

# VIACOM NEWS

## **VIACOM REPORTS THIRD QUARTER 2001 RESULTS**

- **Pro Forma Revenues of \$5.7 Billion Include Increases in Four of Six Operating Segments**
- **Pro Forma EBITDA of \$1.3 Billion Led by Growth of 19% in Cable Networks and Video Segments**
- **Pro Forma Free Cash Flow Total of \$883 Million, or \$.50 Per Share; Equals 66% of EBITDA for 2001 Third Quarter**
- **Company Remains On Track for a Record 2001; Free Cash Flow Will Approach \$3.0 Billion for Full Year**

New York, New York, October 24, 2001 – Viacom Inc. (NYSE: VIA and VIA.B) today reported results for the third quarter ended September 30, 2001.

For the 2001 third quarter, Viacom recorded pro forma revenues of \$5.71 billion and pro forma EBITDA (earnings before interest, taxes, depreciation and amortization) of \$1.33 billion, excluding the previously announced, primarily non-cash Blockbuster charge of \$353 million. Pro forma free cash flow for the 2001 third quarter was \$883 million, or \$.50 per share. Viacom's pro forma results for the third quarter of 2001 were led by EBITDA growth of 19% in the Cable Networks and Video segments.

For the nine months ended September 30, 2001, Viacom recorded pro forma revenues of \$17.17 billion, pro forma EBITDA of \$3.85 billion and pro forma free cash flow of \$2.47 billion, or \$1.40 per share. Pro forma results principally reflect the CBS merger, the acquisitions of the remaining interests of Infinity and UPN and the acquisition of BET as if they had occurred on January 1, 2000. Pro forma results are also adjusted to exclude the third quarter 2001 Blockbuster charge and the second quarter 2000 merger-related charge.

As previously announced on September 19, Viacom's third quarter and nine-month results were impacted by lower revenues and increased costs from the events of September 11. The Company experienced significant loss of revenue and additional news costs during the 93 hours of continuous news coverage on CBS, as well as lost revenue from the cancellation and rescheduling of programming and the delay of the fall broadcast season.

Sumner M. Redstone, Chairman and Chief Executive Officer of Viacom, said, "I am extremely proud of all of our employees and how Viacom mobilized its vast resources to respond to the public need for information and aid following the events of September 11. Considering the fact that we have operated in the worst economic environment seen in decades, Viacom's achievements are nothing less than extraordinary. Despite the significant economic impact of September 11 and subsequent events, our businesses and our balance sheet remain exceptionally strong. Viacom's third quarter results demonstrate the strength of our assets, the breadth of our leading brands and the talent and commitment of our management team. In 2001 and the years ahead, Viacom will continue to create wealth for stockholders through internal growth, accretive acquisitions in core segments and share purchase programs."

Mel Karmazin, President and Chief Operating Officer of Viacom, said, "Viacom will have a record year in 2001 and approach \$3.0 billion in free cash flow, significant achievements in light of the extraordinary business challenges that emerged in the latter half of the year. We continue to aggressively run the Company for optimum free cash flow, taking advantage of our low capital expenditure requirements, combined with our continuing focus on cost control and revenue enhancement in every business unit. We also continue to press our brand and sales leadership advantage in every area to maximize revenues and capture share. As a result, we continue to demonstrate our ability to overcome short-term economic challenges. For the third quarter of 2001, excluding the Blockbuster charge, our free cash flow totaled 66% of EBITDA and, over the first nine months of the year, reached a total of \$2.40 billion. Looking forward, we are confident that this continued focus on free cash flow and our leadership positions across major media platforms will enable us to quickly reap the rewards of resurgence in the economy."

For the third quarter of 2001, Viacom reported revenues of \$5.71 billion, EBITDA of \$977 million and free cash flow of \$591 million, or \$.33 per share, versus revenues of \$5.81 billion, EBITDA of \$1.44 billion and free cash flow of \$922 million, or \$.61 per share, for the prior year period. For the nine months ended September 30, 2001, Viacom reported revenues of \$17.18 billion, EBITDA of \$3.49 billion and free cash flow of \$2.11 billion, or \$1.23 per share, versus revenues of \$13.69 billion, EBITDA of \$2.18 billion and free cash flow of \$1.29 billion, or \$1.14 per share, for the nine months ended September 30, 2000.

Viacom reported a net loss of \$190 million, or a loss of \$.11 per share, for the third quarter and a net loss of \$181 million, or a loss of \$.11 per share, for the nine months ended September 30, 2001. Viacom's reported results for 2001 include the Blockbuster charge principally related to the elimination of less-productive VHS tapes as part of the transition from VHS to the higher margin DVD rental market and a change in amortization. Excluding the impact of the Blockbuster charge, the Company reported a net loss of \$9 million, or a loss of \$.01 per share, for the third

quarter, and net earnings of \$0.2 million for the nine months ended September 30, 2001. For 2000, Viacom reported third quarter net earnings of \$33 million, or \$.02 per share, and a net loss before cumulative effect of the change in accounting principle of \$394 million, or a loss of \$.35 per share, for the nine month period.

### Business Outlook

The Company believes that, if current economic trends continue, 2001 pro forma EBITDA will be slightly higher than full year 2000 EBITDA of \$5.0 billion and that it has the ability to achieve double-digit EBITDA growth in 2002.

### Segment Results (Third Quarter 2001 versus Third Quarter 2000)

The table below presents third quarter 2001 and 2000 Revenues and EBITDA on a reported and pro forma basis.

(dollars in millions)	Third Quarter					
	Reported			Pro Forma		
	2001	2000	B/(W)%	2001	2000	B/(W)%
<b>Revenues:</b>						
Cable Networks	\$ 1,096.6	\$ 1,021.2	7%	\$ 1,096.4	\$ 1,009.4	9%
Television	1,585.2	1,712.8	(7)	1,585.2	1,687.9	(6)
Infinity	910.3	1,025.8	(11)	910.0	1,013.5	(10)
Entertainment	796.8	786.3	1	796.8	786.3	1
Video	1,264.7	1,193.8	6	1,264.7	1,193.8	6
Publishing	183.6	167.0	10	183.6	167.0	10
Segment Revenues	5,837.2	5,906.9	(1)	5,836.7	5,857.9	—
Intercompany eliminations	(123.4)	(96.1)	(28)	(123.4)	(86.0)	(43)
<b>Total Revenues</b>	<b>\$ 5,713.8</b>	<b>\$ 5,810.8</b>	<b>(2)%</b>	<b>\$5,713.3</b>	<b>\$ 5,771.9</b>	<b>(1)%</b>
<b>EBITDA:</b>						
Cable Networks	\$ 470.2	\$ 400.8	17%	\$ 471.6	\$ 395.3	19%
Television	282.6	341.1	(17)	282.6	348.4	(19)
Infinity	373.1	468.3	(20)	373.1	457.1	(18)
Entertainment	92.8	174.9	(47)	92.8	174.9	(47)
Video (excluding charge)	142.3	119.1	19	142.3	119.1	19
Publishing	22.4	27.6	(19)	22.4	27.6	(19)
Segment EBITDA (excluding Video charge)	1,383.4	1,531.8	(10)	1,384.8	1,522.4	(9)
Corporate expenses/eliminations	(32.8)	(62.6)	48	(32.8)	(62.6)	48
Residual costs of discontinued operations	(21.0)	(29.0)	28	(21.0)	(29.0)	28
<b>Total EBITDA (excluding Video charge)</b>	<b>1,329.6</b>	<b>1,440.2</b>	<b>(8)</b>	<b>1,331.0</b>	<b>1,430.8</b>	<b>(7)</b>
Video charge	(352.7)	—	NM	—	—	NM
<b>Total EBITDA</b>	<b>\$ 976.9</b>	<b>\$ 1,440.2</b>	<b>(32)%</b>	<b>\$ 1,331.0</b>	<b>\$ 1,430.8</b>	<b>(7)%</b>

NM – not meaningful

Pro forma results for third quarter 2000 principally reflect the acquisition of the remaining interests of Infinity and the acquisition of BET, and the deconsolidation of iWon.com, which was previously a minority-owned consolidated subsidiary, as if they had occurred on January 1, 2000. Pro forma results are also adjusted to exclude the third quarter 2001 Blockbuster charge and transactions with divested investments.

**Cable Networks** (*MTV Networks (MTVN) including MTV, VH1, Nickelodeon, Nick at Nite, TV Land, TNN: The National Network and CMT; BET; and Showtime Networks Inc.*)

Cable Networks' pro forma revenues and EBITDA were \$1.10 billion and \$472 million for 2001 third quarter, versus pro forma revenues and EBITDA of \$1.01 billion and \$395 million in the prior year's third quarter. Higher revenues and EBITDA principally reflect growth in cable affiliate fees, DBS revenues and double-digit advertising revenue gains at MTV, VH1, TV Land and BET. *The 2001 MTV Video Music Awards* aired in September and averaged more than 10 million viewers, ranking it as the No. 1 cable entertainment program for 2001 among households and the second most watched MTV Video Music Awards in the channel's history. Showtime subscriptions increased 16% over the prior year by approximately 4.1 million to 29.6 million subscriptions at September 30, 2001.

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

Television recorded pro forma revenues of \$1.59 billion and pro forma EBITDA of \$283 million for the 2001 third quarter, versus pro forma revenues of \$1.69 billion and pro forma EBITDA of \$348 million for the comparable prior year quarter. Revenue and EBITDA shortfalls were primarily the result of continuing softness in the advertising market and the impact of the events of September 11. The CBS Network ran sustained news coverage from Tuesday, September 11 through Friday, September 14, which resulted in lower revenue and higher newsgathering costs. The CBS Network also incurred several preemptions to regular scheduled programming, further impacting revenue and newsgathering costs. Television's results were partially offset by the strong performance of continuing network and first-run syndication shows, including Paramount Television Group's *Frasier*, *Judge Judy*, *Judge Joe Brown*, *7th Heaven*, *Ed* and *That's Life*, and the syndication availability of *Everybody Loves Raymond*. Prior year's third quarter benefited from a robust advertising market generated by the tail end of the technology boom.

The CBS Network had 11 time-period winning programs during premiere week in September with *Everybody Loves Raymond*, *JAG* and *King of Queens*. The premiere of *The Education of Max Bickford* won its time period in households, viewers and adults 25-54, while posting significant time period increases versus last year's comparable time period. *The Guardian* is the most-watched and highest-rated new drama of the season. UPN's premiere of *Enterprise*, the latest installment in the *Star Trek* series, reached 12.5 million viewers over its two-hour premiere, making the night the second-biggest in UPN's nearly seven-year history. The debut of *Buffy the Vampire Slayer* on UPN delivered the series best-ever ratings among adults 18-34 and UPN scored its highest Tuesday primetime across all key male and female demos.

**Infinity** (*Radio Stations, Outdoor Advertising Properties*)

Infinity recorded pro forma revenues of \$910 million and pro forma EBITDA of \$373 million for the 2001 third quarter, versus pro forma revenues of \$1.01 billion and pro forma EBITDA of \$457 million for the prior year's third quarter, reflecting reduced revenues due to the events of September 11, continuing softness in the advertising market and lower demand from the technology sector. Infinity continues to be a leader in market share and was No. 1 in radio revenue billings in seven of the top 10 markets.

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

Entertainment reported revenues of \$797 million and EBITDA of \$93 million versus revenues of \$786 million and EBITDA of \$175 million in the prior year's third quarter, principally reflecting higher Features and Theaters revenues. Paramount's successful domestic theatrical releases in the third quarter included *The Score*, *Rat Race*, *Hardball* and *Zoolander*. Features' revenues were led by higher domestic home video revenues, which included contributions from *Along Came A Spider*, *Enemy at the Gates* and *Down to Earth*. Higher Theaters' revenues were driven by higher per-capita spending and slightly higher attendance. Entertainment's lower EBITDA for the quarter principally reflects higher advertising costs attributable to the increased number of pictures in theatrical release.

**Video** (*Blockbuster*)

Video's revenues of \$1.26 billion increased from \$1.19 billion and pro forma EBITDA of \$142 million, excluding the primarily non-cash charge, increased from \$119 million, principally due to higher worldwide same store sales and an increase in the number of company-operated stores. Worldwide same store sales, including rental and retail product, increased 4.9%. On a pro forma basis, Blockbuster's gross profit margins were 59.9% for 2001 third quarter, versus 60.5% in the third quarter of 2000. Blockbuster's pro forma free cash flow grew to \$86 million from \$37 million from the comparable prior year's quarter, as a result of lower capital expenditures, continued growth in the business and enhanced profitability. Blockbuster ended the third quarter of 2001 with 7,851 company-owned and franchise stores, a net increase of 332 stores over the third quarter of 2000, of which 34 company-owned stores were added in the third quarter 2001. Viacom owns approximately 82% of Blockbuster (NYSE: BBI).

In the third quarter, as previously announced, Blockbuster eliminated approximately 25% of its VHS library, and selected video games, as part of a dramatic re-merchandising of its stores to accommodate in-store

DVD expansion. Additionally, Blockbuster reduced the residual value of VHS rental inventory and games to approximately \$2 and \$5 per unit, respectively, to reflect the rapid shift in consumer demand from VHS to DVD and the evolution in game platforms. Blockbuster also changed the amortization period of its VHS library from 36 months to nine months. As a result of these actions, Blockbuster recorded a pre-tax primarily non-cash charge of \$356 million, of which \$353 million impacted EBITDA. Approximately \$320 million of the charge is related to both the reduction of inventory and the change in accounting estimates and approximately \$9 million is related to incremental expenses associated with the execution of the re-merchandising and management structure changes. The charge also includes approximately \$27 million related to proposed legal settlements. As previously reported, an additional primarily non-cash charge of approximately \$50 million will be recorded in the fourth quarter, principally related to changes in accounting estimates.

**Publishing** (*Simon & Schuster*)

Publishing's revenues of \$184 million increased from \$167 million, principally due to increased sales in the Trade, Pocket Books and Children's divisions. Publishing reported EBITDA of \$22 million, versus \$28 million in the comparable prior year period due to higher information systems costs in the current year. Publishing has benefited from the continuing success of *John Adams* by David McCullough, which was No. 1 on the *New York Times* nonfiction hardcover best-seller list for 13 weeks through September 30 and 17 weeks overall. Other best-selling titles in the third quarter included *The Wild Blue* by Stephen Ambrose and *Heartbreaker* by Julie Garwood.

**Corporate Expenses/Eliminations**

Corporate expenses, excluding intersegment profit eliminations, decreased 20% to \$37 million, principally due to effective cost containment measures.

## Nine Months Ended September 30,

(dollars in millions)	Reported			Pro Forma		
	2001	2000	B/(W)%	2001	2000	B/(W)%
<b>Revenues:</b>						
Cable Networks	\$ 3,141.0	\$ 2,753.5	14%	\$ 3,127.0	\$ 2,906.8	8%
Television	5,242.4	3,466.6	51	5,242.4	5,191.3	1
Infinity	2,731.3	1,698.4	61	2,729.8	2,913.0	(6)
Entertainment	2,164.8	2,057.6	5	2,164.8	2,057.6	5
Video	3,798.6	3,619.3	5	3,798.6	3,619.3	5
Publishing	454.9	413.0	10	454.9	413.0	10
Segment Revenues	17,533.0	14,008.4	25	17,517.5	17,101.0	2
Intercompany eliminations	(350.1)	(320.9)	(9)	(350.1)	(303.6)	(15)
<b>Total Revenues</b>	<b>\$ 17,182.9</b>	<b>\$ 13,687.5</b>	<b>26%</b>	<b>\$ 17,167.4</b>	<b>\$ 16,797.4</b>	<b>2%</b>
<b>EBITDA:</b>						
Cable Networks	\$ 1,218.3	\$ 922.5	32%	\$ 1,231.3	\$ 1,016.3	21%
Television	958.1	622.9	54	958.1	949.7	1
Infinity	1,132.6	792.4	43	1,131.2	1,254.0	(10)
Entertainment	288.6	344.0	(16)	288.6	344.0	(16)
Video (excluding charge)	421.2	382.6	10	421.2	382.6	10
Publishing	33.8	34.4	(2)	33.8	34.4	(2)
Segment EBITDA (excluding Video charge)	4,052.6	3,098.8	31	4,064.2	3,981.0	2
Corporate expenses/eliminations	(149.6)	(868.6)	83	(149.6)	(237.5)	37
Residual costs of discontinued operations	(62.8)	(47.6)	(32)	(62.8)	(90.9)	31
<b>Total EBITDA (excluding Video charge)</b>	<b>3,840.2</b>	<b>2,182.6</b>	<b>76</b>	<b>3,851.8</b>	<b>3,652.6</b>	<b>5</b>
Video charge	(352.7)	—	NM	—	—	NM
<b>Total EBITDA</b>	<b>\$ 3,487.5</b>	<b>\$ 2,182.6</b>	<b>60%</b>	<b>\$ 3,851.8</b>	<b>\$ 3,652.6</b>	<b>5%</b>

NM – not meaningful

Pro forma results principally reflect the CBS merger, the acquisitions of the remaining interests of Infinity and UPN and the acquisition of BET, and the deconsolidation of iWon.com, which was previously a minority-owned consolidated subsidiary, as if they had occurred on January 1, 2000. Pro forma results are also adjusted to exclude the third quarter 2001 Blockbuster charge, the second quarter 2000 merger-related charge and transactions with divested investments.

### Other Matters

For the nine months ended September 30, 2001, the Company repurchased approximately 18.1 million shares of the Company's Class B common stock for approximately \$779 million under its stock repurchase programs, of which \$347 million was spent in the third quarter.

Viacom is a leading global media company, with preeminent positions in broadcast and cable television, radio, outdoor advertising, and online. With programming that appeals to audiences in every demographic category across virtually all media, the company is a leader in the creation, promotion, and distribution of entertainment, news, sports, and music. Viacom's well-known brands include CBS, MTV, Nickelodeon, VH1, BET, Paramount Pictures, Viacom Outdoor, Infinity, UPN, TNN: The National Network, CMT: Country Music Television, Showtime, Blockbuster and Simon & Schuster. More information about Viacom and its businesses is available at <http://www.viacom.com>.

**Cautionary Statement Concerning Forward-looking Statements**

*This document contains both historical and forward-looking statements. All statements, including Business Outlook, other than statements of historical fact are, or may be deemed to be, forward-looking statements within the meaning of section 27A of the Securities Act of 1933 and section 21E of the Securities Exchange Act of 1934. These forward-looking statements are not based on historical facts, but rather reflect the Company's current expectations concerning future results and events. Similarly, statements that describe our objectives, plans or goals are or may be forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be different from any future results, performance and achievements expressed or implied by these statements. The following important factors, among others, could affect future results, causing these results to differ materially from those expressed in our forward-looking statements: the reaction of consumers, viewers, advertisers, and the economy generally to the events of September 11, including, among other things, the impact on viewership of the Company's programming and the potential for future events of national significance to cause further disruptions in the Company's businesses; 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 and the outcome of related court cases; other economic, business, competitive and/or regulatory factors affecting the Company's businesses generally; and other factors described in the Company's previous press releases and filings made under the securities laws. The forward-looking statements included in this document are made only as of the date of this document and under section 27A of the Securities Act and section 21E of the Exchange Act, we do not have any obligation to publicly update any forward-looking statements to reflect subsequent events or circumstances.*

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**VIACOM INC. AND SUBSIDIARIES**  
**CONDENSED STATEMENTS OF OPERATIONS**  
(Unaudited; all amounts, except per share amounts, are in millions)

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
<b>Revenues</b>	\$ 5,713.8	\$ 5,810.8	\$ 17,182.9	\$ 13,687.5
Operating income	\$ 193.7	\$ 759.9	\$ 1,183.2	\$ 722.1
Other income (expense):				
Interest expense, net	(220.0)	(231.7)	(720.7)	(524.2)
Other items, net	(28.3)	0.5	(36.1)	(14.5)
<b>Earnings (loss) before income taxes</b>	(54.6)	528.7	426.4	183.4
Provision for income taxes	(169.4)	(424.2)	(607.6)	(470.2)
Equity in loss of affiliated companies, net of tax	(7.7)	(44.0)	(41.9)	(71.4)
Minority interest, net of tax	41.3	(27.1)	42.1	(36.0)
<b>Net earnings (loss) before cumulative effect of change in accounting principle</b>	(190.4)	33.4	(181.0)	(394.2)
Cumulative effect of change in accounting principle, net of tax	—	—	—	(452.3)
<b>Net earnings (loss)</b>	\$ (190.4)	\$ 33.4	\$ (181.0)	\$ (846.5)
<b>Basic and diluted earnings (loss) per common share:</b>				
Net earnings (loss) before cumulative effect of change in accounting principle	\$ (0.11)	\$ 0.02	\$ (0.11)	\$ (0.35)
Net earnings (loss)	\$ (0.11)	\$ 0.02	\$ (0.11)	\$ (0.75)
<b>Weighted average number of common shares:</b>				
Basic	1,768.0	1,503.7	1,722.2	1,133.7
Diluted	1,768.0	1,544.5	1,722.2	1,133.7
<i>Basic earnings per share excluding charges and cumulative effect of change in accounting principle</i>	\$ (0.01)	\$ 0.02	\$ —	\$ 0.10