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, 1999

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) |

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

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 29, 1999:

Class A Common Stock, par value $.01 per share - 138,340,683

Class B Common Stock, par value $.01 per share - 558,646,382

VIACOM INC.
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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, | |
|---|---|---|
| | 1999 | 1998 |
| Revenues | $ 3,332.0 | $ 3,288.8 |
| Expenses: | | |
| Operating | 2,119.3 | 2,145.4 |
| Selling, general and administrative | 602.5 | 543.6 |
| Restructuring charge | 70.3 | -- |
| Depreciation and amortization | 218.7 | 192.5 |
| Total expenses | 3,010.8 | 2,881.5 |
| Operating income | 321.2 | 407.3 |
| Interest expense | (118.3) | (160.3) |
| Interest income | 7.8 | 1.9 |
| Other items, net | (2.4) | (9.5) |
| Earnings from continuing operations before income taxes | 208.3 | 239.4 |
| Provision for income taxes | (93.2) | (150.6) |
| Equity in loss of affiliated companies, net of tax | (3.8) | (2.9) |
| Minority interest | (.4) | .5 |
| Earnings from continuing operations | 110.9 | 86.4 |
| Discontinued operations (Note 7): | | |
| Earnings, net of tax | -- | 67.9 |
| Loss on dispositions, net of tax | -- | (15.9) |
| Net earnings before extraordinary loss | 110.9 | 138.4 |
| Extraordinary loss, net of tax | (14.2) | -- |
| Net earnings | 96.7 | 138.4 |
| Cumulative convertible preferred stock dividend requirement | -- | (15.0) |
| Net earnings attributable to common stock | $ 96.7 | $ 123.4 |
| Earnings per common share: | | |
| Basic: | | |
| Net earnings from continuing operations | $ .16 | $ .10 |
| Net earnings | $ .14 | $ .17 |
| Diluted: | | |
| Net earnings from continuing operations | $ .16 | $ .10 |
| Net earnings | $ .14 | $ .17 |
| Weighted average number of common shares: | | |
| Basic | 696.7 | 714.7 |
| Diluted | 709.5 | 725.5 |

See notes to consolidated financial statements.

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

| | Nine months ended September 30, 1999 | Nine months ended September 30, 1998 |
|---|---|---|
| Revenues | $ 9,286.4 | $ 8,753.7 |
| Expenses: | | |
| Operating | 6,006.9 | 6,259.0 |
| Selling, general and administrative | 1,712.4 | 1,468.2 |
| Restructuring charge | 70.3 | -- |
| Depreciation and amortization | 615.8 | 571.2 |
| Total expenses | 8,405.4 | 8,298.4 |
| Operating income | 881.0 | 455.3 |
| Interest expense | (327.4) | (481.0) |
| Interest income | 16.5 | 11.9 |
| Other items, net | 2.9 | (14.0) |
| Earnings (loss) from continuing operations before income taxes | 573.0 | (27.8) |
| Provision for income taxes | (295.6) | (85.4) |
| Equity in loss of affiliated companies, net of tax | (38.1) | (21.2) |
| Minority interest | (.7) | 1.1 |
| Earnings (loss) from continuing operations | 238.6 | (133.3) |
| Discontinued operations (Note 7): | | |
| Earnings, net of tax | -- | 8.0 |
| Loss on dispositions, net of tax | -- | (15.6) |
| Net earnings (loss) before extraordinary loss | 238.6 | (140.9) |
| Extraordinary loss, net of tax | (37.7) | -- |
| Net earnings (loss) | 200.9 | (140.9) |
| Cumulative convertible preferred stock dividend requirement | (.4) | (45.0) |
| Premium on repurchase of preferred stock | (12.0) | -- |
| Net earnings (loss) attributable to common stock | $ 188.5 | $ (185.9) |
| Earnings (loss) per common share: | | |
| Basic: | | |
| Net earnings (loss) from continuing operations | $ .33 | $ (.25) |
| Net earnings (loss) | $ .27 | $ (.26) |
| Diluted: | | |
| Net earnings (loss) from continuing operations | $ .32 | $ (.25) |
| Net earnings (loss) | $ .27 | $ (.26) |
| Weighted average number of common shares: | | |
| Basic | 694.5 | 712.8 |
| Diluted | 708.6 | 712.8 |

See notes to consolidated financial statements.

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

| | September 30, 1999 (unaudited) | December 31, 1998 |
|---|---|---|
| **Assets** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 674.2 | $ 767.3 |
| Receivables, less allowances of $106.9 (1999) and $98.7 (1998) | 1,676.9 | 1,759.1 |
| Inventory (Note 8) | 1,798.1 | 1,805.5 |
| Other current assets | 832.8 | 732.6 |
| Total current assets | 4,982.0 | 5,064.5 |
| Property and equipment, at cost | 5,096.7 | 4,537.0 |
| Less accumulated depreciation | 1,781.0 | 1,457.5 |
| Net property and equipment | 3,315.7 | 3,079.5 |
| Inventory (Note 8) | 2,911.6 | 2,470.8 |
| Intangibles, at amortized cost | 11,424.1 | 11,557.3 |
| Other assets | 1,634.8 | 1,441.0 |
| | $24,268.2 | $23,613.1 |
| **Liabilities and Shareholders' Equity** | | |
| Current Liabilities: | | |
| Accounts payable | $ 487.4 | $ 499.2 |
| Accrued compensation | 372.5 | 410.3 |
| Participants' share, residuals and royalties payable | 1,079.6 | 1,227.5 |
| Income tax payable | 212.4 | 526.5 |
| Current portion of long-term debt (Note 9) | 131.2 | 377.2 |
| Accrued expenses and other | 1,902.2 | 2,591.9 |
| Total current liabilities | 4,185.3 | 5,632.6 |
| Long-term debt (Note 9) | 6,141.8 | 3,813.4 |
| Other liabilities | 3,023.1 | 2,117.5 |
| Commitments and contingencies (Note 10) | | |
| Shareholders' Equity: | | |
| Convertible Preferred Stock, par value $.01 per share; 200.0 shares authorized; 12.0 (1998) shares issued and outstanding | -- | 600.0 |
| Class A Common Stock, par value $.01 per share; 500.0 shares authorized; 139.7 (1999) and 141.6 (1998) shares issued | 1.4 | 1.4 |
| Class B Common Stock, par value $.01 per share; 3,000.0 shares authorized; 605.5 (1999) and 591.9 (1998) shares issued | 6.1 | 5.9 |
| Additional paid-in capital | 10,260.0 | 10,574.7 |
| Retained earnings | 2,114.7 | 1,932.9 |
| Accumulated other comprehensive loss (Note 1) | (32.5) | (67.1) |
| | 12,349.7 | 13,047.8 |
| Less treasury stock, at cost; 48.5 (1999) and 38.5 (1998) shares | 1,431.7 | 998.2 |
| Total shareholders' equity | 10,918.0 | 12,049.6 |
| | $24,268.2 | $23,613.1 |

See notes to consolidated financial statements.

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

| | Nine months ended September 30, 1999 | 1998 |
|---|---|---|
| Operating Activities: | | |
| Net earnings (loss) | $ 200.9 | $(140.9) |
| Adjustments to reconcile net earnings (loss) to net cash flow from operating activities: | | |
| Depreciation and amortization | 615.8 | 688.0 |
| Distribution from affiliated companies | 23.2 | 14.5 |
| Loss on dispositions, net of tax | -- | 15.6 |
| Gain on sale of investment | -- | (10.7) |
| Equity in loss of affiliated companies | 38.1 | 21.2 |
| Change in operating assets and liabilities: | | |
| Decrease (increase) in receivables | 82.2 | (74.6) |
| Decrease (increase) in inventory and related programming liabilities, net | (533.6) | 476.0 |
| Increase in prepaid expenses and other current assets | (165.7) | (40.8) |
| Increase in unbilled receivables | (96.7) | (.3) |
| Decrease in accounts payable and accrued expenses | (222.2) | (261.4) |
| Decrease in taxes payable and deferred income taxes, net | (346.3) | (501.4) |
| Increase in deferred income | 51.4 | 8.7 |
| Other, net | 64.6 | 27.1 |
| Net cash flow from operating activities | (288.3) | 221.0 |
| Investing Activities: | | |
| Capital expenditures | (503.6) | (417.2) |
| Acquisitions, net of cash acquired | (309.5) | (103.9) |
| Investments in and advances to affiliated companies | (106.8) | (66.5) |
| Purchases of short-term investments | (280.2) | (68.8) |
| Proceeds from sales of short-term investments | 342.1 | 74.5 |
| Proceeds from dispositions | -- | 141.7 |
| Other, net | 1.9 | (15.7) |
| Net cash flow from investing activities | (856.1) | (455.9) |
| Financing Activities: | | |
| Borrowings from banks, net | 2,494.2 | 917.6 |
| Repayment of notes and debentures | (1,075.3) | (400.0) |
| Repurchase of Preferred Stock and dividend payments | (619.8) | (45.0) |
| Purchase of treasury stock and warrants | (478.8) | (312.2) |
| Payment of capital lease obligations | (71.3) | (55.3) |
| Net proceeds from issuance of subsidiary stock | 430.7 | -- |
| Proceeds from exercise of stock options and warrants | 371.5 | 156.5 |
| Other, net | .1 | (6.1) |
| Net cash flow from financing activities | 1,051.3 | 255.5 |
| Net increase (decrease) in cash and cash equivalents | (93.1) | 20.6 |
| Cash and cash equivalents at beginning of the period | 767.3 | 292.3 |
| Cash and cash equivalents at end of period | $ 674.2 | $ 312.9 |
| Supplemental cash flow information: | | |
| Cash payments for interest, net of amounts capitalized | $ 330.6 | $ 524.8 |
| Cash payments for income taxes | $ 558.9 | $ 640.0 |
| Non cash investing and financing activities: | | |
| Property and equipment acquired under capitalized leases | $ 136.8 | $ 33.5 |

See 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 six segments: (i) Networks, (ii) Entertainment, (iii) Video, (iv) Parks, (v) Publishing and (vi) Online. See Note 7 regarding the presentation of discontinued operations.

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, necessary for a fair presentation of the financial position and results of operations and cash flows of the Company for the periods presented. 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 applicable to common shares by the weighted average of common shares outstanding during the period. Diluted EPS adjusts the basic weighted average of 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. Prior period amounts have been adjusted to reflect the effect of the 2-for-1 stock split (see Note 4). 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, | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| Weighted average shares for basic EPS.................. | 696.7 | 714.7 | 694.5 | 712.8 |
| Incremental shares for stock options & warrants....... | 12.8 | 10.8 | 14.1 | -- |
| Weighted average shares for diluted EPS................ | 709.5 | 725.5 | 708.6 | 712.8 |

Comprehensive Income (Loss) - Total comprehensive income (loss) for the Company includes net income and other comprehensive income items including unrealized gain (loss) on securities, cumulative translation adjustments and minimum pension liability adjustments. Total comprehensive income (loss) for the three months ended September 30, 1999 and 1998 was $106.7 million and $159.0 million, respectively, and for the nine months ended September 30, 1999 and 1998 was $235.5 million and $(118.8) million, respectively.

Subsidiary Stock Transactions - Gains or losses arising from issuances by a subsidiary of its own stock in a public offering are recorded within shareholders' equity.

2) PENDING TRANSACTION

On September 7, 1999, the Company and CBS Corporation ("CBS") announced that the companies had signed a definitive agreement to merge. Viacom and CBS have agreed that CBS will merge with the Company upon the terms and conditions set forth in the merger agreement and Viacom would be the surviving corporation. At the time of the merger, the Company will issue 1.085 shares of its Class B common stock for each share of CBS common stock and 1.085 shares of its Series C Preferred Stock for each share of CBS Series B Preferred Stock. The merger is subject to approval of shareholders of CBS and regulatory approval. The Company expects the merger to be completed in the first half of the year 2000.

3) BLOCKBUSTER INITIAL PUBLIC OFFERING

On August 10, 1999, Blockbuster Inc. completed the initial public offering ("IPO") of 31 million shares of its Class A common stock at $15 per share and began trading on the New York Stock Exchange on August 11, 1999. The Company owns 100% of the outstanding shares of Blockbuster Inc. Class B common stock, which represented approximately 82.3% of Blockbuster's equity value after the initial public offering. Proceeds of the offering aggregated $442.9 million, net of underwriting discounts and commissions and before payment of offering expenses and were used by Blockbuster to repay outstanding indebtedness under its credit agreement. The Company recorded a reduction to equity of approximately $662 million as a result of the issuance of subsidiary stock.

Viacom has announced that, subject to Viacom board approval, which will be based on an assessment of market conditions, and the receipt of a supplemental tax ruling from the Internal Revenue Service reflecting the proposed merger between Viacom and CBS, it intends to split-off Blockbuster by offering to exchange all of its shares of Blockbuster Inc. for shares of Viacom's common stock. Viacom has no obligation to effect the split-off either before or after the merger. Viacom 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.

4) STOCK TRANSACTIONS AND ACQUISITIONS

On July 7, 1999, the Viacom Five-Year Warrants expired. The Company received proceeds of approximately $317 million and issued approximately 9.0 million shares of its Class B Common Stock in connection with the exercise of 4.5 million warrants issued as part of the 1994 acquisition of Paramount Communications.

The Board of Directors of the Company declared a 2-for-1 common stock split in the form of a dividend. The additional shares were issued on March 31, 1999 to shareholders of record on March 15, 1999. All common share and per share amounts have been adjusted to reflect the stock split for all periods presented.

On June 21, 1999, the Company completed its tender offer for all outstanding shares of Spelling Entertainment Group Inc. ("Spelling") common stock that it did not already own for $9.75 per share in cash. The tendered shares, along with the shares already owned by the Company, represented approximately 97% of all of the issued and outstanding shares of Spelling. The tender offer was made under the terms of a merger agreement between the Company and Spelling. On June 23, 1999, the Company acquired the remaining outstanding shares of Spelling, approximately 3%, through a merger of Spelling and a wholly owned subsidiary of the Company. As a result of the merger, each share of Spelling common stock was also converted into the right to receive $9.75 in cash. The consideration for tendered shares was approximately $176 million.

5) RESTRUCTURING CHARGE

During the third quarter of 1999, the Company recorded a charge of approximately $81.1 million, of which $70.3 million was recorded as a restructuring charge and $10.8 million was recorded as part of depreciation expense. The restructuring charge of $70.3 million was primarily associated with the consolidation of the operations of Spelling into Paramount Television, resulting in the elimination of duplicative sales forces and certain other back office functions. Included in this total are 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. Severance and other employee related costs represent the costs to terminate approximately 250 employees engaged in legal, sales, marketing, finance, information systems, technical support and human resources for Spelling. Lease termination and other occupancy costs principally represent the expenses associated with vacating existing lease obligations in New York and Los Angeles. The depreciation expense of approximately $10.8 million was associated with the fixed asset write-offs for software, leasehold improvements and equipment located at these premises. As of September 30, 1999, the Company had paid and charged approximately $4.9 million against the severance liability and $1.6 million against the other exit costs. The Company expects to complete the exit activities by the end of the year 2000.

6) RECEIVABLES

As of September 30, 1999, the Company had an aggregate of $355.5 million outstanding under revolving receivable securitization programs. Proceeds from the sale of these receivables were used to reduce outstanding borrowings. The resulting loss on the sale of receivables was not material to the Company's financial position or results of operations.

7) DISCONTINUED OPERATIONS

In accordance with Accounting Principles Board Opinion 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions", the Company has presented its educational, professional and reference publishing businesses ("Non-Consumer Publishing") and its music retail stores ("Music") as discontinued operations, as these businesses were sold on November 27, 1998 and October 26, 1998, respectively.

(Tabular dollars in millions, except per share amounts)

During the third quarter of 1998, Spelling completed the sale of the development operations of Virgin Interactive Entertainment Limited ("Virgin") to Electronic Arts Inc. for $122.5 million in cash. In addition, on November 10, 1998, Spelling completed the sale of all non-U.S. operations of Virgin to an investor group. Included in the loss on dispositions for the three and nine months ended September 30, 1998 are additional reserves which provided for Virgin's operating losses through its disposition and a tax benefit related to the sale of Virgin.

Summarized financial results of discontinued operations are as follows:

| | Non-Consumer Publishing | Music | Total |
|---|---|---|---|
| For the three months ended September 30, 1998/(1)/: | | | |
| Revenues | $ 730.4 | $ 37.6 | $ 768.0 |
| Earnings (loss) from operations before income taxes | 160.5 | (4.5) | 156.0 |
| (Provision) benefit for income taxes | (89.9) | 1.7 | (88.2) |
| Net earnings (loss) | 70.7 | (2.8) | 67.9 |
| For the nine months ended September 30, 1998/(2)/: | | | |
| Revenues | $1,421.0 | $293.5 | $1,714.5 |
| Earnings (loss) from operations before income taxes | 47.4 | (20.9) | 26.5 |
| (Provision) benefit for income taxes | (26.6) | 8.0 | (18.6) |
| Net earnings (loss) | 20.9 | (12.9) | 8.0 |

| | Three months ended September 30, 1998 | Nine months ended September 30, 1998 |
|---|---|---|
| Loss on Dispositions, net of tax: | | |
| Loss on sale of Music | $ (138.5) | $ (138.5) |
| Additional reserves for Virgin's operating losses | (20.3) | (20.3) |
| Tax benefit for the sale of Virgin | 134.0 | 134.0 |
| Reversal of excess cable split-off reserves | 8.9 | 9.2 |
| Total loss on dispositions, net of tax | $ (15.9) | $ (15.6) |

/(1)/Results of operations reflect the music business for the period July 1 through August 10.
/(2)/Results of operations reflect the music business for the period January 1 through August 10.

(Tabular dollars in millions, except per share amounts)

8) INVENTORY

| | September 30, 1999 | December 31, 1998 |
|---|---|---|
| Merchandise inventory, including sell-through videocassettes | $ 300.1 | $ 381.9 |
| Videocassette rental inventory | 496.3 | 404.1 |
| Publishing: | | |
| Finished goods | 66.5 | 59.7 |
| Work in process | 5.6 | 6.9 |
| Raw materials | 3.6 | 2.5 |
| Other | 21.8 | 17.7 |
| | 893.9 | 872.8 |
| Less current portion | 397.6 | 468.7 |
| | 496.3 | 404.1 |
| Theatrical and television inventory: | | |
| Theatrical and television productions: | | |
| Released | 1,939.1 | 1,800.4 |
| Completed, not released | 9.5 | 35.9 |
| In process and other | 424.9 | 321.0 |
| Program rights | 1,442.3 | 1,246.2 |
| | 3,815.8 | 3,403.5 |
| Less current portion | 1,400.5 | 1,336.8 |
| | 2,415.3 | 2,066.7 |
| Total Current Inventory | $ 1,798.1 | $ 1,805.5 |
| Total Non-Current Inventory | $ 2,911.6 | $ 2,470.8 |

(Tabular dollars in millions, except per share amounts)

## 9) LONG-TERM DEBT

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

| | September 30, 1999 | December 31, 1998 |
|---|---|---|
| Notes payable to banks | $ 3,364.2 | $ 868.5 |
| 5.875% Senior Notes due 2000, net of unamortized discount of $.1 (1999) and $.2 (1998) | 149.9 | 149.8 |
| 7.5% Senior Notes due 2002, net of unamortized discount of $1.0 (1999) and $1.3 (1998) | 249.0 | 248.7 |
| 6.75% Senior Notes due 2003, net of unamortized discount of $.2 (1999 and 1998) | 349.8 | 349.8 |
| 7.75% Senior Notes due 2005, net of unamortized discount of $5.3 (1999) and $5.9 (1998) | 965.7 | 965.0 |
| 7.625% Senior Debentures due 2016, net of unamortized discount of $1.1 (1999) and $1.2 (1998) | 198.9 | 198.7 |
| 8.25% Senior Debentures due 2022, net of unamortized discount of $2.5 (1999) and $2.6 (1998) | 247.5 | 247.4 |
| 7.5% Senior Debentures due 2023, net of unamortized discount of $.4 (1999) and $.5 (1998) | 149.6 | 149.5 |
| 10.25% Senior Subordinated Notes due 2001 | 35.3 | 36.3 |
| 8.0% Merger Debentures due 2006, net of unamortized discount of $44.1 (1998) | -- | 475.2 |
| Other Notes | -- | .3 |
| Obligations under capital leases | 563.1 | 501.4 |
| | 6,273.0 | 4,190.6 |
| Less current portion | 131.2 | 377.2 |
| | $ 6,141.8 | $ 3,813.4 |

At September 30, 1999, the Company's scheduled maturities of indebtedness through December 31, 2003, assuming full utilization of the March 1997 Credit Agreements, as amended, and the Blockbuster Credit Agreement are $22.0 million (1999), $1.2 billion (2000), $1.8 billion (2001), $2.2 billion (2002) and $625.0 million (2003). The Company's maturities of long-term debt outstanding at September 30, 1999, excluding capital leases, are $22.0 million (1999), $439.5 million (2000), $304.6 million (2001), $2.1 billion (2002) and $625.0 million (2003). The Company has classified certain short-term indebtedness as long-term debt based upon its intent and ability to refinance such indebtedness on a long-term basis.

On September 27, 1999, the Company amended covenants of the March 1997 Credit Agreements, to allow for a potential split-off of Blockbuster Inc.

On July 7, 1999, the Company redeemed the remaining 8% Merger Debentures outstanding and recognized an extraordinary loss of $37.4 million, net of tax, on the early redemption.

On May 21, 1999, the Company amended the March 1997 Credit Agreements to, among other things, provide for the Blockbuster Credit Agreement.

On May 6, 1999, the 364-day film financing credit agreement, guaranteed by Viacom International Inc. and the Company, was paid in full and on May 7, 1999, this credit agreement terminated.

The Company used proceeds received from Blockbuster as described below to permanently reduce its commitments under the March 1997 Credit Agreements by $1.139 billion.

The March 1997 Viacom Credit Agreements, as amended, are comprised of (i) a $3.7 billion senior unsecured reducing revolver maturing July 1, 2002, (ii) a $600 million term loan maturing April 1, 2002 and (iii) a $100 million term loan maturing July 1, 2002. Of these amounts, $2.1 billion and $846.2 million were outstanding as of September 30, 1999 and December 31, 1998, respectively.

The interest rate on all loans made under the March 1997 Credit Agreements is based on a spread over Citibank, N.A.'s base rate or the London Interbank Offered Rate ("LIBOR"). The spread over such rate is based on the Company's credit rating. At September 30, 1999, the LIBOR (upon which the Company's borrowing rate was based) for borrowing periods of one month and two months were 5.4% and 5.47%, respectively. At December 31, 1998, LIBOR for borrowing periods of one month and two months were each 5.09%.

Blockbuster Debt

On June 21, 1999, Blockbuster Inc. entered into a $1.9 billion unsecured credit agreement (the "Blockbuster Credit Agreement") with a syndicate of banks. The Blockbuster Credit Agreement is comprised of a $700 million revolver due July 1, 2004, a $600 million term loan due in quarterly installments beginning April 1, 2002 and ending July 1, 2004, and a $600 million revolver due June 19, 2000, which was subsequently reduced with proceeds from the IPO as described below. Interest rates are based on the prime rate or LIBOR at Blockbuster's option at the time of borrowing. A varying commitment fee is charged on the unused amount of the revolver.

The Blockbuster Credit Agreement contains covenants, which, among other things, relate to the payment of dividends, repurchase of Blockbuster's common stock or other distributions and also require compliance with financial covenants with respect to a maximum leverage ratio and a minimum fixed charge ratio.

On June 23, 1999, Blockbuster Inc. borrowed $1.6 billion, comprised of $400 million borrowed under the long-term revolver, $600 million borrowed under the term loan, and $600 million under the short-term revolver. The weighted average interest rate at September 30, 1999 for these borrowings is 7.2%. The proceeds of the borrowings were used to pay amounts owed to the

Company. Blockbuster has repaid $442.9 million of the short-term revolver through proceeds from the IPO. These proceeds permanently reduced Blockbuster's commitments under the Blockbuster Credit Agreement from $1.9 billion to approximately $1.46 billion.

10) COMMITMENTS AND CONTINGENCIES

The commitments of the Company for program license fees, which are not reflected in the balance sheet at September 30, 1999 and are estimated to aggregate $1.2 billion, principally reflect Showtime Networks Inc.'s ("SNI's") commitments of $856.6 million for the acquisition of programming rights and the production of original programming, and exclude intersegment commitments between the Networks and Entertainment segments of $894.7 million. The estimate is based upon a number of factors. A majority of such fees are payable over several years, as part of normal programming expenditures of SNI. These commitments to acquire programming rights are contingent upon delivery of motion pictures which are not yet available for premium television exhibition and, in many cases, have not yet been produced.

11) PROVISION FOR INCOME TAXES

The provision for income taxes represents federal, state and foreign income taxes on earnings before income taxes. The estimated effective tax rates of 51.6% for 1999 and 59.7% for 1998 were both adversely affected by amortization of intangibles in excess of the amounts deductible for tax purposes. Excluding the non-deductible amortization of intangibles, the estimated effective tax rates would have been 35.9% for 1999 and 38.1% for 1998.

Due to the unusual nature of the 1998 second quarter charge associated with the change in accounting for rental tape amortization, the full income tax effect is reflected in the second quarter 1998 tax provision, and is excluded from the estimated annual effective rate.

12) OPERATING SEGMENTS

The following table sets forth the Company's financial performance by operating segment. Prior period results have been reclassified to conform to the new presentation. Intersegment revenues, recorded at fair market value, of the Entertainment segment were $69.1 million and $177.5 million for the three and nine months ended September 30, 1999 and $54.0 million and $110.0 million for the three and nine months ended September 30, 1998, respectively. All other intersegment revenues were immaterial for each of the periods presented.

(Tabular dollars in millions, except per share amounts)

| | Three months ended September 30, 1999 | Three months ended September 30, 1998 | Nine months ended September 30, 1999 | Nine months ended September 30, 1998 |
|---|---|---|---|---|
| Revenues: | | | | |
| Networks | $ 752.6 | $ 656.7 | $2,120.8 | $1,798.7 |
| Entertainment | 1,170.7 | 1,315.6 | 3,288.2 | 3,477.6 |
| Video | 1,112.8 | 985.5 | 3,267.5 | 2,806.7 |
| Parks | 207.0 | 227.5 | 365.9 | 391.5 |
| Publishing | 162.2 | 156.7 | 430.7 | 387.6 |
| Online | 6.6 | 3.3 | 16.5 | 8.0 |
| Intercompany eliminations | (79.9) | (56.5) | (203.2) | (116.4) |
| Total revenues | $3,332.0 | $3,288.8 | $9,286.4 | $8,753.7 |
| EBITDA: | | | | |
| Networks | $ 285.1 | $ 234.2 | $ 705.9 | $ 559.6 |
| Entertainment | 95.7 | 214.7 | 424.3 | 542.0 |
| Video | 129.9 | 104.3 | 379.5 | (87.7) |
| Parks | 67.5 | 72.8 | 93.4 | 98.2 |
| Publishing | 22.0 | 21.4 | 44.6 | 35.4 |
| Online | (15.5) | .4 | (22.5) | .7 |
| Total segment EBITDA | 584.7 | 647.8 | 1,625.2 | 1,148.2 |
| Reconciliation to operating income: | | | | |
| Corporate/Eliminations | (44.8) | (48.0) | (128.4) | (121.7) |
| Depreciation and amortization | (218.7) | (192.5) | (615.8) | (571.2) |
| Total operating income | $ 321.2 | $ 407.3 | $ 881.0 | $ 455.3 |

(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 with the current period presentation.

| | 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 | (91.0) | (149.9) | (39.5) | 162.1 | (118.3) |
| Interest income | .2 | 162.8 | 6.9 | (162.1) | 7.8 |
| Other items, net | (5.1) | (4.1) | 6.8 | -- | (2.4) |
| Earnings (loss) from continuing operations 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 | -- | .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 | (277.9) | (448.1) | (126.6) | 525.2 | (327.4) |
| Interest income | 9.7 | 511.2 | 20.8 | (525.2) | 16.5 |
| Other items, net | (15.6) | .9 | 17.6 | -- | 2.9 |
| Earnings (loss) from continuing operations 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 | -- | .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)

| | Three Months Ended September 30, 1998 | | | | |
|---|---|---|---|---|---|
| | Viacom Inc. | Viacom International | Non-Guarantor Affiliates | Eliminations | Viacom Inc. Consolidated |
| Revenues | $ 7.6 | $ 458.4 | $2,825.9 | $ (3.1) | $3,288.8 |
| Expenses: | | | | | |
| Operating | 5.9 | 121.9 | 2,020.7 | (3.1) | 2,145.4 |
| Selling, general and administrative | .3 | 172.5 | 370.8 | -- | 543.6 |
| Depreciation and amortization | .3 | 21.7 | 170.5 | -- | 192.5 |
| Total expenses | 6.5 | 316.1 | 2,562.0 | (3.1) | 2,881.5 |
| Operating income (loss) | 1.1 | 142.3 | 263.9 | -- | 407.3 |
| Other income (expense): | | | | | |
| Interest expense | (138.4) | (156.6) | (22.3) | 157.0 | (160.3) |
| Interest income | 5.3 | 148.9 | 4.7 | (157.0) | 1.9 |
| Other items, net | (6.0) | (1.7) | (1.8) | -- | (9.5) |
| Earnings (loss) from continuing operations before income taxes | (138.0) | 132.9 | 244.5 | -- | 239.4 |
| Benefit (provision) for income taxes | 56.6 | (54.5) | (152.7) | -- | (150.6) |
| Equity in earnings (loss) of affiliated companies, net of tax | 219.8 | (1.4) | (6.2) | (215.1) | (2.9) |
| Minority interest | -- | (.1) | .6 | -- | .5 |
| Earnings (loss) from continuing operations | 138.4 | 76.9 | 86.2 | (215.1) | 86.4 |
| Discontinued operations: | | | | | |
| Earnings from discontinued operations | -- | -- | 67.9 | -- | 67.9 |
| Gain (loss) on dispositions | -- | 142.9 | (158.8) | -- | (15.9) |
| Net earnings (loss) | 138.4 | 219.8 | (4.7) | (215.1) | 138.4 |
| Cumulative convertible preferred stock dividend requirement | (15.0) | -- | -- | -- | (15.0) |
| Net earnings (loss) attributable to common stock | $ 123.4 | $ 219.8 | $ (4.7) | $(215.1) | $ 123.4 |

(Tabular dollars in millions, except per share amounts)

| | Nine Months Ended September 30, 1998 | | | | |
|---|---|---|---|---|---|
| | Viacom Inc. | Viacom International | Non-Guarantor Affiliates | Eliminations | Viacom Inc. Consolidated |
| Revenues | $ 28.2 | $ 1,196.3 | $ 7,545.1 | $ (15.9) | $ 8,753.7 |
| Expenses: | | | | | |
| Operating | 23.3 | 385.2 | 5,866.4 | (15.9) | 6,259.0 |
| Selling, general and administrative | 1.7 | 443.4 | 1,023.1 | -- | 1,468.2 |
| Depreciation and amortization | 1.5 | 63.4 | 506.3 | -- | 571.2 |
| Total expenses | 26.5 | 892.0 | 7,395.8 | (15.9) | 8,298.4 |
| Operating income | 1.7 | 304.3 | 149.3 | -- | 455.3 |
| Other income (expense): | | | | | |
| Interest expense | (414.9) | (461.5) | (63.5) | 458.9 | (481.0) |
| Interest income | 17.0 | 432.8 | 21.0 | (458.9) | 11.9 |
| Other items, net | (15.1) | 6.4 | (5.3) | -- | (14.0) |
| Earnings (loss) from continuing operations before income taxes | (411.3) | 282.0 | 101.5 | -- | (27.8) |
| Benefit (provision) for income taxes | 168.6 | (115.6) | (138.4) | -- | (85.4) |
| Equity in earnings (loss) of affiliated companies, net of tax | 101.8 | (208.9) | (31.4) | 117.3 | (21.2) |
| Minority interest | -- | 1.1 | -- | -- | 1.1 |
| Loss from continuing operations | (140.9) | (41.4) | (68.3) | 117.3 | (133.3) |
| Discontinued operations: | | | | | |
| Earnings from discontinued operations | -- | -- | 8.0 | -- | 8.0 |
| Gain (loss) on dispositions | -- | 143.2 | (158.8) | -- | (15.6) |
| Net earnings (loss) | (140.9) | 101.8 | (219.1) | 117.3 | (140.9) |
| Cumulative convertible preferred stock dividend requirement | (45.0) | -- | -- | -- | (45.0) |
| Net earnings (loss) attributable to common stock | $ (185.9) | $ 101.8 | $ (219.1) | $ 117.3 | $ (185.9) |

(Tabular dollars in millions, except per share amounts)

| | September 30, 1999 | | | | |
|---|---|---|---|---|---|
| | Viacom Inc. | Viacom International | Non-Guarantor Affiliates | Eliminations | Viacom Inc. Consolidated |
| **Assets** | | | | | |
| Current Assets: | | | | | |
| Cash and cash equivalents | $ 34.0 | $ 479.8 | $ 160.4 | $ -- | $ 674.2 |
| Receivables, net | 6.9 | 366.1 | 1,398.0 | (94.1) | 1,676.9 |
| Inventory | 13.4 | 166.1 | 1,618.6 | -- | 1,798.1 |
| Other current assets | 1.5 | 165.0 | 666.3 | -- | 832.8 |
| Total current assets | 55.8 | 1,177.0 | 3,843.3 | (94.1) | 4,982.0 |
| Property and equipment, at cost | 14.2 | 652.0 | 4,430.5 | -- | 5,096.7 |
| Less accumulated depreciation | 4.0 | 224.5 | 1,552.5 | -- | 1,781.0 |
| Net property and equipment | 10.2 | 427.5 | 2,878.0 | -- | 3,315.7 |
| Inventory | -- | 464.6 | 2,447.0 | -- | 2,911.6 |
| Intangibles, at amortized cost | 107.1 | 517.5 | 10,799.5 | -- | 11,424.1 |
| Investments in consolidated subsidiaries | 6,635.4 | 14,928.1 | -- | (21,563.5) | -- |
| Other assets | (358.8) | 168.1 | 1,960.3 | (134.8) | 1,634.8 |
| | $ 6,449.7 | $ 17,682.8 | $ 21,928.1 | $(21,792.4) | $ 24,268.2 |
| **Liabilities and Shareholders' Equity** | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable | $ -- | $ 58.1 | $ 476.3 | $ (47.0) | $ 487.4 |
| Accrued compensation | -- | 121.9 | 250.6 | -- | 372.5 |
| Participants' share, residuals and royalties payable | -- | -- | 1,079.6 | -- | 1,079.6 |
| Income tax payable | (26.0) | 930.8 | (156.2) | (536.2) | 212.4 |
| Current portion of long-term debt | -- | 22.5 | 108.7 | -- | 131.2 |
| Accrued expenses and other | (343.6) | 529.8 | 1,828.6 | (112.6) | 1,902.2 |
| Total current liabilities | (369.6) | 1,663.1 | 3,587.6 | (695.8) | 4,185.3 |
| Long-term debt | 3,559.5 | 1,036.3 | 1,546.0 | -- | 6,141.8 |
| Other liabilities | (11,782.0) | 2,101.8 | 8,540.7 | 4,162.6 | 3,023.1 |
| Shareholders' equity: | | | | | |
| Preferred Stock | -- | 104.1 | 20.4 | (124.5) | -- |
| Common Stock | 7.5 | 185.7 | 525.8 | (711.5) | 7.5 |
| Additional paid-in capital | 10,260.0 | 7,332.1 | 7,742.0 | (15,074.1) | 10,260.0 |
| Retained earnings | 6,206.0 | 5,229.4 | 28.4 | (9,349.1) | 2,114.7 |
| Accumulated other comprehensive income (loss) | -- | 30.3 | (62.8) | -- | (32.5) |
| | 16,473.5 | 12,881.6 | 8,253.8 | (25,259.2) | 12,349.7 |
| Less treasury stock, at cost | 1,431.7 | -- | -- | -- | 1,431.7 |
| Total shareholders' equity | 15,041.8 | 12,881.6 | 8,253.8 | (25,259.2) | 10,918.0 |
| | $ 6,449.7 | $ 17,682.8 | $ 21,928.1 | $(21,792.4) | $ 24,268.2 |

(Tabular dollars in millions, except per share amounts)

| | December 31, 1998 | | | | |
|---|---|---|---|---|---|
| | Viacom Inc. | Viacom International | Non-Guarantor Affiliates | Eliminations | Viacom Inc. Consolidated |
| **Assets** | | | | | |
| Current Assets: | | | | | |
| Cash and cash equivalents | $ 406.4 | $ 189.5 | $ 171.4 | $ -- | $ 767.3 |
| Receivables, net | 9.5 | 319.5 | 1,458.0 | (27.9) | 1,759.1 |
| Inventory | 11.5 | 131.9 | 1,662.1 | -- | 1,805.5 |
| Other current assets | .9 | 160.9 | 570.8 | -- | 732.6 |
| Total current assets | 428.3 | 801.8 | 3,862.3 | (27.9) | 5,064.5 |
| Property and equipment | 13.6 | 602.3 | 3,921.1 | -- | 4,537.0 |
| Less accumulated depreciation | 3.0 | 188.6 | 1,265.9 | -- | 1,457.5 |
| Net property and equipment | 10.6 | 413.7 | 2,655.2 | -- | 3,079.5 |
| Inventory | -- | 400.1 | 2,070.7 | -- | 2,470.8 |
| Intangibles, at amortized cost | 109.4 | 530.9 | 10,917.0 | -- | 11,557.3 |
| Investments in consolidated subsidiaries | 5,796.0 | 15,701.9 | -- | (21,497.9) | -- |
| Other assets | 83.4 | 1,541.4 | 1,795.3 | (1,979.1) | 1,441.0 |
| | $ 6,427.7 | $ 19,389.8 | $ 21,300.5 | $(23,504.9) | $ 23,613.1 |
| **Liabilities and Shareholders' Equity** | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable | $ -- | $ 68.0 | $ 474.4 | $ (43.2) | $ 499.2 |
| Accrued compensation | -- | 144.4 | 265.9 | -- | 410.3 |
| Participants' share, residuals and royalties payable | -- | -- | 1,227.5 | -- | 1,227.5 |
| Income tax payable | -- | 1,257.5 | (139.7) | (591.3) | 526.5 |
| Current portion of long-term debt | 282.4 | 13.5 | 81.3 | -- | 377.2 |
| Accrued expenses and other | 612.7 | 663.6 | 1,351.5 | (35.9) | 2,591.9 |
| Total current liabilities | 895.1 | 2,147.0 | 3,260.9 | (670.4) | 5,632.6 |
| Long-term debt | 2,214.6 | 1,050.4 | 548.4 | -- | 3,813.4 |
| Other liabilities | (12,834.8) | 3,458.2 | 9,008.6 | 2,485.5 | 2,117.5 |
| Shareholders' equity: | | | | | |
| Preferred Stock | 600.0 | 104.1 | 20.4 | (124.5) | 600.0 |
| Common Stock | 7.3 | 228.7 | 1,985.3 | (2,214.0) | 7.3 |
| Additional paid-in capital | 10,519.6 | 7,545.4 | 6,676.9 | (14,167.2) | 10,574.7 |
| Retained earnings | 6,024.1 | 4,821.9 | (98.8) | (8,814.3) | 1,932.9 |
| Accumulated other comprehensive income (loss) | -- | 34.1 | (101.2) | -- | (67.1) |
| | 17,151.0 | 12,734.2 | 8,482.6 | (25,320.0) | 13,047.8 |
| Less treasury stock, at cost | 998.2 | -- | -- | -- | 998.2 |
| Total shareholders' equity | 16,152.8 | 12,734.2 | 8,482.6 | (25,320.0) | 12,049.6 |
| | $ 6,427.7 | $ 19,389.8 | $ 21,300.5 | $(23,504.9) | $ 23,613.1 |

(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 from operating activities | $ 384.3 | $ (361.0) | $ (311.6) | $ -- | $ (288.3) |
| Investing Activities: | | | | | |
| Capital expenditures | -- | (71.8) | (431.8) | -- | (503.6) |
| Acquisitions, net of cash acquired | (180.2) | -- | (129.3) | -- | (309.5) |
| Investments in and advances to affiliated companies | -- | (19.9) | (86.9) | -- | (106.8) |
| Purchases of short-term investments | -- | (280.2) | -- | -- | (280.2) |
| Proceeds from sales of short-term investments | -- | 342.1 | -- | -- | 342.1 |
| Other, net | -- | -- | 1.9 | -- | 1.9 |
| Net cash flow from 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 |
| Repayment of notes and debentures | (1,073.8) | (1.5) | -- | -- | (1,075.3) |
| Repurchase of Preferred Stock and dividend payments | (619.8) | -- | -- | -- | (619.8) |
| Purchase of treasury stock and warrants | (478.8) | -- | -- | -- | (478.8) |
| Payment of capital lease obligations | -- | (22.6) | (48.7) | -- | (71.3) |
| Increase (decrease) in intercompany payables | (72.7) | 705.2 | (632.5) | -- | -- |
| Net proceeds from issuance of subsidiary stock | -- | -- | 430.7 | -- | 430.7 |
| Proceeds from exercise of stock options and warrants | 371.5 | -- | -- | -- | 371.5 |
| Other, net | .1 | -- | -- | -- | .1 |
| Net cash flow from 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 |

(tabular dollars in millions, except per share amounts)

| | Nine Months Ended September 30, 1998 | | | | |
|---|---|---|---|---|---|
| | Viacom Inc. | Viacom International | Non-Guarantor Affiliates | Eliminations | Viacom Inc. Consolidated |
| Net cash flow from operating activities | $ (101.8) | $ (805.1) | $1,127.9 | $ -- | $ 221.0 |
| Investing Activities: | | | | | |
| Capital expenditures | -- | (84.7) | (332.5) | -- | (417.2) |
| Acquisitions, net of cash acquired | (12.0) | -- | (91.9) | -- | (103.9) |
| Investments in and advances to affiliated companies | -- | (1.0) | (65.5) | -- | (66.5) |
| Purchases of short-term investments | -- | (68.8) | -- | -- | (68.8) |
| Proceeds from sales of short-term investments | -- | 74.5 | -- | -- | 74.5 |
| Proceeds from dispositions | -- | 19.2 | 122.5 | -- | 141.7 |
| Other, net | -- | (9.7) | (6.0) | -- | (15.7) |
| Net cash flow from investing activities | (12.0) | (70.5) | (373.4) | -- | (455.9) |
| Financing Activities: | | | | | |
| Borrowings from banks, net | 1,172.1 | (109.0) | (145.5) | -- | 917.6 |
| Repayment of notes and debentures | (150.0) | (250.0) | -- | -- | (400.0) |
| Preferred Stock dividend payments | (45.0) | -- | -- | -- | (45.0) |
| Purchase of treasury stock & warrants | (312.2) | -- | -- | -- | (312.2) |
| Payment of capital lease obligations | -- | (20.6) | (34.7) | -- | (55.3) |
| Increase (decrease) in intercompany payables | (698.8) | 1,322.3 | (623.5) | -- | -- |
| Proceeds from exercise of stock options and warrants | 156.5 | -- | -- | -- | 156.5 |
| Other, net | -- | -- | (6.1) | -- | (6.1) |
| Net cash flow from financing activities | 122.6 | 942.7 | (809.8) | -- | 255.5 |
| Net increase (decrease) in cash and cash equivalents | 8.8 | 67.1 | (55.3) | -- | 20.6 |
| Cash and cash equivalents at beginning of period | .1 | 91.5 | 200.7 | -- | 292.3 |
| Cash equivalents at end of period | $ 8.9 | $ 158.6 | $ 145.4 | $ -- | $ 312.9 |

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

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

The following tables set forth revenues and operating income by business segment, for the three months and nine months ended September 30, 1999 and 1998. Results for the periods presented exclude contributions from the Company's educational, professional and reference publishing businesses ("Non-Consumer Publishing") and music retail stores ("Music") which were sold on November 27, 1998 and October 26, 1998, respectively. (See Note 7 of Notes to Consolidated Financial Statements).

| | Three months ended September 30, | | Percent B/(W) | Nine months ended September 30, | | Percent B/(W) |
|---|---|---|---|---|---|---|
| | 1999 | 1998 | | 1999 | 1998 | |
| | (In millions) | | | (In millions) | | |
| Revenues: | | | | | | |
| Networks | $ 752.6 | $ 656.7 | 15% | $ 2,120.8 | $ 1,798.7 | 18% |
| Entertainment | 1,170.7 | 1,315.6 | (11) | 3,288.2 | 3,477.6 | (5) |
| Video | 1,112.8 | 985.5 | 13 | 3,267.5 | 2,806.7 | 16 |
| Parks | 207.0 | 227.5 | (9) | 365.9 | 391.5 | (7) |
| Publishing | 162.2 | 156.7 | 4 | 430.7 | 387.6 | 11 |
| Online | 6.6 | 3.3 | 100 | 16.5 | 8.0 | 106 |
| Intercompany eliminations | (79.9) | (56.5) | (41) | (203.2) | (116.4) | (75) |
| Total | $ 3,332.0 | $ 3,288.8 | 1 | $ 9,286.4 | $ 8,753.7 | 6 |
| Operating income (loss): /(a)/ | | | | | | |
| Networks | $ 255.0 | $ 206.6 | 23% | $ 617.8 | $ 480.8 | 28% |
| Entertainment | 31.0 | 167.1 | (81) | 258.8 | 401.6 | (36) |
| Video | 29.9 | 9.9 | 202 | 87.7 | (371.1) | NM |
| Parks | 54.3 | 60.0 | (10) | 53.7 | 59.5 | (10) |
| Publishing | 16.8 | 17.1 | (2) | 30.5 | 22.5 | 36 |
| Online | (16.2) | .4 | NM | (23.2) | .7 | NM |
| Segment Total | 370.8 | 461.1 | (20) | 1,025.3 | 594.0 | 73 |
| Corporate/Eliminations | (49.6) | (53.8) | 8 | (144.3) | (138.7) | (4) |
| Total | $ 321.2 | $ 407.3 | (21) | $ 881.0 | $ 455.3 | 93 |

NM - Not meaningful

(a) Operating income (loss) is defined as net earnings (loss) before extraordinary loss (net of tax), discontinued operations (net of tax), minority interest, equity in loss of affiliated companies (net of tax), provision for income taxes, other items (net), interest expense and interest income.

## EBITDA

The following table sets forth EBITDA (defined as operating income (loss) before depreciation and amortization) for the three months and nine months ended September 30, 1999 and 1998. 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, but 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.

| | Three months ended September 30, | | Percent B/(W) | Nine months ended September 30, | | Percent B/(W) |
|---|---|---|---|---|---|---|
| | 1999 | 1998 | | 1999 | 1998 | |
| | (In millions) | | | (In millions) | | |
| EBITDA: | | | | | | |
| Networks | $ 285.1 | $ 234.2 | 22% | $ 705.9 | $ 559.6 | 26% |
| Entertainment | 95.7 | 214.7 | (55) | 424.3 | 542.0 | (22) |
| Video | 129.9 | 104.3 | 25 | 379.5 | (87.7) | NM |
| Parks | 67.5 | 72.8 | (7) | 93.4 | 98.2 | (5) |
| Publishing | 22.0 | 21.4 | 3 | 44.6 | 35.4 | 26 |
| Online | (15.5) | .4 | NM | (22.5) | .7 | NM |
| Segment Total | 584.7 | 647.8 | (10) | 1,625.2 | 1,148.2 | 42 |
| Corporate/Eliminations | (44.8) | (48.0) | 7 | (128.4) | (121.7) | (6) |
| Total | $ 539.9 | $ 599.8 | (10) | $1,496.8 | $1,026.5 | 46 |

NM - Not meaningful

## Results of Operations

Revenues increased 1% to $3.33 billion and 6% to $9.29 billion for the three and nine months ended September 30, 1999, respectively, from $3.29 billion and $8.75 billion for the same prior-year periods. Revenue increases were paced by gains in the Networks, Video and Publishing segments. Networks recorded higher advertising revenues and affiliate fees for the periods presented. Video's revenue gains were led by worldwide same-store sales increases of 5.7% and 10.3% for the third quarter and for the nine months then ended and the increased number of Company-owned stores in operation in 1999.

Total expenses increased 4% to $3.0 billion for the third quarter of 1999 from $2.9 billion for the third quarter of 1998 and include the Spelling charge of approximately $81.1 million recorded during the third quarter of 1999. Total expenses increased 1% to $8.4 billion for the nine months ended September 30, 1999 from $8.3 billion for the nine months ended September 30, 1998. The nine month increase principally reflects the Spelling charge of $81.1 million and normal increases associated with revenue growth. Results for 1998 include a charge taken in the second quarter by Blockbuster of $424.3 million associated with an adjustment to the carrying value of rental tapes due to a new method of accounting.

EBITDA and operating income decreased 10% to $539.9 million and 21% to $321.2 million, respectively, for the third quarter, and increased 46% to $1.5 billion and 93% to $881.0 million, for the nine months ended September 30, 1999.

Excluding the impact of the Spelling charge recorded in the third quarter of 1999 and the second quarter 1998 Blockbuster charge from the results presented above, EBITDA increased 2% and 8% for the three and nine months ended September 30, 1999, respectively, from the prior-year periods, and operating income decreased 1% for the third quarter and increased 9% for the nine months.

Segment Results of Operations

Networks (Basic Cable and Premium Subscription Television Program Services)

| | Three months ended September 30, | | Percent B/(W) | Nine months ended September 30, | | Percent B/(W) |
|---|---|---|---|---|---|---|
| | 1999 | 1998 | | 1999 | 1998 | |
| | (In millions) | | | (In millions) | | |
| Revenues | $ 752.6 | $ 656.7 | 15% | $ 2,120.8 | $ 1,798.7 | 18% |
| Operating Income | $ 255.0 | $ 206.6 | 23 | $ 617.8 | $ 480.8 | 28 |
| EBITDA | $ 285.1 | $ 234.2 | 22 | $ 705.9 | $ 559.6 | 26 |

The Networks segment is comprised of MTV Networks ("MTVN"), basic cable television program services, and Showtime Networks Inc. ("SNI"), premium subscription television program services.

For the third quarter of 1999, MTVN revenues of $553.9 million, EBITDA of $251.0 million and operating income of $226.3 million increased 17%, 22% and 23%, respectively. For the nine months ended September 30, 1999, MTVN revenues of $1.5 billion, EBITDA of $610.9 million and operating income of $540.2 million increased 23%, 25% and 27%, respectively, over the same nine months last year. The increase in MTVN's revenues principally reflects higher worldwide advertising revenues of 21% and 23% and higher affiliate fees of 9% and 12%, for the third quarter and nine months respectively, as well as the year to date success of MTVN's licensing programs, including RUGRATS and BLUES CLUES. Higher advertising revenues for the third quarter and nine months were primarily driven by rate increases at VH1 and MTV. For the nine months, higher advertising revenues were also driven by higher unit volume at MTV. MTVN's EBITDA and operating income gains were driven by the increased revenues.

SNI's revenues, EBITDA and operating income increased 9%, 9% and 12% for the third quarter, respectively, and 7%, 15% and 19% for the nine months ended September 30, 1999, respectively, over the same prior-year periods. The revenue increases were principally due to an increase of approximately 3.5 million subscriptions, up 19% over the prior year to 22.3 million subscriptions at September 30, 1999. Operating results reflect revenue increases attributable to the continued growth of direct broadcast satellite subscriptions, higher programming expenses and higher marketing costs in the second and third quarters of 1999 to support subscription growth, award winning original films and branding initiatives.

Entertainment (Motion Pictures, Television Programming, Television Stations, International Channels, Movie Theaters and Music Publishing)

| | Three months ended September 30, | | Percent B/(W) | Nine months ended September 30, | | Percent B/(W) |
|---|---|---|---|---|---|---|
| | 1999 | 1998 | | 1999 | 1998 | |
| | (In millions) | | | (In millions) | | |
| Revenues | $ 1,170.7 | $ 1,315.6 | (11)% | $ 3,288.2 | $ 3,477.6 | (5)% |
| Operating Income | $ 31.0 | $ 167.1 | (81) | $ 258.8 | $ 401.6 | (36) |
| EBITDA | $ 95.7 | $ 214.7 | (55) | $ 424.3 | $ 542.0 | (22) |

The Entertainment segment is comprised of Paramount Pictures and Paramount Television (the "Paramount Studio"), the Paramount Stations Group, Paramount movie theaters, music publishing and international channels.

Entertainment revenues decreased 11% for the third quarter and 5% for the nine months ended September 30, 1999, due principally to lower Paramount Studio revenues. Paramount Studio revenues decreased 13% to $863.4 million for the third quarter and decreased 9% to $2.3 billion for the nine months ended September 30, 1999. Including revenues from Spelling's operations which were integrated into Paramount Television in the third quarter of 1999, Paramount Studio revenues decreased 16% and 8% to $964.4 million and $2.7 billion for the quarter and nine months ended September 30, 1999, respectively. The quarter benefited from higher domestic theatrical revenues from THE GENERAL'S DAUGHTER and RUNAWAY BRIDE and higher foreign home video revenues led by SAVING PRIVATE RYAN and THE RUGRATS MOVIE, however, the domestic home video revenues did not match the same prior-year period's home video release of TITANIC. For the nine months ended September 30, 1999, Paramount Studio revenues reflect the strong domestic theatrical contributions from VARSITY BLUES, PAYBACK, THE GENERAL'S DAUGHTER, SOUTH PARK and RUNAWAY BRIDE but did not match the same prior-year period's box office success of TITANIC, along with DEEP IMPACT and THE TRUMAN SHOW. Television revenues for the quarter and nine months were higher primarily due to higher syndication revenues from JUDGE JUDY, the first time availability of JAG and STAR TREK: VOYAGER and from an additional season of SISTER, SISTER partially offset by lower library syndication revenues. Revenues in 1998 reflect the recognition of the licensing of Spelling's classic video library to Artisan Entertainment and the sale of television library product to Pax TV. Revenues for television for the nine months also benefited from the recognition of a cable retransmission royalty settlement. The lower domestic theatrical and home video revenues for the nine months were partially offset by higher foreign theatrical and home video revenues led by contributions from STAR TREK: INSURRECTION, THE RUGRATS MOVIE, SAVING PRIVATE RYAN and THE TRUMAN SHOW. The quarter and nine months also benefited from increased theaters revenues generated by new multiplex theaters opened since the end of the same prior-year period.

Entertainment's EBITDA and operating income for the third quarter and nine months ended September 30, 1999 did not match the prior-year periods which included contributions from the successful theatrical and home video release of TITANIC. Entertainment's results also include the charge of $81.1 million incurred in the third quarter, primarily associated with the consolidation of Spelling's operations into Paramount Television, resulting in the elimination of duplicative sales forces and certain other back office functions. Excluding the impact of the Spelling charge, Entertainment's EBITDA and operating income were $166.0 million and $112.1 million, respectively, for the third quarter and $494.6 million and $339.9 million, respectively, for the nine months ended September 30, 1999. Paramount Studio's EBITDA and operating income decreased 23% and 28% to $114.6 million and $89.6 million, respectively, for the third quarter and decreased 8% and 11% to $354.6 million and $279.7 million, respectively, for the nine months ended September 30, 1999, principally due to the revenue items noted above. Paramount Studio's EBITDA and operating income, including Spelling's operating results, decreased 32% and 39% to $119.0 million and $88.1 million, respectively, for the third quarter and decreased 9% and 12% to $391.5 million and $300.5 million, respectively, for the nine months ended September 30, 1999. The nine month results reflect the recognition of a license of pay television rights for library products and the renewal of a film processing agreement. Profits from television were lower for the quarter and nine months, mainly due to product mix, despite contributions from the first time availability of JAG and STAR TREK: VOYAGER, an additional domestic syndication season of SISTER, SISTER, and the recognition of a cable retransmission royalty settlement for the nine months. Theaters' EBITDA and operating income were higher for the quarter with the revenue contributions from new theaters but EBITDA and operating income were lower for the nine months due to the one-time costs associated with opening additional multiplexes.

Paramount Stations Group's revenues, EBITDA, and operating income increased 4% to $98.6 million, 2% to $32.2 million and 1% to $19.4 million, respectively, for the quarter and decreased 1%, to $304.0 million, 2% to $96.7 million and 6% to $58.8 million, respectively, for the nine months.

Video (Home Video and Game Rental and Retail)

| | Three months ended September 30, 1999 | Three months ended September 30, 1998 | Percent B/(W) | Nine months ended September 30, 1999 | Nine months ended September 30, 1998 | Percent B/(W) |
|---|---|---|---|---|---|---|
| | (In millions) | | | (In millions) | | |
| Revenues | $ 1,112.8 | $ 985.5 | 13% | $ 3,267.5 | $ 2,806.7 | 16% |
| Operating Income | $ 29.9 | $ 9.9 | 202 | $ 87.7 | $ (371.1) | NM |
| EBITDA | $ 129.9 | $ 104.3 | 25 | $ 379.5 | $ (87.7) | NM |

NM - Not meaningful

The Video segment is comprised of Blockbuster Video, operating in the home video and video game rental and retailing business.

The revenue increases for the quarter and nine months ended September 30, 1999 were driven by strong consumer traffic and the increased number of Company-owned video stores. For the third quarter, worldwide same store sales, including rental and retail product, increased 5.7%. For the nine months ended September 30, 1999, worldwide same store sales increased 10.3%. The increase in same store revenues for both periods is principally due to increases in the number of domestic rental transactions of approximately 7% on a same store basis, for both the three and nine months ended September 30, 1999 as compared to the corresponding periods of the prior year. Blockbuster Video ended the third quarter with 6,860 stores, a net increase of 627 stores over the third quarter of 1998.

Video's EBITDA increased 25% in the third quarter, reflecting the continuing success of revenue growth programs implemented in the first quarter of 1999 which emphasize tape copy depth, promote customer loyalty and reward customer frequency. Video's gross margin percentage increased slightly to 61.2% for the third quarter 1999 from 60.0% for the third quarter 1998. For the nine months ended September 30, 1999, Video's gross margin percentage decreased slightly to 61.1% from 61.3% for the comparable prior-year period, excluding the $424.3 million charge taken in the second quarter of 1998, due to the impact of revenue sharing agreements which were not fully established in the first half of the prior-year period.

Parks (Theme Parks)

| | Three months ended September 30, 1999 | Three months ended September 30, 1998 | Percent B/(W) | Nine months ended September 30, 1999 | Nine months ended September 30, 1998 | Percent B/(W) |
|---|---|---|---|---|---|---|
| | (In millions) | | | (In millions) | | |
| Revenues | $207.0 | $227.5 | (9)% | $365.9 | $391.5 | (7)% |
| Operating Income | $ 54.3 | $ 60.0 | (10) | $ 53.7 | $ 59.5 | (10) |
| EBITDA | $ 67.5 | $ 72.8 | (7) | $ 93.4 | $ 98.2 | (5) |

The Parks segment is comprised of five regional theme parks and a themed attraction in the U.S. and Canada. The Parks' revenue, EBITDA and operating income declines for the third quarter and nine months ended September 30, 1999, reflect declines in overall attendance primarily due to increased competition at two of the parks and generally less than favorable weather conditions.

Publishing (Consumer Publishing)

| | Three months ended September 30, 1999 | Three months ended September 30, 1998 | Percent B/(W) | Nine months ended September 30, 1999 | Nine months ended September 30, 1998 | Percent B/(W) |
|---|---|---|---|---|---|---|
| | (In millions) | | | (In millions) | | |
| Revenues | $162.2 | $156.7 | 4% | $430.7 | $387.6 | 11% |
| Operating Income | $ 16.8 | $ 17.1 | (2) | $ 30.5 | $ 22.5 | 36 |
| EBITDA | $ 22.0 | $ 21.4 | 3 | $ 44.6 | $ 35.4 | 26 |

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

For the quarter and nine months ended September 30, 1999, the improved revenues and operating results are due principally to higher sales in the Trade division, led by the best selling titles HEARTS IN ATLANTIS by Stephen King and 'TIS by Frank McCourt. The Children's division revenues also increased for these periods driven by higher front list sales including the best-selling title DANCE by Richard Paul Evans.

Online (Interactive Online Services)

| | Three months ended September 30, 1999 | Three months ended September 30, 1998 | Percent B/(W) | Nine months ended September 30, 1999 | Nine months ended September 30, 1998 | Percent B/(W) |
|---|---|---|---|---|---|---|
| | (In millions) | | | (In millions) | | |
| Revenues | $ 6.6 | $ 3.3 | 100% | $ 16.5 | $ 8.0 | 106% |
| Operating Income | $(16.2) | $ .4 | NM | $(23.2) | $ .7 | NM |
| EBITDA | $(15.5) | $ .4 | NM | $(22.5) | $ .7 | NM |

NM - Not meaningful

The Online segment is comprised of online music and children destinations featuring entertainment, information and e-commerce.

Revenue increases for the third quarter and nine months ended September 30, 1999 principally reflect increased license fees and higher advertising revenues. The operating losses in the current periods reflect the increased investment in the Company's online services.

On July 15, 1999, Liberty Digital acquired a 10% stake in MTVN online music ventures and the MTVN online music ventures acquired SonicNet, one of the Internet's leading music web sites, from Liberty Digital. As part of this transaction, MTVN also acquired rights to The Box Worldwide, an interactive 24-hour all-music network. In February 1999, the Company acquired Imagine Radio, an Internet radio company transmitting original radio stations offering listeners various customization features from a wide range of formats. The Company also owns Nvolve, Inc., a Web site developer, and Red Rocket, an online education toy retailer.

## Other Income and Expense Information

### Corporate Expenses/Eliminations

Corporate expenses /Eliminations including depreciation and amortization expense decreased 8% to $49.6 million for the third quarter of 1999 from the same prior-year period in 1998 principally reflecting the timing of intersegment sales. Corporate expenses/Eliminations increased 4% to $144.3 million for the nine months ended September 30, 1999 over the comparable nine months reflecting an increase in Year 2000 costs in 1999 and a one time fee associated with the initial listing of the Company on the New York Stock Exchange.

### Interest Expense

For the three and nine months ended September 30, 1999, interest expense decreased 26% to $118.3 million and 32% to $327.4 million, respectively. The Company had approximately $6.3 billion and $8.4 billion principal amount of debt outstanding (including current maturities) as of September 30, 1999 and September 30, 1998, respectively, at weighted average interest rates of 7.1% and 7.4%, respectively.

Interest Income

For the three and nine months ended September 30, 1999, interest income increased $5.9 million to $7.8 million and $4.6 million to $16.5 million, respectively.

Provision for Income Taxes

The provision for income taxes represents federal, state and foreign income taxes on earnings before income taxes. The estimated effective tax rates of 51.6% for 1999 and 59.7% for 1998 were both adversely affected by amortization of intangibles in excess of amounts which are deductible for tax purposes. Excluding the non-deductible amortization of intangibles, the estimated effective tax rates would have been 35.9% for 1999 and 38.1% for 1998.

Due to the unusual nature of the 1998 second quarter charge associated with the change in accounting for rental tape amortization, the full income tax effect is reflected in the second quarter 1998 tax provision, and is excluded from the estimated annual effective rate.

Equity in Loss of Affiliates

"Equity in loss of affiliated companies, net of tax" was $3.8 million and $38.1 million for the third quarter of 1999 and the nine months then ended, respectively, as compared to a loss of $2.9 million and $21.2 million in the comparable prior-year periods, principally reflecting increased losses of United Paramount Network and international ventures, partially offset by the improved performance of Comedy Central.

Minority Interest

Minority interest primarily represents the minority ownership of Blockbuster common stock.

Discontinued Operations

For the quarter and nine months ended September 30, 1998, discontinued operations reflect the results of operations, net of tax, of Non-Consumer Publishing and Music which were sold on November 27, 1998 and October 26, 1998, respectively, the recognized loss on the Music sale, additional losses recognized for Virgin operations prior to disposal, the tax benefit associated with the disposal of Virgin and the reversal of unutilized cable split-off reserves.

Net Earnings (Loss)

For the reasons described above, net earnings of $96.7 million for the three months ended September 30, 1999 decreased $41.7 million from $138.4 million for the three months ended September 30, 1998. Net earnings of $200.9 million for the nine months ended September 30, 1999 increased $341.8 million from a loss of $140.9 million for the nine months ended September 30, 1998.

## LIQUIDITY AND CAPITAL RESOURCES

The Company expects to fund its anticipated cash requirements (including the anticipated cash requirements of its capital expenditures, 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.

Subsequent to its initial public offering, Blockbuster no longer participates in the Company's centralized cash management system. Cash generated by Blockbuster's operations is expected to be retained by Blockbuster for use in its operations or for investing.

The Company filed a shelf registration statement with the Securities and Exchange Commission registering debt securities, preferred stock and contingent value rights of the Company and guarantees of such debt securities by Viacom International which may be issued for aggregate gross proceeds of $3.0 billion. The registration statement was declared effective on May 10, 1995. The net proceeds from the sale of the offered securities may be used by the Company to repay, redeem, repurchase or satisfy its obligations in respect of its outstanding indebtedness or other securities; to make loans to its subsidiaries; for general corporate purposes; or for such other purposes as may be specified in the applicable Prospectus Supplement. The Company filed a post-effective amendment to this registration statement on November 19, 1996. To date, the Company has issued $1.55 billion of notes and debentures and has $1.45 billion remaining availability under the shelf registration statement.

Programming Commitments

The commitments of the Company for program license fees, which are not reflected in the balance sheet at September 30, 1999 and are estimated to aggregate $1.2 billion, principally reflect SNI's commitments of $856.6 million for the acquisition of programming rights and the production of original programming and exclude intersegment commitments between the Networks and Entertainment segments of $894.7 million. The estimate is based upon a number of factors. A majority of such fees are payable over several years, as part of normal programming expenditures of SNI. These commitments to acquire programming rights are contingent upon delivery of motion pictures which are not yet available for premium television exhibition and, in many cases, have not yet been produced.

Financial Position

Current assets decreased to $5.0 billion at September 30, 1999 from $5.1 billion at December 31, 1998, primarily reflecting the use of cash to repurchase convertible preferred stock and normal seasonal reductions in receivables. The allowance for doubtful accounts as a percentage of receivables increased to 6% at September 30, 1999 from 5% at December 31, 1998. The change in property and equipment principally reflects capital expenditures of $503.6 million related to capital additions for new and existing video stores, construction of new movie theaters and additional construction and equipment upgrades for the Parks offset by depreciation expense of $366.5 million. Current liabilities decreased approximately 26% to $4.2 billion at September 30, 1999 from $5.6 billion at December 31, 1998, reflecting the payment of taxes associated with the sale of Non-Consumer Publishing, payment of accrued expenses and settlement of the 8.0% Merger Debentures. Long-term debt, including current maturities, increased $2.1 billion to $6.3 billion at September 30, 1999 from $4.2 billion at December 31, 1998 primarily reflecting the tax payments discussed above, the repurchase program acquiring the Company's common stock and warrants as well as the continued investment in and seasonality of the Company's businesses.

Cash Flows

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 increased investment in program development for the Entertainment and Networks segments. For the nine months ended September 30, 1998 net operating cash flow of $221.0 million reflects the reduction in accounts receivable due principally to the asset securitization program and the reduction in inventory due to the change in amortization for videocassettes, partially offset by the first quarter 1998 tax payment related to the sale of USA Networks and payment of accrued expenses. 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. Net cash expenditures for investing activities of $455.9 million for the nine months ended September 30, 1998, principally reflect capital expenditures and the Company's acquisition of television stations partially offset by proceeds from the disposition of Virgin. Financing activities principally reflect borrowings and repayments of debt during each period presented as well as proceeds from the exercise of stock options and warrants. For 1999, financing activities also reflect the repurchase of the Company's common stock, warrants and convertible preferred stock.

## CAPITAL STRUCTURE

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

| | At September 30, 1999 | At December 31, 1998 |
|---|---|---|
| | (In millions) | |
| Notes payable to banks | $ 3,364.2 | $ 868.5 |
| Senior debt | 2,310.4 | 2,308.9 |
| Senior subordinated debt | 35.3 | 36.3 |
| Subordinated debt | -- | 475.2 |
| Obligations under capital leases | 563.1 | 501.4 |
| Other | -- | .3 |
| | 6,273.0 | 4,190.6 |
| Less current portion | 131.2 | 377.2 |
| | $ 6,141.8 | $ 3,813.4 |

The notes and debentures are presented net of an aggregate unamortized discount of $10.6 million as of September 30, 1999 and $56.0 million as of December 31, 1998.

Debt, including the current portion, as a percentage of total capitalization of the Company was 36% at September 30, 1999 and 26% at December 31, 1998.

At September 30, 1999, the Company's scheduled maturities of indebtedness through December 31, 2003, assuming full utilization of the March 1997 Credit Agreements, as amended, and the Blockbuster Credit Agreement are $22.0 million (1999), $1.2 billion (2000), $1.8 billion (2001), $2.2 billion (2002) and $625.0 million (2003). The Company's maturities of long-term debt outstanding at September 30, 1999, excluding capital leases, are $22.0 million (1999), $439.5 million (2000), $304.6 million (2001), $2.1 billion (2002) and $625.0 million (2003). The Company has classified certain short-term indebtedness as long-term debt based upon its intent and ability to refinance such indebtedness on a long-term basis.

At September 30, 1999, 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 the remainder of 1999.

On September 27, 1999, the Company amended covenants of the March 1997 Credit Agreements, to allow for a potential split-off of Blockbuster Inc.

On July 7, 1999, the Company redeemed the remaining 8% Merger Debentures outstanding and recognized an extraordinary loss of $37.4 million, net of tax, on the early redemption.

On May 21, 1999, the Company amended the March 1997 Credit Agreements to, among other things, provide for the Blockbuster Credit Agreement.

On May 6, 1999, the 364-day film financing credit agreement, guaranteed by Viacom International Inc. and the Company, was paid in full and on May 7, 1999, this credit agreement terminated.

The Company used proceeds received from Blockbuster as described below to permanently reduce its commitments under the March 1997 Credit Agreements by $1.139 billion.

The March 1997 Viacom Credit Agreements, as amended, are comprised of (i) a $3.7 billion senior unsecured reducing revolver maturing July 1, 2002, (ii) a $600 million term loan maturing April 1, 2002 and (iii) a $100 million term loan maturing July 1, 2002. Of these amounts, $2.1 billion and $846.2 million were outstanding as of September 30, 1999 and December 31, 1998, respectively.

The interest rate on all loans made under the March 1997 Credit Agreements is based on a spread over Citibank, N.A.'s base rate or the London Interbank Offered Rate ("LIBOR"). The spread over such rate is based on the Company's credit rating. At September 30, 1999, the LIBOR (upon which the Company's borrowing rate was based) for borrowing periods of one month and two months were 5.4% and 5.47%, respectively. At December 31, 1998, LIBOR for borrowing periods of one month and two months were each 5.09%.

Blockbuster Debt
On June 21, 1999, Blockbuster Inc. entered into a $1.9 billion unsecured credit agreement (the "Blockbuster Credit Agreement") with a syndicate of banks. The Blockbuster Credit Agreement is comprised of a $700 million revolver due July 1, 2004, a $600 million term loan due in quarterly installments beginning April 1, 2002 and ending July 1, 2004, and a $600 million revolver due June 19, 2000, which was subsequently reduced with proceeds from the IPO as described below. Interest rates are based on the prime rate or LIBOR at Blockbuster's option at the time of borrowing. A varying commitment fee is charged on the unused amount of the revolver.

The Blockbuster Credit Agreement contains covenants, which, among other things, relates to the payment of dividends, repurchase of Blockbuster's common stock or other distributions and also requires compliance with financial covenants with respect to a maximum leverage ratio and a minimum fixed charge ratio.

On June 23, 1999, Blockbuster Inc. borrowed $1.6 billion, comprised of $400 million borrowed under the long-term revolver, $600 million borrowed under the term loan, and $600 million under the short-term revolver. The weighted average interest rate at September 30, 1999 for these borrowings is 7.2%. The proceeds of the borrowings were used to pay amounts owed to the Company. Blockbuster has repaid $442.9 million of the short-term revolver through proceeds from the IPO. These proceeds permanently reduced Blockbuster's commitments under the Blockbuster Credit Agreement from $1.9 billion to approximately $1.46 billion.

## Use of Derivatives

The Company uses derivative financial instruments to reduce its exposure to market risks from changes in foreign exchange rates, although it has in the past, and may in the future, also use derivatives to hedge against changes in interest rates. The Company does not hold or issue financial instruments for speculative trading purposes. The derivative instruments used are foreign exchange forward contracts 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, the European Union's common currency (the "Euro") and the European Currency Unit/British Pound relationship. These derivatives, which are over-the-counter instruments, are non-leveraged. Realized gains and losses on contracts that hedge exposure to market risks from changes in foreign exchange rates 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 base rate currently used in the existing credit agreements, however the Company does not believe this exposure to be material.

## Restructuring Charge

During the third quarter of 1999, the Company recorded a charge of approximately $81.1 million, of which $70.3 million was recorded as a restructuring charge and $10.8 million was recorded as part of depreciation expense. The restructuring charge of $70.3 million was primarily associated with the consolidation of the operations of Spelling into Paramount Television, resulting in the elimination of duplicative sales forces and certain other back office functions. Included in this total are 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. Severance and other employee related costs represent the costs to terminate approximately 250 employees engaged in legal, sales, marketing, finance, information systems, technical support and human resources for Spelling. Lease termination and other occupancy costs principally represent the expenses associated with vacating existing lease obligations in New York and Los Angeles. The depreciation expense of approximately $10.8 million was associated with the fixed asset write-offs for software, leasehold improvements and equipment located at these premises. As of September 30, 1999, the Company had paid and charged approximately $4.9 million against the severance liability and $1.6 million against the other exit costs. The Company expects to complete the exit activities by the end of the year 2000.

## Other Matters

On September 7, 1999, the Company and CBS Corporation announced that the companies had signed a definitive agreement to merge. Viacom and CBS have agreed that CBS will merge with the Company upon the terms and conditions set forth in the merger agreement and Viacom would be the surviving corporation. At the time of the merger, the Company will issue 1.085 shares of its Class B common stock for each share of CBS common stock and 1.085 shares of its Series C Preferred Stock for each share of CBS Series B Preferred Stock. The merger is subject to approval of shareholders of CBS and regulatory approval. The Company expects the merger to be completed in the first half of the year 2000.

On August 10, 1999, Blockbuster Inc. completed the initial public offering ("IPO") of 31 million shares of its Class A common stock at $15 per share and began trading on the New York Stock Exchange on August 11, 1999. The Company owns 100% of the outstanding shares of Blockbuster Inc. Class B common stock, which represented approximately 82.3% of Blockbuster's equity value after the initial public offering. Proceeds of the offering aggregated $442.9 million, net of underwriting discounts and commissions and before payment of offering expenses, and were used by Blockbuster to repay outstanding indebtedness under its credit agreement. The Company recorded a reduction to equity of approximately $662 million as a result of the issuance of subsidiary stock.

On July 7, 1999, the Viacom Five-Year Warrants expired. The Company received proceeds of approximately $317 million and issued approximately 9.0 million shares of its Class B Common Stock in connection with the exercise of 4.5 million warrants issued as part of the 1994 acquisition of Paramount Communications.

On June 21, 1999, the Company completed its tender offer for all outstanding shares of Spelling common stock that it did not already own for $9.75 per share in cash. The tendered shares, along with the shares already owned by the Company, represented approximately 97% of all of the issued and outstanding shares of Spelling. The tender offer was made under the terms of a merger agreement between the Company and Spelling. On June 23, 1999, the Company acquired the remaining outstanding shares of Spelling, approximately 3%, through a merger of Spelling and a wholly owned subsidiary of the Company. As a result of the merger, each share of Spelling common stock was also converted into the right to receive $9.75 in cash. The consideration for tendered shares was approximately $176 million.

The Board of Directors of the Company declared a 2-for-1 common stock split in the form of a dividend. The additional shares were issued on March 31, 1999 to shareholders of record on March 15,

1999. All common share and per share amounts have been adjusted to reflect the stock split for all periods presented.

## Year 2000

### Overview

The widespread use of computer programs that rely on two-digit dates to perform computations and decision making functions may cause computer systems to malfunction prior to or in the year 2000 ("Y2K") and lead to significant business delays and disruptions in the U.S. and internationally. In December 1997, the Company formalized its Y2K initiative to optimize the divisional Y2K efforts that had already begun, by developing a Company wide program to identify and mitigate Y2K risks. Pursuant to this program, each of the Company's principal business units developed programs to address Y2K exposures. In addition, under the direction of its Board of Directors, the Company has designated a committee of senior officers to oversee these programs and has engaged an independent consulting firm to assist in the review and oversight.

The Company is reviewing its Y2K issues based upon three areas: applications, infrastructure and business partners.

- Applications cover the software systems resident on mainframe, mid-range, network and personal computers. The Company defines an application as one or a collection of programs directly related to a common system. For example, a financial application may include all the general ledger and accounts receivable software code used to process information throughout an operating segment. In addition, the Company's applications have been segregated into critical and non-critical applications. Critical applications are software systems which, if not operational, could have a material impact on business operations.

- Infrastructure includes computers, data and voice communications networks, and other equipment which use embedded chip processors (*e.g.*, inventory movement systems, tape duplication equipment, telephone systems).

- Business partners include third party vendors, customers and other entities whose systems may interface with the Company or whose own operations are important to the Company's daily operations.

These three areas have been addressed using a five phase program: inventory, assessment, remediation, testing and contingency planning.

- Phase 1 inventories the respective applications, hardware and business partners.

- Phase 2 assesses the possible impact of a Y2K error on the continuing operation of each identified application, hardware systems or business partner relationship; and subsequently determines the risk to operations and assigns priorities.

- Phase 3 establishes and implements specific plans for the remediation of applications and hardware systems and for the determination of business partners' compliance.

- Phase 4 tests each application and hardware system and reviews business partners' compliance under the plans established in phase 3, to ensure that Y2K issues no longer exist.

- Phase 5 establishes and implements contingency plans in the event internal or external systems are not compliant.

Changes may occur to the Company's operations during the implementation of its Y2K program or subsequent to the completion of each phase, therefore, management may periodically revise its plans. The Company continues to review and test systems for Y2K compliance as changes occur.

State of Readiness

The Company's Y2K progress as of October 31, 1999 is as follows:

Applications

The inventory and assessment phases for the Company have been completed. Applications status of each operating segment is discussed below.

Networks, Corporate, Online - We have identified 15 critical domestic and 29 critical international applications which primarily relate to program scheduling, finance/payroll and network transmission. All critical and non-critical domestic and international applications have been remediated and tested.

Entertainment - We have identified 71 critical domestic and 50 critical international applications which primarily relate to theatrical and video distribution, TV syndication, theater point-of-sale and finance/payroll. All critical and a significant number of non-critical worldwide applications have been remediated and tested and all remaining non-critical systems are scheduled for completion prior to year end.

Video - We have identified 16 critical domestic and 6 critical international applications which primarily relate to point-of-sale, warehousing, distribution and finance/payroll. All critical and non-critical worldwide applications have been remediated and tested.

Publishing - We have identified 13 critical domestic applications which primarily relate to order processing, warehousing and billing. All critical and non-critical applications have been remediated and tested.

Parks - We have identified 20 critical domestic and 4 critical international applications which primarily relate to point-of-sale, ticketing and finance/payroll. All worldwide applications have been remediated and tested.

Infrastructure

Infrastructure status of each operating segment is discussed below.

Networks, Corporate, Online - The inventory and assessment phases for domestic and international operations have been completed. All domestic and international hardware systems have been remediated and tested.

Entertainment - The inventory and assessment phases for domestic and international computer systems and non-computer domestic systems (e.g., studio production facilities and equipment) have been completed. A significant number of infrastructure systems have been remediated and tested and the remaining systems will be completed in November 1999.

Video - Domestic and international inventory and assessment phases have been
- -----
completed. All systems with embedded processors have completed remediation and testing.

Publishing - The inventory and assessment phases have been completed. All
- ----------
hardware systems have been remediated and tested.

Parks - The inventory and assessment phases have been completed. All systems
- -----
with embedded processors have been remediated and tested.

Business Partners

During the course of business operations, the Company relies on third party business partners to provide raw materials and services and to distribute and sell products. These business partners include financial institutions, governmental agencies and utilities. The disruption of the ability to receive raw materials or services or to distribute or sell the Company's products could adversely affect the financial condition of the Company. Although the Company has little or no control over the remediation and testing of these third party systems, the Company is taking appropriate action to determine the level of Y2K compliance at each third party. These actions include, but are not limited to, requesting written confirmation of a business or business system's Y2K compliance; directly meeting with business management; and, performing additional independent tests.

The Company has completed the inventory phase and the assessment phase of business partners. The determination of third party Y2K compliance will continue through the end of the year.

Contingency Plans and Risks

As the remediation, testing and review of each application, infrastructure item and business partners occur, the Company is determining the need for contingency plans. Where appropriate, plans addressing both operational and technical alternatives are being developed and tested. This phase has begun and will continue through the end of 1999.

The Company's goal is to achieve timely and substantial Y2K compliance, with remediation work assigned based upon how critical each system is to the Company's business. Due to the general uncertainty inherent in the Y2K problem resulting in part from the uncertainty of compliance by the Company's principal business partners and third party providers, the Company is unable to determine at this time what the consequences of Y2K may be. Also, the Company's international operations may be adversely affected by failures of businesses in other parts of the world to take adequate steps to address the Y2K problem. The Company will continue to devote the necessary resources to complete its Y2K program and contingency plans and believes that the completion of its Y2K program and contingency plans will significantly mitigate operational and financial risks.

Costs

Y2K costs have been expensed as incurred, except those costs directly related to the replacement of systems requiring upgrades in the ordinary course of business which have been capitalized. As of September 30, 1999, the Company had incurred costs of approximately $50 million, of which $12 million have been capitalized. The estimated additional costs to complete the Y2K program are currently expected to approximate $7 million, of which approximately $3 million are expected to be capitalized. Based on these amounts, the Company does not expect the costs of the Y2K program to have a material effect on its results of operations, financial position or liquidity.

PART II - - OTHER INFORMATION

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

(a) Exhibits.

10.1 Amendment No. 4, dated as of September 27, 1999, to the Amended and Restated Credit Agreement, dated as of March 26, 1997, as amended, among Viacom Inc., the Bank parties thereto from time to time, The Bank of New York, as a Managing Agent and as the Documentation Agent, Citibank, N.A., as a Managing Agent and as the Administrative Agent, Morgan Guaranty Trust Company of New York, as a Managing Agent, Bank of America, N.A. (formerly known as Bank of America NT&SA), as a Managing Agent, The Chase Manhattan Bank, as a Managing Agent, JP Morgan Securities Inc., as a Syndication Agent, Bank of America Securities, LLC (formerly known as Bank of America NT&SA), as Syndication Agent, the Banks identified as Agents on the signature pages thereof, as Agents, and the Banks identified as Co-Agents on the signature pages thereof, as Co-Agents.

10.2 Viacom Inc. Executive Severance Plan for Senior Vice Presidents.

11. Statement re: Computation of Net Earnings Per Share.

27. Financial Data Schedule.

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

Current Report on Form 8-K and Form 8-K/A of Viacom Inc. filed on September 8, 1999, relating to an Agreement and Plan of Merger providing for the merger of CBS Corporation with and into Viacom Inc., with Viacom Inc. as the surviving corporation, and related agreements.

## 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 15, 1999

/s/ Sumner M. Redstone
Sumner M. Redstone
Chairman of the Board of Directors,
Chief Executive Officer

Date November 15, 1999

/s/ George S. Smith, Jr.
George S. Smith, Jr.
Senior Vice President,
Chief Financial Officer

Exhibit Index

10.1 Amendment No. 4, dated as of September 27, 1999, to the Amended and Restated Credit Agreement, dated as of March 26, 1997, as amended, among Viacom Inc., the Bank parties thereto from time to time, The Bank of New York, as a Managing Agent and as the Documentation Agent, Citibank, N.A., as a Managing Agent and as the Administrative Agent, Morgan Guaranty Trust Company of New York, as a Managing Agent, Bank of America, N.A. (formerly known as Bank of America NT&SA), as a Managing Agent, The Chase Manhattan Bank, as a Managing Agent, JP Morgan Securities Inc., as a Syndication Agent, Bank of America Securities, LLC (formerly known as Bank of America NT&SA), as Syndication Agent, the Banks identified as Agents on the signature pages thereof, as Agents, and the Banks identified as Co-Agents on the signature pages thereof, as Co-Agents.

10.2 Viacom Inc. Executive Severance Plan for Senior Vice Presidents.

11. Statement re: Computation of Net Earnings Per Share.

27. Financial Data Schedule.

EXHIBIT 10.1

AMENDMENT NO. 4, dated as of September 27, 1999 (the "Amendment") to the AMENDED AND RESTATED CREDIT AGREEMENT (the "Credit Agreement"), dated as of March 26, 1997, as amended, among VIACOM INC., a Delaware corporation (the "Borrower"), the Bank parties thereto from time to time, THE BANK OF NEW YORK, as a Managing Agent and as the Documentation Agent, CITIBANK, N.A., as a Managing Agent and as the Administrative Agent, MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as a Managing Agent, BANK OF AMERICA, N.A. (formerly known as BANK OF AMERICA NT&SA), as a Managing Agent, THE CHASE MANHATTAN BANK, as a Managing Agent, JP MORGAN SECURITIES INC., as a Syndication Agent, BANC of AMERICA SECURITIES, LLC (formerly known as BANK OF AMERICA NT&SA), as Syndication Agent, the Banks identified as Agents on the signature pages thereof, as Agents, and the Banks identified as Co-Agents on the signature pages thereof, as Co-Agents.

WITNESSETH:

WHEREAS, the parties who have heretofore entered into the Credit Agreement now desire to amend certain provisions thereof to provide for changes in the covenants in the Credit Agreement, and for certain other matters.

NOW THEREFORE, the parties hereto agree as follows:

SECTION 1. Amendments.

(a) Section 1.1 of the Credit Agreement is hereby amended by inserting the following:

"Blockbuster Split-off" means the deconsolidation and split-off of Blockbuster Inc. from the Borrower through an initial public offering and an exchange offer or subsequent distribution of the shares of Blockbuster Inc. held by the Borrower to the shareholders of the Borrower.

(b) Section 7.3 of the Credit Agreement is hereby amended by inserting at the end thereof "; provided, however, that for purposes of this Section 7.3 as of any date, the Net Worth of the Borrower and its Subsidiaries as of September 30, 1994 shall be reduced by an amount equal to the reduction of the Net Worth of Borrower and its

Subsidiaries through such date in connection with the Blockbuster Split-off."

(c) Section 8.8(c) of the Credit Agreement is hereby amended by deleting "and" and the end of clause (i) and inserting "," in lieu thereof and by inserting at the end of clause (ii) "and (iii) specifying the amount of the reduction of the Net Worth as of such date in connection with the Blockbuster Split-off referred to in Section 7.3."

SECTION 2. Consent to Blockbuster Split-off. The parties hereto consent to the Blockbuster Split-off and agree that it shall not be deemed a sale under Section 9.3 of a substantial portion of the consolidated assets of the Borrower and its Subsidiaries taken as a whole.

SECTION 3. Effectiveness. This Amendment will be effective upon the execution of counterparts hereof by the Borrower and each of the Facility Agents and Managing Agents on their own behalf and on behalf of the Banks consenting to the execution of this Amendment, and the execution of written consents by the Majority Banks.

SECTION 4. 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 5. 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 this 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.

VIACOM INC., as Borrower

By:___________________________________
Name:
Title:

Managing Agents

THE BANK OF NEW YORK, as Managing Agent, the Documentation Agent and a Bank

By:___________________________________
Name:
Title:

CITIBANK, N.A., as Managing Agent, the Administrative Agent and a Bank

By:___________________________________
Name:
Title:

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Managing Agent and a Bank

By:___________________________________
Name:
Title:

BANK OF AMERICA, N.A. (formerly known as BANK OF AMERICA NT&SA), as Managing Agent and a Bank

By:______________________________________
Name:
Title:

THE CHASE MANHATTAN BANK, as Managing Agent and a Bank

By:______________________________________
Name:
Title:

Syndication Agents
------------------

JP MORGAN SECURITIES INC., as Syndication Agent

By:______________________________________
Name:
Title:

BANC OF AMERICA SECURITIES, LLC (formerly known as THE BANK OF AMERICA NT&SA), as Syndication Agent

By:______________________________________
Name:
Title:

EXHIBIT 10.2

Viacom Inc.
Executive Severance Plan
for
Senior Vice Presidents
(Effective September 6, 1999)

Section 1. Establishment and Purpose. The Viacom Inc. Executive Severance Plan for Senior Vice Presidents (the "Plan") is hereby established effective as of the date it is approved by the Board of Directors (the "Board") of Viacom Inc. (the "Company"). The purpose of the Plan is to provide severance benefits to Participants (as defined below) whose employment terminates under certain circumstances. Capitalized terms that are not otherwise defined herein shall have the meanings assigned to such terms in Section 12.

This document shall serve as both the formal plan document and as the Summary Plan Description for the Plan. Appendix A sets forth certain general information about the Plan.

Section 2. Eligibility. The Senior Vice Presidents employed by the Company on a U.S. payroll and listed on Schedule I shall participate in the Plan (collectively, the "Participants"). For purposes of the Plan, the Controller and the Deputy General Counsel shall be treated as Senior Vice Presidents.

Section 3. Term. The Plan shall be effective as of September 6, 1999 (the "Effective Date") and shall continue in effect for a period of one year following the Effective Time (the "Term"), as defined in the Agreement and Plan of Merger between Viacom Inc. and CBS Corporation, dated as of September 6, 1999 (the "Merger Agreement"); provided, however, that in the event that (i) the transactions contemplated by the Merger Agreement are not consummated, or (ii) the Merger Agreement is terminated or abandoned, each occurring within two years of the Effective Date, the Plan shall be void and of no further force and effect.

Section 4. Payments. In the event of the Involuntary Termination of a Participant during the Term, the Company shall pay the Participant, in one lump sum cash payment within 5 business days following such Involuntary Termination an amount equal to the sum of the following: (i) any compensation earned but unpaid through the Date of Termination (i.e., base salary, automobile allowance, accrued but unpaid vacation pay); (ii) bonus compensation pro-rated for the period from January 1st through the Date of Termination (at no less than the target bonus level); (iii) an amount equal to the sum of the base salary and target bonus compensation (pro-rated for partial years) the Participant would earn if he remained employed for three years after the Date of Termination; and (iv) an amount equal to the automobile allowance the Participant would earn if he remained employed for three years after the Date of Termination, (with no duplication in (iii) and (iv) of the amounts payable pursuant to (i) and (ii)). The amounts described in (ii) and (iii) are herein referred to as the "Severance Payment". The amount described in (iv) is herein referred to as the "Automobile Allowance Payment".

If the Participant has a Prior Agreement and such Prior Agreement is in effect on the Date of Termination, base salary shall be determined in accordance with the Prior Agreement, together with increases in base salary determined as follows:

(i) If the Prior Agreement specifies the rate of increases in base salary, increases shall be payable (a) for the period covered by the Prior Agreement, as specified in the Prior Agreement, and (b) for any period after the expiration of the Prior Agreement, at the rate on such expiration date, together with increases in base salary, as of each anniversary of the Participant's last regular base salary increase, at the same annualized percentage rate of increase as the Participant's last regular base salary increase specified in the Prior Agreement, if any, excluding any prior increase to the extent related to a promotion or other change in responsibilities.

(ii) If the Prior Agreement does not specify the rate of increases in base salary, increases shall be payable, as of each anniversary of the Participant's last regular salary increase, at the same annualized percentage rate of increase (but not in excess of 8%) as the Participant's last regular base salary increase before the Effective Date, excluding any prior increase to the extent related to a promotion or other change in responsibilities (such rate of increase is herein referred to as the "Annualized Rate of Increase").

If the Participant had a Prior Agreement and such Prior Agreement has expired on or prior to the Date of Termination, base salary shall be payable at the level in effect on the Date of Termination or, if higher, on the Effective Date, together with increases in base salary determined as follows:

(x) If the Prior Agreement specified the rate of increases in base salary, increases shall be payable, as of each anniversary of the Participant's last regular salary increase, at the same annualized percentage rate of increase as the Participant's last regular base salary increase specified in the Prior Agreement, excluding any prior increase to the extent related to a promotion or other change in responsibilities.

(y) If the Prior Agreement did not specify the rate of increases in base salary, increases shall be payable, as of each anniversary of the Participant's last regular salary increase, at the Annualized Rate of Increase but not in excess of 8%.

If the Participant does not have a Prior Agreement, base salary shall be payable at the level in effect on the Date of Termination or, if higher, on the Effective Date, together with increases, as of each anniversary of the Participant's last regular salary increase, at the Annualized Rate of Increase but not in excess of 8%.

Bonus compensation shall be determined in accordance with the target bonus percentage specified in the Participant's Prior Agreement (or, if the Participant does not have a Prior Agreement, with the Participant's target bonus percentage on the Date of Termination or, if higher, on the Effective Date) and shall increase in conformity with increases in base salary.

The right of a Participant to receive a Severance Payment and an Automobile Allowance Payment shall be conditioned upon the Participant's execution of a release in favor of the Company (in substantially the form attached hereto as Appendix B) and shall be repaid immediately by the Participant if such release is revoked within the revocation period provided therein, if any. The Severance Payment and the Automobile Allowance Payment shall be in lieu of any other severance payments to which the Participant is entitled under any individual employment agreement, including the Prior Agreement, or other severance plan or arrangement sponsored by the Company and its subsidiaries.

Section 5. Benefits and Perquisites. In the event of an Involuntary Termination of the Participant during the Term, he shall be entitled to the following additional benefits and perquisites:

(a) For a three year period beginning on the Date of Termination (or, with respect to each plan, until the Participant secures full-time employment which provides him with comparable coverage), each Participant (i) shall continue to participate in the Company's medical, dental and life insurance plans, and, to the extent that any of these continued benefits may not be provided pursuant to any such plan, such benefits shall be provided pursuant to an existing supplementary arrangement or a supplementary arrangement established for purposes of this Plan, and (ii) shall either be provided with car insurance or reimbursed for his car insurance. At the end of the period during which medical and dental benefits are provided pursuant to this Section 5(a), a Participant shall be eligible for the continuation of medical and dental benefits under COBRA.

(b) On the Date of Termination, each Participant shall be credited with three years' age and service for all purposes under the Company Investment Plan, the Company Excess Investment Plan, the Company Pension Plan, the Company Excess Pension Plan and any and all other retirement plans of the Company, in accordance with the terms of such plans, and, to the extent that any of the additional benefits that would result from such additional credited service may not be provided pursuant to any such plan, such benefits shall be provided pursuant to an existing supplementary arrangement or a supplementary arrangement established for purposes of this Plan. In addition, for purposes of the foregoing, each Participant shall be deemed to have had increases in base salary and bonus compensation determined in accordance with Section 4 for purposes of the "final average pay" definition used in any of the foregoing plans.

(c) On the Date of Termination, each Participant shall be credited with three years' age and service under the Company's retiree welfare benefit plans. Any increases in the annual amount credited to the retiree medical accounts of active employees of the Company during the three year period following the Date of Termination shall apply to the Participants.

(d) For a period of one year following the Date of Termination, (or, if earlier, until the Participant secures full-time employment), the Company shall provide each Participant with an office, comparable in both quality and size to the office the Participant had prior to the Date of Termination, at a location of the Participant's choosing in midtown Manhattan or elsewhere, subject to the Company's approval, which approval shall not unreasonably be withheld. The Company shall bear the cost of relocating the Participant's office effects to the new office and provide furniture and equipment comparable to that in his present office. During the period in which the Company is providing the Participant with an office, the Company also shall provide the Participant with a secretary, who may be his current secretary or another secretary of his choosing.

(e) The Company may, in its discretion, provide outplacement benefits to Participants.

Section 6. Treatment of Outstanding Equity-Based Compensation. All equity-based compensation awards granted to a Participant prior to the Effective Date in the form of stock options or otherwise under any equity-based compensation plan of the Company, including, without limitation, the Company's Long-Term Management Incentive Plans, (together with the individual grant documents, the "Equity Plans"), to the extent not yet vested, shall vest on the Date of Termination and each stock option shall continue to be exercisable in accordance with its terms for a period of three years following the Date of Termination, or through the original expiration date of the equity-based compensation award, if earlier.

Section 7. Excise Taxes. Notwithstanding anything herein to the contrary, if it is determined by the Company, or by the Internal Revenue Service (the "IRS") pursuant to an IRS audit of the Participant's federal income tax return(s) (a "Participant Audit"), that any payment or benefit provided to a Participant would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended, or any interest or penalties with respect to such excise tax (such excise tax, together with any interest or penalties thereon, is herein referred to as the "Excise Tax"), then the Company shall pay (either directly to the IRS as tax withholdings or to the Participant as a reimbursement of any amount of taxes, interest and penalties paid by the Participant to the IRS) both the Excise Tax and an additional cash payment (a "Gross-Up Payment") in an amount that will place the Participant in the same after-tax economic position that the Participant would have enjoyed if the payment or benefit had not been subject to the Excise Tax. The amount of the Gross-Up Payment shall be calculated by the Company's regular independent auditors based on the amount of the Excise Tax paid by the Company as determined by the Company or the IRS. If the amount of the Excise Tax determined by the IRS is greater than an amount previously determined by the Company, the Company's auditors shall recalculate the amount of the Gross-Up Payment.

The Participant shall promptly notify the Company of any IRS assertion during a Participant Audit that an Excise Tax is due with respect to any payment or benefit, but such Participant shall be under no obligation to defend against such claim by the IRS unless the Company requests, in writing, that the Participant undertake the defense of such IRS claim on behalf of the Company and at the Company's sole expense. In such event, the Company may elect to control the conduct to a final determination through counsel of it own choosing and at its sole expense, of any audit, administrative or judicial proceeding involving an asserted liability relating to the Excise Tax, and the Participant shall not settle, compromise or concede such asserted Excise Tax and shall cooperate with the Company in each phase of any contest.

Section 8. Date and Notice of Termination. Any termination of a Participant's employment by the Company or by a Participant during the Term shall be communicated by a notice of termination to the other party (the "Notice of Termination"). The Notice of Termination shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for the termination of the Participant's employment with the Company. The date of a Participant's termination of employment (the "Date of Termination") shall be determined as follows: (i) if the Participant's employment is terminated by the Company other than for Cause, or if the basis for a Participant's Involuntary Termination is his resignation for Good Reason, the Date of Termination shall be the date specified in the Notice of Termination, which shall be no earlier than 10 days after the date such notice is received by the Company or the Participant, unless waived by the Company or the Participant, as the case may be; and (ii) if the Participant's employment is terminated by the Company for Cause, the date specified in the Notice of Termination.

Section 9. No Mitigation or Offset. Except as specifically provided herein, no Participant shall be required to mitigate the amount of any payment provided for in the Plan by seeking other employment or otherwise, nor shall the amount of any payment provided for herein be reduced by any compensation earned by a Participant as the result of employment by another employer.

Section 10. Successors; Binding Agreement; Other Covenants.

(a) Assumption by Successor. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company expressly to assume and to agree to perform its obligations under the Plan in the same manner and to the same extent that the Company would be required to perform such obligations if no such succession had taken place; provided, however, that no such assumption shall relieve the Company of its obligations hereunder. As used herein, the "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid that assumes and agrees to perform its obligations by operation of law or otherwise.

(b) Enforceability; Beneficiaries. The Plan shall be binding upon and inure to the benefit of each Participant (and each Participant's personal representatives and heirs) and the Company and any organization which succeeds to substantially all of the business or assets of the Company, whether by means of merger, consolidation, acquisition of all or substantially all of the assets of the Company or otherwise, including, without limitation, by operation of law. The Plan shall inure to the benefit of and be enforceable by a Participant's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If a Participant should die while any amount would still be payable to (or any equity-based compensation award could still be exercised by) such Participant hereunder if such Participant had continued to live, all such amounts (and equity-based compensation), unless otherwise provided herein, shall be paid to (and such awards may be exercised by) such Participant's devisee, legatee or other designee or, if there is no such designee, to such Participant's estate, in accordance with the terms of the Plan.

(c) Treatment of Restrictive Covenants in Prior Agreement. Upon an Involuntary Termination of a Participant hereunder, the Company shall waive the non-competition covenant contained in the Prior Agreement. Notwithstanding the foregoing, Participants shall remain bound by the non-solicitation, non-disparagement, confidentiality, cooperation with litigation, and other restrictive covenants set forth in the Prior Agreement.

Section 11. Confidentiality. Each Participant acknowledges that during the course of his employment with the Company, he may have acquired confidential information and trade secrets concerning the operations, future plans and methods of doing business of the Company and its subsidiaries ("Proprietary Information") and, in consideration of the payments to be made and the benefits to be provided hereunder, agrees to keep all Proprietary Information confidential (except for such information which is or becomes publicly available other than as a result of a breach of this provision) without limitation in time.

Section 12. Definitions. For purposes of the Plan, the following capitalized terms have the meanings set forth below:

"Cause" means embezzlement, fraud or other criminal conduct relating to the Company or its businesses; conviction of a felony; willful unauthorized disclosure of Proprietary Information; failure, neglect of or refusal by a Participant to substantially perform duties reasonably assigned to the Participant by the Participant's superior and consistent with the Participant's position, including, without limitation, the duty to facilitate the transactions contemplated by the Merger Agreement; or willful and material failure to abide by the Company's Employee Statement of Business Conduct which failure has a detrimental effect on the Company or its businesses.

"Date of Termination" has the meaning assigned thereto in Section 8.

"Effective Date" has the meaning assigned thereto in Section 3.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

"Good Reason" means, the occurrence of any of the following, without the Participant's prior written consent, if the occurrence of such event is related in any way to the transactions contemplated by the Merger Agreement, other than in connection with the termination of the Participant's employment for Cause:

(i) the assignment to a Participant by the Company of duties substantially inconsistent with his positions, duties, responsibilities, titles or offices in effect immediately prior to the Effective Date or the withdrawal of a material part of the

Participant's responsibilities or a change in his reporting relationship or titles, in each case as in effect immediately prior to the Effective Date;

(ii) a reduction in his salary, bonus or other compensation as in effect at any time following the Effective Date or as provided in the Prior Agreement;

(iii) failure of the Company to offer to extend or renew a Prior Agreement on terms that are at least as favorable to the Participant as those set forth in the Prior Agreement, and for a term from the date of such extension or renewal that is at least as long as the term of the Prior Agreement, which offer to extend or renew must occur not later than 30 days before the end of the Term;

(iv) the Company's requiring the Participant to be based anywhere other than the New York City metropolitan area, or if the Participant's principal place of employment is outside of the New York City metropolitan area (such as Washington, D.C. or greater London, U.K.), then the Participant's principal place of business, except for required travel on the Company's business to any extent substantially consistent with business travel obligations of other senior executives of the Company; and

(v) a material breach by the Company of its material obligations under the Prior Agreement.

The Participant may terminate his employment for "Good Reason" at any time during the Term by written notice to the Company not more than 60 days after the Participant receives written notice (or other formal notification) of an event set forth in (i) through (v). Prior to the Effective Time (as defined in the Merger Agreement), the events set forth in (i) through (v) shall constitute the basis for the Participant's resignation for Good Reason only if the occurrence of such event is related in any way to the transactions contemplated by the Merger Agreement. On and after the Effective Time, the occurrence of an event set forth in (i) through (v) shall be deemed related to the transactions contemplated by the Merger Agreement unless otherwise shown by clear and convincing evidence to the contrary.

"Involuntary Termination" means, with respect to any Participant (i) a Participant's termination of employment by the Company during the Term, other than for Cause, or (ii) a Participant's resignation of employment with the Company during the Term for Good Reason.

"Notice of Termination" has the meaning assigned thereto in Section 8.

"Prior Agreement" means the Participant's employment agreement with the Company or its affiliates in effect on the Date of Termination or, if the Participant's employment agreement has expired on the Date of Termination, the Participant's employment agreement, if any, that was most recently in effect.

Section 13. Notice. For the purpose of the Plan, notices and all other communications provided for in the Plan shall be in writing and shall be deemed to have been duly given, in the case of the Company, when delivered or sent to Viacom Inc., 1515 Broadway, New York, New York 10036, Attn: Senior Vice President, Human Resources and Administration, or, in the case of a Participant, when delivered to the Participant or sent to the Participant at the address of the Participant in the records of the Company, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

Section 14. Administration.

(a) Plan Year. The initial Plan Year shall be the period beginning on the Effective Date and ending on December 31, 1999. Each subsequent Plan Year shall be the period beginning on January 1 and ending on the earlier of December 31 or the second anniversary of the Effective Time.

(b) Named Fiduciary. The "named fiduciary" of the Plan for purposes of ERISA is the Company. The Company shall have the authority to appoint and remove other fiduciaries, and to exercise general supervisory authority over them.

(c) Plan Administrator. The Company's Human Resources Administrator shall be the Plan Administrator. The Plan Administrator shall manage the operation and administration of the Plan and shall have responsibility for filing, distributing or otherwise publishing such returns, reports and notices as are required by ERISA. The Plan Administrator may delegate responsibilities for the operation and administration of the Plan to one or more officers or employees of the Company.

(d) Authority of the Plan Administrator. Except for any determinations or interpretations relating to "Cause", "Good Reason" and "Involuntary Termination", the Plan Administrator shall have full and complete authority to construe and interpret the provisions of the Plan, to determine an individual's entitlement to benefits under the Plan, to investigate and make factual determinations necessary or advisable to administer or implement the Plan, and to adopt such rules and procedures as the Plan Administrator shall deem necessary or advisable for the administration or implementation of the Plan. Subject to the exclusions set forth above and Sections 14(b) and 15, all determinations under the Plan by the Plan Administrator shall be final and binding on all interested persons.

(e) Unfunded Plan. The Plan shall be unfunded. Benefits payable under the Plan shall be paid from the general assets of the Company. The Company shall have no obligation to establish any fund or to set aside any assets to provide benefits under the Plan.

Section 15. Claims Procedure.

(a) Initial Claim. A claim must be promptly filed in writing by a Participant or his authorized representative (hereinafter called the "claimant") with the Plan Administrator.

If a claim is denied in whole or in part, the Plan Administrator shall send a written notice of the denial to the claimant within 30 days of receipt of the claim, unless special circumstances require an extension of time for processing. Such extension shall not exceed an additional thirty days, and notice thereof must be given within the first 30-day period. The notice of denial shall indicate the reasons for the denial, including reference to the provisions of the Plan on which the denial is based, shall describe any additional information or material needed and the reasons why such additional information or material is necessary, and shall explain the claim review procedure.

(b) Appeal. A claimant whose claim pursuant to Section 15(a) above is denied in whole or in part (or whose initial claim is not ruled upon within the foregoing limitations of time) may file, in writing and within thirty days of the receipt of the notice of denial, with the Board, a request for review of the initial decision. The claimant may review pertinent documents and may submit in writing additional comments or material. A review decision shall be made by the Board within thirty days of receipt of a timely request for review unless there are special circumstances which require an extension of time for processing. If an extension is required, notice thereof shall be given within the first 30-day period and the review decision shall be made within 45 days after receipt of the request for review. The review decision shall be in writing and shall include specific references to the provisions of the Plan on which the decision is based. The decision of the Board on such claims shall be final, binding and conclusive on all interested persons.

Section 16. Miscellaneous.

(a) No Right of Employment. Nothing in the Plan shall be construed as giving any Participant any right to be retained in the employ of the Company or shall affect the terms and conditions of any Participant's employment with the Company.

(b) ERISA. The Plan is intended to constitute an "employee welfare benefit plan" within the meaning of Section 3(1) of ERISA and shall be construed accordingly. No person shall have any vested benefits under the Plan.

(c) Rules of Construction. As used herein, the masculine gender shall be deemed to include the feminine and the singular form shall be deemed to encompass the plural, unless the context requires otherwise. Headings of sections (other than the definitions) are included solely for convenience of reference and shall not govern or control the meaning of the text of the Plan. The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision of the Plan, which shall remain in full force and effect.

(d) Tax Withholding. All amounts paid under the Plan shall be subject to all applicable federal, state and local wage withholding.

(e) Amendment and Termination. The Board reserves the right to amend, modify or terminate the Plan, in whole or in part, at any time; provided, however, that the Plan may not be amended, modified or terminated at any time in any way, without the consent of the Participant, that would adversely affect the rights of the Participants under the Plan.

(f) Governing Law. Except as preempted by federal law, the Plan shall be governed by the laws of New York, without giving effect to the conflicts of laws provisions thereof.

Exhibit 11

# Viacom Inc. and Subsidiaries
## Computation of Net Earnings (Loss) Per Share

| | Three months ended Sept. 30, 1999 | Three months ended Sept. 30, 1998 | Nine months ended Sept. 30, 1999 | Nine months ended Sept. 30, 1998 |
|---|---|---|---|---|
| | (In millions, except per share amounts) | | | |
| Earnings (loss): | | | | |
| Earnings (loss) from continuing operations | $110.9 | $ 86.4 | $238.6 | $(133.3) |
| Cumulative convertible preferred stock dividend requirement | -- | (15.0) | (.4) | (45.0) |
| Premium on redemption of preferred stock | -- | -- | (12.0) | -- |
| Earnings (loss) from continuing operations attributable to common stock | 110.9 | 71.4 | 226.2 | (178.3) |
| Earnings (loss) from discontinued operations, net of tax | -- | 52.0 | -- | (7.6) |
| Extraordinary loss, net of tax | (14.2) | -- | (37.7) | -- |
| Net earnings (loss) | $ 96.7 | $123.4 | $188.5 | $(185.9) |
| **Basic computation:** | | | | |
| Shares: | | | | |
| Weighted average number of common shares | 696.7 | 714.7 | 694.5 | 712.8 |
| Net earnings (loss) per common share: | | | | |
| Earnings (loss) from continuing operations | $ .16 | $ .10 | $ .33 | $ (.25) |
| Earnings (loss) from discontinued operations, net of tax | -- | .07 | -- | (.01) |
| Extraordinary loss, net of tax | (.02) | -- | (.06) | -- |
| Net earnings (loss) | $ .14 | $ .17 | $ .27 | $ (.26) |
| **Diluted computation:** | | | | |
| Shares: | | | | |
| Weighted average number of common shares (basic) | 696.7 | 714.7 | 694.5 | 712.8 |
| Common shares potentially issuable in connection with stock options and warrants(1) | 12.8 | 10.8 | 14.1 | -- |
| Weighted average number of common shares (diluted) | 709.5 | 725.5 | 708.6 | 712.8 |
| Net earnings (loss) per common share: | | | | |
| Earnings (loss) from continuing operations | $ .16 | $ .10 | $ .32 | $ (.25) |
| Earnings (loss) from discontinued operations, net of tax | -- | .07 | -- | (.01) |
| Extraordinary loss, net of tax | (.02) | -- | (.05) | -- |
| Net earnings (loss) | $ .14 | $ .17 | $ .27 | $ (.26) |

(1) For the nine months ended September 30, 1998, the assumed exercise of stock options had an anti-dilutive effect on earnings per share, and therefore was excluded from the diluted earnings per share calculation.

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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, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000,000

9-MOS
DEC-31-1999
SEP-30-1999
674
0
1,784
107
1,798
4,982
5,097
1,781
24,268
4,185
6,142
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8
10,910
24,268
9,286
9,286
6,007
8,405
0
0
327
573
296
239
0
(38)
0
189
.27
.27