SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2004

OR

o **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

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

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 o

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 o

Number of shares of common stock outstanding at July 31, 2004:

Class A Common Stock, par value $.01 per share — 132,076,287

Class B Common Stock, par value $.01 per share — 1,602,801,872

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, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Revenues	$ 6,841.8	$ 6,418.3	$ 13,614.2	$ 12,469.1
Expenses:				
Operating	3,851.8	3,715.9	8,141.4	7,589.1
Selling, general and administrative	1,277.2	1,140.5	2,329.0	2,090.1
Depreciation and amortization	265.7	246.4	517.2	487.6
Total expenses	5,394.7	5,102.8	10,987.6	10,166.8
Operating income	1,447.1	1,315.5	2,626.6	2,302.3
Interest expense	(182.7)	(195.8)	(367.2)	(389.3)
Interest income	3.7	3.9	9.1	7.6
Other items, net	31.4	8.5	19.8	20.9
Earnings before income taxes, equity in loss of affiliated companies, minority interest and cumulative effect of change in accounting principle	1,299.5	1,132.1	2,288.3	1,941.5
Provision for income taxes	(527.6)	(456.1)	(782.4)	(786.3)
Equity in loss of affiliated companies, net of tax	(8.4)	(2.4)	(10.5)	(2.4)
Minority interest, net of tax	(9.7)	(14.0)	(31.1)	(31.6)
Net earnings before cumulative effect of change in accounting principle	753.8	659.6	1,464.3	1,121.2
Cumulative effect of change in accounting principle, net of minority interest and tax	—	—	—	(18.5)
Net earnings	$ 753.8	$ 659.6	$ 1,464.3	$ 1,102.7
Basic earnings per common share:				
Net earnings before cumulative effect of change in accounting principle	$ .44	$ .38	$ .85	$ .64
Cumulative effect of change in accounting principle, net	$ —	$ —	$ —	$ (.01)
Net earnings	$ .44	$ .38	$ .85	$ .63
Diluted earnings per common share:				
Net earnings before cumulative effect of change in accounting principle	$ .43	$ .37	$ .84	$ .64
Cumulative effect of change in accounting principle, net	$ —	$ —	$ —	$ (.01)
Net earnings	$ .43	$ .37	$ .84	$ .63
Weighted average number of common shares outstanding:				
Basic	1,724.3	1,746.2	1,727.6	1,746.1
Diluted	1,736.0	1,765.3	1,740.3	1,763.2
Dividends per common share	$ ..06	$ —	$ ..12	$ —

See notes to consolidated financial statements.

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

	At June 30, 2004	At December 31, 2003
	(Unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,713.3	$ 850.7
Receivables, less allowances of $251.7 (2004) and $295.5 (2003)	3,728.9	4,336.3
Inventory (Note 4)	1,248.8	1,444.4
Prepaid expenses and other current assets	1,225.0	1,104.9
Total current assets	7,916.0	7,736.3
Property and equipment:		
Land	751.1	751.1
Buildings	970.3	980.1
Capital leases	777.6	694.4
Advertising structures	2,213.3	2,244.3
Equipment and other	6,069.8	5,958.7
	10,782.1	10,628.6
Less accumulated depreciation and amortization	4,961.9	4,636.6
Net property and equipment	5,820.2	5,992.0
Inventory (Note 4)	4,624.2	4,587.2
Goodwill (Note 3)	56,888.9	57,056.8
Intangibles (Note 3)	12,492.6	12,411.8
Other assets	1,929.6	2,064.4
Total Assets	$ 89,671.5	$ 89,848.5
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 929.8	$ 1,053.9
Accrued compensation	512.3	682.7
Accrued expenses and other current liabilities	3,047.3	3,368.4
Participants' share, residuals and royalties payable	1,163.7	1,162.2
Program rights	996.6	858.7
Income taxes payable	151.0	262.6
Current portion of long-term debt (Note 6)	124.2	196.3
Total current liabilities	6,924.9	7,584.8
Long-term debt (Note 6)	9,658.9	9,683.2
Deferred income tax liabilities, net	356.1	297.2
Other liabilities and pension and post retirement benefit obligations	8,114.2	8,451.3
Commitments and contingencies (Note 9)		
Minority interest	652.0	627.0
Stockholders' Equity:		
Class A Common Stock, par value $.01 per share; 750.0 shares authorized; 133.4 (2004) and 133.7 (2003) shares issued	1.3	1.3
Class B Common Stock, par value $.01 per share; 10,000.0 shares authorized; 1,733.9 (2004) and 1,730.8 (2003) shares issued	17.4	17.3
Additional paid-in capital	65,918.8	65,840.3
Retained earnings	4,398.9	3,141.9
Accumulated other comprehensive loss (Note 1)	(379.1)	(351.2)
	69,957.3	68,649.6
Less treasury stock, at cost; 1.4 (2004 and 2003) Class A shares; and 141.8 (2004) and 128.5 (2003) Class B shares	5,991.9	5,444.6
Total stockholders' equity	63,965.4	63,205.0

Total Liabilities and Stockholders' Equity	$	89,671.5	$	89,848.5

See notes to consolidated financial statements.

VIACOM INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; in millions)

	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Operating Activities:		
Net earnings	$ 1,464.3	$ 1,102.7
Adjustments to reconcile net earnings to net cash flow provided by operating activities:		
Cumulative effect of change in accounting principle, net of minority interest and tax	—	18.5
Depreciation and amortization	517.2	487.6
Equity in loss of affiliated companies, net of tax	10.5	2.4
Distributions from affiliated companies	12.4	26.8
Minority interest, net of tax	31.1	31.6
Change in assets and liabilities, net of effects of acquisitions	43.9	41.1
Net cash flow provided by operating activities	2,079.4	1,710.7
Investing Activities:		
Capital expenditures	(249.5)	(229.4)
Acquisitions, net of cash acquired	(45.8)	(1,272.0)
Investments in and advances to affiliated companies	(9.6)	(31.5)
Proceeds from sale of investments	19.4	24.5
Proceeds from dispositions	10.4	.6
Other, net	.5	(1.0)
Net cash flow used for investing activities	(274.6)	(1,508.8)
Financing Activities:		
Repayments to banks, including commercial paper, net	(75.1)	(106.9)
Repayment of notes and debentures	(22.3)	(339.3)
Proceeds from issuance of notes and debentures	—	740.5
Proceeds from exercise of stock options	57.6	87.2
Purchase of Company common stock	(645.3)	(266.0)
Dividends	(208.2)	—
Payment of capital lease obligations	(43.9)	(64.1)
Other, net	(5.0)	(3.4)
Net cash flow (used for) provided by financing activities	(942.2)	48.0
Net increase in cash and cash equivalents	862.6	249.9
Cash and cash equivalents at beginning of period	850.7	631.4
Cash and cash equivalents at end of period	$ 1,713.3	$ 881.3
Supplemental disclosure of investing and financing activities		
Equipment acquired under capitalized leases	$ 83.8	$ 49.1
Supplemental disclosure of acquisitions:		
Fair value of assets acquired	$ 43.2	$ 1,345.0
Fair value of liabilities assumed	(.1)	(75.3)
Acquisition of minority interest	2.7	2.3
Cash paid, net of cash acquired	(45.8)	(1,272.0)
Impact on stockholders' equity	$ —	$ —

See notes to consolidated financial statements.

(Tabular dollars in millions, except per share amounts)

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation—The consolidated financial statements include the accounts of Viacom Inc. and investments of more than 50% in subsidiaries and other entities for which the company, directly or indirectly, has a controlling financial interest ("Viacom" or the "Company"). 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, 2003.

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, 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 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, 2004, respectively, stock options to purchase 115.6 million and 111.3 million shares of Class B Common Stock at weighted average prices of $45.60 and $45.86 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, 2003, respectively, stock 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.

(Tabular dollars in millions, except per share amounts)

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,	
	2004	2003	2004	2003
Weighted average shares for basic EPS	1,724.3	1,746.2	1,727.6	1,746.1
Incremental shares for stock options	11.7	19.1	12.7	17.1
Weighted average shares for diluted EPS	1,736.0	1,765.3	1,740.3	1,763.2

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net earnings	$ 753.8	$ 659.6	$ 1,464.3	$ 1,102.7
Other comprehensive income (loss), net of tax:				
Cumulative translation adjustments	(32.3)	76.8	(49.5)	101.7
Net unrealized gain on securities	2.0	11.2	2.0	10.2
Change in fair value of cash flow hedges	.4	.6	—	.5
Minimum pension liability adjustment	10.7	18.9	19.6	42.0
Total comprehensive income	$ 734.6	$ 767.1	$ 1,436.4	$ 1,257.1

Stock-Based Compensation—The Company follows the disclosure-only provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). The Company applies APB Opinion No. 25 "Accounting for Stock Issued to Employees" and, accordingly, does not recognize compensation expense for stock option grants because the Company does not issue options at exercise prices below market value at date of grant.

The following table reflects the effect on net earnings and earnings per share if the Company had applied the fair value recognition provisions of SFAS 123 to 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 the number of options granted in future years may change.

(Tabular dollars in millions, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net earnings	$ 753.8	$ 659.6	$ 1,464.3	$ 1,102.7
Option expense, net of tax	(88.6)	(70.3)	(170.5)	(136.3)
Net earnings after option expense	$ 665.2	$ 589.3	$ 1,293.8	$ 966.4
Basic earnings per share:				
Net earnings as reported	$ .44	$ .38	$ .85	$ .63
Net earnings after option expense	$ .39	$ .34	$ .75	$ .55
Diluted earnings per share:				
Net earnings as reported	$ .43	$ .37	$ .84	$ .63
Net earnings after option expense	$ .38	$ .33	$ .74	$ .55

Goodwill and Intangible Assets—The Company's intangible assets are considered to have finite or indefinite lives and are allocated to various reporting units, which are generally consistent with or one level below the Company's reportable segments. Intangible assets with finite lives, which primarily consist of franchise and subscriber agreements, are generally amortized by the straight-line method over their estimated useful lives, which range from 5 to 40 years and are periodically reviewed for impairment. Intangible assets with indefinite lives, which consist primarily of FCC licenses and goodwill, are no longer amortized but are tested for impairment on an annual basis and between annual tests if events occur or circumstances change that would more likely than not reduce the fair value below its carrying amount. The estimated fair values of the various reporting units are computed principally using the present value of future cash flows. If the carrying amount of goodwill or the intangible asset exceeds its fair value, an impairment loss is recognized as a non-cash charge. Such a charge could have a significant effect on reported net earnings.

Changes in Accounting Principle—Effective January 1, 2003, the Company adopted SFAS No. 143 "Accounting for Asset Retirement Obligations" ("SFAS 143"). 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 $53.4 million and $53.0 million at June 30, 2004 and December 31, 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.

Recent Pronouncements—In January 2003, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" ("FIN 46") which was replaced in December 2003 by the issuance of FIN 46R ("FIN 46R"). FIN 46R explains how to identify variable interest entities ("VIEs") and how a company should assess its interests in a variable interest entity to decide whether to consolidate that entity. FIN 46R requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among parties involved. The provisions of FIN 46R were effective for special purpose entities (SPEs) as of December 31, 2003. The remaining provisions were effective as of January 1, 2004. The adoption of FIN 46R did not have a significant impact on the Company's consolidated financial position, results of operations or cash flows.

In 2003, the Company adopted SFAS No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits," ("SFAS 132") for all U.S. plans. SFAS 132, as revised, required additional disclosures in annual reports about assets, obligations, cash flows and net periodic benefit cost of defined benefit pension plans and other postretirement benefit plans. See Note 7 for the required disclosures in interim financial reports.

In May 2004, the FASB issued FASB Staff Position FAS 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act")" ("FSP 106-2") for employers that sponsor postretirement health care plans that provide prescription drug benefits. FSP 106-2 is effective for interim periods beginning after June 15, 2004 and requires certain disclosures regarding the effect of the federal subsidy provided by the Act. The implementation of FSP 106-2 is not expected to have a significant impact on the Company's consolidated financial position, results of operations or cash flows.

2) PENDING TRANSACTIONS

On February 10, 2004, Viacom announced its intention to pursue the divestiture of its equity interest in Blockbuster. To accomplish the divestiture, Viacom intends to offer its stockholders the opportunity to exchange shares of Viacom Class A or Viacom Class B common stock for shares of Blockbuster common stock, subject to certain conditions (the "Split-Off"), resulting in a reduction of Viacom's outstanding shares. With respect to the Split-Off, which the Company expects to complete in October 2004, Blockbuster filed a Registration Statement on Form S-4 on June 18, 2004, and amended it on July 29, 2004. Viacom will also dispose of certain Blockbuster shares by other means prior to the Split-Off. Viacom intends to dispose of any Blockbuster shares it holds following the Split-Off by a pro-rata distribution of the remaining shares to its stockholders or by some other means of disposition. Prior to the Split-Off, Blockbuster anticipates paying a special distribution of approximately $905 million, or $5 per Blockbuster share, to holders of Blockbuster shares, including Blockbuster shares held by Viacom. Any difference between the fair market value of Blockbuster and its net book value at the time of the Split-Off will be recognized as a gain or loss for accounting purposes.

On June 24, 2004, the Company announced that as part of its bid to acquire 100% of VIVA Media AG, it agreed to purchase the shares of 14 VIVA shareholders, who together hold a 75.8% ownership interest in the company. The Company intends to launch a public tender offer for all of the other outstanding shares of VIVA. The transaction is subject to regulatory approvals and customary conditions.

(Tabular dollars in millions, except per share amounts)

3) GOODWILL AND INTANGIBLE ASSETS

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

At June 30, 2004	Gross	Accumulated Amortization	Net
Franchise agreements	$ 455.6	$ (107.0)	$ 348.6
Subscriber agreements	431.0	(208.8)	222.2
Other intangible assets	346.3	(122.5)	223.8
Total	$ 1,232.9	$ (438.3)	$ 794.6

At December 31, 2003	Gross	Accumulated Amortization	Net
Franchise agreements	$ 456.9	$ (92.3)	$ 364.6
Subscriber agreements	372.5	(183.5)	189.0
Other intangible assets	264.8	(104.6)	160.2
Total	$ 1,094.2	$ (380.4)	$ 713.8

Amortization expense was $24.3 million and $26.2 million for the three months ended June 30, 2004 and June 30, 2003, respectively, and $49.7 million and $51.5 million for the six months ended June 30, 2004 and June 30, 2003, respectively. The Company expects its annual amortization expense for each of the next five years for existing intangible assets subject to amortization to be as follows:

	2004	2005	2006	2007	2008
Amortization expense	$ 109.3	$ 100.7	$ 92.7	$ 79.9	$ 40.0

FCC licenses, valued at approximately $11.7 billion at June 30, 2004 and December 31, 2003, are recorded as intangible assets with indefinite lives and are not subject to amortization.

The changes in the book value of goodwill, by segment, for six months ended June 30, 2004 were as follows:

	At December 31, 2003	Acquisitions	Adjustments (a)	At June 30, 2004
Cable Networks	$ 8,473.6	$ —	$ (154.5)	$ 8,319.1
Television	13,178.0	—	—	13,178.0
Radio	19,272.6	—	—	19,272.6
Outdoor	11,577.5	10.0	(32.5)	11,555.0
Entertainment	1,943.5	—	(.2)	1,943.3
Video	2,611.6	9.4	(.1)	2,620.9
Total	$ 57,056.8	$ 19.4	$ (187.3)	$ 56,888.9

(a) Adjustments primarily relate to purchase price allocations for Comedy Central and foreign currency translation adjustments.

(Tabular dollars in millions, except per share amounts)

4) INVENTORY

	At June 30, 2004	At December 31, 2003
Theatrical and television inventory:		
Theatrical:		
Released (including acquired film libraries)	$ 577.9	$ 629.4
Completed, not released	40.3	60.4
In process and other	457.1	399.9
Television:		
Released	885.6	845.0
In process and other	26.9	76.9
Program rights	2,896.1	3,051.8
	4,883.9	5,063.4
Less current portion	654.1	862.8
	4,229.8	4,200.6
Merchandise inventory	494.7	495.7
Rental inventory	362.9	350.9
Publishing, primarily finished goods	71.4	64.2
Other	60.1	57.4
	989.1	968.2
Less current portion	594.7	581.6
	394.4	386.6
Total Current Inventory	$ 1,248.8	$ 1,444.4
Total Non-Current Inventory	$ 4,624.2	$ 4,587.2

5) SEVERANCE AND RESTRUCTURING CHARGES

In the second quarter of 2004, the Company recorded severance charges of $56.2 million, $33.8 million net of tax, or $.02 per diluted share, due to management changes. The severance charges were recorded in the segments as follows: Television $10.4 million, Entertainment $10.4 million and Corporate $35.4 million.

In the second quarter of 2004, Cable Networks recorded restructuring charges of $4.6 million for the acquisition of Comedy Central, in addition to the $26.4 million of restructuring charges it recorded in the second quarter of 2003. The charges principally reflected $22.3 million of severance liabilities resulting from the acquisition of the remaining 50% of Comedy Central that the Company did not own 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. In 2001, the Company recorded a restructuring charge of $66.6 million for MTVN associated with reducing headcount and closing certain domestic and foreign offices. Severance payments will continue through 2005 since certain employees will be paid out over the terms of their employment contracts.

(Tabular dollars in millions, except per share amounts)

The following table summarizes activity for the six months ended June 30, 2004 for the Cable Networks restructuring charges:

At December 31, 2003	$	27.2
Severance payments		(5.3)
Lease payments		(1.9)
Additions		4.6
At June 30, 2004	$	24.6

6) BANK FINANCING AND DEBT

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

		At June 30, 2004		At December 31, 2003
Notes payable to banks	$	56.5	$	107.2
Commercial paper		—		20.0
Senior debt (4.625% - 8.875% due 2005-2051)		9,435.6		9,474.7
Senior subordinated debt (10.50% due 2009)		63.6		66.3
Other notes		3.2		26.0
Obligations under capital leases		426.2		387.0
Total Debt		9,985.1		10,081.2
Less current portion		124.2		196.3
Less discontinued operations debt (a)		202.0		201.7
Total Long-Term Debt	$	9,658.9	$	9,683.2

(a) Included in "Other liabilities" on the Consolidated Balance Sheets.

The Company's total debt presented above includes (i) an aggregate unamortized premium of $39.7 million and $41.4 million and (ii) the change in the carrying value of the debt, since inception, relating to fair value swaps of $10.1 million and $48.2 million for the periods ending June 30, 2004 and December 31, 2003, respectively.

The senior debt of Viacom Inc. is fully and unconditionally guaranteed by its wholly owned subsidiary, Viacom International Inc. ("Viacom International"). 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, 2004 was $115.8 million.

During the second quarter of 2004, the Company entered into $300 million notional amount of swap agreements, which converted fixed debt obligations into variable rate debt obligations. The swaps mature on January 1, 2006 and the Company receives an interest rate of approximately 2.7%, while paying three month LIBOR on $150 million and receives an interest rate of approximately 3.6%, while paying six month LIBOR on $150 million.

During the first quarter of 2004, Blockbuster repaid $50.0 million under its credit agreement.

(Tabular dollars in millions, except per share amounts)

Viacom Credit Agreement

As of December 31, 2003, the Company's credit facilities, excluding Blockbuster's credit facility, totaled $4.65 billion comprised of a $1.7 billion 364-day revolving facility due February 2004, a $1.45 billion revolving facility due May 2005 and a $1.5 billion revolving facility due March 2006. In February 2004, the Company entered into a $3.0 billion 5-year credit facility which replaced the $1.7 billion and the $1.45 billion facilities. The terms and conditions of the $3.0 billion facility are substantially similar to the $1.5 billion facility. The Company, at its option, may also borrow in certain foreign currencies up to specified limits under the $3.0 billion and $1.5 billion facilities (collectively, the "Credit Facilities"). Borrowing rates under the facilities are determined at the Company's option at the time of each borrowing and are based generally on the prime rate in the United States or the London Interbank Offer Rate ("LIBOR") plus a margin based on the Company's senior unsecured debt rating. The Company pays a facility fee based on the total amount of the commitments. As of June 30, 2004, the Company had unused revolving Credit Facilities of $4.28 billion.

The facilities contain covenants, which among other things, require that the Company maintain a minimum interest coverage ratio. At June 30, 2004, the Company was in compliance with all covenants under the Credit Facilities.

The primary purpose of the Credit Facilities is to support commercial paper borrowings. At June 30, 2004, the Company had no commercial paper borrowings under its $4.5 billion commercial paper program.

Accounts Receivable Securitization Programs

As of June 30, 2004, the Company had an aggregate of $1.0 billion 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 on the Company's Consolidated Balance Sheets. The Company enters into these arrangements because they provide an additional source of liquidity. Proceeds from these programs were used to reduce outstanding borrowings. The terms of the revolving securitization arrangements require that the receivable pools subject to the programs must pass certain performance ratios. As of June 30, 2004, the Company was in compliance with the required ratios under the receivable securitization programs.

7) PENSION AND OTHER POSTRETIREMENT BENEFITS

The components of net periodic cost for the Company's pension and postretirement benefit plans were as follows:

	Pension Benefits		Postretirement Benefits	
Three Months Ended June 30,	**2004**	**2003**	**2004**	**2003**
Components of net periodic cost:				
Service cost	$ 15.6	$ 14.5	$ .8	$ .7
Interest cost	81.0	86.4	18.0	20.1
Expected return on plan assets	(74.3)	(73.8)	(.3)	(.5)
Amortization of transition obligation	.1	(.2)	—	—
Amortization of unrecognized prior service cost	.4	.4	(.2)	(.3)
Recognized actuarial loss	8.8	11.6	.6	1.2
Net periodic cost	$ 31.6	$ 38.9	$ 18.9	$ 21.2

(Tabular dollars in millions, except per share amounts)

Six Months Ended June 30,	Pension Benefits 2004	Pension Benefits 2003	Postretirement Benefits 2004	Postretirement Benefits 2003
Components of net periodic cost:				
Service cost	$ 31.1	$ 29.1	$ 1.5	$ 1.3
Interest cost	162.1	172.8	36.0	40.2
Expected return on plan assets	(148.6)	(147.7)	(.5)	(1.0)
Amortization of transition obligation	.2	(.3)	—	—
Amortization of unrecognized prior service cost	.8	.8	(.4)	(.6)
Recognized actuarial loss	17.6	23.1	1.1	2.6
Net periodic cost	$ 63.2	$ 77.8	$ 37.7	$ 42.5

8) SHARE PURCHASE PROGRAM AND CASH DIVIDENDS

For the six months ended June 30, 2004, on a trade date basis, the Company purchased approximately 13.8 million shares of its Class B Common Stock for $565.8 million under its current $3.0 billion stock purchase program, of which $198.8 million was spent in the second quarter to purchase 4.9 million shares. In connection with the Company's planned separation of Blockbuster, the Company suspended its stock buyback program during the second quarter of 2004. The Company intends to resume and expand the program following the completion of the separation. For the six months ended June 30, 2003, the Company purchased approximately 5.4 million shares of its Class B Common Stock for $231.8 million. Since inception of this program in October 2002, a total of 40.7 million shares of Class B Common Stock have been purchased through June 30, 2004, for $1.7 billion, leaving $1.3 billion remaining under the $3.0 billion stock purchase program.

For the six months ended June 30, 2004, in order to maintain Viacom's consolidated tax position with Blockbuster, the Company purchased approximately 133,000 shares of Blockbuster Class A Common Stock for $2.4 million of which $.2 million was spent in the second quarter. For the six months ended June 30, 2003, the Company purchased approximately 95,000 shares of Blockbuster Class A Common Stock for $1.6 million.

On January 1, 2004, the Company paid $104.4 million to stockholders of record at the close of business on December 8, 2003 for the dividend declared in the fourth quarter of 2003. On April 1, 2004, the Company paid $103.8 million to stockholders of record at the close of business on February 27, 2004, for the dividend declared on January 28, 2004. On May 19, 2004, Viacom's Board of Directors declared a quarterly cash dividend of $.06 per share on Viacom Class A and Class B Common Stock. The dividend was paid July 1, 2004 to stockholders of record at the close of business on June 1, 2004.

9) COMMITMENTS AND CONTINGENCIES

Guarantees

The Company owns a 50% equity interest in United Cinemas International ("UCI"), which operates movie theaters in Europe, Latin America and Asia. As of June 30, 2004, the Company guaranteed approximately $310.2 million of UCI's debt obligations under a revolving credit facility, which expires in December 2004, and $178.6 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 $12.1 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, 2004 as they were provided by the Company prior to the adoption of FIN 45.

Additionally, the Company has indemnification obligations with respect to letters of credit and surety bonds primarily used as security against non-performance in the normal course of business. The outstanding letters of credit and surety bonds approximated $372.1 million at June 30, 2004 and are not recorded in the balance sheet as of June 30, 2004.

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 principally 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 micarta, a laminate used in commercial ships.

Claims are frequently filed and/or settled in large groups, which may make 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, 2004, the Company had pending approximately 116,180 asbestos claims, as compared with approximately 112,280 as of December 31, 2003 and approximately 116,200 as of June 30, 2003. Of the claims pending as of June 30, 2004, approximately 86,360 were pending in state courts, 27,260 in federal courts and approximately 2,560 were third party claims. During the second quarter of 2004, the Company received approximately 4,340 new claims and closed or moved to an inactive docket approximately 2,830 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 and other factors. To date, the Company has not been liable for any third party claims. The Company's total costs (recovery) for the years 2003 and 2002 for settlement and defense of asbestos claims after insurance recoveries and net of tax benefits were approximately $(8.7) million and $28.0 million, respectively. A portion of such costs relates to claims settled in prior years. If proceeds received in 2003 from commuted insurance policies were excluded from the Company's total costs in 2003, the Company's total costs after insurance recoveries and net of tax benefits would have been $56.6 million.

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 from time to time receives personal injury claims including toxic tort and product liability 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. In August 2003, the Fifth Circuit Court of Appeals affirmed the federal court judgment. The Supreme Court of the United States refused plaintiffs' petition for writ of certiorari in March 2004. 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. A director and certain officers of Blockbuster were also named as defendants. One of the plaintiffs dismissed her complaint. The remaining putative class actions were consolidated into one action styled *In re Blockbuster Inc. Securities Litigation*. The consolidated amended complaint, filed July 2003, claimed violations of the Securities Exchange Act of 1934 for the time period approximately between February and December 2002. It also generally alleged 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 sought unspecified compensatory damages. In April 2004, Blockbuster's motion to dismiss was granted by the United States District Court for the Northern District of Texas and the consolidated amended complaint was dismissed in its entirety, partially with prejudice and partially without prejudice. The court gave plaintiffs the opportunity to replead. Plaintiffs failed to replead and the entire case was dismissed with prejudice in June 2004. In February, March and April 2003, three shareholder derivative actions were filed, each arising from substantially similar operative facts. The action that was filed in February 2003 and pending in federal court in Texas was voluntarily dismissed in June 2004 in light of the dismissal of *In re Blockbuster Inc. Securities Litigation.* The other two actions have been consolidated into one action in Texas state court styled *In re Blockbuster Inc. Derivative Litigation*. This shareholder derivative action includes claims for breach of fiduciary duties for various time periods beginning in April 2002 and names certain Blockbuster officers and directors, some of whom are or were directors and/or executive officers of the Company, as individual defendants, and Blockbuster as a nominal defendant. The Company and Blockbuster believe the plaintiffs' positions are without merit and Blockbuster intends to vigorously defend this matter.

(Tabular dollars in millions, except per share amounts)

Other. In December 2002, Buena Vista Home Entertainment, Inc. filed a complaint in the 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 $120.0 million. Blockbuster has answered and asserted counterclaims for reformation and breach of contract. In July 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. The court reaffirmed its ruling when it denied Blockbuster's motion for reconsideration in February 2004. Blockbuster has several remaining defenses to the claims asserted by Buena Vista. Blockbuster and the Company believe the plaintiff's position is without merit, and intend 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.

Revenues generated between segments primarily reflect the licensing of feature films and television product to cable and broadcast networks, advertising sales and the sale of DVD and VHS releases of feature films to the Video segment. These transactions are recorded at fair market value as if the sales were made to third parties and are eliminated in consolidation. For the three months ended June 30, 2004, revenue eliminations were principally as follows: Entertainment $74.2 million, Television $135.6 million and Radio $6.8 million and for the three months ended June 30, 2003, revenue eliminations were principally as follows: Entertainment $69.5 million, Television $16.4 million, Cable Networks $22.4 million and Radio $8.3 million. For the six months ended June 30, 2004, revenue eliminations were principally as follows: Entertainment $164.3 million, Television $159.2 million and Radio $12.7 million. For the six months ended June 30, 2003, revenue eliminations were principally as follows: Entertainment $177.4 million, Television $38.4 million, Cable Networks $64.2 million and Radio $22.6 million.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Revenues:				
Cable Networks	$ 1,587.4	$ 1,348.5	$ 2,995.1	$ 2,516.7
Television	2,063.9	1,862.0	4,336.6	3,786.5
Radio	561.3	551.0	1,016.4	994.8
Outdoor	484.0	462.4	887.3	840.7
Entertainment	950.9	920.0	1,802.5	1,718.2
Video	1,421.2	1,392.2	2,924.3	2,910.0
Eliminations	(226.9)	(117.8)	(348.0)	(297.8)
Total Revenues	$ 6,841.8	$ 6,418.3	$ 13,614.2	$ 12,469.1

(Tabular dollars in millions, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Operating Income:				
Cable Networks	$ 607.9	$ 492.8	$ 1,143.4	$ 925.0
Television	528.1	392.2	863.8	634.8
Radio	266.5	266.0	465.7	456.6
Outdoor	77.6	78.3	91.4	103.7
Entertainment	67.8	72.2	101.2	93.7
Video	76.3	105.3	201.2	254.0
Segment total	1,624.2	1,406.8	2,866.7	2,467.8
Corporate expenses	(87.7)	(50.6)	(124.2)	(80.7)
Residual costs (a)	(28.5)	(36.6)	(56.9)	(73.2)
Eliminations	(60.9)	(4.1)	(59.0)	(11.6)
Total Operating Income	1,447.1	1,315.5	2,626.6	2,302.3
Interest expense	(182.7)	(195.8)	(367.2)	(389.3)
Interest income	3.7	3.9	9.1	7.6
Other items, net	31.4	8.5	19.8	20.9
Earnings before income taxes, equity in loss of affiliated companies, minority interest and cumulative effect of change in accounting principle	1,299.5	1,132.1	2,288.3	1,941.5
Provision for income taxes	(527.6)	(456.1)	(782.4)	(786.3)
Equity in loss of affiliated companies, net of tax	(8.4)	(2.4)	(10.5)	(2.4)
Minority interest, net of tax	(9.7)	(14.0)	(31.1)	(31.6)
Net earnings before cumulative effect of change in accounting principle	753.8	659.6	1,464.3	1,121.2
Cumulative effect of change in accounting principle, net of minority interest and tax	—	—	—	(18.5)
Net Earnings	$ 753.8	$ 659.6	$ 1,464.3	$ 1,102.7

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

(Tabular dollars in millions, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Depreciation and Amortization:				
Cable Networks	$ 63.5	$ 48.0	$ 121.0	$ 95.7
Television	37.9	37.0	73.3	74.0
Radio	8.5	7.0	15.8	13.9
Outdoor	56.5	54.7	110.7	106.9
Entertainment	33.2	32.5	65.1	62.4
Video	60.5	61.6	120.1	123.3
Corporate expenses	5.6	5.6	11.2	11.4
Total Depreciation and Amortization	$ 265.7	$ 246.4	$ 517.2	$ 487.6

	At June 30, 2004	At December 31, 2003
Total Assets:		
Cable Networks	$ 13,239.0	$ 13,186.2
Television	25,310.5	25,648.6
Radio	25,262.2	25,256.9
Outdoor	14,353.2	14,444.3
Entertainment	5,869.5	6,278.0
Video	4,758.2	4,826.8
Corporate	2,665.5	1,796.2
Eliminations	(1,786.6)	(1,588.5)
Total Assets	$ 89,671.5	$ 89,848.5

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Capital Expenditures:				
Cable Networks	$ 18.8	$ 19.6	$ 31.0	$ 33.0
Television	23.3	34.3	35.5	64.7
Radio	5.6	2.5	10.6	6.3
Outdoor	9.7	16.2	21.1	30.9
Entertainment	19.6	16.3	38.1	35.1
Video	59.4	32.1	109.1	55.8
Corporate	1.1	.5	4.1	3.6
Total Capital Expenditures	$ 137.5	$ 121.5	$ 249.5	$ 229.4

(Tabular dollars in millions, except per share amounts)

11) CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

Viacom International is a wholly owned subsidiary of the Company. Viacom International has fully and unconditionally guaranteed Viacom Inc.'s debt securities (see Note 6). 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, 2004				
	Viacom Inc.	Viacom International	Non-Guarantor Affiliates	Eliminations	Viacom Inc. Consolidated
Revenues	$ 54.5	$ 987.3	$ 5,939.9	$ (139.9)	$ 6,841.8
Expenses:					
Operating	22.0	300.6	3,593.6	(64.4)	3,851.8
Selling, general and administrative	40.5	312.6	928.9	(4.8)	1,277.2
Depreciation and amortization	1.3	25.7	238.7	—	265.7
Total expenses	63.8	638.9	4,761.2	(69.2)	5,394.7
Operating income (loss)	(9.3)	348.4	1,178.7	(70.7)	1,447.1
Interest expense, net	(187.8)	(51.5)	60.3	—	(179.0)
Other items, net	32.7	(.1)	23.6	(24.8)	31.4
Earnings (loss) before income taxes, equity in earnings (loss) of affiliated companies and minority interest	(164.4)	296.8	1,262.6	(95.5)	1,299.5
Benefit (provision) for income taxes	65.6	(115.7)	(477.5)	—	(527.6)
Equity in earnings (loss) of affiliated companies, net of tax	852.6	153.6	9.0	(1,023.6)	(8.4)
Minority interest, net of tax	—	—	(9.7)	—	(9.7)
Net earnings	$ 753.8	$ 334.7	$ 784.4	$ (1,119.1)	$ 753.8

(Tabular dollars in millions, except per share amounts)

	Statement of Operations for the Six Months Ended June 30, 2004				
	Viacom Inc.	Viacom International	Non-Guarantor Affiliates	Eliminations	Viacom Inc. Consolidated
Revenues	$ 102.8	$ 1,852.2	$ 11,808.2	$ (149.0)	$ 13,614.2
Expenses:					
Operating	42.2	586.2	7,590.1	(77.1)	8,141.4
Selling, general and administrative	77.3	528.3	1,730.9	(7.5)	2,329.0
Depreciation and amortization	2.6	50.6	464.0	—	517.2
Total expenses	122.1	1,165.1	9,785.0	(84.6)	10,987.6
Operating income (loss)	(19.3)	687.1	2,023.2	(64.4)	2,626.6
Interest expense, net	(376.1)	(103.1)	121.1	—	(358.1)
Other items, net	30.0	10.7	28.8	(49.7)	19.8
Earnings (loss) before income taxes, equity in earnings (loss) of affiliated companies and minority interest	(365.4)	594.7	2,173.1	(114.1)	2,288.3
Benefit (provision) for income taxes	145.8	(233.7)	(694.5)	—	(782.4)
Equity in earnings (loss) of affiliated companies, net of tax	1,683.9	419.3	7.3	(2,121.0)	(10.5)
Minority interest, net of tax	—	—	(31.1)	—	(31.1)
Net earnings	$ 1,464.3	$ 780.3	$ 1,454.8	$ (2,235.1)	$ 1,464.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Tabular dollars in millions, except per share amounts)

	Statement of Operations for the Three Months Ended June 30, 2003				
	Viacom Inc.	Viacom International	Non-Guarantor Affiliates	Eliminations	Viacom Inc. Consolidated
Revenues	$ 50.9	$ 855.9	$ 5,534.7	$ (23.2)	$ 6,418.3
Expenses:					
Operating	21.9	274.5	3,441.4	(21.9)	3,715.9
Selling, general and administrative	42.8	247.4	851.6	(1.3)	1,140.5
Depreciation and amortization	1.5	43.5	201.4	—	246.4
Total expenses	66.2	565.4	4,494.4	(23.2)	5,102.8
Operating income (loss)	(15.3)	290.5	1,040.3	—	1,315.5
Interest expense, net	(181.6)	(93.8)	83.5	—	(191.9)
Other items, net	(3.9)	5.1	7.3	—	8.5
Earnings (loss) before income taxes, equity in earnings (loss) of affiliated companies, minority interest	(200.8)	201.8	1,131.1	—	1,132.1
Benefit (provision) for income taxes	79.2	(80.8)	(454.5)	—	(456.1)
Equity in earnings (loss) of affiliated companies, net of tax	781.2	219.8	6.4	(1,009.8)	(2.4)
Minority interest, net of tax	—	—	(14.0)	—	(14.0)
Net earnings	$ 659.6	$ 340.8	$ 669.0	$ (1,009.8)	$ 659.6

(Tabular dollars in millions, except per share amounts)

	Statement of Operations for the Six Months Ended June 30, 2003				
	Viacom Inc.	Viacom International	Non-Guarantor Affiliates	Eliminations	Viacom Inc. Consolidated
Revenues	$ 92.0	$ 1,615.1	$ 10,821.3	$ (59.3)	$ 12,469.1
Expenses:					
Operating	41.1	537.5	7,069.9	(59.4)	7,589.1
Selling, general and administrative	92.8	410.0	1,596.3	(9.0)	2,090.1
Depreciation and amortization	2.7	61.9	423.0	—	487.6
Total expenses	136.6	1,009.4	9,089.2	(68.4)	10,166.8
Operating income (loss)	(44.6)	605.7	1,732.1	9.1	2,302.3
Interest expense, net	(360.9)	(178.7)	157.9	—	(381.7)
Other items, net	(8.4)	7.5	21.8	—	20.9
Earnings (loss) before income taxes, equity in earnings (loss) of affiliated companies, minority interest and cumulative effect of change in accounting principle	(413.9)	434.5	1,911.8	9.1	1,941.5
Benefit (provision) for income taxes	164.3	(173.4)	(777.2)	—	(786.3)
Equity in earnings (loss) of affiliated companies, net of tax	1,352.3	397.6	1.2	(1,753.5)	(2.4)
Minority interest, net of tax	—	—	(31.6)	—	(31.6)
Net earnings before cumulative effect of change in accounting principle	1,102.7	658.7	1,104.2	(1,744.4)	1,121.2
Cumulative effect of change in accounting principle, net of minority interest and tax	—	(3.3)	(15.2)	—	(18.5)
Net earnings	$ 1,102.7	$ 655.4	$ 1,089.0	$ (1,744.4)	$ 1,102.7

(Tabular dollars in millions, except per share amounts)

Balance Sheet at June 30, 2004

	Viacom Inc.	Viacom International	Non-Guarantor Affiliates	Eliminations	Viacom Inc. Consolidated
Assets					
Cash and cash equivalents	$ 1,000.6	$ 23.0	$ 689.7	$ —	$ 1,713.3
Receivables, net	43.5	579.0	3,345.2	(238.8)	3,728.9
Inventory	7.7	176.3	1,172.4	(107.6)	1,248.8
Prepaid expenses and other current assets	66.2	163.9	996.8	(1.9)	1,225.0
Total current assets	1,118.0	942.2	6,204.1	(348.3)	7,916.0
Property and equipment	50.8	787.8	9,943.5	—	10,782.1
Less accumulated depreciation and amortization	12.8	459.3	4,489.8	—	4,961.9
Net property and equipment	38.0	328.5	5,453.7	—	5,820.2
Inventory	13.6	1,250.8	3,497.0	(137.2)	4,624.2
Goodwill	100.3	627.5	56,161.1	—	56,888.9
Intangibles	—	4.6	12,488.3	(.3)	12,492.6
Investments in consolidated subsidiaries	69,437.6	15,728.4	—	(85,166.0)	—
Other assets	226.9	181.5	1,749.2	(228.0)	1,929.6
Total Assets	$ 70,934.4	$ 19,063.5	$ 85,553.4	$ (85,879.8)	$ 89,671.5
Liabilities and Stockholders' Equity					
Accounts payable	$ 4.0	$ 36.0	$ 903.3	$ (13.5)	$ 929.8
Accrued expenses and other	565.1	694.8	3,578.5	(131.2)	4,707.2
Participants' share, residuals and royalties payable	—	36.3	1,217.8	(90.4)	1,163.7
Current portion of long-term debt	—	9.7	114.5	—	124.2
Total current liabilities	569.1	776.8	5,814.1	(235.1)	6,924.9
Long-term debt	9,233.5	77.0	348.4	—	9,658.9
Other liabilities	(6,867.3)	9,400.3	113.3	5,824.0	8,470.3
Minority interest	—	—	652.0	—	652.0
Stockholders' Equity:					
Preferred Stock	—	—	128.2	(128.2)	—
Common Stock	22.8	122.8	1,162.3	(1,289.2)	18.7
Additional paid-in capital	65,914.7	1,924.1	92,863.5	(94,783.5)	65,918.8
Retained earnings	8,390.7	6,860.4	6,784.5	(17,636.7)	4,398.9
Accumulated other comprehensive income (loss)	(337.2)	(97.9)	43.1	12.9	(379.1)
	73,991.0	8,809.4	100,981.6	(113,824.7)	69,957.3
Less treasury stock, at cost	5,991.9	—	22,356.0	(22,356.0)	5,991.9
Total stockholders' equity	67,999.1	8,809.4	78,625.6	(91,468.7)	63,965.4
Total Liabilities and Stockholders' Equity	$ 70,934.4	$ 19,063.5	$ 85,553.4	$ (85,879.8)	$ 89,671.5

(Tabular dollars in millions, except per share amounts)

	Balance Sheet at December 31, 2003				
	Viacom Inc.	Viacom International	Non-Guarantor Affiliates	Eliminations	Viacom Inc. Consolidated
Assets					
Cash and cash equivalents	$ 212.5	$ 26.8	$ 611.4	$ —	$ 850.7
Receivables, net	43.6	632.9	3,894.1	(234.3)	4,336.3
Inventory	9.2	173.7	1,351.3	(89.8)	1,444.4
Prepaid expenses and other current assets	85.6	153.9	903.0	(37.6)	1,104.9
Total current assets	350.9	987.3	6,759.8	(361.7)	7,736.3
Property and equipment	49.3	723.8	9,855.5	—	10,628.6
Less accumulated depreciation and amortization	10.3	409.7	4,216.6	—	4,636.6
Net property and equipment	39.0	314.1	5,638.9	—	5,992.0
Inventory	17.8	1,130.2	3,530.2	(91.0)	4,587.2
Goodwill	100.3	627.5	56,329.0	—	57,056.8
Intangibles	—	4.1	12,407.7	—	12,411.8
Investments in consolidated subsidiaries	67,753.5	15,285.7	—	(83,039.2)	—
Other assets	177.5	158.6	1,976.1	(247.8)	2,064.4
Total Assets	$ 68,439.0	$ 18,507.5	$ 86,641.7	$ (83,739.7)	$ 89,848.5
Liabilities and Stockholders' Equity					
Accounts payable	$ 1.3	$ 42.0	$ 1,021.8	$ (11.2)	$ 1,053.9
Accrued expenses and other	601.9	750.4	3,991.5	(171.4)	5,172.4
Participants' share, residuals and royalties payable	—	40.3	1,214.3	(92.4)	1,162.2
Current portion of long-term debt	—	8.7	187.6	—	196.3
Total current liabilities	603.2	841.4	6,415.2	(275.0)	7,584.8
Long-term debt	9,293.0	35.8	421.6	(67.2)	9,683.2
Other liabilities	(8,666.9)	9,572.7	1,946.7	5,896.0	8,748.5
Minority interest	—	—	627.0	—	627.0
Stockholders' Equity:					
Preferred Stock	—	—	128.2	(128.2)	—
Common Stock	22.7	122.8	1,162.3	(1,289.2)	18.6
Additional paid-in capital	65,836.2	1,924.1	92,863.5	(94,783.5)	65,840.3
Retained earnings	7,183.4	6,080.1	5,335.5	(15,457.1)	3,141.9
Accumulated other comprehensive income (loss)	(388.0)	(69.4)	98.0	8.2	(351.2)
	72,654.3	8,057.6	99,587.5	(111,649.8)	68,649.6
Less treasury stock, at cost	5,444.6	—	22,356.3	(22,356.3)	5,444.6
Total stockholders' equity	67,209.7	8,057.6	77,231.2	(89,293.5)	63,205.0
Total Liabilities and Stockholders' Equity	$ 68,439.0	$ 18,507.5	$ 86,641.7	$ (83,739.7)	$ 89,848.5

(Tabular dollars in millions, except per share amounts)

	Statement of Cash Flows for the Six Months Ended June 30, 2004				
	Viacom Inc.	**Viacom International**	**Non-Guarantor Affiliates**	**Eliminations**	**Viacom Inc. Consolidated**
Net cash flow provided by (used for) operating activities	$ (923.8)	$ 503.6	$ 2,499.6	$ —	$ 2,079.4
Investing Activities:					
Capital expenditures	—	(23.1)	(226.4)	—	(249.5)
Acquisitions, net of cash acquired	(3.1)	(0.7)	(42.0)	—	(45.8)
Investments in and advances to affiliated companies	(1.4)	—	(8.2)	—	(9.6)
Proceeds from sale of investments	13.6	—	5.8	—	19.4
Proceeds from dispositions	—	—	10.4	—	10.4
Other, net	—	.5	—	—	.5
Net cash flow provided by (used for) investing activities	9.1	(23.3)	(260.4)	—	(274.6)
Financing Activities:					
Repayments to banks, including commercial paper, net	(24.5)	—	(50.6)	—	(75.1)
Repayment of notes and debentures	—	—	(22.3)	—	(22.3)
Proceeds from exercise of stock options	55.2	—	2.4	—	57.6
Purchase of Company common stock	(645.3)	—	—	—	(645.3)
Dividends	(208.2)	—	—	—	(208.2)
Payment of capital lease obligations	—	(6.0)	(37.9)	—	(43.9)
Increase (decrease) in intercompany payables	2,525.6	(478.1)	(2,047.5)	—	—
Other, net	—	—	(5.0)	—	(5.0)
Net cash flow provided by (used for) financing activities	1,702.8	(484. 1)	(2,160.9)	—	(942.2)
Net increase (decrease) in cash and cash equivalents	788.1	(3.8)	78.3	—	862.6
Cash and cash equivalents at beginning of period	212.5	26.8	611.4	—	850.7
Cash and cash equivalents at end of period	$ 1,000.6	$ 23.0	$ 689.7	$ —	$ 1,713.3

(Tabular dollars in millions, except per share amounts)

	Statement of Cash Flows for the Six Months Ended June 30, 2003				
	Viacom Inc.	Viacom International	Non-Guarantor Affiliates	Eliminations	Viacom Inc. Consolidated
Net cash flow provided by (used for) operating activities	$ (755.1)	$ 433.1	$ 2,032.7	$ —	$ 1,710.7
Investing Activities:					
Capital expenditures	—	(26.2)	(203.2)	—	(229.4)
Acquisitions, net of cash acquired	—	(1,212.0)	(60.0)	—	(1,272.0)
Investments in and advances to affiliated companies	(11.0)	(.8)	(19.7)	—	(31.5)
Proceeds from sale of investments	—	22.1	2.4	—	24.5
Proceeds from dispositions	—	—	.6	—	.6
Other, net	—	—	(1.0)	—	(1.0)
Net cash flow used for investing activities	(11.0)	(1,216.9)	(280.9)	—	(1,508.8)
Financing Activities:					
Repayments to banks, including commercial paper, net	(1.1)	—	(105.8)	—	(106.9)
Repayment of notes and debentures	(334.7)	—	(4.6)	—	(339.3)
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
Purchase of Company common stock	(266.0)	—	—	—	(266.0)
Payment of capital lease obligations	—	(6.9)	(57.2)	—	(64.1)
Increase (decrease) in intercompany payables	707.2	822.4	(1,529.6)	—	—
Other, net	—	—	(3.4)	—	(3.4)
Net cash flow provided by (used for) financing activities	926.8	815.5	(1,694.3)	—	48.0
Net increase in cash and cash equivalents	160.7	31.7	57.5	—	249.9
Cash and cash equivalents at beginning of period	236.9	48.4	346.1	—	631.4
Cash and cash equivalents at end of period	$ 397.6	$ 80.1	$ 403.6	$ —	$ 881.3

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 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, 2003.

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, MTV2 MUSIC TELEVISION, TV LAND, SPIKE TV, CMT: COUNTRY MUSIC TELEVISION and COMEDY CENTRAL; 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 23% and 22% to consolidated revenues for the three and six months ended June 30, 2004 respectively, and 21% and 20% for the three and six months ended June 30, 2003, 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 30% and 32% to consolidated revenues for the three and six months ended June 30, 2004 respectively, and 29% and 30% for the three and six months ended June 30, 2003, respectively.

- RADIO: The Radio segment owns and operates 185 radio stations in 41 U.S. markets through INFINITY RADIO. Radio revenues are generated primarily from advertising sales. Radio contributed 8% and 7% to consolidated revenues for the three and six months ended June 30, 2004 and 9% and 8% for the three and six months ended June 30, 2003, respectively.

- OUTDOOR: The Outdoor segment through VIACOM OUTDOOR displays advertising on media including billboards, transit shelters, buses, rail systems (in-car, station platforms and terminals), mall kiosks and stadium signage. Outdoor revenues are generated primarily from advertising sales. Outdoor contributed 7% to consolidated revenues for the three and six months ended June 30, 2004 and 2003.

- ENTERTAINMENT: The Entertainment segment includes PARAMOUNT PICTURES, which produces and distributes theatrical motion pictures; SIMON & SCHUSTER which publishes and distributes consumer books, under imprints such 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% and 13% to consolidated revenues for the three and six months ended June 30, 2004, respectively, and 14% for the three and six months ended June 30, 2003.

- VIDEO: The Video segment consists of an approximately 81.5% equity interest in Blockbuster Inc., which operates and franchises 8,974 BLOCKBUSTER video stores worldwide. Video revenues are generated primarily from its rental and retail sales of DVDs, videocassettes ("VHS") and games. Video contributed 21% to consolidated revenues for the three and six months ended June 30, 2004, and 22% and 23% for the three and six months ended June 30, 2003, respectively.

Consolidated Results of Operations

Three and Six Months Ended June 30, 2004 versus Three and Six Months Ended June 30, 2003

Revenues

For the three months ended June 30, 2004, revenues of $6.8 billion increased 7% from $6.4 billion and for the six months ended June 30, 2004, revenues of $13.6 billion increased 9% from $12.5 billion for the same prior-year period primarily driven by increases in advertising revenues, affiliate fees and rental/retail sales.

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, 2004 and 2003.

	Three Months Ended June 30,					
					Better/(Worse)	
Revenues by Type	2004	Percentage of Total	2003	Percentage of Total	$	%
Advertising sales	$ 3,384.2	49%	$ 3,056.6	48%	$ 327.6	11%
Rental/retail sales	1,399.2	20	1,370.2	21	29.0	2
Affiliate fees	656.2	10	596.9	9	59.3	10
Feature film exploitation	424.8	6	437.2	7	(12.4)	(3)
TV license fees	297.3	4	309.5	5	(12.2)	(4)
Other	680.1	11	647.9	10	32.2	5
Total Revenues	$ 6,841.8	100%	$ 6,418.3	100%	$ 423.5	7%

	Six Months Ended June 30,					
					Better/(Worse)	
Revenues by Type	2004	Percentage of Total	2003	Percentage of Total	$	%
Advertising sales	$ 6,631.1	49%	$ 5,743.0	46%	$ 888.1	15%
Rental/retail sales	2,881.1	21	2,864.6	23	16.5	1
Affiliate fees	1,293.4	10	1,179.7	10	113.7	10
Feature film exploitation	916.9	7	887.3	7	29.6	3
TV license fees	669.8	5	673.2	5	(3.4)	(1)
Other	1,221.9	8	1,121.3	9	100.6	9
Total Revenues	$ 13,614.2	100%	$ 12,469.1	100%	$ 1,145.1	9%

Advertising sales increased 11% for the second quarter of 2004 and 15% for the six months ended June 30, 2004 reflecting growth in all of the Company's segments which generate advertising revenues: Cable Networks, Television, Radio and Outdoor. Growth at Cable Networks was principally due to increased units sold and higher average domestic unit rates at MTVN and an increased number of units sold at BET. Growth in the Television segment reflected the strength of the CBS Network, which recorded double-digit rate increases in primetime. Outdoor advertising growth reflected an increase in U.S. Billboards of 5% for the second quarter and 2% for the six months and increases in Europe, primarily from favorable exchange rates, partially offset by declines in Mexico billboard sales and the U.S. transit business. Upon completion of the Company's planned separation of Blockbuster, the Company's advertising sales as a percentage of consolidated revenues would significantly increase.

Rental/retail sales for the three months ended June 30, 2004 increased 2% from the prior-year period reflecting a 17% increase in retail revenues partially offset by a 2% decline in rental revenues. The decline in rental revenues reflects weak rental traffic industry wide. Rental/retail revenues for the six months ended June 30, 2004 increased 1% reflecting a 14% increase in retail revenues offset by a 3% decline in rental revenues. Worldwide same store revenues declined 2.9% for the second quarter 2004 and 5.1% for the six-month period reflecting declines in same store domestic revenues of 4.6% and 7.5%, respectively, for the second quarter and six-month periods, partially offset by increases in international same store revenues of 1.9% and 2.4%, respectively.

Affiliate fees for the three and six months ended June 30, 2004 each increased 10% primarily driven by rate increases and subscriber growth at MTVN and BET partially offset by declines at SNI.

Feature film revenues decreased 3% for the second quarter 2004 compared to the same prior-year period primarily due to a decrease in worldwide theatrical and home entertainment revenues partially offset by increases in syndication and network revenues. For the six months ended June 30, 2004, Feature film revenues increased 3% compared to the prior-year period reflecting higher worldwide home entertainment, network and pay television revenues partially offset by lower worldwide theatrical and syndication revenues.

Television license fees for the three and six months ended June 30, 2004 decreased 4% and 1%, respectively, compared with the same prior-year periods. The decrease for the three- month period reflected lower network and pay television revenues due to a change in mix of available titles and shows in production.

Other revenues, which include revenues from publishing, theme park operations, movie theaters and consumer products, increased 5% and 9%, for the three and six months ended June 30, 2004, respectively. The increase for both periods primarily reflected increases in Publishing revenues of 11% and 7%, respectively, higher parks revenues primarily due to a 16% increase in attendance for both periods and increased revenues at MTVN associated with higher consumer product and home video revenues.

International Revenues

The Company generated approximately 18% of its consolidated revenues internationally, principally from Europe and Canada, for the three and six months ended June 30, 2004, and 18% and 17% internationally for the three and six months ended June 30, 2003, respectively.

	Three Months Ended June 30, 2004				Six Months Ended June 30, 2004			
	2004	% of Total	2003	% of Total	2004	% of Total	2003	% of Total
Europe	$ 739.8	61%	$ 677.9	58%	$ 1,505.8	61%	$ 1,266.9	59%
Canada	263.8	22	259.6	22	524.9	21	474.5	22
All other	208.6	17	225.1	20	428.8	18	418.9	19
Total International Revenues	$ 1,212.2	100%	$ 1,162.6	100%	$ 2,459.5	100%	$ 2,160.3	100%

Operating Expenses

The table below presents the Company's consolidated operating expenses by type:

	Three Months Ended June 30,					
					Better/(Worse)	
Operating Expenses by Type	2004	Percentage of Total	2003	Percentage of Total	$	%
Production and program rights amortization expenses	$ 1,744.2	45%	$ 1,688.2	46%	$ (56.0)	(3)%
Cost of rental/retail sales and other store operating expenses	1,078.9	28	1,051.3	28	(27.6)	(3)
Distribution expenses	246.6	7	258.5	7	11.9	5
Other	782.1	20	717.9	19	(64.2)	(9)
Total Operating Expenses	$ 3,851.8	100%	$ 3,715.9	100%	$ (135.9)	(4)%

	Six Months Ended June 30,					
					Better/(Worse)	
Operating Expenses by Type	2004	Percentage of Total	2003	Percentage of Total	$	%
Production and program rights amortization expenses	$ 3,917.6	48%	$ 3,517.8	46%	$ (399.8)	(11)%
Cost of rental/retail sales and other store operating expenses	2,191.6	27	2,178.3	29	(13.3)	(1)
Distribution expenses	587.4	7	581.6	8	(5.8)	(1)
Other	1,444.8	18	1,311.4	17	(133.4)	(10)
Total Operating Expenses	$ 8,141.4	100%	$ 7,589.1	100%	$ (552.3)	(7)%

For the three and six months ended June 30, 2004, operating expenses of $3.9 billion and $8.1 billion increased 4% and 7%, respectively, over operating expenses for the same prior-year periods.

Production and program rights amortization expense for the second quarter and six months ended June 30, 2004, increased 3% and 11%, respectively over the same prior-year periods. The increases in both periods primarily reflected higher costs for primetime series and movies and increased sports rights amortization at the broadcast networks. Also contributing to the increase was new programming at MTVN, the acquisition of Comedy Central in May 2003 and higher amortization of feature film production costs.

Costs of rental/retail sales and other video store operating expenses for the three and six months ended June 30, 2004, increased 3% and 1%, respectively. The increase primarily reflects an increase in rental/retail sales of 2% and 1%, respectively, for the three and six months ended June 30, 2004, an increase in the number of worldwide company-operated stores of 151 and the negative impact of foreign exchange rates.

Distribution expenses decreased 5% for the second quarter of 2004 and increased 1% for the six months ended June 30, 2004. The decrease for the second quarter primarily reflects lower duplication costs associated with a decrease in home entertainment revenues partially offset by increased advertising spending with third parties for feature films in theatrical release.

Other operating expenses increased 9% and 10% for the three and six months ended June 30, 2004, respectively, primarily reflecting higher Outdoor expenses of 6% and 11% from higher fixed costs in the transit business and higher billboard lease costs. Also contributing to the increase was higher costs for publishing and theater operations.

Selling, General and Administrative Expenses

Selling, general and administrative expenses, which include expenses incurred to provide back office support, occupancy, selling and marketing costs, increased 12% to $1.3 billion and 11% to $2.3 billion for the three and six months ended June 30, 2004, respectively. The increases primarily reflect severance charges of $56.2 million recorded in the second quarter of 2004 due to management changes. Also contributing to the increase is increased employee compensation and commissions, higher advertising and additional costs from Comedy Central, acquired in May 2003. These increases were partially offset by a decrease in pension and postretirement benefit costs of 16% for the three and six months ended June 30, 2004 due to higher pension plan asset performance partially offset by the impact of a reduction in the discount rate. Selling, general and administrative expenses as a percentage of revenues increased to 19% for the three months ended June 30, 2004 versus 18% for the same prior year period and remained relatively flat at 17% for the six months ended June 30, 2004 and 2003.

Depreciation and Amortization

For the three and six months ended June 30, 2004, depreciation and amortization increased 8% and 6%, respectively, primarily reflecting increases for cable transponders and leasehold improvements and outdoor advertising properties.

Interest Expense

For the three and six months ended June 30, 2004, interest expense decreased 7% and 6%, respectively, to $182.7 million and $367.2 million due to a reduction in debt including lower average commercial paper borrowings. The Company had approximately $9.8 billion and $10.7 billion of principal amount of debt outstanding (including current maturities) as of June 30, 2004 and 2003, respectively, at weighted average interest rates of 6.5% and 6.4%, respectively.

Interest Income

For the three months ended June 30, 2004, interest income decreased $.2 million to $3.7 million and for the six months ended June 30, 2004, increased $1.5 million to $9.1 million.

Other Items, Net

Other items, net of $31.4 million for the three months ended June 30, 2004 principally reflected a gain on the sale of investments of $37.0 million partially offset by losses of $3.7 million associated with securitizing trade receivables and foreign exchange losses of $1.8 million. For the six months ended June 30, 2004, Other items, net of $19.8 million principally reflected a gain on the sale of investments of $38.7 million and foreign exchange gains of $8.5 million partially offset by a non-cash charge of $20.1 million associated with other-than-temporary declines in the Company's investments and losses of $7.2 million associated with securitizing trade receivables.

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.

Provision for Income Taxes

The provision for income taxes represents federal, state and local, and foreign income taxes on earnings before income taxes. The Company's estimated effective tax rate decreased to 34.2% for the six months ended June 30, 2004 from 40.5% for the same prior-year period principally due to the recognition of a tax benefit from the resolution of the Company's federal income tax audit for the years 1997 through May 4, 2000. Excluding this tax benefit, the effective tax rate was 40.6% for the six months ended June 30, 2004.

Equity in Loss of Affiliated Companies, Net of Tax

Equity in loss of affiliated companies, net of tax, reflects the operating results of the Company's equity investments.

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.

Net Earnings

The Company reported net earnings of $753.8 million for the three months ended June 30, 2004 versus net earnings of $659.6 million for comparable prior-year period and net earnings of $1.5 billion for the six months ended June 30, 2004 as compared with net earnings of $1.1 billion for the six months ended June 30, 2003. The improvement in net earnings was due to revenue growth principally from increases in advertising revenues partially offset by increases in operating expenses and severance charges related to management changes recorded in the second quarter of 2004. Net earnings for the six months ended June 30, 2004 also included a tax benefit of $140.8 million from the resolution of the Company's federal income tax audit for the years 1997 through May 4, 2000.

Segment Results of Operations

The tables below present the Company's revenues, operating income and depreciation and amortization by segment, for the three and six months ended June 30, 2004 and 2003, respectively.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Revenues:				
Cable Networks	$ 1,587.4	$ 1,348.5	$ 2,995.1	$ 2,516.7
Television	2,063.9	1,862.0	4,336.6	3,786.5
Radio	561.3	551.0	1,016.4	994.8
Outdoor	484.0	462.4	887.3	840.7
Entertainment	950.9	920.0	1,802.5	1,718.2
Video	1,421.2	1,392.2	2,924.3	2,910.0
Eliminations	(226.9)	(117.8)	(348.0)	(297.8)
Total Revenues	$ 6,841.8	$ 6,418.3	$ 13,614.2	$ 12,469.1

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Operating Income:				
Cable Networks	$ 607.9	$ 492.8	$ 1,143.4	$ 925.0
Television[(a)]	528.1	392.2	863.8	634.8
Radio	266.5	266.0	465.7	456.6
Outdoor	77.6	78.3	91.4	103.7
Entertainment[(a)]	67.8	72.2	101.2	93.7
Video	76.3	105.3	201.2	254.0
Corporate expenses[(a)]	(87.7)	(50.6)	(124.2)	(80.7)
Residual costs[(b)]	(28.5)	(36.6)	(56.9)	(73.2)
Eliminations	(60.9)	(4.1)	(59.0)	(11.6)
Total Operating Income[(a)]	$ 1,447.1	$ 1,315.5	$ 2,626.6	$ 2,302.3

(a) 2004 total operating income includes severance charges of $56.2 million, reported as follows: Television ($10.4 million), Entertainment ($10.4 million) and Corporate expenses ($35.4 million).

(b) 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, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Depreciation and Amortization:				
Cable Networks	$ 63.5	$ 48.0	$ 121.0	$ 95.7
Television	37.9	37.0	73.3	74.0
Radio	8.5	7.0	15.8	13.9
Outdoor	56.5	54.7	110.7	106.9
Entertainment	33.2	32.5	65.1	62.4
Video	60.5	61.6	120.1	123.3
Corporate expenses	5.6	5.6	11.2	11.4
Total Depreciation and Amortization	$ 265.7	$ 246.4	$ 517.2	$ 487.6

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

(Contributed 23% and 22% to consolidated revenues for the three and six months ended June 30, 2004 versus 21% and 20% for the prior-year periods.)

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Revenues	$ 1,587.4	$ 1,348.5	$ 2,995.1	$ 2,516.7
Operating income (OI)	$ 607.9	$ 492.8	$ 1,143.4	$ 925.0
OI as a % of revenues	38%	37%	38%	37%
Depreciation and amortization	$ 63.5	$ 48.0	$ 121.0	$ 95.7
Capital expenditures	$ 18.8	$ 19.6	$ 31.0	$ 33.0

For the three and six months ended June 30, 2004, Cable Networks revenues increased 18% to $1.6 billion and 19% to $3.0 billion, respectively. Approximately 9% of Cable Networks revenues were generated from international regions of which approximately 72% came from Europe. Comedy Central, which was acquired in May 2003, contributed 6% and 7%, respectively, to Cable Networks second quarter and six month revenue growth.

The increase in Cable Networks revenues was principally driven by advertising revenue growth of 26% for the quarter and 29% for the six months. Advertising revenues at MTVN grew 27% for the three months and 30% for the six months reflecting an increase in the number of units sold and higher average unit rates at domestic channels. BET advertising revenues increased 23% and 20% for the three and six months, respectively, principally due to an increase in the number of units sold. Cable affiliate fees increased 8% for the quarter and 9% for the six months, driven by rate increases and subscriber growth at MTVN and BET, partially offset by declines at SNI of 5% and 3% for the quarter and six months, respectively. Other ancillary revenues for Cable Networks increased 17% for the three months ended June 30, 2004, benefiting from higher Nickelodeon consumer product licensing revenues and higher home video revenues from Comedy Central. For the six months, other ancillary revenues for Cable Networks increased 21%.

For the three and six months ended June 30, 2004, Cable Networks operating income increased 23% to $607.9 million and 24% to $1.1 billion, respectively, reflecting higher revenues partially offset by increased expenses. Operating expenses, principally comprised of programming and production costs for the cable channels, increased 17% for the quarter and 19% for the six months. Selling, general and administrative expenses increased 8% for the quarter and 10% for the six months. The increase in total expenses was principally driven by higher programming costs and sales-related costs, as well as the inclusion of Comedy Central, which contributed 6% and 7% to the total expense growth for the quarter and six months, respectively. For the six months, the total expense increase was partially offset by the reversal of previously established bad debt reserves that were no longer required. Total expenses, as a percentage of revenues, improved two percentage points for the quarter and one percentage point for the six months ended June 30, 2004.

In the second quarter of 2004, Cable Networks recorded restructuring charges of $4.6 million for the acquisition of Comedy Central, in addition to the $26.4 million of restructuring charges it recorded in the second quarter of 2003. The charges principally reflected $22.3 million of severance liabilities resulting from the acquisition of the remaining 50% of Comedy Central that the Company did not own 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 2003 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 30% and 32% to consolidated revenues for the three and six months ended June 30, 2004 versus 29% and 30% for the prior-year periods.)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Revenues	$ 2,063.9	$ 1,862.0	$ 4,336.6	$ 3,786.5
Operating income (OI)	$ 528.1	$ 392.2	$ 863.8	$ 634.8
OI as a % of revenues	26%	21%	20%	17%
Depreciation and amortization	$ 37.9	$ 37.0	$ 73.3	$ 74.0
Capital expenditures	$ 23.3	$ 34.3	$ 35.5	$ 64.7

For the three and six months ended June 30, 2004, Television revenues increased 11% to $2.1 billion and 15% to $4.3 billion, respectively. The revenue increases for the second quarter were 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 10% with a 12% increase in CBS primetime due to 15% average rate increases and double-digit pricing and ratings increase for the NCAA Men's Basketball Championship Tournament. For the quarter, the Stations group delivered 8% year-over-year advertising revenue growth due mainly to increased political spending and the strength of CBS Network ratings in primetime. For the six months ended June 30, 2004, CBS and UPN Networks combined delivered 18% advertising revenue growth led by 13% growth in CBS primetime with a 14% average rate increase. CBS Network and the Stations group advertising revenues benefited from the telecast of SUPER BOWL XXXVIII. For the six months, the Stations group advertising revenue increased 10% reflecting higher average unit rates.

Television revenues for the quarter and six months reflected increases in syndication revenues principally due to higher domestic syndication revenues. Domestic syndication revenues increased for the quarter primarily from the basic cable availability of STAR TREK: DEEP SPACE NINE. For the six months, syndication revenues benefited from the renewal by incumbent stations of EVERYBODY LOVES RAYMOND and from the renewal of an international licensing agreement for STAR TREK: THE NEXT GENERATION, STAR TREK: VOYAGER and STAR TREK: DEEP SPACE NINE.

For the three and six months ended June 30, 2004, Television operating income increased 35% and 36%, respectively principally due to the revenue increases noted above. Operating expenses, primarily comprised of production costs and programming expenses, increased 2% for the quarter and 9% for the six months, principally due to higher program rights amortization for sports events. Included in selling, general and administrative expenses was a severance charge of $10.4 million recorded in the second quarter related to a management change. Total expenses, as a percentage of revenues, decreased five percentage points for the quarter and three percentage points for the six months ended June 30, 2004 versus the comparable prior-year periods. Capital expenditures for the three and six months ended June 30, 2004 decreased as the prior-year's periods included the upgrade of broadcast equipment at the Stations group.

Radio *(Radio Stations)*

(Contributed 8% and 7% to consolidated revenues for the three and six months ended June 30, 2004 versus 9% and 8% for the prior-year periods.)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	**2003**	**2004**	**2003**
Revenues	$ 561.3	$ 551.0	$ 1,016.4	$ 994.8
Operating income (OI)	$ 266.5	$ 266.0	$ 465.7	$ 456.6
OI as a % of revenues	47%	48%	46%	46%
Depreciation and amortization	$ 8.5	$ 7.0	$ 15.8	$ 13.9
Capital expenditures	$ 5.6	$ 2.5	$ 10.6	$ 6.3

For the three and six months ended June 30, 2004, Radio revenues increased 2% to $561.3 million and $1.0 billion respectively. Radio's revenues are generated domestically from 185 radio stations. Radio advertising revenues increased 2% for the quarter and six months due to increased pricing partially offset by fewer units sold. Radio receives consideration for management services provided to Westwood One, an affiliated company. Revenues from these arrangements were approximately $16.4 million and $33.0 million for the three and six months ended June 30, 2004 versus $15.6 million and $33.5 million for the comparable prior-year periods.

Operating income was relatively flat at $266.5 million for the quarter and increased 2% to $465.7 million for the six months ended June 30, 2004 due to the revenue increases noted above. Operating expenses, which are primarily comprised of radio programming expenses including on-air talent and program rights and other production costs, increased 4% for the quarter and 6% for the six months ended June 30, 2004. Total expenses, as a percentage of revenues, increased one percentage point for the quarter and were unchanged for the six months ended June 30, 2004 versus the comparable prior-year periods. The Company's radio stations, along with the radio sector in general, are experiencing softness in advertising revenues. The Company expects this trend to continue through the end of the third quarter of 2004.

Outdoor *(Outdoor Advertising Properties)*

(Contributed 7% to consolidated revenues for each the three and six months ended June 30, 2004 and 2003.)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Revenues	$ 484.0	$ 462.4	$ 887.3	$ 840.7
Operating income (OI)	$ 77.6	$ 78.3	$ 91.4	$ 103.7
OI as a % of revenues	16%	17%	10%	12%
Depreciation and amortization	$ 56.5	$ 54.7	$ 110.7	$ 106.9
Capital expenditures	$ 9.7	$ 16.2	$ 21.1	$ 30.9

For the three and six months ended June 30, 2004, Outdoor revenues increased 5% to $484.0 million and 6% to $887.3 million. In the second quarter, revenue growth of 5% was driven by an 11% increase in Europe and a 5% increase in U.S. billboards, partially offset by the continued softness in U.S. transit and Mexico billboard sales. The growth in European revenues primarily reflected the continuing benefit of favorable exchange rates. The estimated total impact of exchange rate fluctuations for Outdoor revenues was $12.4 million in additional revenues for the three months ended June 30, 2004 versus the same period last year and $35.6 million in additional revenues for the first six months of 2004. Approximately 45% and 44% of Outdoor's revenues were generated from international regions, principally Europe, for the three months ended June 30, 2004 and 2003, respectively, while contributing 46% and 42% for the six months ended June 30, 2004 and 2003, respectively.

Operating income for the three and six months ended June 30, 2004 decreased 1% to $77.6 million and 12% to $91.4 million. The year-over-year decreases in operating income were driven by a 6% and 8% increase in total expenses for the three-and six-month periods, respectively, primarily due to higher fixed costs in the transit business. Total expenses as a percentage of revenues increased one percentage point for the quarter and two percentage points for the six months ended June 30, 2004.

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

(Contributed 14% and 13% to consolidated revenues for the three and six months ended June 30, 2004 versus 14% for both of the prior-year periods.)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Revenues	$ 950.9	$ 920.0	$ 1,802.5	$ 1,718.2
Operating income (OI)	$ 67.8	$ 72.2	$ 101.2	$ 93.7
OI as a % of revenues	7%	8%	6%	5%
Depreciation and amortization	$ 33.2	$ 32.5	$ 65.1	$ 62.4
Capital expenditures	$ 19.6	$ 16.3	$ 38.1	$ 35.1

For the three months ended June 30, 2004, Entertainment revenues increased 3% to $950.9 million principally reflecting higher revenues from Publishing, Parks and Theaters. For the six months ended June 30, 2004, Entertainment revenues increased 5% to $1.8 billion principally reflecting higher revenues from Publishing, Features, Parks and Theaters. Approximately 35% of Entertainment's revenues were generated from international regions, principally Europe and Canada.

Publishing revenues for the three-and six-month periods increased 11% and 7%, respectively, primarily due to the impact of several top-selling second quarter Adult Group titles including PLAN OF ATTACK by Bob Woodward, THE DARK TOWER VI – SONG OF SUSANNAH by Stephen King, THE ULTIMATE WEIGHT SOLUTION by Dr. Phil McGraw and ANGELS & DEMONS by Dan Brown. Parks revenues for both the three and six months increased 12% primarily due to a 16% increase in attendance for both periods partially offset by lower average per capita spending.

Theaters revenues for the three-month period increased 3% primarily due to a 4% increase in attendance, and revenues for the six-month period increased 9% primarily from the benefit of favorable foreign currency translation and higher average admission prices and per capita spending.

Features revenues decreased 1% for the three months primarily due to decreases in worldwide theatrical and home entertainment revenues, partially offset by increases in pay television, network and worldwide syndication revenues. Second quarter 2004 domestic theatrical releases included MEAN GIRLS, STEPFORD WIVES, and THE PRINCE AND ME. Domestic home entertainment revenues decreased primarily due to fewer titles released compared to the prior period while international home entertainment revenues increased slightly. Feature film license revenues from cable and broadcast networks, television syndication and pay television increased due to a change in mix of available titles.

Features revenues for the six months increased 2% primarily due to higher worldwide home entertainment, network and pay television revenues partially offset by lower worldwide theatrical and syndication revenues. Features also benefited from favorable foreign currency translation. Home entertainment revenues include domestic contributions from SCHOOL OF ROCK and PAYCHECK and international contributions from THE ITALIAN JOB and LARA CROFT TOMB RAIDER: THE CRADLE OF LIFE.

Entertainment's operating income for the three and six months ended June 30, 2004 decreased 6% to $67.8 million and increased 8% to $101.2 million, respectively, primarily due to the revenue items noted above partially offset by higher operating expenses. Operating expenses increased 4% for the three months and 5% for the six months primarily due to higher variable expenses at Parks and Publishing and higher feature film amortization, partially offset by lower Features distribution costs. Six month results also reflected higher theater operating expenses principally resulting from the negative impact of foreign exchange rates. Included in selling, general and administrative expenses was a $10.4 million severance charge recorded in the second quarter due to a management change. Total expenses, as a percentage of revenues, increased one percentage point for the quarter and were unchanged for the six months ended June 30, 2004 versus the comparable prior-year periods.

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

(Contributed 21% to consolidated revenues for the three and six months ended June 30, 2004 versus 22% for the three months ended June 2003 and 23% for the six months ended June 2003.)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Revenues	$ 1,421.2	$ 1,392.2	$ 2,924.3	$ 2,910.0
Operating income (OI)	$ 76.3	$ 105.3	$ 201.2	$ 254.0
OI as a % of revenues	5%	8%	7%	9%
Depreciation and amortization	$ 60.5	$ 61.6	$ 120.1	$ 123.3
Capital expenditures	$ 59.4	$ 32.1	$ 109.1	$ 55.8

For the three months ended June 30, 2004, revenues increased 2% to $1.4 billion primarily due to the impact of favorable foreign exchange rates and the addition of company-operated stores partially offset by a 2.9% decrease in worldwide same store revenues. The decrease in worldwide same store revenues reflected the continued decrease in both domestic and international same store rental revenues. International same store retail revenues increased 13.4% during the second quarter as a result of strong growth in both movie and game sales. Domestic revenues, which represent approximately 72% of total revenues, decreased 2% and international revenues, increased 15%.

For the six months ended June 30, 2004, revenues were flat at $2.9 billion primarily due to the impact of favorable foreign exchange rates and the addition of company-operated stores offset by a 5.1% decrease in worldwide same store revenues. The decrease in worldwide same store revenues reflected the continued decrease in both domestic and international same store rental revenues and a decrease in domestic same store retail revenues. Domestic revenues decreased 6% and international revenues increased 20%.

The rental market experienced lighter traffic industry-wide during the second quarter and six months ended June 30, 2004 as compared with the same prior-year periods as a result of continued competition from retail DVD sales.

Rental Revenues

For the three months ended June 30, 2004, rental revenues decreased 2% to $1.1 billion due to a decrease in rentals of movies, partially offset by an increase in game rentals. The following is a summary of rental revenues by product category:

	Three Months Ended June 30, 2004		2003	
	Revenues	Percentage of Total	Revenues	Percentage of Total
Movie rental:				
VHS	$ 183.4	17%	$ 370.6	34%
DVD	774.6	72	611.4	56
Total movie rental	958.0	89	982.0	90
Game rental	118.0	11	113.1	10
Total rental revenues	$ 1,076.0	100%	$ 1,095.1	100%

The decrease in rental revenues for the quarter was primarily due to a 5.0% decrease in worldwide same store rental revenues partially offset by the impact of favorable foreign exchange rates and a net increase of company-operated stores. The decrease in same store rental revenues occurred both domestically and internationally and was primarily the result of generally lighter traffic in the rental industry. The 27% increase in DVD rental revenues was more than offset by the continued decline in VHS rentals, down 51% during the quarter.

For the six months ended June 30, 2004, rental revenues decreased 2.8% to $2.2 billion due to a decrease in rentals of movies, partially offset by an increase in game rentals. The decrease in rental revenues for the six months was primarily due to a 6.7% decrease in worldwide same store rental revenues. The following is a summary of rental revenues by product category:

	Six Months Ended June 30, 2004		2003	
	Revenues	Percentage of Total	Revenues	Percentage of Total
Movie rental:				
VHS	$ 420.9	19%	$ 808.8	35%
DVD	1,562.4	70	1,241.7	54
Total movie rental	1,983.3	89	2,050.5	89
Game rental	243.7	11	240.1	11
Total rental revenues	$ 2,227.0	100%	$ 2,290.6	100%

Blockbuster believes that the size of the video rental market has contracted as a result of the simultaneous availability of rental and retail product, and expects the rental market to decline throughout 2004. To the extent that the home video rental industry experiences added competition due to the release of titles with more ownership appeal during the second half of 2004 or other factors cause rental trends to be weaker than anticipated, Blockbuster's total revenues for 2004 could be negatively impacted. However, Blockbuster estimates that the rental market will stabilize during 2005.

Retail Revenues

For the three months ended June 30, 2004, retail revenues increased 17% to $323.2 million due to sales growth of movies and games. The following is a summary of retail revenues by product category:

	Three Months Ended June 30, 2004		2003	
	Revenues	Percentage of Total	Revenues	Percentage of Total
Movie sales:				
VHS	$ 5.3	2%	$ 16.0	6%
DVD	135.8	42	107.3	39
Total movie sales	141.1	44	123.3	45
Game sales	88.7	27	58.5	21
General retail	93.4	29	93.3	34
Total retail revenues	$ 323.2	100%	$ 275.1	100%

The growth in retail revenues was due to the 5.8% increase in worldwide same store retail revenues, the impact of favorable foreign exchange rates, and the net addition of 151 company-operated stores. Same store retail revenues increase was driven by a 13.4% increase in international same store retail revenues and a .4% increase in domestic same store retail revenues.

For the six months ended June 30, 2004, retail revenues increased 14% to $654.1 million due to increased sales of movies, games and general retail. The increase in retail revenues was primarily due to the addition of company-operated stores, the impact of favorable foreign exchange rates and strong growth in international same store retail revenues, up 12.6%. The following is a summary of retail revenues by product category:

	Six Months Ended June 30, 2004		2003	
	Revenues	Percentage of Total	Revenues	Percentage of Total
Movie sales:				
VHS	$ 11.6	2%	$ 36.3	6%
DVD	273.3	42	226.5	40
Total movie sales	284.9	44	262.8	46
Game sales	172.1	26	120.9	21
General retail	197.1	30	190.3	33
Total retail revenues	$ 654.1	100%	$ 574.0	100%

For the three months ended June 30, 2004, gross margin increased to 61.3% from 60.6% as a result of an improvement in rental gross margin to 72.4% from 69.9%, reflecting lower overall rental product costs from improved product buying. Retail gross margin increased to 21.9% from 20.2% reflecting improved pricing and merchandising of retail games internationally as well as increased contribution of higher margin international game sales. For the six months ended June 2004, gross margin increased to 61.4% from 59.4% as a result of an improvement in rental gross margin to 72.1% from 68.9% and in retail gross margin to 22.5% from 18.6%.

For the three and six months ended June 30, 2004, operating income decreased 28% to $76.3 million from $105.3 million and 21% to $201.2 million from $254.0 million, respectively, as a result of higher advertising expenses and operating expenses associated with the negative impact of foreign exchange fluctuation, increased spending on new initiatives and an expanded store base partially offset by lower cost of sales for the six months. Blockbuster ended the second quarter of 2004 with 7,180 worldwide company-operated stores and 1,794 franchise stores.

For the full year 2004, Blockbuster expects to incur additional selling, general and administrative expenses of approximately $90 million as they develop and launch new initiatives. These costs will include incremental advertising costs and costs to make incremental improvements in systems and infrastructure. In the event Blockbuster decides to accelerate spending on new initiatives, operating expenses, including compensation and advertising expenses, could increase. While these factors will result in decreased operating income during 2004, Blockbuster believes that revenues and profits from these new initiatives will benefit them in the long-term by replacing declining movie rental revenues, adding incremental future revenues and supporting future profitability growth. This estimate does not reflect the potential impact on results of operations from incremental expenses associated with any divestiture of Blockbuster by Viacom.

Financial Position

Current assets increased $179.7 million to $7.9 billion at June 30, 2004 from $7.7 billion at December 31, 2003 primarily due to an $862.6 million increase in cash. This increase was partially offset by a $607.4 million decrease in receivables, due primarily to higher home entertainment receivables at December 31, 2003 as well as lower receivables at broadcast networks and a decrease in television inventory. The allowance for doubtful accounts as a percentage of receivables was 6.3% at June 30, 2004 compared with 6.4% at December 31, 2003.

Net property and equipment decreased $171.8 million from December 31, 2003 primarily reflecting depreciation expense of $467.5 million and foreign currency translation adjustments of $32.2 million, partially offset by capital expenditures of $249.5 million and an increase in capital leases of $83.8 million.

Current liabilities decreased to $6.9 billion at June 30, 2004 from $7.6 billion at December 31, 2003 due to decreases in accounts payable, accrued compensation and accrued expenses. The decrease in accounts payable was attributable primarily to a higher payable balance at December 31, 2003 due to the seasonality of the Company's rental/retail operations. The decrease in accrued compensation and accrued expenses reflected the timing of payments. Total long-term debt, including current maturities, decreased $96.4 million to $9.8 billion at June 30, 2004 principally reflecting the repayment of notes payable to banks. Minority interest of $652.0 million at June 30, 2004 increased $25.0 million from $627.0 million at December 31, 2003, principally reflecting operating results for Blockbuster for the six months ended June 30, 2004.

Cash Flows

Cash and equivalents increased by $862.6 million for the six months ended June 30, 2004. The change in cash and cash equivalents was as follows:

	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Cash provided by operating activities	$ 2,079.4	$ 1,710.7
Cash used for investing activities	(274.6)	(1,508.8)
Cash (used for) provided by financing activities	(942.2)	48.0
Increase in cash and cash equivalents	$ 862.6	$ 249.9

Operating Activities. Net cash flow from operating activities of $2.1 billion for the six months ended June 30, 2004 principally reflected net earnings of $1.5 billion adjusted for depreciation and amortization of $517.2 million. Cash flow from operations also reflected the change in assets and liabilities of $43.9 million, primarily reflecting decreases in receivables, inventory and increased program rights obligations for network television partially offset by decreases in accounts payable, accrued compensation and other accrued expenses. 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 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 timing of customer payments.

Cash paid for income taxes for the six months ended June 30, 2004 was $571.3 million versus $436.5 million for the six months ended June 30, 2003.

While the Company does not have direct access to Blockbuster's cash flow, should the Company complete the divestiture of Blockbuster in 2004, the Company's operating cash flow would decrease by the amount of Blockbuster's cash flow. For the six months ended June 30, 2004, Blockbuster's operating cash flow was approximately 5% of the Company's consolidated cash flow, reflecting the seasonality of the video business as well as increased spending by Blockbuster in 2004 for the development of new initiatives. For the year ended December 31, 2003, Blockbuster's operating cash flow was approximately 17% of the Company's consolidated cash flow.

Investing Activities. Net cash expenditures for investing activities of $274.6 million for the six months ended June 30, 2004 principally reflected capital expenditures of $249.5 million principally for video stores, construction of new park attractions, outdoor advertising structures and broadcasting equipment and acquisitions of $45.8 million, consisting primarily of the acquisitions of Outdoor businesses as well as Blockbuster's acquisition of a games retail chain. Net cash expenditures for investing activities of $1.5 billion for the six months ended June 30, 2003 principally reflected capital expenditures of $229.4 million and acquisitions of $1.3 billion primarily reflecting 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.

Financing Activities. Cash used for financing activities of $942.2 million for the six months ended June 30, 2004 principally reflected the purchase of Company common stock of $645.3 million, dividend payments of $208.2 million and the net repayment of bank debt of $75.1 million, partially offset by the proceeds from the exercise of stock options of $57.6 million. Cash provided by financing activities of $48.0 million for the six months ended June 30, 2003 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 common stock of $266.0 million and the net repayment of bank debt of $106.9 million.

Share Purchase Program and Cash Dividends

For the six months ended June 30, 2004, on a trade date basis, the Company purchased approximately 13.8 million shares of its Class B Common Stock for $565.8 million under its current $3.0 billion stock purchase program, of which $198.8 million was spent in the second quarter to purchase 4.9 million shares. In connection with the Company's planned separation of Blockbuster, the Company suspended its stock buyback program during the second quarter of 2004. The Company intends to resume and expand the program following the completion of the separation. For the six months ended June 30, 2003, the Company purchased approximately 5.4 million shares of its Class B Common Stock for $231.8 million. Since inception of this program in October 2002, a total of 40.7 million shares of Class B Common Stock have been purchased through June 30, 2004, for $1.7 billion, leaving $1.3 billion remaining under the $3.0 billion stock purchase program.

For the six months ended June 30, 2004, in order to maintain Viacom's consolidated tax position with Blockbuster, the Company purchased approximately 133,000 shares of Blockbuster Class A Common Stock for $2.4 million of which $.2 million was spent in the second quarter. For the six months ended June 30, 2003, the Company purchased approximately 95,000 shares of Blockbuster Class A Common Stock for $1.6 million.

On January 1, 2004, the Company paid $104.4 million to stockholders of record at the close of business on December 8, 2003 for the dividend declared in the fourth quarter of 2003. On April 1, 2004, the Company paid $103.8 million to stockholders of record at the close of business on February 27, 2004, for the dividend declared on January 28, 2004. On May 19, 2004, and on July 21, 2004, Viacom's Board of Directors declared a quarterly cash dividend of $.06 per share on Viacom Class A and Class B Common Stock. The May dividend of $103.4 million was paid on July 1, 2004 to stockholders of record at the close of business on June 1, 2004 and the July dividend is payable October 1, 2004 to stockholders of record at the close of business on August 31, 2004.

Capital Structure

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

	At June 30, 2004	At December 31, 2003
Notes payable to banks	$ 56.5	$ 107.2
Commercial paper	—	20.0
Senior debt (4.625%-8.875% due 2005-2051)	9,435.6	9,474.7
Senior subordinated debt (10.50% due 2009)	63.6	66.3
Other notes	3.2	26.0
Obligations under capital leases	426.2	387.0
Total Debt	9,985.1	10,081.2
Less current portion	124.2	196.3
Less discontinued operations debt (a)	202.0	201.7
Total Long-Term Debt	$ 9,658.9	$ 9,683.2

(a) Included in "Other liabilities" on the Consolidated Balance Sheets.

The Company's total debt presented above includes (i) an aggregate unamortized premium of $39.7 million and $41.4 million and (ii) the change in the carrying value of the debt, since inception, relating to fair value swaps of $10.1 million and $48.2 million for the periods ending June 30, 2004 and December 31, 2003, respectively.

The senior debt of Viacom Inc. is fully and unconditionally guaranteed by its wholly owned subsidiary, Viacom International Inc. ("Viacom International"). 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, 2004 was $115.8 million.

On July 15, 2004, the Company redeemed all of the outstanding Go Outdoor Systems Holdings S.A. 10.5% senior subordinated notes due 2009, at a redemption price equal to 105.25% of the principal amount.

On July 1, 2004, Blockbuster reduced the existing $600.0 million revolving line of credit to $300.0 million and extended the facility through the earlier of the closing of Blockbuster's new credit facility or December 31, 2004. Under this arrangement, on July 1, 2004, Blockbuster refinanced the remaining $50.0 million outstanding under the existing term loan with borrowings under the extended revolving line of credit.

During the second quarter of 2004, the Company entered into $300 million notional amount of swap agreements, which converted fixed debt obligations into variable rate debt obligations. The swaps mature on January 1, 2006 and the Company receives an interest rate of approximately 2.7%, while paying three month LIBOR on $150 million and receives an interest rate of approximately 3.6%, while paying six month LIBOR on $150 million.

During the first quarter of 2004, Blockbuster repaid $50.0 million under its credit agreement.

Accounts Receivable Securitization Programs

As of June 30, 2004, the Company had an aggregate of $1.0 billion 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 on the Company's Consolidated Balance Sheets. The Company enters into these arrangements because they provide an additional source of liquidity. Proceeds from these programs were used to reduce outstanding borrowings. The terms of the revolving securitization arrangements require that the receivable pools subject to the programs meet certain performance ratios. As of June 30, 2004, 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 ($1.7 billion at June 30, 2004), borrowing capacity under committed bank facilities (which consisted of unused revolving credit facilities, excluding Blockbuster's credit facility, of $4.28 billion at June 30, 2004), 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 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 future debt maturities in 2004 will be funded with cash and cash equivalents, cash flows generated from operating activities and other debt financing. 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 debt securities under the shelf registration statement.

Guarantees

The Company owns a 50% equity interest in United Cinemas International ("UCI"), which operates movie theaters in Europe, Latin America and Asia. As of June 30, 2004, the Company guaranteed approximately $310.2 million of UCI's debt obligations under a revolving credit facility, which expires in December 2004, and $178.6 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 $12.1 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, 2004 as they were provided by the Company prior to the adoption of FIN 45.

Additionally, the Company has indemnification obligations with respect to letters of credit and surety bonds primarily used as security against non-performance in the normal course of business. The outstanding letters of credit and surety bonds approximated $372.1 million at June 30, 2004 and are not recorded in the balance sheet as of June 30, 2004.

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 principally 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 micarta, a laminate used in commercial ships.

Claims are frequently filed and/or settled in large groups, which may make 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, 2004, the Company had pending approximately 116,180 asbestos claims, as compared with approximately 112,280 as of December 31, 2003 and approximately 116,200 as of June 30, 2003. Of the claims pending as of June 30, 2004, approximately 86,360 were pending in state courts, 27,260 in federal courts and approximately 2,560 were third party claims. During the second quarter of 2004, the Company received approximately 4,340 new claims and closed or moved to an inactive docket approximately 2,830 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 and other factors. To date, the Company has not been liable for any third party claims. The Company's total costs (recovery) for the years 2003 and 2002 for settlement and defense of asbestos claims after insurance recoveries and net of tax benefits were approximately $(8.7) million and $28.0 million, respectively. A portion of such costs relates to claims settled in prior years. If proceeds received in 2003 from commuted insurance policies were excluded from the Company's total costs in 2003, the Company's total costs after insurance recoveries and net of tax benefits would have been $56.6 million.

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, 2004. In a substantial number of the pending claims, the plaintiff has not yet 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 from time to time receives personal injury claims including toxic tort and product liability 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. In August 2003, the Fifth Circuit Court of Appeals affirmed the federal court judgment. The Supreme Court of the United States refused plaintiffs' petition for writ of certiorari in March 2004. 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. A director and certain officers of Blockbuster were also named as defendants. One of the plaintiffs dismissed her complaint. The remaining putative class actions were consolidated into one action styled *In re Blockbuster Inc. Securities Litigation*. The consolidated amended complaint, filed July 2003, claimed violations of the Securities Exchange Act of 1934 for the time period approximately between February and December 2002. It also generally alleged 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 sought unspecified compensatory damages. In April 2004, Blockbuster's motion to dismiss was granted by the United States District Court for the Northern District of Texas and the consolidated amended complaint was dismissed in its entirety, partially with prejudice and partially without prejudice. The court gave plaintiffs the opportunity to replead. Plaintiffs failed to replead and the entire case was dismissed with prejudice in June 2004. In February, March and April 2003, three shareholder derivative actions were filed, each arising from substantially similar operative facts. The action that was filed in February 2003 and pending in federal court in Texas was voluntarily dismissed in June 2004 in light of the dismissal of *In re Blockbuster Inc. Securities Litigation.* The other two actions have been consolidated into one action in Texas state court styled *In re Blockbuster Inc. Derivative Litigation*. This shareholder derivative action includes claims for breach of fiduciary duties for various time periods beginning in April 2002 and names certain Blockbuster officers and directors, some of whom are or were directors and/or executive officers of the Company, as individual defendants, and Blockbuster as a nominal defendant. The Company and Blockbuster believe the plaintiffs' positions are without merit and Blockbuster intends to vigorously defend this matter.

Other. In December 2002, Buena Vista Home Entertainment, Inc. filed a complaint in the 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 $120.0 million. Blockbuster has answered and asserted counterclaims for reformation and breach of contract. In July 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. The court reaffirmed its ruling when it denied Blockbuster's motion for reconsideration in February 2004. Blockbuster has several remaining defenses to the claims asserted by Buena Vista. Blockbuster and the Company believe the plaintiff's position is without merit, and intend 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.

Pending Transactions

On February 10, 2004, Viacom announced its intention to pursue the divestiture of its equity interest in Blockbuster. To accomplish the divestiture, Viacom intends to offer its stockholders the opportunity to exchange shares of Viacom Class A or Viacom Class B common stock for shares of Blockbuster common stock, subject to certain conditions (the "Split-Off"), resulting in a reduction of Viacom's outstanding shares. With respect to the Split-Off, which the Company expects to complete in October 2004, Blockbuster filed a Registration Statement on Form S-4 on June 18, 2004, and amended it on July 29, 2004. Viacom will also dispose of certain Blockbuster shares by other means prior to the Split-Off. Viacom intends to dispose of any Blockbuster shares it holds following the Split-Off by a pro-rata distribution of the remaining shares to its stockholders or by some other means of disposition. Prior to the Split-Off, Blockbuster anticipates paying a special distribution of approximately $905 million, or $5 per Blockbuster share, to holders of Blockbuster shares, including Blockbuster shares held by Viacom. Any difference between the fair market value of Blockbuster and its net book value at the time of the Split-Off will be recognized as a gain or loss for accounting purposes. In order to fund the anticipated special distribution and provide working capital for Blockbuster, a group of banks have committed to provide Blockbuster with senior secured credit facilities in the aggregate principal amount of $1.45 billion, subject to customary conditions. Blockbuster expects to issue public or private debt securities in lieu of a portion of the credit facilities.

On June 24, 2004, the Company announced that as part of its bid to acquire 100% of VIVA Media AG, it agreed to purchase the shares of 14 VIVA shareholders, who together hold a 75.8% ownership interest in the company. The Company intends to launch a public tender offer for all of the other outstanding shares of VIVA. The transaction is subject to regulatory approvals and customary conditions.

Recent Pronouncements

In January 2003, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" ("FIN 46") which was replaced in December 2003 by the issuance of FIN 46R ("FIN 46R"). FIN 46R explains how to identify variable interest entities ("VIEs") and how a company should assess its interests in a variable interest entity to decide whether to consolidate that entity. FIN 46R requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among parties involved. The provisions of FIN 46R were effective for special purpose entities (SPEs) as of December 31, 2003. The remaining provisions were effective as of January 1, 2004. The adoption of FIN 46R did not have a significant impact on the Company's consolidated financial position, results of operations or cash flows.

In May 2004, the FASB issued FASB Staff Position FAS 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act")" ("FSP 106-2") for employers that sponsor postretirement health care plans that provide prescription drug benefits. FSP 106-2 is effective for interim periods beginning after June 15, 2004 and requires certain disclosures regarding the effect of the federal subsidy provided by the Act. The implementation of FSP 106-2 is not expected to have a significant impact on the Company's consolidated financial position, results of operations or cash flows.

Related Parties

National Amusements, Inc. ("NAI") is a closely held corporation that beneficially owns the Company's Class A Common Stock, representing approximately 71% 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, 2004. 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, 2004 and June 30, 2003, respectively, NAI made payments to Paramount Pictures in the aggregate amount of $3.1 million and $5.1 million.

NAI and Mr. Redstone owned in the aggregate approximately 78% of the common stock of Midway Games Inc. ("Midway") as of June 30, 2004. Blockbuster purchases home video games from Midway and for the three months ended June 30, 2004 and 2003, these transactions totaled $3.8 million and $.7 million, respectively, and for the six months ended June 30, 2004 and 2003, these transactions totaled $4.9 million and $1.7 million, respectively. Additionally, the Company's cable networks sell advertising time to Midway and revenues from these transactions were $1.8 million and $.3 million for the three months ended June 30, 2004 and 2003, respectively, and $3.2 million and $.3 million for the six months ended June 30, 2004 and 2003, respectively.

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 revenue from the sale by Westwood One of Infinity's programming. In addition, Radio provides certain management services to Westwood One for which the Company receives a management fee. CBS Television and Cable Networks also enter into programming agreements with Westwood One. Revenues from these arrangements were approximately $21.6 million and $21.3 million for the three months ended June 30, 2004 and 2003, respectively and $44.5 million and $45.0 million for the six months ended June 30, 2004 and 2003, 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; that the Company may determine for market or other reasons not to effectuate the divestiture of Blockbuster; that a split-off of Blockbuster, if it does occur, may be taxable; 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 "Risk Factors" and "Cautionary Statement Concerning Forward-Looking Statements" in our Annual Report on Form 10-K for the year ended December 31, 2003. 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, 2003.

Item 4. Controls and Procedures.

The Company's chief executive officer and chief financial officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) or 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.

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

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

Blockbuster Securities Actions. As previously reported, 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. A director and certain officers of Blockbuster were also named as defendants. One of the plaintiffs dismissed her complaint. The remaining putative class actions were consolidated into one action styled *In re Blockbuster Inc. Securities Litigation*. The consolidated amended complaint, filed July 2003, claimed violations of the Securities Exchange Act of 1934 for the time period approximately between February and December 2002. It also generally alleged 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 sought unspecified compensatory damages. In April 2004, Blockbuster's motion to dismiss was granted by the United States District Court for the Northern District of Texas and the consolidated amended complaint was dismissed in its entirety, partially with prejudice and partially without prejudice. The court gave plaintiffs the opportunity to replead. Plaintiffs failed to replead and the entire case was dismissed with prejudice in June 2004. In February, March and April 2003, three shareholder derivative actions were filed, each arising from substantially similar operative facts. The action that was filed in February 2003 and pending in federal court in Texas was voluntarily dismissed in June 2004 in light of the dismissal of *In re Blockbuster Inc. Securities Litigation.* The other two actions have been consolidated into one action in Texas state court styled *In re Blockbuster Inc. Derivative Litigation*. This shareholder derivative action includes claims for breach of fiduciary duties for various time periods beginning in April 2002 and names certain Blockbuster officers and directors, some of whom are or were directors and/or executive officers of the Company, as individual defendants, and Blockbuster as a nominal defendant. The Company and Blockbuster believe the plaintiffs' positions are without merit and Blockbuster intends to vigorously defend this matter.

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities.

A summary of Viacom Inc.'s purchases of its Class B Common Stock during the three months ended June 30, 2004 under its $3.0 billion stock purchase program authorized by its Board of Directors in 2002 and publicly announced on October 10, 2002 is as follows:

(In millions, except per share amounts)	Total Number of Shares Purchased	Average Price Per Share	Authorization Remaining
March 31, 2004			$ 1,511
April 1, 2004 — April 30, 2004	4.9	$ 40.58	(199)
			1,312
May 1, 2004 — June 30, 2004	—	—	—
	4.9	$ 40.58	$ 1,312

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

The Annual Meeting of Stockholders of Viacom Inc. was held on May 19, 2004. The following matters were voted upon at the meeting: (i) the election of 15 directors, (ii) the ratification of the appointment of PricewaterhouseCoopers LLP to serve as independent auditor for Viacom Inc. for fiscal year 2004, (iii) the approval of the Viacom Inc. 2004 Long-Term Management Incentive Plan and (iv) the approval of the Amended and Restated Viacom Inc. 2000 Stock Option Plan for Outside Directors.

(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	121,353,345	4,566,672
David R. Andelman	122,561,135	3,358,882
Joseph A. Califano, Jr.	125,662,670	257,347
William S. Cohen	125,660,508	259,509
Philippe P. Dauman	122,550,665	3,369,351
Alan C. Greenberg	122,391,432	3,528,585
Mel Karmazin	122,862,693	3,057,324
Jan Leschly	124,742,538	1,177,478
David T. McLaughlin	125,176,356	743,661
Shari Redstone	121,851,067	4,068,949
Sumner M. Redstone	121,881,018	4,038,999
Frederic V. Salerno	121,802,965	4,117,052
William Schwartz	121,696,135	4,223,882
Patty Stonesifer	125,197,644	722,373
Robert D. Walter	125,689,198	230,818

(ii) The votes cast for, against or abstaining with respect to the ratification of the appointment of PricewaterhouseCoopers LLP to serve as independent auditor for Viacom Inc. for fiscal 2004 were as follows:

For:	Against:	Abstentions:
125,657,014	208,074	54,928

(iii) The votes cast for, against or abstaining and the broker non-votes with respect to the approval of the Viacom Inc. 2004 Long-Term Management Incentive Plan were as follows:

For:	Against:	Abstentions and Broker Non-Votes:
112,169,830	3,157,520	10,592,666

(iv) The votes cast for, against or abstaining and the broker non-votes with respect to the approval of the Amended and Restated Viacom Inc. 2000 Stock Option Plan for Outside Directors were as follows:

For:	Against:	Abstentions and Broker Non-Votes:
111,711,874	3,532,860	10,675,282

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

(a) ***Exhibits.***

Exhibit No.	Description of Document
(3)	**Articles of Incorporation and By-laws**
(a)	Amended and Restated Certificate of Incorporation of Viacom Inc., effective May 21, 2003 (incorporated by reference to Exhibit 3(a) to the Quarterly Report on Form 10-Q of Viacom Inc. for the quarter ended June 30, 2003) (File No. 001-09553).
(b)	Amended and Restated By-laws of Viacom Inc., adopted June 1, 2004 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Viacom Inc. dated June 1, 2004) (File No. 001-09553).
(c)	Amended and Restated By-laws of Viacom Inc., adopted June 1, 2004, 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).
	(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. 2004 Long-Term Management Incentive Plan (incorporated by reference to Annex B to the Definitive Proxy Statement on Schedule 14A of Viacom Inc. filed on April 15, 2004) (File No. 001-09553).
	(b)	Viacom Inc. 2000 Stock Option Plan for Outside Directors (as amended and restated through March 10, 2004) (incorporated by reference to Annex C to the Definitive Proxy Statement on Schedule 14A of Viacom Inc. filed on April 15, 2004) (File No. 001-09553).
	(c)	Employment Agreement dated July 1, 2004 by and between Viacom Inc. and Sumner M. Redstone (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Viacom Inc. dated July 22, 2004) (File No. 001-09553).
	(d)	Employment Agreement dated July 1, 2004 by and between Viacom Inc. and Thomas E. Freston (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of Viacom Inc. dated July 22, 2004) (File No. 001-09553).
	(e)	Employment Agreement dated July 1, 2004 by and between Viacom Inc. and Leslie Moonves (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K of Viacom Inc. dated July 22, 2004) (File No. 001-09553).
(12)		**Statement Regarding Computation of Ratios (filed herewith)**

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

On June 18, 2004, Viacom Inc. filed under Items 5 and 7 a Current Report on Form 8-K with respect to the joint announcement by Viacom and Blockbuster Inc. of the terms of their proposed separation.

On June 1, 2004, Viacom Inc. filed under Items 5 and 7 a Current Report on Form 8-K with respect to the announcement by the Board of Directors of Viacom that Tom Freston and Leslie Moonves were appointed Co-Presidents and Co-Chief Operating Officers of Viacom, to succeed Mel Karmazin who had resigned.

On April 22, 2004, Viacom Inc. furnished a Current Report on Form 8-K under Items 7 and 12 with respect to earnings information for the first quarter ended March 31, 2004.

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 6, 2004

/s/ Richard J. Bressler

Richard J. Bressler
Senior Executive Vice President
Chief Financial Officer

Date: August 6, 2004

/s/ Susan C. Gordon

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

EXHIBIT INDEX

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	(c)	Amended and Restated By-laws of Viacom Inc., adopted June 1, 2004, 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).
	(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. 2004 Long-Term Management Incentive Plan (incorporated by reference to Annex B to the Definitive Proxy Statement on Schedule 14A of Viacom Inc. filed on April 15, 2004) (File No. 001-09553).
	(b)	Viacom Inc. 2000 Stock Option Plan for Outside Directors (as amended and restated through March 10, 2004) (incorporated by reference to Annex C to the Definitive Proxy Statement on Schedule 14A of Viacom Inc. filed on April 15, 2004) (File No. 001-09553).

	(c)	Employment Agreement dated July 1, 2004 by and between Viacom Inc. and Sumner M. Redstone (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Viacom Inc. dated July 22, 2004) (File No. 001-09553).
	(d)	Employment Agreement dated July 1, 2004 by and between Viacom Inc. and Thomas E. Freston (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of Viacom Inc. dated July 22, 2004) (File No. 001-09553).
	(e)	Employment Agreement dated July 1, 2004 by and between Viacom Inc. and Leslie Moonves (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K of Viacom Inc. dated July 22, 2004) (File No. 001-09553).
(12)		**Statement Regarding Computation of Ratios (filed herewith)**
(31)		**Rule 13a-14(a)/15d-14(a) Certifications**
	(a)	Certification 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)	Certification 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).

Exhibit 3(c)

As of June 1, 2004

**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~~,~~ or 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% 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 theron 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.

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~~,~~ or the 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 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.

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.

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 Chief Executive Officer, one or more President and Chief Operating ~~Officer~~Officers, 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~~ shall be the chief executive officer 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.~~ shall have the general powers and duties of supervision, management and control of the business and affairs of the Corporation, subject to the control of the board of directors. The Chief Executive Officer shall perform the duties and exercise the powers incident to the office of Chief Executive Officer 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 or these by-laws.

~~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~~

THE PRESIDENT AND CHIEF OPERATING OFFICERS

Section 7. ~~(iii) substantially all of~~The President and Chief Operating Officers shall have full authority over the operations of the Corporation. The President and Chief Operating Officers shall consult with the Chief Executive Officer on all matters within their authority. The President and Chief Operating Officers shall, under the direction of the Chief Executive Officer, be responsible for the operations of the Corporation and shall have all the powers, rights, functions and responsibilities ~~typically~~normally exercised by a chief operating officer. The President and Chief Operating Officers shall have such other powers and perform such other duties as may from time to time be assigned to them by the Chief Executive Officer, the board of directors or these by-laws.

~~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~~Executive 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~~Executive 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~~Executive Officer.

THE TREASURER AND ASSISTANT TREASURERS

Section 11. The Treasurer, under the supervision of the ~~President and~~ Chief ~~Operating~~Executive 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 depositaries 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~~Executive Officer or the board of directors, taking proper vouchers for such disbursements, and subject to the supervision of the ~~President and~~ Chief ~~Operating~~Executive 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~~Executive 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~~Executive Officer may deem appropriate. The ~~President and~~ Chief ~~Operating~~Executive 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~~,~~ or the 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.

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 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.

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.

Exhibit 12

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,		Twelve Months Ended December 31,				
	2004	2003	2003	2002	2001	2000	1999
Earnings (loss) before income taxes	$ 2,288.0	$ 1,941.5	$ 2,861.2	$ 3,734.2	$ 776.3	$ 560.6	$ 780.0
Add:							
Distributions from affiliated companies	12.4	26.8	37.7	39.7	55.6	48.3	26.4
Interest expense, net of capitalized interest	367.0	388.7	774.9	847.2	968.6	821.8	448.9
Capitalized interest amortized	—	—	—	—	—	2.2	5.7
1/3 of rental expense	207.2	199.2	332.6	317.2	332.5	279.4	200.6
Total Earnings	$ 2,874.6	$ 2,556.2	$ 4,006.4	$ 4,938.3	$ 2,133.0	$ 1,712.3	$ 1,461.6
Fixed charges:							
Interest expense, net of capitalized interest	$ 367.0	$ 388.7	$ 774.9	$ 847.2	$ 968.6	$ 821.8	$ 448.9
1/3 of rental expense	207.2	199.2	332.6	317.2	332.5	279.4	200.6
Total fixed charges	$ 574.2	$ 587.9	$ 1,107.5	$ 1,164.4	$ 1,301.1	$ 1,101.2	$ 649.5
Preferred Stock dividend requirements	—	—	—	—	—	—	0.8
Total fixed charges and Preferred Stock dividend requirements	$ 574.2	$ 587.9	$ 1,107.5	$ 1,164.4	$ 1,301.1	$ 1,101.2	$ 650.3
Ratio of earnings to fixed charges	5.0x	4.3x	3.6x	4.2x	1.6x	1.6x	2.3x
Ratio of earnings to combined fixed charges and Preferred Stock dividend requirements	5.0x	4.3x	3.6x	4.2x	1.6x	1.6x	2.2x

Exhibit 31(a)

CERTIFICATION

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 6, 2004

/s/ SUMNER M. REDSTONE

Sumner M. Redstone
Chairman and Chief Executive Officer

Exhibit 31(b)

CERTIFICATION

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 6, 2004

/s/ RICHARD J. BRESSLER

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

Exhibit 32(a)

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, 2004 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

Sumner M. Redstone
August 6, 2004

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.

Exhibit 32(b)

**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, 2004 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

Richard J. Bressler
August 6, 2004

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.