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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM 10-Q

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

For the quarterly period ended June 30, 2003

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-09553

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### VIACOM INC.

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**04-2949533**

(I.R.S. Employer Identification No.)

**1515 Broadway, New York, New York**

(Address of principal executive offices)

**10036**

(Zip Code)

**(212) 258-6000**

Registrant's telephone number, including area code

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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  No

Indicate by check mark whether the registrant is an accelerated filer (as defined Rule 12b-2 of the Securities Exchange Act of 1934). Yes  No

Number of shares of common stock outstanding at July 31, 2003:

Class A Common Stock, par value \$.01 per share—133,843,731

Class B Common Stock, par value \$.01 per share—1,621,361,418

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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 June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Revenues	\$ 6,418.3	\$ 5,849.5	\$ 12,469.1	\$ 11,521.7
Expenses:				
Operating	3,715.9	3,369.8	7,589.1	7,011.0
Selling, general and administrative	1,140.5	1,063.2	2,090.1	1,999.3
Depreciation and amortization	246.4	238.7	487.6	468.1
Total expenses	5,102.8	4,671.7	10,166.8	9,478.4
Operating income	1,315.5	1,177.8	2,302.3	2,043.3
Interest expense	(195.8)	(221.9)	(389.3)	(431.1)
Interest income	3.9	3.5	7.6	7.5
Other items, net	8.5	(27.3)	20.9	(18.3)
Earnings before income taxes, equity in loss of affiliated companies, minority interest, and cumulative effect of change in accounting principle	1,132.1	932.1	1,941.5	1,601.4
Provision for income taxes	(456.1)	(374.2)	(786.3)	(648.6)
Equity in loss of affiliated companies, net of tax	(2.4)	(3.7)	(2.4)	(17.8)
Minority interest, net of tax	(14.0)	(7.7)	(31.6)	(21.1)
Net earnings before cumulative effect of change in accounting principle	659.6	546.5	1,121.2	913.9
Cumulative effect of change in accounting principle, net of minority interest and tax	—	—	(18.5)	(1,480.9)
Net earnings (loss)	\$ 659.6	\$ 546.5	\$ 1,102.7	\$ (567.0)
Basic earnings (loss) per common share:				
Net earnings before cumulative effect of change in accounting principle	\$ .38	\$ .31	\$ .64	\$ .52
Cumulative effect of change in accounting principle	\$ —	\$ —	\$ (.01)	\$ (.84)
Net earnings (loss)	\$ .38	\$ .31	\$ .63	\$ (.32)
Diluted earnings (loss) per common share:				
Net earnings before cumulative effect of change in accounting principle	\$ .37	\$ .31	\$ .64	\$ .51
Cumulative effect of change in accounting principle	\$ —	\$ —	\$ (.01)	\$ (.83)
Net earnings (loss)	\$ .37	\$ .31	\$ .63	\$ (.32)
Weighted average number of common shares outstanding:				
Basic	1,746.2	1,756.1	1,746.1	1,754.8
Diluted	1,765.3	1,781.7	1,763.2	1,780.2

See notes to consolidated financial statements.

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

	At June 30, 2003	At December 31, 2002
	(Unaudited)	
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 881.3	\$ 631.4
Receivables, less allowances of \$323.8 (2003) and \$278.0 (2002)	3,399.5	3,721.0
Inventory (Note 4)	1,272.1	1,332.7
Prepaid expenses and other current assets	1,534.6	1,481.7
<b>Total current assets</b>	<b>7,087.5</b>	<b>7,166.8</b>
Property and equipment:		
Land	746.4	780.0
Buildings	974.2	955.3
Capital leases	739.1	674.0
Advertising structures	2,196.8	2,128.9
Equipment and other	5,687.5	5,313.4
	10,344.0	9,851.6
Less accumulated depreciation and amortization	4,244.8	3,738.9
<b>Net property and equipment</b>	<b>6,099.2</b>	<b>6,112.7</b>
Inventory (Note 4)	4,573.0	4,527.0
Goodwill (Note 3)	58,285.1	57,116.3
Intangibles (Note 3)	12,458.4	12,482.6
Other assets	2,212.6	2,348.8
<b>Total Assets</b>	<b>\$ 90,715.8</b>	<b>\$ 89,754.2</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 893.0	\$ 1,176.2
Accrued expenses and other current liabilities	3,078.3	3,372.7
Accrued compensation	456.9	653.4
Participants' share, residuals and royalties payable	1,115.7	966.8
Program rights	1,038.6	875.0
Income taxes payable	195.2	98.0
Current portion of long-term debt (Note 7)	362.0	199.0
<b>Total current liabilities</b>	<b>7,139.7</b>	<b>7,341.1</b>
Long-term debt (Note 7)	10,360.1	10,205.2
Deferred income tax liabilities	1,054.2	798.8
Other liabilities	7,626.0	8,076.1
Commitments and contingencies (Note 9)		
Minority interest	875.6	845.2
Stockholders' Equity:		
Class A Common Stock, par value \$.01 per share; 750.0 shares authorized; 135.3 (2003) and 137.3 (2002) shares issued	1.4	1.4
Class B Common Stock, par value \$.01 per share; 10,000.0 shares authorized; 1,722.6 (2003) and 1,716.0 (2002) shares issued	17.2	17.1
Additional paid-in capital	65,726.1	65,597.8
Retained earnings	3,036.7	1,934.0
Accumulated other comprehensive loss (Note 1)	(426.1)	(580.5)
	68,355.3	66,969.8
Less treasury stock, at cost; 1.4 (2003 and 2002) Class A shares and 110.3 (2003) and 105.3 (2002) Class B shares	4,695.1	4,482.0
<b>Total stockholders' equity</b>	<b>63,660.2</b>	<b>62,487.8</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 90,715.8</b>	<b>\$ 89,754.2</b>

See notes to consolidated financial statements.

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

	Six Months Ended June 30,	
	2003	2002
<b>Operating Activities:</b>		
Net earnings (loss)	\$ 1,102.7	\$ (567.0)
Adjustments to reconcile net earnings (loss) to net cash flow provided by operating activities:		
Cumulative effect of change in accounting principle, net of minority interest and tax	18.5	1,480.9
Depreciation and amortization	487.6	468.1
Equity in loss of affiliated companies, net of tax	2.4	17.8
Distributions from affiliated companies	26.8	23.6
Minority interest, net of tax	31.6	21.1
Change in assets and liabilities, net of effects of acquisitions	41.1	170.3
<b>Net cash flow provided by operating activities</b>	<b>1,710.7</b>	<b>1,614.8</b>
<b>Investing Activities:</b>		
Acquisitions, net of cash acquired	(1,272.0)	(698.2)
Capital expenditures	(229.4)	(204.5)
Investments in and advances to affiliated companies	(31.5)	(35.6)
Other, net	24.1	23.0
<b>Net cash flow used for investing activities</b>	<b>(1,508.8)</b>	<b>(915.3)</b>
<b>Financing Activities:</b>		
Proceeds from issuance of notes and debentures	740.5	696.4
Proceeds from exercise of stock options	87.2	248.8
Repayments to banks, including commercial paper, net	(106.9)	(415.6)
Repayment of notes and debentures	(339.3)	(736.5)
Payment of capital lease obligations	(64.1)	(57.5)
Purchase of Company common stock	(266.0)	(506.4)
Other, net	(3.4)	(1.3)
<b>Net cash flow provided by (used for) financing activities</b>	<b>48.0</b>	<b>(772.1)</b>
Net increase (decrease) in cash and cash equivalents	249.9	(72.6)
Cash and cash equivalents at beginning of period	631.4	727.4
<b>Cash and cash equivalents at end of period</b>	<b>\$ 881.3</b>	<b>\$ 654.8</b>
<b>Supplemental disclosure of cash flow information</b>		
Non-cash investing and financing activities:		
Fair value of assets acquired	\$ 1,345.0	\$ 720.5
Fair value of liabilities assumed	(75.3)	(28.1)
Acquisition of minority interest	2.3	157.4
Cash paid, net of cash acquired	(1,272.0)	(698.2)
<b>Impact on stockholders' equity</b>	<b>\$ —</b>	<b>\$ 151.6</b>

See notes to consolidated financial statements.

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Principles of Consolidation*—The consolidated financial statements include the accounts of Viacom Inc. ("Viacom" or the "Company") and investments of more than 50% in subsidiaries and other entities. Investments in affiliated companies over which the Company has a significant influence or ownership of at least 20% but less than or equal to 50% are accounted for under the equity method. Investments of less than 20% are accounted for under the cost method. All significant intercompany transactions have been eliminated.

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 Annual Report on Form 10-K for the fiscal year ended December 31, 2002.

In the opinion of management, the accompanying unaudited financial statements reflect all adjustments, consisting of only normal and recurring adjustments, necessary for a fair statement 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 accounting principles generally accepted in the United States of America requires management to make estimates, judgments 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 expenses during the reporting period. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

*Net Earnings (Loss) per Common Share*—Basic earnings (loss) per share ("EPS") is based upon net earnings (loss) divided by the weighted average number of common shares outstanding during the period. Diluted EPS reflects the effect of the assumed exercise of stock options only in the periods in which such effect would have been dilutive. For the three and six months ended June 30, 2003, respectively, options to purchase 45.9 million and 60.7 million shares of Class B Common Stock at weighted average prices of \$54.10 and \$51.17 were outstanding but excluded from the calculation of diluted EPS because their inclusion would have been anti-dilutive. For the three and six months ended June 30, 2002, options to purchase 43.3 million shares of Class B Common Stock at a weighted average price of \$55.04 were outstanding but excluded from the calculation of diluted EPS because their inclusion would have been anti-dilutive. These incremental options do not reflect the dilutive impact for the periods presented.

The table below presents a reconciliation of weighted average shares used in the calculations of basic and diluted EPS:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Weighted average number of shares for basic EPS	1,746.2	1,756.1	1,746.1	1,754.8
Incremental number of shares for stock options	19.1	25.6	17.1	25.4
Weighted average number of shares for diluted EPS	1,765.3	1,781.7	1,763.2	1,780.2

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## VIACOM INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

*Comprehensive Income (Loss)*—Total comprehensive income (loss) for the Company includes net earnings (loss) and other comprehensive income items listed in the table below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Net earnings (loss)	\$ 659.6	\$ 546.5	\$ 1,102.7	\$ (567.0)
Other comprehensive income (loss), net of tax:				
Cumulative translation adjustments	76.8	61.7	101.7	44.1
Net unrealized gain (loss) on securities	11.2	(1.4)	10.2	(1.3)
Change in fair value of cash flow hedges	.6	(.5)	.5	(.3)
Minimum pension liability adjustment	18.9	—	42.0	—
Total comprehensive income (loss)	\$ 767.1	\$ 606.3	\$ 1,257.1	\$ (524.5)

*Stock-Based Compensation*—Effective the first quarter of 2003, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure" ("SFAS 148") which requires quarterly disclosure on the Company's method of

accounting for stock-based employee compensation and the effect on reported results. The Company follows the disclosure-only provisions of SFAS 123 and in accordance with such provisions, applies APB Opinion No. 25 "Accounting for Stock Issued to Employees."

The following table reflects the effect on net earnings (loss) and earnings (loss) per share as if the Company had applied the fair value recognition provisions for stock-based employee compensation. These pro forma effects may not be representative of future amounts since the estimated fair value of stock options on the date of grant is amortized to expense over the vesting period and additional options may be granted in future years.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Net earnings (loss)	\$ 659.6	\$ 546.5	\$ 1,102.7	\$ (567.0)
Option expense, net of tax	(70.3)	(50.2)	(136.3)	(101.5)
<b>Net earnings (loss) after option expense</b>	<b>\$ 589.3</b>	<b>\$ 496.3</b>	<b>\$ 966.4</b>	<b>\$ (668.5)</b>
Basic earnings (loss) per share:				
Net earnings (loss) as reported	\$ .38	\$ .31	\$ .63	\$ (.32)
Net earnings (loss) after option expense	\$ .34	\$ .28	\$ .55	\$ (.38)
Diluted earnings (loss) per share:				
Net earnings (loss) as reported	\$ .37	\$ .31	\$ .63	\$ (.32)
Net earnings (loss) after option expense	\$ .33	\$ .28	\$ .55	\$ (.38)

*Changes in Accounting Principles*—Effective January 1, 2002, the Company adopted SFAS No. 142 "Goodwill and Other Intangible Assets" ("SFAS 142"). The initial adoption required the Company to perform a two-step fair-value based impairment test of goodwill. The first step of the test examines

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## VIACOM INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

whether or not the book values of the Company's reporting units exceed their fair values. In the second step, the Company compared the implied fair value of goodwill in accordance with the methodology prescribed by SFAS 142 to its book value. As a result of such impairment tests completed in the first quarter of 2002, the Company determined that goodwill related to Blockbuster was impaired resulting in an impairment charge of \$1.82 billion in total or \$1.48 billion, net of minority interest and tax. The impairment charge was recorded as a cumulative effect of a change in accounting principle, net of minority interest and tax, in the Company's consolidated statement of operations for the six months ended June 30, 2002.

Effective January 1, 2003, the Company adopted SFAS No. 143 "Accounting for Asset Retirement Obligations" ("SFAS 143"), effective for fiscal years beginning after June 15, 2002. SFAS 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated retirement costs. SFAS 143 requires the capitalization of asset retirement costs as part of the total cost of the related long-lived asset and the depreciation of this cost over the corresponding asset's useful life. SFAS 143 primarily applies to certain of the Company's video store leases and billboard advertising locations, where the Company is legally obligated to remove leasehold improvements to restore the property to its original condition. The asset retirement obligation was \$49.5 million and \$51.4 million at January 1, 2003 and June 30, 2003, respectively. As a result of the adoption of this standard, the Company recognized in the first quarter of 2003 a charge of \$18.5 million, or \$.01 per share, reflected as a cumulative effect of change in accounting principle, net of minority interest and tax. Assuming adoption of SFAS 143 had occurred on January 1, 2002, the impact would not be material to the Company's financial position at December 31, 2002 and the Company's statement of operations and cash flows for the three and six-month periods ended June 30, 2002.

*Recent Pronouncements*—In May 2003, the Financial Accounting Standards Board ("FASB"), issued SFAS No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150"). SFAS 150 establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. The adoption of SFAS 150 will not have a material effect on the Company's financial position.

#### 2) SUBSEQUENT EVENT

On July 23, 2003, the Company's Board of Directors declared a quarterly cash dividend of \$.06 per share on Viacom Class A and Class B Common Stock. The dividend is payable on October 1, 2003 to stockholders of record at the close of business on August 15, 2003.

#### 3) GOODWILL AND OTHER INTANGIBLE ASSETS

Intangible assets subject to amortization primarily consist of franchise and subscriber agreements that are being amortized over 5 to 40 years. Amortization expense was \$26.2 million and \$25.5 million for the three months ended June 30, 2003 and 2002, respectively, and \$51.5 million and \$51.2 million for the six months ended June 30, 2003 and June 30, 2002, respectively. Amortization expense may vary in the future as acquisitions and dispositions occur and as purchase price allocations are finalized. Without regard to future acquisitions, the Company expects its annual amortization expense to be approximately \$100 million for each of the next five succeeding years.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Tabular dollars in millions, except per share amounts)**

The Company's intangible assets subject to amortization and related accumulated amortization were as follows:

	At June 30, 2003		
	Gross	Accumulated Amortization	Net
Franchise agreements	\$ 453.2	\$ (78.7)	\$ 374.5
Subscriber agreements	372.5	(158.4)	214.1
Other intangible assets	242.1	(92.6)	149.5
<b>Total</b>	<b>\$ 1,067.8</b>	<b>\$ (329.7)</b>	<b>\$ 738.1</b>

  

	At December 31, 2003		
	Gross	Accumulated Amortization	Net
Franchise agreements	\$ 452.3	\$ (64.8)	\$ 387.5
Subscriber agreements	372.5	(133.2)	239.3
Other intangible assets	243.6	(83.5)	160.1
<b>Total</b>	<b>\$ 1,068.4</b>	<b>\$ (281.5)</b>	<b>\$ 786.9</b>

FCC licenses of approximately \$11.7 billion at June 30, 2003 and December 31, 2002, were recorded as intangible assets with indefinite lives and were not subject to amortization. In determining that FCC licenses have indefinite lives, the Company considered several factors including: (i) its licenses are renewable at very little cost; (ii) it has historically demonstrated its ability to renew such licenses; and (iii) the Company believes that broadcasting technologies are not expected to be replaced or changed significantly and, therefore, its ability to renew its FCC licenses will not be impacted. The Company tests FCC licenses for impairment annually by comparing the fair value of such licenses with the underlying carrying amount. The Company has not recognized any impairment losses related to its FCC licenses.

The changes in the book value of goodwill, by segment, for the six months ended June 30, 2003 were as follows:

	Balance at December 31, 2002	Acquisitions(a)	Adjustments(b)	Balance at June 30, 2003
Cable Networks	\$ 7,330.1	\$ 1,127.5	\$ 5.2	\$ 8,462.8
Television	13,182.1	—	—	13,182.1
Radio	19,328.7	—	(56.1)	19,272.6
Outdoor	11,409.1	33.1	66.0	11,508.2
Entertainment	1,972.3	—	.6	1,972.9
Video	3,894.0	—	(7.5)	3,886.5
<b>Total</b>	<b>\$ 57,116.3</b>	<b>\$ 1,160.6</b>	<b>\$ 8.2</b>	<b>\$ 58,285.1</b>

(a) The \$1.1 billion increase in goodwill in the Cable Networks segment resulted from the acquisition of Comedy Central during the second quarter of 2003.

(b) Adjustments primarily relate to foreign currency translation adjustments, the reversal of reserves previously established in purchase price accounting which were determined to be no longer necessary and purchase price allocations for acquisitions.

**VIACOM INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Tabular dollars in millions, except per share amounts)**

**4) INVENTORY**

	At June 30, 2003	At December 31, 2002
Theatrical and television inventory:		
Theatrical:		
Released (including acquired film libraries)	\$ 601.0	\$ 522.3
Completed, not released	43.2	98.7
In process and other	442.7	509.8

Television:				
Released		965.6		878.0
In process and other		34.7		90.2
Program rights		2,808.9		2,658.2
			4,896.1	4,757.2
Less current portion			734.0	718.8
			4,162.1	4,038.4
Merchandise inventory		430.7		505.7
Rental inventory		370.6		430.6
Publishing, primarily finished goods		77.5		71.9
Other		70.2		94.3
			949.0	1,102.5
Less current portion			538.1	613.9
			410.9	488.6
Total Current Inventory	\$	1,272.1	\$	1,332.7
Total Non-Current Inventory	\$	4,573.0	\$	4,527.0

## 5) ACQUISITIONS

On May 22, 2003 the Company completed its acquisition of the remaining 50% interest in Comedy Central that it did not own for \$1.2 billion in cash. Comedy Central's results have been consolidated as part of Cable Networks, effective from the date of acquisition. The acquisition of the remaining 50% interest in Comedy Central was accounted for under the purchase method of accounting. The excess purchase price over the fair value of the tangible net assets acquired of approximately \$1.1 billion was allocated to goodwill. The final allocation of the purchase price will be based on comprehensive final evaluations of the fair value of Comedy Central's assets acquired and liabilities assumed.

## 6) RESTRUCTURING AND MERGER-RELATED CHARGES

In the second quarter of 2003, restructuring charges of \$26.4 million were recorded at Cable Networks. These charges principally reflected \$17.7 million of severance liabilities resulting from the acquisition of Comedy Central and organizational changes at Showtime Networks Inc. Also included in this total was \$8.4 million for additional lease termination costs for MTV Networks ("MTVN") due to a change in the initial estimate for its 2001 charge. The restructuring charges were recorded in the statement of

## VIACOM INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

## 6) RESTRUCTURING AND MERGER-RELATED CHARGES (Continued)

operations as part of selling, general and administrative expenses for \$23.4 million and operating expenses for \$3.0 million. For the six months ended June 30, 2003, the Company had paid and charged \$6.6 million against the severance liabilities. Severance payments will continue through 2005 since certain employees will be paid out over the terms of their employment contracts. For the six months ended June 30, 2003, approximately \$2.5 million of expenses related to lease termination costs were charged against the lease liability.

In 2001, the Company recorded a Cable Networks restructuring charge of \$66.6 million for MTVN and a UPN restructuring charge of \$52.8 million. These charges were principally associated with reducing headcount and closing certain MTVN domestic and foreign offices and integrating UPN into CBS Network operations.

In the second quarter of 2000, the Company recorded a non-recurring merger-related charge of \$698.5 million (\$504.5 million after-tax or \$.41 per share), associated with the integration of Viacom and CBS and the acquisition of UPN.

The following table summarizes the activity for merger-related and restructuring charges discussed above:

	Viacom/CBS Merger Related Charge	Cable Networks Restructuring Charges	UPN Restructuring Charge
Balance at December 31, 2002	\$ 33.6	\$ 18.3	\$ 2.3
Charges	—	26.4	—
Cash payments	(4.8)	(9.1)	(.8)
Non-cash charges	—	—	(1.4)



Balance at June 30, 2003	\$	28.8	\$	35.6	\$	.1
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## 7) LONG-TERM DEBT

The following table sets forth the Company's long-term debt:

	At June 30, 2003		At December 31, 2002	
Notes payable to banks	\$	317.5	\$	423.7
Commercial paper		174.7		174.6
Senior debt (4.625%-8.875% due 2003-2051)		9,951.6		9,530.7
Senior subordinated debt (10.50% due 2009)		60.9		56.1
Other notes		28.4		28.6
Obligations under capital leases		390.7		392.2
<b>Total Debt</b>		<b>10,923.8</b>		<b>10,605.9</b>
Less current portion		362.0		199.0
Less discontinued operations debt (a)		201.7		201.7
<b>Total Long-Term Debt</b>	\$	<b>10,360.1</b>	\$	<b>10,205.2</b>

(a) Included in "Other liabilities" on the consolidated balance sheets.

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## VIACOM INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

## 7) LONG-TERM DEBT (Continued)

The Company's total debt presented in the table includes, for the periods ending June 30, 2003 and December 31, 2002, respectively, (i) an aggregate unamortized premium of \$42.5 million and \$49.5 million and (ii) the change in the carrying value of the senior debt, since inception, relating to fair value swaps of \$99.0 million and \$86.2 million.

The senior debt and senior subordinated debt of each of Viacom Inc. and its wholly owned subsidiary, Viacom International Inc. ("Viacom International"), is fully and unconditionally guaranteed by Viacom International and Viacom Inc., respectively. The senior debt and senior subordinated debt of the Company's wholly owned subsidiaries, CBS Broadcasting Inc. and Go Outdoor Systems Holdings S.A., respectively, are not guaranteed; the aggregate outstanding amount of such debt at June 30, 2003 was \$113.1 million.

On May 14, 2003, the Company issued \$300 million 4.625% senior notes due 2018 and \$450 million 5.50% senior debentures due 2033. Interest on the senior notes and senior debentures is payable semi-annually. Proceeds from the debt issuance were used for general corporate purposes, including funding a portion of the acquisition of Comedy Central. The senior notes and senior debentures are redeemable at any time at their principal amount plus the applicable premium and accrued interest.

During the first quarter of 2003, the 6.75% senior notes due January 15, 2003 matured in the amount of \$333.8 million.

On February 28, 2003, the Company entered into a \$1.7 billion, 364-day credit facility to replace the \$1.8 billion facility which was to expire in March 2003.

At June 30, 2003, the Company had commercial paper borrowings of \$174.7 million under its \$4.65 billion commercial paper program. Borrowings under the program have maturities of less than one year. The Company's credit facilities supporting the commercial paper borrowings totaled \$4.65 billion at June 30, 2003.

At June 30, 2003, the Company classified approximately \$451.0 million of commercial paper and other debt scheduled to mature within the next twelve months as long-term debt, reflecting its intent and ability, through the existence of unused revolving credit facilities, to refinance this debt on a long-term basis.

At June 30, 2003, notes payable to banks of \$317.5 million decreased \$106.2 million from December 31, 2002, principally due to net repayments under the Blockbuster credit agreement of approximately \$100 million.

### Accounts Receivable Securitization Programs

As of June 30, 2003 and December 31, 2002, the Company had an aggregate of \$1.0 billion and \$981.9 million, respectively, outstanding under revolving receivable securitization programs. The Company is required to maintain certain ratios in connection with the programs. As of June 30, 2003 and December 31, 2002, the Company was in compliance with the required ratios under the receivable securitization programs.

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(Tabular dollars in millions, except per share amounts)

**8) SHARE PURCHASE PROGRAM**

For the six months ended June 30, 2003, on a trade date basis, the Company purchased approximately 5.4 million shares of its Class B Common Stock for approximately \$231.8 million under its current \$3.0 billion stock purchase program. Since inception of this program in October 2002, a total of 8.7 million shares have been purchased through June 30, 2003, for approximately \$372.4 million, leaving \$2.6 billion remaining under the \$3.0 billion program to purchase Company Common Stock.

**9) COMMITMENTS AND CONTINGENCIES**

Programming and talent commitments of the Company, estimated to aggregate approximately \$13.5 billion, are not reflected on the balance sheet as of June 30, 2003. These commitments include approximately \$8.7 billion for the acquisition of sports programming rights, approximately \$3.7 billion relating to television, radio and feature film production and acquisitions and approximately \$1.1 billion for talent contracts. A majority of such fees are payable over several years, as part of the normal course of business.

The Company has long-term noncancelable operating lease commitments for retail and office space and equipment, transponders, studio facilities and vehicles. The Company also enters into capital leases for satellite transponders and buildings.

Viacom's outdoor advertising business has franchise rights entitling it to display advertising on media such as buses, trains, bus shelters, terminals, billboards, and phone kiosks. Under most of these franchise agreements, the franchiser is entitled to receive the greater of a percentage of the relevant advertising revenues, net of advertising agency fees, or a specified guaranteed minimum annual payment.

**Guarantees**

Effective January 1, 2003, the Company adopted the recognition provisions of FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45") for guarantees issued or modified after December 31, 2002. FIN 45 requires a guarantor to recognize, at the inception of a guarantee, a liability for the fair value of an obligation assumed by issuing a guarantee. FIN 45 also requires additional disclosure by a guarantor in its interim and annual financial statements issued after December 15, 2002 for certain guarantees. The adoption of FIN 45 did not have a significant impact on the Company's financial position, results of operations or cash flows.

The Company owns a 50% equity interest in United Cinemas International ("UCI"), which operates movie theaters in Europe, South America and Asia. As of June 30, 2003, the Company guaranteed approximately \$289.7 million of UCI's debt obligations under a revolving credit facility, which expires in December 2004, and \$177.2 million of UCI's theater leases. The Company also owns a 50% interest in WF Cinema Holdings, L.P. and Grauman's Theatres, LLC and guarantees certain theater leases for approximately \$13.6 million. The debt and lease guarantees would only be triggered upon non-payment by the respective primary obligors. These guarantees are not recorded on the balance sheet as of June 30, 2003 as they were provided prior to the adoption of FIN 45.

**VIACOM INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(Tabular dollars in millions, except per share amounts)

**9) COMMITMENTS AND CONTINGENCIES (Continued)**

The Company is also subject to certain lease guarantees related to the divestitures of certain businesses. In October 1998, Blockbuster Music stores were sold to Warehouse Entertainment Inc. ("Warehouse"). Some of the leases transferred in connection with this sale had previously been guaranteed either by the Company or its affiliates. The remaining initial terms of these leases expire on various dates through 2007. However, certain leases contain renewal options that can extend the primary lease term and remain subject to the guarantee. Blockbuster had previously agreed to indemnify the Company with respect to any amount paid under these guarantees. On January 21, 2003, Warehouse filed a petition for protection under Chapter 11 of U.S. bankruptcy law. Based on information regarding lease and guarantee expirations provided to Blockbuster by Warehouse in connection with its bankruptcy, Blockbuster's current estimate of the contingent liability is approximately \$36.0 million. Blockbuster recorded a reserve of \$18.7 million during the fourth quarter of 2002 which represented its estimate of the undiscounted lease guarantee obligation associated with the stores that Warehouse has indicated it will vacate. The Company has accounted for these reserves in discontinued operations.

In the course of its business, the Company both provides and receives the benefit of indemnities which are intended to allocate certain risks associated with business transactions. Similarly, the Company may remain contingently liable for various obligations of a business that has been divested in the event that a third party does not live up to its obligations under an indemnification obligation. The Company records a liability for its indemnification obligations and other contingent liabilities when probable under generally accepted accounting principles.

**Legal Matters**

**Asbestos and Environmental.** The Company is a defendant in lawsuits claiming various personal injuries related to asbestos and other materials, which allegedly occurred as a result of exposure caused by various products manufactured by Westinghouse, a predecessor, generally prior to the early 1970s. Westinghouse was neither a producer nor a manufacturer of asbestos. The Company is typically named as one of a large number of defendants in both state and federal cases. In the majority of asbestos lawsuits, the plaintiffs have not identified which of the Company's products is the basis of a claim. Claims against the Company in which a product has been identified principally relate to exposures allegedly caused by asbestos-containing insulating material in turbines sold for power-generation, industrial and marine use, or by asbestos-containing grades of decorative mica, a laminate used in commercial ships.

Claims typically are filed in large groups and may be settled in large groups, which makes the amount and timing of settlements, and the number of pending claims, subject to significant fluctuation from period to period. The Company does not report as pending those claims on inactive, stayed, deferred or similar

dockets which some jurisdictions have established for claimants who allege minimal or no impairment. As of June 30, 2003, the Company had pending approximately 116,200 asbestos claims, as compared to approximately 103,800 as of December 31, 2002 and approximately 118,000 as of June 30, 2002. The June 2002 number of claims included approximately 7,600 claims on an inactive docket which would not be counted as pending under the Company's current methodology. In addition, the December 31, 2002 pending claim number reflects the transfer of approximately 24,000 claims to a deferred docket of claimants alleging minimal or no impairment established by order of the Supreme

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VIACOM INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

9) COMMITMENTS AND CONTINGENCIES (Continued)

Court of New York in December 2002. Of the claims pending as of June 30, 2003, approximately 86,600 were pending in state courts, 27,100 in federal court and approximately 2,500 were third party claims. During the second quarter of 2003, the Company received approximately 18,900 new claims and closed approximately 11,900 claims. The Company reports claims as closed when it becomes aware that a dismissal order has been entered by a court or when the Company has reached agreement with the claimants on the material terms of a settlement.

Settlement costs depend on the seriousness of the injuries that form the basis of the claim, the quality of evidence supporting the claims, the size of verdicts in particular jurisdictions, and other factors. To date, the Company has not been liable for any third party claims. The Company's total costs in 2002 for settlement and defense of asbestos claims after insurance recoveries and net of tax benefits were approximately \$28 million. A portion of such costs relates to claims settled in prior years.

The Company believes that its reserves and insurance are adequate to cover its asbestos liabilities and that these asbestos liabilities are not likely to have a material adverse effect on its results of operations, financial position or cash flows.

The Company from time to time receives claims from federal and state environmental regulatory agencies and other entities asserting that it is or may be liable for environmental cleanup costs and related damages principally relating to discontinued operations conducted by companies acquired by the Company. In addition, the Company frequently receives personal injury claims including toxic tort claims arising from historical operations of the Company and its predecessors.

*Antitrust.* In July 2002, judgment was entered in favor of the Company, Blockbuster, Paramount Home Entertainment and other major motion picture studios and their home video subsidiaries with respect to a complaint filed in the United States District Court for the Western District of Texas. The complaint included federal antitrust and California state law claims. Plaintiffs have appealed the federal court judgment. In February 2003, a similar complaint that had been filed in a Los Angeles County Superior Court was also dismissed with prejudice. The plaintiffs have appealed the California state court dismissal, as well as a prior denial of class certification. The Company believes that the plaintiffs' positions in these litigations are without merit and intends to continue to vigorously defend itself in the litigations.

*Blockbuster Securities Actions.* During February and March 2003, putative class action complaints were filed against Blockbuster in the United States District Court for the Northern District of Texas. Certain directors and officers of Blockbuster were also named as defendants. The remaining putative class actions have been consolidated into one action styled *In re Blockbuster Inc. Securities Litigation*, which is pending in the same court. The consolidated amended complaint, filed July 2003, claims violations of the Securities Exchange Act of 1934 for the time period approximately between February and December 2002. It also generally alleges that the defendants made untrue statements of material fact and/or omitted to disclose material facts about Blockbuster's business and operations, that the value of Blockbuster's common stock was therefore artificially inflated and that certain of the individual defendants sold shares of Blockbuster's common stock at inflated prices. The plaintiffs seek unspecified compensatory damages. In addition, three shareholder derivative actions were filed in February, March and April 2003, of which two are pending in federal court in Texas and one in Texas state court, each arising from substantially similar operative facts. These three actions include claims for breach of

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VIACOM INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

9) COMMITMENTS AND CONTINGENCIES (Continued)

fiduciary duties for various time periods beginning in February 2002. The shareholder derivative actions name certain Blockbuster officers and directors, some of whom are directors and/or executive officers of the Company, as individual defendants, and Blockbuster as a nominal defendant. The Company believes the plaintiffs' positions in all of these actions are without merit and intends to vigorously defend these matters.

*Other.* The Company had been in a dispute over amounts owed by an international licensee under a series of long-term licensing arrangements covering feature film and television product. In August 2003, the Company resolved this legal dispute. The Company believes that the resolution of this legal matter will not have a material adverse effect on the Company's consolidated results of operations.

In December 2002, Buena Vista Home Entertainment, Inc. filed a complaint in United States District Court for the Central District of California claiming that Blockbuster had breached the revenue-sharing agreement between the two parties. Buena Vista claims damages in excess of \$120 million. Blockbuster has answered and asserted counterclaims for reformation and breach of contract. On July 22, 2003, the California federal court granted Buena Vista's motion for partial summary judgment, stating in its ruling that a liquidated damages provision in the contract is enforceable. Blockbuster has filed a motion to reconsider this ruling. The Company believes the plaintiff's position is without merit, and intends to vigorously defend this matter.

Litigation is inherently uncertain and always difficult to predict. However, based on its understanding and evaluation of the relevant facts and circumstances, the Company believes that all of the above-described legal matters and other litigation to which it is a party are not likely, in the aggregate, to have a material adverse effect on its results of operations, financial position or cash flows.

## 10) REPORTABLE SEGMENTS

The following tables set forth the Company's financial performance by reportable operating segment. The Company's reportable operating segments have been determined in accordance with the Company's internal management structure, which is organized based upon products and services. The Company operates six segments: (i) Cable Networks, (ii) Television, (iii) Radio, (iv) Outdoor, (v) Entertainment and (vi) Video. Effective January 1, 2003, the Company operates its previously reported Infinity segment as two segments, Radio and Outdoor. Prior period segment information has been reclassified to conform with the current presentation.

Revenues generated between the segments are recorded at fair market value as if the sales were to third parties and are eliminated in consolidation. Intercompany revenue eliminations were principally associated with the Entertainment, Television, Cable, Radio and Outdoor segments and were \$69.5 million, \$16.4 million, \$22.4 million, \$8.3 million and \$7.7 million, respectively, for the three months ended June 30, 2003 and \$177.4 million, \$38.4 million, \$64.2 million, \$22.6 million and \$14.6 million, respectively, for the six months ended June 30, 2003. Intercompany revenue eliminations for the three and six months ended June 30, 2002 were principally associated with the Entertainment, Television and Cable segments and were \$103.1 million, \$19.9 million and \$17.5 million, respectively, for the quarter and \$153.1 million, \$70.1 million and \$27.4 million, respectively, for the six months.

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### VIACOM INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

#### 10) REPORTABLE SEGMENTS (Continued)

Operating income eliminations primarily reflect intercompany transactions from the sale of television product and feature films to cable and broadcast networks.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
<b>Revenues:</b>				
Cable Networks	\$ 1,348.5	\$ 1,105.0	\$ 2,516.7	\$ 2,136.2
Television	1,862.0	1,694.2	3,786.5	3,545.0
Radio	551.0	565.8	994.8	1,017.1
Outdoor	462.4	423.3	840.7	771.5
Entertainment	920.0	925.4	1,718.2	1,697.6
Video	1,392.2	1,271.0	2,910.0	2,597.0
Eliminations	(117.8)	(135.2)	(297.8)	(242.7)
<b>Total Revenues</b>	<b>\$ 6,418.3</b>	<b>\$ 5,849.5</b>	<b>\$ 12,469.1</b>	<b>\$ 11,521.7</b>

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### VIACOM INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

#### 10) REPORTABLE SEGMENTS (Continued)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
<b>Operating Income:</b>				
Cable Networks	\$ 492.8	\$ 371.9	\$ 925.0	\$ 728.0
Television	392.2	345.9	634.8	560.3
Radio	266.0	278.9	456.6	468.6
Outdoor	78.3	71.5	103.7	97.1
Entertainment	72.2	112.2	93.7	154.6
Video	105.3	72.0	254.0	191.4
Segment total	1,406.8	1,252.4	2,467.8	2,200.0
Corporate expenses	(50.6)	(42.9)	(80.7)	(72.9)

Residual costs(a)	(36.6)	(22.0)	(73.2)	(44.0)
Eliminations	(4.1)	(9.7)	(11.6)	(39.8)
<b>Total Operating Income</b>	<b>1,315.5</b>	<b>1,177.8</b>	<b>2,302.3</b>	<b>2,043.3</b>
Interest expense	(195.8)	(221.9)	(389.3)	(431.1)
Interest income	3.9	3.5	7.6	7.5
Other items, net	8.5	(27.3)	20.9	(18.3)
Earnings before income taxes, equity in loss of affiliated companies, minority interest, and cumulative effect of change in accounting principle	1,132.1	932.1	1,941.5	1,601.4
Provision for income taxes	(456.1)	(374.2)	(786.3)	(648.6)
Equity in loss of affiliated companies, net of tax	(2.4)	(3.7)	(2.4)	(17.8)
Minority interest, net of tax	(14.0)	(7.7)	(31.6)	(21.1)
Net earnings before cumulative effect of change in accounting principle	659.6	546.5	1,121.2	913.9
Cumulative effect of change in accounting principle, net of minority interest and tax	—	—	(18.5)	(1,480.9)
<b>Net earnings (loss)</b>	<b>\$ 659.6</b>	<b>\$ 546.5</b>	<b>\$ 1,102.7</b>	<b>\$ (567.0)</b>

(a) Primarily includes pension and post-retirement benefit costs for benefit plans retained by the Company for previously divested businesses.

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## VIACOM INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

#### 10) REPORTABLE SEGMENTS (Continued)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
<b>Depreciation and Amortization:</b>				
Cable Networks	\$ 48.0	\$ 50.5	\$ 95.7	\$ 97.7
Television	37.0	35.6	74.0	69.3
Radio	7.0	8.2	13.9	16.0
Outdoor	54.7	50.6	106.9	101.5
Entertainment	32.5	31.1	62.4	59.3
Video	61.6	56.9	123.3	112.8
Corporate	5.6	5.8	11.4	11.5
<b>Total Depreciation and Amortization</b>	<b>\$ 246.4</b>	<b>\$ 238.7</b>	<b>\$ 487.6</b>	<b>\$ 468.1</b>

	At June 30, 2003	At December 31, 2002
<b>Total Assets:</b>		
Cable Networks	\$ 12,902.5	\$ 11,548.7
Television	25,254.0	25,704.5
Radio	25,277.2	25,288.0
Outdoor	14,427.2	14,299.2
Entertainment	6,113.6	5,953.9
Video	5,985.2	6,206.1
Corporate	2,133.9	1,938.6
Eliminations	(1,377.8)	(1,184.8)
<b>Total Assets</b>	<b>\$ 90,715.8</b>	<b>\$ 89,754.2</b>

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## VIACOM INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 11) CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

Viacom International is a wholly owned subsidiary of the Company. Viacom Inc. has fully and unconditionally guaranteed Viacom International debt securities (see Note 7). The following condensed consolidating financial statements present the results of operations, financial position and cash flows of Viacom Inc., Viacom International, the direct and indirect Non-Guarantor Affiliates of Viacom Inc. and Viacom International, and the eliminations necessary to arrive at the information for the Company on a consolidated basis.

Statement of Operations for the Three Months Ended June 30, 2003					
	Viacom Inc.	Viacom International	Non-Guarantor Affiliates	Eliminations	Viacom Inc. Consolidated
Revenues	\$ 92.0	\$ 820.8	\$ 5,528.8	\$ (23.3)	\$ 6,418.3
Expenses:					
Operating	36.0	260.9	3,441.0	(22.0)	3,715.9
Selling, general and administrative	57.3	234.3	850.2	(1.3)	1,140.5
Depreciation and amortization	3.0	22.7	220.7	—	246.4
Total expenses	96.3	517.9	4,511.9	(23.3)	5,102.8
Operating income (loss)	(4.3)	302.9	1,016.9	—	1,315.5
Interest expense, net	(161.2)	(27.8)	(2.9)	—	(191.9)
Other items, net	(4.0)	(7.7)	20.2	—	8.5
Earnings (loss) before income taxes, equity in loss of affiliated companies, minority interest, and cumulative effect of change in accounting principle	(169.5)	267.4	1,034.2	—	1,132.1
Benefit (provision) for income taxes	66.9	(107.1)	(415.9)	—	(456.1)
Equity in earnings of affiliated companies, net of tax	762.2	177.7	2.9	(945.2)	(2.4)
Minority interest, net of tax	—	—	(14.0)	—	(14.0)
Net earnings	\$ 659.6	\$ 338.0	\$ 607.2	\$ (945.2)	\$ 659.6

## VIACOM INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

## 11) CONDENSED CONSOLIDATING FINANCIAL STATEMENTS (Continued)

Statement of Operations for the Six Months Ended June 30, 2003					
	Viacom Inc.	Viacom International	Non-Guarantor Affiliates	Eliminations	Viacom Inc. Consolidated
Revenues	\$ 166.4	\$ 1,493.7	\$ 10,868.3	\$ (59.3)	\$ 12,469.1
Expenses:					
Operating	69.3	478.7	7,100.5	(59.4)	7,589.1
Selling, general and administrative	113.5	392.3	1,593.3	(9.0)	2,090.1
Depreciation and amortization	5.6	45.3	436.7	—	487.6
Total expenses	188.4	916.3	9,130.5	(68.4)	10,166.8
Operating income (loss)	(22.0)	577.4	1,737.8	9.1	2,302.3
Interest expense, net	(320.1)	(48.7)	(12.9)	—	(381.7)
Other items, net	(8.5)	6.0	23.4	—	20.9
Earnings (loss) before income taxes, equity in loss of affiliated companies, minority interest, and cumulative	(350.6)	534.7	1,748.3	9.1	1,941.5

effect of change in accounting principle					
Benefit (provision) for income taxes	139.2	(213.4)	(712.1)	—	(786.3)
Equity in earnings (loss) of affiliated companies, net of tax	1,314.1	323.0	(2.3)	(1,637.2)	(2.4)
Minority interest, net of tax	—	—	(31.6)	—	(31.6)
Net earnings before cumulative effect of change in accounting principle	1,102.7	644.3	1,002.3	(1,628.1)	1,121.2
Cumulative effect of change in accounting principle, net of tax	—	(3.3)	(15.2)	—	(18.5)
Net earnings	\$ 1,102.7	\$ 641.0	\$ 987.1	\$ (1,628.1)	\$ 1,102.7

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VIACOM INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

11) CONDENSED CONSOLIDATING FINANCIAL STATEMENTS (Continued)

Statement of Operations for the Three Months Ended June 30, 2002					
	Viacom Inc.	Viacom International	Non-Guarantor Affiliates	Eliminations	Viacom Inc. Consolidated
Revenues	\$ 87.0	\$ 622.9	\$ 5,149.9	\$ (10.3)	\$ 5,849.5
Expenses:					
Operating	31.5	205.1	3,143.3	(10.1)	3,369.8
Selling, general and administrative	34.3	192.2	838.8	(2.1)	1,063.2
Depreciation and amortization	2.9	10.1	225.7	—	238.7
Total expenses	68.7	407.4	4,207.8	(12.2)	4,671.7
Operating income	18.3	215.5	942.1	1.9	1,177.8
Interest expense, net	(145.9)	(25.2)	(47.3)	—	(218.4)
Other items, net	(5.0)	(14.2)	(7.7)	(.4)	(27.3)
Earnings (loss) before income taxes, equity in loss of affiliated companies, minority interest, and cumulative effect of change in accounting principle	(132.6)	176.1	887.1	1.5	932.1
Benefit (provision) for income taxes	53.6	(71.6)	(356.2)	—	(374.2)
Equity in earnings (loss) of affiliated companies, net of tax	625.5	148.5	(9.9)	(767.8)	(3.7)
Minority interest, net of tax	—	—	(7.7)	—	(7.7)
Net earnings	\$ 546.5	\$ 253.0	\$ 513.3	\$ (766.3)	\$ 546.5

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VIACOM INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

11) CONDENSED CONSOLIDATING FINANCIAL STATEMENTS (Continued)

Statement of Operations for the Six Months Ended June 30, 2002					
	Viacom Inc.	Viacom International	Non-Guarantor Affiliates	Eliminations	Viacom Inc. Consolidated
Revenues	\$ 158.2	\$ 1,186.5	\$ 10,239.2	\$ (62.2)	\$ 11,521.7

<b>Expenses:</b>					
Operating	63.8	394.3	6,585.4	(32.5)	7,011.0
Selling, general and administrative	72.7	344.5	1,587.6	(5.5)	1,999.3
Depreciation and amortization	5.5	48.3	414.3	—	468.1
<b>Total expenses</b>	<b>142.0</b>	<b>787.1</b>	<b>8,587.3</b>	<b>(38.0)</b>	<b>9,478.4</b>
<b>Operating income</b>	<b>16.2</b>	<b>399.4</b>	<b>1,651.9</b>	<b>(24.2)</b>	<b>2,043.3</b>
Interest expense, net	(313.1)	(11.8)	(98.7)	—	(423.6)
Other items, net	(12.5)	(3.0)	(2.4)	(.4)	(18.3)
<b>Earnings (loss) before income taxes, equity in loss of affiliated companies, minority interest, and cumulative effect of change in accounting principle</b>	<b>(309.4)</b>	<b>384.6</b>	<b>1,550.8</b>	<b>(24.6)</b>	<b>1,601.4</b>
Benefit (provision) for income taxes	125.0	(156.5)	(617.1)	—	(648.6)
Equity in loss of affiliated companies, net of tax	(382.6)	(1,220.0)	(25.0)	1,609.8	(17.8)
Minority interest, net of tax	—	—	(21.1)	—	(21.1)
<b>Net earnings (loss) before cumulative effect of change in accounting principle</b>	<b>(567.0)</b>	<b>(991.9)</b>	<b>887.6</b>	<b>1,585.2</b>	<b>913.9</b>
Cumulative effect of change in accounting principle, net of minority interest and tax	—	—	(1,480.9)	—	(1,480.9)
<b>Net loss</b>	<b>\$ (567.0) \$</b>	<b>(991.9) \$</b>	<b>(593.3) \$</b>	<b>1,585.2 \$</b>	<b>(567.0)</b>

**VIACOM INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Tabular dollars in millions, except per share amounts)**

**11) CONDENSED CONSOLIDATING FINANCIAL STATEMENTS (Continued)**

**Balance Sheet at June 30, 2003**

	<b>Viacom Inc.</b>	<b>Viacom International</b>	<b>Non-Guarantor Affiliates</b>	<b>Eliminations</b>	<b>Viacom Inc. Consolidated</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 397.6	\$ 80.1	\$ 403.6	\$ —	\$ 881.3
Receivables, net	74.2	474.8	3,040.2	(189.7)	3,399.5
Inventory	8.4	120.8	1,142.9	—	1,272.1
Prepaid expenses and other current assets	194.1	346.2	994.3	—	1,534.6
<b>Total current assets</b>	<b>674.3</b>	<b>1,021.9</b>	<b>5,581.0</b>	<b>(189.7)</b>	<b>7,087.5</b>
Property and equipment	375.8	841.1	9,127.1	—	10,344.0
Less accumulated depreciation and amortization	57.9	461.2	3,725.7	—	4,244.8
<b>Net property and equipment</b>	<b>317.9</b>	<b>379.9</b>	<b>5,401.4</b>	<b>—</b>	<b>6,099.2</b>
Inventory	11.1	973.5	3,788.0	(199.6)	4,573.0
Goodwill	116.4	1,315.0	56,853.7	—	58,285.1
Intangibles	141.6	2.7	12,314.1	—	12,458.4
Investments in consolidated subsidiaries	66,211.5	15,450.9	—	(81,662.4)	—
Other assets	200.5	236.1	2,122.1	(346.1)	2,212.6
<b>Total Assets</b>	<b>\$ 67,673.3</b>	<b>\$ 19,380.0</b>	<b>\$ 86,060.3</b>	<b>(82,397.8) \$</b>	<b>90,715.8</b>
<b>Liabilities and Stockholders' Equity</b>					
Accounts payable	\$ 4.4	\$ 66.6	\$ 835.5	(13.5) \$	893.0
Accrued expenses and other	415.2	583.3	3,868.4	(97.9)	4,769.0
Participants' share, residuals and royalties payable	—	19.7	1,172.3	(76.3)	1,115.7
Current portion of long-term debt	4.3	10.5	347.2	—	362.0



Total current liabilities	423.9	680.1	6,223.4	(187.7)	7,139.7
Long-term debt	9,776.9	195.9	449.0	(61.7)	10,360.1
Other liabilities	(10,338.8)	5,951.3	9,388.1	3,679.6	8,680.2
Minority interest	—	—	875.6	—	875.6
<b>Stockholders' Equity:</b>					
Preferred Stock	—	106.8	21.4	(128.2)	—
Common Stock	18.6	185.7	770.5	(956.2)	18.6
Additional paid-in capital	65,726.1	6,565.2	67,440.6	(74,005.8)	65,726.1
Retained earnings	7,127.9	5,750.4	893.0	(10,734.6)	3,036.7
Accumulated other comprehensive loss	(366.2)	(55.4)	(1.3)	(3.2)	(426.1)
	72,506.4	12,552.7	69,124.2	(85,828.0)	68,355.3
Less treasury stock, at cost	4,695.1	—	—	—	4,695.1
<b>Total stockholders' equity</b>	<b>67,811.3</b>	<b>12,552.7</b>	<b>69,124.2</b>	<b>(85,828.0)</b>	<b>63,660.2</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 67,673.3</b>	<b>\$ 19,380.0</b>	<b>\$ 86,060.3</b>	<b>(82,397.8)</b>	<b>\$ 90,715.8</b>

**VIACOM INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(Tabular dollars in millions, except per share amounts)

**11) CONDENSED CONSOLIDATING FINANCIAL STATEMENTS (Continued)**

**Balance Sheet at December 31, 2002**

	<b>Viacom Inc.</b>	<b>Viacom International</b>	<b>Non-Guarantor Affiliates</b>	<b>Eliminations</b>	<b>Viacom Inc. Consolidated</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 236.9	\$ 71.2	\$ 323.3	\$ —	\$ 631.4
Receivables, net	80.7	502.4	3,309.4	(171.5)	3,721.0
Inventory	8.1	68.5	1,289.0	(32.9)	1,332.7
Prepaid expenses and other current assets	140.2	394.3	947.2	—	1,481.7
<b>Total current assets</b>	<b>465.9</b>	<b>1,036.4</b>	<b>5,868.9</b>	<b>(204.4)</b>	<b>7,166.8</b>
Property and equipment	95.5	1,078.6	8,677.5	—	9,851.6
Less accumulated depreciation and amortization	20.5	438.3	3,280.1	—	3,738.9
<b>Net property and equipment</b>	<b>75.0</b>	<b>640.3</b>	<b>5,397.4</b>	<b>—</b>	<b>6,112.7</b>
Inventory	16.0	834.3	3,836.6	(159.9)	4,527.0
Goodwill	116.4	153.4	56,846.5	—	57,116.3
Intangibles	141.6	2.9	12,338.1	—	12,482.6
Investments in consolidated subsidiaries	65,570.4	14,501.2	—	(80,071.6)	—
Other assets	143.0	356.6	2,199.7	(350.5)	2,348.8
<b>Total Assets</b>	<b>\$ 66,528.3</b>	<b>\$ 17,525.1</b>	<b>\$ 86,487.2</b>	<b>(80,786.4)</b>	<b>\$ 89,754.2</b>
<b>Liabilities and Stockholders' Equity</b>					
Accounts payable	\$ 6.6	\$ 54.4	\$ 1,128.1	\$ (12.9)	\$ 1,176.2
Accrued expenses and other	305.4	704.8	4,078.7	(89.8)	4,999.1
Participants' share, residuals and royalties payable	—	20.3	1,017.3	(70.8)	966.8
Current portion of long-term debt	—	13.9	185.1	—	199.0
<b>Total current liabilities</b>	<b>312.0</b>	<b>793.4</b>	<b>6,409.2</b>	<b>(173.5)</b>	<b>7,341.1</b>
Long-term debt	9,354.0	210.9	697.2	(56.9)	10,205.2
Other liabilities	(9,806.2)	4,553.0	10,522.1	3,606.0	8,874.9
Minority interest	—	—	845.2	—	845.2
<b>Stockholders' Equity:</b>					
Preferred Stock	—	106.1	21.4	(127.5)	—

Common Stock	18.5	185.7	755.9	(941.6)	18.5
Additional paid-in capital	65,597.8	6,559.9	67,426.5	(73,986.4)	65,597.8
Retained earnings (deficit)	6,025.2	5,109.4	(94.1)	(9,106.5)	1,934.0
Accumulated other comprehensive income (loss)	(491.0)	6.7	(96.2)	—	(580.5)
	71,150.5	11,967.8	68,013.5	(84,162.0)	66,969.8
Less treasury stock, at cost	4,482.0	—	—	—	4,482.0
<b>Total stockholders' equity</b>	<b>66,668.5</b>	<b>11,967.8</b>	<b>68,013.5</b>	<b>(84,162.0)</b>	<b>62,487.8</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 66,528.3</b>	<b>\$ 17,525.1</b>	<b>\$ 86,487.2</b>	<b>\$ (80,786.4)</b>	<b>\$ 89,754.2</b>

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**VIACOM INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Tabular dollars in millions, except per share amounts)**

**11) CONDENSED CONSOLIDATING FINANCIAL STATEMENTS (Continued)**

	Statement of Cash Flows for the Six Months Ended June 30, 2003				
	Viacom Inc.	Viacom International	Non- Guarantor Affiliates	Eliminations	Viacom Inc. Consolidated
<b>Net cash flow provided by (used for) operating activities</b>	\$ (787.9)	\$ 611.3	\$ 1,887.3	\$ —	\$ 1,710.7
<b>Investing Activities:</b>					
Acquisitions, net of cash acquired	—	(1,224.5)	(47.5)	—	(1,272.0)
Capital expenditures	—	(32.5)	(196.9)	—	(229.4)
Investments in and advances to affiliated companies	—	(16.2)	(15.3)	—	(31.5)
Other, net	—	21.1	3.0	—	24.1
<b>Net cash flow used for investing activities</b>	<b>—</b>	<b>(1,252.1)</b>	<b>(256.7)</b>	<b>—</b>	<b>(1,508.8)</b>
<b>Financing Activities:</b>					
Proceeds from issuance of notes and debentures	736.2	—	4.3	—	740.5
Proceeds from exercise of stock options	85.2	—	2.0	—	87.2
Repayments to banks, including commercial paper, net	(1.1)	—	(105.8)	—	(106.9)
Repayment of notes and debentures	(334.7)	—	(4.6)	—	(339.3)
Payment of capital lease obligations	—	(6.9)	(57.2)	—	(64.1)
Purchase of Company common stock	(266.0)	—	—	—	(266.0)
Increase (decrease) in intercompany payables	729.0	656.6	(1,385.6)	—	—
Other, net	—	—	(3.4)	—	(3.4)
<b>Net cash flow provided by (used for) financing activities</b>	<b>948.6</b>	<b>649.7</b>	<b>(1,550.3)</b>	<b>—</b>	<b>48.0</b>
Net increase in cash and cash equivalents	160.7	8.9	80.3	—	249.9
Cash and cash equivalents at beginning of period	236.9	71.2	323.3	—	631.4
<b>Cash and cash equivalents at end of period</b>	<b>\$ 397.6</b>	<b>\$ 80.1</b>	<b>\$ 403.6</b>	<b>\$ —</b>	<b>\$ 881.3</b>

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**VIACOM INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Tabular dollars in millions, except per share amounts)**

**11) CONDENSED CONSOLIDATING FINANCIAL STATEMENTS (Continued)**

**Statement of Cash Flows for the  
Six Months Ended June 30, 2002**

	Viacom Inc.	Viacom International	Non- Guarantor Affiliates	Eliminations	Viacom Inc. Consolidated
<b>Net cash flow provided by (used for) operating activities</b>	\$ (254.1)	\$ 166.6	\$ 1,702.3	\$ —	\$ 1,614.8
<b>Investing Activities:</b>					
Acquisitions, net of cash acquired	—	(44.4)	(653.8)	—	(698.2)
Capital expenditures	—	(30.5)	(174.0)	—	(204.5)
Investments in and advances to affiliated companies	—	(29.0)	(6.6)	—	(35.6)
Other, net	—	4.3	18.7	—	23.0
<b>Net cash flow used for investing activities</b>	—	(99.6)	(815.7)	—	(915.3)
<b>Financing Activities:</b>					
Proceeds from issuance of senior notes and debentures	696.4	—	—	—	696.4
Proceeds from exercise of stock options	216.9	—	31.9	—	248.8
Repayments to banks, including commercial paper, net	(364.7)	—	(50.9)	—	(415.6)
Repayment of notes and debentures	(459.4)	(250.0)	(27.1)	—	(736.5)
Payment of capital lease obligations	—	(7.1)	(50.4)	—	(57.5)
Purchase of Company common stock	(506.4)	—	—	—	(506.4)
Increase (decrease) in intercompany payables	390.5	295.3	(685.8)	—	—
Other, net	—	—	(1.3)	—	(1.3)
<b>Net cash flow provided by (used for) financing activities</b>	(26.7)	38.2	(783.6)	—	(772.1)
Net (decrease) increase in cash and cash equivalents	(280.8)	105.2	103.0	—	(72.6)
Cash and cash equivalents at beginning of period	367.7	2.7	357.0	—	727.4
<b>Cash and cash equivalents at end of period</b>	\$ 86.9	\$ 107.9	\$ 460.0	\$ —	\$ 654.8

**Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition.**  
(Tabular dollars in millions)

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 in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.

**Overview**

Viacom Inc., together with its consolidated subsidiaries ("Viacom" or the "Company"), is a diversified worldwide entertainment company with operations in the following segments:

- **CABLE NETWORKS:** The Cable Networks segment consists of MTV Networks ("MTVN"), including MTV MUSIC TELEVISION, NICKELODEON/NICK AT NITE, VH1 MUSIC FIRST, MTV2 MUSIC TELEVISION, TV LAND, CMT: COUNTRY MUSIC TELEVISION, SPIKE TV, COMEDY CENTRAL, COLLEGE TELEVISION NETWORK ("CTN") and NOGGIN; SHOWTIME NETWORKS INC. ("SNI"); and the BET CABLE NETWORK and BET JAZZ: THE JAZZ CHANNEL, among other program services. Cable Networks revenues are generated primarily from advertising sales and affiliate fees. Cable Networks contributed 21% and 20% to consolidated revenues for the three and six months ended June 30, 2003, respectively, and 19% and 18% for the three and six months ended June 30, 2002, respectively.
- **TELEVISION:** The Television segment consists of the CBS and UPN television networks, the Company's 39 owned broadcast television stations, and its television production and syndication business, including KING WORLD PRODUCTIONS and PARAMOUNT TELEVISION. Television revenues are generated primarily from advertising sales and television license fees. Television contributed 29% and 30% to consolidated revenues for the three and six months ended June 30, 2003, respectively, and 29% and 31% for the three and six months ended June 30, 2002, respectively.
- **RADIO:** The Radio segment owns and operates 185 radio stations in 40 U.S. markets. Radio revenues are generated primarily from advertising sales. Radio contributed 9% and 8% to consolidated revenues for the three and six months ended June 30, 2003, respectively, and 10% and 9% for the three and six months ended June 30, 2002, respectively.
- **OUTDOOR:** The Outdoor segment displays advertising on media such as billboards, bulletins, buses, bus shelters and benches, trains, train platforms and terminals throughout commuter rail systems, mall posters and phone kiosks. Outdoor revenues are generated primarily from

advertising sales. Outdoor contributed 7% to consolidated revenues for the three and six months ended June 30, 2003 and 2002.

- **ENTERTAINMENT:** The Entertainment segment includes PARAMOUNT PICTURES, which produces and distributes theatrical motion pictures; SIMON AND SCHUSTER which publishes and distributes consumer books and multimedia products, under such imprints as SIMON & SCHUSTER, POCKET BOOKS, SCRIBNER and THE FREE PRESS; PARAMOUNT PARKS, which is principally engaged in the ownership and operation of five theme parks and a themed attraction in the U.S. and Canada; and movie theater and music publishing operations. Entertainment revenues are generated primarily from feature film exploitation, publishing, theme park operations and movie theaters. Entertainment contributed 14% to consolidated revenues for the three and six months ended June 30, 2003, and 16% and 15% for the three and six months ended June 30, 2002, respectively.
- **VIDEO:** The Video segment consists of an approximately 80.4% equity interest in Blockbuster Inc., which operates and franchises 8,698 BLOCKBUSTER video stores worldwide. Video revenues are generated primarily from its rental and retail sales of videocassettes ("VHS"), DVDs and games. Video contributed 22% and 23% to consolidated revenues for the three and six months ended June 30, 2003, respectively, and 22% for the three and six months ended June 30, 2002.

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

The tables below present the Company's consolidated revenues by type and the percentage and amount of contribution of each type of revenue to consolidated revenues, net of intercompany eliminations, for the three and six months ended June 30, 2003 and 2002.

	Revenues by Type					
	Three Months Ended June 30,		Better/ (Worse)%	Six Months Ended June 30,		Better/ (Worse)%
	2003	2002		2003	2002	
Advertising sales	\$ 3,056.6	\$ 2,759.2	11%	\$ 5,743.0	\$ 5,305.2	8%
Rental/retail sales	1,370.2	1,255.0	9	2,864.6	2,558.8	12
Affiliate fees	596.9	541.0	10	1,179.7	1,089.4	8
Feature film exploitation	437.2	415.3	5	887.3	906.1	(2)
TV license fees	309.5	286.0	8	673.2	623.0	8
Other(a)	647.9	593.0	9	1,121.3	1,039.2	8
<b>Total</b>	<b>\$ 6,418.3</b>	<b>\$ 5,849.5</b>	<b>10%</b>	<b>\$ 12,469.1</b>	<b>\$ 11,521.7</b>	<b>8%</b>

	Percentage of Revenues by Type			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Advertising sales	48%	47%	46%	46%
Rental/retail sales	21	21	23	22
Affiliate fees	9	9	10	10
Feature film exploitation	7	7	7	8
TV license fees	5	5	5	5
Other(a)	10	11	9	9
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

(a) Other primarily includes revenues from publishing, theme park operations and movie theaters.

### Consolidated Results of Operations

#### Three and Six Months Ended June 30, 2003 versus Three and Six Months Ended June 30, 2002

##### Revenues

For the three months ended June 30, 2003, revenues of \$6.4 billion increased 10% from \$5.8 billion and for the six months ended June 30, 2003, revenues of \$12.5 billion increased 8% from \$11.5 billion in the prior year. Growth in the second quarter and six month periods was driven primarily by increases in advertising sales, affiliate fees, rental/retail sales and television license fees. For the periods presented, the Company generated approximately 83% of its consolidated revenues domestically and approximately 17% in international regions, principally Europe and Canada.

Advertising sales increased 11% in the second quarter of 2003 principally led by increases of 31% in Cable Networks, 9% in Television and 9% in Outdoor. For the six months ended June 30, 2003, advertising sales increased 8% with growth of 25% in Cable Networks, 7% in Television and 9% in Outdoor. The increases in advertising revenues were driven primarily by increased domestic units sold

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**Management's Discussion and Analysis of  
Results of Operations and Financial Condition**

at cable networks and increased pricing and units sold at the broadcast network operations. Contributing to advertising sales growth in the quarter were the acquisitions of Comedy Central in May 2003 and KCAL-TV in May 2002. Advertising sales in the second quarter at the television stations and broadcast networks were also positively impacted by the timing of the National Semifinals of the NCAA Men's Basketball Championship Tournament which occurred in the second quarter of 2003 versus the first quarter of 2002. Outdoor advertising growth in both the second quarter and six month periods reflected higher domestic billboard revenues as well as favorable currency exchange rates.

Rental/retail revenues in the Video segment for the three months ended June 30, 2003 were up 9% reflecting growth of 45% in retail and 3% in rental revenues. For the six months ended June 30, 2003, rental/retail revenues increased 12% with a 49% increase in retail and 5% increase in rental revenues. Both rental and retail growth were driven by an increase in the number of worldwide company-operated stores of 535 since June 30, 2002 and strong growth in DVD rental and retail as well as game retail revenues. These increases were partially offset by a decline in VHS rental and retail revenues.

Affiliate fees for the three and six months ended June 30, 2003 increased 10% and 8%, respectively, compared with the same prior-year periods. This increase was primarily driven by increases at MTVN reflecting an increase in average rate per subscriber at MTVN's domestic channels, excluding digital and Comedy Central, and growth in subscriber volume.

Television license fees increased 8% for the three and six months ended June 30, 2003 principally reflecting higher worldwide syndication, home entertainment and network revenues.

Feature film exploitation revenues for the three months ended June 30, 2003 increased 5% due to higher worldwide home video and foreign theatrical revenues partially offset by lower domestic theatrical and network revenues. For the six months ended June 30, 2003, feature film revenues decreased 2% due to lower domestic theatrical, network, pay television and domestic home video revenues partially offset by higher foreign home video and syndication revenues.

*Operating Expenses*

For the three and six months ended June 30, 2003, operating expenses of \$3.7 billion and \$7.6 billion increased 10% and 8%, respectively, over operating expenses for the same prior-year periods principally reflecting the following:

- Production expenses and program rights amortization for the second quarter and six months ended June 30, 2003 increased 11% and 5%, respectively, versus the same prior-year periods. These increases primarily reflected new programming and higher international spending at Cable Networks, contractual talent increases at Radio and higher sports rights amortization at Television and Radio. These increases were partially offset by a decline in feature film production expenses.
- Costs of rental/retail sales and store operating expenses for the three and six months ended June 30, 2003 increased 12% and 13%, respectively, versus the same prior-year periods. These increases were driven by an increase in rental/retail sales and an increase in the number of worldwide company-operated stores of 535.
- Distribution expenses decreased 9% for the second quarter of 2003 and increased 1% for the six months ended June 30, 2003. The decrease for the second quarter primarily reflected lower print

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**Management's Discussion and Analysis of  
Results of Operations and Financial Condition**

and advertising costs for feature films in theatrical release. The increase for the six months ended June 30, 2003 primarily reflected higher print and advertising costs for feature films. Media spending with Company owned properties was eliminated in consolidation.

- Other operating expenses increased, including a 10% increase in Outdoor expenses for billboard rent, rotation and embellishment expenses, and the negative impact of exchange rates, for the three and six months ended June 30, 2003.

*Selling, General and Administrative Expenses*

Selling, general and administrative expenses, which include expenses incurred to provide back office support, occupancy, selling and marketing costs, and incentive compensation, increased 7% to \$1.1 billion for the second quarter of 2003, and increased 5% to \$2.1 billion for the six months ended June 30, 2003, versus the same prior-year periods. Selling, general and administrative expenses as a percentage of revenues remained relatively flat at 18% in the second quarter of 2003 versus the prior-year period and at 17% for the six months ended June 30, 2003 versus the comparable prior-year period. The increase was primarily due to higher compensation, benefits and commissions, the acquisition of Comedy Central and restructuring charges recorded at Cable Networks as well as the net addition of 535 company-operated video stores since June 30, 2002. Corporate expenses also increased for the second quarter and six month periods reflecting increases for property and directors and officers insurance premiums and professional fees.

Included within selling, general and administrative expenses are residual costs, which primarily include pension and postretirement benefit costs for benefit plans retained by the Company for previously divested businesses. Residual costs increased 66% for both the three and six months ended June 30, 2003, to \$36.6 million and \$73.2 million, respectively, principally due to actuarial losses from a lower discount rate and a decline in expected rate of return on plan assets in 2003.

*Depreciation and Amortization*

For the three and six months ended June 30, 2003, depreciation and amortization increased 3% to \$246.4 million and 4% to \$487.6 million from the comparable prior-year periods. The increases were principally driven by an increase in the number of company-operated video stores of 535 and the addition of broadcasting equipment and outdoor advertising properties.

#### *Interest Expense*

For the three and six months ended June 30, 2003, interest expense decreased 12% and 10%, respectively, to \$195.8 million and \$389.3 million, due to a decrease in interest rates and a reduction in debt including lower average commercial paper borrowings. The Company had approximately \$10.9 billion and \$11.0 billion of principal amount of debt outstanding (including current maturities and discontinued operations) as of June 30, 2003 and 2002, respectively, with a weighted average interest rate of 6.4%.

#### *Interest Income*

For the three and six months ended June 30, 2003, interest income increased to \$3.9 million and \$7.6 million, respectively, from \$3.5 million and \$7.5 million in the same prior-year periods.

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### **Management's Discussion and Analysis of Results of Operations and Financial Condition**

#### *Other Items, Net*

"Other items, net" of \$8.5 million for the three months ended June 30, 2003 principally consisted of foreign exchange gains of \$9.2 million, partially offset by losses associated with securitizing trade receivables and net losses on the sale and writedown of investments. For the six months ended June 30, 2003, "Other items, net" of \$20.9 million principally reflected foreign exchange gains of \$20.3 million and an insurance recoupment of \$5.6 million, partially offset by net losses associated with securitizing trade receivables and net losses on the sale and writedown of investments.

For the second quarter of 2002 "Other items, net" reflected a net loss of \$27.3 million principally consisting of losses associated with foreign exchange of \$22.7 million and losses of \$5.1 million associated with securitizing trade receivables partially offset by a net gain on the sale of assets. For the six months ended June 30, 2002, "Other items, net" reflected a net loss of \$18.3 million principally consisting of losses associated with foreign exchange of \$27.0 million and losses of \$10.1 million associated with securitizing trade receivables, partially offset by the recovery of certain advertising commitments of \$11.1 million and a net gain on the sale of assets of \$10.9 million. The recovery of advertising commitments reflects the restructuring of an agreement with an internet company. As a result, the Company was legally released from related advertising commitments.

#### *Provision for Income Taxes*

The provision for income taxes represented federal, state and local and foreign income taxes on earnings before income taxes. The estimated annual effective tax rates before cumulative effect of change in accounting were 40.5% for 2003 and 2002.

#### *Equity in Loss of Affiliated Companies, Net of Tax*

"Equity in loss of affiliated companies, net of tax" was \$2.4 million for both the three and six months ended June 30, 2003 as compared with \$3.7 million and \$17.8 million, respectively, for the comparable prior-year periods. The amounts in all periods principally reflected losses from internet investments and international ventures partially offset by positive results at Comedy Central prior to its acquisition in May 2003 and Westwood One.

#### *Minority Interest, Net of Tax*

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

#### *Cumulative Effect of Change in Accounting Principle, Net of Minority Interest and Tax*

Effective January 1, 2003, the Company adopted SFAS No. 143 "Accounting for Asset Retirement Obligations" which requires the capitalization of asset retirement costs as part of the total cost of the related long-lived asset and the depreciation of this cost over the corresponding asset's useful life. As a result of the adoption, the Company recorded a charge of \$18.5 million, or \$.01 per share, reflected as a cumulative effect of change in accounting principle, net of minority interest and tax, in the consolidated statement of operations for the six months ended June 30, 2003.

Effective January 1, 2002, the Company adopted SFAS 142 "Goodwill and Other Intangible Assets" and recorded a charge of \$1.5 billion, or \$.84 per basic and \$.83 per diluted share, as a cumulative effect of change in accounting principle, net of minority interest and tax, in the consolidated statement of operations for the six months ended June 30, 2002.

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### **Management's Discussion and Analysis of Results of Operations and Financial Condition**

#### *Net Earnings (Loss)*

The Company reported net earnings of \$659.6 million for the second quarter of 2003 versus \$546.5 million for the comparable prior-year period and net earnings of \$1.1 billion for the six months ended June 30, 2003 as compared with a net loss of \$567.0 million for the six months ended June 30, 2002. The improvement in net earnings was due to revenue growth principally from increases in advertising and rental/retail sales partially offset by increases in operating expenses. The substantial improvement for the six months ended June 30, 2003 was primarily due to the impairment charge of \$1.5 billion recorded in 2002 as a cumulative effect of change in accounting principle, net of minority interest and tax.

## Segment Results of Operations

The tables below present the Company's revenues, percentage contribution of revenues, operating income and depreciation and amortization by segment, for the three and six months ended June 30, 2003 and 2002, respectively.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2003	2002	Better/ (Worse)%	2003	2002	Better/ (Worse)%
<b>Revenues:</b>						
Cable Networks	\$ 1,348.5	\$ 1,105.0	22%	\$ 2,516.7	\$ 2,136.2	18%
Television	1,862.0	1,694.2	10	3,786.5	3,545.0	7
Radio	551.0	565.8	(3)	994.8	1,017.1	(2)
Outdoor	462.4	423.3	9	840.7	771.5	9
Entertainment	920.0	925.4	(1)	1,718.2	1,697.6	1
Video	1,392.2	1,271.0	10	2,910.0	2,597.0	12
Eliminations	(117.8)	(135.2)	13	(297.8)	(242.7)	(23)
<b>Total Revenues</b>	<b>\$ 6,418.3</b>	<b>\$ 5,849.5</b>	<b>10%</b>	<b>\$ 12,469.1</b>	<b>\$ 11,521.7</b>	<b>8%</b>

	Percentage Contribution of Revenues			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Cable Networks	21%	19%	20%	18%
Television	29	29	30	31
Radio	9	10	8	9
Outdoor	7	7	7	7
Entertainment	14	16	14	15
Video	22	22	23	22
Eliminations	(2)	(3)	(2)	(2)
	100%	100%	100%	100%

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2003	2002	Better/ (Worse)%	2003	2002	Better/ (Worse)%
<b>Operating Income:</b>						
Cable Networks	\$ 492.8	\$ 371.9	33%	\$ 925.0	\$ 728.0	27%
Television	392.2	345.9	13	634.8	560.3	13
Radio	266.0	278.9	(5)	456.6	468.6	(3)
Outdoor	78.3	71.5	10	103.7	97.1	7
Entertainment	72.2	112.2	(36)	93.7	154.6	(39)
Video	105.3	72.0	46	254.0	191.4	33
Corporate expenses	(50.6)	(42.9)	(18)	(80.7)	(72.9)	(11)
Residual costs (a)	(36.6)	(22.0)	(66)	(73.2)	(44.0)	(66)
Eliminations	(4.1)	(9.7)	58	(11.6)	(39.8)	71
<b>Total Operating Income</b>	<b>\$ 1,315.5</b>	<b>\$ 1,177.8</b>	<b>12%</b>	<b>\$ 2,302.3</b>	<b>\$ 2,043.3</b>	<b>13%</b>

(a) Residual costs primarily include pension and postretirement benefit costs for benefit plans retained by the Company for previously divested businesses.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
<b>Depreciation and Amortization:</b>				
Cable Networks	\$ 48.0	\$ 50.5	\$ 95.7	\$ 97.7

Television	37.0	35.6	74.0	69.3
Radio	7.0	8.2	13.9	16.0
Outdoor	54.7	50.6	106.9	101.5
Entertainment	32.5	31.1	62.4	59.3
Video	61.6	56.9	123.3	112.8
Corporate	5.6	5.8	11.4	11.5
<b>Total Depreciation and Amortization</b>	<b>\$ 246.4</b>	<b>\$ 238.7</b>	<b>\$ 487.6</b>	<b>\$ 468.1</b>

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

#### Segment Results of Operations

##### Cable Networks

(Basic Cable Television Program Services through MTV Networks ("MTVN"), including MTV Music Television, Nickelodeon/Nick at Nite, VH1 Music First, MTV2 Music Television, TV Land, CMT: Country Music Television, Spike TV, Comedy Central, College Television Network ("CTN") and Noggin; BET Cable Network and BET Jazz: The Jazz Channel; and through Showtime Networks Inc. ("SNI"), owner of several Premium Subscription Television Program Services)

(Contributed 21% and 20% of consolidated revenues for the three and six months ended June 30, 2003 versus 19% and 18% for the prior-year periods).

	Three Months Ended June 30,		Better/ (Worse)%	Six Months Ended June 30,		Better/ (Worse)%
	2003	2002		2003	2002	
Revenues	\$ 1,348.5	\$ 1,105.0	22%	\$ 2,516.7	\$ 2,136.2	18%
Operating Income (OI)	\$ 492.8	\$ 371.9	33%	\$ 925.0	\$ 728.0	27%
OI as a % of revenues	37%	34%		37%	34%	

For the second quarter and six months ended June 30, 2003, Cable Networks revenues increased 22% and 18%, respectively. Approximately 8% of Cable Networks revenues were generated from international regions for the periods presented, with approximately 70% of contributions coming from Europe. Comedy Central's results have been consolidated in this segment as part of MTVN effective from the date of its acquisition on May 22, 2003.

The increase in Cable Networks revenues was principally driven by advertising revenue growth of 31% for the second quarter and 25% for the six months. Comedy Central contributed 7% of Cable Networks advertising revenue growth for the quarter. Advertising revenue growth at MTVN of 33% for the three months and 26% for the six months was driven by the selling of more units at domestic channels. Advertising revenues for the three months ended June 30, 2002 were adversely impacted by the airing of units to satisfy audience deficiency liabilities incurred at VH1. BET's advertising revenue increases of 15% for the second quarter and 14% for the six months were primarily due to higher average rates from national advertising. Cable affiliate fees increased 10% for the quarter and 8% for the six months driven by mid to high single-digit average rate increase at MTVN's domestic channels, excluding digital and Comedy Central, and increases of 24% for the quarter and 20% for the six months in MTVN domestic subscribers principally due to the acquisition of the remaining interests in Comedy Central and Noggin as well as the expansion of MTVN's digital channels. The affiliate fee revenue growth at MTVN was partially offset by a decline in affiliate fees at SNI of 2% for the six months, primarily due to an audit settlement in the first quarter of 2002 with a major cable provider. Other ancillary revenues for Cable Networks were up 52% for the quarter and 47% for the year to date period primarily due to higher consumer products licensing revenues at Nickelodeon and contributions from co-produced feature films.

For the second quarter and six months ended June 30, 2003, Cable Networks operating income increased 33% and 27%, respectively. Operating expenses, principally comprised of programming and production costs for the cable channels were 19% higher for the quarter and 16% higher for the six months, while selling, general and administrative expenses were 17% higher for the quarter and 12% higher for the six months. The increases in operating expenses were principally driven by higher programming costs at MTV, TNN and MTVN's international channels as well as the inclusion of

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

Comedy Central. Total expenses, as a percentage of revenues, improved three percentage points over the comparable prior-year period. Total expenses included depreciation and amortization of \$95.7 million and \$97.7 million for the six months ended June 30, 2003 and 2002, respectively. For the three month period, depreciation and amortization were \$48.0 million in 2003 and \$50.5 million in 2002. Capital expenditures for Cable Networks were \$19.6 million and \$33.0 million for the three and six months ended June 30, 2003 versus \$20.6 million and \$33.6 million for the comparable prior-year periods.

In the second quarter of 2003, restructuring charges of \$26.4 million were recorded at Cable Networks. These charges principally reflected \$17.7 million of severance liabilities resulting from the acquisition of Comedy Central and organizational changes at SNI. Also included in this total was \$8.4 million for additional lease termination costs for MTVN due to a change in the initial estimate for its 2001 charge. The restructuring charges were included as part of selling, general and administrative expenses and operating expenses for the periods presented.

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



(Contributed 29% and 30% of consolidated revenues for the three and six months ended June 30, 2003 versus 29% and 31% for the prior-year periods.)

	Three Months Ended June 30,			Better/ (Worse)%	Six Months Ended June 30,		
	2003	2002			2003	2002	Better/ (Worse)%
Revenues	\$ 1,862.0	\$ 1,694.2	10%	\$ 3,786.5	\$ 3,545.0	7%	
Operating Income (OI)	\$ 392.2	\$ 345.9	13%	\$ 634.8	\$ 560.3	13%	
OI as a % of revenues	21%	20%		17%	16%		

For the three months ended June 30, 2003, Television revenues increased 10% principally driven by advertising revenue growth at the broadcast networks and the Stations group, and higher syndication revenues. CBS and UPN Networks combined advertising revenues increased 8%, with a 33% increase in sports due to the timing of the National Semifinals of the NCAA Men's Basketball Championship Tournament as well as average rate increases across all dayparts. For the quarter, the Stations group delivered 8% year-over-year advertising revenue growth due to growth in the automotive and retail industries and the addition of KCAL-TV Los Angeles which was acquired in May 2002. KCAL-TV contributed 4% of Stations advertising revenue growth for the quarter. For the six months ended June 30, 2003, Television revenues increased 7% with CBS and UPN Networks combined delivering 6% advertising growth led by 10% in primetime with an 8% average rate increase. For the six months, the Stations group advertising revenue increased 11%, with KCAL contributing 7% growth.

Syndication revenues for the quarter reflected higher syndication and home entertainment revenues. Syndication revenues were higher primarily due to the launch of the DR. PHIL SHOW. Home entertainment revenues benefited from the DVD release of seasons two and three of STAR TREK: DEEP SPACE NINE. For the six months, revenues increased due to higher home entertainment revenues partially offset by lower network revenues. Home entertainment revenues increased due to the DVD release of STAR TREK: DEEP SPACE NINE's first three seasons and contributions from the DVD release of STAR TREK: NEXT GENERATION. Network revenues were lower for the six months due primarily to fewer network shows in production compared to the same prior year period.

For the quarter and six months ended June 30, 2003, Television operating income increased 13% principally due to the revenue increases noted above. Operating expenses, principally comprised of

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

production costs and programming expenses, increased 10% in the second quarter, primarily due to higher program rights amortization. CBS Network experienced higher program rights amortization due mainly to the timing of the NCAA Semifinals. For the six months, operating expenses increased 6% with a 3% increase in programming and production expenses and increased marketing expenses. Total expenses, as a percentage of revenues, improved one percentage point for the second quarter and six months. Total expenses included depreciation and amortization of \$37.0 million and \$35.6 million for the three months ended June 30, 2003 and 2002, respectively. Depreciation and amortization were \$74.0 million and \$69.3 million for the six months ended June 30, 2003 and 2002, respectively. Capital expenditures for Television were \$34.3 million and \$64.7 million for the three and six months ended June 30, 2003 versus \$30.2 million and \$49.5 million for the same prior-year periods. The increase in the six months over the prior year period reflects an increase at the television stations to upgrade broadcast equipment and the addition of KCAL-TV.

#### Radio (Radio Stations)

(Contributed 9% and 8% of consolidated revenues for the three and six months ended June 30, 2003, respectively, versus 10% and 9% for the comparable prior-year periods).

	Three Months Ended June 30,			Better/ (Worse)%	Six Months Ended June 30,		
	2003	2002			2003	2002	Better/ (Worse)%
Revenues	\$ 551.0	\$ 565.8	(3)%	\$ 994.8	\$ 1,017.1	(2)%	
Operating Income (OI)	\$ 266.0	\$ 278.9	(5)%	\$ 456.6	\$ 468.6	(3)%	
OI as a % of revenues	48%	49%		46%	46%		

For the three and six months ended June 30, 2003, Radio revenues decreased 3% and 2%, respectively. Radio's revenues are generated from 185 domestic stations. Local and national spot sales increased 3% over the prior year for both the second quarter and the six month period, primarily due to low single-digit increases in average spot rates. These increases were more than offset by a decrease in ancillary revenues principally related to management services provided to Westwood One, an affiliated company. Revenues from these arrangements were approximately \$15.6 million and \$33.5 million for the three and six months ended June 30, 2003 versus \$38.2 million and \$73.3 million for the comparable prior-year periods.

Operating income declined 5% for the quarter and 3% for the six months ended June 30, 2003 due to lower revenues. Operating expenses are primarily comprised of radio programming expenses including on-air talent and other production costs. Increases in operating expenses of 9% for the three month period and 5% for the six month period were more than offset by a 6% decrease in selling, general and administrative expenses for both the three and six month periods. The decrease in selling, general and administrative expenses was partially due to lower advertising and promotional expenditures. Total expenses, as a percentage of revenues, were essentially flat for the six months and down one percentage point for the quarter. Total expenses included depreciation and amortization of \$13.9 million and \$16.0 million for the six months ended June 30, 2003 and 2002, respectively. For the quarter, depreciation and amortization were \$7.0 million in 2003 and \$8.2 million in 2002. Capital expenditures for Radio were \$2.5 million and \$6.3 million for the three and six months ended June 30, 2003 versus \$4.7 million and \$7.8 million for the same prior-year periods.

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**Outdoor** (*Outdoor Advertising Properties*)

(Contributed 7% of consolidated revenues for the three and six months ended June 30, 2003 and 2002).

	Three Months Ended June 30,			Six Months Ended June 30,		
	2003	2002	Better/ (Worse)%	2003	2002	Better/ (Worse)%
Revenues	\$ 462.4	\$ 423.3	9%	\$ 840.7	\$ 771.5	9%
Operating Income (OI)	\$ 78.3	\$ 71.5	10%	\$ 103.7	\$ 97.1	7%
OI as a % of revenues	17%	17%		12%	13%	

For the three and six months ended June 30, 2003, Outdoor revenues increased 9%. In the second quarter, revenue growth included 3% growth from North American properties and 22% growth from Europe, while the six months included 5% growth from North American properties and 18% growth from Europe. North American results were primarily driven by higher average revenues per display face in U.S. billboards, while U.S. transit revenues declined slightly. Growth in revenues from European display faces reflected favorable exchange rates. The estimated total impact of fluctuations in exchange rates was \$27.1 million of additional revenues in the second quarter and \$45.8 million for the six months versus the comparable prior-year periods. Approximately 40% of Outdoor's revenues were generated from international regions, principally Europe, for the periods presented.

Operating income for the three and six months ended June 30, 2003 increased 10% and 7%, respectively, versus the prior-year periods. Total expenses, as a percentage of revenues, remained flat for the quarter and were down one percentage point for the six months. Total expenses included depreciation and amortization of \$106.9 million and \$101.5 million for the six months ended June 30, 2003 and 2002, respectively. For the three month period, depreciation and amortization were \$54.7 million in 2003 and \$50.6 million in 2002. Capital expenditures for Outdoor were \$16.2 million and \$30.9 million for the three and six months ended June 30, 2003 versus \$16.5 million and \$32.6 million for the three and six months ended June 30, 2002.

**Entertainment** (*Production and distribution of Motion Pictures; Consumer Publishing as well as the operation of Theme Parks, Movie Theaters and Music Publishing*)

(Contributed 14% of consolidated revenues for the three and six months ended June 30, 2003 versus 16% and 15% for the prior-year periods.)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2003	2002	Better/ (Worse)%	2003	2002	Better/ (Worse)%
Revenues	\$ 920.0	\$ 925.4	(1)%	\$ 1,718.2	\$ 1,697.6	1%
Operating Income (OI)	\$ 72.2	\$ 112.2	(36)%	\$ 93.7	\$ 154.6	(39)%
OI as a % of revenues	8%	12%		5%	9%	

For the three months ended June 30, 2003, Entertainment revenues decreased 1%, principally reflecting lower revenues at Features and Parks, partially offset by higher Theaters and Publishing revenues. For the six months ended June 30, 2003, Entertainment revenues increased 1% principally reflecting higher revenues from Publishing, Theaters and Features, partially offset by lower Parks revenues. Approximately 35% of Entertainment's revenues were generated from international regions, principally Europe and Canada, for the periods presented.

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Features revenues for the quarter were lower mainly due to lower domestic theatrical, network and domestic pay television revenues, which were partially offset by higher foreign home video and theatrical revenues. A lower number of titles were released in domestic theaters during the second quarter of 2003 versus the prior year. Domestic theatrical revenues included contributions from the second quarter releases of THE ITALIAN JOB and RUGRATS GO WILD with continuing contributions from THE CORE versus last year's contributions from THE SUM OF ALL FEARS, CHANGING LANES and CLOCKSTOPPERS. Network television revenues were lower due to the change in mix of available titles. Foreign home video revenues this quarter benefited from the contribution of CHANGING LANES while top foreign theatrical releases included HOW TO LOSE A GUY IN 10 DAYS. Features revenues for the six months were slightly higher mainly due to higher worldwide home video and syndication revenues, partially offset by lower domestic theatrical, network and pay television revenues. Top titles released in home video this year included JACKASS: THE MOVIE, STAR TREK: NEMESIS, THE SUM OF ALL FEARS and THE WILD THORNBERRYS MOVIE.

Publishing revenues increased 3% and 4% for the three and six months ended June 30, 2003, respectively, due to higher frontlist sales with top selling second quarter titles including LIVING HISTORY by Hillary Rodham Clinton, THE MULBERRY TREE by Jude Deveraux and AN ACCIDENTAL WOMAN by Barbara Delinsky.

Parks revenues for the quarter and the six-month periods decreased 7% and 8%, respectively, due to declines in attendance of 9% and 10% respectively.

Theaters revenues for the three and six months ended June 30, 2003 increased 9% and 4%, respectively, principally due to the benefit of favorable foreign currency translation, higher average admission prices and increased per capita spending, which more than offset a decline in attendance.

Entertainment operating income for the three months ended June 30, 2003 decreased 36% due largely to increased Features distribution costs, lower revenues and higher publishing royalty provisions. Total expenses, as a percentage of revenues, increased four percentage points over the comparable prior-year period and included depreciation and amortization of \$32.5 million versus \$31.1 million in the prior-year period. Capital expenditures for Entertainment were \$16.3 million versus \$23.5 million for the same period last year.

Entertainment's operating income for the six months ended June 30, 2003 decreased 39% principally as a result of higher prints and advertising costs for feature films. Total expenses, as a percentage of revenues, increased four percentage points over the comparable prior-year period. Total expenses included depreciation and amortization of \$62.4 million compared with \$59.3 million in the prior-year period. Capital expenditures for Entertainment were \$35.1 million versus \$44.7 million last year.

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**Video** (*Home videocassette (VHS), DVD and video game rental and retail operations*)

(Contributed 22% and 23% of consolidated revenues for the three and six months ended June 30, 2003 versus 22% for the prior-year periods.)

	Three Months Ended June 30,		Better/ (Worse)%	Six Months Ended June 30,		Better/ (Worse)%
	2003	2002		2003	2002	
Revenues	\$ 1,392.2	\$ 1,271.0	10%	\$ 2,910.0	\$ 2,597.0	12%
Operating Income (OI)	\$ 105.3	\$ 72.0	46%	\$ 254.0	\$ 191.4	33%
OI as a % of revenues	8%	6%		9%	7%	

For the three months ended June 30, 2003, revenues increased 10% primarily due to the net addition of 535 worldwide company-operated stores from June 30, 2002 to June 30, 2003 and a 1% increase in worldwide same store revenues. Domestic revenues increased 2% driven by the net addition of 137 company-operated stores, as well as a 0.9% increase in same store revenues. International revenues, which represent approximately 25% of total revenues, increased 38% with the net addition of 398 company-operated stores, a 1.6% increase in same store revenues and favorable currency exchange rates. Overall, the 1% increase in worldwide same store revenues reflected a 21.3% increase in same store retail revenues, partially offset by a 2.6% decrease in same store rental revenues.

Total retail revenues increased 44.6% this quarter versus last year reflecting the continued growth in DVD sales as well as increased games sales reflecting the acquisition of GameStation in the fourth quarter 2002. During the second quarter, retail movie transactions increased by 25% over the same period last year, and the average selling price increased by 12%. Total rental revenues increased 2.9%, driven by higher DVD rentals, partially offset by lower games and VHS rentals. These increases are not expected to be indicative of the growth rate for the third and fourth quarters of 2003, as Blockbuster recognized substantial growth in same store retail revenues in the same prior-year periods.

For the six months ended June 30, 2003, revenues increased 12% primarily due to the net addition of 535 worldwide company-operated stores and a 3.3% increase in worldwide same store revenues. Domestic revenues increased 6% with a 4% increase in domestic same store revenues and international revenues increased 34% with a 0.4% increase in international same store revenues and favorable currency exchange rates. Overall, the 3.3% increase in worldwide same store revenues reflected a 25.5% increase in same store retail revenues, partially offset by a 0.7% decrease in same store rental revenues. Total retail revenues increased 49.5% to \$574.0 million for the six months ended June 30, 2003 from \$384.0 million for the comparable prior-year period and total rental revenues increased 5.3%. During the six months, retail movie transactions increased 30% over the same period last year, and the average selling price increased 7%.

For the three months ended June 30, 2003, total gross margin increased to 60.6% from 59.3% as a result of an improvement in rental gross margin to 69.9% from 65.4%, reflecting higher contributions from higher margin DVD rental, lower overall rental product costs and lower contributions from lower margin VHS rental revenues generated through revenue-sharing programs. Retail gross margin decreased to 20.2% from 21.8% because of the higher contribution from DVD retail revenues.

For the six months ended June 30, 2003, total gross margin decreased to 59.4% from 59.8% as the increase in rental gross margin to 68.9% from 65.8% was offset by the decrease in retail gross margin to 18.6% from 21.4%.

For the three months ended June 30, 2003, operating income increased 46% as a result of revenues and gross margin, coupled with lower advertising expenses, partially offset by operating expenses

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associated with new stores. Total expenses as a percentage of revenues decreased two percentage points and included depreciation and amortization of \$61.6 million versus \$56.9 million in the prior-year period. For the six months, operating income increased 33% primarily as a result of higher revenues. Total expenses for the first half included depreciation and amortization of \$123.3 million versus \$112.8 million in the prior-year period. Capital expenditures were \$32.1 million and \$55.8 million for the three and six months ended June 30, 2003 versus \$18.3 million and \$32.2 million for the comparable prior-year periods. Blockbuster ended the second quarter of 2003 with 7,029 worldwide company-operated stores and 1,669 franchise stores, a net increase of 535 company-operated stores and 25 franchise stores over June 30, 2002.

**Restructuring and Merger-Related Charges**

In the second quarter of 2003, restructuring charges of \$26.4 million were recorded at Cable Networks. These charges principally reflected \$17.7 million of severance liabilities resulting from the acquisition of Comedy Central and organizational changes at SNI. Also included in this total was \$8.4 million for additional lease termination costs for MTVN due to a change in the initial estimate for its 2001 charge. The restructuring charges were recorded in the statement of operations as part of selling, general and administrative expenses for \$23.4 million and operating expenses for \$3.0 million. For the six months ended June 30, 2003, the Company had paid and charged \$6.6 million against the severance liabilities. Severance payments will continue through 2005 since certain employees will be paid out over the terms of their employment contracts. For the six months ended June 30, 2003, approximately \$2.5 million of expenses related to lease termination costs were charged against the lease liability.

In 2001, the Company recorded a Cable Networks restructuring charge of \$66.6 million for MTVN and a UPN restructuring charge of \$52.8 million. These charges were principally associated with reducing headcount and closing certain MTVN domestic and foreign offices and integrating UPN into CBS Network operations.

In the second quarter of 2000, the Company recorded a non-recurring merger-related charge of \$698.5 million (\$504.5 million after-tax or \$.41 per share), associated with the integration of Viacom and CBS and the acquisition of UPN.

The following table summarizes the activity for merger-related and restructuring charges discussed above:

	Viacom/CBS Merger Related Charge		Cable Networks Restructuring Charges		UPN Restructuring Charge
Balance at December 31, 2002	\$	33.6	\$	18.3	\$ 2.3
Charges		—		26.4	—
Cash payments		(4.8)		(9.1)	(.8)
Non-cash charges		—		—	(1.4)
Balance at June 30, 2003	\$	28.8	\$	35.6	\$ .1

## Financial Position

Current assets decreased \$79.3 million to \$7.1 billion at June 30, 2003 from \$7.2 billion at December 31, 2002 primarily due to a decrease in receivables of \$321.5 million offset by an increase in cash and cash equivalents of \$249.9 million. The allowance for doubtful accounts as a percentage of

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receivables was 8.7% at June 30, 2003 compared with 7.0% at December 31, 2002, reflecting additional reserves primarily for insolvent customers.

Net property and equipment decreased \$13.5 million from December 31, 2002 primarily reflecting depreciation expense of \$436.1 million, partially offset by capital expenditures of \$229.4 million, foreign currency translation adjustments of \$115.6 million, an increase in capital leases of \$49.1 million and additional property and equipment of \$22.1 million from acquisitions.

Goodwill increased \$1.2 billion to \$58.3 billion at June 30, 2003 from \$57.1 billion at December 31, 2002 primarily due to the acquisition of the remaining 50% interest in Comedy Central.

Current liabilities decreased to \$7.1 billion at June 30, 2003 from \$7.3 billion at December 31, 2002 primarily due to reductions in accounts payable, accrued compensation and accrued expenses partially offset by increased program rights obligations for network television, higher participation liabilities and an increase in the current portion of long-term debt. Total debt, including current maturities, increased \$317.9 million to \$10.7 billion at June 30, 2003 principally reflecting the issuance of notes and debentures to finance the acquisition of Comedy Central. Minority interest of \$875.6 million at June 30, 2003 increased \$30.4 million from \$845.2 million at December 31, 2002, principally reflecting operating results for Blockbuster for the six months ended June 30, 2003.

## Cash Flows

**Operating Activities.** Net cash flow from operating activities of \$1.7 billion for the six months ended June 30, 2003 principally reflected net earnings of \$1.1 billion adjusted for depreciation and amortization of \$487.6 million and non-cash charges of \$18.5 million net of tax for the adoption of SFAS 143. Cash flow from operations also reflected decreases in accounts payable, accrued compensation and other accrued expenses partially offset by decreases in receivables due to the timing of customer payments. The decrease in accounts payable was attributable primarily to a higher payable balance at the end of the year due to the seasonality of the Company's rental/retail operations. The decrease in accrued compensation and accrued expenses was principally due to the timing of payments of accrued compensation and commissions. Net cash flow from operating activities of \$1.6 billion for the six months ended June 30, 2002 principally reflected a net loss of \$567.0 million adjusted for non-cash charges of \$1.5 billion for the adoption of SFAS 142 and depreciation and amortization of \$468.1 million.

**Investing Activities.** Net cash expenditures for investing activities of \$1.5 billion for the six months ended June 30, 2003 principally reflected acquisitions of \$1.3 billion, capital expenditures of \$229.4 million principally for broadcasting equipment, video stores, outdoor advertising structures and construction of new park attractions and additional investments in affiliated companies of \$31.5 million. Acquisitions primarily consisted of the acquisition of the remaining 50% interest in Comedy Central not previously owned, as well as Outdoor's acquisition of a billboard operator in Puerto Rico. Net cash expenditures for investing activities of \$915.3 million for the six months ended June 30, 2002 principally reflected capital expenditures of \$204.5 million, additional investments of \$35.6 million in affiliated companies and acquisitions of \$698.2 million, primarily reflecting the acquisition of KCAL-TV as well as other acquisitions of outdoor businesses and the minority interest of the Company's online music business and MTV Asia.

**Financing Activities.** Cash provided by financing activities of \$48.0 million for the six months ended June 30, 2003 principally reflected the proceeds from the issuance of senior notes and debentures of \$740.5 million offset by the repayment of notes and debentures of \$339.3 million, the purchase of Company stock of

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financing activities of \$772.1 million for the six months ended June 30, 2002 reflected the repayment of notes and debentures of \$736.5 million, the net repayment of bank debt of \$415.6 million and the purchase of Company stock for \$506.4 million partially offset by proceeds from the issuance of senior notes of \$696.4 million and from the exercise of stock options of \$248.8 million.

Cash paid for income taxes for the six months ended June 30, 2003 was approximately \$437 million versus \$314 million for the six months ended June 30, 2002. Cash income taxes for 2003 will be higher due to the expected higher operating income and the absence of the 2002 non-recurring items and are expected to be in the range of \$1.1 billion to \$1.3 billion.

*Share Purchase Program*

For the six months ended June 30, 2003, on a trade date basis, the Company purchased approximately 5.4 million shares of its Class B Common Stock for approximately \$231.8 million under its current \$3.0 billion stock purchase program. Since inception of this program in October 2002, a total of 8.7 million shares have been purchased through June 30, 2003, for approximately \$372.4 million, leaving \$2.6 billion remaining under the \$3.0 billion program to purchase Company Common Stock. From July 1 through July 31, 2003 the Company purchased an additional 1.5 million shares for approximately \$67.0 million.

**Capital Structure**

The following table sets forth the Company's long-term debt:

	At June 30, 2003	At December 31, 2002
Notes payable to banks	\$ 317.5	\$ 423.7
Commercial paper	174.7	174.6
Senior debt	9,951.6	9,530.7
Senior subordinated debt	60.9	56.1
Other notes	28.4	28.6
Obligations under capital leases	390.7	392.2
<b>Total Debt</b>	<b>10,923.8</b>	<b>10,605.9</b>
Less current portion	362.0	199.0
Less discontinued operations debt (a)	201.7	201.7
<b>Total Long-Term Debt</b>	<b>\$ 10,360.1</b>	<b>\$ 10,205.2</b>

(a) Included in "Other liabilities" on the consolidated balance sheets.

The Company's total debt presented in the table includes, for the period ending June 30, 2003 and December 31, 2002, respectively, (i) an aggregate unamortized premium of \$42.5 million and \$49.5 million and (ii) the change in the carrying value of the senior debt, since inception, relating to fair value swaps of \$99.0 million and \$86.2 million.

The senior debt and senior subordinated debt of each of Viacom Inc. and its wholly owned subsidiary, Viacom International Inc. ("Viacom International"), is fully and unconditionally guaranteed by Viacom International and Viacom Inc., respectively. The senior debt and senior subordinated debt of the Company's wholly owned subsidiaries, CBS Broadcasting Inc. and Go Outdoor Systems Holdings S.A., respectively, are not guaranteed; the aggregate outstanding amount of such debt at June 30, 2003 was \$113.1 million.

On May 14, 2003, Viacom Inc. issued \$300 million of 4.625% senior notes due 2018 and \$450 million 5.50% senior debentures due 2033. Interest on the senior notes and senior debentures is payable

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semi-annually. Proceeds from the debt issuance were used for general corporate purposes, including funding a portion of the acquisition of Comedy Central. The senior notes and senior debentures are guaranteed by Viacom International and are redeemable at any time at their principal amount plus the applicable premium and accrued interest.

During the first quarter of 2003, the 6.75% senior notes due January 15, 2003 matured in the amount of \$333.8 million.

On February 28, 2003, the Company entered into a \$1.7 billion, 364-day credit facility to replace the \$1.8 billion facility which was to expire in March 2003.

At June 30, 2003, the Company had commercial paper borrowings of \$174.7 million under its \$4.65 billion commercial paper program. Borrowings under the program have maturities of less than one year. The Company's credit facilities supporting the commercial paper borrowings totaled \$4.65 billion at June 30, 2003.

At June 30, 2003, the Company had classified approximately \$451.0 million of commercial paper and other debt scheduled to mature within the next twelve months as long-term debt, reflecting its intent and ability, through the existence of unused revolving credit facilities, to refinance this debt on a long-term basis.

At June 30, 2003, notes payable to banks of \$317.5 million decreased \$106.2 million from December 31, 2002, principally due to net repayments under the Blockbuster credit agreement of approximately \$100 million.

### ***Accounts Receivable Securitization Programs***

As of June 30, 2003 and December 31, 2002, the Company had an aggregate of \$1.0 billion and \$981.9 million, respectively, outstanding under revolving receivable securitization programs. The programs result in the sale of receivables on a non-recourse basis to unrelated third parties on a one-year renewable basis, thereby reducing accounts receivable and debt on the Company's consolidated balance sheets. The Company enters into these arrangements because they provide a cost-efficient form of financing and an additional source of liquidity. Proceeds from the programs were used to reduce outstanding borrowings. The Company is required to maintain certain ratios in connection with the programs. As of June 30, 2003 and December 31, 2002, the Company was in compliance with the required ratios under the receivable securitization programs.

### **Liquidity and Capital Resources**

The Company believes that its future operating cash flows, cash and cash equivalents (\$881.3 million at June 30, 2003), borrowing capacity under committed bank facilities (which consisted of unused revolving credit facilities, excluding Blockbuster's credit facility, of \$4.2 billion in the aggregate at June 30, 2003), and access to capital markets are sufficient to fund its operating needs, including commitments and contingencies, capital and investing commitments and its financing requirements for the foreseeable future. The funding for commitments to purchase sports programming rights, television and film operations, and talent contracts will come primarily from cash flow from operations.

The Company continually projects anticipated cash requirements, which include capital expenditures, share purchases, dividends, acquisitions, and principal payments on its outstanding indebtedness, as well as cash flows generated from operating activity available to meet these needs. Any net cash funding requirements are financed with short-term borrowings (primarily commercial paper) and long-term debt. Commercial paper borrowings, which also accommodate day-to-day changes in funding

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requirements, are backed by committed bank facilities that may be utilized in the event that commercial paper borrowings are not available. The Company's strong credit position, which is reflected by an A-/A3 rating, affords access to the capital markets. The Company anticipates that scheduled debt maturities in 2003 will be funded with cash and cash equivalents and cash flows generated from operating activities. There are no provisions in any of the Company's material financing agreements that would cause an acceleration of the obligation in the event of a downgrade in the Company's debt ratings.

The Company filed a shelf registration statement with the Securities and Exchange Commission registering debt securities, preferred stock and warrants of Viacom that may be issued for aggregate gross proceeds of \$5.0 billion. The registration statement was first declared effective on January 8, 2001. The net proceeds from the sale of the offered securities may be used by Viacom for general corporate purposes, including repayment of borrowings, working capital and capital expenditures; or for such other purposes as may be specified in the applicable prospectus supplement. To date, the Company has issued \$2.385 billion of securities under the shelf registration statement.

Planned capital expenditures for 2003 are approximately \$550 million to \$575 million. The Company has spent \$229.4 million as of June 30, 2003. Capital expenditures are funded with cash flows from operations.

On July 23, 2003, the Company's Board of Directors declared a quarterly cash dividend of \$.06 per share on Viacom Class A and Class B Common Stock. The dividend is payable on October 1, 2003 to stockholders of record at the close of business on August 15, 2003. Based on the number of shares outstanding at June 30, 2003, the dividend will result in an anticipated annual payout to Viacom shareholders of approximately \$420 million.

### ***Commitments***

Programming and talent commitments of the Company estimated to aggregate approximately \$13.5 billion, are not reflected on the balance sheet as of June 30, 2003. These commitments include approximately \$8.7 billion for the acquisition of sports programming rights, approximately \$3.7 billion relating to television, radio and feature film production and acquisitions and approximately \$1.1 billion for talent contracts. A majority of such fees are payable over several years, as part of the normal course of business.

The Company has long-term noncancelable operating lease commitments for retail and office space and equipment, transponders, studio facilities and vehicles. The Company also enters into capital leases for satellite transponders and buildings.

Viacom's outdoor advertising business has franchise rights entitling it to display advertising on media such as buses, trains, bus shelters, terminals, billboards, and phone kiosks. Under most of these franchise agreements, the franchiser is entitled to receive the greater of a percentage of the relevant advertising revenues, net of advertising agency fees, or a specified guaranteed minimum annual payment.

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### ***Guarantees***

Effective January 1, 2003, the Company adopted the recognition provisions of FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45") for guarantees issued or modified after December 31, 2002. FIN 45 requires a guarantor to recognize, at the inception of a guarantee, a liability for the fair value of an obligation assumed by issuing a guarantee. FIN 45 also requires additional disclosure by a guarantor in its interim and annual financial statements issued after December 15, 2002 for certain guarantees. The adoption of FIN 45 did not have a significant impact on the Company's financial position, results of operations or cash flows.

The Company owns a 50% equity interest in United Cinemas International ("UCI"), which operates movie theaters in Europe, South America and Asia. As of June 30, 2003, the Company guaranteed approximately \$289.7 million of UCI's debt obligations under a revolving credit facility, which expires in December 2004, and \$177.2 million of UCI's theater leases. The Company also owns a 50% interest in WF Cinema Holdings, L.P. and Grauman's Theatres, LLC and guarantees certain theater leases for approximately \$13.6 million. The debt and lease guarantees would only be triggered upon non-payment by the respective primary obligors. These guarantees are not recorded on the balance sheet as of June 30, 2003 as they were provided prior to the adoption of FIN 45.

The Company is also subject to certain off-balance sheet lease guarantees related to the divestitures of certain businesses. In October 1998, Blockbuster Music stores were sold to Wherehouse Entertainment Inc. ("Wherehouse"). Some of the leases transferred in connection with this sale had previously been guaranteed either by the Company or its affiliates. The remaining initial terms of these leases expire on various dates through 2007. However, certain leases contain renewal options that can extend the primary lease term and remain subject to the guarantee. Blockbuster had previously agreed to indemnify the Company with respect to any amount paid under these guarantees. On January 21, 2003, Wherehouse filed a petition for protection under Chapter 11 of U.S. bankruptcy law. Based on information regarding lease and guarantee expirations provided to Blockbuster by Wherehouse in connection with its bankruptcy, Blockbuster's current estimate of the contingent liability is approximately \$36.0 million. Blockbuster recorded a reserve of \$18.7 million during the fourth quarter of 2002 which represented its estimate of the undiscounted lease guarantee obligation associated with the stores that Wherehouse has indicated it will vacate. The Company has accounted for these reserves in discontinued operations.

In the course of its business, the Company both provides and receives the benefit of indemnities which are intended to allocate certain risks associated with business transactions. Similarly, the Company may remain contingently liable for various obligations of a business that has been divested in the event that a third party does not live up to its obligations under an indemnification obligation. The Company records a liability for its indemnification obligations and other contingent liabilities when probable under generally accepted accounting principles.

## Legal Matters

*Asbestos and Environmental.* The Company is a defendant in lawsuits claiming various personal injuries related to asbestos and other materials, which allegedly occurred as a result of exposure caused by various products manufactured by Westinghouse, a predecessor, generally prior to the early 1970s. Westinghouse was neither a producer nor a manufacturer of asbestos. The Company is typically named as one of a large number of defendants in both state and federal cases. In the majority of asbestos lawsuits, the plaintiffs have not identified which of the Company's products is the basis of a claim.

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Claims against the Company in which a product has been identified principally relate to exposures allegedly caused by asbestos-containing insulating material in turbines sold for power-generation, industrial and marine use, or by asbestos-containing grades of decorative micarta, a laminate used in commercial ships.

Claims typically are filed in large groups and may be settled in large groups, which makes the amount and timing of settlements, and the number of pending claims, subject to significant fluctuation from period to period. The Company does not report as pending those claims on inactive, stayed, deferred or similar dockets which some jurisdictions have established for claimants who allege minimal or no impairment. As of June 30, 2003, the Company had pending approximately 116,200 asbestos claims, as compared to approximately 103,800 as of December 31, 2002 and approximately 118,000 as of June 30, 2002. The June 2002 number of claims included approximately 7,600 claims on an inactive docket which would not be counted as pending under the Company's current methodology. In addition, the December 31, 2002 pending claim number reflects the transfer of approximately 24,000 claims to a deferred docket of claimants alleging minimal or no impairment established by order of the Supreme Court of New York in December 2002. Of the claims pending as of June 30, 2003, approximately 86,600 were pending in state courts, 27,100 in federal court and approximately 2,500 were third party claims. During the second quarter of 2003, the Company received approximately 18,900 new claims and closed approximately 11,900 claims. The Company reports claims as closed when it becomes aware that a dismissal order has been entered by a court or when the Company has reached agreement with the claimants on the material terms of a settlement.

Settlement costs depend on the seriousness of the injuries that form the basis of the claim, the quality of evidence supporting the claims, the size of verdicts in particular jurisdictions, and other factors. To date, the Company has not been liable for any third party claims. The Company's total costs in 2002 for settlement and defense of asbestos claims after insurance recoveries and net of tax benefits were approximately \$28 million. A portion of such costs relates to claims settled in prior years.

Filings include claims for individuals suffering from mesothelioma, a rare cancer, the risk of which is allegedly increased primarily by exposure to asbestos, lung cancer, a cancer which may be caused by various factors, one of which is alleged to be asbestos exposure, other cancers, and conditions that are substantially less serious, including claims brought on behalf of individuals who are asymptomatic as to an allegedly asbestos-related disease. Claims identified as cancer remain a small percentage of asbestos claims pending at June 30, 2003. In a substantial number of pending claims, the plaintiff has not identified the claimed injury.

The Company believes that its reserves and insurance are adequate to cover its asbestos liabilities and that these asbestos liabilities are not likely to have a material adverse effect on its results of operations, financial position or cash flows.

The Company from time to time receives claims from federal and state environmental regulatory agencies and other entities asserting that it is or may be liable for environmental cleanup costs and related damages principally relating to discontinued operations conducted by companies acquired by the Company. In addition, the Company frequently receives personal injury claims including toxic tort claims arising from historical operations of the Company and its predecessors.

*Antitrust.* In July 2002, judgment was entered in favor of the Company, Blockbuster, Paramount Home Entertainment and other major motion picture studios and their home video subsidiaries with respect to a complaint filed in the United States District Court for the Western District of Texas. The complaint included federal antitrust and California state law claims. Plaintiffs have appealed the federal court judgment. In February 2003, a similar complaint that had been filed in a Los Angeles County

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Superior Court was also dismissed with prejudice. The plaintiffs have appealed the California state court dismissal, as well as a prior denial of class certification. The Company believes that the plaintiffs' positions in these litigations are without merit and intends to continue to vigorously defend itself in the litigations.

*Blockbuster Securities Actions.* During February and March 2003, putative class action complaints were filed against Blockbuster in the United States District Court for the Northern District of Texas. Certain directors and officers of Blockbuster were also named as defendants. The remaining putative class actions have been consolidated into one action styled *In re Blockbuster Inc. Securities Litigation*, which is pending in the same court. The consolidated amended complaint, filed July 2003, claims violations of the Securities Exchange Act of 1934 for the time period approximately between February and December 2002. It also generally alleges that the defendants made untrue statements of material fact and/or omitted to disclose material facts about Blockbuster's business and operations, that the value of Blockbuster's common stock was therefore artificially inflated and that certain of the individual defendants sold shares of Blockbuster's common stock at inflated prices. The plaintiffs seek unspecified compensatory damages. In addition, three shareholder derivative actions were filed in February, March and April 2003, of which two are pending in federal court in Texas and one in Texas state court, each arising from substantially similar operative facts. These three actions include claims for breach of fiduciary duties for various time periods beginning in February 2002. The shareholder derivative actions name certain Blockbuster officers and directors, some of whom are directors and/or executive officers of the Company, as individual defendants, and Blockbuster as a nominal defendant. The Company believes the plaintiffs' positions in all of these actions are without merit and intends to vigorously defend these matters.

*Other.* The Company had been in a dispute over amounts owed by an international licensee under a series of long-term licensing arrangements covering feature film and television product. In August 2003, the Company resolved this legal dispute. The Company believes that the resolution of this legal matter will not have a material adverse effect on the Company's consolidated results of operations.

In December 2002, Buena Vista Home Entertainment, Inc. filed a complaint in United States District Court for the Central District of California claiming that Blockbuster had breached the revenue-sharing agreement between the two parties. Buena Vista claims damages in excess of \$120 million. Blockbuster has answered and asserted counterclaims for reformation and breach of contract. On July 22, 2003, the California federal court granted Buena Vista's motion for partial summary judgment, stating in its ruling that a liquidated damages provision in the contract is enforceable. Blockbuster has filed a motion to reconsider this ruling. The Company believes the plaintiff's position is without merit, and intends to vigorously defend this matter.

Litigation is inherently uncertain and always difficult to predict. However, based on its understanding and evaluation of the relevant facts and circumstances, the Company believes that all of the above-described legal matters and other litigation to which it is a party are not likely, in the aggregate, to have a material adverse effect on its results of operations, financial position or cash flows.

#### **Other Matters**

On June 2, 2003, the Federal Communications Commission (FCC) completed its omnibus review of all broadcast ownership rules and adopted revised rules that are expected to become effective on September 4, 2003. Under the new rules, the Company would be permitted to expand its television and radio station holdings in a number of markets.

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As part of its new rules, the FCC increased the audience reach cap under the broadcast television national ownership rule from 35% to 45%. The Company has owned television stations that reach approximately 39% of all U.S. television households, as measured by the FCC, subject to an FCC order giving the Company until 12 months after the FCC reaches a final decision on its broadcast ownership rules to file any applications that may be necessary to come into compliance with any limits that may exist at that time.

In its June 2, 2003 decision, the FCC also eliminated its broadcast-newspaper and radio-television cross-ownership rules and replaced both with a new cross-media rule. The Company has been subject to FCC orders requiring it to divest radio stations or otherwise come into compliance with the FCC's radio-television cross-ownership rule in several markets. However, the Company's broadcast portfolio complies with the new cross-media rule and no divestitures are required.

The FCC also modified its radio ownership rules. Although the FCC left the specific numeric limits in place, it changed the way it defines the relevant geographic market and how it counts the number of stations in a particular market. As a result, the Company's portfolio exceeds the FCC's new ownership limits in three markets. However, because the FCC grandfathered all existing ownership combinations, the Company will not be required to divest any radio stations to come into compliance with the new rules.

In response to the new FCC rules, legislation is pending in Congress which, if enacted, may have the effect of rolling back some or all of the changes effectuated by the FCC.

#### *Recent Pronouncements*

In May 2003, the Financial Accounting Standards Board ("FASB"), issued SFAS No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150"). SFAS 150 establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. The adoption of SFAS 150 will not have a material effect on the Company's financial position.

#### **Related Parties**

National Amusements, Inc. ("NAI") is a closely held corporation that beneficially owns the Company's Class A Common Stock, representing approximately 70% of the voting power of all classes of the Company's Common Stock, and approximately 11% of the Company's Class A Common Stock and Class B Common Stock on a combined basis at June 30, 2003. Owners of the Company's Class A Common Stock are entitled to one vote per share. The Company's Class B



Common Stock does not have voting rights. NAI is not subject to the reporting requirements of the Securities Exchange Act of 1934, as amended. Sumner M. Redstone, the controlling shareholder of NAI, is the Chairman of the Board of Directors and Chief Executive Officer of the Company.

NAI licenses films in the ordinary course of business for its motion picture theaters from all major studios including Paramount Pictures, a division of the Company. During the six months ended June 30, 2003 and June 30, 2002, respectively, NAI made payments to Paramount Pictures in the aggregate amount of \$5.1 million and \$7.0 million.

The Company owns a minority equity interest in Westwood One, Inc. ("Westwood One"). Most of the Company's radio stations are affiliated with Westwood One, and Westwood One distributes nationally certain of the Company's radio programming. In connection with these arrangements, the Company receives affiliation fees as well as programming cost reimbursements and in certain instances, shares in

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revenue from the sale of Radio's programming. In addition, certain employees of Radio serve as officers of Westwood One for which the Company receives a management fee. Revenues from these arrangements were approximately \$15.6 million and \$33.5 million for the three and six months ended June 30, 2003 versus \$38.2 million and \$73.3 million for the three and six months ended June 30, 2002, respectively.

#### **Cautionary Statement Concerning Forward-Looking Statements**

This quarterly report on Form 10-Q, including "Item 2—Management's Discussion and Analysis of Results of Operations and Financial Condition," contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements within the meaning of section 27A of the Securities Act of 1933, as amended, and section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are not based on historical facts, but rather reflect the Company's current expectations concerning future results and events. These forward-looking statements generally can be identified by the use of statements that include phrases such as "believe," "expect," "anticipate," "intend," "plan," "foresee," "likely," "will" or other similar words or phrases. Similarly, statements that describe the Company's objectives, plans or goals are or may be forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that are difficult to predict and which may cause the actual results, performance or achievements of the Company to be different from any future results, performance and achievements expressed or implied by these statements. The following important factors, among others, could affect future results, causing these results to differ materially from those expressed in our forward-looking statements: advertising market conditions generally; changes in the public acceptance of the Company's programming; changes in technology and its effect on competition in the Company's markets; changes in the Federal Communications laws and regulations; the impact of piracy on the Company's products; consumer demand for VHS, DVD and video games, and the mix between rental and sales volume and competitive conditions in these markets; other domestic and global economic, business, competitive and/or regulatory factors affecting the Company's businesses generally; and other factors described in the Company's filings made under the securities laws, including, among others, those set forth under the heading "Cautionary Statement Concerning Forward-Looking Statements" in our Annual Report on Form 10-K for the year ended December 31, 2002. The forward-looking statements included in this document are only made as of the date of this document and the Company does not have any obligation to publicly update any forward-looking statements to reflect subsequent events or circumstances.

#### **Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

There have been no significant changes to market risk since reported in the Company's Annual Report of Form 10-K for the year ended December 31, 2002.

#### **Item 4. Controls and Procedures.**

The Company's chief executive officer and chief financial officer have concluded that, as of the end of the second quarter of 2003, the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) were effective, based on the evaluation of these controls and procedures required by Rule 13a-15(b) or 15d-15(b) of the Securities Exchange Act of 1934, as amended.

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No changes in the Company's internal control over financial reporting occurred during the second quarter of 2003 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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## **PART II—OTHER INFORMATION**

#### **Item 4. Submission of Matters to a Vote of Security Holders.**

The Annual Meeting of Stockholders of Viacom Inc. was held on May 21, 2003. The following matters were voted upon at the meeting: (i) the election of 17 directors, (ii) the adoption of an Amended and Restated Certificate of Incorporation of Viacom Inc., (iii) the approval of the Amended and Restated Viacom Inc. Senior Executive Short-Term Incentive Plan, and (iv) the ratification of the appointment of PricewaterhouseCoopers LLP to serve as independent accountants for Viacom Inc. for calendar year 2003.

(i) The entire nominated board of directors was elected and the votes cast for or withheld with respect to the election of each director were as follows:

Name	Number of Votes Cast For	Number of Votes Withheld
George S. Abrams	124,055,148	2,523,157
David R. Andelman	126,320,114	258,191
Joseph A. Califano, Jr.	126,298,616	279,689
William S. Cohen	126,310,986	267,319
Philippe P. Dauman	124,049,536	2,528,769
William H. Gray III	126,298,464	279,841
Alan C. Greenberg	126,311,278	267,027
Mel Karmazin	124,035,683	2,542,622
Jan Leschly	126,320,349	257,956
David T. McLaughlin	126,294,175	284,130
Shari Redstone	125,893,314	684,991
Sumner M. Redstone	124,084,496	2,493,809
Frederic V. Salerno	124,560,978	2,017,327
William Schwartz	126,310,408	267,897
Ivan Seidenberg	126,312,455	265,850
Patty Stonesifer	126,313,204	265,101
Robert D. Walter	126,314,909	263,396

(ii) The votes cast for, against or abstaining and the broker non-votes, with respect to the adoption of an Amended and Restated Certificate of Incorporation of Viacom Inc. which amends certain provisions relating to indemnification of directors, officers, employees and agents, were as follows:

For:	Against:	Abstentions and Broker Non-Votes:
125,845,454	639,206	93,645

(iii) The votes cast for, against or abstaining and the broker non-votes, with respect to the approval of the Amended and Restated Viacom Inc. Senior Executive Short-Term Incentive Plan which amends certain provisions relating to the performance criteria and increases the maximum limit for bonuses payable under the plan were as follows:

For:	Against:	Abstentions and Broker Non-Votes:
118,509,282	7,982,867	86,156

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(iv) The votes cast for, against or abstaining and the broker non-votes, with respect to the ratification of the appointment of PricewaterhouseCoopers LLP to serve as independent accountants for Viacom Inc. for the calendar year 2003:

For:	Against:	Abstentions and Broker Non-Votes:
126,017,636	478,174	82,497

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

### (a) Exhibits.

Exhibit No.	Description of Document
(2)	<b>Plan of Acquisition</b>
(a)	Amended and Restated Agreement and Plan of Merger, dated as of September 6, 1999, as amended and restated as of October 8, 1999 and as of November 23, 1999, among Viacom Inc., CBS Corporation and Viacom/CBS LLC (incorporated by reference to Exhibit 2.1 to the Registration Statement on Form S-4 initially filed by Viacom Inc. on October 7, 1999) (File No. 333-88613).
(b)	Agreement and Plan of Merger, dated as of October 30, 2000, among Viacom Inc., IBC Merger Corp. and Infinity Broadcasting Corporation (incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K of Viacom Inc. filed on October 31, 2000) (File No. 001-09553).
(3)	<b>Articles of Incorporation and By-laws</b>

- (a) Amended and Restated Certificate of Incorporation of Viacom Inc., effective May 21, 2003 (filed herewith).
- (b) Amended and Restated Certificate of Incorporation of Viacom Inc., effective May 21, 2003, redlined to show amendments (filed herewith).
- (c) Amended and Restated By-laws of Viacom Inc., effective May 21, 2003 (filed herewith).
- (d) Amended and Restated By-laws of Viacom Inc., effective May 21, 2003, redlined to show amendments (filed herewith).

**(4) Instruments defining the rights of security holders including indentures**

- (a) Specimen certificate representing Viacom Inc. Class A Common Stock (incorporated by reference to Exhibit 4(a) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 2002) (File No. 001-09553).
- (b) Specimen certificate representing Viacom Inc. Class B Common Stock (incorporated by reference to Exhibit 4(b) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 2002) (File No. 001-09553).

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- (c) The instruments defining the rights of holders of the long-term debt securities of Viacom Inc. and its subsidiaries are omitted pursuant to section (b)(4)(iii)(A) of Item 601 of Regulation S-K. Viacom Inc. hereby agrees to furnish copies of these instruments to the Securities and Exchange Commission upon request.

**(10) Material Contracts**

- (a) Viacom Inc. Senior Executive Short-Term Incentive Plan (as amended and restated through March 20, 2003) (incorporated by reference to Exhibit C to the Definitive Proxy Statement on Schedule 14A of Viacom Inc. filed on April 22, 2003) (File No. 001-09553).
- (b) Viacom Inc. 2000 Stock Option Plan for Outside Directors (as amended and restated through May 21, 2003) (filed herewith).

**(12) Statement Regarding Computation of Ratios (filed herewith)**

**(31) Rule 13a-14(a)/15d-14(a) Certifications**

- (a) Certifications of the Chief Executive Officer of Viacom Inc. pursuant to Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
- (b) Certifications of the Chief Financial Officer of Viacom Inc. pursuant to Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).

**(32) Section 1350 Certifications**

- (a) Certification of the Chief Executive Officer of Viacom Inc. furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
- (b) Certification of the Chief Financial Officer of Viacom Inc. furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).

**(b) Reports on Form 8-K.**

Current Report on Form 8-K of Viacom Inc. filed on April 22, 2003, under Items 5 and 7, with respect to the announcement by Viacom that it had agreed to acquire from AOL Time Warner Inc. the remaining 50% partnership interest of Comedy Partners, a New York general partnership, that it did not already own for \$1.225 billion in cash.

Current Report on Form 8-K of Viacom Inc. filed on May 15, 2003, under Items 5 and 7, with respect to the May 14, 2003 issuance and sale of \$300 million aggregate principal amount of Viacom Inc.'s 4.625% senior notes due 2018 and \$450 million aggregate principal amount of Viacom Inc.'s 5.50% senior debentures due 2033.

Current Report on Form 8-K of Viacom Inc. filed on May 22, 2003, under Items 5 and 7, with respect to the announcement by Viacom that it had completed its acquisition from AOL Time Warner Inc. of the remaining 50% partnership interest of Comedy Partners, a New York general partnership, that it did not already own for \$1.225 billion in cash.

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*In addition to the above:*

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## SIGNATURES

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

**VIACOM INC.**  
(Registrant)

Date: August 13, 2003

/s/ RICHARD J. BRESSLER

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Richard J. Bressler  
*Senior Executive Vice President*  
*Chief Financial Officer*

Date: August 13, 2003

/s/ SUSAN C. GORDON

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Susan C. Gordon  
*Senior Vice President, Controller*  
*Chief Accounting Officer*

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## EXHIBIT INDEX

<b>Exhibit No.</b>	<b>Description of Document</b>
<b>(2)</b>	<b>Plan of Acquisition</b>
(a)	Amended and Restated Agreement and Plan of Merger, dated as of September 6, 1999, as amended and restated as of October 8, 1999 and as of November 23, 1999, among Viacom Inc., CBS Corporation and Viacom/CBS LLC (incorporated by reference to Exhibit 2.1 to the Registration Statement on Form S-4 initially filed by Viacom Inc. on October 7, 1999) (File No. 333-88613).
(b)	Agreement and Plan of Merger, dated as of October 30, 2000, among Viacom Inc., IBC Merger Corp. and Infinity Broadcasting Corporation (incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K of Viacom Inc. filed on October 31, 2000) (File No. 001-09553).
<b>(3)</b>	<b>Articles of Incorporation and By-laws</b>
(a)	Amended and Restated Certificate of Incorporation of Viacom Inc., effective May 21, 2003 (filed herewith).
(b)	Amended and Restated Certificate of Incorporation of Viacom Inc., effective May 21, 2003, redlined to show amendments (filed herewith).
(c)	Amended and Restated By-laws of Viacom Inc., effective May 21, 2003 (filed herewith).
(d)	Amended and Restated By-laws of Viacom Inc., effective May 21, 2003, redlined to show amendments (filed herewith).
<b>(4)</b>	<b>Instruments defining the rights of security holders including indentures</b>
(a)	Specimen certificate representing Viacom Inc. Class A Common Stock (incorporated by reference to Exhibit 4(a) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 2002) (File No. 001-09553).
(b)	Specimen certificate representing Viacom Inc. Class B Common Stock (incorporated by reference to Exhibit 4(b) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 2002) (File No. 001-09553).
(c)	The instruments defining the rights of holders of the long-term debt securities of Viacom Inc. and its subsidiaries are omitted pursuant to section (b)(4)(iii)(A) of Item 601 of Regulation S-K. Viacom Inc. hereby agrees to furnish copies of these instruments to the Securities and Exchange Commission upon request.
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**AMENDED AND RESTATED CERTIFICATE OF INCORPORATION  
OF  
VIACOM INC.**

(Originally incorporated on November 10, 1986 under the name Arsenal Holdings, Inc.)

**ARTICLE I  
NAME**

The name of this Corporation is Viacom Inc.

**ARTICLE II  
REGISTERED OFFICE AND AGENT FOR SERVICE**

The registered office of the Corporation in the State of Delaware is located at Suite 400, 2711 Centerville Road, City of Wilmington, County of New Castle. The name and address of the Corporation's registered agent for service of process in Delaware is:

Corporation Service Company  
Suite 400  
2711 Centerville Road  
Wilmington, Delaware 19808

**ARTICLE III  
CORPORATE PURPOSES**

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

**ARTICLE IV  
CAPITAL STOCK**

(1) *Shares, Classes and Series Authorized.*

- (a) The total number of shares of all classes of capital stock which the Corporation shall have authority to issue is 10,775,000,000 shares. The classes and the aggregate number of shares of stock of each class which the Corporation shall have authority to issue are as follows:
- (i) 750,000,000 shares of Class A Common Stock, \$0.01 par value ("Class A Common Stock").
  - (ii) 10,000,000,000 shares of Class B Common Stock, \$0.01 par value ("Class B Common Stock").
  - (iii) 25,000,000 shares of Preferred Stock, \$0.01 par value ("Preferred Stock").

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- (b) The number of authorized shares of Class B Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) from time to time by the affirmative vote of the holders of a majority of the stock of the Corporation entitled to vote.

(2) *Powers and Rights of the Class A Common Stock and the Class B Common Stock.*

Except as otherwise expressly provided in this Restated Certificate of Incorporation, all issued and outstanding shares of Class A Common Stock and Class B Common Stock shall be identical and shall entitle the holders thereof to the same rights and privileges.

**A. Voting Rights and Powers.** Except as otherwise provided in this Restated Certificate of Incorporation or required by law, with respect to all matters upon which stockholders are entitled to vote, the holders of the outstanding shares of Class A Common Stock shall vote together with the holders of any other outstanding shares of capital stock of the Corporation entitled to vote, without regard to class, and every holder of outstanding shares of Class A Common Stock shall be entitled to cast thereon one vote in person or by proxy for each share of Class A Common Stock standing in his name. The holders of shares of Class A Common Stock shall have the relevant class voting rights set forth in Article IX. Except as otherwise required by law, the holders of outstanding shares of Class B Common Stock shall not be entitled to any votes upon any questions presented to stockholders of the Corporation, including but not limited to, whether to increase or decrease (but not below the number of shares then outstanding) the number of authorized shares of Class B Common Stock.

**B. Dividends.** Subject to the rights and preferences of the Preferred Stock set forth in this Article IV and in any resolution or resolutions providing for the issuance of such stock as set forth in Section (3) of this Article IV, the holders of Class A Common Stock and Class B Common Stock shall be entitled to receive ratably such dividends as may from time to time be declared by the Board of Directors out of funds legally available therefor.

**C. Distribution of Assets Upon Liquidation.** In the event the Corporation shall be liquidated, dissolved or wound up, whether voluntarily or involuntarily, after there shall have been paid or set aside for the holders of all shares of the Preferred Stock then outstanding the full preferential amounts to which they are entitled under this Article IV or the resolutions, as the case may be, authorizing the issuance of such Preferred Stock, the net assets of the Corporation remaining thereafter shall be divided ratably among the holders of Class A Common Stock and Class B Common Stock.

**D. Split, Subdivision or Combination.** If the Corporation shall in any manner split, subdivide or combine the outstanding shares of Class A Common Stock or Class B Common Stock, the outstanding shares of the other class of Common Stock shall be proportionally split, subdivided or combined in the same manner and on the same basis as the outstanding shares of the other class of Common Stock have been split, subdivided or combined.

E. *Conversion.* So long as there are 10,000 shares of Class A Common Stock outstanding, each record holder of shares of Class A Common Stock and Class B Common Stock may convert any or all of such shares into an equal number of shares of Class B Common Stock by surrendering the certificates for such shares, accompanied by payment of documentary, stamp or similar issue or transfer taxes, if any, along with a written notice by such record holder to the Corporation stating that such record holder desires to convert such shares into the same number of shares of Class B Common Stock and requesting that the Corporation issue all of such Class B Common Stock to the persons named therein, setting forth the number of shares of Class B Common Stock to be issued to each such person and the denominations in which the certificates therefor are to be issued.

(3) *Powers and Rights of the Preferred Stock.*

The Preferred Stock may be issued from time to time in one or more series, with such distinctive serial designations as may be stated or expressed in the resolution or resolutions providing for the issue of such

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stock adopted from time to time by the Board of Directors; and in such resolution or resolutions providing for the issuance of shares of each particular series, the Board of Directors is also expressly authorized to fix: the right to vote, if any; the consideration for which the shares of such series are to be issued; the number of shares constituting such series, which number may be increased (except as otherwise fixed by the Board of Directors) or decreased (but not below the number of shares thereof then outstanding) from time to time by action of the Board of Directors; the rate of dividends upon which and the times at which dividends on shares of such series shall be payable and the preference, if any, which such dividends shall have relative to dividends on shares of any other class or classes or any other series of stock of the Corporation; whether such dividends shall be cumulative or noncumulative, and, if cumulative, the date or dates from which dividends on shares of such series shall be cumulative; the rights, if any, which the holders of shares of such series shall have in the event of any voluntary or involuntary liquidation, merger, consolidation, distribution or sale of assets, dissolution or winding up of the affairs of the Corporation; the rights, if any, which the holders of shares of such series shall have to convert such shares into or exchange such shares for shares of any other class or classes or any other series of stock of the Corporation or for any debt securities of the Corporation and the terms and conditions, including, without limitation, price and rate of exchange, of such conversion or exchange; whether shares of such series shall be subject to redemption, and the redemption price or prices and other terms of redemption, if any, for shares of such series including, without limitation, a redemption price or prices payable in shares of Class A Common Stock or Class B Common Stock; the terms and amounts of any sinking fund for the purchase or redemption of shares of such series; and any and all other powers, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof pertaining to shares of such series permitted by law.

(4) *Issuance of Class A Common Stock, Class B Common Stock and Preferred Stock.*

The Board of Directors of the Corporation may from time to time authorize by resolution the issuance of any or all shares of Class A Common Stock, Class B Common Stock and Preferred Stock herein authorized in accordance with the terms and conditions set forth in this Restated Certificate of Incorporation for such purposes, in such amounts, to such persons, corporations, or entities, for such consideration, and in the case of the Preferred Stock, in one or more series, all as the Board of Directors in its discretion may determine and without any vote or other action by any of the stockholders of the Corporation, except as otherwise required by law.

**ARTICLE V  
DIRECTORS**

(1) *Power of the Board of Directors.* The property and business of the Corporation shall be controlled and managed by or under the direction of its Board of Directors. In furtherance, and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized:

- (a) To make, alter, amend or repeal the By-Laws of the Corporation; *provided* that no By-Laws hereafter adopted shall invalidate any prior act of the Directors that would have been valid if such By-Laws had not been adopted;
- (b) To determine the rights, powers, duties, rules and procedures that affect the power of the Board of Directors to manage and direct the property, business and affairs of the Corporation, including, without limitation, the power to designate and empower committees of the Board of Directors, to elect, appoint and empower the officers and other agents of the Corporation, and to determine the time and place of, and the notice requirements for Board meetings, as well as the manner of taking Board action; and

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- (c) To exercise all such powers and do all such acts as may be exercised by the Corporation, subject to the provisions of the laws of the State of Delaware, this Restated Certificate of Incorporation, and the By-Laws of the Corporation.

(2) *Number and Qualifications of Directors.* The number of directors constituting the entire Board of Directors shall be fixed from time to time by resolution of the Board of Directors but shall not be less than three nor more than twenty. Directors shall be elected to hold office for a term of one year. As used in this Restated Certificate of Incorporation, the term "entire Board of Directors" means the total number of Directors fixed in the manner provided in this Article V Section (2) and in the By-Laws.

**ARTICLE VI  
INDEMNIFICATION OF DIRECTORS,  
OFFICERS AND OTHERS**

(1) *Right to Indemnification.* The Corporation shall indemnify any person who was or is involved in or is threatened to be involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent (including, without limitation, a trustee) of another corporation, partnership, joint venture, trust or other enterprise, to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment and unless applicable law otherwise requires, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against judgments, fines, amounts paid in settlement and expenses (including, without limitation, attorneys' fees), actually and reasonably incurred by him in connection with such action, suit or proceeding. Notwithstanding the foregoing, except as provided in paragraph (7) of this Article VI with respect to proceedings to enforce rights to indemnification and advancement of expenses, the Corporation shall indemnify an indemnitee in connection with a proceeding (or part

thereof) initiated by the indemnitee, if and only if the Board of Directors authorized the bringing of the action, suit or proceeding (or part thereof) in advance of the commencement of the proceeding.

(2) *Successful Defense.* To the extent that a present or former Director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1 of this Article VI, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including, without limitation, attorneys' fees) actually and reasonably incurred by him in connection therewith.

(3) *Advance Payment of Expenses.*

- (a) Expenses (including attorneys' fees) incurred by a Director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding; *provided, however*, that, to the extent required by the Delaware General Corporation Law, as the same exists or may hereafter be amended, such Director or officer shall submit to the Corporation, prior to the payment of such expenses, an undertaking by or on behalf of such Director or officer to repay such amount if it shall ultimately be determined in a final, non-appealable judicial decision that such indemnitee is not entitled to be indemnified by the Corporation for such expenses as authorized in this Article.
- (b) Expenses (including attorneys' fees) incurred by any other employee or agent in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon such terms and conditions, if any, as the Corporation deems appropriate.

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(4) *Not Exclusive.* The indemnification and advancement of expenses provided by, or granted pursuant to, the other sections of this Article VI shall not be deemed exclusive of any other rights to which a person seeking indemnification or advancement of expenses may be entitled under any statute, by-law, agreement, vote of stockholders or disinterested Directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office. Without limiting the foregoing, the Corporation is authorized to enter into an agreement with any Director, officer, employee or agent of the Corporation providing indemnification for such person against expenses, including, without limitation, attorneys' fees, judgments, fines and amounts paid in settlement that result from any threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative, including, without limitation, any action by or in the right of the Corporation, that arises by reason of the fact that such person is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, to the full extent allowed by law, except that no such agreement shall provide for indemnification for any actions that constitute fraud, actual dishonesty or willful misconduct.

(5) *Insurance.* The Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Article VI.

(6) *Certain Definitions.* For the purposes of this Article VI, (A) any Director, officer, employee or agent of the Corporation who shall serve as a director, officer, employee or agent of any other corporation, joint venture, trust or other enterprise of which the Corporation, directly or indirectly, is or was a stockholder or creditor, or in which the Corporation is or was in any way interested, or (B) any director, officer, employee or agent of any subsidiary corporation, joint venture, trust or other enterprise wholly owned by the Corporation, shall be deemed to be serving as such director, officer, employee or agent at the request of the Corporation, unless the Board of Directors of the Corporation shall determine otherwise. In all other instances where any person shall serve as a director, officer, employee or agent of another corporation, joint venture, trust or other enterprise of which the Corporation is or was a stockholder or creditor, or in which it is or was otherwise interested, if it is not otherwise established that such person is or was serving as such director, officer, employee or agent at the request of the Corporation, the Board of Directors of the Corporation may determine whether such service is or was at the request of the Corporation, and it shall not be necessary to show any actual or prior request for such service. For purposes of this Article VI, references to a corporation include all constituent corporations absorbed in a consolidation or merger as well as the resulting or surviving corporation so that any person who is or was a director, officer, employee or agent of such a constituent corporation or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, joint venture, trust or other enterprise shall stand in the same position under the provisions of this Article VI with respect to the resulting or surviving corporation as he would if he had served the resulting or surviving corporation in the same capacity. For purposes of this Article VI, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a Director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such Director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries, and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VI.

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(7) *Proceedings to Enforce Rights to Indemnification.*

(a) If a claim under paragraph (1) of this Article VI is not paid in full by the Corporation within 60 days after a written claim has been received by the Corporation, or a claim under paragraph (3) of this Article VI is not paid in full by the Corporation within 30 days after a written claim has been received by the Corporation, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. Any such written claim under paragraph (1) of this Article VI shall include such documentation and information as is reasonably available to the indemnitee and reasonably necessary to determine whether and to what extent the indemnitee is entitled to indemnification. Any written claim under paragraph (3) of this Article VI shall include reasonable documentation of the expenses incurred by the indemnitee.

(b) If successful in whole or in part in any suit brought pursuant to paragraph 7(a) above, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall also be entitled to be paid and indemnified for the expense of prosecuting or defending such suit.

(c) In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) any suit brought by the Corporation to recover an advancement of expenses



pursuant to the terms of an undertaking the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met any applicable standard for indemnification set forth in the Delaware General Corporation Law. Neither the failure of the Corporation (including its Directors who are not parties to such action, a committee of such Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Directors who are not parties to such action, a committee of such Directors, independent legal counsel or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article VI or otherwise shall be on the Corporation.

(8) *Preservation of Rights.* The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VI shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a Director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person. Any repeal or modification of this Article VI by the stockholders of the Corporation entitled to vote thereon shall not adversely affect any right or protection of a Director, officer, employee or agent of the Corporation existing at the time of such repeal or modification.

## **ARTICLE VII DIRECTOR LIABILITY TO THE CORPORATION**

(a) A Director's liability to the Corporation for breach of duty to the Corporation or its stockholders shall be limited to the fullest extent permitted by Delaware law as in effect on February 24, 1987 or as thereafter amended. In particular no Director of the Corporation shall be liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability

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(i) for any breach of the Director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, as the same exists or hereafter may be amended, or (iv) for any transaction from which the Director derived an improper personal benefit.

(b) Any repeal or modification of the foregoing paragraph (a) by the stockholders of the Corporation entitled to vote thereon shall not adversely affect any right or protection of a Director of the Corporation existing at the time of such repeal or modification.

(c) If the General Corporation Law of the State of Delaware is amended to authorize corporate action further eliminating or limiting the liability of directors, then a Director of the Corporation shall be free of liability to the fullest extent permitted by the General Corporation Law of the State of Delaware, as so amended.

## **ARTICLE VIII RESERVATION OF RIGHT TO AMEND CERTIFICATE OF INCORPORATION**

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Restated Certificate of Incorporation in the manner now or hereafter prescribed by law, and all the provisions of this Restated Certificate of Incorporation and all rights and powers conferred in this Restated Certificate of Incorporation on stockholders, directors and officers are subject to this reserved power.

Each reference in the Restated Certificate of Incorporation to "the Restated Certificate of Incorporation," "hereunder," "hereof," or words of like import and each reference to the Restated Certificate of Incorporation set forth in any amendment to the Restated Certificate of Incorporation shall mean and be a reference to the Restated Certificate of Incorporation as supplemented and amended through such amendment to the Restated Certificate of Incorporation.

## **ARTICLE IX VOTING RIGHTS**

(1) *Class A Common Stock.* In addition to any other approval required by law or by this Restated Certificate of Incorporation, the affirmative vote of a majority of the then outstanding shares of Class A Common Stock, voted separately as a class, shall be necessary to approve any consolidation of the Corporation with another corporation, any merger of the Corporation into another corporation or any merger of any other corporation into the Corporation pursuant to which shares of Common Stock are converted into or exchanged for any securities or any other consideration.

(2) *Preferred Stock.* In addition to any other approval required by law or by this Restated Certificate of Incorporation, each particular series of any class of Preferred Stock shall have such right to vote, if any, as shall be fixed in the resolution or resolutions, adopted by the Board of Directors, providing for the issuance of shares of such particular series.

## **ARTICLE X STOCK OWNERSHIP AND THE FEDERAL COMMUNICATIONS LAWS**

(1) *Requests for Information.* So long as the Corporation or any of its subsidiaries holds any authorization from the Federal Communications Commission (or any successor thereto), if the Corporation has reason to believe that the ownership, or proposed ownership, of shares of capital stock of

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the Corporation by any stockholder or any person presenting any shares of capital stock of the Corporation for transfer into his name (a "Proposed Transferee") may be inconsistent with, or in violation of, any provision of the Federal Communications Laws (as hereinafter defined), such stockholder or Proposed Transferee, upon request of the Corporation, shall furnish promptly to the Corporation such information (including, without limitation, information with respect to citizenship, other ownership interests and affiliations) as the Corporation shall reasonably request to determine whether the ownership of, or the exercise of any rights with respect to, shares of capital stock of the Corporation by such stockholder or Proposed Transferee is inconsistent with, or in violation of, the Federal

Communications Laws. For purposes of this Article X, the term "Federal Communications Laws" shall mean any law of the United States now or hereafter in effect (and any regulation thereunder) pertaining to the ownership of, or the exercise of the rights of ownership with respect to, capital stock of corporations holding, directly or indirectly, Federal Communications Commission authorizations, including, without limitation, the Communications Act of 1934, as amended (the "Communications Act"), and regulations thereunder pertaining to the ownership, or the exercise of the rights of ownership, of capital stock of corporations holding, directly or indirectly, Federal Communications Commission authorizations, by (i) aliens, as defined in or under the Communications Act, as it may be amended from time to time, (ii) persons and entities having interests in television or radio stations, daily newspapers and cable television systems or (iii) persons or entities, unilaterally or otherwise, seeking direct or indirect control of the Corporation, as construed under the Communications Act, without having obtained any requisite prior Federal regulatory approval to such control.

(2) *Denial of Rights, Refusal to Transfer.* If any stockholder or Proposed Transferee from whom information is requested should fail to respond to such request pursuant to Section (1) of this Article or the Corporation shall conclude that the ownership of, or the exercise of any rights of ownership with respect to, shares of capital stock of the Corporation, by such stockholder or Proposed Transferee, could result in any inconsistency with, or violation of, the Federal Communications Laws, the Corporation may refuse to permit the transfer of shares of capital stock of the Corporation to such Proposed Transferee, or may suspend those rights of stock ownership the exercise of which would result in any inconsistency with, or violation of, the Federal Communications Laws, such refusal of transfer or suspension to remain in effect until the requested information has been received and the Corporation has determined that such transfer, or the exercise of such suspended rights, as the case may be, is permissible under the Federal Communications Laws, and the Corporation may exercise any and all appropriate remedies, at law or in equity, in any court of competent jurisdiction, against any such stockholder or Proposed Transferee, with a view towards obtaining such information or preventing or curing any situation which would cause any inconsistency with, or violation of, any provision of the Federal Communications Laws.

(3) *Legends.* The Corporation may note on the certificates of its capital stock that the shares represented by such certificates are subject to the restrictions set forth in this Article.

(4) *Certain Definitions.* For purposes of this Article, the word "person" shall include not only natural persons but partnerships, associations, corporations, joint ventures and other entities, and the word "regulation" shall include not only regulations but rules, published policies and published controlling interpretations by an administrative agency or body empowered to administer a statutory provision of the Federal Communications Laws.

## **ARTICLE XI TRANSACTIONS WITH DIRECTORS AND OFFICERS**

No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the board or committee thereof which authorizes the contract or transaction, or solely

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because his or their votes are counted for such purpose if (a) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or the committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum, or (b) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of such stockholders, or (c) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified by the Board of Directors, a committee thereof, or the stockholders entitled to vote thereon. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a Committee which authorizes the contract or transaction.

## **ARTICLE XII COMPROMISE AND REORGANIZATION**

Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agrees to any compromise or arrangement and to any reorganization of the Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

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**AMENDED AND RESTATED CERTIFICATE OF INCORPORATION**  
**OF**  
**VIACOM INC.**

(Originally incorporated on November 10, 1986 under the name Arsenal Holdings, Inc.)

**ARTICLE I**

NAME

The name of this Corporation is Viacom Inc.

**ARTICLE II**

**REGISTERED OFFICE AND AGENT FOR SERVICE**

The registered office of the Corporation in the State of Delaware is located at Suite 400, 2711 Centerville Road, City of Wilmington, County of New Castle. The name and address of the Corporation's registered agent for service of process in Delaware is:

Corporation Service Company  
Suite 400  
2711 Centerville Road  
Wilmington, Delaware 19808

**ARTICLE III**

**CORPORATE PURPOSES**

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

**ARTICLE IV**

**CAPITAL STOCK**

(1) *Shares, Classes and Series Authorized.*

(a) The total number of shares of all classes of capital stock which the Corporation shall have authority to issue is 10,775,000,000 shares. The classes and the aggregate number of shares of stock of each class which the Corporation shall have authority to issue are as follows:

- (i) 750,000,000 shares of Class A Common Stock, \$0.01 par value ("Class A Common Stock").
- (ii) 10,000,000,000 shares of Class B Common Stock, \$0.01 par value ("Class B Common Stock").
- (iii) 25,000,000 shares of Preferred Stock, \$0.01 par value ("Preferred Stock").

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(b) The number of authorized shares of Class B Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) from time to time by the affirmative vote of the holders of a majority of the stock of the Corporation entitled to vote.

(2) *Powers and Rights of the Class A Common Stock and the Class B Common Stock.*

Except as otherwise expressly provided in this Restated Certificate of Incorporation, all issued and outstanding shares of Class A Common Stock and Class B Common Stock shall be identical and shall entitle the holders thereof to the same rights and privileges.

**A. Voting Rights and Powers.** Except as otherwise provided in this Restated Certificate of Incorporation or required by law, with respect to all matters upon which stockholders are entitled to vote, the holders of the outstanding shares of Class A Common Stock shall vote together with the holders of any other outstanding shares of capital stock of the Corporation entitled to vote, without regard to class, and every holder of outstanding shares of Class A Common Stock shall be entitled to cast thereon one vote in person or by proxy for each share of Class A Common Stock standing in his name. The holders of shares of Class A Common Stock shall have the relevant class voting rights set forth in Article IX. Except as otherwise required by law, the holders of outstanding shares of Class B Common Stock shall not be entitled to any votes upon any questions presented to stockholders of the Corporation, including but not limited to, whether to increase or decrease (but not below the number of shares then outstanding) the number of authorized shares of Class B Common Stock.

**B. Dividends.** Subject to the rights and preferences of the Preferred Stock set forth in this Article IV and in any resolution or resolutions providing for the issuance of such stock as set forth in Section (3) of this Article IV, the holders of Class A Common Stock and Class B Common Stock shall be entitled to receive ratably such dividends as may from time to time be declared by the Board of Directors out of funds legally available therefor.

**C. Distribution of Assets Upon Liquidation.** In the event the Corporation shall be liquidated, dissolved or wound up, whether voluntarily or involuntarily, after there shall have been paid or set aside for the holders of all shares of the Preferred Stock then outstanding the full preferential amounts to which they are entitled under this Article IV or the resolutions, as the case may be, authorizing the issuance of such Preferred Stock, the net assets of the Corporation remaining thereafter shall be divided ratably among the holders of Class A Common Stock and Class B Common Stock.

**D. Split, Subdivision or Combination.** If the Corporation shall in any manner split, subdivide or combine the outstanding shares of Class A Common Stock or Class B Common Stock, the outstanding shares of the other class of Common Stock shall be proportionally split, subdivided or combined in the same manner and on the same basis as the outstanding shares of the other class of Common Stock have been split, subdivided or combined.

E. *Conversion.* So long as there are 10,000 shares of Class A Common Stock outstanding, each record holder of shares of Class A Common Stock and Class B Common Stock may convert any or all of such shares into an equal number of shares of Class B Common Stock by surrendering the certificates for such shares, accompanied by payment of documentary, stamp or similar issue or transfer taxes, if any, along with a written notice by such record holder to the Corporation stating that such record holder desires to convert such shares into the same number of shares of Class B Common Stock and requesting that the Corporation issue all of such Class B Common Stock to the persons named therein, setting forth the number of shares of Class B Common Stock to be issued to each such person and the denominations in which the certificates therefor are to be issued.

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(3) *Powers and Rights of the Preferred Stock.*

~~Subject to Article XIII of this Restated Certificate of Incorporation, the~~ The Preferred Stock may be issued from time to time in one or more series, with such distinctive serial designations as may be stated or expressed in the resolution or resolutions providing for the issue of such stock adopted from time to time by the Board of Directors; and in such resolution or resolutions providing for the issuance of shares of each particular series, the Board of Directors is also expressly authorized to fix: the right to vote, if any; the consideration for which the shares of such series are to be issued; the number of shares constituting such series, which number may be increased (except as otherwise fixed by the Board of Directors) or decreased (but not below the number of shares thereof then outstanding) from time to time by action of the Board of Directors; the rate of dividends upon which and the times at which dividends on shares of such series shall be payable and the preference, if any, which such dividends shall have relative to dividends on shares of any other class or classes or any other series of stock of the Corporation; whether such dividends shall be cumulative or noncumulative, and, if cumulative, the date or dates from which dividends on shares of such series shall be cumulative; the rights, if any, which the holders of shares of such series shall have in the event of any voluntary or involuntary liquidation, merger, consolidation, distribution or sale of assets, dissolution or winding up of the affairs of the Corporation; the rights, if any, which the holders of shares of such series shall have to convert such shares into or exchange such shares for shares of any other class or classes or any other series of stock of the Corporation or for any debt securities of the Corporation and the terms and conditions, including, without limitation, price and rate of exchange, of such conversion or exchange; whether shares of such series shall be subject to redemption, and the redemption price or prices and other terms of redemption, if any, for shares of such series including, without limitation, a redemption price or prices payable in shares of Class A Common Stock or Class B Common Stock; the terms and amounts of any sinking fund for the purchase or redemption of shares of such series; and any and all other powers, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof pertaining to shares of such series permitted by law.

(4) *Issuance of Class A Common Stock, Class B Common Stock and Preferred Stock.*

~~Subject to Article XIII of this Restated Certificate of Incorporation, the~~ The Board of Directors of the Corporation may from time to time authorize by resolution the issuance of any or all shares of Class A Common Stock, Class B Common Stock and Preferred Stock herein authorized in accordance with the terms and conditions set forth in this Restated Certificate of Incorporation for such purposes, in such amounts, to such persons, corporations, or entities, for such consideration, and in the case of the Preferred Stock, in one or more series, all as the Board of Directors in its discretion may determine and without any vote or other action by any of the stockholders of the Corporation, except as otherwise required by law.

**ARTICLE V  
DIRECTORS**

(1) *Power of the Board of Directors.* ~~Subject to Article XIII of this Restated Certificate of Incorporation, the~~ The property and business of the Corporation shall be controlled and managed by or under the direction of its Board of Directors. In furtherance, and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized, ~~subject in all cases to Article XIII of this Restated Certificate of Incorporation:~~

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(a) To make, alter, amend or repeal the By-Laws of the Corporation; *provided* that no By-Laws hereafter adopted shall invalidate any prior act of the Directors that would have been valid if such By-Laws had not been adopted;

(b) To determine the rights, powers, duties, rules and procedures that affect the power of the Board of Directors to manage and direct the property, business and affairs of the Corporation, including, without limitation, the power to designate and empower committees of the Board of Directors, to elect, appoint and empower the officers and other agents of the Corporation, and to determine the time and place of, and the notice requirements for Board meetings, as well as the manner of taking Board action; and

(c) To exercise all such powers and do all such acts as may be exercised by the Corporation, subject to the provisions of the laws of the State of Delaware, this Restated Certificate of Incorporation, and the By-Laws of the Corporation.

(2) *Number and Qualifications of Directors.* The number of directors constituting the entire Board of Directors shall be fixed from time to time by resolution of the Board of Directors but shall not be less than three nor more than twenty. Directors shall be elected to hold office for a term of one year. As used in this Restated Certificate of Incorporation, the term "entire Board of Directors" means the total number of Directors fixed in the manner provided in this Article V Section (2) and in the By-Laws.

**ARTICLE VI  
INDEMNIFICATION OF DIRECTORS,  
OFFICERS AND OTHERS**

(1) ~~*Action Not By or on Behalf of Corporation*~~ (1) *Right to Indemnification.* The Corporation shall indemnify any person who was or is ~~a party involved in~~ or is threatened to be ~~made a party to involved in~~ any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative ~~(other than an action by or in the right of the Corporation),~~ by reason of the fact that he is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent (including, without limitation, a trustee) of another corporation, partnership, joint venture, trust or other enterprise, to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment and unless applicable law otherwise requires, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against judgments, fines, amounts paid in settlement and expenses (including, without limitation, attorneys' fees), actually and reasonably incurred by him in connection with such action, suit or proceeding, ~~if he acted in good faith and in a manner reasonably believed to be.~~ Notwithstanding the foregoing, except as provided in or not opposed to the

~~best interests of the Corporation, and paragraph (7) of this Article VI with respect to any criminal action or proceedings to enforce rights to indemnification and advancement of expenses, the Corporation shall indemnify an indemnitee in connection with a proceeding, had no reasonable cause to believe his conduct was unlawful. The termination (or part thereof) initiated by the indemnitee, if and only if the Board of any Directors authorized the bringing of the action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, (or part thereof) in advance of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful proceeding.~~

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~~(2) *Action By or on Behalf of Corporation.* The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, or other enterprise against expenses (including, without limitation, attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability and in view of all of the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.~~

~~(3)(2) *Successful Defense.* To the extent that a present or former Director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1 or 2 of this Article VI, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including, without limitation, attorneys' fees) actually and reasonably incurred by him in connection therewith.~~

~~(4) *Determination of Right to Indemnification in Certain Circumstances.* Any indemnification under Section 1 or 2 of this Article VI (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the present or former Director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 1 or 2 of this Article VI. Such determination shall be made, with respect to a person who is a Director or officer at the time of such determination, (1) by a majority vote of the Directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (2) by a committee of such Directors designated by a majority vote of such Directors, even though less than a quorum, or (3) if there are no such Directors, or if such Directors so direct, by independent legal counsel in a written opinion, or (4) by the stockholders of the Corporation entitled to vote thereon.~~

~~(5)(3) *Advance Payment of Expenses.*~~

~~(a) Expenses (including attorneys' fees) incurred by a Director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt; provided, however, that, to the extent required by the Delaware General Corporation Law, as the same exists or may hereafter be amended, such Director or officer shall submit to the Corporation, prior to the payment of such expenses, an undertaking by or on behalf of such Director or officer, to repay such amount if it shall ultimately be determined in a final, non-appealable judicial decision that such indemnitee is not entitled to be indemnified by the Corporation for such expenses as authorized in this Article.~~

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~~(b) Expenses (including attorneys' fees) incurred by any other employee or agent in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon such terms and conditions, if any, as the Corporation deems appropriate.~~

~~(6)(4) *Not Exclusive.* The indemnification and advancement of expenses provided by, or granted pursuant to, the other sections of this Article VI shall not be deemed exclusive of any other rights to which a person seeking indemnification or advancement of expenses may be entitled under any statute, by-law, agreement, vote of stockholders or disinterested Directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office. Without limiting the foregoing, the Corporation is authorized to enter into an agreement with any Director, officer, employee or agent of the Corporation providing indemnification for such person against expenses, including, without limitation, attorneys' fees, judgments, fines and amounts paid in settlement that result from any threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative, including, without limitation, any action by or in the right of the Corporation, that arises by reason of the fact that such person is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, to the full extent allowed by law, except that no such agreement shall provide for indemnification for any actions that constitute fraud, actual dishonesty or willful misconduct.~~

~~(7) *Insurance.* The Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Article VI.~~

~~(8) *Certain Definitions.* For the purposes of this Article VI, (A) any Director, officer, employee or agent of the Corporation who shall serve as a director, officer, employee or agent of any other corporation, joint venture, trust or other enterprise of which the Corporation, directly or indirectly, is or was a stockholder or creditor, or in which the Corporation is or was in any way interested, or (B) any director, officer, employee or agent of any subsidiary corporation, joint venture, trust or other enterprise wholly owned by the Corporation, shall be deemed to be serving as such director, officer, employee or agent at the request of the Corporation, unless the Board of Directors of the Corporation shall determine otherwise. In all other instances where any person shall serve as a director, officer, employee or agent of another corporation, joint venture, trust or other enterprise of which the Corporation is or was a stockholder or creditor, or in which it is or was otherwise interested, if it is not otherwise established that such person is or was serving as such director, officer, employee or agent at the request of the Corporation, the Board of Directors of the Corporation may determine whether such service is or was at the request of the Corporation, and it shall not be necessary to show any actual or prior request for such service. For purposes of this Article VI, references to a corporation include all constituent corporations absorbed in a consolidation or merger as well as the resulting or surviving corporation so that any person who is or was a director, officer, employee or agent of such a constituent corporation or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, joint venture, trust or other enterprise shall stand in the same position under the provisions of this Article VI with respect to the resulting or surviving corporation~~

as he would if he had served the resulting or surviving corporation in the same capacity. For purposes of this Article VI, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a ~~director~~Director, officer, employee or agent of the Corporation which imposes duties on, or involves

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services by, such ~~director~~Director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries, and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VI.

(7) Proceedings to Enforce Rights to Indemnification.

(a) If a claim under paragraph (1) of this Article VI is not paid in full by the Corporation within 60 days after a written claim has been received by the Corporation, or a claim under paragraph (3) of this Article VI is not paid in full by the Corporation within 30 days after a written claim has been received by the Corporation, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. Any such written claim under paragraph (1) of this Article VI shall include such documentation and information as is reasonably available to the indemnitee and reasonably necessary to determine whether and to what extent the indemnitee is entitled to indemnification. Any written claim under paragraph (3) of this Article VI shall include reasonable documentation of the expenses incurred by the indemnitee.

(b) If successful in whole or in part in any suit brought pursuant to paragraph 7(a) above, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall also be entitled to be paid and indemnified for the expense of prosecuting or defending such suit.

(c) In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met any applicable standard for indemnification set forth in the Delaware General Corporation Law. Neither the failure of the Corporation (including its Directors who are not parties to such action, a committee of such Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Directors who are not parties to such action, a committee of such Directors, independent legal counsel or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article VI or otherwise shall be on the Corporation.

~~(8)~~ Preservation of Rights. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VI shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a ~~director~~Director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person. Any repeal or modification of this Article VI by the stockholders of the Corporation entitled to vote thereon shall not adversely affect any right or protection of a Director, officer, employee or agent of the Corporation existing at the time of such repeal or modification.

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**ARTICLE VII**  
**DIRECTOR LIABILITY TO THE CORPORATION**

(a) A Director's liability to the Corporation for breach of duty to the Corporation or its stockholders shall be limited to the fullest extent permitted by Delaware law as ~~now~~ in effect on February 24, 1987 or ~~hereafter~~as thereafter amended. In particular no Director of the Corporation shall be liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the Director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, as the same exists or hereafter may be amended, or (iv) for any transaction from which the Director derived an improper personal benefit.

(b) Any repeal or modification of the foregoing paragraph (a) by the stockholders of the Corporation entitled to vote thereon shall not adversely affect any right or protection of a ~~director~~Director of the Corporation existing at the time of such repeal or modification.

(c) If the General Corporation Law of the State of Delaware is amended to authorize corporate action further eliminating or limiting the liability of directors, then a ~~director~~Director of the Corporation, ~~in addition to the circumstances in which he is not now liable~~, shall be free of liability to the fullest extent permitted by the General Corporation Law of the State of Delaware, as so amended.

**ARTICLE VIII**  
**RESERVATION OF RIGHT TO AMEND**  
**CERTIFICATE OF INCORPORATION**

~~Subject to Article XIII of this Restated Certificate of Incorporation, the~~ The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Restated Certificate of Incorporation in the manner now or hereafter prescribed by law, and all the provisions of this Restated Certificate of Incorporation and all rights and powers conferred in this Restated Certificate of Incorporation on stockholders, directors and officers are subject to this reserved power.

Each reference in the Restated Certificate of Incorporation to "the Restated Certificate of Incorporation," "hereunder," "hereof," or words of like import and each reference to the Restated Certificate of Incorporation set forth in any amendment to the Restated Certificate of Incorporation shall mean and be a reference to the Restated Certificate of Incorporation as supplemented and amended through such amendment to the Restated Certificate of Incorporation.

## **ARTICLE IX VOTING RIGHTS**

(1) *Class A Common Stock.* In addition to any other approval required by law or by this Restated Certificate of Incorporation, the affirmative vote of a majority of the then outstanding shares of Class A Common Stock, voted separately as a class, shall be necessary to approve any consolidation of the Corporation with another corporation, any merger of the Corporation into another corporation or any merger of any other corporation into the Corporation pursuant to which shares of Common Stock are converted into or exchanged for any securities or any other consideration.

(2) *Preferred Stock.* ~~Subject to Article XIII of this Restated Certificate of Incorporation,~~ in In addition to any other approval required by law or by this Restated Certificate of Incorporation, each particular series of any class of Preferred Stock shall have such right to vote, if any, as shall be fixed in the

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resolution or resolutions, adopted by the Board of Directors, providing for the issuance of shares of such particular series.

## **ARTICLE X STOCK OWNERSHIP AND THE FEDERAL COMMUNICATIONS LAWS**

(1) *Requests for Information.* So long as the Corporation or any of its subsidiaries holds any authorization from the Federal Communications Commission (or any successor thereto), if the Corporation has reason to believe that the ownership, or proposed ownership, of shares of capital stock of the Corporation by any stockholder or any person presenting any shares of capital stock of the Corporation for transfer into his name (a "Proposed Transferee") may be inconsistent with, or in violation of, any provision of the Federal Communications Laws (as hereinafter defined), such stockholder or Proposed Transferee, upon request of the Corporation, shall furnish promptly to the Corporation such information (including, without limitation, information with respect to citizenship, other ownership interests and affiliations) as the Corporation shall reasonably request to determine whether the ownership of, or the exercise of any rights with respect to, shares of capital stock of the Corporation by such stockholder or Proposed Transferee is inconsistent with, or in violation of, the Federal Communications Laws. For purposes of this Article X, the term "Federal Communications Laws" shall mean any law of the United States now or hereafter in effect (and any regulation thereunder) pertaining to the ownership of, or the exercise of the rights of ownership with respect to, capital stock of corporations holding, directly or indirectly, Federal Communications Commission authorizations, including, without limitation, the Communications Act of 1934, as amended (the "Communications Act"), and regulations thereunder pertaining to the ownership, or the exercise of the rights of ownership, of capital stock of corporations holding, directly or indirectly, Federal Communications Commission authorizations, by (i) aliens, as defined in or under the Communications Act, as it may be amended from time to time, (ii) persons and entities having interests in television or radio stations, daily newspapers and cable television systems or (iii) persons or entities, unilaterally or otherwise, seeking direct or indirect control of the Corporation, as construed under the Communications Act, without having obtained any requisite prior Federal regulatory approval to such control.

(2) *Denial of Rights, Refusal to Transfer.* If any stockholder or Proposed Transferee from whom information is requested should fail to respond to such request pursuant to Section (1) of this Article or the Corporation shall conclude that the ownership of, or the exercise of any rights of ownership with respect to, shares of capital stock of the Corporation, by such stockholder or Proposed Transferee, could result in any inconsistency with, or violation of, the Federal Communications Laws, the Corporation may refuse to permit the transfer of shares of capital stock of the Corporation to such Proposed Transferee, or may suspend those rights of stock ownership the exercise of which would result in any inconsistency with, or violation of, the Federal Communications Laws, such refusal of transfer or suspension to remain in effect until the requested information has been received and the Corporation has determined that such transfer, or the exercise of such suspended rights, as the case may be, is permissible under the Federal Communications Laws, and the Corporation may exercise any and all appropriate remedies, at law or in equity, in any court of competent jurisdiction, against any such stockholder or Proposed Transferee, with a view towards obtaining such information or preventing or curing any situation which would cause any inconsistency with, or violation of, any provision of the Federal Communications Laws.

(3) *Legends.* The Corporation may note on the certificates of its capital stock that the shares represented by such certificates are subject to the restrictions set forth in this Article.

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(4) *Certain Definitions.* For purposes of this Article, the word "person" shall include not only natural persons but partnerships, associations, corporations, joint ventures and other entities, and the word "regulation" shall include not only regulations but rules, published policies and published controlling interpretations by an administrative agency or body empowered to administer a statutory provision of the Federal Communications Laws.

## **ARTICLE XI TRANSACTIONS WITH DIRECTORS AND OFFICERS**

No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the board or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose if (a) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or the committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum, or (b) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of such stockholders, or (c) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified by the Board of Directors, a committee thereof, or the stockholders entitled to vote thereon.

Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a Committee which authorizes the contract or transaction.

## ARTICLE XII COMPROMISE AND REORGANIZATION

Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agrees to any compromise or arrangement and to any reorganization of the Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

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## ARTICLE XIII GOVERNANCE OF THE CORPORATION DURING SPECIFIED PERIOD

(1) *Definitions.* As used in this Article XIII, the following terms shall have the following meanings:

- (a) ~~"CBS" shall mean CBS Corporation, a Pennsylvania corporation, immediately prior to the Effective Time.~~
- (b) ~~"CBS Directors" shall mean (i) eight (8) of those directors serving as members of the Board of Directors of CBS on September 6, 1999 (or any Independent Directors elected or appointed prior to the Effective Time to serve as a CBS Director) who are designated as such by the Board of Directors of CBS prior to the Effective Time and (ii) any Replacement CBS Director (as defined in Section 2(b) of this Article XIII).~~
- (c) ~~"CEO" shall mean the Chief Executive Officer.~~
- (d) ~~"COO" shall mean the President and Chief Operating Officer.~~
- (e) ~~"Effective Time" shall mean the time of filing of the Certificate of Merger to which this Certificate of Incorporation is attached.~~
- (f) ~~"Independent Director" shall mean a disinterested, independent person (determined in accordance with customary standards for independent directors applicable to U.S. public companies).~~
- (g) ~~"NAI" shall mean National Amusements, Inc., a Maryland corporation, and its successors or assigns.~~
- (h) ~~"Specified Independent Directors" shall mean the directors of the Corporation first elected after 1993 and who are not management of the Corporation or NAI (together with any replacements of such persons).~~
- (i) ~~"Specified Period" shall mean the period of three years commencing at the Effective Time.~~
- (j) ~~"Stockholder Agreement" shall mean the Stockholder Agreement dated as of September 6, 1999, by and between NAI and CBS, relating to Corporation governance matters.~~
- (k) ~~"Viacom Directors" shall mean the ten (10) directors of the Corporation serving as the Board of Directors of the Corporation immediately prior to the Effective Time (including the Specified Independent Directors).~~

(2) *Directors.*

- (a) ~~Effective immediately at the Effective Time, the Board of Directors shall consist of eighteen (18) directors. The number of directors may be fixed by resolution of the Board from time to time, provided, however, that the size of the Board of Directors may not be changed during the Specified Period without the approval of at least fourteen (14) directors. At the Effective Time, ten (10) directors shall be Viacom Directors and eight (8) directors shall be CBS Directors.~~
- (b) ~~Until the expiration of the Specified Period, the Board of Directors (subject to the fiduciary duties of the directors) shall take all action necessary to ensure that any seat on the Board of Directors held by (i) a CBS Director which becomes vacant is filled promptly by a person qualifying as an Independent Director and designated to fill such seat by a majority of the CBS Directors remaining on the Board of Directors (a "Replacement CBS Director") and (ii) a Specified Independent Director which becomes vacant is filled promptly by an Independent Director who is the chief executive officer, chief operating officer or chief financial officer or~~

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~~former chief executive officer of a Fortune 500 company or a non-U.S. public company of comparable size.~~

- (c) ~~During the Specified Period, all committees of the Board of Directors (other than the Compensation Committee and the Officers Nominating Committee) shall have such number of CBS Directors as equals the total number of members of the Committee multiplied by a fraction, the numerator of~~



which is eight (8) and the denominator of which is eighteen (18), rounded to the closest whole number; provided that in no event shall any committee have (x) fewer than one (1) CBS Director or (y) less than a majority of Viacom Directors.

(d) During the Specified Period, the Board of Directors shall not take any action or fail to take any action which would have the effect of eliminating, limiting, restricting, avoiding or otherwise modifying the effect of the provisions set forth in this Article XIII (e.g., by creating a holding company structure if the certificate of incorporation or similar document of such holding company does not contain equivalent provisions).

~~(3) Chairman and Chief Executive Officer.~~

~~(a) At the Effective Time, Sumner Redstone shall remain the Chairman and CEO. In the event that Sumner Redstone is not the CEO at the Effective Time or ceases to be the CEO at any time during the Specified Period, then Mel Karmazin, if he is COO at such time, shall succeed to the position of CEO for the remainder of the Specified Period. During any such period of succession, Mel Karmazin shall continue to exercise the powers, rights, functions and responsibilities of the COO in addition to exercising those of the CEO.~~

~~(b) The Chairman shall chair all meetings of the Board of Directors and stockholders at which he is present.~~

~~(c) The CEO shall be responsible, in consultation with the COO, for corporate policy and strategy and the COO shall consult on all major decisions with, and shall report directly to, the CEO, during the Specified Period; provided, however, that the CEO shall not exercise any powers, rights, functions or responsibilities of the COO unless Mel Karmazin is the CEO.~~

~~(4) President and Chief Operating Officer.~~

~~(a) At the Effective Time, the President and Chief Operating Officer of the Corporation shall be Mel Karmazin. During the Specified Period, Mel Karmazin may not be terminated or demoted from the position of COO (or, in the event that Sumner Redstone is not the CEO, from the position of CEO) and no COO Functions (as defined below) may be changed without the affirmative vote of at least fourteen (14) directors.~~

~~(b) Subject to the requirement that the COO consult with the CEO on all major decisions, the powers, rights, functions and responsibilities of the COO (collectively, the "COO Functions") shall include, without limitation, the following:~~

~~(i) supervising, coordinating and managing the Corporation's business, operations, activities, operating expenses and capital allocation;~~

~~(ii) matters relating to officers (other than the Chairman, CEO and COO) and employees, including, without limitation, hiring (subject to (A) the specific Board of Directors authority described below with respect to the CFO, the General Counsel and the Controller and (B) Section 5 below), terminating, changing positions and allocating responsibilities of such officers and employees; and~~

~~(iii) substantially all of the powers, rights, functions and responsibilities typically exercised by a chief operating officer.~~

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~~All officers (other than the Chairman, CEO and COO) will report, directly or indirectly, to the COO (this reporting relationship will be deemed a COO Function).~~

~~(c) In the event that Mel Karmazin is not COO or CEO, the Board may terminate the COO's employment, eliminate the COO position and the Officers Nominating Committee and reallocate the COO Functions without regard to the other provisions of this Article XIII.~~

~~(5) Officers Nominating Committee; Compensation Committee.~~

~~(a) Subject to the powers of the Compensation Committee set forth below, during the Specified Period, all powers of the Board of Directors, including, without limitation, the right to hire, elect, terminate, change positions, allocate responsibilities or determine non-equity compensation, with respect to officers and employees, shall be exercised, subject to clauses (b) and (c) below, by, and delegated to, the Officers Nominating Committee of the Board of Directors. The Officers Nominating Committee shall consist solely of the member of the Board of Directors who is the COO, except that in the event Mel Karmazin succeeds to the position of CEO, the sole member of the Officers Nominating Committee shall be the member of the Board of Directors who is the CEO.~~

~~(b) The Officers Nominating Committee shall have no powers with respect to the Chairman, CEO and COO, and shall not have the power to fill the positions of Chief Financial Officer, Controller or General Counsel of the Corporation without the approval of the Board of Directors; provided that this provision shall in no way affect the other powers and authorities of the Officers Nominating Committee with respect to the Chief Financial Officer, Controller and General Counsel positions, including, without limitation, the power to terminate employment of persons holding such positions.~~

~~(c) The Compensation Committee shall not be required to, or have any power to, approve the annual compensation of (i) any employee if the total value of such employee's annual cash compensation (assuming for this purpose that the actual bonus of each officer and employee is equal to his or her target bonus) is less than \$1 million or (ii) talent (as such term is commonly used in the media or entertainment industries), in each such case which power shall be delegated to the Officers Nominating Committee. The annual compensation of all other officers and employees and any equity or equity-based compensation of any officer or employee must be approved by the Compensation Committee.~~

~~(d) The Compensation Committee shall consist of three CBS Directors who are Independent Directors and three non-CBS Directors, two of whom will be the Specified Independent Directors and the other of whom will be an Independent Director.~~

~~(e) Any decision or determination of the Officers Nominating Committee may be reversed or overridden by (and only by) the affirmative vote of at least fourteen (14) directors.~~

~~(6) Stockholder Agreement.~~

The Stockholder Agreement may not be amended, and no provision thereof may be modified or waived, except with the approval of at least fourteen (14) directors.

*(7) Issuance of Voting Stock.*

During the Specified Period, in addition to any other approval required by law or by this Restated Certificate of Incorporation, the Corporation may not issue (i) additional shares of Class A Common Stock or (ii) any shares of Preferred Stock or any other class or series of stock or securities, in each case with, or convertible into or exchangeable or exercisable for stock or other securities with, the right to vote on any matter on which stockholders are entitled to vote if the result would be that parties bound by the Stockholder Agreement could fail to own at least a majority of the outstanding shares of voting stock of the Corporation.

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*(8) Voting.*

During the Specified Period, except for those actions set forth on Annex I to this Restated Certificate of Incorporation, which shall require the approval of the Board of Directors, all action by the Board of Directors shall require the affirmative vote of at least fourteen (14) directors. At all meetings of the Board of Directors a majority of the full Board of Directors shall constitute a quorum for the transaction of business and the act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or this Restated Certificate of Incorporation. If a quorum shall not be present at any meeting of the Board of Directors, the Directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

*(9) Amendment.*

Until the expiration of the Specified Period the provisions of any Article of this Restated Certificate which refer to this Article XIII, the provisions of this Article XIII, and the provisions of Article VIII of the by-laws of the Corporation, may not be amended, altered, repealed or waived in any respect without the approval of at least fourteen (14) directors.

*(10) Successors.*

During the Specified Period, the provisions of this Article XIII shall be applicable to (i) any successor to the Corporation as the result of a merger, consolidation or other business combination, whether or not the Corporation is the surviving company in such transaction, or otherwise and (ii) any corporation or other entity with respect to which the Corporation or its successor is or becomes a direct or indirect subsidiary, the Board of Directors shall not permit the Corporation to be a party to any transaction which would not comply with the foregoing without the approval of at least fourteen (14) directors.

*(11) Subsidiaries.*

The Board of Directors shall have the right, following consultation with the COO or, if Mel Karmazin is the CEO, the CEO, with respect to any public company which is a subsidiary of the Corporation, to take such steps as the Board of Directors reasonably determines are necessary to implement corporate governance arrangements applicable to such subsidiary in a manner as consistent as practicable with the provisions contained in this Restated Certificate of Incorporation; provided that any such steps shall not vest in the Board of Directors greater power or provide the COO with fewer rights than those provided for in this Restated Certificate of Incorporation.

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**ANNEX I  
TO VIACOM INC. RESTATED  
CERTIFICATE OF INCORPORATION**

The provisions of this Annex I shall form a part of, and be incorporated in all respects in, the Restated Certificate of Incorporation to which this Annex I is attached. The following actions shall require the approval of a majority of the directors:

*A. Acquisitions, Divestitures, Joint Ventures, Guarantees*

- Any acquisition, equity investment or joint venture (each an "Acquisition") by the Corporation or any of its subsidiaries for more than \$25 million.
- Any divestiture or other sale of assets (each a "Divestiture") (not in the ordinary course) by the Corporation or any of its subsidiaries for more than \$25 million (based on purchase price or net book value of assets).
- Any real estate purchase, sale or lease by the Corporation or any of its subsidiaries for more than \$25 million.
- Any guarantee by the Corporation or any of its subsidiaries of an obligation of a third party where the obligation guaranteed is more than \$25 million.
- Notwithstanding the above, any Acquisition or Divestiture by the Corporation or any of its subsidiaries of (a) internet or internet related businesses for more than \$25 million but less than \$100 million, with the value thereof represented by multi-year commitments for advertising, promotion and content licensing, is excluded, so long as the aggregate of such Acquisitions or Divestitures, in each case, does not exceed \$550 million and (b) radio or outdoor advertising businesses for more than \$25 million but less than \$100 million, is excluded, so long as the aggregate of such Acquisitions or Divestitures, in each case, does not exceed \$300 million; provided that (i) any Divestiture of shares of a publicly traded internet or internet related business with a value of up to \$75 million is excluded and shall not be included in the calculation of any of the threshold amounts set forth above, (ii) Board approval may be secured (but is not required) for any transaction of more than \$25 million but less than \$100 million where the regular meeting schedule of the Board so permits (and shall not otherwise be required), (iii) the Board will be provided with information about and a status report on such transactions completed without Board approval and (iv) this limit of authority will be reviewed in 12 months from the Effective Time (as defined in Article XIII of the Restated Certificate) and may be amended only with the approval of 14 members of the Board of Directors.

~~Any contract of the Corporation or any of its subsidiaries not in the ordinary course with a value in excess of \$25 million.~~

- ~~Notwithstanding the above, any of the foregoing transactions that is approved by the Board shall not be included in the calculation of any of the threshold amounts set forth above.~~

~~B. Employee Matters~~

- ~~Employee benefit plans (at the Corporation or a subsidiary): (a) creating a new plan, (b) suspending or terminating an existing plan, (c) any amendment that materially increases cost to the Corporation or subsidiary.~~
- ~~Entering into any modifications or amendments to the employment agreements with the CEO or the COO.~~

~~C. General~~

- ~~The Annual Report on Form 10-K.~~
  - ~~Proxy statement and notice of meeting (including annual or special meeting date, location, record date for voting).~~
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- ~~Any issuance of Corporation stock, or options, warrants or other similar rights (including stock appreciation rights) or debt or other securities convertible into or exchangeable for Corporation stock.~~
  - ~~Any issuance of debt unless such debt is short term and is within the spending limits of the annual operating budget or is replacing existing debt.~~
  - ~~Annual capital expenditure and annual operating budgets and individual capital expenditure transactions in excess of \$25 million for the Corporation or any of its subsidiaries.~~
  - ~~Any Corporation or subsidiary pays a dividend or repurchases stock from a third party.~~
  - ~~Review and approve any action or transaction where Board action is required by law (other than 141(a) of the Delaware General Corporation Law) or by the terms of the transaction (in all cases other than as specifically set forth in the Restated Certificate of Incorporation).~~
  - ~~Review and approve Board minutes.~~
  - ~~Subject to Article XIII of the Restated Certificate of Incorporation, determine Board administration, including number of directors, meeting schedule, nominees, committees, director compensation, D&O insurance authorization, internal investigations and retention of advisors in connection therewith, and decisions regarding indemnification of individuals.~~
  - ~~Subject to Article XIII of the Restated Certificate of Incorporation, amendments to the Restated Certificate of Incorporation and by-laws of the Corporation.~~
  - ~~Commencement and settlement of major litigation.~~
  - ~~Selection of independent auditors.~~
  - ~~All matters on which the Corporation Board of Directors has historically taken action other than (1) matters relating to the subject matters addressed in this Annex I and not requiring approval of the Board of Directors hereunder and (2) those matters delegated to the COO, including all of the COO Functions (as defined in Article XIII of this Restated Certificate of Incorporation).~~

**VIACOM INC.  
AMENDED AND RESTATED  
BY-LAWS**

**ARTICLE I  
OFFICES**

Section 1. The registered offices shall be in the City of Wilmington, County of New Castle, State of Delaware.

Section 2. The Corporation may also have offices at such other places both within and without the state of Delaware as the board of directors may from time to time determine or the business of the Corporation may require.

**ARTICLE II  
MEETINGS OF STOCKHOLDERS**

Section 1. Meetings of stockholders may be held at such time and place, within and without the State of Delaware, as shall be stated in the notice of the meeting or in a valid waiver of notice thereof. The annual meeting of stockholders may be held at such place, within or without the State of Delaware, as shall be designated by the board of directors and stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. The annual meeting of stockholders for the purpose of electing directors and for the transaction of such other business as may properly come before the meeting shall be held at such date and hour as shall be determined by the board of directors or, in the absence of such determination, on the third Thursday of the ninth month after the month end most nearly coinciding with the close of the fiscal year of the Corporation.

Section 3. Notice of the annual meeting stating the place, date and hour of the meeting shall be given by any lawful means to each stockholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting.

Section 4. The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, at the principal place of business of the Corporation. The list shall also be produced and kept open at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 5. Special meeting of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the Amended and Restated Certificate of Incorporation, may be called by the affirmative vote of a majority of the board of directors, the Chairman of the Board, the Chief Executive Officer, the Vice Chairman of the Board or the President and Chief Operating Officer and shall be called by the Chairman of the Board, the Chief Executive Officer, the Vice Chairman of the Board, the President and Chief Operating Office or Secretary at the request in writing of the holders of record of at least 50.1%

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of the aggregate voting power of all outstanding shares of capital stock of the Corporation entitled to vote generally in the election of Directors, acting together as a single class. Such request shall state the purpose or purposes of the proposed meeting.

Section 6. Notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called, shall be given, in writing or by electronic transmission, not less than ten nor more than sixty days before the date of the meeting to each stockholder of record entitled to vote at such meeting.

Section 7. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 8. The holders of a majority of the aggregate voting power of the shares of the capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the Amended and Restated Certificate of Incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 9. When a quorum is present at any meeting, the vote of the holders of a majority of the aggregate voting power of the shares of the capital stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which, by provision of applicable law or of the Amended and Restated Certificate of Incorporation, a different vote is required in which case such express provision shall govern and control the decision of such question.

Section 10. At every meeting of the stockholders, each stockholder shall be entitled to vote, in person or by a valid proxy given by the stockholder or his duly authorized attorney-in-fact, each share of the capital stock having voting power held by such stockholder in accordance with the provisions of the Amended and Restated Certificate of Incorporation and, if applicable, the certificate of designations relating thereto, but no proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

Section 11. Any action required to be taken at any annual or special meeting of the stockholders of the Corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing (or deemed to be in writing under applicable law), setting forth the action so taken, shall be signed by stockholders (or deemed to be signed by stockholders under applicable law) representing not less than the minimum number of votes that would be necessary to authorize or take such actions at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered and dated as required by law. Prompt notice of the taking of such action without a meeting by less than

unanimous written consent shall be given to those stockholders who have not consented in writing. The Secretary shall file such consents with the minutes of the meetings of the stockholders.

Section 12. At all meetings of stockholders, the chairman of the meeting shall have absolute authority over matters of procedure, and there shall be no appeal from the ruling of the chairman.

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Section 13. Attendance of a stockholder, in person or by proxy, at any meeting shall constitute a waiver of notice of such meeting, except where the stockholder, in person or by proxy, attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

### **ARTICLE III DIRECTORS**

Section 1. The number of directors which shall constitute the entire Board of Directors shall be fixed as set forth in Article V of the Amended and Restated Certificate of Incorporation. Directors shall have such qualifications as may be prescribed by these by-laws.

Section 2. Subject to the rights of the holders of any series of Preferred Stock or any other class of capital stock of the Corporation then outstanding (other than Common Stock), vacancies in the board of directors for any reason, including by reason of an increase in the authorized number of directors, shall, if occurring prior to the expiration of the term of office in which the vacancy occurs, be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next annual meeting of stockholders of the Corporation or until their successors are duly elected and shall qualify, unless sooner displaced. If there are no directors in office, then an election of directors may be held in the manner provided by statute.

Section 3. The property and business of the Corporation shall be controlled and managed in accordance with the terms of the Amended and Restated Certificate of Incorporation by its board of directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Amended and Restated Certificate of Incorporation or by these by-laws directed or required to be exercised or done by the stockholders.

### **MEETINGS OF THE BOARD OF DIRECTORS**

Section 4. The board of directors of the Corporation, or any committees thereof, may hold meetings, both regular and special, either within or without the State of Delaware.

Section 5. A regular annual meeting of the board of directors, including newly elected directors, shall be held immediately after each annual meeting of stockholders at the place of such stockholders' meeting, and no notice of such meeting to the directors shall be necessary in order legally to constitute the meeting, provided a quorum shall be present. If such meeting is held at any other time or place, notice thereof must be given or waived as hereinafter provided for special meetings of the board of directors.

Section 6. Additional regular meetings of the board of directors shall be held on such dates and at such times and at such places as shall from time to time be determined by the board of directors.

Section 7. The Chairman of the Board, the Chief Executive Officer, Vice Chairman of the Board or the President and Chief Operating Officer of the Corporation and the Secretary may call a special meeting of the board of directors at any time by giving notice as provided in these by-laws, specifying the business to be transacted at and the purpose or purposes of the meeting, to each member of the board at least twenty-four (24) hours before the time appointed.

Section 8. At all meetings of the board a majority of the full board of directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at

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which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by statute, the Amended and Restated Certificate of Incorporation or these by-laws. If a quorum shall not be present at any meeting of the board of directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 9. Any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting if all members of the board or committee, as the case may be, consent thereto in writing or by electronic transmission, setting forth the action so taken, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the board or committee.

Section 10. Unless otherwise restricted by the Amended and Restated Certificate of Incorporation or these by-laws, members of the board of directors, or any committee thereof, may participate in a meeting of the board of directors, or any committee, by means of conference telephone or similar communications equipment whereby all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

### **COMMITTEES OF DIRECTORS**

Section 11. Designation of Committees. The board of directors may, by resolution passed by a majority of the whole board, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The board of directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee.

Section 12. Vacancies. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member.

Section 13. Powers. Any such committee, to the extent provided in the resolution of the board of directors, shall have and may exercise all the powers and authority of the board of directors to the extent provided by Section 141(c) of the General Corporation Law of the State of Delaware as it exists now or may hereafter be amended.

Section 14. Minutes. Each committee of the board of directors shall keep regular minutes of its meetings and report the same to the board of directors when required.

#### **COMPENSATION OF DIRECTORS**

Section 15. Unless otherwise restricted by the Amended and Restated Certificate of Incorporation or these by-laws, the board of directors shall have the authority to fix the compensation of directors. All directors may be paid their expenses, if any, of attendance at each meeting of the board of directors, and directors who are not full-time employees of the Corporation may be paid a fixed sum for attendance at each meeting of the board of directors, and/or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation and expenses for attending committee meetings.

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#### **REMOVAL OF DIRECTORS**

Section 16. Subject to the rights of the holders of any series of Preferred Stock or any other class of capital stock of the Corporation (other than the Common Stock) then outstanding, (a) any director, or the entire board of directors, may be removed from office at any time prior to the expiration of his term of office, with or without cause, only by the affirmative vote of the holders of record of outstanding shares representing at least a majority of all the aggregate voting power of outstanding shares of capital stock of the Corporation then entitled to vote generally in the election of directors, voting together as a single class at a special meeting of stockholders called expressly for that purpose; provided that, any director may be removed from office by the affirmative vote of a majority of the entire board of directors, at any time prior to the expiration of his term of office, as provided by law, in the event a director fails to meet the qualifications stated in these by-laws for election as a director or in the event such director is in breach of any agreement between such director and the Corporation relating to such director's service as a director or employee of the Corporation.

#### **INDEMNIFICATION OF DIRECTORS**

Section 17. The Corporation shall have the right to indemnify directors, officers and agents of the Corporation to the fullest extent permitted by the General Corporation Law of Delaware and by the Amended and Restated Certificate of Incorporation, as both may be amended from time to time.

#### **ARTICLE IV NOTICES**

Section 1. Whenever, under the provisions of applicable law or of the Amended and Restated Certificate of Incorporation or of these by-laws, notice is required to be given to any director or stockholder, it shall be construed to mean written or printed notice given either personally or by mail or wire addressed to such director or stockholder, at his address as it appears on the records of the Corporation, with postage or other charges thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail or at the appropriate office for transmission by wire. Notice to stockholders may also be given by electronic transmission in the manner and to the extent provided by Section 232 of the Delaware General Corporation Law. Notice to directors may also be given by telephone or by electronic transmission.

Section 2. Whenever any notice is required to be given under the provisions of applicable law or of the Amended and Restated Certificate of Incorporation or of these by-laws, a waiver thereof in writing or by electronic transmission, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

Section 3. Attendance at a meeting shall constitute a waiver of notice except where a director or stockholder attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 4. Neither the business to be transacted at, nor the purpose of, any regular meeting of the board of directors need be specified in the notice or waiver of notice of such meeting.

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#### **ARTICLE V OFFICERS**

Section 1. The officers of the Corporation shall be elected by the board of directors at its first meeting after each annual meeting of the stockholders and shall be a President and Chief Operating Officer, a Treasurer and a Secretary. The board of directors may also elect a Chairman of the Board, a Chief Executive Officer, one or more Vice Chairmen of the Board and Vice Presidents and one or more Assistant Treasurers and Assistant Secretaries. Any number of offices may be held by the same person, except that the offices of President and Chief Operating Officer and Secretary shall not be held by the same person. Vice Presidents may be given distinctive designations such as Executive Vice President or Senior Vice President.

Section 2. The board of directors may elect such other officers and agents as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the board of directors.

Section 3. The officers of the Corporation shall hold office until their successors are elected or appointed and qualify or until their earlier resignation or removal. Any officer elected or appointed by the board of directors may be removed at any time with or without cause by the affirmative vote of majority of the whole board of directors. Any vacancy occurring in any office of the Corporation shall be filled by the board of directors.

#### **CHAIRMAN OF THE BOARD**

Section 4. The Chairman of the Board, if any shall be elected, shall preside at all meetings of the board of directors and the stockholders and shall have such other powers and perform such other duties as may from time to time be assigned to him by the board of directors.

#### **VICE CHAIRMAN OF THE BOARD**

Section 5. The Vice Chairman of the Board, if any shall be elected, or if there be more than one, the Vice Chairmen of the Board in order of their election, shall, in the absence of the Chairman of the Board, or in case the Chairman of the Board shall resign, retire, become deceased or otherwise cease or be unable to act, perform the duties and exercise the powers of the Chairman of the Board. In addition, the Vice Chairman of the Board shall have such other powers and perform such other duties as may from time to time be assigned to him by the board of directors.

#### **THE CHIEF EXECUTIVE OFFICER**

Section 6. The Chief Executive Officer, in consultation with the President and Chief Operating Officer, shall be generally responsible for overseeing the affairs of the Corporation and will have full and final decision making authority over corporate policy and strategy. The President and Chief Operating Officer shall consult on all matters within his authority with, and shall report directly and solely to, the Chief Executive Officer.

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#### **THE PRESIDENT AND CHIEF OPERATING OFFICER**

Section 7. The President and Chief Operating Officer shall have full authority over the operations of the Corporation. The President and Chief Operating Officer shall consult with the Chief Executive Officer on all matters within his authority. The authority of the President and Chief Operating Officer shall include, without limitation:

- (i) supervising, coordinating and managing the Corporation's business, operations, activities, operating expenses and capital allocation;
- (ii) matters relating to officers (other than the Chairman, the Chief Executive Officer and the President and Chief Operating Officer) and employees, including, without limitation, hiring, terminating, changing positions and allocating responsibilities of such officers and employees (except as otherwise agreed by the Chairman and Chief Executive Officer and the President and Chief Operating Officer); and
- (iii) substantially all of the powers, rights, functions and responsibilities typically exercised by a chief operating officer.

All officers (other than the Chairman, the Chief Executive Officer and the President and Chief Operating Officer) will report, directly or indirectly, to the President and Chief Operating Officer.

#### **THE VICE-PRESIDENTS**

Section 8. The Vice-Presidents shall have such powers and perform such duties as may from time to time be assigned to them by the board of directors or the President and Chief Operating Officer.

#### **THE SECRETARY AND ASSISTANT SECRETARY**

Section 9. The Secretary shall attend all meetings of the board of directors and all meetings of the stockholders and record all the proceedings of the meetings of the Corporation and of the board of directors in a book to be kept for that purpose and shall perform like duties for the standing committees of the board of directors when required. He shall give, or cause to be given, notice of all meetings of the stockholders and the special meetings of the board of directors, and shall perform such other duties as may be prescribed by the board of directors or the President and Chief Operating Officer, under whose supervision he shall be. He shall have custody of the corporate seal of the Corporation and he, or an Assistant Secretary, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by his signature or by the signature of such Assistant Secretary. The board of directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature.

Section 10. The Assistant Secretary, if any shall be elected, or if there be more than one, the Assistant Secretaries in the order determined by the board of directors (or if there be no such determination, then in the order of their election), shall, in the absence of the Secretary or in the event of his inability or refusal to act, perform the duties and exercise the powers of the Secretary and shall have such other powers and perform such other duties as may from time to time be assigned to them by the board of directors or the President and Chief Operating Officer.

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#### **THE TREASURER AND ASSISTANT TREASURERS**

Section 11. The Treasurer, under the supervision of the President and Chief Operating Officer, shall have charge of the corporate funds and securities and shall keep or cause to be kept full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by or at the direction of the board of directors.

Section 12. The Treasurer shall disburse or cause to be disbursed the funds of the Corporation as may be ordered by or at the direction of the President and Chief Operating Officer or the board of directors, taking proper vouchers for such disbursements, and subject to the supervision of the President and Chief Operating Officer, shall render to the board of directors, when they or either of them so require, an account of his transactions as Treasurer and of the financial condition of the Corporation.

Section 13. If required by the board of directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the board of directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

Section 14. The Assistant Treasurer, if any shall be elected, or if there shall be more than one, the Assistant Treasurers in the order determined by the board of directors (or if there be no such determination, then in the order of their election), shall, in the absence of the Treasurer or in the event of his inability or refusal to act, perform the duties and exercise the powers of the Treasurer and shall have such other powers and perform such other duties as may from time to time be assigned to them by the board of directors.

Section 15. In addition to the corporate officers elected by the board of directors pursuant to this Article V, the President and Chief Operating Officer may, from time to time, appoint one or more other persons as appointed officers who shall not be deemed to be corporate officers, but may, respectively, be designated with such titles as the President and Chief Operating Officer may deem appropriate. The President and Chief Operating Officer may prescribe the powers to be exercised and the duties to be performed by each such appointed officer, may designate the term for which each such appointment is made, and may, from time to time, terminate any or all of such appointments. Such appointments and termination of appointments shall be reported to the board of directors.

## **ARTICLE VI CERTIFICATES OF STOCK**

Section 1. Every holder of shares of capital stock in the Corporation shall be entitled to have a certificate sealed with the seal of the Corporation and signed by, or in the name of the Corporation by, the Chairman of the Board, the Chief Executive Officer, Vice Chairman of the Board or the President and Chief Operating Officer and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by him in the Corporation. If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock, provided that, except as otherwise provided in section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the Corporation shall issue to represent such class or series of

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stock, a statement that the Corporation will furnish without charge to each stockholder who so requests the designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

Section 2. Any or all of the signatures on the certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

### **LOST CERTIFICATES**

Section 3. The board of directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of capital stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the board of directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

### **TRANSFERS OF STOCK**

Section 4. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

### **FIXING RECORD DATE**

Section 5. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution, or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meetings, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

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## **REGISTERED STOCKHOLDERS**

Section 6. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

## **ARTICLE VII**

### **GENERAL PROVISIONS**

#### **DIVIDENDS**

Section 1. Dividends upon the capital stock of the Corporation, subject to the provisions of the Amended and Restated Certificate of Incorporation, if any, may be declared by the board of directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property or in shares of the capital stock, subject to the provisions of any statute, the Amended and Restated Certificate of Incorporation and these by-laws.



Section 2. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purposes as the directors shall think conducive to the interest of the Corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

#### **ANNUAL STATEMENT**

Section 3. The board of directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the Corporation.

#### **CHECKS**

Section 4. All checks or demands for money of the Corporation shall be signed by such officer or officers or such other person or persons as the board of directors may from time to time designate.

#### **FISCAL YEAR**

Section 5. The fiscal year of the Corporation shall be as specified by the board of directors.

#### **SEAL**

Section 6. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

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#### **CONTRACTS**

Section 7. An officer of the Corporation may sign any note, bond, or mortgage of the Corporation in furtherance of the Corporation's ordinary business and in order to implement any action authorized by these by-laws.

#### **ARTICLE VIII**

#### **AMENDMENTS**

In furtherance of and not in limitation of the powers conferred by statute, the board of directors of the Corporation from time to time may make, amend, alter, change or repeal the by-laws of the Corporation; provided, that any by-laws made, amended, altered, changed or repealed by the board of directors or the stockholders of the Corporation may be amended, altered, changed or repealed, and that any by-laws may be made, by the stockholders of the Corporation. Notwithstanding any other provisions of the Amended and Restated Certificate of Incorporation of the Corporation or these by-laws (and notwithstanding the fact that a lesser percentage may be specified by law, the Amended and Restated Certificate of Incorporation or these by-laws), the affirmative vote of not less than a majority of the aggregate voting power of all outstanding shares of capital stock of the Corporation then entitled to vote generally in this election of Directors, voting together as a single class, shall be required for the stockholders of the Corporation to amend, alter, change, repeal or adopt any by-laws of the Corporation.

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**VIACOM INC.  
AMENDED AND RESTATED  
BY-LAWS**

**ARTICLE I**

**OFFICES**

Section 1. The registered offices shall be in the City of Wilmington, County of New Castle, State of Delaware.

Section 2. The Corporation may also have offices at such other places both within and without the state of Delaware as the board of directors may from time to time determine or the business of the Corporation may require.

**ARTICLE II**

**MEETINGS OF STOCKHOLDERS**

Section 1. Meetings of stockholders may be held at such time and place, within and without the State of Delaware, as shall be stated in the notice of the meeting or in a ~~duly executed~~ valid waiver of notice thereof. The annual meeting of stockholders may be held at such place, within or without the State of Delaware, as shall be designated by the board of directors and stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. The annual meeting of stockholders for the purpose of electing directors and for the transaction of such other business as may properly come before the meeting shall be held at such date and hour as shall be determined by the board of directors or, in the absence of such determination, on the third Thursday of the ninth month after the month end most nearly coinciding with the close of the fiscal year of the Corporation.

Section 3. ~~Written notice~~ Notice of the annual meeting stating the place, date and hour of the meeting shall be given by any lawful means to each stockholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting.

Section 4. The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, ~~either at a the principal place within the city where of business of the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held~~ Corporation. The list shall also be produced and kept open at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 5. Special meeting of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the Amended and Restated Certificate of Incorporation, may be called by the affirmative vote of a majority of the board of directors, the Chairman of the Board, the Chief Executive Officer, the Vice Chairman of the Board or the President and Chief Operating Officer and shall be called by the Chairman of the Board, the Chief Executive Officer, the Vice Chairman of the Board, the President and Chief Operating Officer or Secretary at the request in writing of the holders of record of at least 50.1% of the aggregate voting power of all outstanding shares of capital stock of the Corporation entitled to vote generally in the election of Directors, acting together as a single class. Such request shall state the purpose or purposes of the proposed meeting.

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Section 6. ~~Written notice~~ Notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called, shall be given, in writing or by electronic transmission, not less than ten nor more than sixty days before the date of the meeting to each stockholder of record entitled to vote at such meeting.

Section 7. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 8. The holders of a majority of the aggregate voting power of the shares of the capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the Amended and Restated Certificate of Incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 9. When a quorum is present at any meeting, the vote of the holders of a majority of the aggregate voting power of the shares of the capital stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which, by provision of applicable law or of the Amended and Restated Certificate of Incorporation, a different vote is required in which case such express provision shall govern and control the decision of such question.

Section 10. At every meeting of the stockholders, each stockholder shall be entitled to vote, in person or by a valid proxy executed in writing given by the stockholder or his duly authorized attorney-in-fact, each share of the capital stock having voting power held by such stockholder in accordance with the provisions of the Amended and Restated Certificate of Incorporation and, if applicable, the certificate of designations relating thereto, but no proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

Section 11. Any action required to be taken at any annual or special meeting of the stockholders of the Corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing (or deemed to be

in writing under applicable law), setting forth the action so taken, shall be signed by stockholders (or deemed to be signed by stockholders under applicable law), representing not less than the minimum number of votes that would be necessary to authorize or take such actions at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered and dated as required by law. Prompt notice of the taking of such action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing. The Secretary shall file such consents with the minutes of the meetings of the stockholders.

Section 12. At all meetings of stockholders, the chairman of the meeting shall have absolute authority over matters of procedure, and there shall be no appeal from the ruling of the chairman.

Section 13. Attendance of a stockholder, in person or by proxy, at any meeting shall constitute a waiver of notice of such meeting, except where the stockholder, in person, or by proxy, attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

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## ARTICLE III

### DIRECTORS

Section 1. The number of directors which shall constitute the entire Board of Directors shall be fixed as set forth in Article ~~XIII~~ V of the Amended and Restated Certificate of Incorporation, ~~and shall not be less than three nor more than eighteen~~. Directors shall have such qualifications as may be prescribed by these by-laws. ~~Directors need not be stockholders. If required by regulations of the Federal Communications Commission, each director shall be a citizen of the United States of America.~~

Section 2. Subject to the rights of the holders of any series of Preferred Stock or any other class of capital stock of the ~~corporation~~ Corporation then outstanding (other than Common Stock), ~~and subject to Article XIII of the Restated Certificate of Incorporation~~, vacancies in the board of directors for any reason, including by reason of an increase in the authorized number of directors, shall, if occurring prior to the expiration of the term of office in which the vacancy occurs, be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next annual meeting of stockholders of the Corporation or until their successors are duly elected and shall qualify, unless sooner displaced. ~~Subject to Article XIII of the Restated Certificate of Incorporation, if~~ If there are no directors in office, then an election of directors may be held in the manner provided by statute.

Section 3. The property and business of the Corporation shall be controlled and managed in accordance with the terms of the Amended and Restated Certificate of Incorporation by its board of directors which may, ~~subject to Article XIII of the Restated Certificate of Incorporation~~, exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Amended and Restated Certificate of Incorporation or by these by-laws directed or required to be exercised or done by the stockholders.

### MEETINGS OF THE BOARD OF DIRECTORS

Section 4. The board of directors of the Corporation, or any committees thereof, may hold meetings, both regular and special, either within or without the State of Delaware.

Section 5. A regular annual meeting of the board of directors, including newly elected directors, shall be held immediately after each annual meeting of stockholders at the place of such stockholders' meeting, and no notice of such meeting to the directors shall be necessary in order legally to constitute the meeting, provided a quorum shall be present. If such meeting is held at any other time or place, notice thereof must be given or waived as hereinafter provided for special meetings of the board of directors.

Section 6. Additional regular meetings of the board of directors shall be held on such dates and at such times and at such places as shall from time to time be determined by the board of directors.

Section 7. The Chairman of the Board, the Chief Executive Officer, Vice Chairman of the Board or the President and Chief Operating Officer of the Corporation and the Secretary may call a special meeting of the board of directors at any time by giving notice as provided in these by-laws, specifying the business to be transacted at and the purpose or purposes of the meeting, to each member of the board at least twenty-four (24) hours before the time appointed.

Section 8. At all meetings of the board a majority of the full board of directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by statute, the Amended and Restated Certificate of Incorporation or these by-laws. If a quorum shall not be present at any meeting of the board of directors, the directors present

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thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 9. Any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting if all members of the board or committee, as the case may be, consent thereto in writing or by electronic transmission, setting forth the action so taken, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the board or committee.

Section 10. Unless otherwise restricted by the Amended and Restated Certificate of Incorporation or these by-laws, members of the board of directors, or any committee thereof, may participate in a meeting of the board of directors, or any committee, by means of conference telephone or similar communications equipment whereby all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

## COMMITTEES OF DIRECTORS

Section 11. Designation of Committees. ~~Subject to Article XIII of the Restated Certificate of Incorporation, the~~ The board of directors may, by resolution passed by a majority of the whole board, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. ~~Subject to Article XIII of the Restated Certificate of Incorporation, the~~ The board of directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee.

Section 12. Vacancies. ~~Subject to Article XIII of the Restated Certificate of Incorporation, in~~ In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member.

Section 13. Powers. ~~Subject to Article XIII of the Restated Certificate of Incorporation, any~~ Any such committee, to the extent provided in the resolution of the board of directors, shall have and may exercise all the powers and authority of the board of directors to the extent provided by Section 141(c) of the General Corporation Law of the State of Delaware as it exists now or may hereafter be amended.

Section 14. Minutes. Each committee of the board of directors shall keep regular minutes of its meetings and report the same to the board of directors when required.

## COMPENSATION OF DIRECTORS

~~Subject to Article XIII of the Restated Certificate of Incorporation:~~

Section 15. Unless otherwise restricted by the Amended and Restated Certificate of Incorporation or these by-laws, the board of directors shall have the authority to fix the compensation of directors. All directors may be paid their expenses, if any, of attendance at each meeting of the board of directors, and directors who are not full-time employees of the Corporation may be paid a fixed sum for attendance at each meeting of the board of directors, and/or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation and expenses for attending committee meetings.

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## REMOVAL OF DIRECTORS

~~Subject to Article XIII of the Restated Certificate of Incorporation:~~

Section 16. Subject to the rights of the holders of any series of Preferred Stock or any other class of capital stock of the Corporation (other than the Common Stock) then outstanding, (a) any director, or the entire board of directors, may be removed from office at any time prior to the expiration of his term of office, with or without cause, only by the affirmative vote of the holders of record of outstanding shares representing at least a majority of all the aggregate voting power of outstanding shares of capital stock of the Corporation then entitled to vote generally in the election of directors, voting together as a single class at a special meeting of stockholders called expressly for that purpose; provided that, any director may be removed from office by the affirmative vote of a majority of the entire board of directors, at any time prior to the expiration of his term of office, as provided by law, in the event a director fails to meet the qualifications stated in these by-laws for election as a director or in the event such director is in breach of any agreement between such director and the Corporation relating to such director's service as a director or employee of the Corporation.

## INDEMNIFICATION OF DIRECTORS

Section 17. The Corporation shall have the right to indemnify directors, officers and agents of the Corporation to the fullest extent permitted by the General Corporation Law of Delaware and by the Amended and Restated Certificate of Incorporation, as both may be amended from time to time.

## ARTICLE IV

### NOTICES

Section 1. Whenever, under the provisions of applicable law or of the Amended and Restated Certificate of Incorporation or of these by-laws, notice is required to be given to any director or stockholder, it shall be construed to mean written or printed notice given either personally or by mail or wire addressed to such director or stockholder, at his address as it appears on the records of the Corporation, with postage or other charges thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail or at the appropriate office for transmission by wire. Notice to stockholders may also be given by electronic transmission in the manner and to the extent provided by Section 232 of the Delaware General Corporation Law. Notice to directors may also be given by telephone or by electronic transmission.

Section 2. Whenever any notice is required to be given under the provisions of applicable law or of the Amended and Restated Certificate of Incorporation or of these by-laws, a waiver thereof in writing or by electronic transmission, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

Section 3. Attendance at a meeting shall constitute a waiver of notice except where a director or ~~shareholder~~ stockholder attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 4. Neither the business to be transacted at, nor the purpose of, any regular meeting of the board of directors need be specified in the notice or waiver of notice of such meeting.

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## ARTICLE V

### OFFICERS

~~Subject to Article XIII of the Restated Certificate of Incorporation:~~

Section 1. The officers of the Corporation shall be elected by the board of directors at its first meeting after each annual meeting of the stockholders and shall be a President and Chief Operating Officer, a Treasurer and a Secretary. The board of directors may also elect a Chairman of the Board, a Chief Executive Officer, one or more Vice Chairmen of the Board and Vice Presidents and one or more Assistant Treasurers and Assistant Secretaries. Any number of offices may be held by the same person, except that the offices of President and Chief Operating Officer and Secretary shall not be held by the same person. Vice Presidents may be given distinctive designations such as Executive Vice President or Senior Vice President. ~~Every officer shall be a citizen of the United States of America.~~

Section 2. The board of directors may elect such other officers and agents as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the board of directors.

Section 3. The officers of the Corporation shall hold office until their successors are elected or appointed and qualify or until their earlier resignation or removal. Any officer elected or appointed by the board of directors may be removed at any time with or without cause by the affirmative vote of majority of the whole board of directors. Any vacancy occurring in any office of the Corporation shall be filled by the board of directors.

#### CHAIRMAN OF THE BOARD

Section 4. The Chairman of the Board, if any shall be elected, shall preside at all meetings of the board of directors and the stockholders and shall have such other powers and perform such other duties as may from time to time be assigned to him by the board of directors.

#### VICE CHAIRMAN OF THE BOARD

Section 5. The Vice Chairman of the Board, if any shall be elected, or if there be more than one, the Vice Chairmen of the Board in order of their election, shall, in the absence of the Chairman of the Board, or in ~~the~~ case the Chairman of the Board shall resign, retire, become deceased or otherwise cease or be unable to act, perform the duties and exercise the powers of the Chairman of the Board. In addition, the Vice Chairman of the Board shall have such other powers and perform such other duties as may from time to time be assigned to him by the board of directors.

#### THE CHIEF EXECUTIVE OFFICER

Section 6. The Chief Executive Officer ~~shall be responsible~~, in consultation with the President and Chief Operating Officer, ~~for~~ shall be generally responsible for overseeing the affairs of the Corporation and will have full and final decision making authority over corporate policy and strategy. The President and Chief Operating Officer shall consult on all ~~major decisions~~ matters within his authority with, and shall report directly ~~to, the Chief Executive Officer; provided, however, that the Chief Executive Officer shall not exercise any powers, rights, functions or responsibilities of the President and Chief Operating Officer unless Mel Karmazin is solely to,~~ the Chief Executive Officer.

#### THE PRESIDENT AND CHIEF ~~EXECUTIVE~~ OPERATING OFFICER

Section 7. ~~Subject to Article XIII of the Restated Certificate of Incorporation and to the requirement that the~~ The President and Chief Operating Officer shall have full authority over the operations of the Corporation. The President and Chief Operating Officer shall consult with the Chief Executive Officer

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on all ~~major decisions~~, matters within his authority. The authority of the President and Chief Operating Officer shall ~~be responsible for~~ include, without limitation:

- (i) supervising, coordinating and managing the Corporation's business, operations ~~and~~, activities, operating expenses and capital allocation;
- (ii) matters relating to officers (other than the Chairman, the Chief Executive Officer and the President and Chief Operating Officer) and employees, including, without limitation, hiring, terminating, changing positions and ~~allocation of~~ allocating responsibilities of such officers and employees (except as otherwise agreed by the Chairman and Chief Executive Officer and the President and Chief Operating Officer); and
- (iii) substantially all of the powers, rights, functions and responsibilities typically exercised by a chief operating officer; ~~and~~

~~(iv) all~~ All officers (other than the Chairman, the Chief Executive Officer and the President and Chief Operating Officer) will report, directly or indirectly, to the President and Chief Operating Officer.

#### THE VICE-PRESIDENTS

Section 8. The Vice-Presidents shall have such powers and perform such duties as may from time to time be assigned to them by the board of directors or the President and Chief Operating Officer.

#### THE SECRETARY AND ASSISTANT SECRETARY

Section 9. The Secretary shall attend all meetings of the board of directors and all meetings of the stockholders and record all the proceedings of the meetings of the Corporation and of the board of directors in a book to be kept for that purpose and shall perform like duties for the standing committees of the board of directors when required. He shall give, or cause to be given, notice of all meetings of the stockholders and the special meetings of the board of directors, and shall perform such other duties as may be prescribed by the board of directors or the President and Chief Operating Officer, under whose supervision he shall be. He shall have custody of the corporate seal of the Corporation and he, or an Assistant Secretary, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by his signature or by the signature of such Assistant Secretary. The board of directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature.

Section 10. The Assistant Secretary, if any shall be elected, or if there be more than one, the Assistant Secretaries in the order determined by the board of directors (or if there be no such determination, then in the order of their election), shall, in the absence of the Secretary or in the event of his inability or refusal to act, perform the duties and exercise the powers of the Secretary and shall have such other powers and perform such other duties as may from time to time be assigned to them by the board of directors or the President and Chief Operating Officer.

### **THE TREASURER AND ASSISTANT TREASURERS**

Section 11. The Treasurer, under the supervision of the President and Chief Operating Officer, shall have charge of the corporate funds and securities and shall keep or cause to be kept full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by or at the direction of the board of directors.

Section 12. The Treasurer shall disburse or cause to be disbursed the funds of the Corporation as may be ordered by or at the direction of the President and Chief Operating Officer or the board of directors, taking proper vouchers for such disbursements, and subject to the supervision of the

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President and Chief Operating Officer, shall render to the board of directors, when they or either of them so require, an account of his transactions as Treasurer and of the financial condition of the Corporation.

Section 13. If required by the board of directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the board of directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

Section 14. The Assistant Treasurer, if any shall be elected, or if there shall be more than one, the Assistant Treasurers in the order determined by the board of directors (or if there be no such determination, then in the order of their election), shall, in the absence of the Treasurer or in the event of his inability or refusal to act, perform the duties and exercise the powers of the Treasurer and shall have such other powers and perform such other duties as may from time to time be assigned to them by the board of directors.

Section 15. In addition to the corporate officers elected by the board of directors pursuant to this Article V, the President and Chief Operating Officer may, from time to time, appoint one or more other persons as appointed officers who shall not be deemed to be corporate officers, but may, respectively, be designated with such titles as the President and Chief Operating Officer may deem appropriate. The President and Chief Operating Officer may prescribe the powers to be exercised and the duties to be performed by each such appointed officer, may designate the term for which each such appointment is made, and may, from time to time, terminate any or all of such appointments. Such appointments and termination of appointments shall be reported to the board of directors.

### **ARTICLE VI**

#### **CERTIFICATES OF STOCK**

Section 1. Every holder of shares of capital stock in the Corporation shall be entitled to have a certificate sealed with the seal of the Corporation and signed by, or in the name of the Corporation by, the Chairman of the Board, the Chief Executive Officer, Vice Chairman of the Board or the President and Chief Operating Officer and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by him in the Corporation. If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock, provided that, except as otherwise provided in section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock, a statement that the Corporation will furnish without charge to each stockholder who so requests the designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

Section 2. Any or all of the signatures on the certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

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#### **LOST CERTIFICATES**

Section 3. The board of directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of capital stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the board of directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

#### **TRANSFERS OF STOCK**

Section 4. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

## FIXING RECORD DATE

Section 5. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution, or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meetings, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

## REGISTERED STOCKHOLDERS

Section 6. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

## ARTICLE VII

### GENERAL PROVISIONS DIVIDENDS

Section 1. Dividends upon the capital stock of the Corporation, subject to the provisions of the ~~certificate of incorporation~~ Amended and Restated Certificate of Incorporation, if any, may be declared by the board of directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property or in shares of the capital stock, subject to the provisions of any statute, the Amended and Restated Certificate of Incorporation and these by-laws.

Section 2. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing

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dividends, or for repairing or maintaining any property of the Corporation, or for such other purposes as the directors shall think conducive to the interest of the Corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

### ANNUAL STATEMENT

Section 3. The board of directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the Corporation.

### CHECKS

Section 4. All checks or demands for money of the Corporation shall be signed by such officer or officers or such other person or persons as the board of directors may from time to time designate.

### FISCAL YEAR

Section 5. The fiscal year of the Corporation shall be as specified by the board of directors.

### SEAL

Section 6. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

### CONTRACTS

Section 7. An officer of the Corporation may sign any note, bond, or mortgage of the Corporation in furtherance of the Corporation's ordinary business and in order to implement any action authorized by these by-laws.

## ARTICLE VIII ~~ARTICLE IX~~

### AMENDMENTS

In furtherance of and not in limitation of the powers conferred by statute, the board of directors of the Corporation from time to time may make, amend, alter, change or repeal the by-laws of the Corporation; provided, that any by-laws made, amended, altered, changed or repealed by the board of directors or the stockholders of the Corporation may be amended, altered, changed or repealed, and that any by-laws may be made, by the stockholders of the Corporation. Notwithstanding any other provisions of the Amended and Restated Certificate of Incorporation of the Corporation or these by-laws (and notwithstanding the fact that a lesser percentage may be specified by law, the Amended and Restated Certificate of Incorporation or these by-laws), the affirmative vote of not less than a majority of the aggregate voting power of all outstanding shares of capital stock of the Corporation then entitled to vote generally in this election of Directors, voting together as a single class, shall be required for the stockholders of the Corporation to amend, alter, change, repeal or adopt any by-laws of the Corporation.

**VIACOM INC.**  
**2000 STOCK OPTION PLAN FOR OUTSIDE DIRECTORS**  
**(AS AMENDED AND RESTATED THROUGH MAY 21, 2003)**

**ARTICLE I**

**GENERAL**

SECTION 1.1 *Purpose.*

The purpose of the Viacom Inc. 2000 Stock Option Plan for Outside Directors (the "Plan") is to benefit and advance the interests of Viacom Inc., a Delaware corporation (the "Company"), and its subsidiaries by obtaining and retaining the services of qualified persons who are not employees of the Company or National Amusements, Inc. or their subsidiaries to serve as directors and to induce them to make a maximum contribution to the success of the Company and its subsidiaries. The Plan replaces the Viacom Inc. Stock Option Plan for Outside Directors and the Viacom Inc. 1994 Stock Option Plan for Outside Directors (the "Predecessor Plans"). From and after the Effective Date of the Plan as provided in Article VI below, no further awards shall be made under the Predecessor Plans.

SECTION 1.2 *Definitions.*

As used in the Plan, the following terms shall have the following meanings:

- (a) "Annual Grant" shall have the meaning set forth in Section 2.1.
- (b) "Board" shall mean the Board of Directors of the Company.
- (c) "Class B Common Stock" shall mean the shares of Class B Common Stock, par value \$0.01 per share, of the Company.
- (d) "Date of Grant" shall have the meaning set forth in Section 2.1.
- (e) "Effective Date" shall mean the effective date of the Plan provided for in Article VI below.
- (f) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, including any successor law thereto.
- (g) "Fair Market Value" of a share of Class B Common Stock on a given date shall be the closing price on such date on the New York Stock Exchange or other principal stock exchange on which the Class B Common Stock is then listed, as reported by The Wall Street Journal (Northeast edition) as the 4:00 p.m. (New York time) closing price or as reported by any other authoritative source selected by the Company.
- (h) "Initial Grant" shall have the meaning set forth in Section 2.1.
- (i) "Outside Director" shall mean any member of the Board of Directors of the Company who is not an employee of the Company or National Amusements, Inc. or any of their respective subsidiaries or a member of the immediate family of a member of the Board who is an employee of any of such companies.
- (j) "Participant" shall mean any Outside Director to whom Stock Options have been granted under the Plan.
- (k) "Predecessor Plans" shall have the meaning set forth in Section 1.1 above.
- (l) "Stock Option" shall mean a contractual right granted to a Participant under the Plan to purchase shares of Class B Common Stock or other securities at such time and price, and subject to the terms and conditions, as are set forth in the Plan.

SECTION 1.3 *Administration of the Plan.*

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The Plan shall be administered by the members of the Board who are not Outside Directors and such Board members shall determine all questions of interpretation, administration and application of the Plan. The Board may authorize any officer of the Company to execute and deliver a stock option certificate on behalf of the Company to a Participant.

SECTION 1.4 *Eligible Persons.*

Stock Options shall be granted only to Outside Directors.

SECTION 1.5 *Class B Common Stock Subject to the Plan.*

Subject to adjustment in accordance with the provisions of Article III hereof, the maximum number of shares of Class B Common Stock which may be issued under the Plan shall be 1,000,000 shares. The shares of Class B Common Stock shall be made available from authorized but unissued Class B Common Stock or from Class B Common Stock issued and held in the treasury of the Company. Exercise of Stock Options in any manner shall result in a decrease in the number of shares of Class B Common Stock which thereafter may be issued for purposes of this Section 1.5, by the number of shares as to which the Stock Options are exercised. Shares of Class B Common Stock with respect to which Stock Options expire or are cancelled without being exercised or are otherwise terminated, may be regranted under the Plan.



## ARTICLE II

### PROVISIONS APPLICABLE TO STOCK OPTIONS

#### SECTION 2.1 *Grants of Stock Options.*

Each person who becomes a director for the first time on or subsequent to the Effective Date and, at the time such person is first elected or appointed to the Board, is an Outside Director, shall be granted Stock Options to purchase 10,000 shares of Class B Common Stock (an "Initial Grant"), effective as of the date of such individual's election or appointment to the Board (the "Date of Grant" of such Stock Options). Each person who is an Outside Director on August 1, 2000, January 31, 2001 and each January 31<sup>st</sup> thereafter through and including January 31, 2010 (each, the "Date of Grant" of the respective Stock Options) shall be granted additional Stock Options to purchase the following number of shares of Class B Common Stock (each, an "Annual Grant"): (i) Annual Grants awarded before May 21, 2003 shall be for 3,000 shares of Class B Common Stock; and (ii) Annual Grants awarded after May 21, 2003 shall be for 4,000 shares of Class B Common Stock. Each Initial Grant and each Annual Grant shall be subject to the terms and conditions set forth in the Plan and shall have an option price per share equal to the Fair Market Value of a share of Class B Common Stock on the Date of Grant or, if the Date of Grant is not a business day on which the Fair Market Value can be determined, on the last business day preceding the Date of Grant on which the Fair Market Value can be determined. All Stock Options granted under the Plan shall be "Non-Qualified Stock Options" which do not meet the requirements of Section 422 of the Internal Revenue Code of 1986, as amended. The terms and conditions of the Stock Options shall be set forth in an option certificate which shall be delivered to the Participant reasonably promptly following the Date of Grant of such Stock Options.

#### SECTION 2.2 *Exercise of Stock Options.*

(a) *Exercisability.* Stock Options shall be exercisable only to the extent the Participant is vested therein. Subject to Section 2.2(c), each Initial Grant of Stock Options under the Plan shall vest and become exercisable on the first anniversary of the Date of Grant. Subject to Section 2.2(c), each Annual Grant shall vest and become exercisable as follows: (i) for Annual Grants awarded before May 21, 2003, on the first anniversary of the Date of Grant; and (ii) for Annual Grants awarded after May 21, 2003, in three equal annual installments, on the first, second and third anniversaries of the Date of Grant.

#### (b) *Option Period.*

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- (i) *Latest Exercise Date.* No Stock Option granted under the Plan shall be exercisable after the tenth anniversary of the Date of Grant thereof.
  - (ii) *Registration Restrictions.* Any attempt to exercise a Stock Option or to transfer any shares issued upon exercise of a Stock Option by any Participant shall be void and of no effect, unless and until (A) a registration statement under the Securities Act of 1933, as amended, has been duly filed and declared effective pertaining to the shares of Class B Common Stock subject to such Stock Option, and the shares of Class B Common Stock subject to such Stock Option have been duly qualified under applicable federal or state securities or blue sky laws or (B) the Board, in its sole discretion, determines, or the Participant desiring to exercise such Stock Options, upon the request of the Board, provides an opinion of counsel satisfactory to the Board, that such registration or qualification is not required as a result of the availability of any exemption from registration or qualification under such laws. Without limiting the foregoing, if at any time the Board shall determine, in its sole discretion, that the listing, registration or qualification of the shares of Class B Common Stock under any federal or state law or on any securities exchange or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, delivery or purchase of such shares pursuant to the exercise of a Stock Option, such Stock Option shall not be exercisable in whole or in part unless and until such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board.

#### (c) *Exercise in the Event of Termination of Services.*

- (i) *Termination other than for Death or Disability.* If the services of a Participant as a director of the Company terminate for any reason other than for death or disability, the Participant may exercise his or her Stock Options until the first anniversary of the date of such termination, but only to the extent such Stock Options were vested on the termination date, subject to earlier expiration of such Stock Options pursuant to Section 2.2(b)(i). Upon a termination described in this Section 2.2(c)(i), the Participant shall relinquish all rights with respect to Stock Options that are not vested as of such termination date.
- (ii) *Death.* If a Participant dies while serving as a director, his or her Stock Options may be exercised by any person who acquired the right to exercise such Stock Options by will or the laws of descent and distribution until the first anniversary of the date of death, but only to the extent such Stock Options were vested on the date of death, subject to earlier expiration of such Stock Options pursuant to Section 2.2(b)(i). All rights with respect to Stock Options that are not vested as of the date of death will terminate on such date of death.
- (iii) *Permanent Disability.* If the services of Participant as a director of the Company terminate by reason of permanent disability, the Participant may exercise his or her Stock Options until the first anniversary of the date of such termination, but only to the extent such Stock Options were vested on the termination date, subject to earlier expiration of such Stock Options pursuant to Section 2.2(b)(i). Upon a termination described in this Section 2.2(c)(iii), the Participant shall relinquish all rights with respect to Stock Options that are not vested as of such termination date.

(d) *Payment of Purchase Price Upon Exercise.* Every share of Class B Common Stock purchased through the exercise of a Stock Option shall be paid for in full in cash (*e.g.*, personal bank check, certified check or official bank check) on or before the settlement date for such share of Class B Common Stock. In addition, the Participant shall make an arrangement acceptable to the Company to pay to the Company an amount sufficient to satisfy the combined federal, state and local withholding tax obligations which arise in connection with exercise of such Stock Options.

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## ARTICLE III

### EFFECT OF CERTAIN CORPORATE CHANGES

In the event of any merger, consolidation, stock-split, dividend (other than a regular cash dividend), distribution, combination, recapitalization or reclassification that changes the character or amount of the Class B Common Stock or any other changes in the corporate structure, equity securities or capital structure of the Company, the Board shall make such proportionate adjustments to (i) the number and kind of securities subject to any Stock Options, (ii) the exercise price of any Stock Options, (iii) the number and kind of securities subject to the Initial Grants and the Annual Grants referred to in Section 2.1, and (iv) the maximum number and kind of securities available for issuance under the Plan referred to in Section 1.5, in each case, as it deems appropriate. The Board may, in its sole discretion, also make such other adjustments as it deems appropriate in order to preserve, but not increase, the benefits or potential benefits intended to be made available hereunder upon the occurrence of any of the foregoing events. The Board's determination as to what, if any, adjustments shall be made shall be final and binding on the Company and all Participants.

## ARTICLE IV

### MISCELLANEOUS

#### SECTION 4.1 *No Right to Re-election.*

Nothing in the Plan shall be deemed to create any obligation on the part of the Board to nominate any of its members for re-election by the Company's stockholders, nor confer upon any Participant the right to remain a member of the Board for any period of time, or at any particular rate of compensation.

#### SECTION 4.2 *Restriction on Transfer.*

The rights of a Participant with respect to the Stock Options shall not be transferable by the Participant to whom such Stock Options are granted, except by will or the laws of descent and distribution.

#### SECTION 4.3 *Stockholder Rights.*

No grant of Stock Options under the Plan shall entitle a Participant to any rights of a holder of shares of Class B Common Stock, except upon the delivery of share certificates to a Participant upon exercise of a Stock Option.

#### SECTION 4.4 *No Restriction on Right of Company to Effect Corporate Changes.*

The Plan shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Class B Common Stock or the rights thereof or which are convertible into or exchangeable for Class B Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

#### SECTION 4.5 *Exercise Periods Following Termination of Services.*

For the purposes of determining the dates on which Stock Options may be exercised following a termination of services or the death or disability of a Participant, the day following the date of such event shall be the first day of the exercise period and the Stock Options may be exercised up to and including the last business day falling within the exercise period. Thus, if the last day of the exercise period is not a business day, then the last date the Stock Options may be exercised is the last business day preceding the end of the exercise period. At the end of the relevant exercise period, each unexercised Stock Option shall expire.

#### SECTION 4.6 *Headings.*

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The headings of articles and sections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of the Plan.

#### SECTION 4.7 *Governing Law.*

The Plan and all rights hereunder shall be construed in accordance with and governed by the laws of the State of Delaware.

## ARTICLE V

### AMENDMENT AND TERMINATION

#### SECTION 5.1 *General.*

The Board may at any time and from time to time alter, amend, suspend or terminate the Plan in whole or in part, including, without limitation, amend the provisions for determining the amount of Stock Options to be issued to an Outside Director, *provided, however*, that any amendment which under the requirements of applicable law or under the rules of the New York Stock Exchange or other principal stock exchange on which the Class B Common Stock is then listed must be approved by the stockholders of the Company shall not be effective unless and until such stockholder approval has been obtained in compliance with such law or rule; and no termination, suspension, alteration or amendment of the Plan that would adversely affect a Participant's rights under the Plan with respect to any award of Stock Options made prior to such action shall be effective as to such Participant unless he or she consents thereto.

#### SECTION 5.2 *May 21, 2003 Restatement and Amendment.*

Stockholder approval for the amendment and restatement of the Plan that was approved by the Board on May 21, 2003 shall be sought at the first annual meeting of stockholders following such date. In the event that stockholder approval is not obtained on or before the date of such annual meeting, the Plan shall remain in effect in the form in which it existed prior to the May 21, 2003 amendment and restatement.

## ARTICLE VI

### EFFECTIVE DATE

The Effective Date of the Plan is May 25, 2000 and stockholder approval was obtained at the first annual meeting of stockholders following such date. Unless earlier terminated in accordance with Article V above, the Plan shall terminate on the tenth anniversary of the Effective Date, and no further Stock Options may be granted hereunder after such date. No further awards shall be made under the Predecessor Plans after the Effective Date. Awards outstanding under the Predecessor Plans shall remain outstanding after the Effective Date subject to the terms thereof.

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**VIACOM INC. AND SUBSIDIARIES**  
**COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND**  
**RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDEND**  
**REQUIREMENTS**  
(In millions except ratios)

	Six Months Ended June 30,		Year Ended December 31,				
	2003	2002	2002	2001	2000	1999	1998
Earnings (loss) before income taxes	\$ 1,941.5	\$ 1,601.4	\$ 3,734.2	\$ 776.3	\$ 560.6	\$ 780.0	\$ 10.7
Add:							
Share in income of fifty-percent-owned affiliates and distributed income of affiliated companies	19.1	17.1	13.9	9.6	32.5	(49.0)	(51.5)
Interest expense, net of capitalized interest	398.0	447.6	860.4	976.3	842.5	461.0	631.2
Capitalized interest amortized	—	—	—	—	2.2	5.7	11.5
<sup>1</sup> / <sub>3</sub> of rental expense	209.2	184.4	335.5	348.8	298.2	213.8	186.8
<b>Total Earnings</b>	<b>\$ 2,567.8</b>	<b>\$ 2,250.5</b>	<b>\$ 4,944.0</b>	<b>\$ 2,111.0</b>	<b>\$ 1,736.0</b>	<b>\$ 1,411.5</b>	<b>\$ 788.7</b>
Fixed charges:							
Interest expense, net of capitalized interest	\$ 398.0	\$ 447.6	\$ 860.4	\$ 976.3	\$ 842.5	\$ 461.0	\$ 631.2
<sup>1</sup> / <sub>3</sub> of rental expense	209.2	184.4	335.5	348.8	298.2	213.8	186.8
<b>Total fixed charges</b>	<b>\$ 607.2</b>	<b>\$ 632.0</b>	<b>\$ 1,195.9</b>	<b>\$ 1,325.1</b>	<b>\$ 1,140.7</b>	<b>\$ 674.8</b>	<b>\$ 818.0</b>
Preferred Stock dividend requirements	—	—	—	—	—	0.8	118.2
<b>Total fixed charges and Preferred Stock dividend requirements</b>	<b>\$ 607.2</b>	<b>\$ 632.0</b>	<b>\$ 1,195.9</b>	<b>\$ 1,325.1</b>	<b>\$ 1,140.7</b>	<b>\$ 675.6</b>	<b>\$ 936.2</b>
Ratio of earnings to fixed charges	4.2x	3.6x	4.1x	1.6x	1.5x	2.1x	Note a
Ratio of earnings to combined fixed charges and Preferred Stock dividend requirements	4.2x	3.6x	4.1x	1.6x	1.5x	2.1x	Note b

Note:

- (a) Earnings are inadequate to cover fixed charges. The dollar amount of the cover deficiency is \$29.3 in 1998.
- (b) Earnings are inadequate to cover fixed charges. The dollar amount of the cover deficiency is \$147.5 in 1998.

## CERTIFICATIONS

I, Sumner M. Redstone, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Viacom Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2003

/s/ SUMNER M. REDSTONE

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Sumner M. Redstone  
Chairman and Chief Executive Officer

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## CERTIFICATIONS

I, Richard J. Bressler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Viacom Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2003

/s/ RICHARD J. BRESSLER

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Richard J. Bressler  
Senior Executive Vice President and  
Chief Financial Officer

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**Certification Pursuant to 18 U.S.C. Section 1350,  
as adopted pursuant to  
Section 906 of the Sarbanes-Oxley Act Of 2002**

In connection with the Quarterly Report of Viacom Inc. (the "Company") on Form 10-Q for the period ending June 30, 2003 as filed with the Securities and Exchange Commission (the "Report"), I, Sumner M. Redstone, Chief Executive Officer of the Company, certify that to my knowledge:

1. the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ SUMNER M. REDSTONE

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Sumner M. Redstone  
August 13, 2003

This written statement is being furnished to the Securities and Exchange Commission as an exhibit to the Report. A signed original of this written statement required by Section 906 has been provided to Viacom Inc. and will be retained by Viacom Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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**Certification Pursuant to 18 U.S.C. Section 1350,  
as adopted pursuant to  
Section 906 of the Sarbanes-Oxley Act Of 2002**

In connection with the Quarterly Report of Viacom Inc. (the "Company") on Form 10-Q for the period ending June 30, 2003 as filed with the Securities and Exchange Commission (the "Report"), I, Richard J. Bressler, Chief Financial Officer of the Company, certify that to my knowledge:

1. the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ RICHARD J. BRESSLER

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Richard J. Bressler  
August 13, 2003

This written statement is being furnished to the Securities and Exchange Commission as an exhibit to the Report. A signed original of this written statement required by Section 906 has been provided to Viacom Inc. and will be retained by Viacom Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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