SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

# FORM 10-Q

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

For the quarterly period ended September 30, 2000

Commission file number 1-9553

## VIACOM INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 04-2949533 |
| (State or other jurisdiction of) incorporation or organization) | (I.R.S. Employer identification No.) |

1515 Broadway, New York, New York 10036
(Address of principal executive offices, zip code)

(212) 258-6000
(Registrant's telephone number, including area code)

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

Number of shares of Common Stock Outstanding at October 31, 2000:

Class A Common Stock, par value $.01 per share - 137,548,044

Class B Common Stock, par value $.01 per share - 1,375,482,968

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PART I - FINANCIAL INFORMATION

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VIACOM INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited; in millions, except per share amounts)

| | Three Months Ended September 30, 2000 | Three Months Ended September 30, 1999 | Nine Months Ended September 30, 2000 | Nine Months Ended September 30, 1999 |
|---|---|---|---|---|
| Revenues | $5,962.0 | $3,332.0 | $13,900.3 | $9,286.4 |
| Expenses: | | | | |
| Operating | 3,352.5 | 2,119.3 | 8,213.7 | 6,006.9 |
| Selling, general and administrative | 1,169.3 | 602.5 | 2,805.5 | 1,712.4 |
| Merger-related charges | -- | -- | 698.5 | -- |
| Restructuring charge | -- | 70.3 | -- | 70.3 |
| Depreciation and amortization | 680.3 | 218.7 | 1,460.5 | 615.8 |
| Total expenses | 5,202.1 | 3,010.8 | 13,178.2 | 8,405.4 |
| Operating income | 759.9 | 321.2 | 722.1 | 881.0 |
| Interest expense | (245.0) | (118.3) | (560.9) | (327.4) |
| Interest income | 13.3 | 7.8 | 36.7 | 16.5 |
| Other items, net | .5 | (2.4) | (14.5) | 2.9 |
| Earnings before income taxes | 528.7 | 208.3 | 183.4 | 573.0 |
| Provision for income taxes | (424.2) | (93.2) | (470.2) | (295.6) |
| Equity in loss of affiliated companies, net of tax | (44.0) | (3.8) | (71.4) | (38.1) |
| Minority interest, net of tax | (27.1) | (.4) | (36.0) | (.7) |
| Net earnings (loss) before extraordinary loss and cumulative effect of change in accounting principle | 33.4 | 110.9 | (394.2) | 238.6 |
| Extraordinary loss, net of tax | -- | (14.2) | -- | (37.7) |
| Cumulative effect of change in accounting principle, net of tax | -- | -- | (452.3) | -- |
| Net earnings (loss) | 33.4 | 96.7 | (846.5) | 200.9 |
| Cumulative convertible preferred stock dividend requirement | -- | -- | -- | (.4) |
| Premium on redemption of preferred stock | -- | -- | -- | (12.0) |
| Net earnings (loss) attributable to common stock | $ 33.4 | $ 96.7 | $ (846.5) | $ 188.5 |
| Earnings (loss) per common share: | | | | |
| Basic: | | | | |
| Net earnings (loss) before extraordinary loss and cumulative effect of change in accounting principle | $ .02 | $ .16 | $ (.35) | $ .33 |
| Net earnings (loss) | $ .02 | $ .14 | $ (.75) | $ .27 |
| Diluted: | | | | |
| Net earnings (loss) before extraordinary loss and cumulative effect of change in accounting principle | $ .02 | $ .16 | $ (.35) | $ .32 |
| Net earnings (loss) | $ .02 | $ .14 | $ (.75) | $ .27 |
| Weighted average number of common shares: | | | | |
| Basic | 1,503.7 | 696.7 | 1,133.7 | 694.5 |
| Diluted | 1,544.5 | 709.5 | 1,133.7 | 708.6 |

See notes to consolidated financial statements.

VIACOM INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions, except per share amounts)

| | At September 30, 2000 | At December 31, 1999 |
|---|---|---|
| ASSETS | (Unaudited) | |
| Cash and cash equivalents | $ 992.7 | $ 680.8 |
| Receivables, less allowances of $258.6 (2000) and $109.5 (1999) | 3,501.9 | 1,697.4 |
| Inventory (Note 7) | 1,308.1 | 1,959.5 |
| Other current assets | 1,717.1 | 860.7 |
| Total current assets | 7,519.8 | 5,198.4 |
| Property and equipment: | | |
| Land | 723.0 | 450.3 |
| Buildings | 1,069.5 | 660.1 |
| Capital leases | 971.1 | 881.9 |
| Advertising structures | 1,932.7 | -- |
| Equipment and other | 4,126.0 | 3,263.6 |
| | 8,822.3 | 5,255.9 |
| Less accumulated depreciation and amortization | 2,285.4 | 1,830.6 |
| Net property and equipment | 6,536.9 | 3,425.3 |
| Inventory (Note 7) | 3,558.7 | 2,829.5 |
| Intangibles, net (Note 3) | 61,643.4 | 11,478.9 |
| Other assets | 3,164.6 | 1,554.3 |
| Total Assets | $82,423.4 | $24,486.4 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Accounts payable | $ 1,163.3 | $ 544.4 |
| Accrued expenses and other | 3,747.9 | 2,276.9 |
| Accrued participations | 1,127.4 | 1,087.2 |
| Program rights | 782.6 | 196.9 |
| Current portion of long-term debt (Note 9) | 238.0 | 294.3 |
| Total current liabilities | 7,059.2 | 4,399.7 |
| Long-term debt (Note 9) | 12,638.9 | 5,697.7 |
| Other liabilities | 7,520.8 | 2,010.5 |
| Commitments and contingencies (Note 10) | | |
| Minority Interest | 7,009.2 | 1,246.5 |
| Stockholders' Equity: | | |
| Class A Common Stock, par value $.01 per share; 500.0 shares authorized; 138.9 (2000) and 139.7 (1999) shares issued | 1.4 | 1.4 |
| Class B Common Stock, par value $.01 per share; 3,000.0 shares authorized; 1,453.5 (2000) and 606.6 (1999) shares issued | 14.5 | 6.1 |
| Additional paid-in capital | 49,974.7 | 10,338.5 |
| Retained earnings | 1,401.4 | 2,247.9 |
| Accumulated other comprehensive loss (Note 1) | (125.7) | (30.2) |
| | 51,266.3 | 12,563.7 |
| Less treasury stock, at cost; 1.4 (2000 and 1999) Class A shares and 75.7 (2000) and 47.1 (1999) Class B shares | 3,071.0 | 1,431.7 |
| Total Stockholders' Equity | 48,195.3 | 11,132.0 |
| Total Liabilities and Stockholders' Equity | $82,423.4 | $24,486.4 |

See notes to consolidated financial statements.

VIACOM INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited; in millions)

| Nine Months ended September 30, | 2000 | 1999 |
|---|---|---|
| Net earnings (loss) | $ (846.5) | $ 200.9 |
| Adjustments to reconcile net earnings (loss) to net cash flow from operating activities | | |
| Non-cash merger-related charges | 415.0 | -- |
| Cumulative effect of change in accounting principle | 753.9 | -- |
| Depreciation and amortization | 1,460.5 | 615.8 |
| Distribution from affiliated companies | 32.4 | 23.2 |
| Equity in loss of affiliated companies | 71.4 | 38.1 |
| Change in operating assets and liabilities, net of effects of acquisitions | (741.8) | (1,166.3) |
| Net cash flow provided by (used for) operating activities | 1,144.9 | (288.3) |
| Investing Activities: | | |
| Acquisitions, net of cash acquired | (1,851.3) | (309.5) |
| Capital expenditures | (422.1) | (503.6) |
| Investments in and advances to affiliated companies | (125.2) | (106.8) |
| Proceeds from sales of short-term investments | 280.7 | 342.1 |
| Purchases of short-term investments | (83.4) | (280.2) |
| Other, net | 2.7 | 1.9 |
| Net cash flow used for investing activities | (2,198.6) | (856.1) |
| Financing Activities: | | |
| Borrowings from banks, including commercial paper, net | 1,526.1 | 2,494.2 |
| Proceeds from senior notes and debentures | 1,635.6 | -- |
| Purchase of treasury stock and warrants | (1,588.6) | (478.8) |
| Repayment of notes and debentures | (184.7) | (1,075.3) |
| Payment of capital lease obligations | (102.0) | (71.3) |
| Purchase of treasury stock by subsidiary | (82.8) | -- |
| Proceeds from exercise of stock options and warrants | 162.5 | 371.5 |
| Repurchase of preferred stock and dividend payments | -- | (619.8) |
| Net proceeds from issuance of subsidiary stock | -- | 430.7 |
| Other, net | (.5) | .1 |
| Net cash flow provided by financing activities | 1,365.6 | 1,051.3 |
| Net increase (decrease) in cash and cash equivalents | 311.9 | (93.1) |
| Cash and cash equivalents at beginning of the period | 680.8 | 767.3 |
| Cash and cash equivalents at end of period | $ 992.7 | $ 674.2 |
| Supplemental disclosure of cash flow information | | |
| Non-cash investing and financing activities: | | |
| Fair value of assets acquired | $ 61,553.6 | $ 310.3 |
| Fair value of liabilities assumed | (20,733.4) | (.8) |
| Cash paid, net of cash acquired | (1,851.3) | (309.5) |
| Impact on stockholders' equity | $ 38,968.9 | $ -- |
| Property and equipment acquired under capitalized leases | $ 82.9 | $ 136.8 |

See notes to consolidated financial statements.

VIACOM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular dollars in millions, except per share amounts)

## 1) BASIS OF PRESENTATION

Viacom Inc. ("Viacom" or the "Company") is a diversified entertainment company with operations in seven segments: (i) Cable Networks, (ii) Television, (iii) Infinity, (iv) Entertainment, (v) Video, (vi) Publishing and (vii) Online. On May 4, 2000, CBS Corporation ("CBS") merged with and into the Company and effective from this date, CBS' results of operations are included in the Company's consolidated results of operations (See Note 3).

The accompanying unaudited consolidated financial statements of the Company have been prepared pursuant to the rules of the Securities and Exchange Commission. These financial statements should be read in conjunction with the more detailed financial statements and notes thereto included in the Company's most recent annual report on Form 10-K.

In the opinion of management, the accompanying financial statements reflect all adjustments, consisting of only normal and recurring adjustments, except for the change in accounting principle, necessary for a fair presentation of the financial position and results of operations and cash flows of the Company for the periods presented. Operating results for the quarter are not necessarily indicative of the results that may be expected for the year ending December 31, 2000. Certain previously reported amounts have been reclassified to conform with the current presentation.

Use of Estimates -The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Earnings (Loss) per Common Share - Basic earnings per share ("EPS") is computed by dividing the net earnings (loss) attributable to common stock by the weighted average common shares outstanding during the period. Diluted EPS adjusts the basic weighted average common shares outstanding by the assumed conversion of convertible securities and exercise of stock options only in the periods in which such effect would have been dilutive. For the nine months ended September 30, 2000, incremental shares for stock options of 29.2 million were excluded from the computation of diluted EPS because their inclusion would be anti-dilutive. The table below presents a reconciliation of weighted average shares used in the calculation of basic and diluted EPS:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| Weighted average shares for basic EPS | 1,503.7 | 696.7 | 1,133.7 | 694.5 |
| Incremental shares for stock options & warrants | 40.8 | 12.8 | -- | 14.1 |
| Weighted average shares for diluted EPS | 1,544.5 | 709.5 | 1,133.7 | 708.6 |

(Tabular dollars in millions, except per share amounts)

Comprehensive Income (Loss) - Total comprehensive income (loss) for the Company includes net earnings (loss) and other comprehensive income items including unrealized gain (loss) on securities, cumulative translation adjustments and minimum pension liability adjustments.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| Net earnings (loss) | $ 33.4 | $ 96.7 | $(846.5) | $200.9 |
| Other comprehensive income (loss): | | | | |
| Unrealized gain (loss) on securities, net of tax | (21.3) | 2.7 | (32.6) | 6.3 |
| Cumulative translation adjustments, net of tax | (27.1) | 7.3 | (62.9) | 24.1 |
| Minimum pension liability adjustments, net of tax | -- | -- | -- | 4.2 |
| Comprehensive income (loss) | $(15.0) | $106.7 | $(942.0) | $235.5 |

Change in Accounting - In June 2000, the Company elected early adoption of Statement of Position 00-2, "Accounting by Producers or Distributors of Films" ("SOP 00-2"). SOP 00-2 established new film accounting standards, including changes in revenue recognition and accounting for advertising, development and overhead costs. Under the new accounting standard, all exploitation costs such as advertising expenses, marketing costs and video duplication costs for theatrical and television product will be expensed as incurred, whereas under the old accounting standards, these costs were capitalized and amortized over the products' lifetime. As a result of this early adoption in the second quarter of 2000, the Company recorded a one-time, pre-tax non-cash charge of $754 million ($452 million after-tax or $.40 per share). This charge has been reflected as a cumulative effect of a change in accounting principle, effective January 1, 2000, in the consolidated statement of operations for the nine months ended September 30, 2000. Under the SOP 00-2 for the nine months ended September 30, 2000, the Company reported lower operating results of approximately $41 million.

In June 2000, the Financial Accounting Standards Board ("FASB") issued Statement 139 ("SFAS 139") which rescinds FASB Statement 53 on financial reporting by motion picture film producers or distributors. SFAS 139 requires public companies to follow the guidance provided by SOP 00-2.

2) SUBSEQUENT EVENTS

On November 3, 2000, the Company announced an agreement to acquire Black Entertainment Television ("BET") for approximately $2.3 billion of Viacom Class B Common Stock plus the assumption of approximately $575 million of debt. The tax-free transaction is subject to customary regulatory approvals. The final exchange ratio will be based on the trading prices of Viacom Class B Common Stock during a measurement period immediately before the closing of the transaction, which is expected to occur in the first quarter of 2001.

On October 30, 2000, the Company and Infinity Broadcasting entered into a merger agreement under which the Company will acquire all the issued and outstanding shares of Infinity common stock that it does not currently own, approximately 36%, pursuant to a merger in which Viacom will exchange 0.592 of a share of Viacom Class B Common Stock for each share of Infinity Class A common stock. The Company's Board of Directors and Infinity's Board of Directors approved the merger agreement after approval by a special committee of Infinity's independent directors. The special committee was advised by separate legal and financial advisors. The Company expects the merger to be completed in the first quarter of 2001. As of October 30, 2000, there were 390.8 million shares of Infinity Class A common stock outstanding to shareholders other than the Company.

## 3) CBS MERGER

On May 4, 2000, CBS was merged with and into the Company (the "Merger"). The total purchase price of approximately $39.8 billion included approximately $37.7 billion for the issuance of 825.5 million shares of Viacom non-voting Class B Common Stock and 11,004 shares of Viacom Series C convertible preferred stock, which were subsequently converted into shares of Viacom non-voting Class B Common Stock, and approximately $1.9 billion for the fair value of CBS stock options assumed by Viacom and transaction costs. In addition, Viacom assumed approximately $3.7 billion of CBS debt.

The Merger was accounted for under the purchase method of accounting. CBS' results of operations are included in the Company's reported consolidated results of operations from the effective date of acquisition. The total cost to acquire CBS has been preliminarily allocated based on the estimated fair values of the assets acquired and liabilities assumed at the time of the Merger. The excess purchase price over the fair value of the tangible net assets acquired of approximately $50 billion was allocated to intangibles and is being amortized on a straight-line basis not to exceed 40 years. Included in this total are FCC licenses of approximately $9.3 billion. The final allocation of the purchase price will be based on comprehensive final evaluations of the fair value of CBS' tangible and identifiable intangible assets acquired and liabilities assumed.

The Company presently holds television stations which reach approximately 41% of United States television households (as calculated for this purpose under rules and regulations of the Federal Communications Commission (the "FCC"), which apply a 50% discount to the reach of UHF stations). These stations reach approximately 6% in excess of the 35% limit permitted by FCC regulations. In connection with FCC approval of the Merger, the Company was given one year to come into compliance with the limit. The Company was also provided with one year to come into compliance with the FCC's "dual network" rule, which prohibits the Company from owning and controlling both CBS and United Paramount Network ("UPN"). On June 20, 2000, the FCC released a Notice of Proposed Rule Making, in which it proposes to modify the dual network, the effect of which would be to permit the Company to own both CBS and UPN. Subsequent to September 30, 2000, the Company has entered into agreements relating to the sale of several radio stations, which, if consummated, will result in compliance with FCC requirements.

(Tabular dollars in millions, except per share amounts)

The unaudited condensed pro forma results of operations data presented below assumes the Merger, pre-merger CBS acquisitions, and other acquisitions, including UPN and the pending acquisition of Infinity Broadcasting's Class A common stock, had occurred as of January 1, 1999. The unaudited condensed pro forma results of operations were prepared based upon the historical consolidated results of operations of the Company and CBS prior to the Merger, adjusted to exclude the non-recurring merger-related charges and to reflect the adoption of the change in accounting principle as of January 1, 1999 (see Note 1). Financial results of CBS subsequent to the date of acquisition are included in the Company's financial statements. The pre-merger CBS acquisitions assumed to have been acquired January 1, 1999 are Infinity Outdoor, King World and two Texas television stations. The aggregate impact of other acquisitions was not material to consolidated results of operations.

| Pro Forma Results of Operations Data (unaudited) | Nine Months Ended September 30, 2000 | 1999 |
|---|---|---|
| Revenues | $17,353.6 | $15,991.9 |
| Net loss before discontinued operations, extraordinary loss and cumulative effect of change in accounting principle | $ (197.3) | $ (264.3) |
| Net earnings (loss) attributable to common stock | $ (647.1) | $ 76.2 |
| Basic and diluted earnings (loss) per common share: | | |
| Net loss before discontinued operations, extraordinary loss and cumulative effect of change in accounting principle | $ (.11) | $ (.16) |
| Net earnings (loss) | $ (.37) | $ .04 |

The pro forma financial information is presented for comparative purposes only and is not necessarily indicative of the operating results that actually would have occurred had the CBS, UPN, Infinity Outdoor, King World and television station transactions been consummated on January 1, 1999. In addition, these results are not intended to be a projection of future results and do not reflect any synergies that might be achieved from the combined operations.

4) MERGER-RELATED CHARGES

In the second quarter of 2000, Viacom recorded non-recurring merger-related charges of $698 million ($505 million after-tax or $.44 per share). These charges include non-cash charges of $415 million principally attributable to compensation for stock options and $283 million of cash payments and accrued liabilities for severance, transaction fees and costs associated with the integration of Viacom and CBS and the acquisition of UPN (see Note 3). As of September 30, 2000, the Company had paid and charged approximately $80 million against the severance liabilities, and $47 million against transaction fees and costs. The Company expects to substantially complete the activities by the end of the year 2000.

In the third quarter of 1999, the Company recorded a restructuring charge of $70.3 million primarily associated with the integration of the operations of Spelling Entertainment Group Inc. into Paramount Television, resulting in the elimination of duplicative sales forces and certain other back office functions. Included in this total were severance and employee related costs of $48.1 million, lease termination and other occupancy costs of $17.7 million and other exit costs of $4.5 million. As of September 30, 2000, the Company had paid and charged approximately $37.4 million against the severance liability, $11.7 million against lease termination and other occupancy costs, and $1.4 million against the other exit costs. The Company expects to complete the exit activities by the end of the year 2000.

(Tabular dollars in millions, except per share amounts)

5) OTHER ACQUISITIONS

On September 15, 2000, Infinity Broadcasting completed the acquisition of Memphis radio stations WMC-AM and WMC-FM from Raycom Media for approximately $76 million.

On August 24, 2000, Infinity Broadcasting Corporation ("Infinity Broadcasting"), a majority owned subsidiary of the Company, completed the acquisition of 18 radio stations from Clear Channel Communications, Inc. for $1.4 billion in an asset transaction. These stations are located in San Diego, Phoenix, Denver, Cleveland, Cincinnati, Orlando and Greensboro--Winston -Salem.

On July 1, 2000, Infinity Broadcasting completed the acquisition of Waterman Broadcasting Corporation of Texas ("Waterman Broadcasting") in exchange for approximately 2.7 million shares of Infinity Broadcasting Class A common stock valued at approximately $88 million. Waterman Broadcasting owns radio stations KTSA-AM and KTFM-FM in San Antonio, Texas.

During June 2000, Infinity Broadcasting completed its acquisitions of two international outdoor advertising businesses for approximately $490 million.

On March 31, 2000, the Company acquired the remaining 50% interest in UPN that it did not already own for $5 million and recorded approximately $76 million of goodwill. In the second quarter of 2000, the Company consolidated UPN's results of operations. Prior to this acquisition, the Company reported its proportionate share of net losses of UPN in "Equity in loss of affiliated companies, net of tax" in the Consolidated Statements of Operations.

6) INVESTMENTS IN AFFILIATED COMPANIES

The Company accounts for its investments in affiliated companies over which it has significant influence or ownership of 20% or more but less than or equal to 50% under the equity method. Such equity investments include several Internet-based companies. At September 30, 2000, the Company's total investment in affiliated companies was $851.7 million, of which $330.6 million represented the Internet-based companies, and is reflected in Other Assets in the Consolidated Balance Sheet. The following summarized unaudited financial information reflects the Internet equity investees' results of operations (results are on a one quarter lag).

Results of Operations Data
(unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| Revenues | $ 35.1 | $ 13.5 | $ 87.1 | $ 33.2 |
| Gross profit | 15.0 | 7.2 | 32.5 | 15.6 |
| Operating loss | (122.1) | (37.0) | (359.1) | (73.1) |
| Net loss | (123.3) | (36.7) | (357.2) | (72.1) |

At the date of acquisition, for equity investments in Internet-based companies, the Company typically records the investment at an amount equal to the cash consideration paid plus the fair value of the advertising and promotion time to be provided. The associated obligation to provide future advertising and promotion time is non-cash and is recorded as deferred revenue at an amount equal to the fair value of the advertising and promotion time to be provided. Any related deferred revenue balance is presented as a liability in the

Consolidated Balance Sheet. Deferred revenue is relieved and barter revenue is recognized as the related advertising and promotion time is delivered. Barter revenue of $23.0 million and $44.4 million has been recognized for the three and nine months ended September 30, 2000, respectively.

For equity investments, a difference typically exists between the initial investment and the proportionate share in the underlying net assets of these companies. This difference is being amortized over a five-year period and as of September 30, 2000 the unamortized difference is $304 million. The amortization expense of the Company's initial basis is presented as "Equity in loss of affiliated companies, net of tax" in the Consolidated Statements of Operations.

As of September 30, 2000, the Company's equity investments included three publicly traded Internet-based companies: Hollywood.com, Inc., MarketWatch.com, Inc. and Switchboard, Inc. Based upon quoted market prices at September 30, 2000, the aggregate carrying values of these investments exceeded their respective aggregate market values by approximately $122 million.

(Tabular dollars in millions, except per share amounts)

7) INVENTORY

| | At September 30, 2000 | At December 31, 1999 |
|---|---|---|
| Theatrical and television inventory: | | |
| Theatrical productions: | | |
| Released | $ 402.7 | $ 798.7 |
| Completed, not released | 9.3 | 0.8 |
| In process and other | 321.2 | 276.6 |
| Television productions: | | |
| Released | 774.9 | 1,039.4 |
| In process and other | 221.2 | 135.0 |
| Program rights | 2,057.9 | 1,434.4 |
| | 3,787.2 | 3,684.9 |
| Less current portion | 903.5 | 1,515.0 |
| | 2,883.7 | 2,169.9 |
| Merchandise inventory, including sell-through videocassettes | 286.4 | 338.0 |
| Videocassette rental inventory | 590.9 | 569.5 |
| Publishing, primarily finished goods | 74.6 | 70.4 |
| Other | 127.7 | 126.2 |
| | 1,079.6 | 1,104.1 |
| Less current portion | 404.6 | 444.5 |
| | 675.0 | 659.6 |
| Total Current Inventory | $1,308.1 | $1,959.5 |
| Total Non-Current Inventory | $3,558.7 | $2,829.5 |

8) STOCK REPURCHASE

During the first nine months of 2000, the Company repurchased 10,000 shares of its Class A Common Stock and 27.5 million shares of its Class B Common Stock under its stock repurchase programs for approximately $1.6 billion in the aggregate. Third quarter 2000 repurchases included in this total amounted to $340.6 million.

(Tabular dollars in millions, except per share amounts)

9) LONG-TERM DEBT

| | At September 30, 2000 | At December 31, 1999 |
|---|---|---|
| Long-term debt: | | |
| Notes payable to banks (including commercial paper) | $ 6,046.2 | $3,054.2 |
| Senior notes and debentures (5.875% - 9.75%, due 2000-2030) | 5,528.4 | 2,310.9 |
| Senior subordinated notes (8.875%-10.25%, due 2001-2007) | 704.8 | 35.3 |
| Subordinated exchange debentures (11.375%, due 2009) | 45.0 | -- |
| Obligations under capital leases | 552.5 | 591.6 |
| Total debt | 12,876.9 | 5,992.0 |
| Less current portion | 238.0 | 294.3 |
| Total long-term debt | $12,638.9 | $5,697.7 |

As a result of the CBS merger, Viacom assumed approximately $3.7 billion of CBS debt.

On March 28, 2000, the Viacom Credit Agreements were amended to allow for the merger of CBS with and into the Company. On April 17, 2000, the CBS credit agreement, which consists of a $1.5 billion revolving credit facility maturing August 29, 2001 and the existing Infinity credit agreement, which consists of a $1.5 billion revolving credit facility maturing August 29, 2001, were amended to allow for the merger of CBS with and into the Company. Borrowing rates under the CBS and Infinity facilities are determined at the time of each borrowing and are based generally on a floating rate index, the London Interbank Offer Rate ("LIBOR"), plus a margin based on the respective senior unsecured debt rating.

On May 3, 2000, Infinity Broadcasting entered into two new credit facilities, totaling $1.95 billion, comprised of a $1.45 billion 5-year revolving credit and a $500 million 364-day revolving credit. Borrowing rates under the facilities are determined at the time of each borrowing and are based generally on LIBOR plus a margin based on Infinity Broadcasting's senior unsecured debt rating.

The CBS and Infinity Broadcasting facilities contain certain covenants which, among other things, require that CBS and Infinity Broadcasting maintain certain financial ratios and impose on CBS and Infinity Broadcasting and their subsidiaries certain limitations on substantial asset sales and mergers with any other company in which CBS and Infinity Broadcasting are not the surviving entities.

The Company has a $4.0 billion commercial paper program. Borrowings under the program have maturities of less than a year and are supported by unused committed bank facilities. At September 30, 2000, the Company had borrowings under the program of approximately $1 billion.

On July 20, 2000, Infinity Broadcasting initiated a $3.25 billion commercial paper program. Borrowings under Infinity's commercial paper program are short-term in nature and have been and will be used primarily to finance acquisitions or refinance existing debt. At September 30, 2000, Infinity Broadcasting had borrowings under the commerical paper program of approximately $2.5 billion.

On August 1, 2000, the Company issued $1.15 billion of 7.70% unsecured senior notes due July 30, 2010 and $500 million of 7.875% unsecured senior debentures due July 30, 2030; interest on the senior notes and debentures will be payable semi-annually. Proceeds from the debt issuance were used to repay bank debt, including commercial paper. The senior notes and debentures are redeemable at any time at their principal amount plus the applicable premium and accrued interest.

## 10) COMMITMENTS AND CONTINGENCIES

There are various lawsuits and claims pending against the Company relating to its ongoing and discontinued operations. Some of these lawsuits and claims, including those related to asbestos liabilities, seek substantial monetary damages. Management believes that any ultimate liability resulting from those actions or claims will not have a material adverse effect on the Company's results of operations, financial position or liquidity.

The Company is a defendant in numerous lawsuits claiming various asbestos-related personal injuries, which allegedly occurred from use or inclusions of asbestos in certain products supplied by previously divested industrial businesses, generally in the pre-1970 time period. Typically, these lawsuits are brought against multiple defendants. The Company was neither a manufacturer nor a producer of asbestos. At September 30, 2000 the Company had approximately 140,872 unresolved claims pending.

The Company has brought suit against certain of its insurance carriers with respect to these asbestos claims. Under the terms of a settlement agreement resulting from this suit, carriers that have agreed to the settlement are now reimbursing the Company for a substantial portion of its current costs and settlement associated with asbestos claims. The Company has recorded a liability (in Other Liabilities) reflecting its best estimate of its asbestos liability exposure. The Company has also separately recorded an asset reflected in Other assets in the Consolidated Balance Sheet equal to the amount of such estimated liability that will be recovered pursuant to agreements with insurance carriers.

The Company and certain of its subsidiaries and affiliates from time to time receive claims from federal and state environmental regulatory agencies and other entities asserting that they are or may be liable for environmental cleanup costs and related damages, principally relating to discontinued operations conducted by its former mining and industrial businesses (acquired as part of the Company's mergers). The Company's liabilities reflect management's best estimate of its environmental exposure. Such liability was not discounted or reduced by potential insurance recoveries and reflects management's estimate of cost sharing at multiparty sites. The estimated liability was calculated based upon currently available facts, existing technology and presently enacted laws and regulations. On the basis of its experience and the information currently available to it, the Company believes that the claims it has received will not have a material adverse effect on its results of operations, financial position or liquidity.

The commitments of the Company for program license fees, estimated to aggregate approximately $15.2 billion, are not reflected in the balance sheet as of September 30, 2000. These commitments include approximately $10.9 billion for the acquisition of sports programming rights. A majority of such fees are payable over several years, as part of normal programming expenditures.

## 11) PROVISION FOR INCOME TAXES

The provision for income taxes represents federal, state and foreign income taxes on earnings before income taxes. The estimated annual effective tax rates of 76.7% for 2000 excluding the 2000 merger-related charges of $698 million, and 51.6% for 1999 were adversely affected by amortization of intangibles in excess of the amounts deductible for tax purposes. The post merger 2000 estimated annual effective tax rate of 81% has been adversely affected by additional nondeductible amortization. Excluding the non-deductible amortization of intangibles, the estimated annual effective tax rates would have been 38.8% for 2000 and 35.9% for 1999.

(Tabular dollars in millions, except per share amounts)

## 12) OPERATING SEGMENTS

The following tables set forth the Company's financial performance by reportable operating segment. As a result of the merger with CBS, the segment information reflects a new organizational structure. Prior period information for Viacom has been reclassified to conform to the new structure. Intersegment sales are recorded at fair market value as if the sales were to third parties and are eliminated in consolidation. Intersegment sales were not material for the periods presented. Residual costs of discontinued businesses primarily include pension and postretirement benefit costs for benefit plans retained by CBS for previously divested industrial businesses. The Company evaluates performance based on many factors; one of the primary measures is EBITDA, defined as operating income before depreciation and amortization. The Company believes that EBITDA is an appropriate measure of evaluating the operating performance of its segments. However, EBITDA should be considered in addition to, not as a substitute for or superior to, operating income, net earnings, cash flows, and other measures of financial performance prepared in accordance with generally accepted accounting principles ("GAAP"). As EBITDA is not a measure of performance calculated in accordance with GAAP, this measure may not be comparable to similarly titled measures employed by other companies.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| Revenues: | | | | |
| Cable Networks | $1,008.9 | $ 752.6 | $ 2,714.3 | $2,120.8 |
| Television | 1,848.2 | 603.2 | 3,654.7 | 1,682.9 |
| Infinity | 1,025.8 | -- | 1,698.4 | -- |
| Entertainment | 791.7 | 775.9 | 2,084.8 | 1,976.2 |
| Video | 1,193.8 | 1,112.8 | 3,619.3 | 3,267.5 |
| Publishing | 167.0 | 162.2 | 413.0 | 430.7 |
| Online | 28.1 | 6.6 | 63.9 | 16.5 |
| Intercompany eliminations | (101.5) | (81.3) | (348.1) | (208.2) |
| Total Revenues | $5,962.0 | $3,332.0 | $13,900.3 | $9,286.4 |

(Tabular dollars in millions, except per share amounts)

| | Three Months Ended September 30, 2000 | Three Months Ended September 30, 1999 | Nine Months Ended September 30, 2000 | Nine Months Ended September 30, 1999 |
|---|---|---|---|---|
| EBITDA: | | | | |
| Cable Networks | $ 425.8 | $ 285.1 | $ 1,019.5 | $ 705.9 |
| Television | 369.2 | 26.3 | 669.5 | 185.4 |
| Infinity | 468.3 | -- | 792.4 | -- |
| Entertainment | 174.9 | 136.9 | 344.0 | 332.3 |
| Video | 119.1 | 129.9 | 382.6 | 379.5 |
| Publishing | 27.6 | 22.0 | 34.4 | 44.6 |
| Online | (53.1) | (15.5) | (143.6) | (22.5) |
| Segment Total | 1,531.8 | 584.7 | 3,098.8 | 1,625.2 |
| Corporate Expenses/Eliminations | (62.6) | (44.8) | (868.6) | (128.4) |
| Residual cost of discontinued operations | (29.0) | -- | (47.6) | -- |
| Total EBITDA | 1,440.2 | 539.9 | 2,182.6 | 1,496.8 |
| Depreciation and amortization | (680.3) | (218.7) | (1,460.5) | (615.8) |
| Total Operating Income | $ 759.9 | $ 321.2 | $ 722.1 | $ 881.0 |

| | At September 30, 2000 | At December 31, 1999 |
|---|---|---|
| Total Assets: | | |
| Cable Networks | $ 7,582.9 | $ 3,138.1 |
| Television | 24,305.0 | 5,817.2 |
| Infinity | 33,713.3 | -- |
| Entertainment | 4,754.4 | 4,826.5 |
| Video | 8,276.2 | 8,475.6 |
| Publishing | 948.6 | 948.1 |
| Online | 756.4 | 162.1 |
| Segment Total | 80,336.8 | 23,367.6 |
| Corporate/Eliminations | 2,086.6 | 1,118.8 |
| Total Assets | $82,423.4 | $24,486.4 |

(Tabular dollars in millions, except per share amounts)

13) CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

Viacom International Inc. ("Viacom International") is a wholly owned subsidiary of the Company. The Company has fully and unconditionally guaranteed Viacom International debt securities. The Company has determined that separate financial statements and other disclosures concerning Viacom International are not material to investors. The following condensed consolidating financial statements present the results of operations, financial position and cash flows of the Company, Viacom International (in each case, carrying investments in Non-Guarantor Affiliates under the equity method), the direct and indirect Non-Guarantor Affiliates of the Company, and the eliminations necessary to arrive at the information for the Company on a consolidated basis. Certain prior year equity eliminations have been reclassified to conform to the current period presentation.

| | Three Months Ended September 30, 2000 | | | | |
|---|---|---|---|---|---|
| | Viacom Inc. | Viacom International | Non-Guarantor Affiliates | Eliminations | Viacom Inc. Consolidated |
| Revenues | $ 8.1 | $ 609.3 | $5,349.2 | $(4.6) | $5,962.0 |
| Expenses: | | | | | |
| Operating | 7.5 | 184.0 | 3,163.6 | (2.6) | 3,352.5 |
| Selling, general and administrative | (.1) | 192.8 | 976.6 | -- | 1,169.3 |
| Depreciation and amortization | .9 | 31.1 | 648.3 | -- | 680.3 |
| Total expenses | 8.3 | 407.9 | 4,788.5 | (2.6) | 5,202.1 |
| Operating income (loss) | (.2) | 201.4 | 560.7 | (2.0) | 759.9 |
| Other income (expense): | | | | | |
| Interest expense, net | (146.4) | 16.9 | (102.2) | -- | (231.7) |
| Other items, net | (6.3) | 13.9 | (7.1) | -- | .5 |
| Earnings (loss) before income taxes | (152.9) | 232.2 | 451.4 | (2.0) | 528.7 |
| Benefit (provision) for income taxes | 61.2 | 10.5 | (495.9) | -- | (424.2) |
| Equity in earnings (loss) of affiliated companies, net of tax | 125.1 | (120.0) | (52.3) | 3.2 | (44.0) |
| Minority interest, net of tax | -- | 2.4 | (29.5) | -- | (27.1) |
| Net earnings (loss) | $ 33.4 | $ 125.1 | $ (126.3) | $ 1.2 | $ 33.4 |

(Tabular dollars in millions, except per share amounts)

| | Nine Months Ended September 30, 2000 | | | | |
|---|---|---|---|---|---|
| | Viacom Inc. | Viacom International | Non-Guarantor Affiliates | Eliminations | Viacom Inc. Consolidated |
| Revenues | $ 28.0 | $1,745.4 | $12,197.1 | $ (70.2) | $13,900.3 |
| Expenses: | | | | | |
| Operating | 25.7 | 571.1 | 7,650.8 | (33.9) | 8,213.7 |
| Selling, general and administrative | 1.9 | 636.3 | 2,167.3 | -- | 2,805.5 |
| Merger-related charges | -- | 650.0 | 48.5 | -- | 698.5 |
| Depreciation and amortization | 2.5 | 101.6 | 1,356.4 | -- | 1,460.5 |
| Total expenses | 30.1 | 1,959.0 | 11,223.0 | (33.9) | 13,178.2 |
| Operating income (loss) | (2.1) | (213.6) | 974.1 | (36.3) | 722.1 |
| Other income (expense): | | | | | |
| Interest expense, net | (354.5) | 45.1 | (214.8) | -- | (524.2) |
| Other items, net | (21.9) | 23.2 | (15.8) | -- | (14.5) |
| Earnings (loss) before income taxes | (378.5) | (145.3) | 743.5 | (36.3) | 183.4 |
| Benefit (provision) for income taxes | 151.5 | 63.1 | (684.8) | -- | (470.2) |
| Equity in loss of affiliated companies, net of tax | (619.5) | (545.4) | (99.1) | 1,192.6 | (71.4) |
| Minority interest, net of tax | -- | 8.1 | (44.1) | -- | (36.0) |
| Net loss before cumulative effect of change in accounting principle | (846.5) | (619.5) | (84.5) | 1,156.3 | (394.2) |
| Cumulative effect of change in accounting principle, net of tax | -- | -- | (452.3) | -- | (452.3) |
| Net loss | $(846.5) | $ (619.5) | $ (536.8) | $1,156.3 | $ (846.5) |

(Tabular dollars in millions, except per share amounts)

| | Three Months Ended September 30, 1999 | | | | |
|---|---|---|---|---|---|
| | Viacom Inc. | Viacom International | Non-Guarantor Affiliates | Eliminations | Viacom Inc. Consolidated |
| Revenues | $ 7.8 | $538.1 | $2,890.0 | $(103.9) | $3,332.0 |
| Expenses: | | | | | |
| Operating | 7.5 | 175.7 | 2,033.9 | (97.8) | 2,119.3 |
| Selling, general and administrative | .3 | 170.8 | 431.4 | -- | 602.5 |
| Restructuring charge | -- | -- | 70.3 | -- | 70.3 |
| Depreciation and amortization | .9 | 24.0 | 193.8 | -- | 218.7 |
| Total expenses | 8.7 | 370.5 | 2,729.4 | (97.8) | 3,010.8 |
| Operating income (loss) | (.9) | 167.6 | 160.6 | (6.1) | 321.2 |
| Other income (expense): | | | | | |
| Interest expense, net | (90.8) | 12.9 | (32.6) | -- | (110.5) |
| Other items, net | (5.1) | (4.1) | 6.8 | -- | (2.4) |
| Earnings (loss) before income taxes | (96.8) | 176.4 | 134.8 | (6.1) | 208.3 |
| Benefit (provision) for income taxes | 39.7 | (72.4) | (60.5) | -- | (93.2) |
| Equity in earnings (loss) of affiliated companies, net of tax | 168.0 | 63.3 | (9.0) | (226.1) | (3.8) |
| Minority interest, net of tax | -- | .7 | (1.1) | -- | (.4) |
| Net earnings before extraordinary loss | 110.9 | 168.0 | 64.2 | (232.2) | 110.9 |
| Extraordinary loss, net of tax | (14.2) | -- | -- | -- | (14.2) |
| Net earnings | $ 96.7 | $168.0 | $ 64.2 | $(232.2) | $ 96.7 |

(Tabular dollars in millions, except per share amounts)

| | Nine Months Ended September 30, 1999 | | | | |
|---|---|---|---|---|---|
| | Viacom Inc. | Viacom International | Non-Guarantor Affiliates | Eliminations | Viacom Inc. Consolidated |
| Revenues | $ 27.1 | $1,475.8 | $8,004.4 | $(220.9) | $9,286.4 |
| Expenses: | | | | | |
| Operating | 26.0 | 482.6 | 5,713.1 | (214.8) | 6,006.9 |
| Selling, general and administrative | 1.5 | 529.2 | 1,181.7 | -- | 1,712.4 |
| Restructuring charge | -- | -- | 70.3 | -- | 70.3 |
| Depreciation and amortization | 2.7 | 68.0 | 545.1 | -- | 615.8 |
| Total expenses | 30.2 | 1,079.8 | 7,510.2 | (214.8) | 8,405.4 |
| Operating income (loss) | (3.1) | 396.0 | 494.2 | (6.1) | 881.0 |
| Other income (expense): | | | | | |
| Interest expense, net | (268.2) | 63.1 | (105.8) | -- | (310.9) |
| Other items, net | (15.6) | .9 | 17.6 | -- | 2.9 |
| Earnings (loss) before income taxes | (286.9) | 460.0 | 406.0 | (6.1) | 573.0 |
| Benefit (provision) for income taxes | 117.6 | (188.6) | (224.6) | -- | (295.6) |
| Equity in earnings (loss) of affiliated companies, net of tax | 407.6 | 135.8 | (52.8) | (528.7) | (38.1) |
| Minority interest, net of tax | -- | .7 | (1.4) | -- | (.7) |
| Net earnings before extraordinary loss | 238.3 | 407.9 | 127.2 | (534.8) | 238.6 |
| Extraordinary loss, net of tax | (37.4) | (.3) | -- | -- | (37.7) |
| Net earnings | 200.9 | 407.6 | 127.2 | (534.8) | 200.9 |
| Cumulative convertible preferred stock dividend requirement | (.4) | -- | -- | -- | (.4) |
| Premium on repurchase of preferred stock | (12.0) | -- | -- | -- | (12.0) |
| Net earnings attributable to common stock | $ 188.5 | $ 407.6 | $ 127.2 | $(534.8) | $ 188.5 |

(Tabular dollars in millions, except per share amounts)

| | At September 30, 2000 | | | | |
|---|---|---|---|---|---|
| | Viacom Inc. | Viacom International | Non-Guarantor Affiliates | Eliminations | Viacom Inc. Consolidated |
| **Assets** | | | | | |
| Cash and cash equivalents | $ 101.5 | $ 503.9 | $ 387.3 | $ -- | $ 992.7 |
| Receivables, net | 8.7 | 355.4 | 3,304.3 | (166.5) | 3,501.9 |
| Inventory | 9.5 | 229.7 | 1,068.9 | -- | 1,308.1 |
| Other current assets | 1.5 | 652.8 | 1,062.8 | -- | 1,717.1 |
| Total current assets | 121.2 | 1,741.8 | 5,823.3 | (166.5) | 7,519.8 |
| Property and equipment | 13.5 | 739.4 | 8,069.4 | -- | 8,822.3 |
| Less accumulated depreciation and amortization | 4.8 | 311.8 | 1,968.8 | -- | 2,285.4 |
| Net property and equipment | 8.7 | 427.6 | 6,100.6 | -- | 6,536.9 |
| Inventory | -- | 536.5 | 3,041.4 | (19.2) | 3,558.7 |
| Intangibles, at amortized cost | 104.1 | 651.9 | 60,887.4 | -- | 61,643.4 |
| Investments in consolidated subsidiaries | 45,364.1 | 14,266.7 | -- | (59,630.8) | -- |
| Other assets | 66.9 | 2,537.2 | 695.6 | (135.1) | 3,164.6 |
| Total Assets | $ 45,665.0 | $20,161.7 | $76,548.3 | $(59,951.6) | $82,423.4 |
| **Liabilities and Stockholders' Equity** | | | | | |
| Accounts payable | $ -- | $ 10.2 | $ 1,209.0 | $ (55.9) | $ 1,163.3 |
| Accrued expenses and other | 156.1 | 2,187.4 | 2,395.4 | (208.4) | 4,530.5 |
| Accrued participations | -- | -- | 1,129.1 | (1.7) | 1,127.4 |
| Current portion of long-term debt | -- | 8.4 | 229.6 | -- | 238.0 |
| Total current liabilities | 156.1 | 2,206.0 | 4,963.1 | (266.0) | 7,059.2 |
| Long-term debt | 6,530.2 | 831.3 | 5,277.4 | -- | 12,638.9 |
| Other liabilities | (13,433.6) | 2,618.1 | 14,506.2 | 3,830.1 | 7,520.8 |
| Minority interest | -- | 162.2 | 6,847.0 | -- | 7,009.2 |
| Stockholders' Equity: | | | | | |
| Preferred Stock | -- | 104.1 | 20.4 | (124.5) | -- |
| Common Stock | 15.9 | 185.7 | 504.0 | (689.7) | 15.9 |
| Additional paid-in capital | 49,974.7 | 9,238.8 | 45,045.1 | (54,283.9) | 49,974.7 |
| Retained earnings | 5,492.7 | 4,802.6 | (476.3) | (8,417.6) | 1,401.4 |
| Accumulated other comprehensive income (loss) | -- | 12.9 | (138.6) | -- | (125.7) |
| | 55,483.3 | 14,344.1 | 44,954.6 | (63,515.7) | 51,266.3 |
| Less treasury stock, at cost | 3,071.0 | -- | -- | -- | 3,071.0 |
| Total stockholders' equity | 52,412.3 | 14,344.1 | 44,954.6 | (63,515.7) | 48,195.3 |
| Total Liabilities and Stockholders' Equity | $ 45,665.0 | $20,161.7 | $76,548.3 | $(59,951.6) | $82,423.4 |

(Tabular dollars in millions, except per share amounts)

| | At December 31, 1999 | | | | |
|---|---|---|---|---|---|
| | Viacom Inc. | Viacom International | Non-Guarantor Affiliates | Eliminations | Viacom Inc. Consolidated |
| Assets | | | | | |
| Cash and cash equivalents | $ 81.6 | $ 486.0 | $ 113.2 | $ -- | $ 680.8 |
| Receivables, net | 10.9 | 340.4 | 1,441.7 | (95.6) | 1,697.4 |
| Inventory | 10.9 | 250.4 | 1,698.2 | -- | 1,959.5 |
| Other current assets | 2.8 | 172.6 | 685.3 | -- | 860.7 |
| Total current assets | 106.2 | 1,249.4 | 3,938.4 | (95.6) | 5,198.4 |
| Property and equipment | 13.4 | 684.5 | 4,558.0 | -- | 5,255.9 |
| Less accumulated depreciation and amortization | 3.8 | 242.6 | 1,584.2 | -- | 1,830.6 |
| Net property and equipment | 9.6 | 441.9 | 2,973.8 | -- | 3,425.3 |
| Inventory | -- | 365.2 | 2,464.3 | -- | 2,829.5 |
| Intangibles, at amortized cost | 106.4 | 647.1 | 10,725.4 | -- | 11,478.9 |
| Investments in consolidated subsidiaries | 6,829.2 | 14,891.0 | -- | (21,720.2) | -- |
| Other assets | 58.0 | 204.7 | 1,411.0 | (119.4) | 1,554.3 |
| Total Assets | $ 7,109.4 | $17,799.3 | $21,512.9 | $(21,935.2) | $24,486.4 |
| Liabilities and Stockholders' Equity | | | | | |
| Accounts payable | $ 0.1 | $ 9.0 | $ 578.6 | $ (43.3) | $ 544.4 |
| Accrued expenses and other | 15.3 | 1,637.3 | 1,441.6 | (620.4) | 2,473.8 |
| Accrued participations | -- | -- | 1,109.1 | (21.9) | 1,087.2 |
| Current portion of long-term debt | -- | 17.7 | 276.6 | -- | 294.3 |
| Total current liabilities | 15.4 | 1,664.0 | 3,405.9 | (685.6) | 4,399.7 |
| Long-term debt | 3,262.1 | 1,013.4 | 1,422.2 | -- | 5,697.7 |
| Other liabilities | (11,421.6) | 1,889.6 | 7,339.9 | 4,202.6 | 2,010.5 |
| Minority interest | -- | 144.4 | 1,102.1 | -- | 1,246.5 |
| Stockholders' equity: | | | | | |
| Preferred Stock | -- | 104.1 | 20.4 | (124.5) | -- |
| Common Stock | 7.5 | 185.7 | 495.4 | (681.1) | 7.5 |
| Additional paid-in capital | 10,338.5 | 7,342.3 | 7,739.4 | (15,081.7) | 10,338.5 |
| Retained earnings | 6,339.2 | 5,422.7 | 50.9 | (9,564.9) | 2,247.9 |
| Accumulated other comprehensive income (loss) | -- | 33.1 | (63.3) | -- | (30.2) |
| | 16,685.2 | 13,087.9 | 8,242.8 | (25,452.2) | 12,563.7 |
| Less treasury stock, at cost | 1,431.7 | -- | -- | -- | 1,431.7 |
| Total stockholders' equity | 15,253.5 | 13,087.9 | 8,242.8 | (25,452.2) | 11,132.0 |
| Total Liabilities and Stockholders' Equity | $ 7,109.4 | $17,799.3 | $21,512.9 | $(21,935.2) | $24,486.4 |

(Tabular dollars in millions, except per share amounts)

| | Nine Months Ended September 30, 2000 | | | | |
|---|---|---|---|---|---|
| | Viacom Inc. | Viacom International | Non-Guarantor Affiliates | Eliminations | Viacom Inc. Consolidated |
| Net cash flow (used for) provided by operating activities | $ (46.4) | $ 80.3 | $ 1,111.0 | $ -- | $ 1,144.9 |
| Investing Activities: | | | | | |
| Acquisitions, net of cash acquired | -- | -- | (1,851.3) | -- | (1,851.3) |
| Capital expenditures | -- | (27.0) | (395.1) | -- | (422.1) |
| Investments in and advances to affiliated companies | -- | (7.6) | (117.6) | -- | (125.2) |
| Proceeds from sales of short-term investments | -- | 55.7 | 225.0 | -- | 280.7 |
| Purchases of short-term investments | -- | (83.4) | -- | -- | (83.4) |
| Other, net | -- | (13.4) | 16.1 | -- | 2.7 |
| Net cash flow used for investing activities | -- | (75.7) | (2,122.9) | -- | (2,198.6) |
| Financing Activities: | | | | | |
| Borrowings from banks, including commercial paper, net | 1.1 | -- | 1,525.0 | -- | 1,526.1 |
| Proceeds from senior notes and debentures | 1,635.3 | -- | .3 | -- | 1,635.6 |
| Purchase of treasury stock | (1,588.6) | -- | -- | -- | (1,588.6) |
| Repayment of notes and debentures | -- | (160.6) | (24.1) | -- | (184.7) |
| Payment of capital lease obligations | -- | (25.2) | (76.8) | -- | (102.0) |
| Purchase of treasury stock by subsidiary | -- | -- | (82.8) | -- | (82.8) |
| Increase (decrease) in intercompany payables | (144.0) | 199.1 | (55.1) | -- | -- |
| Proceeds from exercise of stock options and warrants | 162.5 | -- | -- | -- | 162.5 |
| Other, net | -- | -- | (.5) | -- | (.5) |
| Net cash flow provided by financing activities | 66.3 | 13.3 | 1,286.0 | | 1,365.6 |
| Net increase in cash and cash equivalents | 19.9 | 17.9 | 274.1 | -- | 311.9 |
| Cash and cash equivalents at beginning of period | 81.6 | 486.0 | 113.2 | -- | 680.8 |
| Cash and cash equivalents at end of period | $ 101.5 | $ 503.9 | $ 387.3 | $ -- | $ 992.7 |

(Tabular dollars in millions, except per share amounts)

| | Nine Months Ended September 30, 1999 | | | | |
|---|---|---|---|---|---|
| | Viacom Inc. | Viacom International | Non-Guarantor Affiliates | Eliminations | Viacom Inc. Consolidated |
| Net cash flow provided by (used for) operating activities | $ 384.3 | $(361.0) | $ (311.6) | $ -- | $ (288.3) |
| Investing Activities: | | | | | |
| Acquisitions, net of cash acquired | (180.2) | -- | (129.3) | -- | (309.5) |
| Capital expenditures | -- | (71.8) | (431.8) | -- | (503.6) |
| Investments in and advances to Affiliated companies | -- | (19.9) | (86.9) | -- | (106.8) |
| Proceeds from sales of short-term investments | -- | 342.1 | -- | -- | 342.1 |
| Purchases of short-term investments | -- | (280.2) | -- | -- | (280.2) |
| Other, net | -- | -- | 1.9 | -- | 1.9 |
| Net cash flow used for investing activities | (180.2) | (29.8) | (646.1) | -- | (856.1) |
| Financing Activities: | | | | | |
| Borrowings from banks, net | 1,297.0 | -- | 1,197.2 | -- | 2,494.2 |
| Purchase of treasury stock and warrants | (478.8) | -- | -- | -- | (478.8) |
| Repayment of notes and debentures | (1,073.8) | (1.5) | -- | -- | (1,075.3) |
| Payment of capital lease obligations | -- | (22.6) | (48.7) | -- | (71.3) |
| Proceeds from exercise of stock options and warrants | 371.5 | -- | -- | -- | 371.5 |
| Repurchase of preferred stock and dividend payments | (619.8) | -- | -- | -- | (619.8) |
| Increase (decrease) in intercompany payables | (72.7) | 705.2 | (632.5) | -- | -- |
| Net proceeds from issuance of subsidiary stock | -- | -- | 430.7 | -- | 430.7 |
| Other, net | .1 | -- | -- | -- | .1 |
| Net cash provided by (used for) financing activities | (576.5) | 681.1 | 946.7 | -- | 1,051.3 |
| Net increase (decrease) in cash and cash equivalents | (372.4) | 290.3 | (11.0) | -- | (93.1) |
| Cash and cash equivalents at beginning of period | 406.4 | 189.5 | 171.4 | -- | 767.3 |
| Cash and cash equivalents at end of period | $ 34.0 | $ 479.8 | $ 160.4 | $ -- | $ 674.2 |

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis of the consolidated financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and related Notes.

The third quarter of 2000 represents the first full quarter of combined results of operations of the Company with CBS, as the merger was completed in May of 2000. Other significant transactions, which occurred in the second quarter of 2000, and affect the comparability of historical results, are listed below:

- The Company acquired the remaining 50% interest in UPN that it did not already own.
- The Company recorded one-time merger-related pre-tax charges of $698 million associated with the CBS and UPN acquisitions.
- The Company elected early adoption of the new accounting standard for accounting for motion pictures, resulting in a one-time, pre-tax non-cash charge of $754 million.

In order to enhance comparability, the following discussion of the Company's results of operations is supplemented by pro forma financial information that gives effect to the CBS merger and other acquisitions (including significant acquisitions made by CBS prior to the completion of the merger) as if they had occurred at the beginning of each period presented, excludes non-recurring items and reflects the adoption of the change in accounting as of January 1, 1999. The pro forma results are presented for informational purposes only and are not indicative of the operating results that would have occurred had the transactions actually occurred at the beginning of 1999, nor are they necessarily indicative of future operating results.

The table below presents the Company's total revenues and total operating income, as reported and on a pro forma basis for the three and nine months ended September 30, 2000 and 1999, respectively:

| | Three Months ended September 30, | | Percent B/(W) | Nine Months ended September 30, | | Percent B/(W) |
|---|---|---|---|---|---|---|
| | 2000 | 1999 | | 2000 | 1999 | |
| Total Revenues: | | | | | | |
| As Reported | $5,962.0 | $3,332.0 | 79% | $13,900.3 | $ 9,286.4 | 50% |
| Pro Forma | $5,971.6 | $5,580.9 | 7% | $17,353.6 | $15,991.9 | 9% |
| Total Operating Income: | | | | | | |
| As Reported | $ 759.9 | $ 321.2 | 137% | $ 722.1 | $ 881.0 | (18%) |
| Pro Forma | $ 761.2 | $ 521.7 | 46% | $ 1,565.7 | $ 1,102.4 | 42% |

## EBITDA

EBITDA is defined as operating income (loss) before depreciation and amortization. EBITDA does not reflect the effect of significant amounts of amortization of goodwill related to business combinations accounted for under the purchase method. While many in the financial community consider EBITDA to be an important measure of comparative operating performance, it should be considered in addition to, not as a substitute for or superior to, operating income, net earnings, cash flow and other measures of financial performance prepared in accordance with generally accepted accounting principles ("GAAP"). As EBITDA is not a measure of performance calculated in accordance with GAAP, this measure may not be comparable to similarly titled measures employed by other companies. Pro forma EBITDA gives effect to the CBS merger and other acquisitions (including significant acquisitions made by CBS prior to the completion of the merger) as if they had occurred at the beginning of each period presented, excludes non-recurring items and reflects the adoption of the change in accounting as of January 1, 1999.

| | Three Months ended September 30, | | Percent B/(W) | Nine Months ended September 30, | | Percent B/(W) |
|---|---|---|---|---|---|---|
| | 2000 | 1999 | | 2000 | 1999 | |
| Total EBITDA: | | | | | | |
| As Reported | $1,440.2 | $ 539.9 | 167% | $2,182.6 | $1,496.8 | 46% |
| Pro Forma | $1,445.1 | $1,183.1 | 22% | $3,654.9 | $3,089.4 | 18% |

## Results of Operations

On a reported basis, revenues increased 79% to $6.0 billion and 50% to $13.9 billion for the three and nine months ended September 30, 2000, respectively, from $3.3 billion and $9.3 billion for the same prior-year periods. Reported operating results for the third quarter and nine months are not comparable with prior-year periods due to the CBS merger, merger-related charges and other non-recurring items.

On a pro forma basis, revenues increased 7% to $6.0 billion and 9% to $17.4 billion for the three and nine months ended September 30, 2000, respectively, from $5.6 billion and $16.0 billion for the same prior-year periods. Revenue increases were driven by third quarter double digit advertising sales increases at Infinity, Cable Networks and Television segments. The Video segment also contributed to the revenue increases with the increase in the number of company-operated stores.

EBITDA, on a pro forma basis, increased 22% to $1.4 billion and 18% to $3.7 billion for the three and nine months ended September 30, 2000, respectively, from $1.2 billion and $3.1 billion for the same prior-year periods. EBITDA growth outpaced revenue growth for both periods presented primarily due to increased margins on the additional revenues.

## Segment Results of Operations

Cable Networks (MTV Networks ("MTVN") including MTV, VH1, Nickelodeon, Nick at Nite, TV Land, TNN and CMT; and Showtime Networks, Inc. ("SNI"))

| | Three Months Ended September 30, | | Percent B/(W) | Nine Months Ended September 30, | | Percent B/(W) |
|---|---|---|---|---|---|---|
| | 2000 | 1999 | | 2000 | 1999 | |
| As Reported: | | | | | | |
| Revenues | $1,008.9 | $ 752.6 | 34% | $2,714.3 | $2,120.8 | 28% |
| Operating income | $ 349.9 | $ 255.0 | 37 | $ 859.4 | $ 617.8 | 39 |
| EBITDA | $ 425.8 | $ 285.1 | 49 | $1,019.5 | $ 705.9 | 44 |
| Pro Forma: | | | | | | |
| Revenues | $1,008.9 | $889.4 | 13% | $2,901.6 | $2,544.1 | 14% |
| Operating income | $ 349.9 | $271.4 | 29 | $ 878.0 | $ 676.6 | 30 |
| EBITDA | $ 425.8 | $345.9 | 23 | $1,090.8 | $ 886.9 | 23 |

For the third quarter of 2000, MTVN revenues of $739.9 million, EBITDA of $375.1 million and operating income of $298.1 million increased 34%, 49% and 32%, respectively, over the third quarter of 1999. For the nine months ended September 30, 2000, MTVN revenues of $2.0 billion, EBITDA of $888.5 million and operating income of $741.1 million increased 30%, 45% and 37%, respectively, over the same nine-month period last year. For the third quarter of 2000, MTVN pro forma revenues of $739.9 million increased 13% as compared with $652.3 million of pro forma revenues for the third quarter of 1999 and pro forma EBITDA of $375.1 million increased 24% as compared with pro forma EBITDA of $302.3 million for the prior-year period. For the nine months ended September 30, 2000, MTVN pro forma revenues of $2.1 billion and pro forma EBITDA of $951.3 million increased 16% and 23%, respectively, over the same prior-year period pro forma revenues of $1.8 billion and EBITDA of $772.9 million. The increase in MTVN's pro forma revenues principally reflects higher worldwide advertising revenues of 11% and 18% and higher affiliate fees of 20% and 15%, for the third quarter and nine months, respectively. Advertising revenue gains were primarily driven by rate increases at MTV, VH1 and TV Land. MTVN's EBITDA and operating income gains were driven by the increased revenues. Pro forma results assume the acquisition of the CBS Cable Networks, TNN and CMT, had occurred on January 1, 1999. The third quarter and nine-month period pro forma results include benefits of $11 million and $16 million, respectively, attributable to purchase accounting for TNN and CMT.

SNI's revenues increased 15%, and EBITDA and operating income each increased 22% for the quarter and increased 10%, 21% and 26% for the nine months ended September 30, 2000, respectively, over the same prior-year periods. The revenue increases were principally due to an increase of approximately 3.2 million subscriptions, up 14% over the prior-year to 25.5 million subscriptions at September 30, 2000. Operating results reflect revenue increases attributable to the continued growth of direct broadcast satellite and cable and the timing of programming expenses.

Television (CBS and UPN Television Networks and Stations; Television Production and Syndication)

| | Three Months Ended September 30, | | Percent B/(W) | Nine Months Ended September 30, | | Percent B/(W) |
|---|---|---|---|---|---|---|
| | 2000 | 1999 | | 2000 | 1999 | |
| As Reported: | | | | | | |
| Revenues | $1,848.2 | $ 603.2 | 206% | $3,654.7 | $1,682.9 | 117% |
| Operating income | $ 191.1 | $ (14.1) | NM | $ 311.5 | $ 87.1 | 258 |
| EBITDA | $ 369.2 | $ 26.3 | NM | $ 669.5 | $ 185.4 | 261 |
| Pro Forma: | | | | | | |
| Revenues | $1,848.2 | $1,792.5 | 3% | $5,690.1 | $5,425.6 | 5% |
| Operating income | $ 191.1 | $ 78.4 | 144 | $ 463.3 | $ 111.3 | 316 |
| EBITDA | $ 369.2 | $ 266.3 | 39 | $1,025.6 | $ 682.1 | 50 |

NM - not meaningful

For the third quarter and nine months ended September 30, 2000, Television pro forma revenues, EBITDA and operating income increased over the same prior-year periods principally reflecting strong national and local advertising sales gains. Television's third quarter revenues were led by double digit advertising sales increases, which more than offset the absence of significantly higher revenues from the initial syndication of off-network programs received in the same quarter last year and the delay of the start of the Fall television season to the fourth quarter of 2000. The Television segment's results were led by the CBS Network and television stations' strong EBITDA growth, which was driven by improved primetime performance and strong advertising pricing in local owned and operated TV markets. Paramount Television revenues for the three- and nine-month periods were higher for continuing network and first run syndication shows including Entertainment Tonight, Judge Judy, Charmed and Judge Joe Brown. Network program revenues for 2000 included the first time syndication availability of Sabrina: The Teenage Witch and Moesha; however, these contributions did not compare favorably with the prior year which included the last seasons of Melrose Place and Sunset Beach and the first time syndication availability of JAG and Star Trek: Voyager.

Pro forma results assume that the CBS merger and the acquisitions of King World, two Texas television stations and the remaining 50% interest of United Paramount Network ("UPN") had occurred at the beginning of each period presented, exclude the third quarter 1999 Spelling restructuring charge and other non-recurring charges and reflect the adoption of the change in accounting as of January 1, 1999. The Television segment's third quarter and nine month pro forma results for 2000 include a benefit of $35 million and $65 million, respectively, attributable to purchase accounting which was partially offset by a reduction attributable to the change in accounting described below.

In the second quarter of 2000, the Company elected early adoption of the AICPA's Statement of Position "Accounting by Producers or Distributors of Films" ("SOP 00-2") which is effective for financial statements for fiscal years beginning after December 15, 2000. SOP 00-2 established new film accounting standards, including changes in revenue recognition and accounting for advertising, development and overhead costs. As a result of the early adoption, Television recorded a pre-tax charge of $330 million, primarily related to Spelling Entertainment for the nine months ended September 30, 2000. The cumulative effect of the accounting change is not included in the EBITDA and operating income above.

Infinity (Radio Stations, Outdoor Advertising Properties)

| | Three Months Ended September 30, | | Percent B/(W) | Nine Months Ended September 30, | | Percent B/(W) |
|---|---|---|---|---|---|---|
| | 2000 | 1999 | | 2000 | 1999 | |
| As Reported: | | | | | | |
| Revenues | $1,025.8 | -- | NM | $1,698.4 | -- | NM |
| Operating income | $ 213.1 | -- | NM | $ 364.7 | -- | NM |
| EBITDA | $ 468.3 | -- | NM | $ 792.4 | -- | NM |
| Pro Forma: | | | | | | |
| Revenues | $1,035.4 | $922.5 | 12% | $2,947.1 | $2,538.0 | 16% |
| Operating income | $ 214.4 | $152.7 | 40 | $ 504.7 | $ 284.5 | 77 |
| EBITDA | $ 473.2 | $402.0 | 18 | $1,298.8 | $1,057.0 | 23 |

NM - not meaningful

For the third quarter, Infinity Broadcasting Corporation ("Infinity Broadcasting"), the Company's out-of-home media subsidiary, recorded pro forma revenues, EBITDA and operating income increases of 12%, 18% and 40%, respectively. For the nine months ended September 30, 2000, pro forma revenues, EBITDA and operating income increased 16%, 23% and 77%, respectively. Third quarter and nine month pro forma results were driven by advertising revenue growth at both Infinity's radio stations and outdoor advertising businesses. Pro forma results assume the acquisition of Infinity Broadcasting, as part of the CBS merger, and Infinity Broadcasting's December 1999 acquisition of Infinity Outdoor, formerly known as Outdoor Systems, Inc., and all 2000 acquisitions by Infinity, occurred on January 1, 1999. During the third quarter of 2000, Infinity completed acquisitions of 22 radio stations in nine major markets, including San Diego, Phoenix, Denver, Cleveland, Cincinnati, Orlando, Greensboro--Winston-Salem, Riverside and Memphis, for $1.5 billion. The Company owns approximately 64% of Infinity Broadcasting.

Entertainment (Paramount Pictures, Famous Players, Famous Music Publishing and Paramount Parks)

| | Three Months Ended September 30, | | Percent B/(W) | Nine Months Ended September 30, | | Percent B/(W) |
|---|---|---|---|---|---|---|
| | 2000 | 1999 | | 2000 | 1999 | |
| As Reported: | | | | | | |
| Revenues | $791.7 | $775.9 | 2% | $2,084.8 | $1,976.2 | 5% |
| Operating income | $132.5 | $ 99.3 | 33 | $ 223.6 | $ 225.3 | (1) |
| EBITDA | $174.9 | $136.9 | 28 | $ 344.0 | $ 332.3 | 4 |
| Pro Forma: | | | | | | |
| Revenues | $791.7 | $775.9 | 2% | $2,084.8 | $1,976.2 | 5% |
| Operating income | $132.5 | $ 89.6 | 48 | $ 223.6 | $ 206.3 | 8 |
| EBITDA | $174.9 | $127.3 | 37 | $ 344.0 | $ 313.3 | 10 |

For the three and nine months ended September 30, 2000, Entertainment revenues increased 2% to $791.7 million and 5% to $2.1 billion, respectively, compared with the same prior-year periods. Revenues for the three months principally reflect higher Features and Parks revenues partially offset by lower Theaters revenues; while revenues for the nine months principally reflect higher Features and Theaters revenues. Higher Features revenues were led by higher foreign theatrical revenues for the three-and nine-month periods primarily due to the success of Mission: Impossible 2 and Double Jeopardy. Domestic theatrical revenues for the three-and nine-month periods included contributions from Bless The Child and The Original Kings of Comedy, while the nine-month period also included contributions from Mission: Impossible 2, Rules of Engagement, Shaft, and Snow Day. Home video revenues for the three- and nine-month periods were lower than the comparable prior-year periods as the prior year included contributions from Saving Private Ryan and The Rugrats Movie. Features' network revenues for the three-and nine-month periods were higher due to the network availability of Titanic. Theaters' revenues for the third quarter were lower principally due to lower attendance compared to the same prior year period. For the nine months ended September 30, 2000, theater revenues were higher primarily as a result of additional new multiplex theaters opened since the end of the same prior-year period. Parks' revenues for the third quarter were higher due to increased per capita spending partially offset by lower attendance, while revenues for the nine-month period were lower due to attendance declines from less favorable weather conditions throughout the season. Entertainment revenues for the nine months ended September 30, 1999 also included the recognition of a pay television license for library products and the renewal of a film processing agreement.

For the three months ended September 30, 2000, Entertainment's EBITDA and operating income increased 28% and 33%, respectively, while for the nine months, EBITDA increased 4% and operating income decreased 1%, respectively, over the comparable prior-year periods. EBITDA and operating income for the third quarter and nine months principally reflect the higher Features revenue items noted above and lower Theater results and, for the third quarter of 2000, lower distribution costs, principally due to differences in the timing of distribution expenses under the change in accounting for motion pictures. Theaters' EBITDA and operating income for the three- and nine-month periods were lower due to the impact of lower third quarter attendance compared to the same prior-year period, and higher year-to-date operating costs and costs associated with opening additional multiplexes in 2000. Parks' EBITDA and operating income for the three-and nine-month periods were higher than the same prior-year periods due to lower operating expenses.

As a result of the early adoption of SOP 00-2, feature films recorded a pre-tax charge of $423.0 million for the nine months ended September 30, 2000. The cumulative effect of the accounting change is not included in the EBITDA and operating income above.

Video (Blockbuster)

| | Three Months Ended September 30, | | Percent B/(W) | Nine Months Ended September 30, | | Percent B/(W) |
|---|---|---|---|---|---|---|
| | 2000 | 1999 | | 2000 | 1999 | |
| Revenues | $1,193.8 | $1,112.8 | 7% | $3,619.3 | $3,267.5 | 11% |
| Operating Income | $ 17.7 | $ 29.9 | (41) | $ 69.4 | $ 87.7 | (21) |
| EBITDA | $ 119.1 | $ 129.9 | (8) | $ 382.6 | $ 379.5 | 1 |

The Video segment is comprised of Blockbuster's operations, operating in the home video, DVD and video game rental and retailing business through traditional stores and the Internet.

Video revenues increased 7% for the quarter and 11% for the nine months ended September 30, 2000 driven by the increase in the number of Company-operated stores in operation in 2000 over the prior-year period. Worldwide same store sales, which include retail and rental product, increased 1.5% for the quarter and 5% for the nine months ended September 30, 2000. For the third quarter, international same store revenues increased 11% while domestic same store revenues decreased 1%. For the nine months ended September 30, 2000, international same store revenues increased 12% and domestic same store revenues increased 4% over the comparable prior-year period. Both current year periods also benefited from an increase in the average domestic rental fee.

Operating results for 2000 were impacted by Blockbuster's investment in its online operations, which began operations in the fourth quarter of 1999 and resulted in reductions to EBITDA and operating income of $13.0 million and $15.8 million, respectively, for the third quarter and $37.3 million and $45.4 million for the nine months ended September 30, 2000. Excluding the amounts attributable to its online operations, Video's EBITDA and operating income increased 1% and 7%, respectively, for the third quarter and 10% and 29%, respectively, for the nine months ended September 30, 2000 as compared with the corresponding prior-year periods. Video's gross margin percentage decreased to 60.5% for the third quarter of 2000 from 61.2% for the third quarter of 1999 principally due to a shift in rental revenue mix from higher margin non-revenue sharing videos to DVDs and an increase in revenues generated through revenue-sharing arrangements as a percentage of total revenues, as revenue-sharing arrangements on average have lower gross margins than do traditional buying arrangements. For the nine months ended September 30, 2000, Video's gross margin decreased to 59.4% from 61.1% for the comparable prior-year period. Blockbuster is continually evaluating its product mix to try to optimize its stores' revenues and gross profit. With the anticipated accelerated consumer acceptance of DVD and other forms of home entertainment, Blockbuster may increase its stores' depth of DVDs and other home entertainment products. This may result in a transition in the composition of its stores' inventory to allow for more DVDs, or other forms of home entertainment, depending on the speed of adoption by consumers. Blockbuster Video ended the third quarter of 2000 with 7,519 company-operated and franchised stores, a net increase of 659 stores over the third quarter of 1999.

Publishing (Simon & Schuster)

| | Three Months Ended September 30, | | Percent B/(W) | Nine Months Ended September 30, | | Percent B/(W) |
|---|---|---|---|---|---|---|
| | 2000 | 1999 | | 2000 | 1999 | |
| Revenues | $167.0 | $162.2 | 3% | $413.0 | $430.7 | (4)% |
| Operating Income | $ 22.2 | $ 16.8 | 32 | $ 18.4 | $ 30.5 | (40) |
| EBITDA | $ 27.6 | $ 22.0 | 25 | $ 34.4 | $ 44.6 | (23) |

The Publishing segment is comprised of Simon & Schuster, which includes imprints such as Pocket Books, Scribner and The Free Press.

For the quarter ended September 30, 2000, improved revenues, EBITDA and operating income were led by higher sales at the Pocket Books and Children's divisions, increased license fees and lower product costs. The nine-month results were lower than the comparable prior-year period principally due to decreased year-to-date sales in both the Pocket Books and Trade divisions. Publishing's best-selling titles in the third quarter included Nothing Like It in the World by Stephen E. Ambrose, Hearts in Atlantis by Stephen King and High Tide by Jude Deveraux.

Online (The MTVi Group, Nickelodeon Online, CBS.com, iWon.com)

| | Three Months Ended September 30, | | Percent B/(W) | Nine Months Ended September 30, | | Percent B/(W) |
|---|---|---|---|---|---|---|
| | 2000 | 1999 | | 2000 | 1999 | |
| As Reported: | | | | | | |
| Revenues | $ 28.1 | $ 6.6 | NM | $ 63.9 | $ 16.5 | 287% |
| Operating income | $(69.7) | $(16.2) | NM | $(191.1) | $(23.2) | NM |
| EBITDA | $(53.1) | $(15.5) | (243) | $(143.6) | $(22.5) | NM |
| Pro forma: | | | | | | |
| Revenues | $ 28.1 | $ 9.6 | 193% | $ 76.4 | $ 23.3 | 228% |
| Operating income | $(69.7) | $(17.0) | (310) | $(244.0) | $(25.6) | NM |
| EBITDA | $(53.1) | $(16.1) | (230) | $(192.9) | $(24.6) | NM |

NM - Not meaningful

The Company operates Internet sites that provide online music and offer a broad range of information, entertainment, news and promotional content.

For the third quarter and nine months ended September 30, 2000, the increase in Online revenues, as reported and pro forma, reflect increased license fees and higher advertising revenues. Operating losses, as reported and pro forma, were driven by increased sales and marketing expenses for iWon.com (a 37% owned, majority controlled consolidated subsidiary) which was launched in the fourth quarter of 1999 and increased spending at MTVi. Pro forma results assume the CBS merger had occurred at the beginning of each period presented.

## Other Income and Expense Information

### Corporate Expenses/Eliminations

Included in the reported Corporate Expenses/Eliminations of $62.6 million for the third quarter of 2000 are intersegment profit eliminations of $16.4 million. For the nine months ended September 30, 2000, as reported Corporate Expenses/Eliminations were $868.6 million, of which $88.8 million represents intersegment profit eliminations and $650 million represents merger-related charges. Pro forma corporate expenses, excluding intersegment profit eliminations and the merger-related charges, were $46.2 million and $148.7 million for the third quarter and nine months ended September 30, 2000 as compared with $60.3 million and $162.8 million for the comparable prior-year periods.

### Interest Expense

For the three-and nine-month periods ended September 30, 2000, interest expense increased 107% to $245.0 million and 71% to $560.9 million, respectively. The Company had approximately $12.9 billion and $6.3 billion principal amount of debt outstanding (including current maturities) as of September 30, 2000 and September 30, 1999, respectively, at weighted average interest rates of 7.7% and 7.1%, respectively.

### Interest Income

For the three-and nine-month periods ended September 30, 2000, interest income increased to $13.3 million and $36.7 million, respectively, from $7.8 million and $16.5 million, respectively, for the quarter and nine months ended September 30, 1999.

### Other Items, Net

For the three-and nine-month periods ended September 30, 2000, "Other items, net" was $.5 million and a loss of $14.5 million, respectively, compared to a loss of $2.4 million and income of $2.9 million for the comparable prior-year periods. The year-to-date decrease principally reflects losses associated with the sale of fixed assets and investments.

### Provision for Income Taxes

The provision for income taxes represents federal, state and foreign income taxes on earnings before income taxes. The estimated annual effective tax rates of 76.7% for 2000, excluding the 2000 merger-related charges of $698 million, and 51.6% for 1999 were adversely affected by amortization of intangibles in excess of the amounts deductible for tax purposes. The post merger 2000 estimated annual effective tax rate of 81% has been adversely affected by additional nondeductible amortization. Excluding the non-deductible amortization of intangibles, the estimated annual effective tax rates would have been 38.8% for 2000 and 35.9% for 1999.

Equity in Loss of Affiliated Companies, Net of Tax
"Equity in loss of affiliated companies, net of tax" was $44.0 million and $71.4 million for the third quarter of 2000 and the nine months then ended, respectively, as compared to losses of $3.8 million and $38.1 million in the comparable prior-year periods, principally reflecting increased losses of CBS online equity ventures and cable international ventures, partially offset by the improved performance of Comedy Central.

Minority Interest
Minority interest primarily represents the minority ownership of Infinity Broadcasting and Blockbuster common stock.

Extraordinary Loss
For the three and nine months ended September 30, 1999, the Company recognized after-tax extraordinary losses on the early extinguishment of debt of $14.2 million and $37.7 million, respectively, or a loss of $.02 and $.06 per basic common share, respectively.

Cumulative Effect of Change in Accounting Principle
For the nine months ended September 30, 2000, the Company recorded a one-time, after-tax non-cash charge of $452.3 million, or $.40 per basic and diluted share, resulting from the early adoption of the new accounting standard for accounting for motion pictures.

Net Earnings (Loss)
For the reasons described above, the Company reported net earnings of $33.4 million for the three months ended September 30, 2000 as compared with $96.7 million for the three months ended September 30, 1999 and a net loss of $846.5 million for the nine months ended September 30, 2000 as compared with net earnings of $188.5 million for the nine months ended September 30, 1999.

Acquisitions
On November 3, 2000, the Company announced an agreement to acquire Black Entertainment Television ("BET") for approximately $2.3 billion of Viacom Class B Common Stock plus the assumption of approximately $575 million of debt. The tax-free transaction is subject to customary regulatory approvals. The final exchange ratio will be based on the trading prices of Viacom Class B Common Stock during a measurement period immediately before the closing of the transaction, which is expected to occur in the first quarter of 2001.

On October 30, 2000, the Company and Infinity Broadcasting entered into a merger agreement under which the Company will acquire all the issued and outstanding shares of Infinity common stock that it does not currently own, approximately 36%, pursuant to a merger in which Viacom will exchange 0.592 of a share of Viacom Class B Common Stock for each share of Infinity Class A common stock. The Company's Board of Directors and Infinity's Board of Directors approved the merger agreement after approval by a special committee of Infinity's independent directors. The special committee was advised by separate legal and financial advisors. The Company expects the merger to be completed in the first quarter of 2001. As of October 30, 2000, there were 390.8 million shares of Infinity Class A common stock outstanding to shareholders other than the Company.

On May 4, 2000, CBS was merged with and into the Company (the "Merger"). The total purchase price of approximately $39.8 billion included approximately $37.7 billion for the issuance of 825.5 million shares of Viacom non-voting Class B Common Stock and 11,004 shares of Viacom Series C convertible preferred stock, which were subsequently converted into shares of Viacom non-voting Class B common stock, and approximately $1.9 billion for the fair value of CBS stock options assumed by Viacom and transaction costs. In addition, Viacom assumed approximately $3.7 billion of CBS debt.

The Company presently holds television stations which reach approximately 41% of United States television households (as calculated for this purpose under rules and regulations of the Federal Communications Commission (the "FCC"), which apply a 50% discount to the reach of UHF stations). These stations reach approximately 6% in excess of the 35% limit permitted by FCC regulations. In connection with FCC approval of the Merger, the Company was given one year to come into compliance with the limit. The Company was also provided with one year to come into compliance with the FCC's "dual network" rule, which prohibits the Company from owning and controlling both CBS and United Paramount Network ("UPN"). On June 20, 2000, the FCC released a Notice of Proposed Rule Making, in which it proposes to modify the dual network, the effect of which would be to permit the Company to own both CBS and UPN. Subsequent to September 30, 2000, the Company has entered into agreements relating to the sale of several radio stations, which, if consummated, will result in compliance with FCC requirements.

On September 15, 2000, Infinity Broadcasting completed the acquisition of Memphis radio stations WMC-AM and WMC-FM from Raycom Media for approximately $76 million.

On August 24, 2000, Infinity Broadcasting completed the acquisition of 18 radio stations from Clear Channel Communications, Inc. for $1.4 billion in an asset transaction. These stations are located in San Diego, Phoenix, Denver, Cleveland, Cincinnati, Orlando and Greensboro-Winston-Salem.

During June 2000, Infinity Broadcasting completed its acquisitions of two international outdoor advertising businesses for approximately $490 million. On July 1, 2000, Infinity Broadcasting completed the acquisition of Waterman Broadcasting Corporation of Texas ("Waterman Broadcasting") in exchange for approximately 2.7 million shares of Infinity Broadcasting Class A common stock valued at approximately $88 million. Waterman Broadcasting owns radio stations KTSA-AM and KTFM-FM in San Antonio, Texas.

## Liquidity and Capital Resources

The Company expects to fund its anticipated cash requirements (including the anticipated cash requirements for its capital expenditures, share repurchase programs, joint ventures, commitments and payments of principal and interest on its outstanding indebtedness) with internally generated funds, in addition to various external sources of funds. The external sources of funds may include the Company's existing credit agreements and amendments thereto, co-financing arrangements by the Company's various divisions relating to the production of entertainment products, and/or additional financings.

The Company has certain restrictions on Infinity Broadcasting's cash balance of $143.8 million, reflected in the Company's consolidated cash amount of $992.7 million at September 30, 2000. Infinity Broadcasting's cash will become available to Viacom upon the merger of Infinity with Viacom.

### Share Repurchase Programs

During the first nine months of 2000, the Company repurchased 10,000 shares of its Class A Common Stock and 27.5 million shares of its Class B Common Stock under its stock repurchase programs for approximately $1.6 billion in the aggregate. Third quarter 2000 repurchases included in this total amounted to $340.6 million. As of October 31, 2000, the Company had approximately $270.5 million remaining under the program announced on May 25.

### Commitments and Contingencies

There are various lawsuits and claims pending against the Company relating to its ongoing and discontinued operations. Some of these lawsuits and claims, including those related to asbestos liabilities, seek substantial monetary damages. Management believes that any ultimate liability resulting from those actions or claims will not have a material adverse effect on the Company's results of operations, financial position or liquidity.

The Company is a defendant in numerous lawsuits claiming various asbestos-related personal injuries, which allegedly occurred from use or inclusions of asbestos in certain products supplied by previously divested industrial businesses, generally in the pre-1970 time period. Typically, these lawsuits are brought against multiple defendants. The Company was neither a manufacturer nor a producer of asbestos. At September 30, 2000, the Company had approximately 140,872 unresolved claims pending.

The Company has brought suit against certain of its insurance carriers with respect to these asbestos claims. Under the terms of a settlement agreement resulting from this suit, carriers that have agreed to the settlement are now reimbursing the Company for a substantial portion of its current costs and settlements associated with asbestos claims. The Company has recorded a liability (in Other Liabilities) reflecting its best estimate of its asbestos liability exposure. The Company has also separately recorded an asset reflected in Other Assets in the Consolidated Balance Sheet equal to the amount of such estimated liability that will be recovered pursuant to agreements with insurance carriers.

The Company and certain of its subsidiaries and affiliates from time to time receive claims from federal and state environmental regulatory agencies and other entities asserting that they are or may be liable for environmental cleanup costs and related damages, principally relating to discontinued operations conducted by its former mining and industrial businesses (acquired as part of the Company's mergers). The Company's liabilities reflect management's best estimate of its environmental exposure. Such liability was not discounted or reduced by potential insurance recoveries and reflects management's estimate of cost sharing at multiparty sites. The estimated liability was calculated based upon currently available facts, existing technology and presently enacted laws and regulations. On the basis of its experience and the information currently available to it, the Company believes that the claims it has received will not have a material adverse effect on its results of operations, financial position or liquidity.

The commitments of the Company for program license fees, estimated to aggregate approximately $15.2 billion, are not reflected in the balance sheet as of September 30, 2000. These commitments include approximately $10.9 billion for the acquisition of sports programming rights. A majority of such fees are payable over several years, as part of normal programming expenditures.

Cash Flows

Net cash flow from operating activities of $1.1 billion for the nine months ended September 30, 2000 principally reflects the impact of the merger and, excluding non-cash items, the improved operating results of the Company's businesses, partially offset by the payment of accrued liabilities. Net cash flow from operating activities of negative $288.3 million for the nine months ended September 30, 1999 principally reflects the tax payment related to the sale of Non-Consumer Publishing as well as the investment in program development for the Entertainment and Networks segments. Net cash expenditures for investing activities of $2.2 billion for the nine months ended September 30, 2000 principally reflect capital expenditures of $422.1 million and acquisitions of $1.9 billion. Net cash expenditures for investing activities of $856.1 million for the nine months ended September 30, 1999 principally reflects capital expenditures and the Spelling acquisition as well as acquisitions of video stores and television stations. Financing activities for the nine months ended September 30, 2000 principally reflect borrowings from banks and proceeds from the issuance of $1.6 billion of senior notes and debentures partially offset by the purchase of treasury stock. For the nine months ended September 30, 1999, financing activities principally reflect borrowings and the settlement of 8% Merger Debentures, as well as the repurchase of the Company's common stock, warrants and convertible preferred stock.

Financial Position

Current assets increased to $7.5 billion as of September 30, 2000 from $5.2 billion as of December 31, 1999, due to the addition of approximately $3.5 billion in current assets resulting from the Merger, partially offset by a reduction in inventory reflecting the impact of the adoption of SOP 00-2. The allowance for doubtful accounts as a percentage of receivables increased to 6.9% as of September 30, 2000 from 6.1 % as of December 31, 1999. The change in property and equipment principally reflects the addition of approximately $3.1 billion in fixed assets due to the Merger and capital expenditures of $422.1 million related to capital additions partially offset by depreciation expense of $528.1 million. Intangibles of $61.6 billion at September 30, 2000 increased by $50.1 billion compared to $11.5 billion as of December 31, 1999, pricipally reflecting the Merger and other acquisitions. Other assets increased to $3.2 billion as of September 30, 2000 from $1.6 billion as of December 31, 1999, reflecting the addition of approximately $1.7 billion from the Merger. Current liabilities increased $2.7 billion to $7.1 billion as of September 30, 2000 due to the addition of approximately $2.8 billion resulting from the Merger. Non-current liabilities of $20.2 billion reflect the inclusion of $3.7 billion of debt and $5.8 billion of other liabilities from the Merger. The minority interest balance of $7.0 billion as of September 30, 2000 included $5.7 billion of Infinity's minority interest.

## Capital Structure

The following table sets forth the Company's long-term debt, net of current portion:

| | At September 30, 2000 | At December 31, 1999 |
|---|---|---|
| Long-term debt: | | |
| Notes payable to banks (including commercial paper) | $ 6,046.2 | $3,054.2 |
| Senior notes and debentures (5.875% - 9.75%, due 2000-2030) | 5,528.4 | 2,310.9 |
| Senior subordinated notes (8.875% - 10.25%, due 2001-2007) | 704.8 | 35.3 |
| Subordinated exchange debentures (11.375%, due 2009) | 45.0 | -- |
| Obligations under capital leases | 552.5 | 591.6 |
| Total debt | 12,876.9 | 5,992.0 |
| Less current portion | 238.0 | 294.3 |
| Total long-term debt | $12,638.9 | $5,697.7 |

The notes and debentures are presented net of an aggregate unamortized discount of $12.9 million as of September 30, 2000 and $10.1 million as of December 31, 1999.

Debt, including the current portion, as a percentage of total capitalization of the Company was 21% at September 30, 2000 and 35% at December 31, 1999.

As a result of the CBS merger, Viacom assumed approximately $3.7 billion of CBS debt.

On March 28, 2000, the Viacom Credit Agreements were amended to allow for the merger of CBS with and into the Company.  On April 17, 2000, the CBS credit agreement, which consists of a $1.5 billion revolving credit facility maturing August 29, 2001 and the existing Infinity credit agreement, which consists of a $1.5 billion revolving credit facility maturing August 29, 2001, were amended to allow for the merger of CBS with and into the Company.  Borrowing rates under the CBS and Infinity facilities are determined at the time of each borrowing and are based generally on a floating rate index, the London Interbank Offer Rate ("LIBOR"), plus a margin based on the respective senior unsecured debt rating.

On May 3, 2000, Infinity Broadcasting entered into two new credit facilities, totaling $1.95 billion, comprised of a $1.45 billion 5 year revolving credit and a $500 million 364-day revolving credit. Borrowing rates under the facilities are determined at the time of each borrowing and are based generally on LIBOR plus a margin based on Infinity Broadcasting's senior unsecured debt rating.

The CBS and Infinity Broadcasting facilities contain certain covenants which, among other things, require that CBS and Infinity Broadcasting maintain certain financial ratios and impose on CBS and Infinity Broadcasting and their subsidiaries certain limitations on substantial asset sales and mergers with any other company in which CBS and Infinity Broadcasting are not the surviving entities.

The Company has a $4.0 billion commercial paper program. Borrowings under the program have maturities of less than a year and are supported by unused committed bank facilities. At September 30, 2000, the Company had borrowings under the program of approximately $ 1 billion.

On July 20, 2000, Infinity Broadcasting initiated a $3.25 billion commercial paper program. Borrowings under Infinity's commercial paper program are short-term in nature and have been and will be used primarily to finance acquisitions or refinance existing debt. At September 30, 2000, Infinity Broadcasting had borrowings under the commerical paper program of approximately $ 2.5 billion.

On August 1, 2000, $1.15 billion of senior notes due July 30, 2010, and $500 million of senior debentures due July 30, 2030 were issued under the Company's shelf registration statement as filed with the Securities and Exchange Commission in 1995, as amended. The Company has no remaining availability under its shelf registration. Proceeds from the debt issuance were used to repay bank debt, including commercial paper. The senior notes and debentures are redeemable at any time at their principal amount plus the applicable premium and accrued interest. The Company intends to file a new shelf registration by year- end 2000.

At September 30, 2000, the Company was in compliance with all debt covenants and had satisfied all financial ratios and tests under the credit agreements. The Company expects to be in compliance and satisfy all such covenants and ratios as may be applicable from time to time during 2000.

Market Risk

The Company uses derivative financial instruments to reduce its exposure to market risks from changes in foreign exchange rates and interest rates. The Company does not hold or issue financial instruments for speculative trading purposes. The derivative instruments used are foreign exchange forward contracts, spots and options. The foreign exchange contracts have principally been used to hedge the British Pound, the Australian Dollar, the Japanese Yen, the Canadian Dollar, the Singapore Dollar and the European Union's common currency (the "Euro"). These derivatives, which are over-the-counter instruments, are non-leveraged. Realized gains and losses on contracts that hedge anticipated future cash flows are recognized in "other items, net" and were not material in the periods presented. The Company is primarily vulnerable to changes in LIBOR which is the rate currently used in existing agreements; however, the Company does not believe this exposure to be material.

Other Matters
- -------------

The Company has announced that it intends to split-off Blockbuster, subject to the approval of the Company's Board of Directors, which will be based on an assessment of market conditions. The Company intends to split-off Blockbuster by offering to exchange all of its shares in Blockbuster for shares of the Company's common stock. However, the Company has previously said that it does not intend to commence the offer unless the Blockbuster Class A common stock improves to a price range significantly above its current value. The Company has no obligation to effect the split-off. The Company has received a private letter ruling from the Internal Revenue Service to the effect that such a split- off, if effected in accordance with the representations made in the Company's request for the ruling, would be tax-free to the Company and its stockholders.

The aggregate market value of the shares of Blockbuster common stock based on the October 31, 2000 closing price of $8.875 per share of Blockbuster common stock was approximately $1.6 billion. The net book value of Viacom's investment in Blockbuster at September 30, 2000, after giving effect to the initial public offering, was approximately $5.0 billion. If the Company determines to engage in the split-off, any difference between the fair market value and net book value at the time of the split-off will be recognized as a gain or loss for accounting purposes. Based on the October 31, 2000 closing stock price of Blockbuster, a split-off would have resulted in a pre-tax loss on discontinued operations of approximately $3.8 billion. The actual amount of the gain or loss will depend upon the fair market value and net book value of Blockbuster at the time of the split-off as well as the exchange ratio used in the split-off. The Company cannot give any assurance as to whether or not or when the split-off will occur or as to the terms of the split-off if it does occur, or whether or not the split-off, if it does occur, will be tax-free.

Cautionary Statement Concerning Forward-looking Statements

This quarterly report on Form 10-Q, including "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements within the meaning of section 27A of the Securities Act of 1933 and section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are not based on historical facts, but rather reflect the Company's current expectations concerning future results and events. Similarly, statements that describe our objectives, plans or goals are or may be forward- looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be different from any future results, performance and achievements expressed or implied by these statements. The following important factors, among others, could affect future results, causing these results to differ materially from those expressed in our forward- looking statements: changes in advertising market conditions; changes in the public acceptance of the Company's programming; changes in technology and its effect on competition in the Company's markets; changes in the Federal Communications Laws and Regulations; and other economic, business, competitive and/or regulatory factors affecting the Company's businesses generally. The forward-looking statements included in this document are made only as of the date of this document and under section 27A of the Securities Act and section 21E of the Exchange Act, we do not have any obligation to publicly update any forward-looking statements to reflect subsequent events or circumstances.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Response to this is included in "Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk."

## PART II - - OTHER INFORMATION

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

(a) Exhibits.

10.1 Amendment No. 1, dated as of June 15, 2000, to the Credit Agreement, dated as of June 21, 1999, between Blockbuster Inc. and the banks named therein.

10.2 Letter Agreement, dated as of June 15, 2000, among Blockbuster Inc., Citibank, N.A. and Viacom Inc., relating to the Credit Agreement, dated as of June 21, 1999, between Blockbuster Inc. and the banks named therein.

10.3 Employment Agreement, dated as of May 1, 2000, between Viacom Inc. and Michael D. Fricklas.

27. Financial Data Schedule.

(b) Reports on Form 8-K for Viacom Inc.

Current Report on Form 8-K/A of Viacom Inc. filed on July 17, 2000, amending the Current Report on Form 8-K of Viacom Inc. filed on May 4, 2000, relating to certain financial information in connection with the completion of the merger of CBS Corporation with and into Viacom Inc.

Current Report on Form 8-K of Viacom Inc. filed on August 3, 2000, relating to the signing of an underwriting agreement with Merrill Lynch, Pierce, Fenner & Smith Incorporated, Salomon Smith Barney Inc., Banc of America Securities LLC, Chase Securities Inc., Deutsche Bank Securities Inc., BNY Capital Markets, Inc. and FleetBoston Robertson Stephens Inc., pursuant to which Viacom Inc. issued and sold $1,150,000,000 aggregate principal amount of 7.70% Senior Notes due 2010, and $500,000,000 aggregate principal amount of 7.875% Senior Debentures due 2030.

Current Report on Form 8-K of Viacom Inc. filed on August 15, 2000, announcing an offer to acquire, through a stock-for-stock merger transaction, the remaining shares of Infinity Broadcasting Corporation that Viacom Inc. does not currently own.

## Signatures

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

VIACOM INC.
(Registrant)

Date November 14, 2000

/s/ Fredric G. Reynolds
Fredric G. Reynolds
Executive Vice President
Chief Financial Officer

Date November 14, 2000

/s/ Susan C. Gordon
Susan C. Gordon
Vice President, Controller
Chief Accounting Officer

Exhibit Index

10.1 Amendment No. 1, dated as of June 15, 2000, to the Credit Agreement, dated as of June 21, 1999, between Blockbuster Inc. and the banks named therein.

10.2 Letter Agreement, dated as of June 15, 2000, among Blockbuster Inc., Citibank, N.A. and Viacom Inc., relating to the Credit Agreement, dated as of June 21, 1999, between Blockbuster Inc. and the banks named therein.

10.3 Employment Agreement, dated as of May 1, 2000, between Viacom Inc. and Michael D. Fricklas.

27. Financial Data Schedule.

EXHIBIT 10.1

AMENDMENT NO. 1, dated as of June 15, 2000 (the "Amendment") to the CREDIT AGREEMENT (the "Credit Agreement"), dated as of June 21, 1999, among BLOCKBUSTER INC., a Delaware corporation (the "Borrower"), the Bank parties thereto from time to time, CITIBANK, N.A., as the Administrative Agent, THE BANK OF NEW YORK, as the Documentation Agent, THE BANK OF AMERICA NT&SA, as a Syndication Agent and CHASE SECURITIES INC., as a Syndication Agent.

WITNESSETH:

WHEREAS, the parties have heretofore entered into the Credit Agreement providing for, among other things, a 364-day revolving commitment due to mature on June 19, 2000;

WHEREAS, the Tranche C Loan Banks now desire to amend the Credit Agreement to extend the maturity date of the 364-day revolving loan commitment

NOW THEREFORE, the parties hereto agree as follows:

SECTION 1. Amendment. Section 1.1 of the Credit Agreement is hereby amended by replacing "June 19, 2000" in the definition of "Tranche C Loan Commitment Termination Date" with "December 14, 2000".

SECTION 2. Effectiveness. This Amendment will be effective upon the execution of counterparts hereof by the Borrower and each of the Tranche C Loan Banks.

SECTION 3. Representations and Warranties. The Borrower hereby represents and warrants that as of the date hereof (i) the representations and warranties contained in Article VI of the Credit Agreement (other than those stated to be made as of a particular date) are true and correct in all material respects on and as of the date hereof as though made on the date hereof, and (ii) no Default or Event of Default shall exist or be continuing under the Credit Agreement.

SECTION 4. Miscellaneous. (a) Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement.

(b) Except as amended hereby, all of the terms of the Credit Agreement shall remain and continue in full force and effect and are hereby confirmed in all respects.

(c) This Amendment shall be a Loan Document for the purposes of the Credit Agreement.

(d) This Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto were upon the same instrument. Delivery of an executed counterpart of a signature page of this Amendment by telecopier shall be effective as delivery of a manually executed counterpart of the Amendment.

(e) THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HERETO SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

BLOCKBUSTER INC., as Borrower

By: /s/ RICHARD McDOWELL

----------------------------------------

Name: Richard McDowell
Title: Senior Vice President/Treasurer

CITIBANK, N.A., as a Bank

By: /s/ ROBERT PARR

----------------------------------------

Name: Robert Parr
Title: M.D.

EXHIBIT 10.2

As of June 15, 2000

Blockbuster Inc.
1201 Elm Street
Dallas, Texas 75270

Viacom Inc.
1515 Broadway
New York, New York 10036

Ladies and Gentlemen:

The parties hereto have previously entered into the CREDIT AGREEMENT (the "Credit Agreement"), dated as of June 21, 1999, among BLOCKBUSTER INC., a Delaware corporation (the "Borrower"), the Bank parties thereto from time to time, CITIBANK, N.A., as the Administrative Agent, THE BANK OF NEW YORK, as the Documentation Agent, THE BANK OF AMERICA NT & SA, as a Syndication Agent and CHASE SECURITIES INC., as a Syndication Agent. Capitalized terms not defined in this letter shall have the meanings ascribed to them in the Credit Agreement. This letter replaces in its entirety the previous letter, dated June 15, 2000, among the parties hereto.

Citibank, N.A. is writing this letter to confirm several agreements with you concerning the Credit Agreement. The undersigned hereby agree:

(1) that, in addition to any obligation of the Borrower to repay or prepay the Tranche C Loans under the terms of the Credit Agreement and subject to any other obligations it may have under the Credit Agreement, on or prior to the first date following the date hereof that the Borrower would not be a Subsidiary of Viacom Inc. (whether due to a sale, transfer or other disposition by Viacom Inc. or the Borrower of shares of the Borrower), the Borrower shall repay the entire unpaid Tranche C Loan and all other amounts due under the Credit Agreement in connection with the Tranche C Loan; and

(2) that any prepayments of the Tranche C Loans previously made by Borrower and any such prepayments made after the date hereof (whether such prepayments are made pursuant to Section 4.5 of the Credit Agreement or otherwise) shall be deemed to reduce the Tranche C Loan Commitment as provided in Section 4.3 of the Credit Agreement.

The parties hereto agree that the agreements contained herein are solely between, and for the benefit of, the parties hereto, and are not intended to modify any term of the Credit Agreement or to be enforceable by any Person other than the parties hereto.

THIS LETTER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED WITHIN THE STATE OF NEW YORK.

This letter may be executed in separate counterparts, each of which when so executed shall be deemed to be an original and all of which together shall constitute one and the same agreement.

Please evidence your acceptance of the provisions of this letter by signing the three copies of this letter enclosed herewith and returning two copies to Robert Parr, Citibank, N.A. 399 Park Avenue, 8/5, New York, New York 10043.

Very truly yours,

CITIBANK, N.A.

By: /s/ Robert Parr
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Name: Robert Parr
Title: M.D.

Accepted and Agreed to:

BLOCKBUSTER INC.

By: /s/ Richard McDowell
----------------------------------------
Name: Richard McDowell
Title: Senior Vice President & Treasurer
Date: November 6, 2000

VIACOM INC.

By: /s/ George S. Nelson
--------------------------------
Name: George S. Nelson
Title: Vice President & Asst. Treasurer
Date: November 6, 2000

EXHIBIT 10.3

[VIACOM LETTERHEAD]

As of May 1, 2000

Michael D. Fricklas
60 Riverside Drive, Apt. 16-G
New York, New York 10024

Dear Mr. Fricklas:

Viacom Inc. ("Viacom"), 1515 Broadway, New York, New York 10036, agrees to employ you and you agree to accept such employment upon the following terms and conditions:

1. Term. The term of your employment under this Agreement shall commence on May 1, 2000 and, unless terminated by Viacom or you pursuant to paragraph 8(a), (b) or (c), shall continue through and until August 1, 2003. The period from May 1, 2000 through August 1, 2003 is referred to as the "Term" notwithstanding any earlier termination of your employment for any reason.

2. Duties. You agree to devote your entire business time, attention and energies to the business of Viacom and its subsidiaries during your employment with Viacom. You will be Executive Vice President, General Counsel and Secretary of Viacom, reporting directly and solely to the President and Chief Operating Officer (the "COO") or the Chief Executive Officer (the "CEO") of Viacom, and you agree to perform all duties reasonable and consistent with that office as the COO or the CEO may assign to you from time to time. You will have such authority as is necessary for the performance of your obligations hereunder. Your principal place of business shall be Viacom's headquarters in the New York City metropolitan area.

3. Compensation.

(a) Salary. For all the services rendered by you in any capacity under this Agreement, Viacom agrees to pay you Eight Hundred Thousand Dollars ($800,000) a year in base salary ("Salary"), less applicable deductions and withholding taxes, in accordance with Viacom's payroll practices as they may exist from time to time. Your Salary will be increased on May 1, 2001 to Eight Hundred Seventy Five Thousand Dollars ($875,000) a year and on May 1, 2002 to Nine Hundred Fifty Thousand Dollars ($950,000) a year.

(b) Bonus Compensation. You also shall be entitled to receive annual bonus compensation ("Bonus") during your employment with Viacom under this Agreement, determined and payable as follows:

(i) Your Bonus for each calendar year during your employment with Viacom under this Agreement will be determined in accordance with the Viacom Senior Executive Short-Term Incentive Plan, as the same may be amended from time to time (the "STIP").

(ii) Your target bonus ("Target Bonus") for each of those calendar years shall be 60% of your Salary as in effect on November 1st of such year. Your Bonus may be prorated for any portion of the calendar year that you were employed by Viacom.

(iii) Your Bonus for any calendar year shall be payable, less applicable deductions and withholding taxes, by February 28th of the following year.

(c) Long-Term Incentive Plans.

(i) Special Grant: You have been awarded a special grant (the "Special Grant") under Viacom's 1997 Long-Term Management Incentive Plan (the "l997 LTMIP") of stock options to purchase One Hundred Thousand (100,000) shares of Viacom's Class B Common Stock, effective as of May 25, 2000 (the "Date of Special Grant"), with an exercise price of $54.0625 for each share (the closing price of the Class B Common Stock on the NYSE on the date of grant). The Special Grant shall vest in three equal installments on the first, second and third anniversaries of the Date of Special Grant.

(ii) Additional Grants: In addition to the Special Grant, during your employment under this Agreement, you shall be eligible to participate in one or more of Viacom's long-term incentive plans at a level appropriate to your position as determined by the Viacom Board of Directors or a committee of the Board.

4. Benefits. You shall participate in such vacation, medical, dental, life insurance, long-term disability insurance, 401(k), pension and other plans as Viacom may have or establish from time to time and in which you would be entitled to participate under the terms of the plan. This provision, however, shall not be construed to either require Viacom to establish any welfare, compensation or long-term incentive plans, or to prevent the modification or termination of any plan once established, and no action or inaction with respect to any plan shall affect this Agreement.

5. Business Expenses; Car Allowance and Insurance. During your employment under this Agreement, Viacom shall reimburse you for such reasonable travel and other expenses incurred in the performance of your duties as are customarily reimbursed to Viacom executives at comparable levels. You shall receive a car allowance and car insurance for one vehicle in accordance with Viacom's policies, as the same may be amended from time to time.

6. Non-Competition, Confidential Information, Etc.

(a) Non-Competition. You agree that your employment with Viacom is on an exclusive basis and that, while you are employed by Viacom, you will not engage in any other business activity which is in conflict with your duties and obligations (including your commitment of time) under this Agreement. You agree that, during the Non-Compete Period (as defined below), you shall not directly or indirectly engage in or participate as an owner, partner, stockholder, officer, employee, director, agent of or consultant for any business competitive with any business of Viacom, without the written consent of Viacom; provided, however, that this provision shall not prevent you from investing as less than a one (1%) percent stockholder in the securities of any company listed on a national securities exchange or quoted on an automated quotation system. The Non-Compete Period shall cover the entire Term; provided, however, that, if your employment terminates before the end of the Term, the Non-Compete Period shall terminate, if earlier, (i) one year after you terminate your employment for Good Reason or Viacom terminates your employment without Cause, or on such earlier date as you may make the election under paragraph 6(j) (which relates to your ability to terminate your obligations under this paragraph 6(a) in exchange for waiving your right to certain compensation and benefits); or (ii) eighteen (18) months after Viacom terminates your employment for Cause. (Defined terms used without definitions in the preceding sentence have the meanings provided in paragraphs 8(a) and (b).)

(b) Confidential Information. You agree that, during the Term or at any time thereafter, (i) you shall not use for any purpose other than the duly authorized business of Viacom, or disclose to any third party, any information relating to Viacom or any of its affiliated companies which is proprietary to Viacom or any of its affiliated companies ("Confidential Information"), including any trade secret or any written (including in any electronic form) or oral communication incorporating Confidential Information in any way (except as may be required by law or in the performance of your duties under this Agreement consistent with Viacom's policies); and (ii) you will comply with any and all confidentiality obligations of Viacom to a third party, whether arising under a written agreement or otherwise. Information shall not be deemed Confidential Information which (x) is or becomes generally available to the public other than as a result of a disclosure by you or at your direction or by any other person who directly or indirectly receives such information from you, or (y) is or becomes available to you on a non-confidential basis from a source which is entitled to disclose it to you.

(c) No Employee Solicitation. You agree that, during the Term and for one (1) year thereafter, you shall not, directly or indirectly, engage, employ or solicit the employment or consulting services of any person who is then or has been within six (6) months prior to the time of such action, an employee of Viacom or any of its affiliated companies, or agree to do so.

(d) Viacom Ownership. The results and proceeds of your services under this Agreement, including, without limitation, any works of authorship resulting from your services during your employment with Viacom and/or any of its affiliated companies and any works in progress resulting from such services, shall be works-made-for-hire and Viacom shall be deemed the sole owner throughout the universe of any and all rights of every nature in such works, whether such rights are now known or hereafter defined or discovered, with the right to use the works in perpetuity in any manner Viacom determines in its sole discretion without any further payment to you. If, for any reason, any of such results and proceeds are not legally deemed a work-made-for-hire and/or there are any rights in such results and proceeds which do not accrue to Viacom under the preceding sentence, then you hereby irrevocably assign and agree to assign any and all of your right, title and interest thereto, including, without limitation, any and all copyrights, patents, trade secrets, trademarks and/or other rights of every nature in the work, whether now known or hereafter defined or discovered, and Viacom shall have the right to use the work in perpetuity throughout the universe in any manner Viacom determines in its sole discretion without any further payment to you. You shall, as may be requested by Viacom from time to time, do any and all things which Viacom may deem useful or desirable to establish or document Viacom's rights in any such results and proceeds, including, without limitation, the execution of appropriate copyright, trademark and/or patent applications, assignments or similar documents and, if you are unavailable or unwilling to execute such documents, you hereby irrevocably designate the CEO or his designee as your attorney-in-fact with the power to execute such documents on your behalf. To the extent you have any rights in the results and proceeds of your services under this Agreement that cannot be assigned as described above, you unconditionally and irrevocably waive the enforcement of such rights. This paragraph 6(d) is subject to, and does not limit, restrict, or constitute a waiver by Viacom or any of its affiliated companies of any ownership rights to which Viacom or any of its affiliated companies may be entitled by operation of law by virtue of being your employer.

(e) Litigation. You agree that, during the Term, for one (1) year thereafter and, if longer, during the pendancy of any litigation or other proceeding, (i) you shall not communicate with anyone (other than your own attorneys and tax advisors), except to the extent necessary in the performance of your duties under this Agreement, with respect to the facts or subject matter of any pending or potential litigation, or regulatory or administrative proceeding involving Viacom or any of Viacom's affiliated companies, other than any litigation or other proceeding in which you are a party-in-opposition, without giving prior notice to Viacom or Viacom's counsel; and (ii) in the event that any other party attempts to obtain information or documents from you with respect to matters possibly related to such litigation or other proceeding, you shall promptly notify Viacom's counsel before providing such information or documents.

(f) No Right to Give Interviews or Write Books, Articles, Etc. During the Term, except as authorized by Viacom, you shall not (i) give any interviews or speeches, or (ii) prepare or assist any person or entity in the preparation of any books, articles, television or motion picture productions or other creations, in either case, concerning Viacom or any of its affiliated companies or any of their respective officers, directors, agents, employees, suppliers or customers.

(g) Return of Property. All documents, data, recordings, or other property, whether tangible or intangible, including all information stored in electronic form, obtained or prepared by or for you and utilized by you in the course of your employment with Viacom or any of its affiliated companies shall remain the exclusive property of Viacom. In the event of the termination of your employment for any reason, Viacom reserves the right, to the extent permitted by law and in addition to any other remedy Viacom may have, to deduct from any monies otherwise payable to you the following: (i) all amounts you may owe to Viacom or any of its affiliated companies at the time of or subsequent to the termination of your employment with Viacom; and (ii) the value of the Viacom property which you retain in your possession after the termination of your employment with Viacom. In the event that the law of any state or other jurisdiction requires the consent of an employee for such deductions, this Agreement shall serve as such consent.

(h) Non-Disparagement. You agree that, during the Term and for one (1) year thereafter, you shall not, in any communications with the press or other media or any customer, client or supplier of Viacom or any of its affiliated companies, criticize, ridicule or make any statement which disparages or is derogatory of Viacom or any of its affiliated companies or any of their respective directors or senior officers.

(i) Injunctive Relief. Viacom has entered into this Agreement in order to obtain the benefit of your unique skills, talent, and experience. You acknowledge and agree that any violation of paragraphs 6(a) through (h) of this Agreement will result in irreparable damage to Viacom, and, accordingly, Viacom may obtain injunctive and other equitable relief for any breach or threatened breach of such paragraphs, in addition to any other remedies available to Viacom.

(j) Survival; Modification of Terms. Your obligations under paragraphs 6(a) through (i) shall remain in full force and effect for the entire period provided therein notwithstanding the termination of your employment under this Agreement for any reason or the expiration of the Term; provided, however, that your obligations under paragraph 6(a) (but not under any other provision of this Agreement) shall cease if you terminate your employment for Good Reason or Viacom terminates your employment without Cause and you notify Viacom in writing that you have elected to waive your right to receive, or to continue to receive, termination payments and benefits under paragraphs 8(d)(i) through (vi) and/or 8(e). You and Viacom agree that the restrictions and remedies contained in paragraphs 6(a) through (i) are reasonable and that it is your intention and the intention of Viacom that such restrictions and remedies shall be enforceable to the fullest extent permissible by law. If a court of competent jurisdiction shall find that any such restriction or remedy is unenforceable but would be enforceable if some part were deleted or the period or area of application reduced, then such restriction or remedy shall apply with the modification necessary to make it enforceable.

7. Disability. In the event that you become "disabled" within the meaning of such term under Viacom's Short-Term Disability ("STD") program and its Long-Term Disability ("LTD") program during the Term (such condition is referred to as a "Disability"), you will receive compensation under the STD program in accordance with its terms. Thereafter, you will be eligible to receive benefits under the LTD program in accordance with its terms. If you have not returned to work by December 31st of a calendar year during the Term, you will receive bonus compensation for the calendar year(s) during the Term in which you receive compensation under the STD program, determined as follows:

(i) for the portion of the calendar year from January 1st until the date on which you first receive compensation under the STD program, bonus compensation shall be determined in accordance with the STIP (i.e., based upon Viacom's achievement of its goals and Viacom's good faith estimate of your achievement of your personal goals) and prorated for such period; and

(ii) for any subsequent portion of that calendar year and any portion of the following calendar year in which you receive compensation under the STD program, bonus compensation shall be in an amount equal to your Target Bonus and prorated for such period(s).

Bonus compensation under this paragraph 7 shall be paid, less applicable deductions and withholding taxes, by February 28th of the year(s) following the year as to which such bonus compensation is payable. You will not receive bonus compensation for any portion of the calendar year(s) during the Term while you receive benefits under the LTD program. For the periods that you receive compensation and benefits under the STD and LTD programs, such compensation and benefits and the bonus compensation provided under this paragraph 7 are in lieu of Salary and Bonus under paragraphs 3(a) and (b). The stock options granted to you under the LTMIP (as defined in paragraph 8(d)(vii)) which are exercisable on or prior to the date on which benefits commence under the LTD program, together with all LTMIP stock options that would have vested and become exercisable on or before the last day of the Term (which options shall become immediately vested and exercisable), shall be exercisable until the first anniversary of the date on which such benefits commence or, if earlier, the expiration date of the stock options.

8. Termination.

(a) Termination for Cause. Viacom may, at its option, terminate your employment under this Agreement forthwith for Cause and thereafter shall have no further obligations under this Agreement, including, without limitation, any obligation to pay Salary or Bonus or provide benefits. Cause shall mean: (i) embezzlement, fraud or other conduct which would constitute a felony; (ii) willful unauthorized disclosure of Confidential Information; (iii) your failure to obey a material lawful directive that is appropriate to your position from an executive(s) in your reporting line; (iv) your material breach of this Agreement; or (v) your failure (except in the event of your Disability) or refusal to substantially perform your material obligations under this Agreement. Viacom will give you written notice prior to terminating your employment pursuant to (iii), (iv), or (v) of this paragraph 8(a), setting forth the nature of any alleged failure, breach or refusal in reasonable detail and the conduct required to cure. Except for a failure, breach or refusal which, by its nature, cannot reasonably be expected to be cured, you shall have ten (10) business days from the giving of such notice within which to cure any failure, breach or refusal under (iii), (iv), or (v) of this paragraph 8(a); provided, however, that, if Viacom reasonably expects irreparable injury from a delay of ten (10) business days, Viacom may give you notice of such shorter period within which to cure as is reasonable under the circumstances.

(b) Good Reason Termination. You may terminate your employment under this Agreement for Good Reason at any time during the Term by written notice to Viacom no more than thirty (30) days after the occurrence of the event constituting Good Reason. Such notice shall state an effective date no earlier than thirty (30) business days after the date it is given. Viacom shall have ten (10) business days from the giving of such notice within which to cure and, in the event of such cure, your notice shall be of no further force or effect. Good Reason shall mean without your consent (other than in connection with the termination or suspension of your employment or duties for Cause or in connection with your Disability): (i) the assignment to you of duties or responsibilities substantially inconsistent with your position(s) or duties; (ii) the withdrawal of material portions of your duties described in paragraph 2 or a change in your reporting relationships such that you do not report directly and solely to the COO or CEO; (iii) the material breach by Viacom of its material obligations under this Agreement; or (iv) the relocation of your position outside the New York City metropolitan area.

(c) Termination Without Cause. Viacom may terminate your employment under this Agreement without Cause at any time during the Term by written notice to you.

(d) Termination Payments/Benefits. In the event that your employment terminates under paragraph 8(b) or (c), you shall thereafter receive, less applicable withholding taxes:

(i) your Salary, as in effect on the date on which your employment terminates, until the end of the Term, paid in accordance with Viacom's then effective payroll practices;

(ii) bonus compensation for the calendar year in which such termination occurs, payable by February 28th of the following year, determined as follows:

(x) for the portion of the calendar year from January 1st until the date of the termination, bonus compensation shall be determined in accordance with the STIP (*i.e.*, based on Viacom's achievement of its goals and Viacom's good faith estimate of your achievement of your personal goals) and prorated for such period; and

(y) for the remaining portion of such calendar year during the Term, bonus compensation shall be in an amount equal to your Target Bonus and prorated for such period;

(iii) bonus compensation for each subsequent calendar year or portion thereof during the Term, in an amount equal to your Target Bonus, prorated for any partial calendar year and payable by February 28th of the following year;

(iv) your car allowance until the end of the Term, paid in accordance with Viacom's then effective payroll practices;

(v) medical and dental insurance coverage provided under COBRA at no cost to you (except as hereafter described) pursuant to Viacom's then-current benefit plans until the end of the Term or, if earlier, the date on which you become eligible for medical and dental coverage from a third party; *provided*, that, during the period that Viacom provides you with this coverage, an amount equal to the applicable COBRA premiums (or such other amounts as may be required by law) will be included in your income for tax purposes to the extent required by law and Viacom may withhold taxes from your compensation for this purpose; and *provided*, *further*, that you may elect to continue your medical and dental insurance coverage under COBRA at your own expense for the balance, if any, of the period required by law;

(vi) life insurance coverage until the end of the Term pursuant to Viacom's then-current policy in the amount then furnished to Viacom employees at no cost (the amount of such coverage will be reduced by the amount of life insurance coverage furnished to you at no cost by a third party employer); and

(vii) the following with respect to any stock options granted to you under the 1997 LTMIP and any predecessor or successor plans ("LTMIP"):

(x) all LTMIP stock options that have not vested and become exercisable on the date of such termination but that would have vested on or before the end of the Term shall vest on the date of termination; such LTMIP stock options shall remain exercisable for six (6) months after such date or, if earlier, until their expiration date; and

(y) all outstanding LTMIP stock options that have previously vested and become exercisable by the date of such termination shall remain exercisable for six (6) months after such date or, if earlier, until their expiration date.

You shall be required to mitigate the amount of any payment provided for in (i), (ii), (iii) and (iv) of this paragraph 8(d) by seeking other employment, and the amount of such payments shall be reduced by any compensation earned by you from any source, including, without limitation, salary, sign-on or annual bonus compensation, consulting fees, commission payments, car allowance and, in the event you receive long-term compensation with a present value, as reasonably determined by Viacom, greater than you would likely have received from Viacom during a comparable period (based on historical grants of long-term compensation during your service with Viacom and Viacom's practices with respect to your position, and prorating the value of such long-term compensation over the term of service required to vest therein), in each case as reasonably determined by Viacom, the amount of such excess; _provided_, that mitigation shall not be required, and no reduction for other compensation shall be made, for twelve (12) months after the termination of your employment or, if less, the balance of the Term.

(e) _Non-Renewal Notice/Payments_. If Viacom elects not to extend or renew this Agreement at the end of the Term, you shall receive the following:

(i) If (x) Viacom notifies you less than twelve (12) months before the end of the Term that it has elected not to extend or renew this Agreement (such notice is referred to as a "Non-Renewal Notice"), or (y) your employment terminates under paragraph 8(b) or (c) during the final twelve (12) months of the Term, you shall continue to receive, after your employment terminates, your then-current Salary for the balance of the twelve (12) months from the date on which the Non-Renewal Notice is given or your employment terminates, whichever is earlier.

(ii) If Viacom does not give you a Non-Renewal Notice by the end of the Term and you remain employed through that date but have not entered into a new contractual relationship with Viacom or any of its affiliated companies, and Viacom thereafter terminates your employment without Cause, you shall continue to receive your then-current Salary for the balance, if any, of the twelve (12) months after the expiration of the Term.

Notwithstanding the foregoing, you shall not receive Salary under this paragraph 8(e) with respect to any period for which you receive Salary under paragraph 8(d)(i). Payments under this paragraph 8(e) shall be made, less applicable withholding taxes, in accordance with Viacom's then effective payroll practices. You shall be required to mitigate the amount of any payment under this paragraph 8(e) by seeking other employment, and the amount of any such payment shall be reduced by any compensation earned by you from any source, including, without limitation, salary, sign-on or annual bonus compensation, consulting fees, commission payments, car allowance and, in the event you receive long-term compensation with a present value, as reasonably determined by Viacom, greater than you would likely have received from Viacom during a comparable period (based on historical grants of long-term compensation during your service with Viacom and Viacom's practices with respect to your position, and prorating the value of such long-term compensation over the term of service required to vest therein), in each case as reasonably determined by Viacom, the amount of such excess.

(f) <u>Termination of Benefits</u>. Notwithstanding anything in this Agreement to the contrary (except as otherwise provided in paragraph 8(d) with respect to medical and dental benefits and life insurance), participation in all Viacom benefit plans and programs (including, without limitation, vacation accrual, the Viacom Investment Plan, the Viacom Pension Plan and the related excess plans, LTD, car insurance and accidental death and dismemberment and business travel and accident insurance) will terminate upon the termination of your employment except to the extent otherwise expressly provided in such plans or programs and subject to any vested rights you may have under the terms of such plans or programs. The foregoing shall not apply to the LTMIP and, after the termination of your employment, your rights under the LTMIP shall be governed by the terms of the LTMIP option agreements and the applicable LTMIP plans together with paragraph 8(d)(vii).

(g) <u>Resignation from Official Positions</u>. If your employment with Viacom terminates for any reason, you shall be deemed to have resigned at that time from any and all officer or director positions that you may have held with Viacom or any of its affiliated companies and all board seats or other positions in other entities you held on behalf of Viacom. If, for any reason, this paragraph 8(g) is deemed insufficient to effectuate such resignation, you agree to execute, upon the request of Viacom, any documents or instruments which Viacom may deem necessary or desirable to effectuate such resignation or resignations, and you hereby authorize the Secretary and any Assistant Secretary of Viacom to execute any such documents or instruments as your attorney-in-fact.

(h) Election of Rights Under Executive Severance Plan. In the event that your employment is terminated on or before May 4, 2001 by Viacom without Cause or by you for Good Reason within the meaning of such terms under this Agreement and the Viacom Executive Severance Plan for Senior Vice Presidents (the "Severance Plan"), then you may elect to receive the severance compensation and benefits provided either (i) in this Agreement, or (ii) in the Severance Plan. By entering into this Agreement, you waive your right to terminate your employment for Good Reason under the Severance Plan based on events that occurred before you entered into this Agreement. If your employment terminates without Cause or for Good Reason, you will remain subject to all of the terms and conditions, including, without limitation, restrictive covenants and the requirement of a general release (i) provided in this Agreement if you elect the severance compensation and benefits provided in this Agreement, or (ii) provided in the Severance Plan if you elect the severance compensation and benefits provided in the Severance Plan.

9. Death. In the event of your death prior to the end of the Term while actively employed, your beneficiary or estate shall receive (i) your Salary up to the date on which the death occurs; (ii) any Bonus earned in the prior year but not yet paid; and (iii) bonus compensation for the calendar year in which the death occurs, determined in accordance with the STIP (i.e., based upon Viacom's achievement of its goals and Viacom's good faith estimate of your achievement of your personal goals) and pro-rated for the portion of the year through the date of death, payable, less applicable deductions and withholding taxes, by February 28th of the following year. In the event of your death after the termination of your employment while you are entitled to receive compensation under paragraph 8(d) or (e), your beneficiary or estate shall receive (x) any Salary payable under paragraph 8(d)(i) or 8(e) up to the date on which the death occurs; (y) any bonus compensation earned under paragraph 8(d)(ii) or (iii) with respect to the prior year but not yet paid; and (z) any bonus compensation for the calendar year in which the death occurs, determined in accordance with paragraph 8(d)(ii) or (iii) and pro-rated for the portion of the year through the date of death, payable, less applicable deductions and withholding taxes, by February 28th of the following year. Your beneficiary or estate or permitted transferee shall also be entitled to exercise LTMIP stock options which are exercisable on or prior to your death, together with all LTMIP stock options that would have vested and become exercisable on or prior to the last day of the Term but for your death (which options shall immediately become vested and exercisable), until the first anniversary of the date of death or, if earlier, the expiration date of the stock options.

10. No Acceptance of Payments. You represent that you have not accepted or given nor will you accept or give, directly or indirectly, any money, services or other valuable consideration from or to anyone other than Viacom for the inclusion of any matter as part of any film, television program or other production produced, distributed and/or developed by Viacom and/or any of its affiliated companies.

11. Equal Opportunity Employer; Employee Statement of Business Conduct. You recognize that Viacom is an equal opportunity employer. You agree that you will comply with Viacom policies regarding employment practices and with applicable federal, state and local laws prohibiting discrimination on the basis of race, color, sex, religion, national origin, citizenship, age, marital status, sexual orientation, disability or veteran status. In addition, you agree that you will comply with the Viacom Employee Statement of Business Conduct.

12. Indemnification. Viacom hereby agrees that it shall indemnify and hold you harmless to the maximum extent permitted by law. Neither the determination of Viacom, its Board of Directors, independent legal counsel or stockholders that you are not entitled to indemnification or the failure of any or all of them to make any determination regarding such entitlement shall create any presumption or inference that you have not met the applicable standard of conduct. If you have any knowledge of any actual or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative, as to which you may request indemnity under this provision (a "Proceeding"), you will give Viacom prompt written notice thereof; provided, that the failure to give such notice shall not affect your right to indemnification. Viacom shall be entitled to assume the defense of any Proceeding and you will use reasonable efforts to cooperate with such defense. To the extent that you in good faith determine that there is an actual or potential conflict of interest between Viacom and you in connection with the defense of a Proceeding, you shall so notify Viacom and shall be entitled to separate representation by counsel selected by you (provided that Viacom may reasonably object to the selection of counsel within five (5) business days after notification thereof) which counsel shall cooperate, and coordinate the defense, with Viacom's counsel and minimize the expense of such separate representation to the extent consistent with your separate defense. Viacom shall not be liable for any settlement of any Proceeding effected without its prior written consent. You shall be entitled to advancement of expenses incurred by you in defending any Proceeding upon receipt of an undertaking by you or on your behalf to repay such amount if it shall ultimately be determined that you are not entitled to be indemnified by Viacom.

13. Notices. All notices under this Agreement must be given in writing, by personal delivery or by mail, at the parties' respective addresses shown on this Agreement (or any other address designated in writing by either party), with a copy, in the case of Viacom, to the attention of the Senior Vice President, Human Resources and Administration of Viacom. Any notice given by mail shall be deemed to have been given three days following such mailing.

14. Assignment. This is an Agreement for the performance of personal services by you and may not be assigned by you or Viacom except that Viacom may assign this Agreement to any affiliated company of or any successor in interest to Viacom.

15. NEW YORK LAW, ETC. YOU ACKNOWLEDGE THAT THIS AGREEMENT HAS BEEN EXECUTED, IN WHOLE OR IN PART, IN NEW YORK, AND YOUR EMPLOYMENT DUTIES ARE PRIMARILY PERFORMED IN NEW YORK. ACCORDINGLY, YOU AGREE THAT THIS AGREEMENT AND ALL MATTER OR ISSUES ARISING OUT OF OR RELATING TO YOUR VIACOM EMPLOYMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS ENTERED INTO AND PERFORMED ENTIRELY THEREIN. ANY ACTION TO ENFORCE THIS AGREEMENT SHALL BE BROUGHT SOLELY IN THE STATE OR FEDERAL COURTS LOCATED IN THE CITY OF NEW YORK, BOROUGH OF MANHATTAN.

16. No Implied Contract. Nothing contained in this Agreement shall be construed to impose any obligation on Viacom or you to renew this Agreement or any portion thereof. The parties intend to be bound only upon execution of a written agreement and no negotiation, exchange of draft or partial performance shall be deemed to imply an agreement. Neither the continuation of employment nor any other conduct shall be deemed to imply a continuing agreement upon the expiration of the Term.

17. Entire Understanding. This Agreement contains the entire understanding of the parties hereto relating to the subject matter contained in this Agreement, and can be changed only by a writing signed by both parties.

18. Void Provisions. If any provision of this Agreement, as applied to either party or to any circumstances, shall be found by a court of competent jurisdiction to be unenforceable but would be enforceable if some part were deleted or the period or area of application were reduced, then such provision shall apply with the modification necessary to make it enforceable, and shall in no way affect any other provision of this Agreement or the validity or enforceability of this Agreement.

19. Supersedes Prior Agreements. With respect to the period covered by the Term, this Agreement supersedes and cancels all prior agreements relating to your employment by Viacom or any of its affiliated companies.

If the foregoing correctly sets forth our understanding, please sign, date and return all three (3) copies of this Agreement to the undersigned for execution on behalf of Viacom; after this Agreement has been executed by Viacom and a fully-executed copy returned to you, it shall constitute a binding agreement between us.

Very truly yours,

VIACOM INC.

By: /s/ William A. Roskin
Name: William A. Roskin
Title: Senior Vice President,
Human Resources and
Administration

ACCEPTED AND AGREED:

/s/ Michael D. Fricklas
Michael D. Fricklas

Dated: September 12, 2000

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THIS FINANCIAL DATA SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF VIACOM INC. FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS. EARNINGS PER SHARE ARE PRESENTED IN ACCORDANCE WITH SFAS 128.

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