if changed since last report.)

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 and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.): Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of October 31, 2005 there were 126,923,062 of the Registrant's Class A Common Shares outstanding and 36,668,226 of the Registrant's Common Voting Shares outstanding.

Table of Contents

EXPLANATORY NOTE

This Amendment Number 1 to the registrant's quarterly report on Form 10-Q for the period ended September 30, 2005, as originally filed with the SEC on November 8, 2005, is being filed for the purpose of revising the column alignment of certain amounts reported in Note 10 to the Unaudited Consolidated Financial Statements and correcting a typographical error in the Cash Flows from Operating Activities Miscellaneous, net line reported in the Unaudited Consolidated Statements of Cash Flows. The \$6.9 million amount originally reported on the Miscellaneous, net line for the nine months ended September 30, 2005, was missing the parentheses indicating a use of cash. Total net cash provided by continuing operating activities, as originally filed, was not impacted by the revision to this line item. The registrant has also included herewith Exhibits 31(a), 31(b), 32(a), and (32(b) as required by the filing of this amendment. No other portion of the report on Form 10-Q as originally filed is being modified by this amendment.

INDEX TO THE E. W. SCRIPPS COMPANY

REPORT ON FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2005

<u>Item No.</u>		<u>Page</u>
<u>PART I - FINANCIAL INFORMATION</u>		
1	<u>Financial Statements</u>	3
2	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	3
3	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	3
4	<u>Controls and Procedures</u>	3
<u>PART II - OTHER INFORMATION</u>		
1	<u>Legal Proceedings</u>	3
2	<u>Unregistered Sales of Equity and Use of Proceeds</u>	4
3	<u>Defaults Upon Senior Securities</u>	4
4	<u>Submission of Matters to a Vote of Security Holders</u>	4
5	<u>Other Information</u>	4
6	<u>Exhibits</u>	4
	<u>Signatures</u>	5

Table of Contents

PART I

As used in this Quarterly Report on Form 10-Q, the terms we, our, us or Scripps may, depending on the context, refer to The E.W. Scripps Company, to one or more of its consolidated subsidiary companies or to all of them taken as a whole.

ITEM 1. FINANCIAL STATEMENTS

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

ITEM 4. CONTROLS AND PROCEDURES

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

PART II

ITEM 1. LEGAL PROCEEDINGS

We are involved in litigation arising in the ordinary course of business, such as defamation actions, employment and employee relations and various governmental and administrative proceedings, none of which is expected to result in material loss.

Table of Contents**ITEM 2. UNREGISTERED SALES OF EQUITY AND USE OF PROCEEDS**

There were no sales of unregistered equity securities during the quarter for which this report is filed.

The following table provides information about Company purchases of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act during the quarter ended September 30, 2005:

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number of Shares that May Yet Be Purchased Under the Plans Or Programs</u>
7/1/05 - 7/31/05	172,500	\$ 49.06	172,500	4,767,500
8/1/05 - 8/31/05	172,500	\$ 50.20	172,500	4,595,000
9/1/05 - 9/30/05	157,500	\$ 49.56	157,500	4,437,500
Total	502,500	\$ 49.61	502,500	4,437,500

Under a share repurchase program authorized by the Board of Directors on October 28, 2004, we are authorized to repurchase up to 5.0 million Class A Common Shares. There is no expiration date for the program and we are under no commitment or obligation to repurchase any particular amount of Class A Common Shares under the program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

There were no defaults upon senior securities during the quarter for which this report is filed.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the quarter for which this report is filed.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibits

The information required by this item is filed as part of this Form 10-Q. See Index to Exhibits at page E-1 of this Form 10-Q.

Table of Contents

SIGNATURES

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

THE E. W. SCRIPPS COMPANY

Dated: November 10, 2005

BY: /s/ Joseph G. NeCastro

Joseph G. NeCastro
Senior Vice President and Chief Financial Officer

Table of Contents

THE E. W. SCRIPPS COMPANY

Index to Financial Information

<u>Item</u>	<u>Page</u>
<u>Consolidated Balance Sheets</u>	F-2
<u>Consolidated Statements of Income</u>	F-4
<u>Consolidated Statements of Cash Flows</u>	F-5
<u>Consolidated Statements of Comprehensive Income and Shareholders' Equity</u>	F-6
<u>Condensed Notes to Consolidated Financial Statements</u>	F-7
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	
<u>Forward-Looking Statements</u>	F-35
<u>Executive Overview</u>	F-35
<u>Critical Accounting Policies and Estimates</u>	F-36
<u>Results of Operations</u>	
<u>Consolidated Results of Operations</u>	F-37
<u>Business Segment Results</u>	F-39
<u>Scripps Networks</u>	F-42
<u>Newspapers</u>	F-45
<u>Broadcast Television</u>	F-48
<u>Shop At Home</u>	F-50
<u>Shopzilla</u>	F-51
<u>Liquidity and Capital Resources</u>	F-52
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	F-54
<u>Controls and Procedures</u>	F-55

Table of Contents**CONSOLIDATED BALANCE SHEETS**

<i>(in thousands)</i>	As of		
	September 30, 2005	December 31, 2004	September 30, 2004
	(Unaudited)		(Unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 23,879	\$ 12,279	\$ 14,738
Short-term investments	1,029	8,637	
Accounts and notes receivable (less allowances - \$18,285, \$20,527, \$17,804)	408,423	402,807	333,103
Programs and program licenses	163,452	139,082	145,909
Inventories	45,888	40,773	32,193
Deferred income taxes	30,131	17,242	21,218
Assets of discontinued JOA operations	316	2,703	2,159
Miscellaneous	21,676	20,068	37,536
Total current assets	694,794	643,591	586,856
Investments	222,323	234,030	236,307
Property, plant and equipment	515,332	496,194	496,173
Goodwill and other intangible assets:			
Goodwill	1,761,621	1,358,730	1,230,376
Other intangible assets	400,218	255,859	242,814
Total goodwill and other intangible assets	2,161,839	1,614,589	1,473,190
Other assets:			
Programs and program licenses (less current portion)	172,992	169,452	163,972
Unamortized network distribution incentives	177,474	193,830	199,753
Prepaid pension	62,983	32,179	36,349
Miscellaneous	49,227	40,984	40,633
Total other assets	462,676	436,445	440,707
TOTAL ASSETS	\$ 4,056,964	\$ 3,424,849	\$ 3,233,233

See notes to consolidated financial statements.

Table of Contents**CONSOLIDATED BALANCE SHEETS**

<i>(in thousands, except share data)</i>	As of		
	September 30,	December 31,	September 30,
	2005	2004	2004
	(Unaudited)		(Unaudited)
LIABILITIES AND SHAREHOLDERS EQUITY			
Current liabilities:			
Accounts payable	\$ 101,707	\$ 106,475	\$ 100,346
Customer deposits and unearned revenue	54,798	52,689	49,584
Accrued liabilities:			
Employee compensation and benefits	64,986	64,430	64,675
Network distribution incentives	8,576	42,468	43,663
Miscellaneous	98,351	71,413	61,332
Liabilities of discontinued JOA operations	3,001	1,073	3,615
Other current liabilities	36,634	36,810	25,119
Total current liabilities	368,053	375,358	348,334
Deferred income taxes	339,990	264,407	231,222
Long-term debt (less current portion)	857,893	532,686	492,135
Other liabilities and minority interests (less current portion)	183,030	156,277	145,221
Shareholders equity:			
Preferred stock, \$.01 par - authorized: 25,000,000 shares; none outstanding			
Common stock, \$.01 par:			
Class A - authorized: 240,000,000 shares; issued and outstanding: 127,027,297, 126,521,832; and 126,359,198 shares	1,270	1,265	1,264
Voting - authorized: 60,000,000 shares; issued and outstanding: 36,668,226, and 36,738,226 shares	367	367	367
Total	1,637	1,632	1,631
Additional paid-in capital	357,835	320,359	319,687
Stock compensation:			
Performance awards and restricted stock units	3,717	789	
Unvested restricted stock awards	(2,470)	(4,879)	(7,135)
Retained earnings	1,958,040	1,787,221	1,712,263
Accumulated other comprehensive income (loss), net of income taxes:			
Unrealized gains on securities available for sale	6,209	7,912	3,656
Pension liability adjustments	(18,495)	(18,495)	(14,713)
Foreign currency translation adjustment	1,525	1,582	932
Total shareholders equity	2,307,998	2,096,121	2,016,321
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 4,056,964	\$ 3,424,849	\$ 3,233,233

See notes to consolidated financial statements.

F-3

Table of Contents**CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

	Three months ended		Nine months ended	
	September 30,		September 30,	
<i>(in thousands, except per share data)</i>	2005	2004	2005	2004
Operating Revenues:				
Advertising	\$ 374,120	\$ 338,632	\$ 1,176,190	\$ 1,056,184
Merchandise	75,976	61,303	257,015	195,414
Network affiliate fees, net	43,634	37,073	125,233	104,504
Circulation	30,650	30,783	96,223	98,135
Referral fees	34,672		35,719	
Licensing	19,492	17,209	57,372	59,805
Other	16,158	14,788	59,336	46,710
Total operating revenues	594,702	499,788	1,807,088	1,560,752
Costs and Expenses:				
Employee compensation and benefits (exclusive of JOA editorial compensation costs)	155,571	136,743	448,372	412,625
Programs and program licenses	54,794	57,259	164,070	158,602
Costs of merchandise sold	52,112	41,967	177,538	131,878
Marketing and advertising	41,310	16,090	99,115	57,912
Newsprint and ink	20,304	18,591	61,458	58,452
JOA editorial costs and expenses	9,262	8,360	27,535	26,411
Other costs and expenses	132,145	113,065	387,989	346,194
Total costs and expenses	465,498	392,075	1,366,077	1,192,074
Depreciation, Amortization, and Losses (Gains):				
Depreciation	18,694	16,236	50,891	46,551
Amortization of intangible assets	8,911	1,035	12,506	2,510
Gain on sale of production facility				(11,148)
Losses (gains) on disposal of property, plant and equipment	108	340	220	567
Hurricane losses (recoveries), net		2,423	(1,892)	2,423
Net depreciation, amortization and losses (gains)	27,713	20,034	61,725	40,903
Operating income	101,491	87,679	379,286	327,775
Interest expense	(12,136)	(7,149)	(27,067)	(22,816)
Equity in earnings of JOAs and other joint ventures	10,096	20,706	49,456	56,430
Interest and dividend income	3,758	118	4,340	1,648
Other investment results, net of expenses				14,674
Miscellaneous, net	414	121	344	124
Income from continuing operations before income taxes and minority interests	103,623	101,475	406,359	377,835
Provision for income taxes	34,458	37,231	142,287	136,662
Income from continuing operations before minority interests	69,165	64,244	264,072	241,173
Minority interests	11,729	9,272	40,354	29,175
Income from continuing operations	57,436	54,972	223,718	211,998

Edgar Filing: SCRIPPS E W CO /DE - Form 10-Q/A

Income from discontinued operations, net of tax	24,720	622	26,038	539
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net income	\$ 82,156	\$ 55,594	\$ 249,756	\$ 212,537
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net income per basic share of common stock:				
Income from continuing operations	\$.35	\$.34	\$ 1.37	\$ 1.31
Income from discontinued operations	0.15	0.00	0.16	0.00
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net income per basic share of common stock	\$.50	\$.34	\$ 1.53	\$ 1.31
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net income per diluted share of common stock:				
Income from continuing operations	\$.35	\$.33	\$ 1.35	\$ 1.29
Income from discontinued operations	0.15	0.00	0.16	0.00
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net income per diluted share of common stock	\$.50	\$.34	\$ 1.51	\$ 1.29
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

See notes to consolidated financial statements.

Table of Contents**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

<i>(in thousands)</i>	Nine months ended September 30,	
	2005	2004
Cash Flows from Operating Activities:		
Income from continuing operations	\$ 223,718	\$ 211,998
Adjustments to reconcile income from continuing operations to net cash flows from operating activities:		
Depreciation and amortization	63,397	49,061
Gain on sale of production facility, net of deferred income tax		(7,773)
Investment gains, net of deferred income tax		(9,695)
Other effects of deferred income taxes	21,065	23,483
Tax benefits of stock compensation plans	9,390	10,758
Dividends received greater (less) than equity in earnings of JOAs and other joint ventures	10,282	5,539
Stock and deferred compensation plans	15,075	6,944
Minority interests in income of subsidiary companies	40,354	29,175
Affiliate fees billed greater than amounts recognized as revenue	15,261	17,259
Network launch incentive payments	(17,937)	(32,367)
Payments for programming less (greater) than program cost amortization	(28,696)	(16,111)
Prepaid and accrued pension expense	(30,804)	(21,500)
Other changes in certain working capital accounts, net	3,488	(12,077)
Miscellaneous, net	(6,866)	2,891
	317,727	257,585
Net cash provided by continuing operating activities	317,727	257,585
Net cash provided by discontinued operating activities	30,353	2,085
	348,080	259,670
Net operating activities	348,080	259,670
Cash Flows from Investing Activities:		
Purchase of subsidiary companies and long-term investments	(548,659)	(180,957)
Additions to property, plant and equipment	(42,293)	(56,604)
Decrease in short-term investments, net of effects of acquiring Shopzilla	19,887	
Sale of long-term investments	4,131	14,223
Proceeds from sale of production facility		3,000
Miscellaneous, net	260	367
	(566,674)	(219,971)
Net investing activities	(566,674)	(219,971)
Cash Flows from Financing Activities:		
Increase in long-term debt	325,896	
Payments on long-term debt	(78)	(16,871)
Dividends paid	(52,363)	(46,796)
Dividends paid to minority interests	(40,460)	(1,091)
Repurchase Class A Common shares	(26,790)	
Proceeds from employee stock options	28,017	25,726
Miscellaneous, net	(4,028)	(4,156)
	230,194	(43,188)
Net financing activities	230,194	(43,188)
Increase (decrease) in cash and cash equivalents	11,600	(3,489)

Edgar Filing: SCRIPPS E W CO /DE - Form 10-Q/A

Cash and cash equivalents:		
Beginning of year	12,279	18,227
	<u> </u>	<u> </u>
End of period	\$ 23,879	\$ 14,738
	<u> </u>	<u> </u>
Supplemental Cash Flow Disclosures:		
Interest paid, excluding amounts capitalized	\$ 25,967	\$ 23,011
Income taxes paid	107,093	120,091
Non-Cash Transactions:		
Assumption of Summit America note and preferred stock obligations		48,424
		<u> </u>

See notes to consolidated financial statements.

Table of Contents**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****AND SHAREHOLDERS EQUITY (UNAUDITED)**

<i>(in thousands, except share data)</i>	Common Stock	Additional Paid-in Capital	Stock Compensation	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders Equity	Comprehensive
							Income for the Three Months Ended September 30
As of December 31, 2003	\$ 1,619	\$ 277,569	\$ (4,894)	\$ 1,546,522	\$ 1,715	\$ 1,822,531	
Comprehensive income:							
Net income				212,537		212,537	\$ 55,594
Unrealized gains (losses), net of tax of (\$1,732) and (\$1,370)					(3,220)	(3,220)	(2,545)
Adjustment for losses (gains) in income, net of tax of (\$4,611) and (\$38)					(8,563)	(8,563)	(71)
Change in unrealized gains (losses)					(11,783)	(11,783)	(2,616)
Currency translation, net of tax of \$105 and \$211					(57)	(57)	285
Total				212,537	(11,840)	200,697	\$ 53,263
Dividends: declared and paid - \$.2875 per share				(46,796)		(46,796)	
Compensation plans, net: 1,231,718 shares issued; 70,414 shares repurchased	12	31,360	(2,241)			29,131	
Tax benefits of compensation plans		10,758				10,758	
As of September 30, 2004	\$ 1,631	\$ 319,687	\$ (7,135)	\$ 1,712,263	\$ (10,125)	\$ 2,016,321	
As of December 31, 2004	\$ 1,632	\$ 320,359	\$ (4,090)	\$ 1,787,221	\$ (9,001)	\$ 2,096,121	
Comprehensive income:							
Net income				249,756		249,756	\$ 82,156
Unrealized gains (losses), net of tax of \$1,340 and (\$1,014)					(2,594)	(2,594)	1,888
Adjustment for losses (gains) in income, net of tax of (\$480) and \$0					891	891	
Change in unrealized gains (losses)					(1,703)	(1,703)	1,888
Currency translation, net of tax of (\$199) and (\$374)					(57)	(57)	621
Total				249,756	(1,760)	247,996	\$ 84,665

Edgar Filing: SCRIPPS E W CO /DE - Form 10-Q/A

Dividends: declared and paid \$.32 per share				(52,363)		(52,363)
Repurchase 562,500 Class A Common shares	(6)	(1,322)		(26,574)		(27,902)
Compensation plans, net: 1,133,929 shares issued;						
63,464 shares repurchased; 2,500 shares forfeited	11	29,408	5,337			34,756
Tax benefits of compensation plans		9,390				9,390
As of September 30, 2005	\$ 1,637	\$ 357,835	\$ 1,247	\$ 1,958,040	\$ (10,761)	\$ 2,307,998

See notes to consolidated financial statements.

Table of Contents

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. The information disclosed in the notes to consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2004, has not changed materially. Financial information as of December 31, 2004, included in these financial statements has been derived from the audited consolidated financial statements included in that report. In management's opinion all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the interim periods have been made.

Results of operations are not necessarily indicative of the results that may be expected for future interim periods or for the full year.

Nature of Operations - We are a diverse media concern with interests in national television networks, newspaper publishing, broadcast television, television retailing, on-line comparison shopping, interactive media and licensing and syndication. All of our media businesses provide content and advertising services via the Internet. Our media businesses are organized into the following reportable business segments: Scripps Networks, Newspapers, Broadcast television, Shop At Home and Shopzilla.

Scripps Networks includes five national television networks: Home & Garden Television (HGTV), Food Network, DIY Network (DIY), Fine Living and Great American Country (GAC). Scripps Networks also includes our on-line channel HGTVPro.com, and our 12% interest in FOX Sports Net South, a regional television network. Our networks also operate internationally through licensing agreements and joint ventures with foreign entities. We own approximately 70% of Food Network and approximately 90% of Fine Living. Each of our networks is distributed by cable and satellite television systems. Scripps Networks earns revenue primarily from the sale of advertising time and from affiliate fees from cable and satellite television systems.

Our newspaper business segment includes daily and community newspapers in 18 markets in the U.S. Three of our newspapers are operated pursuant to the terms of joint operating agreements (See Note 7). Each of those newspapers maintains an independent editorial operation and receives a share of the operating profits of the combined newspaper operations. We solely manage and operate each of the other newspapers. Newspapers earn revenue primarily from the sale of advertising space to local and national advertisers and from the sale of newspapers to readers.

Broadcast television includes six ABC-affiliated stations, three NBC-affiliated stations and one independent. Each station is located in one of the 61 largest television markets in the U.S. Broadcast television stations earn revenue primarily from the sale of advertising time to local and national advertisers.

Shop At Home markets a range of consumer goods directly to television viewers and visitors to its Internet site. The Shop At Home business segment also includes ownership of five television stations that exclusively broadcast Shop At Home programming. Shop At Home reaches about 55 million full-time equivalent households and can be viewed in more than 152 television markets, including 95 of the largest 100 television markets in the U.S. Shop At Home programming is distributed under the terms of affiliation agreements with broadcast television stations and cable and satellite television systems. Substantially all of Shop At Home's revenues are earned from the sale of merchandise.

Edgar Filing: SCRIPPS E W CO /DE - Form 10-Q/A

On June 27, 2005, we completed the acquisition of Shopzilla. Shopzilla operates a product comparison shopping service that helps consumers find products offered for sale on the Web by online retailers. Shopzilla aggregates and organizes information on millions of products from thousands of retailers. Shopzilla also operates BizRate, a Web-based consumer feedback network which collects millions of consumer reviews of stores and products each year. Shopzilla earns revenue primarily from referral fees paid by participating online retailers.

Financial information for our business segments is presented in Note 17. Licensing and other media aggregates our operating segments that are too small to report separately, and primarily includes syndication and licensing of news features and comics.

Our operations are geographically dispersed and we have a diverse customer base. We believe bad debt losses resulting from default by a single customer, or defaults by customers in any depressed region or business sector, would not have a material effect on our financial position. Approximately 65% of our operating revenues are derived from advertising. Operating results can be affected by changes in the demand for advertising both nationally and in individual markets.

F-7

Table of Contents

The six largest cable television systems and the two largest satellite television systems provide service to more than 95% of homes receiving HGTV and Food Network. The loss of distribution by any of these cable and satellite television systems could adversely affect our business. While no assurance can be given regarding renewal of our distribution contracts, we have not lost carriage upon the expiration of our distribution contracts with any of these cable and satellite television systems.

While a variety of sources are available for most products that Shop At Home sells, two vendors in two different product categories supply us with merchandise that accounts for approximately 21% and 13% of total merchandise costs incurred in 2005. Our Shop At Home business could be adversely affected if these vendors ceased supplying merchandise.

One customer accounts for approximately 30% of Shopzilla's operating revenues for the year-to-date period of 2005. Our Shopzilla business could be adversely affected upon the loss of this customer.

Use of Estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires us to make a variety of decisions that affect the reported amounts and the related disclosures. Such decisions include the selection of accounting principles that reflect the economic substance of the underlying transactions and the assumptions on which to base accounting estimates. In reaching such decisions, we apply judgment based on our understanding and analysis of the relevant circumstances, including our historical experience, actuarial studies and other assumptions.

Our financial statements include estimates and assumptions used in accounting for our defined benefit pension plans; the recognition of certain revenues; product returns and rebates due to customers; the periods over which long-lived assets are depreciated or amortized; the fair value of securities that do not trade in a public market; income taxes payable; estimates for uncollectible accounts receivable; the fair value of our inventories and self-insured risks.

While we re-evaluate our estimates and assumptions on an ongoing basis, actual results could differ from those estimated at the time of preparation of the financial statements.

Revenue Recognition - Our primary sources of revenue are from:

The sale of advertising space, advertising time and internet advertising

The sale of merchandise to consumers.

The sale of newspapers to distributors and to individual subscribers.

Subscriber fees paid by cable and satellite televisions systems for our programming services (network affiliate fees)

Referral fees paid by participating on-line retailers

Royalties from licensing copyrighted characters

The revenue recognition policies for each source of revenue, except for referral fees, are described in our annual report on Form 10-K for the year ended December 31, 2004.

Referral fees. Referral fee revenues consist of fees earned when consumers using our Company Web sites are directed to participating online retailers. Referral fee revenues are recognized at the time the related transactions occur.

Marketing and Advertising Costs - Marketing and advertising costs include costs incurred to promote our businesses. Marketing and advertising costs also include fees paid to search-engines to attract traffic to our web sites. Advertising production costs are deferred and expensed the first time the advertisement is shown. Other marketing and advertising costs are expensed as incurred.

Newspaper Joint Operating Agreements (JOA) - We include our share of JOA earnings in Equity in earnings of JOAs and other joint ventures in our Consolidated Statements of Income. The related editorial costs and expenses are included in JOA editorial costs and expenses. Our residual interest in the net assets of the Denver and Albuquerque JOAs is classified as an investment in the Consolidated Balance Sheets. We do not have a residual interest in the net assets of our other JOA.

Table of Contents

Stock-Based Compensation - We have a stock-based compensation plan, which is described more fully in our Annual Report on Form 10-K for the year ended December 31, 2004. We measure compensation expense using the intrinsic-value based method of Accounting Principles Board Opinion 25 - Accounting for Stock Issued to Employees, and its related interpretations (collectively APB 25). Under that method, total compensation is determined on the measurement date as the difference between the fair value of the underlying shares and the price the employee will pay for those shares. The measurement date is the date upon which both the number of shares that will be issued and the price the employee will pay are known.

Options to purchase Class A Common shares (stock options) are granted under the plan with exercise prices not less than 100% of the fair market value on the date of the award. As a result, we do not recognize compensation expense in our financial statements for grants of stock options to employees or directors. However, if the terms of such options are subsequently modified, compensation expense is recognized for the difference between the fair value of the underlying stock at the time of modification and the option exercise price. The compensation expense is amortized over the remaining vesting period stated in the option agreement, or immediately if the options are fully vested.

Table of Contents

Performance awards represent the right to receive restricted shares if certain performance measures are met. Each award specifies a target number of shares to be issued and the specific performance criteria that must be met. The number of shares that an employee receives may be less or more than the target number of shares depending on the extent to which the specified performance measures are met or exceeded. The measurement date for performance awards does not occur until the number of shares that will be issued is known. Until that date, we estimate total compensation expense based upon the number of shares that we expect to be issued and the period end fair value of the underlying shares. Total compensation expense is recognized over the vesting period stated in the performance award.

Awards of Class A Common shares (restricted stock) and restricted stock units (RSU) generally require no payment by the employee. Restricted stock and RSUs generally vest over a one to three-year incentive period conditioned upon the individual s continued employment through that period. The fair value of restricted stock and RSUs at the measurement date is amortized to expense over the vesting period stated in the restricted stock and RSU agreements. Cliff vested awards are amortized on a straight-line basis over the vesting period and pro-rata vested awards are amortized as each vesting period expires. The vesting of certain awards may be accelerated if certain financial targets are met. If it is expected those targets will be met, the awards are amortized over the accelerated vesting period.

The fair value of options granted and assumptions used to determine the fair values were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
Weighted-average fair value of options granted	\$ 12.50	\$ 12.38	\$ 11.54	\$ 11.86
Assumptions used to determine fair value:				
Dividend yield	0.8%	0.8%	0.8%	0.8%
Expected volatility	22.24%	18.7%	22.24%	19.5%
Risk-free rate of return	3.81%	3.8%	3.81%	3.5%
Expected life of options	5.38 years	6.5 years	5.38 years	6.5 years

In 2005, we changed our method of estimating the fair value of options granted. In years prior to 2005, we estimated the fair value of our options granted using the Black-Scholes model. In 2005, we began estimating the value of these options using a lattice-based binomial model. The use of a lattice-based binomial model did not materially impact the fair value of options granted or the pro-forma expense reported for stock option grants.

Options granted prior to 2005 generally had a ten-year term. Options granted in 2005 generally have an eight-year term. The expected life assumption was adjusted to reflect the shorter terms of the options.

Table of Contents

The following table illustrates the effect on net income and earnings per share if we had applied the fair value recognition provisions of Financial Accounting Standard No. (FAS) 123 - Accounting for Stock-Based Compensation, as amended by FAS 148 - Accounting for Stock-Based Compensation - Transition and Disclosure, to all stock-based employee compensation for the periods covered in this report:

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
<i>(in thousands, except per share data)</i>				
Net income as reported	\$ 82,156	\$ 55,594	\$ 249,756	\$ 212,537
Add stock-based compensation included in reported income, net of related income tax effects	1,220	1,055	4,664	2,774
Deduct stock-based compensation determined under fair value based method, net of related income tax effects	(5,282)	(5,327)	(15,902)	(15,824)
Pro forma net income	\$ 78,094	\$ 51,322	\$ 238,518	\$ 199,487
Net income per share of common stock				
Basic earnings per share:				
As reported	\$ 0.50	\$ 0.34	\$ 1.53	\$ 1.31
Additional stock-based compensation, net of income tax effects	(0.02)	(0.03)	(0.07)	(0.08)
Pro forma basic earnings per share	\$ 0.48	\$ 0.32	\$ 1.46	\$ 1.23
Diluted earnings per share:				
As reported	\$ 0.50	\$ 0.34	\$ 1.51	\$ 1.29
Additional stock-based compensation, net of income tax effects	(0.02)	(0.03)	(0.07)	(0.08)
Pro forma diluted earnings per share	\$ 0.47	\$ 0.31	\$ 1.44	\$ 1.21

Net income per share amounts may not foot since each is calculated independently.

On April 14, 2004, shareholders approved amendments to the 1997 Long-Term Incentive Plan (the Plan) that, among other things: (a) extended the term of the Plan to June 1, 2014 and (b) modified provisions with respect to vesting and the term of outstanding stock options when employment is terminated due to death or disability. Under the prior Plan provisions, stock options held by an employee whose employment was terminated due to death or disability were immediately vested with the exception of stock options granted less than one year prior to the termination of employment. The employee forfeited any stock options granted less than one year prior to termination of employment due to death or disability. Vested stock options granted prior to 1999 were exercisable for the lesser of one year or the remaining terms of the stock options, while vested stock options granted after 1998 were exercisable for the remaining terms of the stock options. The amended and restated Plan provides that all stock options held by an employee will immediately vest upon termination of employment due to death or disability and those stock options will remain exercisable for the remaining terms of the options.

The terms of approximately 3.4 million stock options, representing substantially all outstanding stock options granted after 1994 but before 1999, and from April 15, 2003, through April 14, 2004, were modified by the Plan amendments with respect to termination of employment due to death or disability. Because we are unable to estimate which employees, if any, will benefit from these modifications, the intrinsic-value based method of APB 25 requires us to record compensation expense for any such options that are held by an employee at the time their

Edgar Filing: SCRIPPS E W CO /DE - Form 10-Q/A

employment is terminated due to death or disability. No compensation expense would be recognized if such stock options were exercised or forfeited prior to termination of employment due to death or disability.

Under the terms of the prior Plan, a change in control of The E.W. Scripps Company resulted in immediate vesting of all stock options held by employees, while a change in control of a subsidiary or division thereof (subsidiary) alone did not trigger vesting of stock options held by employees of that subsidiary. Vested stock options held by employees of a subsidiary whose employment was terminated due to a change in control of that subsidiary were exercisable for a period of 90 days. The amended and restated plan provides that all stock options held by an employee of a subsidiary will vest and remain exercisable for the remaining terms of the stock options upon termination of employment due to a change in control of that subsidiary.

F-11

Table of Contents

The Plan amendments with respect to termination of employment due to change in control modified the terms of approximately 4.6 million stock options held by employees of subsidiary companies. Approximately 1.4 million of those stock options were also modified by the plan amendments with respect to termination of employment due to death or disability. Because we are unable to estimate which employees may benefit from the Plan modifications, the intrinsic-value based method of APB 25 requires us to record compensation expense for any such stock options that are held by an employee of a subsidiary company at the time their employment is terminated due to a change in control of that subsidiary. No compensation expense would be recognized if such options were exercised or forfeited prior to termination of employment due to a change in control.

While we measure compensation expense in our financial statements using the intrinsic-value based method of APB 25, we must also report pro forma net income and earnings per share assuming we had used the fair-value based methods of FAS 123. Both the amount of compensation expense and the timing of recognition of compensation expense resulting from the Plan modifications is different if fair-value based methods are used instead of intrinsic-value based methods. Under the fair-value based method, Plan modifications are accounted for as the retirement of the outstanding stock options and the issuance of new stock options at the modification date. The fair value of the modified stock options exceeded the fair value of the stock options held as of the date of the modifications by approximately \$2.8 million. That compensation expense is recognized over the remaining vesting period of the stock options, or immediately for vested stock options. The pro forma effect of the stock option modifications is included in the preceding table.

Net Income Per Share - The following table presents information about basic and diluted weighted-average shares outstanding:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2005	2004	2005	2004
<i>(in thousands)</i>				
Basic weighted-average shares outstanding	163,506	162,519	163,258	162,154
Effect of dilutive securities:				
Unvested restricted stock held by employees	285	353	281	353
Stock options held by employees and directors	1,912	2,315	1,963	2,399
Diluted weighted-average shares outstanding	165,703	165,187	165,502	164,906

Reclassifications - For comparative purposes, certain prior year amounts have been reclassified to conform to current classifications.

2. ACCOUNTING CHANGES AND RECENTLY ISSUED ACCOUNTING STANDARDS

In December 2004, the Financial Accounting Standards Board (FASB) issued FAS 123 (revised 2004) - Share-Based Payments (FAS 123-R). FAS 123-R replaces FAS 123 - Accounting for Stock-Based Compensation, and supersedes APB 25 - Accounting for Stock Issued to Employees. As revised by the Securities and Exchange Commission, we will be required to adopt FAS 123-R beginning January 1, 2006. FAS 123-R requires all share-based awards to employees, and any subsequent modifications to those awards, to be recognized in the financial statements based on a fair-value-based method. The pro forma disclosures previously permitted under FAS 123 will no longer be an alternative to financial statement recognition.

Under FAS 123-R, we must determine the appropriate fair-value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at the date of adoption. Upon adoption, we expect to utilize the modified prospective transition method. Using this method, compensation expense for all unvested awards included in our pro forma disclosures will be recognized over the award's remaining vesting period beginning in the first quarter of 2006. Compensation expense recognized will be based upon the values assigned to grants and modifications of stock compensation used in the pro forma disclosures.

We are currently evaluating the requirements of this standard. Except for the effects of stock compensation grants to retiree-eligible employees disclosed below, we expect that the effect on net income and earnings per share in the periods following adoption will be consistent with amounts reported in our pro forma disclosures under FAS 123 (see Note 1). However, the actual effect on net income and earnings per share will vary depending on the terms and number of options ultimately granted.

Table of Contents

Upon the adoption of FAS 123-R, we will be required to record compensation expense over the period in which the employee becomes eligible to retire, if that period is shorter than the stated vesting period. If employees are eligible to retire at the date of grant, compensation expense will be recognized immediately. If these provisions had been applied in 2005, performance awards of \$3.4 million would have been expensed over the 2005 performance period rather than over the stated vesting period. In addition, approximately \$4.2 million of stock options would have been immediately expensed in our pro forma disclosures rather than over the stated vesting period.

In December 2004, the FASB issued FASB Staff Position No. FAS 109-1 (FSP 109-1) - Application of FASB Statement No. 109, Accounting for Income Taxes, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004 (AJCA). The AJCA introduces a special 9% tax deduction on qualified production activities. FSP 109-1 clarifies that this tax deduction should be accounted for as a special tax deduction in accordance with Statement 109. Pursuant to the AJCA, we will be eligible to claim the benefit beginning in 2005. Our income tax provision includes the effects of the estimated deduction we expect to take on our 2005 consolidated federal income tax return (See Note 6).

In March 2005, the FASB issued FASB Interpretation No. (Interpretation) 47 - Accounting for Conditional Asset Retirement Obligations an Interpretation of FASB Statement No. 143. Interpretation 47 clarifies the timing of liability recognition for legal obligations associated with the retirement of a tangible long-lived asset when the timing and/or method of settlement are conditional on a future event. This Interpretation will be effective for us no later than December 31, 2005. The application of this Interpretation is not expected to have a material effect on our consolidated financial statements.

In May 2005, the FASB issued FAS 154 - Accounting Changes and Error Corrections, which replaces Accounting Principles Opinion No. 20 - Accounting Changes and FAS 3 - Reporting Accounting Changes in Interim Financial Statements. FAS 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. The standard requires retrospective application to prior period financial statements for changes in accounting principles and the reporting of a correction of an error. FAS 154 also requires a change in accounting estimate that is effected by a change in accounting principle to be accounted for as a change in accounting estimate. FAS 154 will be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The application of this standard is not expected to have a material effect on our consolidated financial statements.

In June 2005, the Emerging Issues Task Force issued EITF No. 05-06 (EITF) - Determining the Amortization Period for Leasehold Improvements Purchased After Lease Inception or Acquired in a Business Combination. The EITF requires that leasehold improvements acquired in a business combination or purchased after the inception of a lease be amortized over the shorter of the useful life of the assets or a term that includes required lease periods and renewals deemed to be reasonably assured at the date of acquisition. The EITF became effective beginning July 1, 2005 and did not have a material effect on our consolidated financial statements.

3. ACQUISITIONS

2005 - In the third quarter of 2005, we acquired newspapers and other publications in areas contiguous to our existing newspaper markets. Total cash consideration paid for these transactions totaled \$8.1 million.

On June 27, 2005, we acquired 100% ownership of Shopzilla for approximately \$570 million in cash. Assets acquired in the transaction included approximately \$34.0 million of cash and \$12.3 million of short-term investments. The acquisition was financed using a combination of cash on hand and additional borrowings. The acquisition enabled us to capitalize on the rapid growth and rising profitability of specialized Internet search businesses and expand our electronic media platform.

2004 - On April 14, 2004, we acquired Summit America Television, Inc. (Summit America). Summit America owned a 30% minority interest in Shop At Home and owned and operated five Shop At Home-affiliated broadcast television stations.

Edgar Filing: SCRIPPS E W CO /DE - Form 10-Q/A

The acquisition provided us with complete ownership of Shop At Home and secured distribution of the network in Summit America's television markets.

We paid \$4.05 in cash per fully-diluted outstanding share of Summit America common stock, or approximately \$180 million, which we financed through cash and short-term investments on hand and additional borrowings on our existing credit facilities. We also assumed Summit America's obligations to us under the \$47.5 million secured loans and the \$3 million in redeemable preferred stock extended to Summit America as part of the 2002 acquisition of the controlling interest in Shop At Home.

F-13

Table of Contents

The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed in these acquisitions.

<i>(in thousands)</i>	Nine months ended September 30,	
	2005	2004
Short-term investments	\$ 12,279	
Other current assets	14,335	\$ 388
Property, plant and equipment	24,864	8,360
Indefinite-lived intangible assets		180,450
Amortizable intangible assets	141,760	1,320
Goodwill	417,381	56,191
Other assets	138	25
Net operating loss carryforwards	21,102	31,008
Total assets acquired	631,859	277,742
Current liabilities	(23,417)	(904)
Deferred income taxes	(63,718)	(48,152)
Obligations under notes receivable and redeemable preferred stock		(48,424)
Other long term obligations	(678)	
Total purchase price	\$ 544,046	\$ 180,262

The allocation of the purchase price to the assets and liabilities of the Shopzilla acquisition is based upon preliminary appraisals and estimates and is therefore subject to change.

The following table summarizes, on a pro forma basis, the estimated combined results of operations of Scripps and Shopzilla had the transaction taken place at the beginning of 2004. The pro forma information includes adjustments for interest expense that would have been incurred to finance the acquisition, additional depreciation and amortization of the assets acquired and excludes transaction related expenses incurred by Shopzilla in the 2005 periods. The unaudited pro forma financial information is not necessarily indicative of the results that actually would have occurred had the acquisition been completed at the beginning of the period. Pro forma results are not presented for the other acquisitions completed during 2005 and 2004, including GAC which was acquired in the fourth quarter of 2004, because the combined results of operations would not be significantly different from reported amounts.

<i>(in thousands, except per share data)</i>	Three months ended, September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
Operating revenues	\$ 594,702	\$ 515,708	\$ 1,862,475	\$ 1,603,087
Income from continuing operations	57,436	47,723	213,662	190,790
Income from continuing operations per share of common stock:				
Basic	\$.35	\$.29	\$ 1.31	\$ 1.18
Diluted	.35	.29	1.29	1.16

Table of Contents**4. DISCONTINUED OPERATIONS**

In the third quarter of 2005, we reached an agreement with Advance Publications, Inc., the publisher of the Birmingham News (News), to terminate the Birmingham joint operating agreement between the News and our Birmingham Post-Herald newspaper. During the quarter, we also ceased publication of our Birmingham Post-Herald newspaper and sold certain assets to the News. We received cash consideration of approximately \$40.8 million from these transactions. Third quarter net income was increased by \$24.2 million, \$.15 per share. In accordance with the provisions of FAS 144, Accounting for the Impairment or Disposal of Long-Lived Assets, the results of the Birmingham Post-Herald have been treated as a discontinued operation for all periods presented within our results of operations. Accordingly, the results of the newspaper have also been excluded from our Newspaper segment results for all periods presented.

Operating results for the Birmingham Post-Herald were as follows:

<i>(in thousands)</i>	Three months ended, September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
Operating revenues	\$ 9	\$ 4	\$ 27	\$ 12
Share of earnings of JOA, including termination fee	41,970	1,635	45,423	2,786
Income from discontinued operations, before tax	\$ 40,659	\$ 1,014	\$ 42,799	\$ 859
Income taxes	15,939	392	16,761	320
Income from discontinued operations	\$ 24,720	\$ 622	\$ 26,038	\$ 539

Table of Contents

5. INVESTMENT RESULTS AND OTHER ITEMS

2005 - The American Jobs Creation Act of 2004 (AJCA) provides a tax deduction for qualifying domestic production activities. During the third quarter, we completed an evaluation of our business qualifying production activities and increased our estimated tax deduction. Primarily due to this change in estimate, we reduced our expected annual effective income tax rate from 35.8% to 35.5%. This change in estimate reduced our third quarter 2005 tax provision and increased net income by \$2.3 million, \$.01 per share. Our estimated tax deduction for qualifying domestic production activities is subject to further adjustment for, among other things, the adoption of final regulations by the United States Department of the Treasury (Treasury). Proposed regulations were issued by the Treasury in October 2005.

In the third quarter of 2005, the management committee of the Denver News Agency (DNA) approved plans to consolidate DNA s newspaper production facilities. As a result, assets used in certain of the existing facilities will be retired earlier than previously estimated. The reduction in these assets estimated useful lives increased DNA s third quarter depreciation expense, resulting in a \$9.1 million decrease in our equity in earnings from JOAs. Third quarter net income was decreased by \$5.7 million, \$.03 per share. The increased depreciation is expected to decrease equity in earnings from JOAs by \$11.3 million in the fourth quarter of 2005 and approximately \$3 million in each remaining quarter until the second quarter of 2007.

Certain of our Florida operations sustained hurricane damages in 2004. In the second quarter of 2005, we reached agreement with insurance providers on our property damage and business interruption claims for our affected television stations. We also reached agreement with other responsible parties for certain property damage at our affected newspapers. These recoveries, which totaled \$2.2 million, were partially offset by additional estimated losses of \$0.3 million recorded in 2005. Year-to-date net income was increased by \$1.2 million, \$.01 per share. Our affected newspapers are currently in discussions with our insurance providers to assess the amount of the claim and the amount of covered losses. Insurance recoveries for these claims will not be recorded until settlement agreements are reached with the insurance providers.

2004 Third quarter and year to date operating results were affected by the impact of hurricanes at our Florida operations. Our Florida operations sustained wind and water damage and the hurricanes interrupted operations at our affected businesses and at certain of their customers, resulting in lost revenues. Estimated asset impairment losses and restoration costs recorded through September 30, 2004, totaled \$2.4 million, of which approximately \$1.1 million related to the newspaper segment and \$1.3 million related to the broadcast television segment. Net income was reduced by \$1.5 million, \$.01 per share.

Year-to-date operating results include an \$11.1 million pre-tax gain on the sale of our Cincinnati television station s production facility to the City of Cincinnati. The gain on sale had previously been deferred while the station continued to use the facility until construction of a new production facility was complete. Net income was increased by \$7.0 million, \$.04 per share.

Year-to-date other investment results represent realized gains from the sale of certain investments, including Digital Theater Systems. Net income was increased by \$9.5 million, \$.06 per share.

Table of Contents**6. INCOME TAXES**

We file a consolidated federal income tax return and separate state income tax returns for each subsidiary company. Included in our federal and state income tax returns is our proportionate share of the taxable income or loss of partnerships and incorporated limited liability companies that have elected to be treated as partnerships for tax purposes (pass-through entities). Our financial statements do not include any provision (benefit) for income taxes on the income (loss) of pass-through entities attributed to the non-controlling interests.

Food Network is operated under the terms of a general partnership agreement. Fine Living and Shop At Home are limited liability companies (LLC) and are treated as partnerships for tax purposes. As a result, federal and state income taxes for these pass-through entities accrue to the individual partners.

Consolidated income before income tax consisted of the following:

<i>(in thousands)</i>	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
Income allocated to Scripps	\$ 92,514	\$ 92,882	\$ 369,520	\$ 350,637
Income of pass-through entities allocated to non-controlling interests	11,109	8,593	36,839	27,198
Income from continuing operations before income taxes and minority interest	\$ 103,623	\$ 101,475	\$ 406,359	\$ 377,835

The income tax provision for interim periods is determined based upon the expected effective income tax rate for the full year and the tax rate applicable to certain discrete transactions in the interim period. To determine the annual effective income tax rate for the full year period we must estimate both the total income before income tax for the full year and the jurisdictions in which that income is subject to tax. The actual effective income tax rate for the full year may differ from these estimates if income before income tax is greater or less than what was estimated or if the allocation of income to jurisdictions in which it is taxed is different from the estimated allocations. We review and adjust our estimated effective income tax rate for the full year each quarter based upon our most recent estimates of income before income tax for the full year and the jurisdictions in which we expect that income will be taxed.

Table of Contents

Information regarding our expected effective income tax rate for the full year of 2005 and the actual effective income tax rate for the full year of 2004 is as follows:

	<u>2005</u>	<u>2004</u>
Statutory rate	35.0%	35.0%
Effect of:		
State and local income taxes, net of federal income tax benefit	3.7	3.4
Income of pass-through entities allocated to non-controlling interests	(3.1)	(2.6)
Miscellaneous	(0.1)	0.4
	<u> </u>	<u> </u>
Effective income tax rate	35.5%	36.2%
	<u> </u>	<u> </u>

The provision for income taxes consisted of the following:

<i>(in thousands)</i>	<u>Three months ended</u> <u>September 30,</u>		<u>Nine months ended</u> <u>September 30,</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current:				
Federal	\$ 7,958	\$ 2,513	\$ 91,952	\$ 72,794
Tax benefits from NOLs	(3,525)	(2,800)	(7,677)	(2,800)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Federal, net	4,433	(287)	84,275	69,994
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
State and local	7,502	6,752	27,914	21,735
Tax benefits from NOLs	(829)	(235)	(1,512)	(961)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
State and local, net	6,673	6,517	26,402	20,774
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Foreign	635	619	1,529	3,583
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	11,741	6,849	112,206	94,351
Tax benefits of compensation plans allocated to additional paid-in-capital	4,320	1,135	9,390	10,758
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total current income tax provision	16,061	7,984	121,596	105,109
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deferred:				
Federal	19,560	28,419	18,801	25,142
Other	225	(369)	1,229	173
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	19,785	28,050	20,030	25,315
Deferred tax allocated to other comprehensive income	(1,388)	1,197	661	6,238
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred income tax provision (benefit)	18,397	29,247	20,691	31,553
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Edgar Filing: SCRIPPS E W CO /DE - Form 10-Q/A

Provision for income taxes	\$ 34,458	\$ 37,231	\$ 142,287	\$ 136,662
----------------------------	-----------	-----------	------------	------------

F-18

Table of Contents

The approximate effects of the temporary differences giving rise to deferred income tax liabilities (assets) were as follows:

<i>(in thousands)</i>	As of		
	September 30, 2005	December 31, 2004	September 30, 2004
Temporary differences:			
Property, plant and equipment	\$ 63,748	\$ 59,574	\$ 45,894
Goodwill and other intangible assets	269,193	197,809	199,870
Network distribution incentives	5,680	5,773	5,702
Investments, primarily gains and losses not yet recognized for tax purposes	60,950	63,908	39,083
Accrued expenses not deductible until paid	(10,346)	(8,777)	(11,313)
Deferred compensation and retiree benefits not deductible until paid	(12,013)	(19,576)	(16,023)
Other temporary differences, net	(4,116)	(4,164)	(6,469)
Total temporary differences	373,096	294,547	256,744
Tax basis capital loss carryforwards	(13,038)	(9,286)	(9,548)
Federal net operating loss carryforwards	(39,532)	(28,278)	(27,503)
State net operating loss carryforwards	(19,893)	(17,229)	(14,790)
Valuation allowance for state deferred tax assets	9,226	7,411	5,101
Net deferred tax liability	\$ 309,859	\$ 247,165	\$ 210,004

Investment losses on our portfolio of investments in development-stage businesses were recognized for book purposes when it was determined the carrying values of the investment would not be recovered. For tax purposes such losses are generally recognized when the securities become worthless. Federal tax law provides that such losses may not be deducted from ordinary income, and that any losses in excess of capital gains can be carried forward for up to five years. At September 30, 2005, such tax-basis capital loss carryforwards totaled \$35.7 million. We expect to generate sufficient capital gains to fully utilize the capital loss carryforwards prior to the expiration of the carryforward periods between 2008 and 2010.

At the date of acquisition, Shopzilla had federal net operating loss carryforwards totaling \$54.1 million. These net operating loss carryforwards and the loss carryforwards obtained in the Summit America acquisition totaled \$113 million at September 30, 2005. The federal net operating loss carryforwards expire between 2018 and 2024. We expect to be able to fully utilize the carryforwards on our federal income tax returns.

At the date of acquisition Shopzilla had state tax loss carryforwards totaling \$37.8 million. Total state net operating loss carryforwards, including those acquired in the Summit America acquisition and of certain of our other subsidiary companies, were \$581 million at September 30, 2005. Our state tax loss carryforwards expire between 2005 and 2023. Because separate state income tax returns are filed, we are not able to use state tax losses of a subsidiary company to offset state taxable income of another subsidiary company.

Federal and state carryforwards are recognized as deferred tax assets, subject to valuation allowances. At each balance sheet date we estimate the amount of carryforwards that are not expected to be used prior to expiration of the carryforward period. The tax effect of the carryforwards that are not expected to be used prior to their expiration is included in the valuation allowance.

Table of Contents**7. JOINT OPERATING AGREEMENTS**

In the third quarter of 2005, we reached an agreement with Advance Publications, Inc. to terminate the Birmingham joint operating agreement (See Note 4).

Three of our newspapers are operated pursuant to the terms of joint operating agreements (JOAs). The Newspaper Preservation Act of 1970 provides a limited exemption from anti-trust laws, permitting competing newspapers in a market to combine their sales, production and business operations to reduce aggregate expenses and take advantage of economies of scale, thereby allowing the continuing operation of both newspapers in that market. Each newspaper maintains a separate and independent editorial operation.

The table below provides certain information about our JOAs.

<u>Newspaper</u>	<u>Publisher of Other Newspaper</u>	<u>Year JOA Entered Into</u>	<u>Year of JOA Expiration</u>
The Albuquerque Tribune	Journal Publishing Company	1933	2022
The Cincinnati Post	Gannett Newspapers	1977	2007
Denver Rocky Mountain News	MediaNews Group, Inc.	2001	2051

The JOAs generally provide for renewals unless an advance termination notice ranging from two to five years is given to either party. Gannett Newspapers has notified us of its intent to terminate the Cincinnati JOA upon its expiration in 2007.

The combined sales, production and business operations of the newspapers are either jointly managed or are solely managed by one of the newspapers. The sales, production and business operations of the Denver newspapers are operated by the Denver Newspaper Agency, a limited liability partnership (the Denver JOA). Each newspaper owns 50% of the Denver JOA and shares management of the combined newspaper operations. We have no management responsibilities for the combined operations of the other two JOAs.

The operating profits earned from the combined operations of the two newspapers are distributed to the partners in accordance with the terms of the joint operating agreement. We receive a 50% share of the Denver JOA profits and between 25% and 40% of the profits from the other two JOAs.

8. INVESTMENTS

Investments consisted of the following:

As of

Edgar Filing: SCRIPPS E W CO /DE - Form 10-Q/A

<i>(in thousands, except share data)</i>	September 30, 2005	December 31, 2004	September 30, 2004
Securities available for sale (at market value):			
Time Warner (2,017,000 common shares)	\$ 36,525	\$ 39,227	\$ 32,551
Other available-for-sale securities	4,540	4,673	4,848
Total available-for-sale securities	41,065	43,900	37,399
Denver JOA	152,714	164,996	172,168
FOX Sports Net South and other joint ventures	22,834	17,852	17,801
Other equity securities	5,710	7,282	8,939
Total investments	\$ 222,323	\$ 234,030	\$ 236,307
Unrealized gains (losses) on securities available for sale	\$ 9,716	\$ 12,171	\$ 5,623

Investments available for sale represent securities in publicly-traded companies. Investments available for sale are recorded at fair value. Fair value is based upon the closing price of the security on the reporting date. As of September 30, 2005, there were no significant unrealized losses on our available-for-sale securities.

Other equity securities include securities that do not trade in public markets, so they do not have readily determinable fair values. We estimate the fair values of the other securities approximate their carrying values at September 30, 2005. There can be no assurance we would realize the carrying values of these securities upon their sale.

Table of Contents**9. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consisted of the following:

<i>(in thousands)</i>	As of		
	September 30, 2005	December 31, 2004	September 30, 2004
Land and improvements	\$ 58,478	\$ 58,336	\$ 57,010
Buildings and improvements	266,576	262,201	265,382
Equipment	706,733	650,640	653,509
Total	1,031,787	971,177	975,901
Accumulated depreciation	516,455	474,983	479,728
Net property, plant and equipment	\$ 515,332	\$ 496,194	\$ 496,173

F-21

Table of Contents**10. GOODWILL AND OTHER INTANGIBLE ASSETS**

Goodwill and other intangible assets consisted of the following:

<i>(in thousands)</i>	As of		
	September 30, 2005	December 31, 2004	September 30, 2004
Goodwill	\$ 1,761,621	\$ 1,358,730	\$ 1,230,376
Other intangible assets:			
Amortizable intangible assets:			
Carrying amount:			
Acquired network distribution	47,554	32,914	5,887
Broadcast television network affiliation relationships	26,748	26,748	26,748
Customer lists	7,608	5,870	5,450
Shopzilla	140,000		
Other	12,450	12,365	7,575
Total carrying amount	234,360	77,897	45,660
Accumulated amortization:			
Acquired network distribution	(6,288)	(3,991)	(3,868)
Broadcast television network affiliation relationships	(1,101)	(277)	
Customer lists	(3,893)	(2,977)	(3,139)
Shopzilla	(7,329)		
Other	(7,180)	(6,242)	(5,217)
Total accumulated amortization	(25,791)	(13,487)	(12,224)
Net amortizable intangible assets	208,569	64,410	33,436
Other indefinite-lived intangible assets:			
FCC licenses	189,222	189,222	205,622
Other	2,287	2,087	3,587
Total other indefinite-lived intangible assets	191,509	191,309	209,209
Pension liability adjustments	140	140	169
Total other intangible assets	400,218	255,859	242,814
Total goodwill and other intangible assets	\$ 2,161,839	\$ 1,614,589	\$ 1,473,190

Table of Contents

Activity related to goodwill and other intangible assets by business segment was as follows:

<i>(in thousands)</i>	Scripps Networks	Newspapers	Broadcast Television	Shop At Home	Shopzilla	Licensing and Other	Total
Goodwill:							
Balance as of December 31, 2003	\$ 141,201	\$ 783,464	\$ 219,367	\$ 30,135		\$ 18	\$ 1,174,185
Summit America acquisition				56,191			56,191
Balance as of September 30, 2004	\$ 141,201	\$ 783,464	\$ 219,367	\$ 86,326		\$ 18	\$ 1,230,376
Balance as of December 31, 2004	\$ 254,689	\$ 783,464	\$ 219,367	\$ 101,192		\$ 18	\$ 1,358,730
Business acquisitions		5,537			\$ 411,844		417,381
Adjustment of purchase price allocations	(14,187)			(303)			(14,490)
Balance as of September 30, 2005	\$ 240,502	\$ 789,001	\$ 219,367	\$ 100,889	\$ 411,844	\$ 18	\$ 1,761,621
Amortizable intangible assets:							
Balance as of December 31, 2003	\$ 1,110	\$ 3,333	\$ 999	\$ 2,186			\$ 7,628
Summit America acquisition				1,320			1,320
Reclassification from indefinite-lived intangible assets			26,748				26,748
Other additions		200	50				250
Amortization	(445)	(519)	(58)	(1,488)			(2,510)
Balance as of September 30, 2004	\$ 665	\$ 3,014	\$ 27,739	\$ 2,018			\$ 33,436
Balance as of December 31, 2004	\$ 29,762	\$ 2,907	\$ 27,441	\$ 4,300			\$ 64,410
Business acquisitions		1,760			\$ 140,000		141,760
Adjustment of purchase price allocations	14,399			303			14,702
Other additions		200	2	1			203
Amortization	(2,482)	(498)	(880)	(1,317)	(7,329)		(12,506)
Balance as of September 30, 2005	\$ 41,679	\$ 4,369	\$ 26,563	\$ 3,287	\$ 132,671		\$ 208,569
Other indefinite-lived intangible assets:							
Balance as of December 31, 2003	\$ 919	\$ 1,153	\$ 52,370	\$ 1,050			\$ 55,492
Reclassification to amortizable intangible assets			(26,748)				(26,748)
Other additions		15					15
Summit America acquisition				180,450			180,450
Balance as of September 30, 2004	\$ 919	\$ 1,168	\$ 25,622	\$ 181,500			\$ 209,209
Balance as of December 31, 2004	\$ 919	\$ 1,168	\$ 25,622	\$ 163,600			\$ 191,309
Adjustment of purchase price allocations	200						200
Balance as of September 30, 2005	\$ 1,119	\$ 1,168	\$ 25,622	\$ 163,600			\$ 191,509

Edgar Filing: SCRIPPS E W CO /DE - Form 10-Q/A

The goodwill acquired in the GAC acquisition and \$27 million of the goodwill acquired in the Summit America acquisition is expected to be deductible for income tax purposes.

Amortizable intangible assets acquired in the Shopzilla acquisition include contractual relationships with customers and vendors and intellectual property. The acquired intangibles are estimated to have useful lives of three to five years. The allocation of the Shopzilla purchase price is based upon preliminary appraisals and estimates, and is therefore subject to change.

Intangible assets acquired in the Summit America acquisition primarily include customer lists, network distribution relationships and FCC licenses. Customer lists are amortized over three years and network distribution relationships are amortized over their

F-23

Table of Contents

contractual terms. FCC licenses are not amortized. Final appraisals were issued for the Summit America acquisition in the second quarter of 2005.

Intangible assets acquired in the GAC acquisition are primarily network distribution relationships, which are amortized over periods of up to 15 years. Final appraisals of the assets acquired and liabilities assumed were received in the fourth quarter of 2005.

Estimated amortization expense of intangible assets for each of the next five years is expected to be \$9.1 million for the remainder of 2005, \$34.5 million in 2006, \$34.5 million in 2007, \$34.3 million in 2008, \$33.6 million in 2009, \$16.1 million in 2010 and \$46.5 million in later years.

Table of Contents**11. PROGRAMS AND PROGRAM LICENSES**

Programs and program licenses consisted of the following:

<i>(in thousands)</i>	As of		
	September 30, 2005	December 31, 2004	September 30, 2004
Cost of programs available for broadcast	\$ 884,280	\$ 784,404	\$ 780,098
Accumulated amortization	628,606	525,257	534,936
Total	255,674	259,147	245,162
Progress payments on programs not yet available for broadcast	80,770	49,387	64,719
Total programs and program licenses	\$ 336,444	\$ 308,534	\$ 309,881

In addition to the programs owned or licensed by us included in the table above, we have commitments to license certain programming that is not yet available for broadcast, including first-run syndicated programming. Such program licenses are recorded as assets when the programming is delivered to us and is available for broadcast. First-run syndicated programming is generally produced and delivered at or near its broadcast date. Such contracts may require progress payments or deposits prior to the program becoming available for broadcast. Remaining obligations under contracts to purchase or license programs not yet available for broadcast totaled approximately \$301 million at September 30, 2005. If the programs are not produced, our obligations would generally expire without obligation.

Progress payments on programs not yet available for broadcast and the cost of programs and program licenses capitalized totaled \$59.0 million in the third quarter of 2005 and \$50.5 million in the third quarter of 2004. Year to date progress payments and capitalized programs totaled \$160 million in 2005 and \$153 million in 2004.

Estimated amortization of recorded program assets and program commitments for each of the next five years is as follows:

<i>(in thousands)</i>	Programs Available for Broadcast	Programs Not Yet Available for Broadcast	Total
Remainder of 2005	\$ 37,840	\$ 13,729	\$ 51,569
2006	108,661	86,148	194,809
2007	57,881	85,267	143,148
2008	35,225	69,015	104,240
2009	14,474	61,605	76,079
2010	1,585	53,159	54,744
Later years	8	13,018	13,026

Edgar Filing: SCRIPPS E W CO /DE - Form 10-Q/A

Total	\$ 255,674	\$ 381,941	\$ 637,615
-------	------------	------------	------------

Actual amortization in each of the next five years will exceed the amounts presented above as our broadcast television stations and our national television networks will continue to produce and license additional programs.

F-25

Table of Contents**12. UNAMORTIZED NETWORK DISTRIBUTION INCENTIVES**

Unamortized network distribution incentives consisted of the following:

<i>(in thousands)</i>	As of		
	September 30,	December 31,	September 30,
	2005	2004	2004
Network launch incentives	\$ 316,721	\$ 317,816	\$ 322,114
Accumulated amortization	170,983	151,070	148,783
Net book value	145,738	166,746	173,331
Unbilled affiliate fees	31,736	27,084	26,422
Total unamortized network distribution incentives	\$ 177,474	\$ 193,830	\$ 199,753

We capitalized network launch incentives totaling \$1.2 million year-to-date in 2005 and \$2.4 million year-to-date in 2004.

Amortization recorded as a reduction to affiliate fee revenue in the consolidated financial statements, and estimated amortization of recorded network launch incentives for each of the next five years, is presented below.

<i>(in thousands)</i>	Three months ended		Nine months ended	
	September 30,		September 30,	
	2005	2004	2005	2004
Amortization of network launch incentives	\$ 7,194	\$ 6,505	\$ 19,913	\$ 19,387

Estimated amortization for the next five years is as follows:

Remainder of 2005	\$ 7,223
2006	28,317
2007	21,071
2008	23,411
2009	25,426
2010	16,832
Later years	23,458
Total	\$ 145,738

Actual amortization will be greater than the above amounts as additional incentive payments will be capitalized as we expand distribution of Scripps Networks.

F-26

Table of Contents**13. LONG-TERM DEBT**

Long-term debt consisted of the following:

<i>(in thousands)</i>	As of		
	September 30, 2005	December 31, 2004	September 30, 2004
Variable-rate credit facilities, including commercial paper	\$ 258,899	\$ 82,766	\$ 40,434
\$100 million, 6.625% notes, due in 2007	99,971	99,960	99,957
\$50 million, 3.75% notes, due in 2008	50,000	50,000	50,000
\$100 million, 4.25% notes, due in 2009	99,599	99,527	99,503
\$150 million, 4.30% notes, due in 2010	149,772		
\$200 million, 5.75% notes, due in 2012	199,154	199,060	199,028
Other notes	1,563	1,638	3,198
Total face value of long-term debt less discounts	858,958	532,951	492,120
Fair market value of interest rate swap	(1,065)	(265)	15
Total long-term debt	\$ 857,893	\$ 532,686	\$ 492,135

We have Competitive Advance and Revolving Credit Facilities expiring in July 2009 (the Revolver) and a commercial paper program that collectively permit aggregate borrowings up to \$450 million (the Variable-Rate Credit Facilities). Borrowings under the Revolver are available on a committed revolving credit basis at our choice of three short-term rates or through an auction procedure at the time of each borrowing. The Revolver is primarily used as credit support for our commercial paper program in lieu of direct borrowings under the Revolver. The weighted-average interest rate on borrowings under the Variable-Rate Credit Facilities was 3.7% at September 30, 2005, 2.3% at December 31, 2004, and 1.9% at September 30, 2004.

We have a U.S. shelf registration statement which allows us to borrow up to an additional \$300 million as of September 30, 2005.

We entered into a receive-fixed, pay-floating interest rate swap to achieve a desired proportion of fixed-rate versus variable-rate debt. The interest rate swap expires upon the maturity of the \$50 million, 3.75% notes in 2008, and effectively converts those fixed-rate notes into variable-rate borrowings. The variable interest rate was 4.2% at September 30, 2005, which was based on six-month LIBOR minus a rate spread. The swap agreement was designated as a fair-value hedge of the underlying fixed-rate notes. Accordingly, changes in the fair value of the interest rate swap agreement (due to movements in the benchmark interest rate) are recorded as adjustments to the carrying value of long-term debt with an offsetting adjustment to either other assets or other liabilities. The changes in the fair value of the interest rate swap agreements and the underlying fixed-rate obligation are recorded as equal and offsetting unrealized gains and losses in the Consolidated Statements of Income. We have structured the interest rate swap to be 100% effective. As a result, there is no current impact to earnings resulting from hedge ineffectiveness.

Certain long-term debt agreements contain maintenance requirements for net worth and coverage of interest expense and restrictions on incurrence of additional indebtedness. We were in compliance with all debt covenants.

Current maturities of long-term debt are classified as long-term to the extent they can be refinanced under existing long-term credit commitments.

F-27

Table of Contents**14. OTHER LIABILITIES AND MINORITY INTERESTS**

Other liabilities and minority interests consisted of the following:

<i>(in thousands)</i>	As of		
	September 30, 2005	December 31, 2004	September 30, 2004
Program rights payable	\$ 30,025	\$ 30,835	\$ 37,955
Employee compensation and benefits	78,432	70,532	76,544
Network distribution incentives	24,354	44,309	47,227
Minority interests	73,523	73,629	60,539
Other	25,722	21,475	13,349
Total other liabilities and minority interests	232,056	240,780	235,614
Current portion of other liabilities	49,026	84,503	90,393
Other liabilities and minority interests (less current portion)	\$ 183,030	\$ 156,277	\$ 145,221

Non-controlling interests hold an approximate 10% residual interest in Fine Living. The minority owners of Fine Living have the right to require us to repurchase their interests. We have an option to acquire their interests. The minority owners will receive the fair market value for their interests at the time their option is exercised. The put and call options become exercisable at various dates through 2016. Put options on an approximate 6% non-controlling interest in Fine Living are currently exercisable. The remaining put options become exercisable in 2006.

Non-controlling interests hold an approximate 30% residual interest in Food Network. The Food Network general partnership agreement terminates on December 31, 2012, unless amended or extended prior to that date. Upon termination, the assets of the partnership are to be liquidated and distributed to the partners in proportion to their partnership interests.

Minority interests include non-controlling interests of approximately 8% in the capital stock of the subsidiary companies that publish our Memphis and Evansville newspapers. The capital stock of these companies does not provide for or require the redemption of the non-controlling interests by us.

Table of Contents**15. SUPPLEMENTAL CASH FLOW INFORMATION**

The following table presents additional information about the change in certain working capital accounts:

<i>(in thousands)</i>	Nine months ended September 30,	
	2005	2004
Other changes in certain working capital accounts, net:		
Accounts receivable	\$ 8,243	\$ 3,007
Inventories	(5,050)	(2,247)
Accounts payable	(13,533)	5,657
Accrued income taxes	4,613	(24,903)
Accrued employee compensation and benefits	(432)	(28)
Accrued interest	1,208	(277)
Other accrued liabilities	6,195	10,851
Other, net	2,244	(4,137)
Total	\$ 3,488	\$ (12,077)

16. EMPLOYEE BENEFIT PLANS

We sponsor defined benefit pension plans that cover substantially all non-union and certain union-represented employees. Benefits are generally based upon the employee's compensation and years of service.

We also have a non-qualified Supplemental Executive Retirement Plan (SERP). The SERP, which is unfunded, provides defined pension benefits in addition to the defined benefit pension plan to eligible executives based on average earnings, years of service and age at retirement.

Substantially all non-union and certain union employees are also covered by a company sponsored defined contribution plan. We match a portion of employee's voluntary contributions to this plan.

Other union-represented employees are covered by defined benefit pension plans jointly sponsored by us and the union, or by union-sponsored multi-employer plans.

We use a December 31 measurement date for our retirement plans. Retirement plans expense is based on valuations performed by plan actuaries as of the beginning of each fiscal year. The components of the expense consisted of the following:

Edgar Filing: SCRIPPS E W CO /DE - Form 10-Q/A

<i>(in thousands)</i>	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
Service cost	\$ 4,666	\$ 4,999	\$ 13,829	\$ 14,253
Interest cost	5,849	5,666	17,199	16,570
Expected return on plan assets, net of expenses	(8,078)	(8,041)	(22,617)	(19,113)
Net amortization and deferral	888	(79)	2,441	2,701
Total for defined benefit plans	3,325	2,545	10,852	14,411
Multi-employer plans	132	174	304	413
SERP	1,001	1,017	3,017	2,929
Defined contribution plans	1,908	1,751	5,717	5,310
Total	\$ 6,366	\$ 5,487	\$ 19,890	\$ 23,063

For the year-to-date period of 2005, we made required contributions of \$0.6 million and voluntary contributions of \$42.0 million to our defined benefit plans. We anticipate contributing \$0.4 million to meet minimum funding requirements of our defined benefit plans during the remainder of fiscal 2005. During 2005, we have also contributed \$2.0 million to fund current benefit payments for our non-qualified SERP plan. We anticipate contributing an additional \$0.6 million to fund the SERP s benefit payments during the remainder of fiscal 2005.

Table of Contents

17. SEGMENT INFORMATION

We determine our business segments based upon our management and internal reporting structure. Our reportable segments are strategic businesses that offer different products and services (See Note 1).

The accounting policies of each of our business segments are those described in Note 1 in our Annual Report on Form 10-K for the year ended December 31, 2004.

Each of our segments may provide advertising, programming or other services to our other business segments. In addition, certain corporate costs and expenses, including information technology, pensions and other employee benefits, and other shared services, are allocated to our business segments. The allocations are generally amounts agreed upon by management, which may differ from amounts that would be incurred if such services were purchased separately by the business segment. Corporate assets are primarily cash, cash equivalent and other short-term investments, property and equipment primarily used for corporate purposes, and deferred income taxes.

Our chief operating decision maker (as defined by FAS 131 Segment Reporting) evaluates the operating performance of our business segments and makes decisions about the allocation of resources to our business segments using a measure we call segment profit. Segment profit excludes interest, income taxes, depreciation and amortization, divested operating units, restructuring activities, investment results and certain other items that are included in net income determined in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 1, we account for our share of the earnings of JOAs using the equity method of accounting. Our equity in earnings of JOAs is included in Equity in earnings of JOAs and other joint ventures in our Consolidated Statements of Income. Newspaper segment profits include equity in earnings of JOAs. Scripps Networks segment profits include equity in earnings of FOX Sports Net South and certain other joint ventures.

Table of Contents

Information regarding our business segments is as follows:

<i>(in thousands)</i>	Three months ended		Nine months ended	
	September 30,		September 30,	
	2005	2004	2005	2004
Segment operating revenues:				
Scripps Networks	\$ 209,062	\$ 167,546	\$ 655,915	\$ 519,135
Newspapers:				
Newspapers managed solely by us	173,857	165,744	536,725	518,940
Newspapers operated pursuant to JOAs	181	50	331	159
Total newspapers	174,038	165,794	537,056	519,099
Broadcast television	72,808	80,693	228,251	243,730
Shop At Home	79,370	63,439	268,382	203,725
Shopzilla	35,210		36,257	
Licensing and other media	24,214	22,316	81,227	75,063
Total operating revenues	\$ 594,702	\$ 499,788	\$ 1,807,088	\$ 1,560,752
Segment profit (loss):				
Scripps Networks	\$ 87,943	\$ 63,552	\$ 292,345	\$ 213,392
Newspapers:				
Newspapers managed solely by us	43,410	45,040	152,806	149,206
Newspapers operated pursuant to JOAs	(1,812)	9,163	14,465	22,792
Total newspapers	41,598	54,203	167,271	171,998
Broadcast television	14,714	23,040	58,067	68,482
Shop At Home	(7,534)	(7,576)	(17,912)	(13,937)
Shopzilla	7,309		7,667	
Licensing and other media	4,425	3,085	15,609	11,716
Corporate	(9,155)	(10,148)	(30,688)	(28,806)
Total segment profit	139,300	126,156	492,359	422,845
Depreciation and amortization of intangibles	(27,605)	(17,271)	(63,397)	(49,061)
Gain on sale of production facility				11,148
Gains (losses) on disposal of property, plant and equipment	(108)	(340)	(220)	(567)
Hurricane asset impairment losses		(160)		(160)
Interest expense	(12,136)	(7,149)	(27,067)	(22,816)
Interest and dividend income	3,758	118	4,340	1,648
Other investment results, net of expenses				14,674
Miscellaneous, net	414	121	344	124
Income from continuing operations before income taxes and minority interests	\$ 103,623	\$ 101,475	\$ 406,359	\$ 377,835
Depreciation:				
Scripps Networks	\$ 3,569	\$ 3,083	\$ 10,569	\$ 8,224

Edgar Filing: SCRIPPS E W CO /DE - Form 10-Q/A

Newspapers:				
Newspapers managed solely by us	5,355	5,317	15,899	15,603
Newspapers operated pursuant to JOAs	310	295	919	877
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total newspapers	5,665	5,612	16,818	16,480
Broadcast television	4,688	4,864	13,845	14,186
Shop At Home	1,998	1,959	5,298	5,537
Shopzilla	1,994		2,046	
Licensing and other media	221	175	664	495
Corporate	559	543	1,651	1,629
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total depreciation	\$ 18,694	\$ 16,236	\$ 50,891	\$ 46,551
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Amortization of intangibles:				
Scripps Networks	\$ 1,112	\$ 148	\$ 2,482	\$ 445
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Newspapers:				
Newspapers managed solely by us	97	107	298	319
Newspapers operated pursuant to JOAs	67	66	200	200
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total newspapers	164	173	498	519
Broadcast television	296	21	880	58
Shop At Home	300	693	1,317	1,488
Shopzilla	7,039		7,329	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total amortization of intangibles	\$ 8,911	\$ 1,035	\$ 12,506	\$ 2,510
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

F-31

Table of Contents

<i>(in thousands)</i>	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
Additions to property, plant and equipment:				
Scripps Networks	\$ 8,780	\$ 4,147	\$ 13,552	\$ 18,749
Newspapers:				
Newspapers managed solely by us	3,646	4,930	8,900	19,146
Newspapers operated pursuant to JOAs	415	194	1,053	532
Total newspapers	4,061	5,124	9,953	19,678
Broadcast television	3,495	2,647	6,803	11,967
Shop At Home	2,916	1,490	6,872	4,529
Shopzilla	3,226		3,226	
Licensing and other media	69	138	370	343
Corporate	871	770	2,477	1,338
Total additions to property, plant and equipment	\$ 23,418	\$ 14,316	\$ 43,253	\$ 56,604
Business acquisitions and other additions to long-lived assets:				
Scripps Networks	\$ 56,437	\$ 41,278	\$ 157,359	\$ 145,342
Newspapers	8,469		8,789	
Shop At Home				228,686
Shopzilla	189		535,984	
Investments	746	27	1,236	615
Total	\$ 65,841	\$ 41,305	\$ 703,368	\$ 374,643
Assets:				
Scripps Networks			\$ 1,106,562	\$ 911,851
Newspapers:				
Newspapers managed solely by us			1,097,641	1,088,259
Newspapers operated pursuant to JOAs			169,754	188,303
Total newspapers			1,267,395	1,276,562
Broadcast television			483,656	494,229
Shop At Home			361,172	352,072
Shopzilla			629,814	
Licensing and other media			35,254	23,550
Investments			46,702	46,336
Corporate			126,093	126,474
Total assets of continuing operations			4,056,648	3,231,074
Discontinued operations			316	2,159
Total assets			\$ 4,056,964	\$ 3,233,233

No single customer provides more than 10% of our revenue. International revenues are primarily derived from licensing comic characters and HGTV and Food Network programming in international markets. Licensing of comic characters in Japan provides approximately 50% of our international revenues, which are less than \$60 million annually.

Other additions to long-lived assets include investments, capitalized intangible assets and Scripps Networks capitalized programs and network launch incentives.

F-32

Table of Contents**18. STOCK COMPENSATION PLANS**

The following table presents information about stock options:

	Number of Shares	Weighted Average Exercise Price	Range of Exercise Prices
Options outstanding at December 31, 2003	10,347,790	\$ 30.99	\$9 - 47
Options granted during the period	2,121,700	49.31	49 - 54
Options exercised during the period	(1,061,308)	24.03	9 - 42
Options forfeited during the period	(137,980)	34.62	17 - 52
Options outstanding at September 30, 2004	11,270,202	\$ 35.05	\$9 - 54
Options outstanding at December 31, 2004	11,158,734	\$ 35.27	\$13 - 54
Options granted during the period	1,858,700	46.88	46 - 51
Options exercised during the period	(1,063,578)	37.46	17 - 51
Options forfeited during the period	(68,427)	37.82	24 - 49
Options outstanding at September 30, 2005	11,885,429	\$ 37.88	\$13 - 54

Substantially all options granted prior to 2003 are exercisable. Options generally become exercisable over a one-to-three-year period. Information about options outstanding and options exercisable by year of grant is as follows:

Year of Grant	Options Outstanding			Options Exercisable		
	Options on Shares Outstanding	Range of Exercise Prices	Weighted Average Exercise Price	Options on Shares Exercisable	Range of Exercise Prices	Weighted Average Exercise Price
1996 - expire in 2006	9,800	\$13	\$ 13.25	9,800	\$13	\$ 13.25
1997 - expire in 2007	239,100	17 - 21	17.58	239,100	17 - 21	17.58
1998 - expire in 2008	327,400	20 - 27	23.66	327,400	20 - 27	23.66
1999 - expire in 2009	767,800	21 - 25	23.55	767,800	21 - 25	23.55
2000 - expire in 2010	1,217,766	22 - 30	24.75	1,217,766	22 - 30	24.75
2001 - expire in 2011	1,437,198	29 - 35	32.13	1,437,198	29 - 35	32.13
2002 - expire in 2012	1,850,409	36 - 39	37.67	1,843,498	36 - 39	37.66
2003 - expire in 2013	2,061,559	40 - 46	40.10	1,395,882	40 - 46	40.07
2004 - expire in 2014	2,115,697	46 - 54	49.27	807,852	49 - 54	49.61
2005 - expire in 2013	1,858,700	46 - 51	46.88			
Total options on number of shares	11,885,429	\$13 - 54	\$ 37.88	8,046,296	\$13 - 54	\$ 33.79

Table of Contents

Information related to awards of Class A Common Shares is presented below:

	Number of Shares	Price at Award Dates	
		Weighted Average	Range of Prices
Unvested shares at December 31, 2003	605,936	\$ 35.04	\$22 - 47
Shares awarded during the period	133,580	48.72	47 - 53
Shares vested during the period	(225,190)	32.94	22 - 53
Shares forfeited during the period	(4)	26.04	26
Unvested shares at September 30, 2004	514,322	\$ 39.61	\$23 - 53
Unvested shares at December 31, 2004	453,954	\$ 39.58	\$23 - 53
Shares awarded during the period	8,750	49.23	48 - 50
Shares vested during the period	(197,156)	44.62	35 - 52
Shares forfeited during the period	(2,500)	47.28	47
Unvested shares at September 30, 2005	263,048	\$ 41.80	\$23 - 53

During 2004, 40,000 restricted stock awards were converted to RSUs. The RSUs vest in 2006.

Performance awards with a target of 147,764 Class A Common shares were issued in 2005. The number of shares ultimately awarded depends upon the extent to which specified performance measures are met. The shares earned vest between 2006 and 2008.

Table of Contents

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS**

This discussion and analysis of financial condition and results of operations is based upon the consolidated financial statements and the condensed notes to the consolidated financial statements. You should read this discussion in conjunction with those financial statements.

FORWARD-LOOKING STATEMENTS

This discussion and the information contained in the condensed notes to the consolidated financial statements contain certain forward-looking statements that are based on our current expectations. Forward-looking statements are subject to certain risks, trends and uncertainties that could cause actual results to differ materially from the expectations expressed in the forward-looking statements. Such risks, trends and uncertainties, which in most instances are beyond our control, include changes in advertising demand and other economic conditions; consumers' taste; newsprint prices; program costs; labor relations; technological developments; competitive pressures; interest rates; regulatory rulings; and reliance on third-party vendors for various products and services. The words believe, expect, anticipate, estimate, intend and similar expressions identify forward-looking statements. All forward-looking statements, which are as of the date of this filing, should be evaluated with the understanding of their inherent uncertainty. We undertake no obligation to publicly update any forward-looking statements to reflect events or circumstances after the date the statement is made.

EXECUTIVE OVERVIEW

We are a diverse media concern with interests in national television networks (Scripps Networks), newspaper publishing, broadcast television, television retailing (Shop At Home), on-line comparison shopping (Shopzilla), interactive media and licensing and syndication. Scripps Networks includes five cable and satellite television programming services, Home & Garden Television (HGTV), Food Network, DIY Network (DIY), Fine Living and Great American Country (GAC). Our media businesses provide high quality news, information and entertainment content to readers and viewers. We have undergone a strategic transformation during the past 10 years, evolving from our historical role as a pioneer newspaper publisher and television broadcaster to one of the country's leading providers of content for a growing range of print, video and electronic media platforms. Scripps Networks revenue and segment profits surpassed our newspaper segment results in 2004.

To create new businesses or acquire businesses that are expected to significantly increase shareholder value, we operate our core media businesses to maximize sustainable cash flow and place a high priority on allocating capital to businesses that will produce the best returns for our shareholders. We have used a portion of the cash produced by our newspapers and broadcast television stations to develop HGTV, DIY and Fine Living and to acquire Food Network, Shop At Home, GAC, and Shopzilla. The expansion of Scripps Networks, implementation of our commerce strategy at Shop At Home, and expanding our electronic media platform continue to be our company's top strategic priorities.

Scripps Networks has sustained a period of rapid growth, successfully monetizing viewership gains, especially at its two more established networks, HGTV and Food Network. Strong upfront advertising sales at HGTV and Food, combined with a healthy scatter advertising market, has resulted in a prolonged period of strong, double digit profit and revenue growth that the company projects will continue through 2005. We also have successfully extended Scripps Networks brands to the Internet. The number of unique visitors to Scripps Networks' Internet sites is up 45% year-over-year.

Edgar Filing: SCRIPPS E W CO /DE - Form 10-Q/A

At Shop At Home, we are investing capital to develop an innovative electronic commerce business. Our vision for Shop At Home is to provide a pure electronic commerce environment for products and services that, in part, parallel the consumer categories targeted by our national television networks. Shop At Home's revenue increases in 2005 reflect improvements we have made in both the quality and variety of products that we are offering to home shoppers. We are also continuing to build the business through the Internet. Traffic to the Shop At Home Internet site has nearly quadrupled from the same period last year.

During the second quarter of 2005, we completed the acquisition of Shopzilla. Shopzilla operates a product comparison shopping service that helps consumers find products offered for sale on the Web by online retailers. Shopzilla aggregates and organizes information on millions of products from thousands of retailers. Shopzilla also operates BizRate, a popular Web-based consumer feedback network which collects millions of consumer reviews of stores and products each year. The acquisition enables us to capitalize on the rapid growth and rising profitability of specialized Internet search businesses and expands our electronic media platform.

F-35

Table of Contents

At our newspapers, we are continuing efforts to strengthen the competitive position of our newspapers. In the third quarter, along with MediaNews Group, our joint operating partner in Denver, we decided to consolidate newspaper production operations from two plants into a single facility. The consolidation of facilities seeks to reduce costs and increase efficiencies for the production of both newspapers. In addition, we have introduced a number of new product initiatives. Examples include new zoned sections in Memphis and a popular Spanish-language publication in Ventura County. We are continuing to achieve significant increases in advertising revenues for these types of publications in hopes of offsetting some of the declines in traditional advertising revenue streams.

At our broadcast television stations, revenue and profits were expectedly lower due to the absence of political advertising.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires us to make a variety of decisions which affect reported amounts and related disclosures, including the selection of appropriate accounting principles and the assumptions on which to base accounting estimates. In reaching such decisions, we apply judgment based on our understanding and analysis of the relevant circumstances, including our historical experience, actuarial studies and other assumptions. We are committed to preparing financial statements incorporating accounting principles, assumptions and estimates that promote the representational faithfulness, verifiability, neutrality and transparency of the accounting information included in the financial statements.

Note 1 to the Consolidated Financial Statements included in our Annual Report on Form 10-K describes the significant accounting policies we have selected for use in the preparation of our financial statements and related disclosures. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used or changes in estimates that are likely to occur could materially change the financial statements. We believe the accounting for Network Affiliate Fees, Investments, Goodwill and Other Indefinite-Lived Intangible Assets, Income Taxes and Pension Plans to be our most critical accounting policies and estimates. A detailed description of these accounting policies is included in the Critical Accounting Policies Section of Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2004. There have been no significant changes in those accounting policies.

Table of Contents**RESULTS OF OPERATIONS**

The trends and underlying economic conditions affecting the operating performance and future prospects differ for each of our five business segments. Accordingly, we believe the discussion of our consolidated results of operations should be read in conjunction with the discussion of the operating performance of our business segments that follows on pages F-40 through F-52.

In the third quarter of 2005, we reached an agreement with Advance Publications, Inc., the publisher of the Birmingham News (News), to terminate the Birmingham joint operating agreement between the News and our Birmingham Post-Herald newspaper. During the quarter, we also ceased publication of our Birmingham Post-Herald newspaper and sold certain assets to the News. We received cash consideration of approximately \$40.8 million from these transactions. Third quarter net income was increased by \$24.2 million, \$.15 per share. In accordance with the provisions of Financial Accounting Standard (FAS) 144, Accounting for the Impairment or Disposal of Long-Lived Assets , the results of the Birmingham Post-Herald have been treated as a discontinued operation for all periods presented within our results of operations.

Consolidated Results of Continuing Operations - Consolidated results of continuing operations were as follows:

<i>(in thousands)</i>	Quarter Period			Year-to-Date		
	2005	Change	2004	2005	Change	2004
Operating revenues	\$ 594,702	19.0%	\$ 499,788	\$ 1,807,088	15.8%	\$ 1,560,752
Costs and expenses	(465,498)	(18.7)%	(392,075)	(1,366,077)	(14.6)%	(1,192,074)
Depreciation and amortization of intangibles	(27,605)	(59.8)%	(17,271)	(63,397)	(29.2)%	(49,061)
Gain on sale of production facility						11,148
Gains (losses) on disposal of property, plant and equipment	(108)	68.2%	(340)	(220)	61.2%	(567)
Hurricane recoveries (losses), net			(2,423)	1,892		(2,423)
Operating income	101,491	15.8%	87,679	379,286	15.7%	327,775
Interest expense	(12,136)	(69.8)%	(7,149)	(27,067)	(18.6)%	(22,816)
Equity in earnings of JOAs and other joint ventures	10,096	(51.2)%	20,706	49,456	(12.4)%	56,430
Interest and dividend income	3,758		118	4,340		1,648
Other investment results, net of expenses						14,674
Miscellaneous, net	414		121	344		124
Income from continuing operations before income taxes and minority interests	103,623	2.1%	101,475	406,359	7.5%	377,835
Provision for income taxes	34,458	7.4%	37,231	142,287	(4.1)%	136,662
Income from continuing operations before minority interests	69,165	7.7%	64,244	264,072	9.5%	241,173
Minority interests	11,729	(26.5)%	9,272	40,354	(38.3)%	29,175
Income from continuing operations	\$ 57,436	4.5%	\$ 54,972	\$ 223,718	5.5%	\$ 211,998
Income from continuing operations per basic diluted share of common stock	\$.35	6.1%	\$.33	\$ 1.35	4.7%	\$ 1.29

The increase in operating revenues was primarily due to the continued growth in advertising and network affiliate fee revenues at our national television networks and our June 2005 acquisition of Shopzilla. The growth in advertising revenues was primarily driven by increased demand for advertising time and higher advertising rates at our networks. The growth in affiliate fee revenues is attributed to scheduled rate increases, wider distribution of our networks, and the impact of reaching several renewal agreements with cable television operators during September of 2004. Increases in operating revenues were also attributed to increases in merchandise sales at Shop At Home and continued improvement in help wanted and real estate classified advertising at our newspapers. These increases in revenue were partially offset by declines in revenue at our broadcast television stations attributed to the absence of political advertising.

Costs and expenses were impacted by the expanded hours of original programming and costs to promote our national networks, increases in costs of merchandise sold at Shop At Home and increased personnel and infrastructure costs incurred to support the growth at Shop At Home, and the acquisition of Shopzilla. Employee benefit costs, particularly health care benefits, increased approximately \$3.4 million year-over-year in the year to date period.

Table of Contents

Depreciation and amortization increased primarily as a result of the acquisitions of Shopzilla, Summit America and Great American Country.

Operating results in 2004 include an \$11.1 million gain on the sale of our Cincinnati television station's production facility to the City of Cincinnati. Net income was increased by \$7.0 million, \$.04 per share.

During the third quarter of 2004, certain of our Florida operations were affected by the impact of hurricanes. Our Florida operations sustained wind and water damage and the hurricanes interrupted operations at our affected businesses and at certain of their customers, resulting in lost revenues. Third quarter and year-to-date operating results in 2004 included asset impairment charges and restoration costs totaling \$2.4 million related to these hurricanes. Net income was reduced by \$1.5 million, \$.01 per share.

During 2005, we reached agreement with insurance providers and other responsible third parties on certain of our property and business interruption claims resulting from hurricanes in 2004 and recorded insurance recoveries of \$2.2 million. These insurance recoveries were partially offset by additional estimated losses of \$0.3 million recorded in 2005. Year-to-date net income in 2005 was increased by \$1.2 million, \$.01 per share. Our affected newspapers have filed a claim with the insurance providers seeking recoveries of \$3.1 million for property and business interruption losses. We are currently in discussions with our insurance providers to negotiate the final settlement. Insurance recoveries for these claims will not be recorded until settlement agreements are reached with the insurance providers.

Certain of our Florida operations were also affected by the impact of hurricane Wilma. Operations at our affected businesses have been interrupted and damage has been incurred that may result in restoration costs and asset impairment losses being recorded in the fourth quarter of 2005.

Interest expense includes interest incurred on our outstanding borrowings and interest incurred on deferred compensation and other employment agreements. Interest incurred on our outstanding borrowings increased during the quarter and year-to-date periods due to higher average debt levels attributed to the Shopzilla acquisition. The average balance of outstanding borrowings was \$616 million in the year-to-date period of 2005 compared with \$513 million in the year-to-date period of 2004 and \$875 million in the third quarter of 2005 compared with \$516 million in the third quarter of 2004.

In the third quarter of 2005, the management committee of the Denver News Agency (DNA) approved plans to consolidate DNA's newspaper production facilities. As a result, assets used in certain of the existing facilities will be retired earlier than previously estimated. The reduction in these assets' estimated useful lives increased DNA's third quarter depreciation expense, resulting in a \$9.1 million decrease in our equity in earnings from JOAs. Third quarter net income was decreased by \$5.7 million, \$.03 per share. The increased depreciation is expected to decrease equity in earnings from JOAs by \$11.3 million in the fourth quarter of 2005 and approximately \$3 million in each remaining quarter until the second quarter of 2007.

Interest and dividend income increased in the third quarter and year-to-date periods as a result of \$3.0 million of interest income due to us as a result of favorable court rulings with respect to certain disputes with the Internal Revenue Service.

Other investment results in 2004 represent realized gains from the sale of certain investments, including Digital Theater Systems. Net income was increased by \$9.5 million, \$.06 per share.

Table of Contents

Information regarding our effective tax rate is as follows:

<i>(in thousands)</i>	Quarter Period			Year-to-Date		
	2005	Change	2004	2005	Change	2004
Income from continuing operations before income taxes and minority interests as reported	\$ 103,623	2.1%	\$ 101,475	\$ 406,359	7.5%	\$ 377,835
Income allocated to non-controlling interests	11,109		8,593	36,839		27,198
Income allocated to Scripps	\$ 92,514		\$ 92,882	\$ 369,520		\$ 350,637
Provision for income taxes	\$ 34,458	7.4%	\$ 37,231	\$ 142,287	(4.1)%	\$ 136,662
Effective income tax rate as reported	33.3%		36.7%	35.0%		36.2%
Effective income tax rate on income allocated to Scripps	37.2%		40.1%	38.5%		39.0%

Our effective income tax rate is affected by the growing profitability of Food Network. Food Network is operated pursuant to the terms of a general partnership, in which we own an approximate 70% residual interest. Income taxes on partnership income accrue to the individual partners. While the income before income tax reported in our financial statements includes all of the income before tax of the partnership, our income tax provision does not include income taxes on the portion of Food Network income that is attributable to the non-controlling interest.

The income tax provision for interim periods is determined by applying the expected effective income tax rate for the full year to year-to-date income before income tax. Tax provisions are separately provided for certain discrete transactions in interim periods. To determine the annual effective income tax rate for the full year period we must estimate both the total income before income tax for the full year and the jurisdictions in which that income is subject to tax.

The American Jobs Creation Act of 2004 (AJCA) provides a tax deduction for qualifying domestic production activities. During the third quarter, we completed an evaluation of our business qualifying production activities and increased our estimated tax deduction. Primarily due to this change in estimate, we reduced our expected annual effective income tax rate from 35.8% to 35.5%. The effects of changes made to the estimated effective income tax rate for the full year during a quarter are reflected in the tax provision for that quarter. This change in estimate reduced our third quarter 2005 tax provision by \$2.3 million, \$.01 per share. Our estimated tax deduction for qualifying domestic production activities is subject to further adjustment for, among other things, the adoption of final regulations by the United States Department of the Treasury (Treasury). Proposed regulations were issued by the Treasury in October 2005.

Minority interest increased in the third quarter of 2005 primarily due to the increased profitability of the Food Network. Food Network's profits are allocated in proportion to each partner's residual interests in the partnership, of which we own approximately 70%. We expect minority interest will be between \$15 million and \$16 million in the fourth quarter of 2005.

Business Segment Results - As discussed in Note 17 to the Consolidated Financial Statements our chief operating decision maker (as defined by FAS 131 - Segment Reporting) evaluates the operating performance of our business segments using a performance measure we call segment profits. Segment profits excludes interest, income taxes, depreciation and amortization, divested operating units, restructuring activities,

Edgar Filing: SCRIPPS E W CO /DE - Form 10-Q/A

investment results and certain other items that are included in net income determined in accordance with accounting principles generally accepted in the United States of America.

Items excluded from segment profits generally result from decisions made in prior periods or from decisions made by corporate executives rather than the managers of the business segments. Depreciation and amortization charges are the result of decisions made in prior periods regarding the allocation of resources and are therefore excluded from the measure. Financing, tax structure and divestiture decisions are generally made by corporate executives. Excluding these items from our business segment performance measure enables us to evaluate business segment operating performance for the current period based upon current economic conditions and decisions made by the managers of those business segments in the current period.

F-39

Table of Contents

Information regarding the operating performance of our business segments determined in accordance with FAS 131 and a reconciliation of such information to the consolidated financial statements is as follows:

<i>(in thousands)</i>	Quarter Period			Year-to-Date		
	2005	Change	2004	2005	Change	2004
Segment operating revenues:						
Scripps Networks	\$ 209,062	24.8%	\$ 167,546	\$ 655,915	26.3%	\$ 519,135
Newspapers:						
Newspapers managed solely by us	173,857	4.9%	165,744	536,725	3.4%	518,940
Newspapers operated pursuant to JOAs	181		50	331		159
Total newspapers	174,038	5.0%	165,794	537,056	3.5%	519,099
Broadcast television	72,808	(9.8)%	80,693	228,251	(6.4)%	243,730
Shop At Home	79,370	25.1%	63,439	268,382	31.7%	203,725
Shopzilla	35,210			36,257		
Licensing and other media	24,214	8.5%	22,316	81,227	8.2%	75,063
Total operating revenues	\$ 594,702	19.0%	\$ 499,788	\$ 1,807,088	15.8%	\$ 1,560,752
Segment profit (loss):						
Scripps Networks	\$ 87,943	38.4%	\$ 63,552	\$ 292,345	37.0%	\$ 213,392
Newspapers:						
Newspapers managed solely by us	43,410	(3.6)%	45,040	152,806	2.4%	149,206
Newspapers operated pursuant to JOAs	(1,812)		9,163	14,465	(36.5)%	22,792
Total newspapers	41,598	(23.3)%	54,203	167,271	(2.7)%	171,998
Broadcast television	14,714	(36.1)%	23,040	58,067	(15.2)%	68,482
Shop At Home	(7,534)		(7,576)	(17,912)	(28.5)%	(13,937)
Shopzilla	7,309			7,667		
Licensing and other media	4,425	43.4%	3,085	15,609	33.2%	11,716
Corporate	(9,155)	9.8%	(10,148)	(30,688)	(6.5)%	(28,806)
Total segment profit	139,300	10.4%	126,156	492,359	16.4%	422,845
Depreciation and amortization of intangibles	(27,605)	(59.8)%	(17,271)	(63,397)	(29.2)%	(49,061)
Gain on sale of production facility						11,148
Gains (losses) on disposal of property, plant and equipment	(108)	68.2%	(340)	(220)	61.2%	(567)
Hurricane asset impairment losses			(160)			(160)
Interest expense	(12,136)	(69.8)%	(7,149)	(27,067)	(18.6)%	(22,816)
Interest and dividend income	3,758		118	4,340		1,648
Other investment results, net of expenses						14,674
Miscellaneous, net	414		121	344		124
Income from continuing operations before income taxes and minority interests	\$ 103,623	2.1%	\$ 101,475	\$ 406,359	7.5%	\$ 377,835

Edgar Filing: SCRIPPS E W CO /DE - Form 10-Q/A

The increase in Licensing and other media s revenues for the year-to-date period is primarily attributed to the renewals of multi-year license agreements with the ABC Television Network for certain of our Peanuts animated films.

Discussions of the operating performance of each of our reportable business segments begin on page F-42.

F-40

Table of Contents

Segment profits include our share of the earnings of JOAs and certain other investments included in our consolidated operating results using the equity method of accounting. Newspaper segment profits include equity in earnings of JOAs and other joint ventures. Scripps Networks segment profits include equity in earnings of FOX Sports Net South and other joint ventures.

A reconciliation of our equity in earnings of JOAs and other joint ventures included in segment profits to the amounts reported in our Consolidated Statements of Income is as follows:

<i>(in thousands)</i>	Quarter Period			Year-to-Date		
	2005	Change	2004	2005	Change	2004
Scripps Networks:						
Equity in earnings of joint ventures	\$ 2,845	(12.4)%	\$ 3,246	\$ 7,578	1.4%	\$ 7,474
Newspapers:						
Equity in earnings of JOAs	7,269	(58.4)%	17,473	41,669	(15.0)%	49,044
Equity in earnings (loss) of joint ventures	(18)		(13)	209		(88)
Total equity in earnings of JOAs and other joint ventures	\$ 10,096	(51.2)%	\$ 20,706	\$ 49,456	(12.4)%	\$ 56,430

Certain items required to reconcile segment profitability to consolidated results of operations determined in accordance with accounting principles generally accepted in the United States of America are attributed to particular business segments. Significant reconciling items attributable to each business segment are as follows:

<i>(in thousands)</i>	Quarter Period			Year-to-Date		
	2005	Change	2004	2005	Change	2004
Depreciation and amortization:						
Scripps Networks	\$ 4,681	(44.9)%	\$ 3,231	\$ 13,051	(50.5)%	\$ 8,669
Newspapers:						
Newspapers managed solely by us	5,452	(0.5)%	5,424	16,197	(1.7)%	15,922
Newspapers operated pursuant to JOAs	377	(4.4)%	361	1,119	(3.9)%	1,077
Total newspapers	5,829	(0.8)%	5,785	17,316	(1.9)%	16,999
Broadcast television	4,984	(2.0)%	4,885	14,725	(3.4)%	14,244
Shop At Home	2,298	13.3%	2,652	6,615	5.8%	7,025
Shopzilla	9,033			9,375		
Licensing and other media	221	(26.3)%	175	664	(34.1)%	495
Corporate	559	(2.9)%	543	1,651	(1.4)%	1,629
Total	\$ 27,605	(59.8)%	\$ 17,271	\$ 63,397	(29.2)%	\$ 49,061
Gains (losses) on disposal of PP&E:						
Scripps Networks			\$ 3	\$ (25)		

Edgar Filing: SCRIPPS E W CO /DE - Form 10-Q/A

Newspapers:						
Newspapers managed solely by us	\$ (84)		(226)	(222)		\$ (262)
Newspapers operated pursuant to JOAs						2
Total newspapers	(84)		(226)	(222)		(260)
Broadcast television	(23)		(117)	200		10,854
Shop At Home	(1)			(155)		(13)
Corporate				(18)		
Gains (losses) on disposal of PP&E	\$ (108)		\$ (340)	\$ (220)		\$ 10,581
Interest and dividend income:						
Newspapers managed solely by us	\$ 50	(20.6)%	\$ 63	\$ 194	2.1%	\$ 190
Newspapers operated pursuant to JOAs	5		5	13	(18.8)%	16
Total newspapers	55	(19.1)%	68	207	0.5%	206
Summit America note						1,306
Corporate	3,453		22	3,844		98
Other	250		28	289		38
Total interest and dividend income	\$ 3,758		\$ 118	\$ 4,340		\$ 1,648

F-41

Table of Contents

Scripps Networks - Scripps Networks includes our national lifestyle television networks: Home & Garden Television (HGTV), Food Network, DIY Network (DIY), Fine Living and Great American Country (GAC). Programming from our networks can be viewed on demand (VOD) on cable television systems in about 84 markets across the United States. Scripps Networks also includes our on-line channel, HGTVPro.com, and our 12% interest in FOX Sports Net South, a regional television network. Our networks also operate internationally through licensing agreements and joint ventures with foreign entities.

We launched HGTV in 1994. Food Network launched in 1993, and we acquired our controlling interest in 1997. We launched DIY in 1999 and Fine Living in the first quarter of 2002. We acquired GAC on November 17, 2004. We have used a similar strategy in developing each of our networks. Our initial focus is to gain distribution on cable and satellite television systems. We may offer incentives in the form of cash payments or an initial period in which payment of affiliate fees by the systems is waived in exchange for long-term distribution contracts. We create new and original programming and undertake promotion and marketing campaigns designed to increase viewer awareness. We expect to incur operating losses until network distribution and audience size are sufficient to attract national advertisers. As distribution of the network increases, we make additional investments in the quality and variety of programming and increase the number of hours of original programming offered on the network. Such investments are expected to result in increases in viewership, yielding higher advertising revenues.

While we have employed similar development strategies with each of our networks, there can be no assurance DIY, Fine Living and GAC will achieve operating performances similar to HGTV and Food Network. There has been considerable consolidation among cable and satellite television operators, with the eight largest providing services to approximately 95% of the homes that receive cable and satellite television programming. At the same time, there has been an expansion in the number of programming services seeking distribution on those systems, with the number of networks more than doubling since 1996.

Table of Contents

The networks utilize common facilities and certain sales, operational and support services are shared by the networks. Expenses directly attributable to the operations of a network are charged directly to that network. The costs of shared facilities and services are not allocated to individual networks.

Financial information for Scripps Networks is as follows:

<i>(in thousands)</i>	Quarter Period			Year-to-Date		
	2005	Change	2004	2005	Change	2004
Operating revenues:						
HGTV	\$ 106,201	19.7%	\$ 88,694	\$ 333,815	21.3%	\$ 275,182
Food Network	80,013	20.1%	66,614	254,559	22.3%	208,067
DIY	11,055	42.2%	7,775	33,067	45.4%	22,749
Fine Living	6,382	48.9%	4,286	19,479	52.0%	12,811
GAC	3,857			10,808		
Other	1,554		177	4,187		326
Total segment operating revenues	\$ 209,062	24.8%	\$ 167,546	\$ 655,915	26.3%	\$ 519,135
Contribution to segment profit (loss):						
HGTV	\$ 66,612	34.0%	\$ 49,725	\$ 216,831	32.4%	\$ 163,800
Food Network	44,953	23.3%	36,445	147,500	30.4%	113,109
DIY	1,977		928	5,561	52.2%	3,653
Fine Living	(343)	86.2%	(2,488)	(558)	91.9%	(6,849)
GAC	(128)			(943)		
Unallocated costs and other	(25,128)	(19.3)%	(21,058)	(76,046)	(26.1)%	(60,321)
Total segment profit	\$ 87,943	38.4%	\$ 63,552	\$ 292,345	37.0%	\$ 213,392
Homes reached in September (1):						
HGTV				89,200	2.3%	87,200
Food Network				88,100	3.0%	85,500
DIY				35,000	16.7%	30,000
Fine Living				29,000	20.8%	24,000
GAC				39,000	40.8%	27,700

- (1) Approximately 94 million homes in the United States receive cable or satellite television. Homes reached are according to the Nielsen Homevideo Index (Nielsen), with the exception of DIY and Fine Living which are not yet rated by Nielsen and represent comparable amounts calculated by us.

Advertising and network affiliate fees provide substantially all of each network's operating revenues and employee costs and programming costs are the primary expenses. The trends and underlying economic conditions affecting each of our networks are substantially the same as those affecting all of our networks, primarily the demand for national advertising.

Table of Contents

Operating results for Scripps Networks were as follows:

<i>(in thousands)</i>	Quarter Period			Year-to-Date		
	2005	Change	2004	2005	Change	2004
Segment operating revenues:						
Advertising	\$ 162,987	27.2%	\$ 128,156	\$ 524,558	28.6%	\$ 408,042
Network affiliate fees, net	43,634	17.7%	37,073	125,233	19.8%	104,504
Other	2,441	5.4%	2,317	6,124	(7.1)%	6,589
Total segment operating revenues	209,062	24.8%	167,546	655,915	26.3%	519,135
Segment costs and expenses:						
Employee compensation and benefits	28,439	(16.9)%	24,330	84,068	(19.6)%	70,305
Programs and program licenses	42,576	5.5%	45,031	128,390	(4.5)%	122,852
Other segment costs and expenses	52,949	(39.8)%	37,879	158,690	(32.2)%	120,060
Total segment costs and expenses	123,964	(15.6)%	107,240	371,148	(18.5)%	313,217
Segment profit before joint ventures	85,098	41.1%	60,306	284,767	38.3%	205,918
Equity in income of joint ventures	2,845	(12.4)%	3,246	7,578	1.4%	7,474
Segment profit	\$ 87,943	38.4%	\$ 63,552	\$ 292,345	37.0%	\$ 213,392
Supplemental Information:						
Billed network affiliate fees	\$ 48,074	11.9%	\$ 42,956	\$ 140,494	15.4%	\$ 121,763
Network launch incentive payments	8,667		2,973	17,937		32,367
Payments for programming less (greater) than program cost amortization	(12,571)		3,172	(28,210)		(15,383)
Depreciation and amortization	4,681		3,231	13,051		8,669
Capital expenditures	8,780		4,147	13,552		18,749
Business acquisitions and other additions to long-lived assets	56,437		41,278	157,359		145,342

Advertising revenues increased due primarily to an increased demand for advertising time and higher advertising rates at our networks. Advertising revenues are expected to increase approximately 25% year-over-year in the fourth quarter of 2005.

The increase in network affiliate fees reflects both scheduled rate increases and wider distribution of the networks. Affiliate fee revenue in 2005 was favorably affected by the completion of several renewal agreements with cable television operators that occurred during the third quarter of 2004. Network affiliate fees are expected to be about \$41 million in the fourth quarter of 2005.

Employee compensation and benefit expenses increased due to the hiring of additional employees to support the growth of Scripps Networks.

Edgar Filing: SCRIPPS E W CO /DE - Form 10-Q/A

Marketing efforts to promote our programming and to attract larger audiences led to the increase in other segment costs and expenses. Our continued investment in building viewership across all of our networks is expected to increase total segment expenses approximately 15% year-over-year in the fourth quarter of 2005.

F-44

Table of Contents

Newspapers - We operate daily and community newspapers in 18 markets in the U.S. Our newspapers earn revenue primarily from the sale of advertising space to local and national advertisers and from the sale of newspapers to readers. Three of our newspapers are operated pursuant to the terms of joint operating agreements. Each of those newspapers maintains an independent editorial operation and receives a share of the operating profits of the combined newspaper operations.

Newspapers managed solely by us: The newspapers managed solely by us operate in mid-size markets, focusing on news coverage within their local markets. Advertising and circulation revenues provide substantially all of each newspaper's operating revenues and employee and newsprint costs are the primary expenses at each newspaper. Declines in circulation of daily newspapers have resulted in a loss of advertising market share throughout the newspaper industry. Further declines in circulation in our newspaper markets could adversely affect our newspapers.

The trends and underlying economic conditions affecting the operating performance of any of our newspapers are substantially the same as those affecting all of our newspapers. Our newspaper operating performance is most affected by newsprint prices and economic conditions, particularly within the retail, labor, housing and auto markets. While an individual newspaper may perform better or worse than our newspaper group as a whole due to specific conditions at the newspaper or within its local economy, we do not expect such near-term variances to significantly affect the overall long-term operating performance of the newspaper segment.

Operating results for newspapers managed solely by us were as follows:

<i>(in thousands)</i>	Quarter Period			Year-to-Date		
	2005	Change	2004	2005	Change	2004
Segment operating revenues:						
Local	\$ 37,212	(0.5)%	\$ 37,416	\$ 121,345	1.2%	\$ 119,952
Classified	56,964	8.2%	52,629	172,791	5.6%	163,569
National	10,640	5.2%	10,115	31,417	4.4%	30,107
Preprint and other	34,780	11.5%	31,179	103,050	8.1%	95,370
Newspaper advertising	139,596	6.3%	131,339	428,603	4.8%	408,998
Circulation	30,650	(0.4)%	30,783	96,223	(1.9)%	98,135
Other	3,611	(0.3)%	3,622	11,899	0.8%	11,807
Total operating revenues	173,857	4.9%	165,744	536,725	3.4%	518,940
Segment costs and expenses:						
Employee compensation and benefits	69,106	(8.0)%	63,972	201,613	(2.7)%	196,349
Newsprint and ink	20,304	(9.2)%	18,591	61,458	(5.1)%	58,452
Other segment costs and expenses	41,019	(10.4)%	37,139	121,187	(6.4)%	113,856
Total costs and expenses	130,429	(9.0)%	119,702	384,258	(4.2)%	368,657
Hurricane recoveries (losses), net			(989)	130		(989)
Contribution to segment profit before joint ventures	43,428	(3.6)%	45,053	152,597	2.2%	149,294
Equity in earnings (loss) of joint ventures	(18)		(13)	209		(88)

Edgar Filing: SCRIPPS E W CO /DE - Form 10-Q/A

Contribution to segment profit	\$ 43,410	(3.6)%	\$ 45,040	\$ 152,806	2.4%	\$ 149,206
<i>Supplemental Information:</i>						
Depreciation and amortization	\$ 5,452		\$ 5,424	\$ 16,197		\$ 15,922
Hurricane asset impairments			160			160
Capital expenditures	3,646		4,930	8,900		19,146
Business acquisitions and other additions to long-lived assets	8,469			8,789		

F-45

Table of Contents

Third quarter and year-to-date operating results in 2004 were affected by the impact of hurricanes at our Florida operations. Our Florida operations sustained wind and water damage and the hurricanes interrupted operations at our affected businesses and at certain of their customers, resulting in lost revenues. Advertising revenues at our other newspapers increased 2.0% year-over-year in the third quarter. The increase in advertising revenues was primarily due to increases in classified advertising and preprint and other advertising. The increase in classified advertising was primarily attributed to continued improvement in help wanted and real estate advertising. Excluding any impacts hurricane Wilma may have on our operations, we expect newspaper advertising revenue to increase between 4% and 6% year-over-year in the fourth quarter of 2005.

Increases in preprint and other advertising reflect the continued development of new print and electronic products and services. These products include niche publications such as community newspapers, lifestyle magazines, publications focused upon the classified advertising categories of real estate, employment and auto, and other publications aimed at younger readers. Additionally, our Internet sites had advertising revenues of \$6.5 million in the third quarter of 2005 compared with \$3.8 million in the third quarter of 2004. Year-to-date Internet advertising revenues were \$16.3 million in 2005 compared with \$11.3 million in 2004. We expect continued growth in advertising on our Internet sites as we continue to leverage our local franchises in help wanted, automotive and real estate advertising.

Employee compensation and benefit expenses increased due primarily to higher employee benefit costs.

Increases in newsprint and ink costs reflect an increase in newsprint prices of approximately 10% that was partially offset by a 4% decrease in newsprint consumption.

The increases in other segment costs and expenses reflect costs associated with the development of new ancillary products and services.

Table of Contents

Newspapers operated under Joint Operating Agreements (JOAs): In the third quarter of 2005, we reached an agreement with Advance Publications, Inc. to terminate the Birmingham joint operating agreement.

Three of our newspapers are operated pursuant to the terms of joint operating agreements (JOAs). The table below provides certain information about our JOAs.

<u>Newspaper</u>	<u>Publisher of Other Newspaper</u>	<u>Year JOA Entered Into</u>	<u>Year of JOA Expiration</u>
The Albuquerque Tribune	Journal Publishing Company	1933	2022
The Cincinnati Post	Gannett Newspapers	1977	2007
Denver Rocky Mountain News	MediaNews Group, Inc.	2001	2051

The operating profits earned from the combined operations of the two newspapers are distributed to the partners in accordance with the terms of the joint operating agreement. We receive a 50% share of the Denver JOA profits and between 25% and 40% of the profits from the other two JOAs.

Operating results for our newspapers operated under JOAs were as follows:

<u>(in thousands)</u>	<u>Quarter Period</u>			<u>Year-to-Date</u>		
	<u>2005</u>	<u>Change</u>	<u>2004</u>	<u>2005</u>	<u>Change</u>	<u>2004</u>
Equity in earnings of JOAs included in segment profit:						
Denver	\$ (1,614)		\$ 8,706	\$ 16,055	(32.8)%	\$ 23,901
Cincinnati	6,100	1.5%	6,011	17,138	3.6%	16,540
Albuquerque	2,783	1.0%	2,756	8,476	(1.5)%	8,603
Total equity in earnings of JOAs included in segment profit	7,269	(58.4)%	17,473	41,669	(15.0)%	49,044
Operating revenues	181		50	331		159
Total	7,450	(57.5)%	17,523	42,000	(14.6)%	49,203
JOA editorial costs and expenses:						
Denver	6,004	(9.3)%	5,495	18,198	(5.1)%	17,310
Cincinnati	2,178	(16.0)%	1,878	6,164	(4.0)%	5,929
Albuquerque	1,080	(9.4)%	987	3,173	(0.0)%	3,172
Total JOA editorial costs and expenses	9,262	(10.8)%	8,360	27,535	(4.3)%	26,411
JOAs contribution to segment profit:						
Denver	(7,454)		3,242	(1,857)		6,698
Cincinnati	3,922	(5.1)%	4,132	10,974	3.4%	10,611
Albuquerque	1,720	(3.9)%	1,789	5,348	(2.5)%	5,483

Edgar Filing: SCRIPPS E W CO /DE - Form 10-Q/A

Total JOA contribution to segment profit	\$ (1,812)	\$ 9,163	\$ 14,465	(36.5)%	\$ 22,792
--	------------	----------	-----------	---------	-----------

Supplemental Information:

Depreciation and amortization	\$ 377	\$ 361	\$ 1,119		\$ 1,077
Capital expenditures	415	194	1,053		532

Additional depreciation incurred by the Denver News Agency in the third quarter of 2005 reduced equity in earnings of JOAs by \$9.1 million (See Note 5 to the Consolidated Financial Statements). The increased depreciation is expected to decrease equity in earnings from JOAs by \$11.3 million in the fourth quarter of 2005 and approximately \$3 million in each remaining quarter until the second quarter of 2007.

Gannett Newspapers has notified us of its intent to terminate the Cincinnati JOA upon its expiration in 2007.

Table of Contents

Broadcast Television Broadcast television includes six ABC-affiliated stations, three NBC-affiliated stations and one independent. Each station is located in one of the 61 largest television markets in the U.S. Our broadcast television stations earn revenue primarily from the sale of advertising time to local and national advertisers.

National broadcast television networks offer affiliates a variety of programs and sell the majority of advertising within those programs. We may receive compensation from the network for carrying its programming. In addition to network programs, we broadcast locally produced programs, syndicated programs, sporting events, and other programs of interest in each station's market. News is the primary focus of our locally-produced programming.

Advertising provides substantially all of each station's operating revenues. Employee and programming costs are the primary expenses. Increased viewing choices on cable and satellite television systems and the growth of alternative electronic entertainment devices has resulted in fragmentation of the viewing audience. Further audience fragmentation could adversely affect our broadcast television stations.

The trends and underlying economic conditions affecting the operating performance of any of our broadcast television stations are substantially the same as those affecting all of our stations. The operating performance of our broadcast television group is most affected by the health of the economy, particularly conditions within the retail and auto markets, and by the volume of advertising time purchased by campaigns for elective office and for political issues. The demand for political advertising is significantly higher in even-numbered years, when congressional and presidential elections occur, than in odd-numbered years. From time-to-time, individual television stations may perform better or worse than our television station group as a whole due to specific conditions at that station or within its local economy. We do not expect such near-term variances to significantly affect the overall long-term operating performance of the broadcast television segment.

Operating results for broadcast television were as follows:

<i>(in thousands)</i>	Quarter Period			Year-to-Date		
	2005	Change	2004	2005	Change	2004
Segment operating revenues:						
Local	\$ 45,048	6.1%	\$ 42,440	\$ 142,665	4.2%	\$ 136,904
National	23,780	(0.8)%	23,981	73,794	0.5%	73,462
Political	1,004	(90.2)%	10,206	1,482	(92.8)%	20,530
Network compensation	1,372	(35.7)%	2,135	4,209	(37.0)%	6,680
Other	1,604	(16.9)%	1,931	6,101	(0.9)%	6,154
Total segment operating revenues	72,808	(9.8)%	80,693	228,251	(6.4)%	243,730
Segment costs and expenses:						
Employee compensation and benefits	30,355	(4.1)%	29,156	91,025	(0.5)%	90,584
Programs and program licenses	12,218	0.1%	12,228	35,680	0.2%	35,750
Other segment costs and expenses	15,521	(3.5)%	14,995	45,241	5.0%	47,640
Total segment costs and expenses	58,094	(3.0)%	56,379	171,946	1.2%	173,974
Hurricane recoveries (losses), net			(1,274)	1,762		(1,274)

Edgar Filing: SCRIPPS E W CO /DE - Form 10-Q/A

Segment profit	\$ 14,714	(36.1)%	\$ 23,040	\$ 58,067	(15.2)%	\$ 68,482
----------------	-----------	---------	-----------	-----------	---------	-----------

Supplemental Information:

Payments for programming less (greater) than program cost amortization	\$ 227		\$ (147)	\$ (486)		\$ (728)
Depreciation and amortization	4,984		4,885	14,725		14,244
Capital expenditures	3,495		2,647	6,803		11,967

F-48

Table of Contents

Third quarter and year-to-date operating results in 2004 were affected by the impact of hurricanes at our Florida operations. Our Florida operations sustained wind and water damage and the hurricanes interrupted operations at our affected businesses and at certain of their customers, resulting in lost revenues. Excluding political advertising, revenues at our other television stations decreased 0.7% year-over-year in the third quarter.

Broadcast television operating results are significantly affected by the political cycle. Excluding any impacts hurricane Wilma may have on our operations, total advertising revenue will be down approximately 12% to 14% year-over-year in the fourth quarter of 2005 due to political revenues earned in 2004 that will not repeat in 2005. Political advertising revenues were \$21.0 million in the fourth quarter of 2004. Advertising revenues, excluding political, are expected to increase between 6% and 8% year-over-year in the fourth quarter of 2005.

Negotiations continue on new affiliation agreements for our six ABC affiliate stations. Five of our ABC affiliation agreements, whose expiration dates fell in 2004 and 2005, have been extended on a monthly basis under their original terms while negotiations proceed. The affiliation agreement of our remaining ABC affiliated station expires in 2006. Our ABC affiliates recognized \$1.3 million of network compensation revenue in the third quarter of 2005 and \$2.1 million in 2004. Year-to-date network compensation revenue was \$4.0 million in 2005 and \$6.5 million in 2004. We are unable to predict the amount of network compensation we may receive upon renewal of these agreements.

Table of Contents

Shop At Home - On April 14, 2004, we completed our acquisition of Summit America. Summit America owned a 30% minority interest in Shop At Home and owned and operated five Shop At Home-affiliated broadcast television stations.

Shop At Home markets a range of consumer goods directly to television viewers and visitors to its Internet site. Programming is distributed on a full or part-time basis under the terms of affiliation agreements with broadcast television stations and cable and satellite television systems. Affiliates are paid a fee (network distribution fee) based upon the number of cable and direct broadcast satellite households reached by the affiliate.

Retail merchandise sales provide substantially all of Shop At Home's operating revenues and cost of merchandise sold and network distribution costs are the primary expenses. Shop At Home's operating results are influenced by the distribution of the network, our ability to attract an audience, our selection and mix of product, and by consumers' discretionary spending.

Operating results for Shop At Home were as follows:

<i>(in thousands)</i>	Quarter Period			Year-to-Date		
	2005	Change	2004	2005	Change	2004
Segment operating revenues:						
Retail merchandise	\$ 75,640	25.7%	\$ 60,178	\$ 256,241	33.6%	\$ 191,824
Shipping and handling	3,516	15.5%	3,044	11,365	10.6%	10,279
Other	214	(1.4)%	217	776	(52.2)%	1,622
Total segment operating revenues	79,370	25.1%	63,439	268,382	31.7%	203,725
Segment costs and expenses:						
Cost of merchandise sold	52,101	(26.1)%	41,308	177,497	(36.2)%	130,307
Network distribution fees	15,205	(4.7)%	14,516	45,792	(6.1)%	43,171
Employee compensation and benefits	8,792	(2.3)%	8,597	28,200	(17.2)%	24,070
Other segment costs and expenses	10,806	(63.9)%	6,594	34,805	(73.0)%	20,114
Total segment costs and expenses	86,904	(22.4)%	71,015	286,294	(31.5)%	217,662
Segment profit (loss)	\$ (7,534)	0.6%	\$ (7,576)	\$ (17,912)	(28.5)%	\$ (13,937)

Supplemental Information:

Interest and dividend income from Summit America						\$ 1,306
Depreciation and amortization	\$ 2,298		\$ 2,652	\$ 6,615		7,025
Capital expenditures	2,916		1,490	6,872		4,529
Business acquisitions and other additions to long-lived assets						228,686

Edgar Filing: SCRIPPS E W CO /DE - Form 10-Q/A

We continue to implement our merchandising plan and electronic commerce strategy at Shop At Home, improving the mix, quality and appeal of products offered for sale both online and on air. Sales of products in the home and cookware categories increased by 81% in the year-to-date period of 2005 compared with the year-to-date period of 2004 and represent approximately 13% of total revenue in 2005.

Shop At Home programming reached an average full-time equivalent of 54.5 million homes in the third quarter of 2005, up from 51.2 million homes in the third quarter of 2004. Average revenue per full-time equivalent home was \$6.67 for the twelve months ended September 30, 2005, compared with \$5.57 for the previous year period.

Increases in other segment costs and expenses reflect additional costs to support Shop At Home's growth. These costs include increases in the costs of facilities, outside services, uncollectible accounts receivable, marketing and consumer research costs.

In connection with the acquisition of Summit America, we assumed Summit America's obligations to us under the \$47.5 million secured loan and \$3 million redeemable preferred stock extended to Summit America as part of the 2002 acquisition of the controlling interest in Shop At Home. We also assumed Summit America's rights under the Shop At Home affiliation agreements with the Summit America broadcast television stations. Accordingly, interest and dividend income from Summit America and network distribution fees paid to the Summit America broadcast television stations ceased upon the acquisition of Summit America.

Table of Contents

Shopzilla - On June 27, 2005, we completed our acquisition of Shopzilla, Inc., a Web-based product comparison shopping service.

Shopzilla operates a comparison shopping service that helps consumers find products offered for sale on the Web by online retailers. Shopzilla aggregates and organizes information on millions of products from thousands of retailers. Shopzilla also operates BizRate, a popular Web-based consumer feedback network which collects millions of consumer reviews of stores and products each year.

Shopzilla earns revenue primarily from referral fees collected when consumers using the Shopzilla Web site click through to participating online retailers. Employee costs and marketing costs intended to attract traffic to our Web site are the primary expenses.

Shopzilla is a relatively new business operating in a competitive and constantly developing marketplace. Volatility is expected as the company grows and takes steps to capture marketshare and secure long-term relationships with consumers and merchants. Shopzilla's operating results are influenced by our ability to attract traffic to our Web Site and to negotiate fees from our merchants.

Operating results for Shopzilla were as follows:

<u>(in thousands)</u>	<u>Quarter Period</u> <u>2005</u>	<u>Year-to-Date</u> <u>2005</u>
Segment operating revenues	\$ 35,210	\$ 36,257
Segment profit	\$ 7,309	\$ 7,667
<u>Supplemental Information:</u>		
Depreciation and amortization	\$ 9,033	\$ 9,375
Capital expenditures	3,226	3,226
Business acquisitions and other additions to long-lived assets	189	535,984

Operating results for Shopzilla are included in our results of operations from the June 27, 2005 acquisition date. On a pro-forma basis, operating revenues nearly doubled year-over-year in the third quarter. Segment profit increased nearly six-fold.

Shopzilla is expected to generate segment profits of \$13 million to \$15 million in the fourth quarter of 2005.

Table of Contents**LIQUIDITY AND CAPITAL RESOURCES**

Our primary source of liquidity is our cash flow from operating activities. Advertising provides approximately 65% of total operating revenues, so cash flow from operating activities is adversely affected during recessionary periods. Information about our use of cash flow from operating activities is presented in the following table:

<i>(in thousands)</i>	Nine months ended	
	September 30,	
	2005	2004
Net cash provided by continuing operating activities	\$ 317,727	\$ 257,585
Capital expenditures	(42,293)	(56,604)
Dividends paid, including to minority interests	(92,823)	(47,887)
Repurchase Class A Common shares	(26,790)	
Employee stock option proceeds	28,017	25,726
Other financing activities	(4,028)	(4,156)
Cash flow available for acquisitions and debt repayment	\$ 179,810	\$ 174,664
Sources and uses of available cash flow:		
Business acquisitions and net investment activity	\$ 524,641	\$ (166,734)
Other investing activity	260	3,367
Increase (decrease) in long-term debt	325,818	(16,871)

Our cash flow has been used primarily to fund acquisitions and investments and to develop new businesses. There are no significant legal or other restrictions on the transfer of funds among our business segments.

Net cash provided by operating activities increased year-over-year due to the improved operating performance of our business segments. Cash required for the development of our emerging brands (DIY, Fine Living, GAC, video-on-demand and Shop At Home) was approximately \$42 million for the year-to-date period of 2005. We expect cash flow from operating activities in 2005 will provide sufficient liquidity to continue the development of our emerging brands and to fund the capital expenditures necessary to support our businesses.

In the third quarter of 2005, the management committee of the Denver JOA approved plans to consolidate the JOA's newspaper production facilities and authorized the incurrence of up to \$150 million of debt by the JOA to finance the building and equipment costs related to the consolidation. We own a 50% interest in the Denver JOA. Scripps and Media News Group (MNG), our Denver JOA partner, are not parties to the arrangement and have not guaranteed any of the Denver JOA's obligations under the arrangement.

On June 27, 2005, we acquired 100% ownership of Shopzilla for approximately \$570 million in cash. Assets acquired in the transaction included approximately \$34.0 million of cash and \$12.3 million of short-term investments. The acquisition was financed using a combination of cash on hand and additional borrowings.

Edgar Filing: SCRIPPS E W CO /DE - Form 10-Q/A

On April 14, 2004, we completed the acquisition of Summit America for approximately \$180 million in cash. The acquisition was financed through cash and short-term investments on hand and additional borrowings on our existing credit facilities.

In the second quarter of 2004, the Denver JOA entered into an \$88 million financing arrangement with a group of banks to construct a new office building for the non-production related employees of the Denver JOA and the editorial departments of both the Rocky Mountain News and Media News Group's (MNG) Denver Post. Upon completion of construction, which is expected to take approximately 24 months, the Denver JOA will lease the building for an initial term of five years. Scripps and MNG are not parties to the arrangement and have not guaranteed any of the Denver JOA's obligations under the arrangement. At the end of the initial lease term the Denver JOA will either renegotiate an additional lease term, relocate to an alternative building or acquire the building. Relocation or acquisition of the building may require capital contributions by the JOA partners.

Pursuant to the terms of the Food Network general partnership agreement, the partnership is required to provide cash distributions to the general partners equal to each partner's share of the partnership tax liability. Cash distributions to Food Network's non-controlling interests totaling \$29.0 million were made for the first time in 2005. In prior years, available cash was used by the partnership to repay loans to its partners. We expect these cash distributions will be about \$5 million in the fourth quarter of 2005.

F-52

Table of Contents

We are authorized to repurchase up to 5 million of our Class A Common shares. In 2005, we have re-purchased 562,500 shares costing \$27.9 million to offset the dilution resulting from our stock compensation programs. The stock repurchase program can be discontinued at any time.

We have a credit facility that permits \$450 million in aggregate borrowings and expires in July 2009. Total borrowings under the facility were \$259 million at September 30, 2005.

Our access to commercial paper markets can be affected by macroeconomic factors outside of our control. In addition to macroeconomic factors, our access to commercial paper markets and our borrowing costs are affected by short and long-term debt ratings assigned by independent rating agencies.

We have a U.S. shelf registration statement which allows us to borrow up to an additional \$300 million as of September 30, 2005.

Table of Contents**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Earnings and cash flow can be affected by, among other things, economic conditions, interest rate changes, foreign currency fluctuations (primarily in the exchange rate for the Japanese yen) and changes in the price of newsprint. We are also exposed to changes in the market value of our investments.

We may use foreign currency forward and option contracts to hedge our cash flow exposures that are denominated in Japanese yen and forward contracts to reduce the risk of changes in the price of newsprint on anticipated newsprint purchases. We held no foreign currency or newsprint derivative financial instruments at September 30, 2005.

The following table presents additional information about market-risk-sensitive financial instruments:

	As of September 30, 2005		As of December 31, 2004	
	Cost	Fair	Cost	Fair
	Basis	Value	Basis	Value
<i>(in thousands, except share data)</i>				
Financial instruments subject to interest rate risk:				
Variable-rate credit facilities, including commercial paper	\$ 258,899	\$ 258,899	\$ 82,766	\$ 82,766
\$100 million, 6.625% notes, due in 2007	99,971	103,739	99,960	107,500
\$50 million, 3.75% notes, due in 2008	50,000	48,935	50,000	49,735
\$100 million, 4.25% notes, due in 2009	99,599	98,011	99,527	100,038
\$150 million, 4.30% notes, due in 2010	149,772	146,865		
\$200 million, 5.75% notes, due in 2012	199,154	207,576	199,060	212,960
Other notes	1,563	1,334	1,638	1,440
Total long-term debt including current portion	\$ 858,958	\$ 865,359	\$ 532,951	\$ 554,439
Interest rate swap		\$ (1,065)		\$ (265)
Financial instruments subject to market value risk:				
Time Warner (2,017,000 common shares)	\$ 29,667	\$ 36,525	\$ 29,667	\$ 39,227
Other available-for-sale securities	1,682	4,540	2,062	4,673
Total investments in publicly-traded companies	31,349	41,065	31,729	43,900
Other equity securities	5,710	(a)	7,282	(a)

(a) Includes securities that do not trade in public markets, so the securities do not have readily determinable fair values. We estimate the fair value of these securities approximates their carrying value. There can be no assurance that we would realize the carrying value upon sale of the securities.

Our objectives in managing interest rate risk are to limit the impact of interest rate changes on our earnings and cash flows and to reduce our overall borrowing costs. We manage interest rate risk primarily by maintaining a mix of fixed-rate and variable-rate debt. In February 2003, we issued \$50 million of 3.75% notes due in 2008. Concurrently, we entered into a receive-fixed, pay-floating interest rate swap, effectively

Edgar Filing: SCRIPPS E W CO /DE - Form 10-Q/A

converting the notes to a variable-rate obligation indexed to LIBOR. We account for the interest rate swap as a fair-value hedge of the underlying fixed-rate notes. As a result, changes in the fair value of the interest rate swap are offset by changes in the fair value of the swapped notes and no net gain or loss is recognized in earnings.

F-54

Table of Contents

CONTROLS AND PROCEDURES

Scripps management is responsible for establishing and maintaining adequate internal controls designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America (GAAP). The company s internal control over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and that receipts and expenditures of the company are being made only in accordance with authorizations of management and the directors of the company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company s assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error, collusion and the improper overriding of controls by management. Accordingly, even effective internal control can only provide reasonable but not absolute assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

The effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) was evaluated as of the date of the financial statements. This evaluation was carried out under the supervision of and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures are effective. There were no changes to the company s internal controls over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the company s internal control over financial reporting.

We completed the acquisition of Shopzilla, a leading online comparison shopping service, on June 27, 2005. This business represents a separate segment with total assets of \$625 to \$650 million as of September 30, 2005, subject to final asset valuation, and expected segment profits of \$34 to \$36 million for the full year 2005. It is also a separate control environment. We have excluded this segment from management s report on internal control over financial reporting, as permitted by SEC guidance, for the quarter ended September 30, 2005.

Table of Contents

THE E. W. SCRIPPS COMPANY

Index to Exhibits

<u>Exhibit No.</u>	<u>Item</u>
12	Ratio of Earnings to Fixed Charges
31(a)	Section 302 Certifications
31(b)	Section 302 Certifications
32(a)	Section 906 Certifications
32(b)	Section 906 Certifications

E-1