TREX CO INC
Form PRE 14A
February 28, 2019
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material Pursuant to §240.14a-12

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Trex Company, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it is determined):

4) Proposed maximum aggregate value of transaction:

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1) Amount Previously Paid:

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3) Filing Party:

4) Date Filed:

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Trex Company, Inc.

160 Exeter Drive

Winchester, Virginia 22603-8605

Notice of Annual Meeting of Stockholders

May 1, 2019

To our stockholders:

Notice is hereby given that the 2019 annual meeting of stockholders of Trex Company, Inc. will be held at The George Washington Grand Hotel, 103 East Piccadilly Street, Winchester, Virginia, on Wednesday, May 1, 2019, at 9:00 a.m., local time, for the following purposes:

- **to elect two directors of Trex Company, Inc.;**
- **to approve, on a non-binding advisory basis, the compensation of our named executive officers;**
- **to approve the Third Certificate of Amendment to the Restated Certificate of Incorporation of Trex Company, Inc. to implement a majority voting standard in uncontested elections of directors;**
- **to ratify the appointment of Ernst & Young LLP as Trex Company s independent registered public accounting firm for the 2019 fiscal year; and**
- **to transact such other business as may properly come before the annual meeting or any adjournment or postponement thereof.**

Only stockholders of record at the close of business on March 4, 2019 will be entitled to notice of and to vote at the annual meeting or any adjournment or postponement thereof.

All stockholders are cordially invited to attend this meeting.

We have elected to adopt the U.S. Securities and Exchange Commission rule that allows companies to furnish their proxy materials over the Internet. As a result, we are mailing a Notice Regarding the Availability of Proxy Materials (the Notice of Availability) to our stockholders instead of a paper copy of this Proxy Statement and our 2018 Annual Report. The Notice of Availability contains instructions on how to access and review those documents over the Internet. We believe that this process will allow us to provide our stockholders with the information they need in a more timely manner, while reducing the environmental impact and lowering the costs of printing and distributing our proxy materials. Stockholders who receive a Notice of Availability by mail and would like to receive a printed copy of our proxy materials should follow the instructions for requesting such materials included on the Notice of Availability.

Your vote is very important to us. Whether or not you plan to attend the meeting in person, your shares should be represented and voted. To vote, please complete and return your proxy card, or vote by telephone or via the Internet by following the instructions on your Notice of Availability. Returning a proxy card or otherwise submitting your proxy does not deprive you of your right to attend the annual meeting and vote in person.

By Order of the Board of Directors,

William R. Gupp

Senior Vice President,

General Counsel and Secretary

Dated: March 19, 2019

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Proxy Summary

This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information you should consider. Please read the entire Proxy Statement carefully before voting.

Annual Stockholders Meeting		Meeting Agenda
Date	May 1, 2019	Election of two directors
Time	9:00 a.m. Eastern Time	Advisory vote on executive compensation
Place	The George Washington Grand Hotel 103 East Piccadilly Street Winchester, Virginia 22601	Approval of the Third Certificate of Amendment to the Trex Company, Inc. Restated Certificate of Incorporation to implement a majority voting standard in uncontested elections of directors
Record Date	March 4, 2019	Ratification of Ernst & Young LLP (Ernst & Young) as our independent registered public accounting firm for fiscal year 2019
Voting	Stockholders as of the record date are entitled to vote. Each share of common stock is entitled to one vote for each director nominee and one vote for each of the proposals to be voted on.	Transact other business that may properly come before the meeting

Item	Board recommendation	Reasons for recommendation	More information
1. Election of two directors.	**FOR**	The Board and Nominating/Corporate	Page 8

		Governance Committee believe that the two Board candidates possess the skills, experience, and diversity to effectively monitor performance, provide oversight, and advise management on the Company s long-term strategy.	
2. Advisory vote on executive compensation say-on-pay.	**FOR**	The Board of Directors believes that the Company s executive compensation programs demonstrate the continuing focus by the Company on a pay for performance philosophy.	Page 56
3. Approval of the Third Certificate of Amendment to the Trex Company, Inc. Restated Certificate of Incorporation to implement a majority voting standard in uncontested elections of directors.	**FOR**	The Board of Directors believes it is in the best interests of the Company to adopt a majority voting standard in uncontested elections of directors because it believes that only director nominees with broad acceptability among our voting stockholders will be elected and it will enhance the accountability of each elected director to our stockholders.	Page 57
4. Ratification of the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm for fiscal year 2019.	**FOR**	Based on the Audit Committee s assessment of Ernst & Young s qualifications and performance, the Board of Directors and the Audit Committee believe that its retention for fiscal year 2019 is in the best interests of the Company.	Page 59

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Board of Directors

The following table provides summary information about each director.

Director Occupation	Age	Director since	Independent	Other public boards	Committee memberships AC	CC	NCGC	Up for re-election at current Annual Meeting
Michael F. Golden *Retired; Former President and CEO, American Outdoor Brands Corporation (formerly Smith and Wesson Holding Corporation)*	64	2013	Yes	2				**Yes**
Richard E. Posey *Retired; Former President and CEO, Moen Incorporated*	72	2009	Yes	0				**Yes**
Jay M. Gratz *Retired; Former Executive Vice President and Chief Financial Officer, Ryerson Inc.*	66	2007	Yes	0				**No**
Ronald W. Kaplan *Chairman; Retired; Former President and CEO, Trex Company, Inc.*	67	2008	Yes	2				**No**
Gerald Volas *CEO, TopBuild Corp.*	64	2014	Yes	1				**No**
James E. Cline	67	2015	No	0				**No**

President and CEO, *Trex Company, Inc.*								
Patricia B. Robinson *Independent Consultant*; *Former* *President of Mead School and Office Products*	66	2000	Yes	0				**No**

AC	Audit Committee	Chair
CC	Compensation Committee	Member
NCGC	Nominating/Corporate Governance Committee	Financial expert

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Trex Company, Inc.

160 Exeter Drive

Winchester, Virginia 22603-8605

Annual Meeting of Stockholders

May 1, 2019

Proxy Statement

General Information

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the Board) of Trex Company, Inc. (the Company) for use at the Company s 2019 annual meeting of stockholders to be held at The George Washington Grand Hotel, 103 East Piccadilly Street, Winchester, Virginia, on Wednesday, May 1, 2019 at 9:00 a.m., local time. The purpose of the annual meeting and the matters to be acted upon are set forth in the accompanying notice of annual meeting.

Only stockholders of record at the close of business on March 4, 2019, the record date for the annual meeting (the record date), will be entitled to notice of and to vote at the annual meeting. As of the record date, we had 58,866,269 shares of common stock outstanding, which are our only securities entitled to vote at the annual meeting. Each share of common stock is entitled to one vote.

A list of stockholders entitled to vote at the annual meeting will be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of ten days before the meeting at the

Company s offices at 160 Exeter Drive, Winchester, Virginia, and at the time and place of the meeting during the whole time of the meeting.

Notice of the Company s annual meeting was mailed on or about March 19, 2019 to all stockholders as of the record date.

Those stockholders entitled to vote may vote their shares via the Proxy Card, or via the Internet, telephone or mail, following the instructions printed on the Notice of Availability.

Stockholders who receive a Notice of Availability and would like to receive a printed copy of our proxy materials should follow the instructions for requesting such materials included in the Notice of Availability.

From the date of the mailing of the Notice of Availability until the conclusion of the annual meeting, all of the proxy materials will be accessible on the Company s website at www.trex.com/proxy.

Stockholders who execute proxies may revoke them by giving written notice to our Corporate Secretary any time before such proxies are voted. Attendance at the annual meeting shall not have the effect of revoking a proxy unless the stockholder so attending shall, in writing, so notify the Corporate Secretary at any time prior to the voting of the proxy at the annual meeting.

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GENERAL INFORMATION

The Board does not know of any matter that is expected to be presented for consideration at the annual meeting, other than the election of two directors, a non-binding advisory vote on the compensation of our named executive officers, approval of the Third Certificate of Amendment to the Trex Company, Inc. Restated Certificate of Incorporation to implement a majority voting standard in uncontested elections of directors, and ratification of the appointment of our independent registered public accounting firm for the current fiscal year. However, if other matters properly come before the annual meeting, the persons named in the accompanying proxy intend to vote thereon in accordance with their judgment.

We are not engaging any company for the purpose of proxy solicitation in conjunction with this Proxy Statement. We will bear the cost of the annual meeting and the cost of soliciting proxies, including the cost of mailing any proxy materials. In addition to solicitation by mail, our directors, officers and regular employees (who will not be specifically compensated for such services) may solicit proxies by telephone or otherwise. Arrangements will be made with brokerage houses and other custodians, nominees and fiduciaries to forward proxies and proxy material to their principals, and we will reimburse them for their expenses. In addition, we have retained Broadridge Financial Solutions, Inc., or Broadridge, to assist in the mailing, collection, and administration of the proxy.

The 2018 Annual Report to stockholders and the 2018 Form 10-K are not proxy soliciting materials.

All proxies received pursuant to this solicitation will be voted except as to matters where authority to vote is specifically withheld. Where a choice is specified as to the proposal, proxies will be voted in accordance with such specification. If no instructions are given, the persons named in the proxy intend to vote:

FOR election of the nominees listed herein as directors;

FOR approval, on a non-binding advisory basis, of the compensation of our named executive officers;

- FOR approval of the Third Certificate of Amendment to the Trex Company, Inc. Restated Certificate of Incorporation to implement a majority voting standard in uncontested elections of directors; and

- FOR ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the 2019 fiscal year.

A majority of the outstanding shares of common stock entitled to vote on the record date, whether present in person or represented by proxy, will constitute a quorum for the transaction of business at the annual meeting and any adjournment or postponement thereof. Abstentions and broker non-votes (which occur with respect to any proposal when a broker holds shares of a customer in its name and is not permitted to vote on that proposal without instruction from the beneficial owner of the shares and no instruction is given) will be counted as present or represented for purposes of establishing a quorum for the transaction of business.

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Voting Matter	Standard Required
Election of two directors.	**Plurality**, which means the two persons receiving the most amount of votes are elected. Withhold votes and broker non-votes will have no effect on the election of directors, which is by plurality of the votes cast in person or by proxy. Brokers may vote their shares in favor of directors so long as they have voting instructions from the beneficial owners of the shares. If the Third Certificate of Amendment to the Company s Restated Certificate of Incorporation is approved by the stockholders at this annual meeting, the voting standard for the 2020 annual meeting will be majority voting.
Advisory vote on executive compensation say-on-pay ; and Ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the 2019 fiscal year.	**Majority** of the shares of common stock present in person or represented by proxy and entitled to vote on the matter at this annual meeting. Abstentions from voting on this proposal will have the same effect as a vote against this proposal. Brokers may vote their shares on this proposal if they have voting instructions from the beneficial owners of the shares and in the case of ratification of the appointment of the Company s independent auditor, brokers may vote their shares on this proposal even if they have not received instructions (ratification of the appointment of the independent auditor is considered a routine matter for which a broker may exercise discretionary voting power). Broker non-votes will not be treated as votes cast on this matter, and therefore will not have any effect on determining the outcome.
Approval of the Third Certificate of Amendment to the Trex Company, Inc. Restated Certificate of Incorporation to implement a majority voting standard in uncontested elections of directors.	**Majority** of the shares of common stock issued and outstanding. Abstentions and broker non-votes will have the same effect as a vote against this proposal.

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Security Ownership

The following table presents, as of March 4, 2019, information based upon the Company s records and filings with the U.S. Securities and Exchange Commission (SEC) regarding beneficial ownership of its common stock by the following persons:

each person known to the Company to be the beneficial owner of more than 5% of the common stock;

each director and each nominee to the Board;

each executive officer of the Company named in the Summary Compensation Table following the Compensation Discussion and Analysis section of this Proxy Statement; and

all directors and executive officers of the Company as a group.

As of March 4, 2019, there were 58,866,269 shares of common stock outstanding.

The following information has been presented in accordance with SEC rules and is not necessarily indicative of beneficial ownership for any other purpose. Under SEC rules, beneficial ownership of a class of capital stock as of any date includes any shares of such class as to which a person, directly or indirectly, has or shares voting power or investment power as of such date and also any shares as to which a person has the right to acquire such voting or investment power as of or within 60 days after such date through the exercise of any stock option, warrant or other right, without regard to whether such right expires before the end of such 60-day period or continues thereafter. If two or more persons share voting power or investment power with respect to specific securities, all of such persons may be deemed to be the beneficial owners of such securities.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class (%) [1]
BlackRock, Inc. [2] 55 East 52nd Street New York, New York 10055	8,917,567	15.15%
The Vanguard Group [3] 100 Vanguard Blvd. Malvern, PA 19355	5,968,147	10.14%
ClearBridge Investments, LLC [4] 620 8th Avenue	3,306,548	5.62%

New York, NY 10018		
James E. Cline [5]	123,925	*
Adam D. Zambanini [6]	105,010	*
William R. Gupp [7]	100,342	*
Bryan H. Fairbanks [8]	51,996	*
Jay T. Scripter [9]	39,007	*
Patricia B. Robinson [10]	42,764	*
Richard E. Posey [11]	28,329	*
Jay M. Gratz [12]	21,104	*
Gerald Volas [13]	15,380	*
Michael F. Golden [14]	15,198	*
Ronald W. Kaplan [15]	6,042	*
All directors and executive officers as a group (11 persons) [16]	549,097	*

* Less than 1%.

(1) The percentage of beneficial ownership as to any person as of March 4, 2019 is calculated by dividing the number of shares beneficially owned by such person, which includes the number of shares as to which such person has the right to acquire voting or investment power as of or within 60 days after March 4, 2019, by the sum of the number of shares outstanding as of March 4, 2019 plus the number of shares as to which such person has the right to acquire voting or investment power as of or within 60 days after March 4, 2019. Consequently, the denominator used for calculating such percentage may be different for each beneficial owner. Except as otherwise indicated below and under applicable community property laws, the Company believes that the beneficial owners of the Company s common stock listed in the table have sole voting and investment power with respect to the shares shown.

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SECURITY OWNERSHIP

(2) The information concerning BlackRock, Inc. is based on a Schedule 13G filed with the SEC on January 31, 2019, in which the reporting person reports that it has sole voting power with respect to 8,737,497 of the shares shown and sole dispositive power with respect to all of the shares shown.

(3) The information concerning The Vanguard Group is based on a Schedule 13G filed with the SEC on February 12, 2019, in which the reporting person reports that it has sole voting power with respect to 122,015 of the shares shown, shared voting power with respect to 7,876 of the shares shown, sole dispositive power with respect to 5,843,756 of the shares shown, and shared dispositive power with respect to 124,391 of the shares shown.

(4) The information concerning ClearBridge Investments, LLC is based on a Schedule 13G filed with the SEC on February 14, 2019, in which the reporting person reports that it has sole voting power with respect to 1,999,294 of the shares shown, and sole dispositive power with respect to all of the shares shown.

(5) The shares of common stock shown as beneficially owned by Mr. Cline include 35,966 unvested restricted stock units, and 52,284 stock appreciation rights he has the right to exercise as of or within 60 days after March 4, 2019, and exclude 16,358 stock appreciation rights that are not scheduled to vest as of or within 60 days after March 4, 2019.

(6) The shares of common stock shown as beneficially owned by Mr. Zambanini include 20,276 unvested restricted stock units, and 25,368 stock appreciation rights he has the right to exercise as of or within 60 days after March 4, 2019, and exclude 5,454 stock appreciation rights that are not scheduled to vest as of or within 60 days after March 4, 2019.

(7) The shares of common stock shown as beneficially owned by Mr. Gupp include 24,814 unvested restricted stock units, and 31,856 stock appreciation rights he has the right to exercise as of or within 60 days after March 4, 2019, and exclude 6,303 stock appreciation rights that are not scheduled to vest as of or within 60 days after March 4, 2019.

(8) The shares of common stock shown as beneficially owned by Mr. Fairbanks include 22,136 unvested restricted stock units, and 3,278 stock appreciation rights he has the right to exercise as of or within 60 days after March 4, 2019, and exclude 5,794 stock appreciation rights that are not scheduled to vest as of or within 60 days after March 4, 2019.

(9)

The shares of common stock shown as beneficially owned by Mr. Scripter include 22,758 unvested restricted stock units, and 3,728 stock appreciation rights he has the right to exercise as of or within 60 days after March 4, 2019, and exclude 5,465 stock appreciation rights that are not scheduled to vest as of or within 60 days after March 4, 2019.

(10) The shares of common stock shown as beneficially owned by Ms. Robinson include 1,070 unvested restricted stock units, and 18,820 stock appreciation rights she has the right to exercise, as of or within 60 days after March 4, 2019.

(11) The shares of common stock shown as beneficially owned by Mr. Posey include 1,601 unvested restricted stock units, and 12,474 stock appreciation rights he has the right to exercise, as of or within 60 days after March 4, 2019.

(12) The shares of common stock shown as beneficially owned by Mr. Gratz include 1,070 unvested restricted stock units, and 8,992 stock appreciation rights he has the right to exercise, as of or within 60 days after March 4, 2019.

(13) The shares of common stock shown as beneficially owned by Mr. Volas include 1,070 unvested restricted stock units, and 5,876 stock appreciation rights he has the right to exercise, as of or within 60 days after March 4, 2019.

(14) The shares of common stock shown as beneficially owned by Mr. Golden include 1,070 unvested restricted stock units, and 9,420 stock appreciation rights he has the right to exercise, as of or within 60 days after March 4, 2019.

(15) The shares of common stock shown as beneficially owned by Mr. Kaplan include 1,070 unvested restricted stock units.

(16) The shares of common stock shown as beneficially owned by all directors and named executive officers as a group include a total of 132,901 unvested restricted stock units, and 172,096 stock appreciation rights they have the right to exercise as of or within 60 days after March 4, 2019, and exclude 39,374 stock appreciation rights that are not scheduled to vest as of or within 60 days after March 4, 2019.

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Election of Directors

(Proposal 1)

The Company s restated certificate of incorporation, as amended, provides that the Board is to be divided into three classes of directors, with the classes to be as nearly equal in number as possible. The current terms of office of the three current classes of directors expire at this annual meeting, at the annual meeting of stockholders in 2020 and at the annual meeting of stockholders in 2021, respectively. Upon the expiration of the term of office of each class, the nominees for such class will be elected for a term of three years to succeed the directors whose terms of office expire.

In accordance with the recommendation of the Nominating/Corporate Governance Committee, Mr. Golden and Mr. Posey have been nominated by the Board for election to the class with a three-year term that will expire at the annual meeting of stockholders in 2022. These nominees are incumbent directors. Mr. Golden has served on the Board since his appointment in February 2013, and Mr. Posey has served on the Board since his appointment in May 2009.

Approval of the nominees requires the affirmative vote of a plurality of the votes cast at the annual meeting. Abstentions and broker non-votes will have no effect on the election of directors, which is by plurality of the votes cast in person or by proxy. (If the Third Certificate of Amendment to the Company s Restated Certificate of Incorporation is approved by the stockholders at this annual meeting, the voting standard for the 2020 annual meeting will be majority voting.) Brokers may vote their shares in favor of directors if they have voting instructions from the beneficial owners of the shares. Unless authority to do so is withheld, it is the intention of the persons named in the proxy to vote such proxy **FOR** the election of each of the nominees. If any of the nominees should become unable or unwilling to serve as a director, the persons named in the proxy intend to vote for the election of such substitute nominee for director as the Board may recommend. It is not anticipated that any of the nominees will be unable or unwilling to serve as a director.

The Board unanimously recommends that the stockholders of the Company vote FOR the election of the nominees to serve as directors.

Biographical information concerning each of the nominees and each of the directors continuing in office is presented below.

Director	Age	Director Since
Michael F. Golden	64	2013
Richard E. Posey	72	2009

Michael F. Golden is retired. He served as President and Chief Executive Officer of American Outdoor Brands Corporation (formerly Smith and Wesson Holding Corporation), a manufacturer of firearms and firearms-related products and accessories, from December 2004 until his retirement in September 2011, and currently serves as a director of such company. Mr. Golden was employed in various executive positions with the Kohler Company, which manufactures kitchen and bath plumbing fixtures, furniture, tile, engines, and generators, and operates resorts, from February 2002 until December 2004, with his most recent position being the President of its

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ELECTION OF DIRECTORS (PROPOSAL 1)

Cabinetry Division. Mr. Golden was the President of Sales for the Industrial/Construction Group of the Stanley Works Company, which manufactures tools and hardware, from 1999 until 2002; Vice President of Sales for Kohler s North American Plumbing Group from 1996 until 1998; and Vice President, Sales and Marketing for a division of The Black & Decker Corporation, which manufactures tools and hardware, where he was employed from 1981 until 1996. Mr. Golden also serves on the Board of Directors of Quest Resources Holding Corporation, a company that provides management programs to reuse, recycle, and dispose of various waste streams and recyclables in the United States. He received a B.S. degree in Marketing from Pennsylvania State University and a M.B.A. degree from Emory University.

Mr. Golden was initially appointed by the Board in February 2013, renominated in 2013 and 2016, and renominated this year specifically because the Board felt it was important to find and include an additional member with experience as a chief executive officer and experience in growing branded consumer products companies.

Richard E. Posey is retired. He served as President and Chief Executive Officer of Moen Incorporated, a manufacturer of faucets, from January 2002 until his retirement in September 2007. Prior to joining Moen, Mr. Posey was President and Chief Executive Officer of Hamilton Beach / Proctor Silex, Inc., a manufacturer of small kitchen appliances, for five years. Mr. Posey began his career at S.C. Johnson & Son, a supplier of cleaning and other household products, where for 22 years he served in a series of increasingly responsible management positions, both overseas and in the U.S., culminating with Executive Vice President, Consumer Products, North America. Mr. Posey is a Founding Trustee, Virginia Commonwealth University School of Engineering Foundation. He received a B.A. degree in English from The University of Southern California and a M.B.A. degree from The University of Michigan.

Mr. Posey was initially appointed by the Board in May 2009, renominated in 2010, 2013 and 2016, and renominated this year because the Board felt it was important to find and include a member with consumer product experience. Mr. Posey was primarily chosen due to his professional experience as a chief executive of a number of consumer product companies, and his experience in sales and marketing of consumer products.

Director	Age	Director Since
Jay M. Gratz	66	2007
Ronald W. Kaplan	67	2008
Gerald Volas	64	2014

Jay M. Gratz has served as a consultant and director of 10X Technologies, a high technology startup, since April 2017. Mr. served as the Chief Financial Officer of VisTracks, Inc., an application enabling platform service provider, for the period of March 2010 through January 2018, and a director of such company for the period of April 2010 through January 2018. Mr. Gratz was a partner in Tatum LLC, a national executive services and consulting firm that focuses on the needs of the Office of the CFO between February 2010 and March 2010. From October 2007 through February 2010, Mr. Gratz was an independent consultant. From 1999 through October 2007, Mr. Gratz served as Executive Vice President and Chief Financial Officer of Ryerson Inc., a metals processor and distributor, and as

President of Ryerson Coil Processing Division from November 2001 until October 2007. Mr. Gratz served as Vice President and Chief Financial Officer of Inland Steel Industries, a steel company, from 1994 through 1998, and served in various other positions, including Vice President of Finance, within that company since 1975. Mr. Gratz is a Certified Public Accountant. He received a B.A. degree in economics from State University of New York in Buffalo and an M.B.A. degree from Northwestern University Kellogg Graduate School of Management.

Mr. Gratz was initially appointed to the Board in 2007, and renominated in 2008, 2011, 2014 and 2017, specifically because the Board felt it was important to have a member with extensive financial experience. Mr. Gratz is a Certified Public Accountant, served as a chief financial officer of another respected public company, and has experience dealing with a wide-range of financial issues that the Board feels is beneficial to the Company. In addition, the Board also believed that Mr. Gratz could potentially serve as Chairman of the Audit Committee (in which position he is now currently serving).

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ELECTION OF DIRECTORS (PROPOSAL 1)

Ronald W. Kaplan retired as President and Chief Executive Officer of the Company on August 17, 2015, and remains the Chairman. He served as Chairman, President and Chief Executive Officer of the Company between May 2010 and August 2015. From January 2008 to May 2010, Mr. Kaplan served as President and Chief Executive Officer of the Company. From February 2006 through December 2007, Mr. Kaplan served as Chief Executive Officer of Continental Global Group, Inc., a manufacturer of bulk material handling systems. For 26 years prior to this, he was employed by Harsco Corporation, an international industrial services and products company, at which he served in a number of capacities, including as Senior Vice President-Operations, and, from 1994 through 2005, as President of Harsco s Gas Technologies Group, which manufactures containment and control equipment for the global gas industry. Mr. Kaplan also serves on the Board of Directors of Caesarstone Sdot-Yam, Ltd., a company engaged in the manufacture and sale of engineered stone surfaces used for kitchen countertops, vanity tops and tiles, and DIRTT Environmental Solutions Ltd., a company engaged in the manufacture of custom prefabricated interior environments. He received a B.A. degree in economics from Alfred University and an M.B.A. degree from the Wharton School of Business, University of Pennsylvania.

Mr. Kaplan was hired by the Company in January 2008 as its President and Chief Executive Officer. The Board believed that the Company at that time would greatly benefit from someone with prior professional experience as a chief executive officer of manufacturing companies, including experience leading companies through financial and operational turnarounds , which the Board felt was important experience for the Company at that time. Mr. Kaplan was initially appointed to the Board in 2008, and renominated in 2008, 2011, 2014 and 2017, because the Board believed that the Chief Executive Officer of the Company should serve on the Board. Mr. Kaplan has retired as the Company s Chief Executive Officer but remains as Chairman of the Board because the Board believes they can benefit from Mr. Kaplan s experience with both the Company and in the industry in which the Company competes.

Gerald Volas has served as Chief Executive Officer and a director of TopBuild Corp., a leading installer and distributor of insulation products, since June 2015. Between 1982 and June 2015, Mr. Volas was employed by Masco Corporation, one of the world s leading manufacturers of brand-name products for the home improvement and new home construction industries, in various positions of increasing responsibility. Between February 2005 and June 2015, he served as a Group Executive responsible for almost all of Masco s operating companies. From April 2001 to February 2005, he served as President of Liberty Hardware, a Masco operating company, from January 1996 to April 2001, he served as a Group Controller supporting a variety of Masco operating companies, and from May 1982 to January 1996, he served in progressive financial roles including Vice President/Controller at BrassCraft Manufacturing Company, a Masco operating company. Mr. Volas is a Certified Public Accountant. He received a Bachelor of Business Administration degree from the University of Michigan.

Mr. Volas was initially appointed to the Board in March 2014, and renominated in 2014 and 2017, because of his professional experience as an executive of a consumer products company, with additional specific experience in the home improvement and new home construction industry. In addition, the Board felt it was important to find a member with extensive financial experience. Mr. Volas is a Certified Public Accountant, and has experience dealing with a wide-range of financial issues that the Board feels is beneficial to the Company, and could potentially serve as Chairman of the Audit Committee in the future.

Director	Age	Director Since
James E. Cline	67	2015
Patricia B. Robinson	66	2000

James E. Cline has served as President and Chief Executive Officer of the Company since August 17, 2015. He previously served as Senior Vice President and Chief Financial Officer between August 2013 and August 2015, and as Vice President and Chief Financial Officer between March 2008 and July 2013. Mr. Cline served from July 2005 through December 2007 as the President of Harsco GasServ, a subsidiary of Harsco Corporation and a manufacturer of containment and control equipment for the global gas industry. From January 2008 through February 2008, in connection with the purchase of Harsco GasServ by Taylor-Wharton International LLC, which was owned by Windpoint Partners Company, Mr. Cline served as a consultant to the buyers by providing transition management and financial services. From April 1994 through June 2005, Mr. Cline served as the Vice President and Controller of Harsco GasServ. Mr. Cline served in various capacities with Huffy Corporation from June 1976 to February 1994, including as the Director of Finance of its True Temper Hardware subsidiary, a manufacturer of lawn care and construction products. Mr. Cline received a B.S.B.A. degree in accounting from Bowling Green State University.

Mr. Cline was initially appointed to the Board in August 2015 upon his promotion to President and Chief Executive Officer. Mr. Cline was initially appointed to the Board in 2015, and renominated in 2016 and 2018, specifically because the Board believes it is in the best interest of the Company that the Chief Executive Officer be a member of the Board, and because the Board felt it was important to have another member of the Board with significant expertise in this industry.

Patricia B. Robinson has been an independent consultant since 1999. From 1977 to 1998, Ms. Robinson served in a variety of positions with Mead Corporation, a forest products company, including President of Mead School and Office Products, Vice President of Corporate Strategy and Planning, President of Gilbert Paper, Plant Manager of a specialty machinery facility and Product Manager for new packaging product introductions. She received a B.A. degree in economics from Duke University and a M.B.A. degree from the Darden School at the University of Virginia.

Ms. Robinson was initially appointed to the Board in November 2000, and renominated in 2003, 2006, 2009, 2012, 2015 and 2018, due to her professional experience as a President of a consumer products company and her experience with strategic planning and new product introductions. As a consumer products company that continues to innovate with new products, the Board believes this is important experience to have on the Board.

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Corporate Governance

The Board currently consists of seven directors. Frank Merlotti, Jr. retired from the Board of Directors effective May 3, 2018, after twelve years of service to the Company.

The Board has three standing committees: the Audit Committee, the Compensation Committee and the Nominating/Corporate Governance Committee. During the Company s 2018 fiscal year, the Board held five meetings, the Audit Committee held four meetings, the Compensation Committee held five meetings, and the Nominating/Corporate Governance Committee held five meetings. During 2018, each director attended at least 75% of the aggregate of the total number of meetings of the Board and of each committee of the Board on which such director served.

It is the Company s policy that all directors should attend the annual meetings of the Company s stockholders. All of the directors attended the annual meeting of stockholders in 2018.

The Board does not have a strict retirement age for directors. However, the Board does believe that once a director attains a certain age, the Board should carefully consider whether such director s continued service on the Board is in the best interests of the Company. The Company s Corporate Governance Principles provide that at the adjournment of each annual meeting of stockholders, any director who is then age 75 or older shall tender his or her resignation to the Board, at which time the Board may elect to either accept such resignation or request that such director continue to serve on the Board.

Board Leadership Structure. Our Board is currently led by a non-executive Chairman, Mr. Kaplan, who retired as the Company s President and Chief Executive Office on August 17, 2015. Our Board determined that retaining Mr. Kaplan as Chairman, despite him retiring as chief executive officer, was in the best interests of the Company because it allows the Company to benefit from Mr. Kaplan s significant experience and accumulated expertise about the Company s industry and the Company s internal policies, practices and procedures to effectively and expertly guide the Board. Mr. Kaplan s familiarity with the Company s executives reinforces that the Board and executives will operate with continuity and common purpose. The Board determined that having Mr. Kaplan serve as chairman will allow Mr. Cline, the Company s President and Chief Executive Officer effective August 17, 2015, to focus on executing the Company s strategy and manage operations and performance. The Board is further comprised of a Lead Independent Director, an independent Audit Committee Chairman, an independent Compensation Committee Chairman, and an independent Nominating/ Corporate Governance Committee Chairman. These independent positions align with the Company s corporate governance policies and practices and assure adequate independence of the Board.

Although as of August 17, 2018, Mr. Kaplan is considered independent under New York Stock Exchange Rules, the Board has appointed Ms. Robinson to serve as Lead Independent Director for a term ending on May 1, 2019. Ms. Robinson is an experienced former chief executive officer. (For additional information regarding Ms. Robinson s professional experience, please see *Proposal 1 Election of Directors* .) Pursuant to the Company s Corporate Governance Principles, the responsibilities of the Lead Independent Director may include: presiding at executive sessions of the independent directors; presiding at Board meetings in the absence of the Chairman; making recommendations and consulting with management with regard to Board meeting agendas, materials and schedules; and serving as a liaison between the independent directors and members of senior management.

Director Independence. The Board has affirmatively determined that all of the current directors, other than Mr. Cline, who is the Company s current President and Chief Executive Officer, and including Mr. Kaplan as of August 17, 2018, are independent of the Company within the independence guidelines governing companies listed on the New York Stock Exchange, or NYSE . For a director to be independent under the NYSE

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guidelines, the Board must affirmatively determine that the director has no material relationship with the Company, either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company.

The Board has adopted the following categorical standards of independence to assist it in determining whether a director has a material relationship with the Company. The following relationships between a director and the Company will not be considered material relationships that would preclude a finding by the Board that the director is independent under the NYSE guidelines:

employment of the director or the director s immediate family member by another company that makes payments to, or receives payments from, the Company or any of its subsidiaries for property or services in an amount which, in any single fiscal year, does not exceed the greater of $1,000,000 or 2% of such other company s consolidated gross revenues; and

a relationship of the director or the director s immediate family member with a charitable organization, as an executive officer, board member, trustee or otherwise, to which the Company or any of its subsidiaries has made charitable contributions of not more than $50,000 annually in any of the last three years.

Furthermore, the Board has also determined, consistent with NYSE guidelines, a director is not independent if:

The director is, or has been within the last three years, an employee of the Company, or an immediate family member is, or has been within the last three years, an executive officer of the Company.

The director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than $120,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).

The director is a current partner or employee of a firm that is the Company s internal or external auditor; the director has an immediate family member who is a current partner of such a firm; the director has an immediate family member who is a current employee of such a firm and personally works on the Company s audit; or the director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on the Company s audit within that time.

The director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the Company s present executive officers at the same time serves or served on that company s compensation committee.

The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of $1,000,000, or 2% of such other company s consolidated gross revenues.

Consistent with the NYSE guidelines, the Company s corporate governance principles require the Company s non-management directors to meet at least once each quarter without management present and, if the group of non-management directors includes any director who is not independent under NYSE guidelines, to meet at least once each year with only the independent directors present. The Company s non-management directors held five executive sessions in 2018. Mr. Kaplan, as Chairman, acted as presiding director for each such executive session of non-management directors. In 2018, the Company s independent directors held one executive session, at which Ms. Robinson presided.

Our Board has three standing committees:

Audit Committee, chaired by Mr. Gratz;

Compensation Committee, chaired by Mr. Posey until May 2, 2018 and by Mr. Golden after such date; and

Nominating/ Corporate Governance Committee, chaired by Mr. Golden until May 2, 2018 and by Mr. Posey after such date.

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CORPORATE GOVERNANCE

Each of these committees plays an important role in the governance and leadership of our Board and each is chaired by an independent director with significant business experience.

Audit Committee. The Audit Committee of the Board is a standing committee composed of four non-employee directors who meet the independence and expertise requirements of the NYSE listing standards. Pursuant to SEC rules, the Board has determined that Mr. Gratz and Mr. Volas are audit committee financial experts, as such term is defined for purposes of Item 407 of Regulation S-K promulgated by the SEC, and are independent of management. The Audit Committee held four meetings during 2018. During 2018, the Audit Committee consisted of Mr. Gratz, who is the Chairman, Mr. Golden between January 1, 2018 and May 2, 2018, Mr. Posey, Ms. Robinson since May 2, 2018, and Mr. Volas.

The Audit Committee operates under a written charter that is reviewed annually. The Audit Committee is responsible, among its other duties, for engaging, overseeing, evaluating and replacing the Company s independent registered public accounting firm, pre-approving all audit and non-audit services by the independent registered public accounting firm, reviewing the scope of the audit plan and the results of each audit with management and the independent registered public accounting firm, reviewing the internal audit function, reviewing the adequacy of the Company s system of internal controls over financial reporting and disclosure controls and procedures, reviewing the financial statements and other financial information included in the Company s annual and quarterly reports filed with the SEC, reviewing the efficacy of the Company s information security and technology risks (including cybersecurity) and related policies and procedures, which include receiving quarterly reports from our Chief Financial Officer who is tasked with monitoring cybersecurity risks, and exercising oversight with respect to the Company s Code of Conduct and Ethics and other policies and procedures regarding adherence with legal requirements. The Audit Committee has the authority to retain and terminate any third-party consultants and to obtain advice and assistance from internal and external legal, accounting and other advisers. The Audit Committee is authorized to delegate its authority to subcommittees as determined to be necessary or advisable. A current version of the Audit Committee charter is available on the Company s website at www.trex.com/our-company/corporate-governance/committees-charters/.

Compensation Committee. The Compensation Committee of the Board is a standing committee composed of four non-employee directors between January 1, 2018 and May 2, 2018, and three non-employee directors since May 2, 2018, who meet the independence requirements of the NYSE listing standards. The Compensation Committee held five meetings during 2018. During 2018, the Compensation Committee consisted of Mr. Golden who has been the chairman and member since May 2, 2018, Mr. Posey, who was the Chairman and member between January 1, 2018 and May 2, 2018, Mr. Gratz and Mr. Merlotti between January 1, 2018 and May 2, 2018, Ms. Robinson, and Mr. Volas since May 2, 2018.

The Compensation Committee operates under a written charter that is reviewed annually. Pursuant to its charter, the principal functions of the Compensation Committee are to review, determine and approve the compensation and benefits of the Company s Chief Executive Officer, or CEO, and the other executive officers named in the Summary Compensation Table following the Compensation Discussion and Analysis section of this Proxy Statement, or named executive officers, as well as other officers, and to administer the Company s employee benefit programs, including its Amended and Restated 2014 Stock Incentive Plan, or 2014 Stock Incentive Plan, Amended and Restated 1999 Employee Stock Purchase Plan, or 1999 Employee Stock Purchase Plan, annual cash incentive plan, and other incentive compensation plans, benefits plans and equity-based plans.

The Compensation Committee has the authority to retain and terminate any third-party compensation consultant and to obtain advice and assistance from internal and external legal, accounting and other advisers. (See the *Compensation Discussion and Analysis* section of this Proxy Statement for information regarding the practices of the Compensation Committee, including the role of the officers and the Compensation Committee s compensation consultant in determining or recommending the amount and form of compensation paid to the named executive officers.) The Compensation Committee is authorized to delegate its authority to subcommittees as determined to be necessary or advisable. A current version of the Compensation Committee charter is available on the Company s website at www.trex.com/our-company/corporate-governance/committees-charters/.

Nominating/Corporate Governance Committee. The Nominating/Corporate Governance Committee of the Board is a standing committee composed of four non-employee directors between January 1, 2018 and May 2, 2018, and three non-employee directors since May 2, 2018, who meet the independence requirements of the NYSE

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listing standards. The Nominating/Corporate Governance Committee held five meetings during 2018. During 2018, the Nominating/Corporate Governance Committee consisted of Mr. Golden, who was the chairman between January 1, 2018 and May 2, 2018 and a member for the entire year, Mr. Posey, who has been the Chairman and member since May 2, 2018, Mr. Gratz, who has been a member since May 2, 2018, Mr. Merlotti, who was a member between January 1, 2018 and May 2, 2018, Ms. Robinson, who was a member between January 1, 2018 and May 2, 2018, and Mr. Volas, who was a member between January 1, 2018 and May 2, 2018.

The Nominating/Corporate Governance Committee operates under a written charter that is reviewed annually. The Nominating/Corporate Governance Committee is responsible for recommending candidates for election to the Board and for making recommendations to the Board regarding corporate governance matters, including Board size and membership qualifications, Board committees, corporate organization, non-employee director compensation, succession planning for officers and key executives, programs for training and development of executive-level employees, and stockholder proposals regarding these matters. The Nominating/Corporate Governance Committee has the authority to retain and terminate any search firm engaged to identify director candidates, and to obtain advice and assistance from outside counsel and any other advisors, as it deems appropriate in its sole discretion. The Nominating/Corporate Governance Committee is authorized to delegate its authority to subcommittees as determined to be necessary or advisable. A current version of the Nominating/Corporate Governance Committee charter is available on the Company s website at www.trex.com/our-company/corporate-governance/committees-charters/.

Our Board recognizes the importance of effective risk oversight in running a successful business and in fulfilling its fiduciary responsibilities to the Company and its stockholders. While the Chief Executive Officer and other members of our senior leadership team are responsible for the day-to-day management of risk, our Board is responsible for ensuring that an appropriate culture of risk management exists within the Company and for setting the right tone at the top, overseeing our aggregate risk profile, and assisting management in addressing specific risks, such as strategic and competitive risks, financial risks, brand and reputation risks, legal risks, regulatory risks, and operational risks.

The Board believes that its current leadership structure best facilitates its oversight of risk by combining independent leadership, through an independent Chairman, a Lead Independent Director, independent board committees, and majority independent board composition, with an experienced Chairman and an experienced Chief Executive Officer who each have intimate knowledge of our business, history, and the complex challenges we face. The Chief Executive Officer s in-depth understanding of these matters and involvement in the day-to-day management of the Company uniquely positions him to promptly identify and raise key business risks to the Board, call special meetings of the Board when necessary to address critical issues, and focus the Board s attention on areas of concern. The Chairman, Lead Independent Director, independent committee chairs and other directors also are experienced executives who can and do raise issues for Board consideration and review, and are not hesitant to challenge management. The Board believes there is a well-functioning and effective balance between the Chairman, Lead Independent Director, independent board committees, independent board members, and the Chief Executive Officer, which enhances risk oversight.

The Board exercises its oversight responsibility for risk both directly and through its three standing committees. Throughout the year, the Board and each committee spend a portion of their time reviewing and discussing specific risk topics. The full Board is kept informed of each committee s risk oversight and related activities through regular attendance at all committee meetings by all directors. Strategic, operational and competitive risks also are presented and discussed at the Board s quarterly meetings, and more often as needed. On at least an annual basis, the Board conducts a review of our long-term strategic plans and members of senior management report on our top risks and the steps management has taken or will take to mitigate these risks. At each quarterly meeting, or more often as necessary, our Chief Executive Officer provides written and/or oral reports to the Board on the critical issues we face, and each officer reports on recent developments in their respective operating area. These reports include a discussion of business risks as well as a discussion regarding enterprise risk. In addition, at each quarterly meeting, or more often as necessary, the General Counsel updates the Board on material legal and regulatory matters.

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CORPORATE GOVERNANCE

The Audit Committee is responsible for reviewing the framework by which management discusses our risk profile and risk exposures with the full Board and its committees. The Audit Committee meets regularly with our Chief Financial Officer, independent auditor, internal auditor, General Counsel, and other members of senior management to discuss our major financial risk exposures, financial reporting, internal controls, credit and liquidity risk, compliance risk, and key operational risks. The Audit Committee meets regularly in separate executive sessions with the independent auditor and internal auditor, as well as with committee members only, to facilitate a full and candid discussion of risk and other issues.

The Compensation Committee is responsible for overseeing human capital and compensation risks, including evaluating and assessing risks arising from our compensation policies and practices and ensuring executive compensation is aligned with performance. The Compensation Committee is also charged with monitoring our incentive and equity-based compensation plans, including employee benefit plans, reviewing and retaining compensation advisers, and considering the results of the say-on-pay vote and determine what adjustments, if any, are necessary or appropriate for the Company to make to its compensation policies and practices in light of such vote.

The Nominating/Corporate Governance Committee oversees risks related to our overall corporate governance, including Board and committee composition, Board size and structure, Board compensation, director independence, and our corporate governance profile and ratings. The Committee also is actively engaged in overseeing risks associated with succession planning for the Board and management.

The Board of Directors and the Company s management recognize the importance of environmental, social and governance (ESG) matters and how they impact our stakeholders. We believe appropriately responding to ESG issues is an important component of corporate social responsibility and comprehensive fiscal management. In light of the continued importance surrounding ESG matters, the Company is active in establishing and improving programs, practices and policies to maximize the benefit to the Company, and our stockholders, employees and the communities we impact. We believe that strong ESG programs and practices are critical to attracting the best talent, executing on our strategies, maintaining a robust supplier and channel partner base, and innovating to meet our consumers evolving expectations.

We are committed to conducting operations and activities in a manner that provides and maintains safe and healthful working conditions, protects the environment, and conserves natural resources. In meeting this commitment, it is our policy that no employee shall engage in any conduct that violates any environmental, health or safety law or is otherwise inconsistent with the health and safety needs of our employees and the environmental needs of our communities. We are also committed to the continual improvement of our environmental management systems, our environmental, health and safety programs, and to the prevention of pollution.

A copy of the Company s current ESG report is available on the Company s website at www.trex.com/our-company/esg-report/.

In connection with the Company s ESG efforts, in addition to our Code of Conduct and Ethics, the Company has adopted a Human Rights Policy, a Vendor and Customer Code of Conduct and Ethics, an Environmental Policy and an Occupational Health and Safety Policy. A current version of each of these policies is available on the Company s website at www.trex.com/our-company/.

No member of the Compensation Committee was an officer or employee of the Company or any subsidiary of the Company during 2018. There are no interlock relationships as defined in the applicable SEC rules.

The Board has, by resolution, adopted a director nominations policy. The purpose of the nominations policy is to set forth the process by which candidates for directors are selected. The nominations policy is administered by the Nominating/Corporate Governance Committee of the Board.

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CORPORATE GOVERNANCE

The Board does not currently prescribe any minimum qualifications for director candidates. Consistent with the criteria for the selection of directors approved by the Board, the Nominating/Corporate Governance Committee will take into account the Company s current needs and the qualities needed for Board service, including experience and achievement in business, finance, technology or other areas relevant to the Company s activities; reputation, ethical character and maturity of judgment; diversity of viewpoints, backgrounds and experiences; absence of conflicts of interest that might impede the proper performance of the responsibilities of a director; independence under SEC and NYSE rules; service on other boards of directors; sufficient time to devote to Board matters; ability to work effectively and collegially with other Board members; and diversity. In considering the diversity of candidates, the Committee considers an individual s background, professional experience, education and skill, race, gender and/or national origin. In the case of incumbent directors whose terms of office are set to expire, the Nominating/Corporate Governance Committee will review such directors overall service to the Company during their term, including the number of meetings attended, level of participation, quality of performance and any transactions of such directors with the Company during their term. For those potential new director candidates who appear upon first consideration to meet the Board s selection criteria, the Nominating/Corporate Governance Committee will conduct appropriate inquiries into their background and qualifications and, depending on the result of such inquiries, arrange for in-person meetings with the potential candidates.

The Nominating/Corporate Governance Committee may use multiple sources for identifying director candidates, including its own contacts and referrals from other directors, members of management, and Trex Company s advisers. The Nominating/Corporate Governance Committee has used in the past, and may use in the future, the services of an executive search firm to help identify candidates for directors who meet the qualifications outlined above. The search firm screens the candidates, conducts reference checks, prepares a biography of each candidate for committee review and assists in arranging interviews.

The Committee will also consider director candidates recommended by stockholders and will evaluate such director candidates in the same manner in which it evaluates candidates recommended by other sources. In making recommendations for director nominees for the annual meeting of stockholders, the Nominating/Corporate Governance Committee will consider any written recommendations of director candidates by stockholders received by the Secretary of the Company no later than 120 days before the anniversary of the previous year s annual meeting of stockholders. Recommendations must include the candidate s name and contact information and a statement of the candidate s background and qualifications, and must be mailed to Trex Company, Inc., 160 Exeter Drive, Winchester, Virginia 22603-8605, Attention: Secretary.

The nominations policy is intended to provide a flexible set of guidelines for the effective functioning of the Company s director nominations process. The Nominating/Corporate Governance Committee intends to review the nominations policy as it considers advisable and anticipates that modifications may be necessary from time to time as the Company s needs and circumstances evolve, and as applicable legal or listing standards change. The Nominating/Corporate Governance Committee may amend the nominations policy at any time.

The Company s bylaws provide that any stockholder wishing to nominate persons for election as directors at an annual meeting must deliver to the Secretary of the Company at the Company s principal office in Winchester, Virginia a written notice of the stockholder s intention to make such a nomination. The stockholder generally is required to furnish the notice no earlier than 120 days and no later than 90 days before the first anniversary of the preceding year s annual meeting. The notice must contain the information required by the bylaws.

The Board welcomes communications from its stockholders and other interested parties and has adopted a procedure for receiving and addressing those communications. Security holders and other interested parties may communicate any concerns they may have about the Company directly and confidentially to either the full Board or the

Net cash used for operating activities of discontinued operations

(19,643

)

(43,206

)

Total adjustments

89,654

(190

)

Net cash provided by operating activities

160,621

48,443

Cash flows used for investing activities:

Capital expenditures

(24,096

)

(13,826

)

Payments for acquisitions and intangible assets, net of cash acquired

(51,752

)

(117,926

)

Investment in unconsolidated affiliate

(50,137

)

Sale of long-term investment

2,003

Net proceeds from sales of businesses

49,091

Net cash used for investing activities of discontinued operations

(710

)

(8,870

)

Net cash used for investing activities

(75,601

)

(140,622

)

Cash flows provided by financing activities:

Payments on capital lease obligations

(2,137

)

(709

)

Proceeds from the issuance of common stock

55,673

Proceeds from the exercise of employee stock options

37,709

11,743

Repurchase of common stock

(1,398

)

Net cash provided by financing activities

34,174

66,707

Effect of exchange rate changes on cash and cash equivalents

(3,596

)

429

Net increase (decrease) in cash and cash equivalents

115,598

(25,043

)

Cash and cash equivalents, beginning of period

198,111

142,255

Cash and cash equivalents, end of period

$

313,709

$

117,212

Supplemental disclosures of cash flow information:

Cash paid (received) during the period for:

Interest

$

2,575

$

816

Income taxes

$

2,463

$

(1,685

)

Non-cash financing and investing activities:

Common stock issued in connection with business combinations

$

$

55,852

Liabilities created in connection with business combinations

$

10,236

$

52,762

See accompanying notes.

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MONSTER WORLDWIDE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)
(unaudited)

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Description of Business

Monster Worldwide, Inc. (the Company) has continuing operations that consist of two operating segments: Monster and Advertising & Communications. Revenue in the Company s Monster segment is primarily earned from job postings placed on the Company s career websites; licensed access to the Company s resume database; and the display of advertising on the Company s online properties. Revenue in the Company s Advertising & Communications division is primarily earned from selling and placing recruitment advertising, in print and online media, resume screening services and other recruitment related products. These services are provided to customers in a variety of industries throughout North America, Europe and the Asia-Pacific region.

Basis of Presentation

The consolidated interim financial statements included herein are unaudited and have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. The consolidated interim financial statements include the accounts of the Company and all of its wholly-owned and majority-owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

These statements reflect all normal recurring adjustments that, in the opinion of management, are necessary for fair presentation of the information contained herein. These consolidated interim financial statements should be read in conjunction with the financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2004. The Company adheres to the same accounting policies in preparation of interim financial statements. As permitted under generally accepted accounting principles, interim accounting for certain expenses, including income taxes are based on full year assumptions. Such amounts are expensed in full in the year incurred. For interim financial reporting purposes, income taxes are recorded based upon estimated annual income tax rates.

For the period January 1, 2004 through September 30, 2005, the Company completed five business combinations (see Note 3). Although none of the acquired businesses was considered to be a significant subsidiary, either individually or in the aggregate, they do affect the comparability of results from period to period.

2. EARNINGS PER SHARE AND STOCK-BASED COMPENSATION

Earnings Per Share

Basic earnings per share does not include the effects of potentially dilutive stock options and is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects, in periods in which they have a dilutive effect, commitments to issue common stock and common stock issuable upon exercise of stock options for periods in which the options exercise price is lower than the Company s average share price for the period.

A reconciliation of shares used in calculating basic and diluted earnings per common and Class B common share follows. Certain stock options and stock issuable under employee compensation plans were excluded from the computation of earnings per share due to their anti-dilutive effect. The weighted average number of such common stock equivalents is approximately 5,214 and 11,979 for the three months ended September 30, 2005 and 2004, respectively, and 6,218 and 8,893 for the nine months ended September 30, 2005 and 2004, respectively.

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2005	**2004**	**2005**	**2004**
Basic weighted average shares outstanding	122,128	118,584	121,283	117,188
Effect of common stock equivalents - stock options and stock issuable under employee compensation plans	2,629	1,767	2,515	2,204
Diluted weighted average shares outstanding	124,757	120,351	123,798	119,392

Stock-Based Compensation

The Company s financial statements are presented in accordance with Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*. Under APB 25, generally, no compensation expense is recognized in connection with the awarding of stock option grants to employees provided that, as of the grant date, all terms associated with the award are fixed and the quoted market price of the stock is equal to or less than the amount an employee must pay to acquire the stock as defined. As the Company has only issued fixed term employee stock option grants at or above the quoted market price on the date of the grant, there has been no compensation expense associated with stock options recognized in the accompanying financial statements. The Company adopted the disclosure only provisions of SFAS 123, *Accounting for Stock-Based Compensation*, which requires certain financial statement disclosures, including pro forma operating results had the Company prepared its consolidated financial statements in accordance with the fair value based method of accounting for stock-based compensation.

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no restrictions and are fully transferable and negotiable in a free trading market. Black-Scholes does not consider the employment, transfer or vesting restrictions that are inherent in the Company s employee options. Use of an option valuation model, as required by SFAS 123, includes highly subjective assumptions based on long-term predictions, including the expected stock price volatility and average life of each option grant. Because the Company s employee options have characteristics significantly different from those of freely traded options, and because changes in the subjective input assumptions can materially affect the Company s estimate of the fair value of those options, in the Company s opinion, the existing valuation models, including Black-Scholes, are not reliable single measures and may misstate the fair value of the Company s employee options.

The pro forma effects of stock-based compensation on net income and net income per share have been estimated at the date of grant using the Black-Scholes option-pricing model based on the following weighted average assumptions:

	Three Month Ended September 30,		**Nine Months Ended September 30,**	
	2005	**2004**	**2005**	**2004**
Risk-free interest rate	4.2 %	4.1 %	4.2 %	4.1 %
Volatility	41.0 %	48.8 %	41.0 %	48.8 %
Expected life (years)	4.1	5.0	4.1	5.0

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For purposes of pro forma disclosures, the estimated fair value of the options is assumed to be expensed over the options vesting periods. The pro forma effects of recognizing compensation expense under the fair value method on the Company s operating results and per share data are as follows:

	Three Months Ended September 30, 2005	2004	Nine Months Ended September 30, 2005	2004
Net income as reported	$ 30,821	$ 19,988	$ 70,967	$ 48,633
Add: Stock based employee compensation expense included in reported net income, net of tax	351	479	1,327	1,354
Deduct: Compensation expense determined under fair value based method for all awards, net of tax	(4,767)	(8,117)	(60,441)	(23,422)
Pro forma net income	$ 26,405	$ 12,350	$ 11,853	$ 26,565
Basic earnings per share:				
Net income - as reported	$ 0.25	$ 0.17	$ 0.59	$ 0.41
Net income - pro forma	0.22	0.10	0.10	0.23
Diluted earnings per share:				
Net income - as reported	$ 0.25	$ 0.17	$ 0.57	$ 0.41
Net income - pro forma	0.21	0.10	0.10	0.22

On December 28, 2004, the Company granted approximately 2,800,000 options to executives and employees. Such options vested over the five-month period ending on May 31, 2005 and the vested options generally become exercisable in four annual installments commencing December 28, 2005. For the nine months ended September 30, 2005, the Company recognized approximately $22,229 of pro forma compensation expense, net of tax, related to this grant.

On February 10, 2005 and May 4, 2005, the compensation committee of the Company s board of directors approved the acceleration of option vesting terms for approximately 134,000 and 2,600,000 employee stock options, respectively. Exercise prices of the affected stock options were at or above the Company s closing stock price on such dates. As a result of the accelerated vesting terms, approximately $940 and $20,500, respectively, have been included in pro forma compensation expense, net of tax, for the nine months ended September 30, 2005. The decision to accelerate vesting of these options was made primarily to avoid recognizing compensation expense in the consolidated statement of operations in the Company s future financial statements upon the effectiveness of SFAS 123R.

As a result of these accelerations, it is estimated that approximately $24.0 million of pre-tax compensation expense will be avoided upon implementation of SFAS 123R on January 1, 2006.

Share Based Payments

In December 2004 the Financial Accounting Standards Board (FASB) issued Statement 123R (Revised 2004), *Share Based Payment*, which requires all companies to measure compensation cost for all share-based payments, including employee stock options, at fair value. The Company is required to adopt the statement beginning with the first quarter of 2006. Upon adoption, the Company will be required to recognize compensation on all share-based grants made on or after January 1, 2006, and for the unvested portion of share-based grants made prior to January 1, 2006. Restatement of previously issued statements is permitted, but not required.

As a result of SFAS 123R, the Company will be required to expense the fair value of our stock option grants rather than disclose the impact on its consolidated statement of operations within the Company s footnotes, as is current practice. Based on stock options currently outstanding and utilizing the Company s current Black Scholes valuation model, share based payment expense is anticipated to be approximately $7,300 ($4,500, net of tax), in the year ending December 31, 2006.

3. BUSINESS COMBINATIONS

Acquisitions

The following table summarizes the Company s business combinations completed from January 1, 2004 through September 30, 2005:

Acquired Business	Acquisition Date	Business Segment/Region
Military Advantage, Inc.	March 1, 2004	Monster, North America
jobpilot GmbH	April 22, 2004	Monster, Europe
Tickle Inc.	May 21, 2004	Monster, North America
WebNeuron Services Limited (JobsAhead.com)	June 18, 2004	Monster, Asia/Pacific
Emailjob.com SAS	February 11, 2005	Monster, Europe

In February 2005, the Company s Monster division purchased Emailjob.com SAS, a leading online recruiter in France. The acquisition of Emailjob.com SAS was made to help establish Monster s leadership position in France and strengthen the Company s position in a key European market. Under the terms of the purchase agreement, the consideration for this acquisition was approximately $26,000 in cash, of which $23,000 was paid on February 11, 2005. The remaining $3,000 is payable over the twelve month period following the acquisition. As of September 30, 2005, the Company has preliminarily recorded $21,229 of goodwill and assigned approximately $4,700 to intangible assets. None of the goodwill recorded in connection with the acquisition is deductible for tax purposes.

During the year ended December 31, 2004, the Company s Monster division acquired WebNeuron Services Limited (JobsAhead), a leading job search website in India. The acquisition of JobsAhead was made to expand Monster s market share and geographic reach in the Asia-Pacific region. Consideration for the acquisition included $4,483 of net cash paid and 147,156 shares of the Company s common stock. None of the goodwill recorded in connection with the acquisition is deductible for tax purposes.

In May 2004, the Company s Monster division purchased Tickle Inc. (Tickle), a market leader in online career assessment testing. Initial consideration for this acquisition included $24,454 of net cash paid, 1,000,000 shares of the Company s common stock and minimum cash payments of $13,332 per year, over a three-year period following the acquisition date. Future minimum cash payments have been recorded as long-term debt, at their present values, in the accompanying consolidated balance sheet. Additional purchase price commitments are possible, subject to Tickle achieving certain agreed-upon financial thresholds for each of the years ending December 31, 2005 and 2006. Such financial thresholds were exceeded in 2004 and therefore an additional $798 was recorded in current portion of long-term debt and goodwill as of December 31, 2004. None of the goodwill recorded in connection with the acquisition is deductible for tax purposes.

In April 2004, the Company s Monster division purchased jobpilot GmbH (jobpilot), a leading European online career portal, from Adecco S.A. The acquisition of jobpilot was made to help establish Monster as one of the leaders in key European markets, particularly Germany. Consideration for the acquisition included $60,552 net cash paid and 1,000,000 shares of common stock. The Company has incurred charges to integrate and restructure jobpilot s operations and therefore has recorded additional costs to goodwill since the acquisition date, as described in Accrued Integration and Restructuring Costs below. Goodwill recorded in connection with the jobpilot acquisition is fully deductible for tax purposes.

In March 2004, the Company s Monster division purchased Military Advantage, Inc. as a complementary business to Monster s government product offerings. Military Advantage, Inc. offers its members access to information about benefits and career opportunities in the military. Consideration for the acquisition included $23,418 of net cash paid and $7,500 guaranteed cash payments in each of 2005 and 2006, recorded at their present values in the accompanying consolidated balance sheet. None of the goodwill recorded in connection with the acquisition is deductible for tax purposes.

None of the business combinations made by the Company in 2005 or 2004 were considered to be significant subsidiaries, either individually or in the aggregate.

Unaudited Pro Forma Results

The following unaudited pro forma financial information presents the combined results of operations of the Company and its purchase acquisitions as if they had occurred as of the beginning of the periods presented. The unaudited pro forma financial information is not necessarily indicative of what the Company s results of operations would have been had the acquisitions been completed at the beginning of each period. The unaudited pro forma financial information does not attempt to project the future results of operations of the combined company.

	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	2004
Revenue	$ 201,636	$ 721,964	$ 579,918
Income from continuing operations	18,405	80,072	48,136
Net income	20,713	71,296	53,529
Pro-forma basic earnings per share:			
Income from continuing operations	$ 0.15	$ 0.66	$ 0.40
Net income	$ 0.17	$ 0.59	$ 0.45
Pro-forma diluted earnings per share:			
Income from continuing operations	$ 0.15	$ 0.65	$ 0.40
Net income	$ 0.17	$ 0.58	$ 0.44

The unaudited pro forma financial information above reflects the following:

a. Interest expense, net of tax benefits, of approximately $17 for the three months ended September 30, 2004. For the nine months ended September 30, 2005 and 2004, interest expense, net of tax benefits was $8 and $430, respectively. Incremental interest expense has been recorded for guaranteed deferred purchase price payable for acquired companies. The decrease in interest income relates to interest foregone on the aggregate cash paid for the acquisitions.

b. Additional depreciation and amortization expense, net of tax benefits, of $301 for the three months ended September 30, 2004. For the nine months ended September 30, 2004, additional depreciation and amortization expense was $3,024. Additional depreciation and amortization relate to the estimated fair value of identifiable intangible assets and proprietary software from the purchase price allocation. Identifiable intangible assets are being amortized over their estimated useful lives over a range of 1 to 10 years and proprietary software is being depreciated over its estimated useful life of 6 years.

c. Additional weighted average shares outstanding of 2,147 for the three months ended September 30, 2004. Incremental shares reflect the amounts issued upon acquisition as being outstanding from the beginning of the periods presented.

Accrued Integration and Restructuring Costs

The Company has formulated integration and restructuring plans to eliminate redundant facilities, personnel and duplicate assets in connection with its business combinations. These costs were recognized as liabilities assumed in connection with the Company s business combinations. Accordingly, these costs are considered part of the purchase price of the business combinations and have been recorded as increases to goodwill. Amounts charged to goodwill for the nine months ended September 30, 2005 primarily relate to the Company s acquisitions of Emailjob.com and jobpilot.

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The components of the accrued integration and restructuring costs, reported as a component of accrued expenses and other current liabilities, are as follows:

Nine Months Ended September 30, 2005	Liability at 12/31/04	Charged to Goodwill	Change in Estimate	Utilization	Liability at 9/30/05
Assumed lease obligations and office consolidation costs [(a)]	$ 8,247	$ 1,465	$ 460	$ (3,076)	$ 7,096
Employee terminations and other [(b)]	1,245	311		(1,131)	425
Total	$ 9,492	$ 1,776	$ 460	$ (4,207)	$ 7,521

a) Accrued liabilities for assumed lease obligations represent the present value of lease payments (net of expected sublease income) for office locations of acquired companies that are either under utilized prior to the acquisition date or closed by the Company in connection with acquisition-related restructuring plans. Office consolidation costs represent charges to terminate contracts in connection with software and computer systems, other contractual arrangements with third parties and above market lease costs.

b) Costs associated with employee severance, benefits and relocation and other miscellaneous costs associated with the integration of acquired businesses.

Changes in the Company s approved restructuring plans or costs related to new restructuring initiatives may be recorded in goodwill for up to one year following the acquisition date and must be recorded in the Company s operating results thereafter. Reductions to integration and restructuring reserves established in connection with purchase business combinations are recorded as a reduction to goodwill. Due to changes in estimates and assumptions, the Company provided additional real estate provisions of $460 during the nine months ended September 30, 2005. The amount has been recorded in operating expenses in the 2005 periods.

4. INVESTMENT IN UNCONSOLIDATED AFFILIATE

In February 2005, the Company acquired a 40% interest in ChinaHR.com Holdings Ltd. (ChinaHR) for consideration of $50,000 in cash. ChinaHR is a leading recruitment website in China and provides online recruiting, campus recruiting and other human resource solutions. As a result of the transaction, the Company has the right to occupy three of seven seats on ChinaHR s Board of Directors. In addition, the Company also has certain rights and obligations, the amount and likelihood of which are not currently determinable, to acquire a 51% or more interest in ChinaHR in the event of an initial public offering or February 1, 2008, whichever comes first.

The Company accounts for its investment in ChinaHR under the equity method. As of September 30, 2005, the carrying value of the investment was $48,935 and is recorded on the consolidated balance sheet as an investment in unconsolidated affiliate. In addition, the Company accounts for its share in the earnings and losses of ChinaHR as an equity interest in the consolidated statements of operations. For the three and nine months ended September 30, 2005, the Company recorded a loss in equity interest of $641 and $1,217, respectively, which is 40% of ChinaHR s results from the date the Company acquired its equity interest.

5. BUSINESS REORGANIZATION AND OTHER SPECIAL CHARGES

In the second quarter of 2002, the Company announced a reorganization initiative to streamline its operations, lower its cost structure, integrate businesses previously acquired and improve its return on capital. The reorganization program included workforce reduction, consolidation of excess facilities, restructuring of certain business functions and other special charges, primarily for exiting activities that were no longer part of the Company s strategic plan. In the fourth quarter of 2002, the Company announced further reorganization efforts related to the spin-off of Hudson Highland Group, Inc. (HH Group). The additional charge consisted of further workforce reduction, office consolidation costs, related asset write-offs, professional fees and other special charges. Substantially all of these charges were recorded in the fourth quarter of 2002 and first quarter of 2003.

	Liability at Dec. 31, 2004	Change in Estimate	Utilization	Liability at Sep. 30, 2005
Consolidation of excess facilities	$ 21,177	$ (460)	$ (3,362)	$ 17,355
Other costs	418		(315)	103
Total	$ 21,595	$ (460)	$ (3,677)	$ 17,458

Consolidation of excess facilities includes property consolidation and abandonment costs (including related professional fees) and disposal of property and equipment related to such properties. Property and equipment disposed of included leasehold improvements, computer equipment, software, and furniture and fixtures. Other costs primarily relate to workforce reduction and professional fees. Due to changes in estimates and assumptions, the Company reversed excess real estate provisions during the nine months ended September 30, 2005. As a result, $460 has been recorded as a reduction to operating expenses in the 2005 period.

6. COMPREHENSIVE INCOME

The Company s comprehensive income is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Net income	$ 30,821	$ 19,988	$ 70,967	$ 48,633
Foreign currency translation adjustment and other	(527)	8,609	(58,287)	5,441
Comprehensive income	$ 30,294	$ 28,597	$ 12,680	$ 54,074

7. DISCONTINUED OPERATIONS

During the nine months ended September 30, 2005, the Company disposed of the following businesses that collectively comprised substantially all of its Directional Marketing operating segment. The results of operations of these businesses and the associated disposal costs are reflected as discontinued operations in the consolidated statements of operations for the three and nine months ended September 30, 2005 and 2004:

- On June 1, 2005, the Company sold substantially all of its Directional Marketing division to a private equity firm for net cash consideration of $49,586 ($80 million purchase price less working capital and other adjustments and $2,500 of cash placed in escrow for an 18 month period following the disposition date) and a $7,000, 3% promissory note due to the Company after 7 years. The sale included the Company s Yellow Pages business in North America and Japan along with its online relocation business. The Company recognized a loss on sale of these businesses of $10,729 ($1,803 net of tax benefits) in the second quarter of 2005. In the third quarter of 2005, the Company returned cash consideration of $657 upon final determination of working capital sold in connection with the disposition. The sale of the Directional Marketing business did not include the Company s Directional Marketing operations in the United Kingdom. The Company s European Advertising & Communications management will continue to operate that business, and accordingly, those results have been reclassified to our Advertising & Communications operating segment.

- On May 2, 2005, the Company sold its interests in TMP Direct, an order fulfillment business, formerly part of the Company s Directional Marketing segment. The business was purchased by GECKO Inc., an entity owned 65% by George Eisele, a director of Monster Worldwide, for $2,500 cash, paid at closing plus an amount equal to 50% of TMP Direct s working capital as of the closing

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date payable on May 2, 2006. George Eisele and another individual shareholder of GECKO Inc. personally guaranteed the May 2, 2006 payment obligation of GECKO Inc. The sale was not considered material and did not include a significant amount of assets. The Company recognized a pre-tax and after tax loss on sale of this business of $551 in the second quarter of 2005.

During the year ended December 31, 2004, the Company disposed of the following businesses, which are reflected as discontinued operations in the consolidated statements of operations for the three and nine months ended September 30, 2004:

- In December 2004, the Company sold and disposed of certain Advertising & Communications businesses in Continental Europe, in order to focus more fully on our Monster business. None of these dispositions were considered material or included a significant amount of assets. The Company recognized a loss on sale of these businesses of $7,055 ($6,234 net of tax) in the fourth quarter of 2004.

- On October 5, 2004, the Company completed the sale of our wholly owned subsidiary US Motivation, Inc., formerly part of our Directional Marketing segment, to General Yellow Pages Consultants, Inc. d/b/a The Marquette Group for $10,000 cash, subject to a post-closing adjustment. The Company recognized a pre-tax and after-tax gain on the sale of US Motivation of $7,413 in the fourth quarter of 2004.

The following amounts related to our dispositions in 2005 and 2004, as well as residual costs related to our disposition of HH Group in 2003, have been segregated from continuing operations and are reflected as discontinued operations in each period s consolidated statement of operations:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2005	**2004**	**2005**	**2004**
Revenue	$	$ 31,030	$ 23,402	$ 85,608
Income (loss) before income taxes	$ (42)	$ 4,827	$ (10,381)	$ 10,595
Income tax expense (benefit)	(15)	2,520	(3,959)	5,202
Net income (loss) of discontinued operations	(27)	2,307	(6,422)	5,393
Pre-tax loss on sale of discontinued businesses			(11,280)	
Income tax benefit			(8,926)	
Loss on sale of businesses, net of tax			(2,354)	
Income (loss) from discontinued operations, net of tax	**$ (27)**	**$ 2,307**	**$ (8,776)**	**$ 5,393**

8. SEGMENT AND GEOGRAPHIC DATA

The Company conducts business in two operating segments: Monster and Advertising & Communications. Corporate operating expenses are not allocated to the Company s operating segments. The Company s Advertising & Communications division recognizes a commission on the sale of certain Monster products. Revenue recognized by the Advertising & Communications segment for such sales was $6,750 and $3,107 for the three months ended September 30, 2005 and 2004, respectively and $15,364 and $7,935 for the nine months ended September 30, 2005 and 2004, respectively.

The following tables present the Company s operations by business segment and by geographic region, for the three and nine months ended September 30, 2005 and 2004.

Revenue	Three Months Ended September 30, 2005	2004	Nine Months Ended September 30, 2005	2004
Monster	$ 206,834	$ 157,679	$ 594,459	$ 421,745
Advertising & Communications	42,454	40,940	125,861	119,412
Total revenue	**$ 249,288**	**$ 198,619**	**$ 720,320**	**$ 541,157**

Operating Income (Loss)	Three Months Ended September 30, 2005	2004	Nine Months Ended September 30, 2005	2004
Monster	$ 54,585	$ 34,642	$ 147,277	$ 87,876
Advertising & Communications	4,447	1,646	7,649	4,292
Corporate	(11,303)	(9,848)	(31,667)	(26,691)
Total operating income	**$ 47,729**	**$ 26,440**	**$ 123,259**	**$ 65,477**

Revenue by Geographic Region	Three Months Ended September 30, 2005	2004	Nine Months Ended September 30, 2005	2004
United States	$ 179,920	$ 144,524	$ 513,723	$ 396,172
United Kingdom	24,101	25,048	74,739	69,708
Continental Europe	33,983	21,858	101,924	55,568
Other [(a)]	11,284	7,189	29,934	19,709
Total	**$ 249,288**	**$ 198,619**	**$ 720,320**	**$ 541,157**

The following table reconciles each reportable segment s assets to total assets reported on the Company s consolidated balance sheets as of September 30, 2005 and December 31, 2004:

Total Assets	September 30, 2005	December 31, 2004
Monster	$ 816,902	$ 747,066
Advertising & Communications	300,781	364,014
Corporate	324,909	161,598
Shared Assets [(b)]	46,643	59,113
Assets of discontinued operations		211,822
Total	**$ 1,489,235**	**$ 1,543,613**

(a) Includes Canada and the Asia-Pacific region.

(b) Shared assets represent assets that provide economic benefit to all of the Company s operating segments. Shared assets are not allocated to operating segments for internal reporting or decision-making purposes.

9. SUBSEQUENT EVENT

In October 2005, the Company expanded its global presence with the acquisition of JobKorea (www.jobkorea.co.kr), an online recruitment web site in South Korea. JobKorea serves more than three million registered users and utilizes an advanced online commerce system and posting model which emphasizes ease and self service. The aggregate cash purchase price was $94,000, net of cash and short-term investments acquired. The acquisition of JobKorea gives the Company a leading presence in one of Asia s largest online markets.

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Monster Worldwide, Inc.
New York, New York

We have reviewed the consolidated balance sheet of Monster Worldwide, Inc. as of September 30, 2005, and the related consolidated statements of operations for the three-month and nine-month periods ended September 30, 2005 and 2004, and cash flows for the nine-month periods ended September 30, 2005 and 2004 included in the accompanying Securities and Exchange Commission Form 10-Q for the period ended September 30, 2005. These interim financial statements are the responsibility of the Company s management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board, the consolidated balance sheet of Monster Worldwide, Inc. as of December 31, 2004, and the related consolidated statements of operations, stockholders equity, and cash flows for the year then ended (not presented herein); and in our report dated February 18, 2005, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2004 is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ BDO SEIDMAN, LLP
BDO Seidman, LLP

New York, New York
October 26, 2005

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

We make forward-looking statements in this report and in other reports and proxy statements that we file with the SEC. In addition, our senior management might make forward-looking statements. Broadly speaking, forward-looking statements include:

- projections of our revenues, income, earnings per share, capital expenditures, capital structure or other financial items;
- descriptions of plans or objectives of our management for future operations, products or services, including pending acquisitions and dispositions;
- forecasts of our future economic performance; and
- descriptions of assumptions underlying or relating to the foregoing.

Forward-looking statements discuss matters that are not historical facts. Because they discuss future events or conditions, forward-looking statements often include words such as anticipate, believe, estimate, expect, intend, plan, project, target, can, could, may, similar expressions. Do not unduly rely on forward-looking statements. They give our expectations and are not guarantees. Forward-looking statements speak as of only the date they are made, and we might not update them to reflect changes that occur after the date they are made.

There are many factors many beyond our control that could cause results to differ significantly from our expectations. Some of these factors are described in Item 1. Business Risk Factors of our annual report on Form 10-K for the year ended December 31, 2004.

Overview

Founded in 1967, Monster Worldwide, Inc. is the parent company of Monster, the leading global online careers property. We also own TMP Worldwide, one of the world s largest recruitment advertising agency networks. Our clients range from Fortune 100 companies to small and medium-sized enterprises and government agencies.

Monster is our flagship brand. Our Monster division operates in 24 countries and accounted for 82.5% of our total revenue for the nine months ended September 30, 2005. Monster connects employers with job seekers and offers innovative technology and services that give employers more control over the recruiting process. We have been able to capitalize on Monster s brand and create worldwide awareness by offering online recruiting solutions that we believe are redefining the way employers and job seekers connect. These tools, which include searchable job postings, a resume database and career management content and advice, provide users with more control over the employment process. Monster s job search, resume posting services and basic networking are free to the job seeker. Monster also offers premium career services at a fee to job seekers. Employers and human resources professionals pay to post jobs, search Monster s resume database and use career site hosting and applicant tracking systems and other ancillary services.

Business Combinations

For the period January 1, 2004 through September 30, 2005, we completed five business combinations. Although none of the following acquired businesses was considered to be a significant subsidiary, either individually or in the aggregate, they do affect the comparability of results from period to period. The acquisitions and the acquisition dates are as follows:

Acquired Business	Acquisition Date	Business Segment/Region
Military Advantage, Inc.	March 1, 2004	Monster, North America
jobpilot GmbH	April 22, 2004	Monster, Europe
Tickle Inc.	May 21, 2004	Monster, North America
WebNeuron Services Limited (JobsAhead.com)	June 18, 2004	Monster, Asia/Pacific
Emailjob.com SAS	February 11, 2005	Monster, Europe

Discontinued Operations

During the nine months ended September 30, 2005, the Company disposed of the following businesses that collectively comprised substantially all of its Directional Marketing operating segment. The results of operations of these businesses and associated disposal costs are reflected as discontinued operations in the consolidated statements of operations for the three and nine months ended September 30, 2005 (dollar amounts in thousands):

- On June 1, 2005, the Company sold substantially all of its Directional Marketing division to a private equity firm for net cash consideration of $49,586 ($80 million purchase price less working capital and other adjustments and $2,500 of cash placed in escrow for an 18 month period following the disposition date) and a $7,000, 3% promissory note due to the Company after 7 years. The sale included the Company s Yellow Pages business in North America and Japan along with its online relocation business. The Company recognized a loss on sale of these businesses of $10,729 ($1,803 net of tax benefits) in the second quarter of 2005. In the third quarter of 2005, the Company returned cash consideration of $657 upon final determination of working capital sold in connection with the disposition. The sale of the Directional Marketing business did not include the Company s Directional Marketing operations in the United Kingdom. The Company s European Advertising & Communications management will continue to operate that business, and accordingly, those results have been reclassified to our Advertising & Communications operating segment.

- On May 2, 2005, the Company sold its interests in TMP Direct, an order fulfillment business, formerly part of the Company s Directional Marketing segment. The business was purchased by GECKO Inc, an entity owned 65% by George Eisele, a director of Monster Worldwide, for $2,500 cash, paid at closing plus an amount equal to 50% of TMP Direct s working capital as of the closing date payable on May 2, 2006. George Eisele and another individual shareholder of GECKO Inc. personally guaranteed the May 2, 2006 payment obligation of GECKO Inc. The sale was not considered material and did not include a significant amount of assets. The Company recognized a pre-tax and after tax loss on sale of this business of $551 in the second quarter of 2005.

During the year ended December 31, 2004, the Company disposed of the following businesses, which are reflected as discontinued operations in the consolidated statements of operations for the three and nine months ended September 30, 2004:

- In December 2004, the Company sold and disposed of certain Advertising & Communications businesses in Continental Europe, in order to focus more fully on our Monster business. None of these dispositions were considered material or included a significant amount of assets. The Company recognized a loss on sale of these businesses of $7,055 ($6,234 net of tax) in the fourth quarter of 2004.

- On October 5, 2004, the Company completed the sale of our wholly owned subsidiary US Motivation, Inc., formerly part of our Directional Marketing segment, to General Yellow Pages Consultants, Inc. d/b/a The Marquette Group for $10,000 cash, subject to a post-closing adjustment. The Company recognized a pre-tax and after-tax gain on the sale of US Motivation of $7,413 in the fourth quarter of 2004.

The following amounts related to our dispositions in 2005 and 2004, as well as residual costs related to our disposition of HH Group in 2003, have been segregated from continuing operations and are reflected as discontinued operations in each period s consolidated statement of operations:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2005	**2004**	**2005**	**2004**
Revenue	$	$ 31,030	$ 23,402	$ 85,608
Income (loss) before income taxes	$ (42)	$ 4,827	$ (10,381)	$ 10,595
Income tax expense (benefit)	(15)	2,520	(3,959)	5,202
Net income (loss) of discontinued operations	(27)	2,307	(6,422)	5,393
Pre-tax loss on sale of discontinued businesses			(11,280)	
Income tax benefit			(8,926)	
Loss on sale of businesses, net of tax			(2,354)	
Income (loss) from discontinued operations, net of tax	**$ (27)**	**$ 2,307**	**$ (8,776)**	**$ 5,393**

Critical Accounting Policies and Items Affecting Comparability

Quality financial reporting relies on consistent application of Company accounting policies that are based on accounting principles generally accepted in the United States. The policies discussed below are considered by management to be critical to understanding our financial statements and often require management judgment and estimates regarding matters that are inherently uncertain. When such judgments and estimates are required, all material developments and resolutions are discussed with our audit committee.

Revenue Recognition

Monster. Our Monster division primarily earns revenue from the placement of job postings on the websites within the Monster network, access to the Monster network s online resume database and other ancillary services. We recognize revenue at the time that job postings are displayed on the Monster network websites. Revenue earned from subscriptions to the Monster network s resume database is recognized over the length of the underlying subscriptions, typically from two weeks to twelve months. Revenue associated with multiple element contracts is allocated based on the relative fair value of the services included in the contract. Unearned revenues are reported on the balance sheet as deferred revenue.

Advertising & Communications. Our Advertising & Communications division derives revenue from job advertisements placed in newspapers, Internet career job boards such as Monster and other media, plus associated fees for related services. Revenue is recorded net of media placement costs, which are passed on to the customer. Revenue is generally recognized upon placement date for newspapers and other print and offline media. Online media revenue is recognized when services are purchased.

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Business Combinations, Goodwill and Intangible Assets

The purchase method of accounting requires that assets acquired and liabilities assumed be recorded at their fair values on the date of a business acquisition. Our consolidated financial statements and results of operations reflect an acquired business from the completion date of an acquisition and are not restated. The costs to acquire a business, including transaction, integration and restructuring costs, are allocated to the fair value of net assets acquired upon acquisition. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill.

The judgments that we make in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact net income in periods following a business combination. For purchase acquisitions, we generally use independent valuation specialists to aid in our conclusions of such fair values and asset lives. We evaluate our goodwill annually for impairment or more frequently if indicators of potential impairment exist. The determination of whether or not goodwill has become impaired involves a significant level of judgment in the assumptions underlying the approach used to determine the value of our reporting units. Changes in our strategy and/or market conditions could significantly impact these judgments and require reductions to recorded amounts of intangible assets.

Results of Operations

Consolidated operating results as a percent of revenue follows:

	Three Months Ended September 30, 2005		2004		Nine Months Ended September 30, 2005		2004	
Revenue	100.0	%	100.0	%	100.0	%	100.0	%
Salaries and related	43.9	%	46.4	%	43.8	%	45.4	%
Office and general	18.4	%	21.5	%	19.3	%	21.5	%
Marketing and promotion	18.6	%	18.8	%	19.8	%	20.9	%
Total operating expenses	80.9	%	86.7	%	82.9	%	87.9	%
Operating income	19.1	%	13.3	%	17.1	%	12.1	%
Interest and other, net	0.3	%	-0.1	%	0.2	%	-0.2	%
Income from continuing operations before income taxes	19.4	%	13.2	%	17.3	%	11.9	%
Income taxes	6.8	%	4.3	%	6.1	%	3.9	%
Losses in equity interests	-0.3	%	0.0	%	-0.2	%	0.0	%
Income from continuing operations	12.4	%	8.9	%	11.1	%	8.0	%
Income (loss) from discontinued operations, net of tax	0.0	%	1.2	%	-1.2	%	1.0	%
Net income	12.4	%	10.1	%	9.9	%	9.0	%

The Three Months Ended September 30, 2005 Compared to the Three Months Ended September 30, 2004

Monster

The operating results of our Monster division for the three months ended September 30, 2005 and 2004 are as follows:

(dollars in thousands)	2005	% of Revenue	2004	% of Revenue	Increase (decrease)	% Increase (decrease)
Revenue	$ 206,834	100.0	$ 157,679	100.0	$ 49,155	31.2
Selling, general and administrative	144,936	70.0	115,072	72.9	29,864	26.0
Depreciation and amortization	7,313	3.5	7,965	5.1	(652)	-8.2
Operating income	$ 54,585	26.4	$ 34,642	22.0	$ 19,943	57.6

Our Monster division benefited significantly from our 2004 sales force expansion and an accelerating shift of recruitment advertising to the Internet, particularly overseas. Monster s international revenue increased 45.7% over the prior year period and currently accounts for 21.7% of the Monster division s revenue, compared to 19.5% in the 2004 period. Monster s largest gains overseas were realized in its central European operations. On an organic basis, which excludes the effects of currency exchange rates and the acquisitions that have not been owned the entire duration of each comparable period, international revenue increased $12.4 million, or 40.2%. Revenue in our North American operations increased 27.7% over the 2004 period, as a result of our focus on small and medium sized businesses, while sales in the enterprise market (those businesses that are among the top 1,500 globally, in terms of employees) showed modest growth. We continue to see greater demand for our self-service eCommerce product which we believe is our most efficient sales channel. eCommerce has been an excellent source of new customers, especially in the small and medium sized business arena. We are also beginning to see client demand for eCommerce in our enterprise customer base.

Operating income at the Monster division increased due to the strong operating leverage in our North American operations and the acceptance of our eCommerce product. North American operating income was $56.6 million, a 61.9% increase over the prior year period. Our international operations posted an operating loss in the third quarter of 2005 of $2.1 million, as we continued to invest in marketing and our sales infrastructure. Additionally, our international operations incurred $9.0 million of marketing and promotion expense in the third quarter of 2005.

Advertising & Communications

The operating results of our Advertising & Communications division for the three months ended September 30, 2005 and 2004 are as follows:

(dollars in thousands)	**2005**	**% of Revenue**	**2004**	**% of Revenue**	**Increase (decrease)**	**% Increase (decrease)**
Revenue	$ 42,454	100.0	$ 40,940	100.0	$ 1,514	3.7
Selling, general and administrative	36,329	85.6	37,540	91.7	(1,211)	-3.2
Depreciation and amortization	1,678	4.0	1,754	4.3	(76)	-4.3
Operating income	$ 4,447	10.5	$ 1,646	4.0	$ 2,801	170.2

Revenue at our Advertising & Communications division increased primarily due to a stronger recruitment advertising market in North America, while international revenue declined 3.4% compared to the third quarter of 2004. The division made strong progress in North America with revenue growth of 11.7% compared to the same period last year. The growth in North America was mainly due to increased sales of interactive help-wanted advertising and other on-line products, partially offset by decreasing commissions earned from advertising placement in traditional media.

The division posted operating income in both North America and internationally for the third quarter of 2005, as a result of a concerted effort to maintain a disciplined cost structure and manage expenses to expected revenue levels.

Consolidated Operating Expenses and Operating Income

Consolidated operating expenses and operating income for the three months ended September 30, 2005 and 2004 are as follows:

(dollars in thousands)	2005	% of Revenue	2004	% of Revenue	Increase	% Increase
Salaries and related	$ 109,332	43.9	$ 92,124	46.4	$ 17,208	18.7
Office and general	45,931	18.4	42,706	21.5	3,225	7.6
Marketing and promotion	46,296	18.6	37,349	18.8	8,947	24.0
Operating expenses	201,559	80.9	172,179	86.7	29,380	17.1
Operating income	$ 47,729	19.1	$ 26,440	13.3	$ 21,289	80.5

Our Monster division accounted for all of the year over year increase in total operating expenses, stemming mainly from hiring initiatives that we undertook in the 2004 period, acquisitions and increased marketing and promotion of the Monster brand. Costs associated with our hiring initiatives mainly reflect increased commissions and the addition of over 500 sales and support staff across the Monster division since the second quarter of 2004. In addition, approximately $2.0 million of the increase in operating expenses is associated with the acquisition of Emailjob.com SAS, which was acquired in February 2005. Compared with the third quarter of 2004, the 2005 period also includes a $0.3 million increase in operating expenses related to currency exchange rates and lower expenses in our Advertising and Communications division were offset by an increase in corporate expenses.

Income Taxes

Income taxes for the three months ended September 30, 2005 and 2004 are as follows:

(dollars in thousands)	Three Months Ended September 30, 2005	2004	Increase $	%
Income from continuing operations before income taxes	$ 48,444	$ 26,213	22,231	84.8
Income taxes	$ 16,955	$ 8,532	8,423	98.7
Effective tax rate	35.0%	32.5%		

Our effective tax rates differ from the statutory rate due to the impact of state and local income taxes, certain nondeductible expenses, foreign earnings taxed at different tax rates and valuation allowances. Our future effective tax rates could be adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates, changes in the valuation of our deferred tax assets or liabilities, or changes in tax laws or interpretations thereof. In addition, our filed tax returns are subject to the examination by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes.

Earnings Per Share

Diluted earnings per share increased 47% in the current period, even as diluted weighted average shares outstanding increased 4.4 million shares. The share increase is mainly the result of incremental dilution associated with a higher average stock price in the 2005 period, as well as additional share issuances for option exercises. Net income was 12.4% of total revenue in the 2005 period, compared to 10.1% in the 2004 period.

The Nine Months Ended September 30, 2005 Compared to the Nine Months Ended September 30, 2004

Monster

The operating results of our Monster division for the nine months ended September 30, 2005 and 2004 are as follows:

(dollars in thousands)	2005	% of Revenue	2004	% of Revenue	Increase	% Increase
Revenue	$ 594,459	100.0	$ 421,745	100.0	$ 172,714	41.0
Selling, general and administrative	425,010	71.5	315,155	74.7	109,855	34.9
Depreciation and amortization	22,172	3.7	18,714	4.4	3,458	18.5
Operating income	$ 147,277	24.8	$ 87,876	20.8	$ 59,401	67.6

Our Monster division s increase in revenue over the prior year period was primarily driven by our North American and European operations. North American revenue increased 33.0% and represents 77.8% of our total Monster revenue. The increase in revenue is a direct result of investments we made in our sales force in the latter half of 2004 and the integration of acquired companies. In addition our eCommerce product, which allows our clients to service their accounts online without assistance, continues to attract new customers and generate strong revenue across North America. International revenue increased 78.4% over the 2004 period as our acquisitions of jobpilot GmbH in Germany and Emailjob.com in France increased our presence in these two key European markets. Additional increases in international revenue resulted from our continued investments in sales force expansion and marketing efforts throughout Europe.

Our North American operations accounted for the entire increase in total operating income over the 2004 period. North American management has been diligently managing costs and keeping expenses in line with revenues. Expenses increased across the division primarily due to the addition of sales staff, our investments in marketing and additional costs associated with businesses that we acquired. North American operating income was $153.0 million for the nine months ended September 30, 2005, a 71.2% increase over the prior year period. Our international operations posted a $5.7 million operating loss in the first nine months of 2005, as investments in marketing and additional sales people negatively impacted operating margins.

Advertising & Communications

The operating results of our Advertising & Communications division for the nine months ended September 30, 2005 and 2004 are as follows:

(dollars in thousands)	2005	% of Revenue	2004	% of Revenue	Increase (decrease)	% Increase (decrease)
Revenue	$ 125,861	100.0	$ 119,412	100.0	$ 6,449	5.4
Selling, general and administrative	113,478	90.2	109,856	92.0	3,622	3.3
Depreciation and amortization	4,734	3.8	5,264	4.4	(530)	-10.1
Operating income	$ 7,649	6.1	$ 4,292	3.6	$ 3,357	78.2

Advertising & Communications revenue primarily increased due to higher demand of online and print advertising, especially in North America. Our North American revenue increased 10.8% over the 2004 period, while our international revenue was essentially flat, rising 0.9% in the first nine months of 2005. Revenue increases were primarily realized in the higher commission online space, while commissions earned on the sales of traditional media have been in decline due to client losses and migration to the Internet. For the nine months ended September 30, 2005, the division recognized approximately $15.4

million of revenue related to the sale of certain Monster products to customers, an increase of 93.6% over the $7.9 million of revenue the division recorded in the first nine months of 2004.

Operating income increased 78.2% over the first nine months of 2004, primarily due to increased revenue and disciplined management of core operating expenses. Management is continually analyzing the cost structure of the business to ensure that costs are in line with revenues.

Consolidated Operating Expenses and Operating Income

Consolidated operating expenses and operating income for the nine months ended September 30, 2005 and 2004 are as follows:

(dollars in thousands)	**2005**	**% of Revenue**	**2004**	**% of Revenue**	**Increase**	**% Increase**
Salaries and related	$ 315,452	43.8	$ 245,946	45.4	$ 69,506	28.3
Office and general	139,175	19.3	116,454	21.5	22,721	19.5
Marketing and promotion	142,434	19.8	113,280	20.9	29,154	25.7
Operating expenses	597,061	82.9	475,680	87.9	121,381	25.5
Operating income	$ 123,259	17.1	$ 65,477	12.1	$ 57,782	88.2

Our Monster division accounted for substantially all of the year over year increase in total operating expenses, stemming mainly from the hiring initiatives we undertook in the latter half of 2004 and costs associated with acquisitions, particularly Tickle, jobpilot GmbH and Emailjob. Costs associated with our hiring initiatives mainly reflect higher commissions paid to sales professionals and sales and support staff. In addition, we continue to invest in the Monster brand, both in North America and in key international markets. Our acquisition of jobpilot GmbH increased our presence in several countries across Europe and helped establish us as a leader in Germany. Our marketing and promotion in the 2005 period also includes resources allocated to re-brand our jobpilot GmbH properties. Corporate operating expenses increased $5.0 million over the 2004 period mainly due to higher salary and related expenses and severance related to former executives, while currency translation had a $3.9 million effect. We remain committed to analyzing our expense infrastructure to ensure that costs are in line with revenues, especially given the uneven employment market in North America and Europe.

Income Taxes

Income taxes for the nine months ended September 30, 2005 and 2004 are as follows:

(dollars in thousands)	**Nine Months Ended September 30, 2005**	**2004**	**Increase $**	**%**
Income from continuing operations before income taxes	$ 124,950	$ 64,535	60,415	93.6
Income taxes	$ 43,990	$ 21,295	22,695	106.6
Effective tax rate	35.2%	33.0%		

Our effective tax rates differ from the statutory rate due to the impact of state and local income taxes, certain nondeductible expenses, foreign earnings taxed at different tax rates and valuation allowances. Our future effective tax rates could be adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates, changes in the valuation of our deferred tax assets or liabilities, or changes in tax laws or interpretations thereof. In addition, our filed tax returns are subject to the examination by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes.

Earnings Per Share

Diluted earnings per share increased 39% in the nine month 2005 period, even as diluted weighted average shares outstanding increased 4.4 million shares, mainly as a result of incremental dilution associated with a higher average stock price in the 2005 period, as well as additional share issuances for option exercises. Net income was 9.9% of total revenue in the 2005 period, compared to 9.0% in the 2004 period.

Financial Condition

(in thousands)	Nine Months Ended September 30, 2005	2004
Cash provided by operating activities of continuing operations	$ 180,264	$ 91,649
Cash used for investing activities of continuing operations	(74,891)	(131,752)
Cash provided by financing activities of continuing operations	34,174	66,707
Cash used for discontinued operations and business held for sale	(20,353)	(52,076)
Effect of exchange rate changes on cash and cash equivalents	(3,596)	429

Our principal capital requirements have been to fund (i) working capital, (ii) marketing and development of our Monster network, (iii) acquisitions (iv) capital expenditures and (v) the 2003 spin-off of Hudson Highland Group, Inc. Prior to the sale of our Directional Marketing segment in the second quarter of 2005, our working capital requirements were generally higher in the first half of each year, when payments to major Yellow Page directory publishers were at their highest levels. In addition, because of recent business acquisitions and our 2002 and 2003 reorganization initiatives, we have substantial cash commitments over the next several years. These commitments as of September 30, 2005 are as follows (amounts in thousands):

	Payments due by period				
Contractual Obligations (in thousands)	Total	Less than 1 year	1 - 3 years	3-5 years	More than 5 years
Purchase commitments advertising contracts	$ 9,395	$ 7,895	$ 1,500	$	$
Borrowings under financing arrangement and other notes payable	531	145	170	170	46
Capital lease obligations	462	334	128		
Operating lease obligations	284,804	33,611	63,999	56,366	130,828
Acquisition notes payable	43,715	29,424	13,811	387	
Total	$ 338,907	$ 71,409	$ 79,608	$ 56,923	$ 130,967

In addition to the cash commitments above, in October 2005, we paid approximately $94.0 million, net of cash and short term investments acquired, for our acquisition of JobKorea (www.jobkorea.co.kr), an online recruitment web site in South Korea. The Company also has certain rights and obligations, the amount and likelihood of which are not currently determinable, to acquire a 51% or more interest in its equity investee, ChinaHR, in the event of an initial public offering or February 1, 2008, whichever comes first.

Historically, we have relied on funds provided by operating activities, equity offerings, short and long-term borrowings and seller-financed notes to meet our liquidity needs. We invest our excess cash predominantly in money market funds, overnight deposits, and commercial paper each having maturities of less than three months and in auction rate bonds, all of which are highly liquid and are of high-quality investment grade with the intent to make such funds readily available for operating and strategic long-term equity investment purposes.

As of September 30, 2005, we had cash and cash equivalents of $313.7 million, compared to $198.1 million as of December 31, 2004. Our increase in cash of $115.6 million in the nine months ended September 30, 2005, primarily relates to our operating and financing activities offset by cash used for investing activities. Cash provided by operating activities was $160.6 million for the nine months ended September 30, 2005 and resulted from $79.7 million of income from continuing operations and $62.5 million of net non-cash items, increased by a $38.1 million change in working capital. Increases in accounts payable and accrued expenses mainly reflect timing of accounts payable and general accruals as well as increased deferred tax liabilities related to our continuing operations. Deferred revenue continued to increase in 2005 due to our success in driving more business to Monster, in North America, Asia Pacific and Europe. Partially offsetting these sources of cash was a use for prepaid and other assets, which increased with the disposition of our Directional Marketing segment. As a result of the disposition, we recorded deferred consideration receivable related to the sale as well as certain deferred tax assets. In addition, cash flow from operating activities was decreased by $19.6 million from cash used in our discontinued Directional Marketing businesses.

We used $75.6 million of cash for investing activities in the nine months ended September 30, 2005. The use of cash mainly reflects our net cash purchase of Emailjob SAS for $20.7 million and our $50.1 million cash investment for 40% of ChinaHR.com. We also paid $27.3 million of indebtedness related to our purchases of Military Advantage Inc., QuickHire, Inc., and Tickle Inc. These uses of cash were substantially offset by $49.1 million of net cash received from the sale of our Directional Marketing and other businesses. Furthermore, we used $24.1 million of cash for capital expenditures in the first nine months of 2005.

Cash provided by financing activities consists of $37.7 million of cash received from employee stock option exercises, slightly offset by $2.1 million of payments on capitalized lease obligations. In addition, we used $1.4 million of cash to repurchase common stock that was issued under a pre-existing employment agreement.

We believe that our current cash and cash equivalents, revolving credit facility and cash we anticipate to generate from operating activities will provide us with sufficient liquidity to satisfy our working capital needs, capital expenditures, investment requirements and commitments through at least the next twelve months. Our cash generated from operating activities is subject to fluctuations in the global economy and unemployment rates.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary market risks include fluctuations in interest rates, variability in interest rate spread relationships (i.e., prime to LIBOR spreads) and exchange rate variability. At September 30, 2005, the utilized portion of our three-year revolving credit agreement was approximately $3.5 million for standby letters of credit and approximately $96.5 million was unused. Interest on future outstanding loans under the revolving credit agreement shall be charged based on a variable interest rate related to our choice of (1) the higher of (a) the prime rate or (b) the Federal Funds rate plus $\frac{1}{2}$ of 1%, plus a margin determined by the ratio of our debt to earnings before interest, taxes, depreciation and amortization (EBITDA) as defined in the revolving credit agreement or (2) the London Interbank Offered Rate (LIBOR) plus a margin determined by the ratio of our debt to EBITDA as defined in the revolving credit agreement. We use forward foreign exchange contracts as cash flow hedges to offset risks related to foreign currency transactions. These transactions primarily relate to non-functional currency denominated inter-company funding loans. We do not trade derivative financial instruments for speculative purposes.

We conduct operations in various foreign countries, including Australia, Belgium, Canada, France, Germany, Ireland, India, Italy, the Netherlands, New Zealand, Sweden, Spain, and the United Kingdom. For the three and nine months ended September 30, 2005, approximately 27.8% and 28.7%, respectively, of our revenue was earned outside the United States and collected in local currency and related operating expenses were also paid in such corresponding local currency. Accordingly, we are subject to risk of exchange rate fluctuations between such local currencies and the dollar.

The financial statements of our non-U.S. subsidiaries are translated into U.S. dollars using current rates of exchange, with gains or losses included in the cumulative translation adjustment account, a component of stockholders equity. During the three and nine months ended September 30, 2005, we had a translation losses of $1.1 million and $58.9 million, respectively, primarily attributable to the strengthening of the U.S. dollar against the Euro, the British Pound and the Swedish Krona.

ITEM 4. CONTROLS AND PROCEDURES

Monster Worldwide maintains disclosure controls and procedures, as such term is defined under Securities Exchange Act Rule 13a-15(e), that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, Monster Worldwide s management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and Monster Worldwide s management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Monster Worldwide has carried out an evaluation, as of the end of the period covered by this report, under the supervision and with the participation of Monster Worldwide s management, including Monster Worldwide s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of Monster Worldwide s disclosure controls and procedures. Based upon their evaluation and subject to the foregoing, the Chief Executive Officer and Chief Financial Officer concluded that Monster Worldwide s disclosure controls and procedures were effective in ensuring that material information relating to Monster Worldwide is made known to the Chief Executive Officer and Chief Financial Officer by others within Monster Worldwide during the period in which this report was being prepared.

There have been no significant changes in Monster Worldwide s internal controls over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II OTHER INFORMATION

ITEM 6. EXHIBITS.

The following exhibits are filed as a part of this report:

15	Letter from BDO Seidman, LLP regarding unaudited interim financial information.
31.1	Certification by Andrew J. McKelvey pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by Charles Baker pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by Andrew J. McKelvey pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by Charles Baker pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

	MONSTER WORLDWIDE, INC. (Registrant)	
Dated: November 3, 2005	By:	/s/ ANDREW J. MCKELVEY Andrew J. McKelvey Chairman of the Board and Chief Executive Officer (principal executive officer)
Dated: November 3, 2005	By:	/s/ CHARLES BAKER Charles Baker Chief Financial Officer (principal financial officer)
Dated: November 3, 2005	By:	/s/ JONATHAN TRUMBULL Jonathan Trumbull Chief Accounting Officer and Global Controller (principal accounting officer)