GENERAL MILLS INC
Form 4
July 02, 2015

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

OMB Number:	3235-0287
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
OGrady Shawn P

(Last) (First) (Middle)

NUMBER ONE GENERAL MILLS BOULEVARD

(Street)

MINNEAPOLIS, MN 55426

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
GENERAL MILLS INC [GIS]

3. Date of Earliest Transaction (Month/Day/Year)
06/30/2015

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Senior Vice President

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	06/30/2015		A		3,095 (1)	A	$ 0	125,748.0864	D	
Common Stock	06/30/2015		A		1,328 (1)	A	$ 0	127,076.0864	D	
Common Stock	06/30/2015		A		1,005 (1)	A	$ 0	80,378.0472	I	by Spouse
Common Stock	06/30/2015		A		3,859 (1)	A	$ 0	84,237.0472	I	by Spouse
Common Stock								9,874	I	by Trust (2)
								7,316	I	

Common Stock	by Trust 1 (3)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amou Underlying Secur (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Am or Nu of S
Non-Qualified Stock Option (right to buy)	$ 55.72	06/30/2015		A		30,950		06/30/2019	07/30/2025	Common Stock	30
Non-Qualified Stock Option (right to buy)	$ 55.72	06/30/2015		A		19,293		06/30/2019	07/30/2025	Common Stock	19

Reporting Owners

Reporting Owner Name / Address	Relationships: Director	10% Owner	Officer	Other
OGrady Shawn P NUMBER ONE GENERAL MILLS BOULEVARD MINNEAPOLIS, MN 55426			Senior Vice President	

Signatures

By: Christopher A Rauschl For: Shawn P O'Grady	07/02/2015
**Signature of Reporting Person	Date

Explanation of Responses:

***** If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

****** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Award of restricted stock units that vest on June 30, 2019.

(2) Held in Trust by the Trustee of the General Mills Savings Plan.

(3) Held in Trust for the benefit of the reporting person's spouse by the Trustee of the General Mills Savings Plan.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. nd acquired works. The following logos and trademarks and related trademark families are among those strongly identified with the product lines they represent and are significant assets of the Company: VIACOM®, BLOCKBUSTER®, CBS®, CBS ENTERTAINMENT , CBS NEWS , CBS SPORTS , UPN®, INFINITY RADIO®, VIACOM OUTDOOR , BET®, CMT®: COUNTRY MUSIC TELEVISION™, MTV MUSIC TELEVISION®, NICK AT NITE®, NICKELODEON®, THE NEW TNN: THE NATIONAL NETWORK®, TV LAND®, VH1 MUSIC FIRST®, PARAMOUNT®, FAMOUS MUSIC®, SPELLING TELEVISION®, BIG TICKET TELEVISION®, VIACOM PRODUCTIONS™, KING WORLD®, PARAMOUNT PARKS®, ENTERTAINMENT TONIGHT®, STAR TREK®, SHOWTIME®, THE MOVIE CHANNEL , FLIX®, SIMON & SCHUSTER® and POCKET BOOKS .

Employees and Labor Matters

At December 31, 2001, the Company employed approximately 122,770 people, of which approximately 60,100 were full-time salaried employees.

Financial Information About Segments and Foreign and Domestic Operations

Financial and other information by segment and relating to foreign and domestic operations for each of the last three years ending December 31, is set forth in Note 15 to the Consolidated Financial Statements.

Cautionary Statement Concerning Forward-Looking Statements

This document and the documents incorporated by reference into this Form 10-K, contain 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 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. More information about these risks, uncertainties and other factors is set forth on pages II-32 to II-34 of "Management's Discussion and Analysis of Results of Operations and Financial Condition." The Company does not have any obligation to publicly update any forward-looking statements to reflect subsequent events or circumstances.

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Item 2. ***Properties.***

The Company maintains its world headquarters at 1515 Broadway, New York, New York, where it rents approximately 1.2 million square feet for executive offices and certain of its operating divisions. The lease for the majority of the space runs to 2010, with four renewal options for five years each thereafter. The Company also leases the following major facilities in New York City for certain of its operating divisions: (a) approximately 548,000 square feet of office space at 1633 Broadway, New York, New York, which lease runs to 2010, and (b) approximately 237,000 square feet of office space at 1230 Avenue of the Americas, New York, New York, which lease runs to 2009. The Company owns the building located at 51 West 52nd Street New York, New York containing approximately 900,000 square feet which is utilized for executive and certain operating division offices or is leased to third parties, and the CBS Broadcast Center complex located on approximately 3.7 acres at 524 West 57th Street and consists of approximately 860,000 square feet. The Company also owns 3 studio facilities in California: (a) the Paramount Pictures studio at 5555 Melrose Avenue, Los Angeles, California, located on approximately 65 acres, (b) the CBS Studio Center at 4204 Radford Avenue, Studio City, California, located on approximately 40 acres, and (c) CBS Television City at 7800 Beverly Boulevard, Los Angeles, California, located on approximately 11 acres. PARAMOUNT PARKS' operations in the U.S. include approximately 1,950 acres owned and 108 acres leased and in Canada include approximately 380 acres owned. BLOCKBUSTER's headquarters at 1201 Elm Street, Dallas, Texas consists of approximately 240,000 square feet of leased space and its distribution center in McKinney, Texas consists of approximately 850,000 square feet of leased space.

The Company also owns and leases office, studio, retail and warehouse space, broadcast, antenna and satellite transmission facilities and outdoor advertising throughout the U.S., Canada and several countries around the world for its businesses. The Company considers its properties adequate for its present needs.

Item 3. ***Legal Proceedings.***

Antitrust. The Company, Blockbuster and Paramount Home Entertainment are among the defendants in a lawsuit filed on July 21, 1999 in the United States District Court for the Western District of Texas by one former and three present independent video retailers against the major motion picture studios and the Company. The plaintiffs, purporting to act as class representatives on behalf of themselves and all others similarly situated, alleged that the Company and the studios conspired among themselves and with Blockbuster to restrain competition in the nationwide market for distribution of videocassettes for rental to the public in violation of federal and California law. Plaintiffs sought injunctive relief under federal law as well as triple the amount of the alleged actual damages to themselves and those similarly situated under California statutes. In January 2001, plaintiffs moved to withdraw their California state law claims from the federal lawsuit in Texas and filed a substantially similar complaint with approximately 200 additional named plaintiffs in Superior Court for the County of Los Angeles. This complaint also sought certification of a nationwide class of similarly situated plaintiffs. In March 2001, the Texas court denied the plaintiffs' motion for class certification of both the federal and the California state law claims in the federal action and denied the plaintiffs' motion to withdraw their California state law claims from that action. On January 8, 2002, the California court also denied plaintiffs' motion for class certification. The Company believes that the plaintiffs' position in these litigations is without merit and intends to defend itself vigorously in the litigations.

Asbestos and Environmental. The Company is a defendant in lawsuits claiming various asbestos-related personal injuries, which allegedly occurred as a result of exposure caused by various products manufactured by Westinghouse, a predecessor, generally prior to the early 1970s. Westinghouse was neither a producer nor a manufacturer of asbestos. The Company is typically named as one of a large number of defendants in both state and federal cases. In the majority of 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 typically are both filed and settled in large groups, which makes the amount and timing of settlements, and the number of pending claims, subject to significant fluctuation from period to period. As of December 31, 2001, the Company had pending approximately 106,000 asbestos claims, as compared to approximately 100,000 as of December 31, 2000 and 121,000 as of December 31, 1999. Of the claims pending as of December 31, 2001, approximately 75,000 were pending in state courts, 22,000 in federal court and approximately 9,000 were third party claims. During 2001, the Company received approximately 60,000 new claims and closed approximately the same number of 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 in 2001 for settlement and defense of asbestos claims after insurance recoveries and net of tax benefits, were approximately $21 million. A portion of such costs relates to claims settled in prior years.

Filings include claims for individuals suffering from mesothelioma, a rare cancer which is allegedly caused solely 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. Only a very small percentage of the Company's pending asbestos claims that identify the alleged injury contain allegations that the plaintiff's exposure to asbestos resulted in cancer; in recent filings in which the Company knows the nature of the claimed injury, the percentage of cancer claims has been declining significantly. In more than 50% of the 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.

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.

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 the above-described legal matters are not likely to have a material adverse effect on its results of operations, financial position or cash flows. (See Item 7. "Management's Discussion and Analysis of Results of Operations and Financial Condition.")

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

Not Applicable

Executive Officers of the Company

Set forth below is certain information concerning the executive officers of the Company.

Name	Age	Title
Sumner M. Redstone	78	Chairman of the Board of Directors and Chief Executive Officer
Mel Karmazin	58	President and Chief Operating Officer and Director
Richard J. Bressler	44	Senior Executive Vice President and Chief Financial Officer
Carl D. Folta	44	Senior Vice President, Corporate Relations
Robert G. Freedline	44	Vice President and Treasurer
Michael D. Fricklas	42	Executive Vice President, General Counsel and Secretary
Susan C. Gordon	48	Vice President, Controller and Chief Accounting Officer
Carol A. Melton	47	Senior Vice President, Government Affairs
William A. Roskin	59	Senior Vice President, Human Resources and Administration
Martin M. Shea	58	Senior Vice President, Investor Relations

None of the executive officers of the Company is related to any other executive officer or director by blood, marriage or adoption except that Brent D. Redstone and Shari Redstone, Directors of the Company, are the son and daughter, respectively, of Sumner M. Redstone.

Mr. Redstone has been a Director of the Company since 1986 and Chairman of the Board since 1987, acquiring the additional title of Chief Executive Officer in January 1996. Mr. Redstone has served as Chief Executive Officer of NAI since 1967, and continues to serve in such capacity; he has also served as Chairman of the Board of NAI since 1986. Mr. Redstone was President of NAI from 1967 through 1999. Mr. Redstone became a Director of Blockbuster in 1999. He is a member of the Advisory Council for the Academy of Television Arts and Sciences Foundation and on the Board of Trustees for The Museum of Television and Radio. Mr. Redstone served as the first Chairman of the Board of the National Association of Theatre Owners, and is currently a member of the Executive Committee of that organization. Since 1982, Mr. Redstone has been a member of the faculty of Boston University Law School, where he has lectured on entertainment law, and since 1994, he has been a Visiting Professor at Brandeis University. He has also been a frequent lecturer at colleges, including Harvard Law School. In 1944, Mr. Redstone graduated from Harvard University and, in 1947, received an LL.B. from Harvard University School of Law. Upon graduation, he served as Law Secretary with the U.S. Court of Appeals, and then as a Special Assistant to the U.S. Attorney General.

Mr. Karmazin has been President and Chief Operating Officer of the Company and a member of the Board of Directors since May 2000. He became a Director of Blockbuster in May 2000. Mr. Karmazin served as President and Chief Executive Officer of CBS Corporation from January 1999 until May 2000, and President and Chief Operating Officer from April 1998 through December 1998. Mr. Karmazin also served as Chairman, President and Chief Executive Officer of Infinity Broadcasting Corporation from December 1998, the time of Infinity's most recent initial public offering, until its public shares were acquired by the Company. Mr. Karmazin joined CBS in December 1996 as Chairman and Chief Executive Officer of CBS Radio and served as Chairman and Chief Executive Officer of the CBS Station Group (Radio and Television) from May 1997 to April 1998. Prior to joining CBS, Mr. Karmazin served as President and Chief Executive Officer of Infinity Broadcasting Corporation from 1981 to December 1996. Mr. Karmazin is Vice Chairman of the Board of Trustees for The Museum of Television and Radio and serves on the Board of Directors of the New York Stock Exchange, Inc. and Westwood One, Inc.

Mr. Bressler has been Senior Executive Vice President and Chief Financial Officer since May 2001. He became a Director of Blockbuster in May 2001. Before joining the Company, Mr. Bressler was Executive Vice President of AOL Time Warner Inc. and Chief Executive Officer of AOL Time Warner Investments. Prior to that, Mr. Bressler served in various capacities with Time Warner Inc., including as Chairman and Chief Executive Officer of Time Warner Digital Media. He also served as Executive Vice

President and Chief Financial Officer of Time Warner Inc. from March 1995 to June 1999. Mr. Bressler serves on the National Advisory Committee of JPMorgan Chase.

Mr. Folta was elected Senior Vice President, Corporate Relations of the Company in November 1994. Prior to that, he served as Vice President, Corporate Relations of the Company from April 1994 to November 1994. From 1984 until joining the Company in April 1994, Mr. Folta held various Corporate Communications positions at Paramount Communications Inc., serving most recently as Senior Director, Corporate Communications.

Mr. Freedline has been Vice President and Treasurer of the Company since May 2000. From May 1998 to May 2000, he served as Vice President and Controller of CBS Corporation. Mr. Freedline also served as Director of Business Planning and Development of CBS from June 1996 to May 1998.

Mr. Fricklas was elected Executive Vice President, General Counsel and Secretary in May 2000. From October 1998 to May 2000, he served as Senior Vice President, General Counsel and Secretary of the Company and from July 1993 to October 1998, he served as Deputy General Counsel of the Company. He served as Vice President, General Counsel and Secretary of Minorco (U.S.A.) Inc. from 1990 to 1993. Prior to that, Mr. Fricklas was an attorney in private practice at the law firm of Shearman & Sterling.

Ms. Gordon was elected Vice President, Controller and Chief Accounting Officer in April 1995. Prior to that, she served as Vice President, Internal Audit of the Company since October 1986. From June 1985 to October 1986, Ms. Gordon served as Controller of Viacom Broadcasting. She joined the Company in 1981 and held various positions in the corporate finance area.

Ms. Melton was elected Senior Vice President, Government Affairs of the Company in May 1997. Before joining the Company, Ms. Melton served most recently as Vice President, Law and Public Policy at Time Warner Inc., having joined Warner Communications Inc. in 1987. Prior to that, Ms. Melton served as Legal Advisor to the Chairman of the Federal Communications Commission and as Assistant General Counsel for the National Cable Television Association.

Mr. Roskin has been an executive officer of the Company since April 1988 when he became Vice President, Human Resources and Administration. In July 1992, Mr. Roskin was elected Senior Vice President, Human Resources and Administration of the Company. From May 1986 to April 1988, he was Senior Vice President, Human Resources at Coleco Industries, Inc. From 1976 to 1986, he held various executive positions at Warner Communications Inc., serving most recently as Vice President, Industrial and Labor Relations.

Mr. Shea was elected Senior Vice President, Investor Relations of the Company in January 1998. From July 1994 to May 1995 and from November 1995 to December 1997, he was Senior Vice President, Corporate Communications for Triarc Companies, Inc. From June 1995 through October 1995, he served as Managing Director of Edelman Worldwide. From 1977 until July 1994, Mr. Shea held various Investor Relations positions at Paramount Communications Inc., serving most recently as Vice President, Investor Relations.

PART II

Item 5. ***Market for Viacom Inc.'s Common Equity and Related Security Holder Matters.***

Viacom Inc. voting Class A Common Stock and Viacom Inc. non-voting Class B Common Stock are listed and traded on the New York Stock Exchange ("NYSE") under the symbols "VIA" and "VIA.B", respectively.

The following table sets forth, for the calendar periods indicated, the per share range of high and low sales prices for Viacom Inc.'s Class A Common Stock and Class B Common Stock, as reported on the NYSE.

	Voting Class A Common Stock		Non-Voting Class B Common Stock	
	High	Low	High	Low
2000				
1st quarter	$ 63.31	$ 49.56	$ 63.25	$ 49.56
2nd quarter	71.25	46.06	70.88	45.69
3rd quarter	76.06	55.00	75.88	54.13
4th quarter	59.81	44.56	59.88	44.31
2001				
1st quarter	$ 59.50	$ 38.40	$ 59.13	$ 37.90
2nd quarter	59.69	40.00	59.50	39.00
3rd quarter	53.40	28.62	53.20	28.25
4th quarter	48.20	32.65	48.01	32.00

Viacom Inc. has not declared cash dividends on its common stock for the periods presented above and has no present intention of so doing.

As of March 8, 2002, there were approximately 6,327 record holders of Viacom Inc. Class A Common Stock and 75,038 record holders of Viacom Inc. Class B Common Stock.

Item 6. ***Selected Financial Data.***

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

	Year Ended December 31,				
	2001(a)	2000(b)(c)	1999	1998(d)(e)	1997
Revenues	$ 23,222.8	$ 20,043.7	$ 12,858.8	$ 12,096.1	$ 10,684.9
Operating income	$ 1,460.2	$ 1,320.9	$ 1,247.3	$ 751.6	$ 685.4
Net earnings (loss) from continuing operations before extraordinary loss and cumulative effect of change in accounting principle	$ (219.6)	$ (363.8)	$ 371.7	$ (43.5)	$ 373.5
Net earnings (loss) from continuing operations	$ (223.5)	$ (816.1)	$ 334.0	$ (122.4)	$ 793.6
Net earnings (loss) attributable to common stock	$ (223.5)	$ (816.1)	$ 321.6	$ (149.6)	$ 733.6
Basic earnings per common share:					
Net earnings (loss) from continuing operations before extraordinary loss and cumulative effect of change in accounting principle	$ (.13)	$ (.30)	$ .52	$ (.10)	$ .44
Net earnings (loss)	$ (.13)	$ (.67)	$ .46	$ (.21)	$ 1.04
Diluted earnings per common share:					
Net earnings (loss) from continuing operations before extraordinary loss and cumulative effect of change in accounting principle	$ (.13)	$ (.30)	$ .51	$ (.10)	$ .44
Net earnings (loss)	$ (.13)	$ (.67)	$ .45	$ (.21)	$ 1.04
At Year End:					
Total assets	$ 90,809.9	$ 82,646.1	$ 24,486.4	$ 23,613.1	$ 28,288.7
Long-term debt, net of current portion	$ 10,823.7	$ 12,473.8	$ 5,697.7	$ 3,813.4	$ 7,423.0
Total stockholders' equity	$ 62,716.8	$ 47,966.9	$ 11,132.0	$ 12,049.6	$ 13,383.6

Viacom Inc. has not declared cash dividends on its common stock for any of the periods presented above. All share and per share amounts reflect a two-for-one stock split in 1999. In 1998 and 1997 results include operating results and net gains on dispositions of businesses presented as discontinued operations.

(a) Results include pre-tax special item Blockbuster charges of $395 million ($198 million, after-tax) primarily for the elimination of less-productive VHS tapes; and restructuring charges of approximately $67 million and $53 million for MTV Networks and United Paramount Network, respectively.

(b) As a result of the adoption of Statement of Position 00-2, "Accounting by Producers or Distributors of Films," the Company recorded a non-cash after-tax charge of $452.3 million as a cumulative effect of a change in accounting.

(c) On May 4, 2000, CBS Corporation merged with and into Viacom Inc., and effective from this date, its results of operations are included in the consolidated financial results of the Company.

(d) During the second quarter of 1998, Blockbuster recorded a pre-tax charge of approximately $424 million ($273 million, after-tax) representing an adjustment to the carrying value of rental tapes due to a change in the method of amortizing rental inventory.

(e) Results include an extraordinary pre-tax loss for the early extinguishment of debt of approximately $127 million ($75 million after-tax).

See Notes to Consolidated Financial Statements for additional information on transactions and accounting classifications which have affected the comparability of the periods presented above.

Item 7. ***Management's Discussion and Analysis of Results of Operations and Financial Condition.***

(Tabular dollars in millions)

General

Management's discussion and analysis of the results of operations and financial condition of Viacom Inc. and its subsidiaries ("Viacom" or the "Company") should be read in conjunction with the Consolidated Financial Statements and related Notes. Descriptions of all documents incorporated by reference herein or included as exhibits hereto are qualified in their entirety by reference to the full text of such documents so incorporated or included.

Several events occurred during 2001 and 2000 that affect the comparability of the Company's historical results for the periods presented. The significant events were as follows:

In the second half of 2001, Blockbuster, a majority owned subsidiary of the Company, recorded primarily non-cash charges of approximately $395 million, principally related to the elimination of less-productive VHS tapes as part of its strategic re-merchandising plan to transition from VHS to the higher margin DVD rental market and a change in amortization.

The Company's 2001 results were impacted by lost revenues and increased costs attributable to the events of September 11 and by the challenging economic environment experienced during the year.

In the fourth quarter of 2001, the Company recognized restructuring charges of approximately $67 million at MTV Networks associated with a reduction in workforce and $53 million at United Paramount Network ("UPN") associated with the integration of UPN into CBS Network operations.

In February 2001, the Company completed a merger with Infinity Broadcasting Corporation ("Infinity"), acquiring all of the issued and outstanding shares of Infinity common stock that it did not already own for a purchase price of approximately $13.4 billion.

In January 2001, the Company completed its acquisition of BET Holdings II, Inc. ("BET") for approximately $3 billion, consisting principally of Viacom Class B Common Stock and the assumption of debt.

In May 2000, the Company completed its merger with CBS Corporation ("CBS") (the "Viacom/CBS Merger") for a purchase price of approximately $39.8 billion.

In the third quarter of 2000, Infinity completed the acquisition of 18 radio stations from Clear Channel Communications, Inc. ("Clear Channel") for approximately $1.4 billion in an asset transaction.

In the second quarter of 2000, Infinity completed the acquisition of Giraudy, one of France's largest outdoor advertising companies, for approximately $400 million.

Business Segment Information

The Company operates six reportable business segments:

Cable Networks Basic cable and premium subscription television program services.

Television Television networks and stations; and production and distribution of television programming.

Infinity Radio stations and outdoor advertising properties.

Entertainment Production and distribution of motion pictures; as well as the operation of movie theaters, theme parks and music publishing.

Video Home videocassette, DVD and video game rental and retail operations.

Publishing Consumer publishing.

Effective January 1, 2001, the Company operated its online businesses under the Cable Networks and Television segments and accordingly, the online businesses are presented as part of these respective segments. Prior period information has been reclassified to conform to the new presentation. Effective January 1, 2002, the Company operates its publishing business under the Entertainment segment and will present its publishing business as part of that segment from that date forward.

The following tables set forth revenues and operating income (loss) by business segment, as reported for the years ended December 31, 2001, 2000 and 1999.

	Year ended December 31,			Percent Better/(Worse)	
	2001	**2000**	**1999**	**2001 vs. 2000**	**2000 vs. 1999**
Revenues:					
Cable Networks	$ 4,297.6	$ 3,951.0	$ 3,075.3	9%	28%
Television	7,247.7	5,426.4	2,352.0	34	131
Infinity	3,670.2	2,764.7		33	NM
Entertainment	2,950.2	2,758.3	2,665.9	7	3
Video	5,156.7	4,960.1	4,463.5	4	11
Publishing	648.7	596.0	610.7	9	(2)
Intercompany eliminations	(748.3)	(412.8)	(308.6)	(81)	(34)
Total Revenues	$ 23,222.8	$ 20,043.7	$ 12,858.8	16%	56%
Operating Income (Loss):					

Cable Networks	$ 1,234.9	$ 1,073.5	$ 867.9	15%	24%
Television	402.1	351.0	143.4	15	145
Infinity	291.8	589.4		(50)	NM
Entertainment	158.2	209.7	231.1	(25)	(9)
Video	(219.6)	75.7	127.9	N/M	(41)
Publishing	40.8	49.6	54.3	(18)	(9)
Segment Total	1,908.2	2,348.9	1,424.6	(19)	65
Corporate expenses/eliminations	(360.8)	(950.5)	(177.3)	62	NM
Residual costs of discontinued operations(a)	(87.2)	(77.5)		(13)	NM
Total Operating Income	$ 1,460.2	$ 1,320.9	$ 1,247.3	11%	6%

NM Not meaningful

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

EBITDA

The following table sets forth EBITDA (defined as operating income (loss) before depreciation and amortization, principally of goodwill related to business combinations) for the years ended December 31, 2001, 2000 and 1999. The Company believes that EBITDA is an appropriate measure of evaluating the operating performance of its segments. However, EBITDA should be considered in addition to, not as a substitute for or superior to, operating income, net earnings, cash flows, and other measures of financial performance prepared in accordance with generally accepted accounting principles ("GAAP"). As EBITDA is not a measure of performance calculated in accordance with GAAP, this measure may not be comparable to similarly titled measures employed by other companies.

	Year ended December 31,			Percent Better/(Worse)	
	2001	**2000**	**1999**	**2001 vs. 2000**	**2000 vs. 1999**
EBITDA:					
Cable Networks	$ 1,682.0	$ 1,373.3	$ 1,004.7	22%	37%
Television	1,188.5	919.1	271.5	29	239
Infinity	1,517.7	1,282.6		18	NM
Entertainment	316.7	368.8	378.3	(14)	(3)
Video	204.1	534.8	520.3	(62)	3
Publishing	65.1	71.3	74.0	(9)	(4)
Segment Total	4,974.1	4,549.9	2,248.8	9	102
Corporate expenses/eliminations	(339.7)	(928.0)	(156.8)	63	NM
Residual costs of discontinued operations	(87.2)	(77.5)		(13)	NM
Total EBITDA	$ 4,547.2	$ 3,544.4	$ 2,092.0	28%	69%

NM Not meaningful

Pro Forma Results

In order to enhance comparability, the following discussion of the Company's results of operations is supplemented by pro forma financial information that gives effect to the Viacom/CBS Merger, BET and Infinity minority interest acquisitions and other acquisitions and divestitures as if they had occurred January 1, 2000. Pro forma results are also adjusted to exclude special item charges, including the 2001 Blockbuster charges, MTVN and UPN restructuring charges, the second quarter 2000 merger-related charges as well as transactions with divested investments. The pro forma results are also adjusted to reflect the deconsolidation as of January 1, 2000, of iWon.com, which was previously a minority-owned consolidated subsidiary. The pro forma results are presented for informational purposes only and are not necessarily indicative of the operating results that would have occurred had the transactions actually occurred at the beginning of 2000, nor are they necessarily indicative of future operating results. The table below presents a reconciliation of the Company's reported revenues, operating income and EBITDA for the years ended December 31, 2001 and 2000, respectively, to the pro forma results presented for these respective periods.

Year Ended December 31, 2001	Revenue	Operating Income	EBITDA
As Reported	$ 23,222.8	$ 1,460.2	$ 4,547.2
Acquisition of BET	16.5	2.3	6.6
Infinity minority interest acquisition		(27.3)	
Other acquisitions (divestitures), net	(41.5)	16.3	5.6
Blockbuster special item charges		394.7	392.1
MTVN restructuring charge		75.4	66.6
UPN restructuring charge		53.4	52.8
Pro Forma	$ 23,197.8	$ 1,975.0	$ 5,070.9

Year Ended December 31, 2000	Revenue	Operating Income	EBITDA
As Reported	$ 20,043.7	$ 1,320.9	$ 3,544.4
Viacom/CBS Merger	3,056.7	172.0	768.0
Acquisition of BET	251.4	(17.2)	73.4
Infinity minority interest acquisition		(191.7)	
Other acquisitions (divestitures), net	(259.5)	(54.4)	(89.0)
Viacom/CBS merger-related charges		698.5	698.5
Pro Forma	$ 23,092.3	$ 1,928.1	$ 4,995.3

The tables below present the Company's pro forma segment results for revenues, operating income and EBITDA for the years ended December 31, 2001 and 2000, respectively.

	Year Ended December 31,	Percent Better/(Worse)

	2001	2000	
Pro Forma Revenues:			
Cable Networks	$ 4,282.4	$ 4,111.3	4%
Television	7,239.9	7,093.7	2
Infinity	3,668.2	3,967.5	(8)
Entertainment	2,950.2	2,758.3	7
Video	5,156.7	4,960.1	4
Publishing	648.7	596.0	9
Intercompany eliminations	(748.3)	(394.6)	(90)
Total Pro Forma Revenues	$ 23,197.8	$ 23,092.3	%
Pro Forma Operating Income:			
Cable Networks	$ 1,325.3	$ 1,050.6	26%
Television	459.5	473.5	(3)
Infinity	264.1	479.2	(45)
Entertainment	158.2	209.7	(25)
Video	175.1	107.3	63
Publishing	40.8	49.6	(18)
Segment Total	2,423.0	2,369.9	2
Corporate expenses/eliminations	(360.8)	(321.0)	(12)
Residual costs of discontinued operations	(87.2)	(120.8)	28
Total Pro Forma Operating Income	$ 1,975.0	$ 1,928.1	2%
Pro Forma EBITDA:			
Cable Networks	$ 1,759.6	$ 1,475.2	19%
Television	1,244.0	1,225.7	1
Infinity	1,516.2	1,737.2	(13)
Entertainment	316.7	368.8	(14)
Video	596.2	534.8	11
Publishing	65.1	71.3	(9)
Segment Total	5,497.8	5,413.0	2
Corporate expenses/eliminations	(339.7)	(296.9)	(14)
Residual costs of discontinued operations	(87.2)	(120.8)	28
Total Pro Forma EBITDA	$ 5,070.9	$ 4,995.3	2%

RESULTS OF OPERATIONS 2001 VERSUS 2000

On a reported basis, revenues increased 16% to $23.2 billion for the year ended December 31, 2001 from $20.0 billion for 2000. Reported results are not comparable as the 2000 results only reflect eight months of CBS operations effective from the date of the Viacom/CBS Merger, May 4, 2000.

On a pro forma basis, revenues were $23.2 billion for 2001 versus revenues of $23.1 billion for 2000, with growth in all of the Company's operating segments, with the exception of Infinity.

On a reported basis, total expenses increased 16% to $21.8 billion for 2001 from $18.7 billion for 2000 reflecting normal increases associated with revenue growth and twelve months of expenses for the combined companies including goodwill amortization expense associated with the Viacom/CBS Merger

versus eight months of expenses, including amortization for the combined companies in 2000. On a pro forma basis, total expenses remained relatively constant at $21.2 billion for both years.

On a reported basis, EBITDA and operating income increased 28% to $4.5 billion and 11% to $1.5 billion, respectively, for 2001 from $3.5 billion and $1.3 billion, respectively, for 2000. On a pro forma basis, both EBITDA and operating income increased 2% with growth in the Cable Networks and Video segments.

Segment Results of Operations 2001 versus 2000

Cable Networks *(Basic Cable and Premium Subscription Television Program Services)*

	Year Ended December 31, 2001		Year Ended December 31, 2000		Percent Better/(Worse)
As Reported:					
Revenues	$	4,297.6	$	3,951.0	9%
Operating income	$	1,234.9	$	1,073.5	15%
EBITDA	$	1,682.0	$	1,373.3	22%
Pro Forma:					
Revenues	$	4,282.4	$	4,111.3	4%
Operating income	$	1,325.3	$	1,050.6	26%
EBITDA	$	1,759.6	$	1,475.2	19%

The Cable Networks segment is comprised of MTV Networks ("MTVN"), including MTV, VH1, Nickelodeon/Nick at Nite, TV Land, TNN: The National Network and CMT; and BET: Black Entertainment Television, both are basic cable television program services; and Showtime Networks Inc. ("SNI"), owner of several premium subscription television program services.

For the year, Cable Networks revenue, operating income and EBITDA growth as reported and on a pro forma basis was principally driven by revenue growth in cable and direct broadcast satellite ("DBS") affiliate fees and increased efficiencies. MTVN experienced a decrease in advertising revenues for the year due to continued softness in the advertising market which contributed to a decline in the number of advertising spots sold at MTV, VH1 and TV Land. Effective cost containment measures at the channels, as well as a reduction of investment in online services during 2001 contributed to the operating income and EBITDA growth. Despite the challenging economic environment, BET delivered higher advertising sales due to increased pricing, and higher affiliate fee revenue. Showtime subscriptions increased 10% over the prior year by approximately 2.9 million to 31.3 million subscriptions at December 31, 2001. Capital expenditures for Cable Networks were $139.9 million for the year ended December 31, 2001 as compared to $158.1 million for the year ended December 31, 2000.

During the fourth quarter of 2001, MTVN recorded a restructuring charge of approximately $66.6 million principally reflecting severance from a reduction of workforce and lease termination costs. In conjunction with the restructuring, $8.8 million was recorded as depreciation expense for the write-off of leasehold improvements. The Company completed its acquisition of BET on January 23, 2001 for approximately $3 billion consisting principally of Viacom Class B Common Stock and the assumption of debt. Pro forma results for all periods presented assume the acquisitions of TNN, CMT and BET had occurred on January 1, 2000 and are also adjusted to exclude the impact of the charge and transactions with divested investments.

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

	Year Ended December 31, 2001	Year Ended December 31, 2000	Percent Better/(Worse)
As Reported:			
Revenues	$ 7,247.7	$ 5,426.4	34%
Operating income	$ 402.1	$ 351.0	15%
EBITDA	$ 1,188.5	$ 919.1	29%
Pro Forma:			
Revenues	$ 7,239.9	$ 7,093.7	2%
Operating income	$ 459.5	$ 473.5	(3)%
EBITDA	$ 1,244.0	$ 1,225.7	1%

The Television segment is comprised of the CBS and UPN Television Networks and stations, television production and syndication.

For the year, Television's results were led by the CBS Network and Paramount Television. CBS Network's pro forma revenue and EBITDA growth was principally driven by double-digit advertising revenue growth in primetime due to increased pricing. During the 2000/2001 season, SUPER BOWL XXXV on the CBS Network was the top-rated broadcast among households and viewers. SURVIVOR*:* THE AUSTRALIAN OUTBACK was the number one ranked series of the season and CSI: CRIME SCENE INVESTIGATION was the No.1 new series of the season, also among households and viewers. With the success of these, and other highly-rated programs, including EVERYBODY LOVES RAYMOND and THE DISTRICT*,* the CBS Network was the most-watched and highest-rated network among viewers and households. CBS Enterprises pro forma revenue decreased for the year principally due to lower participation fees received from THE OPRAH WINFREY SHOW and absence of revenues from cancelled shows, including THE ROSEANNE SHOW and MARTIN SHORT, partially offset by the domestic syndication of EVERYBODY LOVES RAYMOND.

Paramount Television benefited from network revenues for the new series ENTERPRISE, higher revenues from continuing network and first run syndication shows including FRASIER, JAG, JUDGE JUDY, JUDGE JOE BROWN and ENTERTAINMENT TONIGHT and the licensing to basic cable of STAR TREK: THE NEXT GENERATION and CHEERS*.* These higher revenues were partially offset by the absence of revenues from the cancelled series BEVERLY HILLS 90210 and SUNSET BEACH*,* and lower revenues from SABRINA, THE TEENAGE WITCH and MOESHA whose prior year revenues included first time syndication availabilities. UPN benefited from ratings improvements and higher advertising revenues in 2001.

The pro forma revenue and EBITDA growth at the CBS Network and in syndication was partially offset by lower advertising sales for television stations due to continuing weakness in the advertising market and the impact of the events of September 11. CBS Network also recorded higher news production costs to cover the war in Afghanistan and contractual rights fee increases for sports properties. Capital expenditures for Television were $120.2 million for the year ended December 31, 2001 as compared to $116.1 million for the year ended December 31, 2000.

Pro forma results assume that the Viacom/CBS Merger and the acquisition of the remaining 50% interest of UPN had occurred January 1, 2000. In November 2001, the Company completed the television station swaps of WDCA-TV Washington D.C. and KTXH-TV Houston in exchange for KBHK-TV San Francisco and pro forma results reflect the impact of the swaps as if they had occurred on January 1, 2000. Pro forma results are adjusted to exclude approximately $48 million of Viacom/CBS merger-related charges. Additionally, they exclude a charge associated with the integration of UPN with CBS operations of $53.4 million of which $52.8 million was restructuring and $.6 million was depreciation expense for the write-off of leasehold improvements. Pro forma results are also adjusted to exclude transactions with divested investments and operating losses before depreciation for iWon.com of approximately $98 million for the year ended December 31, 2000. In 2001, iWon.com is accounted for as a deconsolidated investment, whereas in 2000, iWon.com was a minority-owned, consolidated subsidiary.

License fees for completed television programming in syndication and on basic cable are recorded as revenue in the period that the products are available for exhibition, which, among other reasons, may cause substantial fluctuation in operating results. As of December 31, 2001, the unrecognized revenues attributable to such licensing agreements were approximately $460.1 million.

Infinity *(Radio Stations and Outdoor Advertising Properties)*

	Year Ended December 31, 2001	Year Ended December 31, 2000	Percent Better/(Worse)
As Reported:			
Revenues	$ 3,670.2	$ 2,764.7	33 %
Operating income	$ 291.8	$ 589.4	(50)%
EBITDA	$ 1,517.7	$ 1,282.6	18 %
Pro Forma:			
Revenues	$ 3,668.2	$ 3,967.5	(8)%
Operating income	$ 264.1	$ 479.2	(45)%
EBITDA	$ 1,516.2	$ 1,737.2	(13)%

The Infinity segment is comprised of owned and operated radio stations and outdoor advertising properties.

For the year, Infinity's pro forma revenues, operating income and EBITDA decreases are the result of lower revenues in both the radio and outdoor advertising businesses due to the continuing softness in the advertising market including lower demand from the technology sector. Infinity Radio's decrease in pro forma revenues was primarily driven by lower advertising rates, given the difficult advertising market. Infinity's outdoor transit business was affected by lower pricing, particularly in the New York market, which suffered more than other markets after the events of September 11. Capital expenditures for the Infinity segment were $99.3 million for the year ended December 31, 2001 as compared to $72.0 million for the period ended December 31, 2000, reflecting expenditures from the date of the Viacom/CBS Merger.

On February 21, 2001, the Company completed its merger with Infinity acquiring all of the issued and outstanding shares of Infinity common stock that it did not already own, or approximately 36%, for a total purchase price of approximately $13.4 billion. Reported operating income for 2001 reflects incremental amortization expense resulting from the acquisition of this minority interest. Pro forma results assume the acquisition of a majority interest in Infinity as part of the Viacom/CBS Merger and the subsequent acquisition of the minority interest of Infinity had occurred on January 1, 2000 and also assume the completion of acquisitions and divestitures of radio and outdoor properties by Infinity had occurred at the beginning of each period presented. Pro forma results are also adjusted to exclude transactions with divested investments.

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

	Year Ended December 31, 2001	Year Ended December 31, 2000	Percent Better/(Worse)

As Reported and Pro Forma:					
Revenues	$	2,950.2	$	2,758.3	7%
Operating income	$	158.2	$	209.7	(25)%
EBITDA	$	316.7	$	368.8	(14)%

The Entertainment segment is comprised of Paramount Features, movie theaters, music publishing, and Paramount Parks.

For the year, Entertainment's revenues increased principally due to higher Features and theaters' revenues. Features revenue increases were led by higher home video revenues partially offset by lower foreign theatrical film revenues. Home video revenues included domestic contributions from the release of THE GODFATHER DVD COLLECTION, LARA CROFT: TOMB RAIDER, WHAT WOMEN WANT and RUGRATS IN PARIS: THE MOVIE, along with contributions from the foreign video release of MISSION: IMPOSSIBLE 2. Paramount's domestic theatrical revenues included contributions from VANILLA SKY, JIMMY NEUTRON: BOY GENIUS, LARA CROFT: TOMB RAIDER, SAVE THE LAST DANCE, THE SCORE and ALONG CAME A SPIDER. Theater revenues were higher primarily as a result of higher attendance and increased admission prices and per capita concession spending. Parks' revenues were higher than the prior year principally due to increased admission prices and per capita concession spending.

For the year, Entertainment's EBITDA and operating income decreased 14% and 25%, respectively, principally reflecting the revenue items noted above, which were more than offset by increased print and advertising costs associated with a higher number of pictures in theatrical release during 2001. Capital expenditures for Entertainment were $48.5 million for the year ended December 31, 2001 as compared to $87.9 million for the year ended December 31, 2000.

License fees for television exhibition of completed motion pictures are recorded as revenue in the period that the products are available for such exhibition, which, among other reasons, may cause substantial fluctuation in operating results. As of December 31, 2001, the unrecognized revenues attributable to such licensing agreements were approximately $1.0 billion.

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

	Year Ended December 31,				
		2001		2000	Percent Better/(Worse)
As Reported:					
Revenues	$	5,156.7	$	4,960.1	4%
Operating income	$	(219.6)	$	75.7	NM
EBITDA	$	204.1	$	534.8	(62)%
Pro Forma:					
Revenues	$	5,156.7	$	4,960.1	4%
Operating income	$	175.1	$	107.3	63%
EBITDA	$	596.2	$	534.8	11%

NM not meaningful

The Video segment is comprised of Blockbuster's operations, primarily in the rental of home videocassettes, DVDs and video games.

For the year, Video revenues increased 4% driven by higher worldwide same store sales and an increase in the number of company-operated stores of 158. Worldwide same store sales, including rental and retail product, increased 2.5% driven by strong international growth and continued growth in DVDs. On a pro forma basis, Blockbuster's gross profit margins were 59.6% in 2001 versus 59.0% in 2000. The improvement in profit margins was primarily due to an increase in the percentage of rental revenues and previously viewed product sales from DVDs which on average have a lower cost than VHS rental product and a higher average unit selling price for previously viewed product sales. If Blockbuster increases its purchases of DVDs under revenue-sharing arrangements, Blockbuster's DVD rental revenues and gross profit should increase, while rental gross margins as a percentage of revenue could decline. Pro forma operating income and EBITDA increases were primarily driven by increased gross profit. This growth was partially offset by increases in compensation and occupancy costs principally driven by store growth and increased customer service initiatives. Capital expenditures for Blockbuster were $93.1 million for the year ended December 31, 2001 as compared to $212.1 million for the year ended December 31, 2000. Blockbuster ended the year with 7,981 company-owned and franchise stores, a net increase of 304 stores over the prior year. Viacom currently owns approximately 81% of Blockbuster (NYSE: BBI).

Pro forma results for 2001 are adjusted to exclude the previously reported Blockbuster charges of $395 million, 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.

Publishing *(Consumer Publishing)*

	Year Ended December 31,		
	2001	**2000**	**Percent Better/(Worse)**
As Reported and Pro Forma:			
Revenues	$ 648.7	$ 596.0	9%
Operating income	$ 40.8	$ 49.6	(18)%
EBITDA	$ 65.1	$ 71.3	(9)%

The Publishing segment is comprised of the Simon & Schuster operating unit, which publishes and distributes a wide range of hardcover, trade paper, paperback, audio and children's novelty titles under various imprints including Simon & Schuster, Pocket Books, Scribner, Pimsleur, MTV Books, Star Trek Books, Aladdin and The Free Press.

For the year, Publishing's revenue increases were driven by each of its major operating units; Adult, Children's and New Media. The business finished the year with one of its strongest-ever publishing and sales performances. During the year, Simon & Schuster had a record 98 New York Times best sellers, published 2 National Book Award winners: "THE NOONDAY DEMON" by Andrew Solomon, and "TRUE BELIEVER" by Virginia Euwer Wolff, and won Caldecott Honors for 2 major children's titles. Publishing's best-selling titles included "SELF MATTERS" by Phillip C. McGraw, "ON THE STREET WHERE YOU LIVE" by Mary Higgins Clark, "DREAMCATCHER" by Stephen King and "JOHN ADAMS" by David McCullough. Revenue increases in 2001 were more than offset by start-up investment costs associated with transitioning information and technology support to a new third party provider and higher operating expenses. Capital expenditures for Publishing were $6.4 million for the year ended December 31, 2001 as compared to $6.0 million for the year ended December 31, 2000.

Effective January 1, 2002, the Company operates its publishing business under the Entertainment segment and will present its publishing business as part of such segment.

Other Income and Expense Information 2001 versus 2000

Corporate Expenses/Eliminations

Corporate expenses/eliminations, excluding depreciation expense, for 2001 reflect corporate expenses of approximately $148.0 million and intersegment profit eliminations of $191.7 million. Corporate expenses of $148.0 million decreased 82% from $824.9 million in 2000 primarily due to the $650 million of Viacom/CBS merger-related charges being recorded in 2000 and effective cost containment measures achieved in 2001. Intersegment profit eliminations are principally comprised of television programming sales to cable networks and the sale of feature films to cable and broadcast networks and the Video segment.

Depreciation and Amortization

For the year ended December 31, 2001, depreciation and amortization expense increased to $3.1 billion as compared with $2.2 billion for 2000. This increase is primarily due to the full year of amortization of goodwill associated with the Viacom/CBS Merger as well as, the amortization of goodwill associated with the acquisition of Infinity's minority interest and the acquisition of BET. The aggregate goodwill of approximately $60.6 billion associated with these transactions is being amortized on a straight-line basis over its useful life which does not exceed 40 years. Accounting for intangible assets and the recognition of amortization expense will change upon the Company's adoption of the new standard for goodwill and other intangible assets in 2002 (see *Recent Pronouncements*).

Interest Expense

Interest expense increased to $962.7 million for 2001 from $822.3 million for 2000. The increase principally reflects the full year impact of $3.7 billion of CBS debt assumed as of the Viacom/CBS Merger as well as the Company's fixed rate debt issuances of $1.65 billion in January 2001, $1.4 billion in May 2001 and $335 million in June 2001. This was offset by lower interest rates on the Company's variable rate debt, debt maturities, redemptions and tenders and the termination of a credit facility that occurred during 2001. The Company had approximately $11.1 billion and $12.7 billion principal amount of debt outstanding (including current maturities) at December 31, 2001 and 2000, respectively, at weighted average interest rates of 6.8% and 7.6%, respectively.

Interest Income

Interest income decreased 42% to $30.6 million for 2001 from $53.2 million for 2000 due to lower cash balances and the general decrease in interest rates.

Other Items, Net

In 2001, "Other Items, net" of $254.7 million principally reflects a gain from television station swaps of $210.1 million and the recovery of certain advertising commitments of $250.0 million offset by impairment losses related to the Company's investments of approximately $125.0 million. These one-time pre-tax gains were partially offset by foreign exchange losses of $8.2 million and loss from the sale of assets of $22.8 million. Additionally, 2001 reflects an impairment loss of $46.6 million related to the purchase of two television stations. In 2000, "Other items, net" of $8.8 million principally reflected foreign exchange gains of $31.7 million and net gains of approximately $44.3 million on the sale of assets which were mostly offset by the write-down of approximately $66.9 million of several internet cost investments to their market value.

Provision for Income Taxes

The provision for income taxes represents federal, state and foreign income taxes on earnings before income taxes. The annual effective tax rates of 107.5% for 2001, excluding one time gains of $288.4 million and one time pre-tax charges of $525.4 million, and 73.4% for 2000 excluding the 2000 merger-related charges of $698 million, were adversely affected by amortization of intangibles in excess of the amounts deductible for tax purposes. Excluding the non-deductible amortization of intangibles, the annual effective tax rates would have been 39.3% for 2001 and 38.8% for 2000.

Equity in Loss of Affiliated Companies, Net of Tax

"Equity in loss of affiliated companies, net of tax" was $127.0 million for 2001 as compared to $124.2 million for 2000. The 2001 equity loss principally reflects operating losses from international ventures and internet investments partially offset by positive results from Comedy Central. The prior year includes losses from CBS online equity ventures that were subsequently written down as well as equity losses of UPN, partially offset by results from Comedy Central. The remaining 50% interest of UPN was acquired by the Company in March 2000 and its results have been consolidated with the Company since the date of acquisition.

Minority Interest, net of tax

Minority interest for 2001 primarily represents the minority ownership of Infinity, prior to its merger with the Company on February 21, 2001, and the minority ownership of Blockbuster common stock. Minority interest for 2000 principally reflects the minority ownership of

Infinity, from the date of the Viacom/CBS Merger, and the minority ownership of Blockbuster common stock.

Extraordinary Loss, Net of Tax

In 2001, the Company recognized an extraordinary loss on the early extinguishment of debt of $3.9 million, net of tax benefits of $2.6 million. The extraordinary loss is not significant and therefore did not impact basic and diluted earnings per share.

Cumulative Effect of Change in Accounting Principle

For the year ended December 31, 2000, the Company recorded an after-tax non-cash charge of $452.3 million, or $.37 per basic and diluted share, which resulted from the early adoption of the new accounting standard for motion pictures.

Net Earnings (Loss)

For the reasons described above, the Company reported a net loss of $223.5 million for 2001 as compared with net loss of $816.1 million for 2000.

RESULTS OF OPERATIONS 2000 VERSUS 1999

On a reported basis, revenues increased 56% to $20.0 billion for the year ended December 31, 2000 from $12.9 billion for 1999. Total expenses increased 61% to $18.7 billion for 2000 from $11.6 billion for 1999. Operating income and EBITDA increased 6% to $1.3 billion and 69% to $3.5 billion for 2000, respectively, from $1.2 billion and $2.1 billion for 1999, respectively. The increases in results of operations are principally attributable to the Viacom/CBS Merger, partially offset by merger-related charges. Cable Networks segment revenue increases were driven by advertising sales growth. Increased same store revenues and the increase in the number of Company-operated stores drove Video segment revenue growth.

Segment Results of Operations 2000 versus 1999

The Company's segment results have been reclassified to conform to the 2001 segment presentation. No pro forma discussion is presented for the 2000 versus 1999 yearly results.

Cable Networks *(Basic Cable and Premium Subscription Television Program Services)*

	Year Ended December 31, 2000	Year Ended December 31, 1999	Percent Better/(Worse)
As Reported:			
Revenues	$ 3,951.0	$ 3,075.3	28%
Operating income	$ 1,073.5	$ 867.9	24%
EBITDA	$ 1,373.3	$ 1,004.7	37%

For the year, MTVN revenues of $2.9 billion, operating income of $1.1 billion and EBITDA of $1.3 billion increased 29%, 33% and 42%, respectively. The increase in MTVN's revenues reflects 28% higher worldwide advertising revenues principally driven by rate increases at MTV, VH1 and TV Land and higher affiliate fees. MTVN's operating income and EBITDA gains were driven by the increased revenues partially offset by increased programming and production expenses, principally at MTV and VH1.

For the year, SNI's revenues, operating income and EBITDA increased 10%, 24% and 21%, respectively, as compared with the prior year. The revenue increases were principally due to an increase of approximately 5.2 million subscriptions, up 22% over the prior year to 28.4 million subscriptions at December 31, 2000. Operating results reflect revenue increases attributable to the continued growth of direct broadcast satellite subscriptions partially offset by higher programming expenses and increased marketing for the promotion of original series.

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

	Year Ended December 31, 2000	Year Ended December 31, 1999	Percent Better/(Worse)
As Reported:			
Revenues	$ 5,426.4	$ 2,352.0	131%
Operating income	$ 351.0	$ 143.4	145%
EBITDA	$ 919.1	$ 271.5	239%

For the year, Television segment revenues, operating income and EBITDA growth were principally due to the Viacom/CBS Merger, reflecting results of operations of the CBS Network, CBS Television Stations and CBS Enterprises beginning May 2000. Strong performances were delivered at the CBS Network, television stations and at UPN. CBS Network's revenues and EBITDA growth during 2000 were primarily due to increases in both upfront and scatter advertising pricing. Television stations results benefited from strong advertising pricing in local owned and operated television markets. Approximately 80% of CBS Network's inventory for the 2000-2001 television season was sold in the upfront market and all day-parts achieved double-digit price increases. The success of the CBS Network was led by its new reality-based television shows, including SURVIVOR*,* the finale of which was second only to the SUPER BOWL as the most watched television event in 2000. SURVIVOR also favorably impacted the ratings and revenue generated by other day parts, including News and Late Night. CBS Network's Monday night comedies, led by EVERYBODY LOVES RAYMOND*,* also posted significant growth. CBS Network's strong revenue growth was partially offset by higher programming costs and election year coverage expenses. CBS Network had the top two new dramas in the 1999/2000 season with CSI: CRIME SCENE INVESTIGATION and THE DISTRICT. CBS Enterprises, which includes King World Productions, reported higher revenues and EBITDA primarily due to increased domestic license fees from THE OPRAH WINFREY SHOW and HOLLYWOOD SQUARES*,* partially offset by lower revenues from THE ROSEANNE SHOW.

Paramount Television revenues for the full year 2000 were higher for continuing network and first run syndication shows including ENTERTAINMENT TONIGHT, JUDGE JUDY, CHARMED, 7TH HEAVEN and JUDGE JOE BROWN. Syndication revenues included the first time syndication availability of SABRINA, THE TEENAGE WITCH and MOESHA, and distribution fees from the initial syndication of SPIN CITY; however, these contributions did not compare favorably with the prior year which included the last seasons of BEVERLY HILLS 90210*,* MELROSE PLACE, SUNSET BEACH, STAR TREK: DEEP SPACE NINE*,* and SISTER, SISTER and the first time syndication availability of JAG, STAR TREK: VOYAGER, VIPER and THE SENTINEL and higher library syndication revenues. Paramount Television's EBITDA also improved led by FRASIER and JUDGE JUDY combined with significant overhead savings resulting from the integration of Spelling Entertainment into Paramount Television. Revenues for the year ended December 31, 1999 also benefited from the recognition of a cable retransmission royalty settlement.

In the second quarter of 2000, the Company elected early adoption of the AICPA's Statement of Position "Accounting by Producers or Distributors of Films" ("SOP 00-2") which is effective for financial statements for fiscal years beginning after December 15, 2000. SOP 00-2 established new film accounting standards, including changes in revenue recognition and accounting for advertising, development and overhead costs. As a result of the early adoption, Television recorded a pre-tax charge of approximately $330 million, primarily related to Spelling Entertainment. This charge was recorded as a cumulative effect of a change in accounting and is not included in operating income and EBITDA above. The Television segment's operating results for 2000 were reduced by approximately $9 million due to this accounting change.

License fees for completed television programming in syndication and on basic cable are recorded as revenue in the period that the products are available for such exhibition, which, among other reasons, may cause substantial fluctuation in operating results. As of December 31, 2000, the unrecognized revenues attributable to such licensing agreements were approximately $622 million.

Infinity *(Radio Stations and Outdoor Advertising Properties)*

	Year Ended December 31,

		2000	1999	Percent Better/(Worse)
As Reported:				
Revenues	$	2,764.7		NM
Operating income	$	589.4		NM
EBITDA	$	1,282.6		NM

NM not meaningful

The 2000 revenues, operating income and EBITDA for the Infinity segment, reflect the acquisition of a majority interest in Infinity, as part of the Viacom/CBS Merger, effective May 4, 2000. Infinity's results benefited from strong advertising revenues at both Infinity's radio stations and outdoor advertising businesses. Advertising revenue during 2000 was primarily driven by higher advertising rates, reflecting increased demand for advertising at the majority of the radio stations and in the outdoor advertising business.

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

	Year Ended December 31,				
		2000		1999	Percent Better/(Worse)
As Reported:					
Revenues	$	2,758.3	$	2,665.9	3%
Operating income	$	209.7	$	231.1	(9)%
EBITDA	$	368.8	$	378.3	(3)%

For the year, Entertainment revenues increased 3% to $2.8 billion compared with the prior year, principally reflecting higher Features and theaters' revenues. Higher Features revenues were driven by increased worldwide theatrical and home video revenues as compared with 1999. Domestic theatrical revenues for 2000 included the strong performance of MISSION: IMPOSSIBLE 2, WHAT WOMEN WANT, SHAFT, RUGRATS IN PARIS: THE MOVIE, RULES OF ENGAGEMENT, SNOW DAY and THE ORIGINAL KINGS OF COMEDY. Foreign theatrical revenues for 2000 were higher primarily due to the success of MISSION: IMPOSSIBLE 2, SHAFT, DOUBLE JEOPARDY and SLEEPY HOLLOW. Home video revenues were higher and included contributions from MISSION: IMPOSSIBLE 2, DOUBLE JEOPARDY, RUNAWAY BRIDE, SLEEPY HOLLOW and RULES OF ENGAGEMENT. Theater revenues were higher primarily as a result of additional new multiplex theaters opened since the end of 1999 and increased per capita spending. Parks' revenues were comparable with the prior year. Entertainment revenues for the prior year also included the recognition of a pay television license for library products and the renewal of a film processing agreement.

For the year, Entertainment's operating income and EBITDA decreased 9% and 3%, respectively, primarily due to lower Theater profits as a result of higher operating costs and costs associated with opening additional multiplexes in 2000. Parks' operating income and EBITDA for 2000 were higher than the prior year due to lower operating costs.

As a result of the Company's adoption of SOP 00-2 in the second quarter of 2000, Paramount Pictures recorded a pre-tax charge of approximately $423 million as a cumulative effect of a change in accounting which was not included in operating income and EBITDA above. For 2000, Entertainment's operating results were reduced by approximately $20 million due to this accounting change.

License fees for television exhibition of completed motion pictures are recorded as revenue in the period that the products are available for such exhibition, which, among other reasons, may cause substantial fluctuation in operating results. As of December 31, 2000, the unrecognized revenues attributable to such licensing agreements were approximately $1.0 billion.

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

	Year Ended December 31, 2000	Year Ended December 31, 1999	Percent Better/(Worse)
As Reported:			
Revenues	$ 4,960.1	$ 4,463.5	11%
Operating income	$ 75.7	$ 127.9	(41)%
EBITDA	$ 534.8	$ 520.3	3%

For the year, Video revenues increased 11% driven by an increase in same store revenues and the increase in the number of company-operated stores. Worldwide same store revenues increased 5.6% for the year ended December 31, 2000 and worldwide rental revenues increased 5.9%. For the year, international same store revenues increased 11.6% and domestic same store revenues increased 4.3% over 1999. Blockbuster ended the year with 7,677 company-owned and franchise stores, a net increase of 524 stores over the prior year.

Operating results for 2000 were impacted by Blockbuster's investment in its online operations, which began operations in the fourth quarter of 1999 and resulted in reductions to operating income and EBITDA of $96.8 million and $53.4 million, respectively. Excluding the amounts attributable to its online operations, Video's operating income and EBITDA increased 28% and 12%, respectively, as compared with the prior year. Additionally, during the fourth quarter of 2000, Blockbuster determined that the carrying value of certain hardware and capitalized software components primarily related to the e-commerce portion of its Internet site were impaired, and as a result, recorded a charge of approximately $31.6 million as part of depreciation expense.

For the year, Video's gross margin decreased to 59.0% from 60.5% principally due to an increase in the percentage of total revenues generated through revenue-sharing arrangements, as revenue-sharing arrangements on average have lower gross margins than traditional buying arrangements.

Publishing (*Consumer Publishing*)

	Year Ended December 31, 2000	Year Ended December 31, 1999	Percent Better/(Worse)
As Reported:			
Revenues	$ 596.0	$ 610.7	(2)%
Operating income	$ 49.6	$ 54.3	(9)%
EBITDA	$ 71.3	$ 74.0	(4)%

For the year, Publishing experienced lower net sales at the Pocket Books and Trade divisions primarily due to lower frontlist sales which drove operating income and EBITDA declines partially offset by increased license fees and lower product costs. In 2000, Trade division's best-selling titles included "BEFORE I SAY GOOD-BYE" by Mary Higgins Clark, "ON WRITING" by Stephen King and "SEAT OF THE SOUL" by Gary Zukav and the Children's division best selling titles included "OLIVIA" by Ian Falconer.

Other Income and Expense Information 2000 versus 1999

Corporate Expenses/Eliminations

Corporate expenses/eliminations, excluding depreciation, for 2000 reflect corporate expenses of approximately $824.8 million and intersegment profit eliminations of $103.2 million. Corporate expenses of $824.8 million increased from $174.1 million in 1999 primarily due to the $650 million of merger related charges being recorded in 2000. Intersegment profit eliminations principally reflect the profit eliminations of the sale of feature films to Cable Networks and Video Segment, and television programming sales to Cable Networks.

Depreciation and Amortization

For the year ended December 31, 2000, depreciation and amortization increased to $2.2 billion as compared with $844.7 million for 1999. This increase was primarily due to the Viacom/CBS Merger, which resulted in additional expense of approximately $1.0 billion.

Interest Expense

Interest expense increased to $822.3 million for 2000 from $448.9 million for 1999. This increase is primarily due to the assumption of $3.7 billion of debt resulting from the Viacom/CBS Merger. The Company had approximately $12.7 billion and $6.0 billion principal amount of debt outstanding (including current maturities) at December 31, 2000 and December 31, 1999, respectively, at weighted average interest rates of 7.6% and 7.5%, respectively.

Interest Income

Interest income increased 92% to $53.2 million for 2000 from $27.7 million for 1999 due to higher amounts of marketable securities and slightly higher rates of return from investments.

Other Items, Net

In 2000, "Other items, net" of $8.8 million principally reflects foreign exchange gains of $31.7 million and net gains on the sale of assets of approximately $44.3 million which were mostly offset by the write-down of several internet cost investments to their current market value resulting in a loss of approximately $66.9 million. In 1999, "Other items, net" of $17.8 million reflects a $25.2 million foreign exchange gain partially offset by a net loss of approximately $7.4 million from the sale of assets.

Provision for Income Taxes

The provision for income taxes represents federal, state and foreign income taxes on earnings before income taxes. The annual effective tax rates of 73.4% for 2000, excluding the 2000 Viacom/CBS merger-related charges of $698 million, and 48.8% for 1999 were adversely affected by amortization of intangibles in excess of the amounts deductible for tax purposes. Excluding the non-deductible amortization of intangibles, the annual effective tax rates would have been 38.8% for 2000 and 35.4% for 1999.

Equity in Loss of Affiliated Companies, Net of Tax

"Equity in loss of affiliated companies, net of tax" was $124.2 million for 2000 as compared to $60.7 million for 1999, principally reflecting increased losses of internet equity ventures and losses in equity theater ventures partially offset by the improved results from Comedy Central.

Minority Interest, net of tax

Minority interest in 2000 primarily represented the minority ownership of Infinity and Blockbuster common stock. In February 2001, the Company acquired the remaining minority interest of Infinity that it did not own.

Extraordinary Loss, Net of Tax

In 1999, the Company recognized after-tax extraordinary losses on the early extinguishment of debt of $37.7 million, or a loss of $.06 per basic and diluted share.

Net Earnings (Loss)

For the reasons described above, the Company reported a net loss of $816.1 million for 2000 as compared with net earnings of $334.0 million for 1999.

Acquisitions, Merger-Related and Other Charges

The Viacom/CBS Merger was effective May 4, 2000. The total purchase price of approximately $39.8 billion included approximately $37.7 billion for the issuance of 825.5 million shares of Viacom Class B Common Stock and 11,004 shares of Viacom Series C convertible preferred stock, which were subsequently converted into 11.0 million shares of Viacom Class B Common Stock, and approximately $1.9 billion for the fair value of CBS stock options assumed by the Company and transaction costs. In addition, Viacom assumed approximately $3.7 billion of CBS' debt.

After divestitures and television station swaps following the Viacom/CBS Merger, the television stations currently held by the Company have an aggregate national audience reach for purposes of the national ownership cap of approximately 39%. In connection with the Viacom/CBS Merger, the FCC ordered the Company to come into compliance with the national television ownership cap by May 4, 2001. However, the Company challenged the national ownership limit in federal court and the FCC-mandated divestiture was stayed pending an order of the court. On February 19, 2002, the court found the FCC's 1998 decision not to repeal or modify the national ownership cap to be arbitrary and capricious and remanded the rule to the FCC for further consideration whether to repeal or modify the rule. On March 28, 2002, the FCC ordered that the Company has until 12 months after the issuance of a final FCC

decision on the remand to file any application that may be necessary to come into compliance with any limits that may exist at that time.

In the second quarter of 2000, the Company recorded non-recurring merger-related charges of $698 million ($505 million after-tax or $.41 per share), associated with the integration of Viacom and CBS and the acquisition of UPN (see Note 3). These amounts included non-cash charges of $415 million principally attributable to compensation for stock options and $283 million of cash payments and accrued liabilities for severance, transaction fees and integration costs. As of December 31, 2001, the Company had paid and charged approximately $109 million for severance liabilities, $27 million for transaction fees and $69 million related to integration costs.

Other Acquisitions

In November 2001, the Company completed the television station swaps of WDCA-TV Washington D.C. and KTXH-TV Houston in exchange for KBHK-TV San Francisco. As a result of the swaps, the Company recognized a gain of approximately $210.1 million.

On February 21, 2001, the Company completed a merger with Infinity, acquiring all of the issued and outstanding shares of Infinity common stock that it did not already own, approximately 36%. Under the terms of the merger, which was tax-free for the stockholders of Infinity and Viacom, each issued and outstanding share of Infinity Class A common stock was converted into the right to receive 0.592 of a share of Viacom Class B Common Stock. The total purchase price of approximately $13.4 billion represented the issuance of approximately 231.6 million shares of Viacom Class B Common Stock and the fair value of Infinity stock options assumed by the Company.

On January 23, 2001, the Company completed its acquisition of BET for approximately $3 billion, which principally represents the net issuance of approximately 43.0 million shares of Viacom Class B Common Stock and the assumption by the Company of approximately $590 million in debt.

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

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

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

During the second quarter of 2000, Infinity completed the acquisition of Giraudy, one of France's largest outdoor advertising companies, for approximately $400 million. Infinity also acquired Societa Manifesti & Affisioni S.p.A., one of the leading Italian outdoor media sales companies, for approximately $90 million.

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

Blockbuster Special Item Charges

During the third quarter of 2001, Blockbuster executed a strategic re-merchandising plan to allow for an expansion of store space for DVD and other strategic product offerings. Blockbuster initiated this plan with the goal of optimizing its stores' revenues and gross profit based on an evaluation of its product mix and product offerings. This evaluation also included analyses of industry trends and projections, such as the accelerated consumer acceptance of the DVD format, as evidenced by Blockbuster's increase in DVD

rental revenues as a percentage of total rental revenues from approximately 7.3% for the three months ended September 30, 2000 to approximately 19.8% for the three months ended September 30, 2001 and the continued increase to 23.4% for the three months ended December 31, 2001. In connection with its plan, Blockbuster eliminated approximately 30% of its rental VHS library in its stores, certain VHS merchandise inventory primarily located in its distribution center, and certain games from its rental library in its stores, and reorganized several of its corporate departments. The cost of the eliminated inventory, net of any estimated proceeds, resulted in primarily non-cash charges of approximately $195.9 million to operating expenses in the Company's consolidated statement of operations. Blockbuster also recorded a charge of approximately $26.9 million in selling, general and administrative expenses, primarily related to employee, labor and supply and disposal costs to execute the plan. Additionally, $2.6 million was charged to depreciation expense and $1.9 million was charged below operating income to equity in loss of affiliated companies. This strategic re-merchandising plan was completed by the end of 2001 through the destruction or sale of the identified items.

Also, during the third quarter of 2001, Blockbuster recorded approximately $27.6 million in selling, general and administrative expenses related to two outstanding lawsuits.

The amounts described above, along with the $141.7 million recorded as a change in accounting estimates for rental inventory, comprise the Blockbuster charges of $394.7 million to operating income for the year ended December 31, 2001.

Change in Accounting Estimates For Rental Inventory

Effective July 1, 2001, Blockbuster changed its accounting estimates related to rental inventory, including residual values and useful lives, in connection with its strategic re-merchandising plan discussed above. The residual value of VHS rental inventories was reduced from $4 per unit to $2 per unit, and the residual value of game rental inventories was reduced from $10 per unit to $5 per unit. In addition, Blockbuster reduced its estimate of the useful life of its base stock VHS rental inventories from 36 months to 9 months. These changes in estimate reflect the impact of changes in the rental business, such as an increase in DVD rental revenues, a decrease in VHS rental revenues and trends affecting games, which have led to a reduction in the average selling value of Blockbuster's previously rented VHS and game products and a reduction in the average life of VHS rental products. As a result of these changes in estimate, the Company's operating expenses were $141.7 million higher and net loss was higher by $73.9 million, or an increase in loss per share of $.04, than it would have been under the previous method for the year ended December 31, 2001.

Restructuring Charges

In the fourth quarter of 2001, MTVN announced a restructuring plan to reduce headcount in its domestic offices and close certain offices in Latin America, Europe and Asia. In connection with this plan, the Company recorded a restructuring charge of approximately $66.6 million. Included in the restructuring charge was severance of $58.3 million for the termination of approximately 450 employees worldwide and lease termination and other occupancy costs of $8.3 million for vacated office space in New York. As of December 31, 2001, the Company had paid and charged $11.4 million against the severance liability and the lease termination liability has not yet been utilized. The Company expects to substantially utilize these reserves by the end of 2002.

In the fourth quarter of 2001, in connection with the Company's plan to integrate UPN with CBS operations, the Company recorded a restructuring charge of $52.8 million. The restructuring charge included programming write-offs of $29.6 million, approximately $15 million of employee-related costs, including severance, and lease termination and other costs of $8.2 million. The integration of UPN with CBS Network operations began in January 2002. The Company plans to eliminate approximately 50 positions and vacate space at 3 of UPN's offices. As of December 31, 2001, the Company had not

utilized the severance and lease termination reserves. The Company plans to substantially utilize these reserves by the end of 2002.

In June 1999, the Company completed its tender offer for all outstanding shares of Spelling Entertainment Group Inc. ("Spelling") common stock that it did not already own for $9.75 per share in cash and then acquired the remaining outstanding shares of Spelling not tendered through a merger of Spelling and a wholly owned subsidiary of the Company. As a result of the merger, each share of Spelling common stock was also converted into the right to receive $9.75 in cash. The consideration for tendered shares was approximately $176 million.

In connection with the integration of the operations of Spelling into Paramount Television, the Company recorded a charge of approximately $81.1 million, of which $70.3 million was recorded as a restructuring charge and $10.8 million was recorded as part of depreciation expense in the third quarter of 1999. Included in the charge were severance and employee related costs of $48.1 million, lease termination and other occupancy costs of $17.7 million and other exit costs of $4.5 million. Severance and other employee related costs represent the costs to terminate approximately 250 employees engaged in legal, sales, marketing, finance, information systems, technical support and human resources for Spelling. Lease termination and other occupancy costs principally represent the expenses associated with vacating existing lease obligations in New York and Los Angeles. The depreciation expense of approximately $10.8 million was associated with the fixed asset write-offs for software, leasehold improvements and equipment located at these premises. As of December 31, 2001, the Company had paid and charged approximately $48.1 million against the severance liability, $13.9 million against lease termination and other occupancy costs, and $3.1 million against the other exit costs.

Financial Position

Current assets decreased to $7.2 billion at December 31, 2001 from $7.8 billion as of December 31, 2000 principally due to reductions in cash and receivables. The decrease in cash principally represents the timing of payments of commercial paper obligations. The decrease in accounts receivable was principally due to the sale of receivables under the receivable securitization programs. The allowance for doubtful accounts as a percentage of receivables was 7.1% at December 31, 2001 compared to 5.8% at December 31, 2000.

Property and equipment decreased to $6.3 billion at December 31, 2001 from $6.6 billion at December 31, 2000 principally reflecting depreciation expense of $872.8 million partially offset by acquired assets and capital expenditures of $515.4 million principally for cable networks, television and radio equipment and new and existing video stores. Non-current inventory increased to $3.9 billion at December 31, 2001 from $3.6 billion at December 31, 2000, principally reflecting an increase in theatrical inventory due to the timing of incurred production costs for in-process inventory, the timing of home video releases and the availability of films to pay and free television markets, and increases in program rights. These increases were partially offset by the Blockbuster special item charges which reduced VHS rental inventory. Intangibles of $71.0 billion at December 31, 2001 increased by $9.0 billion compared to $62.0 billion at December 31, 2000, principally reflecting the merger with Infinity and the BET acquisition partially offset by amortization expense of $2.2 billion.

Current liabilities decreased to $7.6 billion at December 31, 2001 from $7.8 billion at December 31, 2000 principally due to reductions in accounts payable and income taxes payable reflecting the timing of payments. The other liabilities balance of $5.7 billion as of December 31, 2001 principally consist of long-term accrued distribution fees, accrued program rights, and retained liabilities of discontinued operations. The minority interest balance of $1.2 billion at December 31, 2001 decreased from $7.0 billion at December 31, 2000 reflecting the February 2001 merger with Infinity.

Cash Flows

Operating Activities. Net cash flow from operating activities of $3.5 billion for 2001 principally reflects a net loss of $223.5 million adjusted for $3.1 billion of depreciation and amortization expense and $512 million for the 2001 Blockbuster, MTVN, and UPN charges plus decreases in accounts receivable, partially offset by payments of accrued expenses and accounts payable. Net cash flow from operating activities of $2.3 billion in 2000 primarily reflects the net loss of $816.1 million adjusted for $2.2 billion of depreciation and amortization, $698.5 million of Viacom/CBS merger-related charges and $753.9 million for the cumulative effect of change in accounting principle partially offset by increases to receivables and payment of accrued liabilities.

Investing Activities. Net cash expenditures for 2001 investing activities of $1.2 billion principally reflect the acquisitions of BET and outdoor businesses and capital expenditures of $515.4 million partially offset by proceeds from dispositions of radio stations and other assets. Net cash expenditures for investing activities of $2.9 billion for 2000 principally reflect capital expenditures of $659.0 million and acquisitions of $2.4 billion principally for radio stations and outdoor businesses.

Financing Activities. Financing activities for 2001 principally reflect $1.6 billion net repayment of debt and $1.1 billion used to repurchase Company stock. Financing activities for 2000 principally reflect approximately $3.1 billion of borrowings from banks and proceeds from the issuance of senior notes and debentures partially offset by the purchase of treasury stock.

Planned capital expenditures, including information systems costs, are approximately $625 million to $675 million in 2002. These expenditures are primarily related to capital additions for cable networks, television and radio equipment, new and existing video stores and theme park attractions. The Company's joint ventures are expected to require estimated net cash contributions of approximately $10 million to $20 million in 2002 as compared to net cash contributions of $15 million in 2001.

Cash paid for income taxes of $430 million for 2001 were favorably impacted by the one-time utilization of certain tax attributes primarily related to pre-merger related activities of CBS, the recognition of tax benefits associated with non-recurring items and the deferral of the obligation to make 2001 federal estimated tax payments until 2002 as a result of the events of September 11. In addition to the deferral of tax payments related to September 11, cash income taxes for 2002 will be higher due to expected higher operating income and the absence of the 2001 non-recurring items and are expected to be in the range of approximately $900 million to $1.1 billion.

Subsequent to its August 1999 initial public offering, Blockbuster no longer participates in the Company's centralized cash management system. Cash generated by Blockbuster's operations is expected to be retained by Blockbuster to fund its anticipated cash requirements.

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

Share Repurchase Programs

During 2001, the Company repurchased 24.2 million shares of its Class B Common Stock for approximately $1.0 billion under its share repurchase programs. Fourth quarter 2001 repurchases included in this total amounted to $254 million. From January 1 through March 8, 2002, the Company had repurchased 6.6 million shares of its Class B Common Stock for $271 million and as of March 8, 2002 there was approximately $753 million remaining under the authorized repurchase program.

During 2000, the Company repurchased 10,000 shares of its Class A Common Stock and 34.2 million shares of its Class B Common Stock for approximately $1.95 billion in the aggregate. During 1999, the Company had repurchased 25,000 shares of its Class A Common Stock, 10.6 million shares of its Class B Common Stock and 1.1 million Viacom Five-Year Warrants, for approximately $466.4 million in the aggregate.

Capital Structure

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

At December 31,	2001	2000
Notes payable to banks	$ 645.0	$ 1,879.1
Commercial paper	1,104.3	3,856.4
Senior debt	8,834.6	5,594.9
Senior subordinated debt	50.8	732.2
Subordinated debt	19.8	39.4
Other notes	16.2	43.5
Obligations under capital leases	452.0	552.2

	11,122.7	12,697.7
Less current portion	299.0	223.9
	$ 10,823.7	$ 12,473.8

The Company has classified short-term indebtedness as long-term debt based upon its intent and ability to refinance such indebtedness on a long-term basis. Debt, including the current portion, as a percentage of total capitalization of the Company decreased to 15% at December 31, 2001 from 21% at December 31, 2000.

As a result of the Viacom/CBS Merger, Viacom assumed approximately $3.7 billion of CBS' debt.

On March 28, 2000, the Viacom credit agreements were amended to allow for the merger of CBS with and into the Company. On April 17, 2000, the CBS credit agreement, which consisted of a $1.5 billion revolving credit facility maturing August 29, 2001 and the Infinity credit agreement, which consisted of a $1.5 billion revolving credit facility maturing August 29, 2001, were amended to allow for the merger of CBS with and into the Company. On May 3, 2000, Infinity entered into two new credit facilities, totaling $1.95 billion, comprised of a $1.45 billion 5-year revolving credit facility and a $500 million 364-day revolving credit facility.

On March 7, 2001, the Company cancelled all of the above-mentioned credit agreements other than the Infinity $1.45 billion facility, and entered into two new credit facilities. These two new facilities totaled $3.5 billion and were comprised of a $1.5 billion 5-year revolving credit facility and a $2.0 billion 364-day revolving credit facility. The Company also amended and restated the Infinity $1.45 billion facility. The terms and conditions were substantially conformed to the $1.5 billion 5-year revolving credit facility and the Company was designated as the borrower. As of December 31, 2001, the Company had unused revolving credit facilities of $4.85 billion in the aggregate. The $2.0 billion facility was to expire in 2002, and the $1.5 billion and $1.45 billion facilities in 2005 and 2006, respectively. On March 5, 2002, the Company

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entered into a new $1.8 billion 364-day facility to replace the $2.0 billion facility which was to expire on March 6, 2002. The $1.8 billion facility expires in March 2003.

The primary purpose of the facilities is to support commercial paper borrowings. The Company, at its option, may borrow in certain foreign currencies up to specified limits under the $1.5 billion 5-year revolving credit facility. Borrowing rates under the facilities are determined at the time of each borrowing and are based generally on the London Interbank Offer Rate ("LIBOR") plus a margin based on the Company's senior unsecured debt rating. At December 31, 2001, LIBOR for borrowing periods of one month and two months were 1.87% and 1.88%, respectively. The Company pays commitment fees based on the total amount of the facility commitments. As of March 5, 2002, the amounts available under the Company's revolving credit facilities totaled $4.59 billion.

The facilities contain certain covenants which, among other things, require that the Company maintain a minimum interest coverage ratio. At December 31, 2001, the Company was in compliance with the financial covenants. The Company expects to be in compliance and satisfy all such covenants as may be applicable from time to time during 2002.

The Company issues commercial paper under its $4.75 billion program. Borrowings under the program have maturities of less than a year and are supported by unused revolving credit facilities. At December 31, 2001, the Company had borrowings under the program of approximately $1.1 billion.

On January 15, 2002, the 11.375% subordinated debentures due 2009 were redeemed at a redemption price equal to 105.7% of the principal amount.

On December 3, 2001, the Company completed a consent solicitation and tender offer to purchase for cash substantially all of the outstanding 8.875% senior subordinated notes due 2007 at a redemption price equal to 107.5% of the principal amount. An extraordinary loss of $3.9 million, net of tax, was recognized on the tender offer.

On June 29, 2001, the Company issued $335 million of 7.25% senior notes due June 30, 2051; interest on the senior notes will be paid quarterly. Proceeds from the debt issuance were used to repay commercial paper indebtedness. The senior notes are redeemable at anytime by the Company after June 30, 2006 at their principal amount plus accrued interest.

In 2001, the Company issued, under Rule 144A, $800 million of 6.40% senior notes due January 30, 2006, $1.0 billion of 6.625% senior notes due May 15, 2011; $500 million of 7.70% senior notes due July 30, 2010, and $750 million of 7.875% senior debentures due July 30, 2030; interest on the senior notes and debentures will be payable semi-annually. Proceeds were used to repay bank debt, including commercial paper. These notes and debentures were exchanged for registered notes and debentures. The senior debentures and the senior notes due July 30, 2010, May 15, 2011 and July 30, 2030 are redeemable at any time at their principal amount plus the applicable premium and accrued interest.

During 2001, all $189.6 million outstanding of Infinity's 9.375% senior subordinated notes due 2006 were redeemed at a redemption price equal to 104.7% of the principal amount. On February 1, 2001, all $60.3 million outstanding of Infinity's 9% senior subordinated notes due 2006 were redeemed at a redemption price equal to 104.5% of the principal amount.

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

As of December 31, 2001, the Company had an aggregate of $950 million outstanding under revolving receivable securitization programs. The programs result in the sale of receivables on a non-recourse basis to unrelated third parties on a one-year renewable basis, thereby reducing accounts receivable and debt on the Company's consolidated balance sheet. The Company enters into these arrangements because they provide a cost-efficient form of financing and an additional source of liquidity. Proceeds from the

programs were used to reduce outstanding borrowings. The Company is required to maintain certain ratios in connection with these programs. As of December 31, 2001, the Company was in compliance with the required ratios under the receivable securitization programs.

Blockbuster Credit Agreement

On June 21, 1999, Blockbuster entered into a $1.9 billion unsecured credit agreement (the "Blockbuster Credit Agreement") with a syndicate of banks. The Blockbuster Credit Agreement was initially comprised of a $700 million long-term revolver due July 1, 2004; a $600 million term loan due in quarterly installments beginning April 1, 2002 and ending July 1, 2004; and a $600 million short-term revolver, which was paid down during 2000. The repayment of the short-term revolver permanently reduced the borrowing capacity under the Blockbuster Credit Agreement from $1.9 billion to $1.3 billion. Blockbuster had $700 million of available borrowing capacity under the long-term revolver at December 31, 2001 and has the ability with this available borrowing capacity to extend the maturities of the current portion of their term loan. Blockbuster is actively reviewing its financing arrangements and will pursue strategies to optimize its capital structure. Interest rates under the Blockbuster Credit Agreement are based on the prime rate in the United States or LIBOR (plus a margin, or "LIBOR spread" based on leverage ratios, which is currently 1.25%), at Blockbuster's option at the time of borrowing. The weighted-average interest rate at December 31, 2001 for borrowings under the Blockbuster Credit Agreement was 5.8%. A variable commitment fee based on the total leverage ratio is charged on the unused amount of the revolver (.25% at December 31, 2001).

The Blockbuster Credit Agreement contains certain restrictive covenants, which, among other things, relate to the payment of dividends, repurchase of Blockbuster's common stock or other distributions and also require compliance with certain financial covenants with respect to a maximum leverage ratio and a minimum fixed charge coverage ratio. At December 31, 2001, Blockbuster was in compliance with all covenants under the Blockbuster Credit Agreement.

Liquidity and Capital Resources

The Company continually projects anticipated cash requirements, which include capital expenditures, share repurchases, 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 scheduled debt maturities of $582.6 million in 2002 and $910.0 million in 2003 will be funded with cash flows generated from operating activities which totaled $3.5 billion in 2001 and proceeds from the issuance of debt. The Company continually evaluates the relative cost of short and long-term debt in conjunction with refinancing risk. 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 $335 million of securities under the shelf registration statement.

Commitments and Contingencies

The following table presents the Company's significant unrecorded contractual commitments and scheduled long-term debt maturities (excluding commercial paper) as of December 31, 2001:

	2002	2003	2004	2005	2006	2007 & thereafter
Commitments	$ 2,907.3	$ 2,380.3	$ 2,023.9	$ 1,782.2	$ 232.2	$ 5,913.4
Operating leases	833.5	753.9	633.4	517.0	415.3	1,861.2
Long-term debt	582.6	910.0	178.9	1,472.8	800.8	5,571.9
Capital lease obligations (including interest)	172.6	112.2	76.5	62.5	49.8	88.8
Guaranteed minimum franchise payments	341.3	301.5	271.4	223.9	130.5	237.3
Letters of credit and surety bonds	305.8					
Theater lease and long-term debt guarantees	232.5	9.1	9.2	9.3	8.6	115.4

Commitments

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

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

Other commitments of the Company, estimated to aggregate approximately $15.2 billion, are not reflected in the balance sheet as of December 31, 2001. These commitments include approximately $10.3 billion for the acquisition of sports programming rights, approximately $3.9 billion relating to television and feature film production and acquisitions and approximately $1.0 billion for talent contracts. A majority of such fees are payable over several years, as part of the normal course of business. See Note 14 of Notes to Consolidated Financial Statements for a description of the Company's future minimum lease commitments and franchise payments.

Guarantees

The Company owns a 50% equity interest in United Cinemas International ("UCI") which operates movie theaters in Europe, Latin America and Asia. The Company guarantees approximately $367.2 million of UCI's debt obligations and 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 $16.9 million. These guarantees are not recorded on the balance sheet as of December 31, 2001. The Company is also subject to certain off-balance sheet lease guarantees related to the divestitures of certain businesses. The Company estimates those guarantees to be less than $100 million at December 31, 2001.

Legal Matters

Antitrust. The Company, Blockbuster and Paramount Home Entertainment are among the defendants in a lawsuit filed on July 21, 1999 in the United States District Court for the Western District of Texas by one former and three present independent video retailers against the major motion picture studios and the Company. The plaintiffs, purporting to act as class representatives on behalf of themselves and all others similarly situated, alleged that the Company and the studios conspired among themselves

and with Blockbuster to restrain competition in the nationwide market for distribution of videocassettes for rental to the public in violation of federal and California law. Plaintiffs sought injunctive relief under federal law as well as triple the amount of the alleged actual damages to themselves and those similarly situated under California statutes. In January 2001, plaintiffs moved to withdraw their California state law claims from the federal lawsuit in Texas and filed a substantially similar complaint with approximately 200 additional named plaintiffs in Superior Court for the County of Los Angeles. This complaint also sought certification of a nationwide class of similarly situated plaintiffs. In March 2001, the Texas court denied the plaintiffs' motion for class certification of both the federal and the California state law claims in the federal action and denied the plaintiffs' motion to withdraw their California state law claims from that action. On January 8, 2002, the California court also denied plaintiffs' motion for class certification. The Company believes that the plaintiffs' position in these litigations is without merit and intends to defend itself vigorously in the litigations.

Asbestos and Environmental. The Company is a defendant in lawsuits claiming various asbestos-related personal injuries, which allegedly occurred as a result of exposure caused by various products manufactured by Westinghouse, a predecessor, generally prior to the early 1970s. Westinghouse was neither a producer nor a manufacturer of asbestos. The Company is typically named as one of a large number of defendants in both state and federal cases. In the majority of 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 typically are both filed and settled in large groups, which makes the amount and timing of settlements, and the number of pending claims, subject to significant fluctuation from period to period. As of December 31, 2001, the Company had pending approximately 106,000 asbestos claims, as compared to approximately 100,000 as of December 31, 2000 and 121,000 as of December 31, 1999. Of the claims pending as of December 31, 2001, approximately 75,000 were pending in state courts, 22,000 in federal court and approximately 9,000 were third party claims. During 2001, the Company received approximately 60,000 new claims and closed approximately the same number of 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 in 2001 for settlement and defense of asbestos claims after insurance recoveries and net of tax benefits, were approximately $21 million. A portion of such costs relates to claims settled in prior years.

Filings include claims for individuals suffering from mesothelioma, a rare cancer which is allegedly caused solely 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. Only a very small percentage of the Company's pending asbestos claims that identify the alleged injury contain allegations that the plaintiff's exposure to asbestos resulted in cancer; in recent filings in which the Company knows the nature of the claimed injury, the percentage of cancer claims has been declining significantly. In more than 50% of the 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.

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.

Other. The Company has amounts owed by an international licensee under a series of long-term licensing arrangements covering feature film and television product. The licensee is disputing its obligation to accept and to pay for a portion of this product under certain of these arrangements. The Company has brought suit to enforce its rights under those arrangements and strongly believes in the merits of its position. In the event of the licensee's bankruptcy, the Company may be unable to recover some or all of amounts being sought in the litigation, as well as the undisputed sums owing under these arrangements. The Company however, believes that the resolution of such matters will not have a material adverse effect on the Company's consolidated results of operations.

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 the above-described legal matters are not likely to have a material adverse effect on its results of operations, financial position or cash flows.

Market Risk

Effective January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended ("SFAS 133"). SFAS 133 requires all derivatives to be recorded on the balance sheet at fair value. SFAS 133 also established new accounting rules for hedging instruments which, depending on the nature of the hedge, require that changes in the fair value of the derivatives either be offset against the change in fair value of assets or liabilities through earnings, or be recognized in other comprehensive income until the hedged item is recognized in earnings. The impact of adoption was immaterial on the Company's consolidated results of operations and financial position.

The Company uses derivative financial instruments to modify its exposure to market risks from changes in foreign exchange rates and interest rates. The Company does not hold or enter into financial instruments for speculative trading purposes. The foreign exchange hedging instruments used are spot, forward and option contracts. The foreign exchange contracts have principally been used to hedge the British Pound, the Australian Dollar, the Japanese Yen, the Canadian Dollar, the Singapore Dollar and the Euro. The Company designates forward contracts used to hedge future production costs as cash flow hedges. Additionally, the Company enters into non-designated forward contracts to hedge non-dollar denominated cash flows and foreign currency balances. The change in fair value of the non-designated contracts is included in current period earnings as part of "Other items, net."

The Company's interest expense is exposed to movements in short-term rates. Swap agreements are used to modify this exposure. This includes both fixed to variable rates swaps which are designated as fair value hedges and variable to fixed rate swaps which are designated as cash flow hedges. As of December 31, 2001, the swaps could be terminated by a payment of approximately $4.5 million.

The effective portion of the change in fair value of cash flow hedges are reported in other comprehensive income and reclassified into earnings in the same period in which the hedged transaction affects earnings. During the next twelve months, approximately $6.4 million will be amortized into earnings. The ineffective portion included in earnings was not material. The change in value of the fair value hedges and the hedged instruments is reported in earnings for the periods presented.

During December 2001, the Company entered into $750 million notional amount swap agreements, which converted fixed rate debt obligations into variable rate debt obligations. Of the $750 million notional amount, $225 million matures on January 15, 2003, $275 million matures on September 1, 2003 and $250 million matures on June 1, 2005, and the Company receives interest at approximately 3.2%, 3.8% and 4.5%, respectively, and pays three-month LIBOR. These fair value hedges were fully effective.

On January 23, 2001, the Company, in connection with the acquisition of BET, assumed $425 million of cash flow swap agreements which effectively convert variable rate interest payments on commercial paper to a fixed rate. As of December 31, 2001, the notional amount outstanding was approximately $253 million. The notional amount of the swaps amortize by approximately $78 million and $156 million in

September of 2002 and 2003, respectively, and mature in September 2004. Interest is received based upon three-month LIBOR and is paid at approximately 5.07%.

At December 31, 2001, the notional amount of the foreign exchange derivative contracts was $268.1 million. Of this balance, $76.6 million represents cash flow hedges used to reduce foreign exchange exposure for future production costs. The remaining $191.5 million represents hedges of underlying foreign currency balances, expected foreign currency net cash flows and investment hedges.

The variable rate portion of the Company's debt is affected by fluctuations in interest rates. Based on the amount of variable rate debt outstanding on December 31, 2001, a 100 basis point change in interest rates would cause a $22.4 million change in annual interest expense.

The Company continually monitors its positions with, and credit quality of, the financial institutions which are counterparties to its financial instruments. The Company is exposed to credit loss in the event of nonperformance by the counterparties to the agreements. However, the Company does not anticipate nonperformance by the counterparties. Outstanding letters of credit and surety bonds totaled approximately $306 million at December 31, 2001. The Company's receivables do not represent significant concentrations of credit risk at December 31, 2001, due to the wide variety of customers, markets and geographic areas to which the Company's products and services are sold.

Euro Conversion

The Euro transition has been completed and the Company's transition to the Euro currency has not had a significant impact on the manner in which it conducts its business affairs and processes its business and accounting records. Accordingly, conversion to the Euro has not had a material effect on the Company's financial condition or results of operations.

Related Parties

National Amusements, Inc. ("NAI") is a closely held corporation that beneficially owns approximately 68% of the Company's Class A Common Stock and approximately 11% of the Company's Class A Common Stock and Class B Common Stock on a combined basis at December 31, 2001. 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.

The Company owns a minority equity interest in Westwood One, Inc. ("Westwood One"). Most of Infinity'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 of Infinity's programming. In addition, certain employees of Infinity serve as officers of Westwood One for which the Company receives a management fee. Revenue and expense reimbursements from these arrangements were approximately $102.4 million and $77.6 million in 2001 and 2000, respectively.

Recent Pronouncements

In August 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), effective for fiscal years beginning after December 15, 2001 and replaces SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." SFAS 144 establishes an accounting model for long-lived assets to be disposed of by sale, including discontinued operations, and replaces the provisions of Accounting Principles Board ("APB") Opinion No. 30 for the disposal of segments of a business. Long-lived assets classified as held for disposal as a result of disposal activities that were initiated prior to adoption of SFAS 144 shall continue to be accounted for under the provisions of SFAS No. 121 or

APB Opinion No. 30. The adoption of SFAS 144 will not have a material effect on the Company's financial statements.

In June 2001, the FASB issued SFAS No. 141 "Business Combinations" ("SFAS 141"), effective for business combinations initiated after June 30, 2001 and SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") effective for the fiscal years beginning after December 15, 2001. Under SFAS 141, all business combinations are required to be accounted for under the purchase method of accounting.

SFAS 142 supersedes APB Opinion No. 17 "Intangible Assets", related to financial accounting and reporting for acquired goodwill and other intangible assets. SFAS 142 requires that goodwill and intangible assets with indefinite lives, including such assets recorded in past business combinations, no longer be amortized to earnings, but should instead be 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. Intangible assets with finite lives will continue to be amortized over their useful lives and reviewed for impairment. The Company will adopt SFAS 142 in the first quarter of 2002. The Company has determined that with the exception of Blockbuster, none of the Company's reporting units has an impairment. The impairment charge will be determined after the fair value of Blockbuster has been allocated to specific assets and liabilities and will be recognized as a cumulative effect of a change in accounting principle. Any potential write-off of Blockbuster's goodwill would represent an insignificant decrease relative to the Company's consolidated intangibles of approximately $71 billion. Also, as a result of the new accounting standard, future amortization expense will be significantly lower. The Company anticipates a significant reduction in amortization expense from $2.2 billion for 2001 to approximately $110 million for 2002.

Critical Accounting Policies

The SEC recently issued Financial Reporting Release No. 60, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies" ("FRR 60"), suggesting companies provide additional disclosure and commentary on those accounting policies considered most critical. FRR 60 considers an accounting policy to be critical if it is important to the Company's financial condition and results of operations, and requires significant judgment and estimates on the part of management in its application. For a summary of the Company's significant accounting policies, including the critical accounting policies discussed below, see the accompanying notes to the consolidated financial statements.

The preparation of the Company's financial statements in conformity GAAP 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 a financial statements and the reported amount of expenses during the reporting period. On an ongoing basis, the Company evaluates its estimates which are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The result of these evaluations forms the basis for making judgments about the carrying values of assets and liabilities and the reported amount of expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions. The following accounting policies require significant management judgments and estimates.

Accounting for the production and distribution of motion pictures and television programming is in accordance with SOP 00-2 which requires management's judgment as it relates to total revenues to be received and costs to be incurred throughout the life of each program or license period. These judgments are used to determine the amortization of capitalized programming costs associated with revenues earned and any net realizable value adjustments.

The cost of Blockbuster's rental library, which includes videocassettes, DVDs and games, is amortized over periods ranging from 3 to 12 months to an estimated residual value of $2 to $5 per unit, according to the product category. The estimates for useful lives and residual values of the rental library are continually evaluated based on changes in consumer demand. Changes in demand or buying patterns may impact the carrying value of the rental library and rental margins. During

2001, Blockbuster changed the estimates regarding useful lives and residual values for videocassettes and game products, which resulted in inventory write-downs and increased amortization expense. See Notes 5 and 6 to the consolidated financial statements for further discussion.

The Company accounts for its business acquisitions under the purchase method of accounting. The total cost of acquisitions is allocated to the underlying net assets, based on their respective estimated fair values. The excess of the purchase price over the estimated fair values of the tangible net assets acquired is recorded as intangibles. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, asset lives, and market multiples, among other items.

The Company assesses potential impairment of long-lived assets and identifiable intangibles under the guidance of SFAS 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." The Company will adopt SFAS 142 in the first quarter of 2002 and has determined that based on segment valuation studies with the exception of Blockbuster, none of the Company's reporting units has an impairment. The impairment charge will be determined after the fair value of Blockbuster has been allocated to specific assets and liabilities and will be recognized as a cumulative effect of a change in accounting principle. Any potential write-off of Blockbuster's goodwill would represent an insignificant decrease relative to the Company's consolidated intangibles of approximately $71 billion.

The Company's cost and equity investments, where market value has declined below cost, are regularly reviewed by management to determine whether or not there has been an other-than-temporary decline in market value. In making that determination, management considers the extent to which cost exceeds market value, the duration of the market decline and the investees' earnings and cash forecasts, and current cash position, among other factors. In 2001, the Company recorded a non-cash impairment loss of approximately $125.0 million.

Balance sheet reserves and liabilities related to taxes, legal issues, restructuring charges and discontinued operations, including asbestos and environmental matters, require significant judgments and estimates by management. The Company continually evaluates these estimates based on changes in the relevant facts and circumstances and events that may impact estimates. While management believes that the current reserves for matters related to discontinued businesses, including environmental and asbestos are adequate, there can be no assurance that these factors will not change in future periods.

Cautionary Statement Concerning Forward-Looking Statements

This document and the documents incorporated by reference into this Form 10-K, including "Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition", contain 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 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 the Company's forward-looking statements:

The Company derives substantial revenues from the sale of advertising time on its over-the-air networks, basic cable networks, television stations, radio stations and outdoor businesses. The advertising market has recently experienced softness. The sale of advertising time is affected by viewer demographics, viewer ratings and market conditions for advertising time. Adverse changes to any of these factors could have a negative effect on revenues.

Operating results derived from the Company's motion picture and television production fluctuate depending primarily upon cost of such productions and acceptance of such productions by the public, which are difficult to predict. Motion picture and television production has experienced cycles in which increased costs of talent and other factors have resulted in higher production costs. In addition, the commercial success of the Company's motion picture and television productions also depends upon the quality and acceptance of other competing productions, and the availability of alternative forms of entertainment and leisure time activities.

The Company's operating results also fluctuate due to the timing and availability of theatrical and home video releases, as well as the recording of license fees for television exhibition of motion pictures and for syndication and basic cable exhibition of television programming in the period that the products are available for such exhibition.

The Company's basic cable networks and premium subscription television networks are dependent on affiliation agreements with cable and direct-to-home ("DTH") distributors on acceptable terms. The loss of carriage on such distributors, or continued carriage on less favorable terms, could adversely affect, with respect to basic cable networks, revenues from subscriber fees and the ability to sell advertising time, and with respect to premium subscription television networks, subscriber fee revenues. In addition, continued consolidation among cable and/or DTH distributors could have an adverse effect on subscriber fee revenues.

Some of the Company's businesses are seasonal. The home video and consumer publishing businesses are subject to increased periods of demand coinciding with summer and winter holidays, while a substantial majority of the theme parks' operating income is generated from May through September. In addition, the home video and theme parks businesses' revenues are influenced by weather. The Company's radio and outdoor advertising business experiences fluctuations based on the timing of advertising expenditures by retailers and typically experiences highest revenues in the fourth quarter and lowest revenues in the first quarter.

The Company's home video retail business currently enjoys a competitive advantage over most other movie distribution channels, except theatrical releases, due to the early timing of the video retailer "distribution window." The Video business could be negatively affected if the video retail distribution windows were no longer the first following the theatrical release; the length of the video retail distribution window was shortened; or the video retail distribution windows were no longer as exclusive as they are now. The Company believes that the studios have a significant interest in maintaining a viable video retail industry, however, the order, length and exclusivity of each window for each distribution channel is determined solely by the studio releasing the movie.

Studios have historically sold VHS movies to video retailers under a two-tiered pricing structure consisting of "rental pricing" and "sell-through" pricing, thereby creating a "rental window" for VHS product. The Company cannot control or predict with certainty studio pricing policies. The rental window has benefited the rental industry because, during the rental window, VHS prices are too high to generate consumer demand for purchasing VHS. There is not currently a domestic rental window for DVD. DVD rental product has generated higher margins than VHS revenue-sharing product due to the lower cost associated with sell-through DVD pricing, however, this pricing has also resulted in competition from mass merchant retailers at an earlier stage than is the case for VHS. The Video business could be negatively affected if consumers desire to purchase, rather than rent, movies. In addition, Video's profitability could be adversely affected if it did not derive most of its revenues from the rental business, as sell-through margins are generally lower than rental margins.

Changes in FCC laws and regulations could, directly or indirectly, adversely affect the operations and ownership of the Company's properties.

The Company has contingent liabilities related to discontinued operations, including environmental liabilities and pending litigation. While the pending or potential litigation, environmental and other liabilities should not have a material adverse effect on the Company, there can be no assurance in this regard.

The Company may be adversely affected by changes in technology and its effect on competition in the Company's markets.

Other economic, business, competitive and/or regulatory factors affecting the Company's businesses generally.

These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could have material adverse effects on our future results. 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. The Company cannot assure you that projected results or events will be achieved. You should review carefully all information, including the financial statements and the notes to the financial statements, included or incorporated by reference into this Form 10-K.

Item 7A. ***Quantitative and Qualitative Disclosures about Market Risk.***

Response to this item is included in "Item 7 Management's Discussion and Analysis of Results of Operations and Financial Condition Market Risk."

Item 8. ***Financial Statements and Supplementary Data.***

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
Stockholders of Viacom Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of cash flows and of stockholders' equity and comprehensive income present fairly, in all material respects, the financial position of Viacom Inc. and its subsidiaries (the "Company") at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 14(a) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PRICEWATERHOUSECOOPERS LLP
New York, New York
February 11, 2002

MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

Management has prepared and is responsible for the consolidated financial statements and related notes of Viacom Inc. They have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on judgments and estimates by management. All financial information in this annual report is consistent with the consolidated financial statements.

The Company maintains internal accounting control systems and related policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management's authorization and properly recorded, and that accounting records may be relied upon for the preparation of consolidated financial statements and other financial information. The design, monitoring, and revision of internal accounting control systems involve, among other things, management's judgment with respect to the relative cost and expected benefits of specific control measures. The Company also maintains an internal audit function which evaluates and reports on the adequacy and effectiveness of internal accounting controls, policies and procedures.

Viacom Inc.'s consolidated financial statements have been audited by PricewaterhouseCoopers LLP, independent accountants, who have expressed their opinion with respect to the presentation of these statements.

The Audit Committee of the Board of Directors, which is comprised solely of independent directors within the meaning of the NYSE rules, meets periodically with the independent accountants, with our internal auditors, as well as with management, to review accounting, auditing, internal accounting controls and financial reporting matters. The Audit Committee is also responsible for recommending to the Board of Directors the independent accounting firm to be retained for the coming year, subject to stockholder approval. The independent accountants and the internal auditors have full and free access to the Audit Committee with and without management's presence.

VIACOM INC.

By: **/s/ SUMNER M. REDSTONE**

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

By: **/s/ MEL KARMAZIN**

Mel Karmazin
President
Chief Operating Officer

By: **/s/ RICHARD J. BRESSLER**

Richard J. Bressler
Senior Executive Vice President
Chief Financial Officer

By: **/s/ SUSAN C. GORDON**

Susan C. Gordon
Vice President, Controller
Chief Accounting Officer

VIACOM INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share amounts)

	Year Ended December 31,		
	2001	**2000**	**1999**
Revenues	$ 23,222.8	$ 20,043.7	$ 12,858.8
Expenses:			
Operating	14,137.0	11,707.1	8,337.9
Selling, general and administrative	4,419.2	4,093.7	2,358.6
Restructuring and merger-related charges	119.4	698.5	70.3
Depreciation and amortization	3,087.0	2,223.5	844.7
Total expenses	21,762.6	18,722.8	11,611.5
Operating income	1,460.2	1,320.9	1,247.3
Interest expense	(962.7)	(822.3)	(448.9)
Interest income	30.6	53.2	27.7
Other items, net	254.7	8.8	17.8
Earnings before income taxes	782.8	560.6	843.9
Provision for income taxes	(922.5)	(729.8)	(411.4)
Equity in loss of affiliated companies, net of tax	(127.0)	(124.2)	(60.7)
Minority interest, net of tax	47.1	(70.4)	(.1)
Net earnings (loss) before extraordinary loss and cumulative effect of change in accounting principle	(219.6)	(363.8)	371.7
Extraordinary loss, net of tax	(3.9)		(37.7)
Cumulative effect of change in accounting principle, net of tax		(452.3)	
Net earnings (loss)	(223.5)	(816.1)	334.0
Cumulative convertible preferred stock dividend requirement			(.4)
Premium on repurchase of preferred stock			(12.0)
Net earnings (loss) attributable to common stock	$ (223.5)	$ (816.1)	$ 321.6
Basic earnings (loss) per common share:			
Net earnings (loss) before extraordinary loss and cumulative effect of change in accounting principle	$ (.13)	$ (.30)	$ .52
Net earnings (loss)	$ (.13)	$ (.67)	$ .46
Diluted earnings (loss) per common share:			
Net earnings (loss) before extraordinary loss and cumulative effect of change in accounting principle	$ (.13)	$ (.30)	$ .51
Net earnings (loss)	$ (.13)	$ (.67)	$ .45
Weighted average number of common shares outstanding:			
Basic	1,731.6	1,225.3	695.2
Diluted	1,731.6	1,225.3	709.5

See notes to consolidated financial statements.

VIACOM INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In millions, except per share amounts)

	At December 31, 2001	At December 31, 2000
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 727.4	$ 934.5
Receivables, less allowances of $274.9 (2001) and $246.2 (2000)	3,581.8	3,964.1
Inventory (Note 7)	1,369.4	1,402.0
Deferred tax asset, net (Note 12)	359.7	336.3
Other current assets	1,168.1	1,195.5
Total current assets	7,206.4	7,832.4
Property and Equipment:		
Land	752.7	713.8
Buildings	1,030.5	837.1
Capital leases	778.1	852.5
Advertising structures	2,074.5	2,076.5
Equipment and other	4,729.1	4,505.8
	9,364.9	8,985.7
Less accumulated depreciation and amortization	3,029.7	2,383.9
Net property and equipment	6,335.2	6,601.8
Inventory (Note 7)	3,884.9	3,632.9
Intangibles, at amortized cost	70,990.1	62,004.1
Other assets	2,393.3	2,574.9
Total Assets	$ 90,809.9	$ 82,646.1
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 945.0	$ 1,261.1
Accrued expenses	2,828.4	2,790.2
Accrued compensation	708.5	642.0
Participants' share, residuals and royalties payable	1,309.4	1,220.3
Deferred income	527.7	605.9
Program rights	849.7	709.8
Income taxes payable	94.0	305.0
Current portion of long-term debt (Note 9)	299.0	223.9

Total current liabilities	7,561.7	7,758.2
Long-term debt (Note 9)	10,823.7	12,473.8
Pension and postretirement benefit obligation (Note 13)	1,643.7	1,636.8
Deferred income tax liabilities (Note 12)	1,131.2	931.5
Other liabilities	5,721.0	4,838.7
Commitments and contingencies (Note 14)		
Minority interest	1,211.8	7,040.2
Stockholders' Equity:		
Class A Common Stock, par value $.01 per share; 750.0 shares authorized; 138.8 (2001) and 138.9 (2000) shares issued	1.4	1.4
Class B Common Stock, par value $.01 per share; 10,000.0 shares authorized; 1,697.0 (2001) and 1,454.7 (2000) shares issued	17.0	14.5
Additional paid-in capital	64,980.6	50,729.9
Retained earnings	1,208.3	1,431.8
Accumulated other comprehensive loss (Note 1)	(152.7)	(152.5)
	66,054.6	52,025.1
Less treasury stock, at cost; 1.4 (2001 and 2000) Class A shares and 77.9 (2001) and 96.3 (2000) Class B shares	3,337.8	4,058.2
Total stockholders' equity	62,716.8	47,966.9
Total Liabilities and Stockholders' Equity	$ 90,809.9	$ 82,646.1

See notes to consolidated financial statements.

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VIACOM INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Year ended December 31,		
	2001	**2000**	**1999**
Operating Activities:			
Net earnings (loss)	$ (223.5)	$ (816.1)	$ 334.0
Adjustments to reconcile net earnings (loss) to net cash flow from operating activities:			
Depreciation and amortization	3,087.0	2,223.5	844.7
Restructuring and merger-related charges	119.4	698.5	70.3
Inventory charges	392.1		
Cumulative effect of change in accounting principle		753.9	
(Gain) loss on transactions and other items, net	(288.5)	25.6	(33.7)
Extraordinary loss, net of tax	3.9		37.7
Equity in loss of affiliated companies, net of tax	127.0	124.2	60.7
Distributions from affiliated companies	55.6	48.3	26.4
Minority interest, net of tax	(47.1)	70.4	.1
Amortization of deferred financing costs	12.7	17.9	15.4

Change in operating assets and liabilities:			
Decrease (increase) in receivables	391.3	(377.9)	61.7
Decrease (increase) in inventory and related program liabilities, net	63.7	(157.3)	(603.4)
Decrease (increase) in other current assets	65.9	(172.2)	(49.4)
Increase in unbilled receivables	(107.5)	(55.7)	(120.7)
Decrease in accounts payable and accrued expenses	(519.2)	(200.1)	(19.7)
Increase (decrease) in income taxes payable and net deferred taxes	442.0	166.9	(344.5)
(Decrease) increase in deferred income	(67.2)	(48.7)	57.0
Other, net	1.5	22.1	(42.5)
Net cash flow provided by operating activities	3,509.1	2,323.3	294.1
Investing Activities:			
Acquisitions, net of cash acquired	(886.1)	(2,380.0)	(312.4)
Capital expenditures	(515.4)	(659.0)	(706.2)
Investments in and advances to affiliated companies	(70.1)	(239.2)	(161.6)
Purchases of short-term investments	(14.2)	(89.9)	(416.2)
Proceeds from sale of investments	61.4	316.6	410.3
Proceeds from dispositions	233.7	190.6	114.3
Other, net	.2		(35.8)
Net cash flow used for investing activities	(1,190.5)	(2,860.9)	(1,107.6)
Financing Activities:			
(Repayments to) borrowings from banks, including commercial paper, net	(4,012.0)	1,413.4	2,184.8
Proceeds from issuance of senior notes and debentures	3,423.7	1,682.9	
Repayment of notes and debentures	(917.1)	(331.9)	(1,075.3)
Payment of capital lease obligations	(136.3)	(130.6)	(106.5)
Purchase of treasury stock and warrants	(1,066.1)	(1,945.4)	(478.8)
Proceeds from exercise of stock options and warrants	184.6	187.0	390.8
Purchase of treasury stock by subsidiary		(84.1)	
Repurchase of Preferred Stock			(611.9)
Net proceeds from issuance of subsidiary stock			430.7
Payment of Preferred Stock dividends			(7.8)
Other, net	(2.5)		1.0
Net cash flow (used for) provided by financing activities	(2,525.7)	791.3	727.0
Net (decrease) increase in cash and cash equivalents	(207.1)	253.7	(86.5)
Cash and cash equivalents at beginning of year	934.5	680.8	767.3
Cash and cash equivalents at end of year	$ 727.4	$ 934.5	$ 680.8

See notes to consolidated financial statements.

VIACOM INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(In millions)

	Year ended December 31,					
	2001		2000		1999	
	Shares	Amount	Shares	Amount	Shares	Amount
Convertible Preferred Stock:						
Balance, beginning of year		$		$	12.0	$ 600.0
Repurchase of Preferred Stock					(12.0)	(600.0)
Balance, end of year						
Class A Common Stock:						
Balance, beginning of year	138.9	1.4	139.7	1.4	141.6	1.4
Conversion of A shares into B shares	(.1)		(.8)		(1.9)	
Balance, end of year	138.8	1.4	138.9	1.4	139.7	1.4
Class B Common Stock:						
Balance, beginning of year	1,454.7	14.5	606.6	6.1	591.9	5.9
Exercise of stock options and warrants	10.6	.2	10.8	.1	12.8	.2
Issuance of stock for CBS acquisition			836.5	8.3		
Issuance of stock for Infinity acquisition	231.6	2.3				
Conversion of A shares into B shares	.1		.8		1.9	
Balance, end of year	1,697.0	17.0	1,454.7	14.5	606.6	6.1
Additional Paid-In Capital:						
Balance, beginning of year		50,729.9		10,338.5		10,574.7
Exercise of stock options and warrants, net of tax benefit		322.4		349.7		443.5
Issuance of stock for Infinity acquisition		13,408.8				
Issuance of stock for BET acquisition		521.9				
Issuance of stock for CBS acquisition				39,641.7		
Stock option acceleration attributable to CBS acquisition				400.0		
Loss on Blockbuster Offering						(662.1)
Warrants repurchased						(17.6)
Reduction of equity interest in internet investments		(2.4)				
Balance, end of year		64,980.6		50,729.9		10,338.5
Retained Earnings:						
Balance, beginning of year		1,431.8		2,247.9		1,932.9
Net earnings (loss)		(223.5)		(816.1)		334.0
Preferred Stock dividend requirement						(.4)
Premium on repurchase of Preferred Stock						(12.0)
Exercise of stock options						(6.6)

	Year ended December 31,					
Balance, end of year		1,208.3		1,431.8		2,247.9
Accumulated Other Comprehensive Income (Loss):						
Balance, beginning of year		(152.5)		(30.2)		(67.1)
Other comprehensive income (loss)		(.2)		(122.3)		36.9
Balance, end of year		(152.7)		(152.5)		(30.2)
Treasury Stock, at cost:						
Balance, beginning of year	97.7	(4,058.2)	48.5	(1,431.7)	38.5	(998.2)
Common Stock repurchased	25.2	(1,082.8)	34.2	(1,945.4)	10.6	(448.8)
Issuance of stock for BET acquisition, net	(43.0)	1,777.8				
Exercise of stock options (Class B)					(.6)	15.3
Shares held in trusts			15.0	(681.1)		
Payout of shares for deferred compensation	(.6)	25.4				
Balance, end of year	79.3	(3,337.8)	97.7	(4,058.2)	48.5	(1,431.7)
Total Stockholders' Equity		$ 62,716.8		$ 47,966.9		$ 11,132.0
Comprehensive Income (Loss):						
Net earnings (loss)		$ (223.5)		$ (816.1)		$ 334.0
Other Comprehensive Income (Loss), net of tax:						
Unrealized (loss) gain on securities		(36.7)		(92.8)		15.8
Reclassification adjustment for realized (gains) losses		69.2		45.3		(2.3)
Change in fair value of cash flow hedges		(3.0)				
Cumulative translation adjustments		(29.3)		(71.4)		21.2
Minimum pension liability adjustment		(.4)		(3.4)		2.2
Total Other Comprehensive Income (Loss), net of tax		(.2)		(122.3)		36.9
Total Comprehensive Income (Loss)		$ (223.7)		$ (938.4)		$ 370.9

See notes to consolidated financial statements.

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VIACOM INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular dollars in millions, except per share amounts)

1) DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation Viacom Inc. ("Viacom" or the "Company") is a diversified company with operations in six segments: (i) Cable Networks, (ii) Television, (iii) Infinity, (iv) Entertainment, (v) Video, and (vi) Publishing. On May 4, 2000, CBS Corporation ("CBS") merged with and into the Company and effective from this date, CBS' results of operations are included in the Company's consolidated results of operations. See Note 15 regarding the relative contribution to revenues and operating results from each of the reportable segments.

Reclassifications Certain amounts reported for prior years have been reclassified to conform to the current year's presentation.

Use of Estimates The preparation of the Company's financial statements in conformity with generally accepted accounting principles in the United States 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 amount 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 may differ from these estimates under different assumptions or conditions.

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

Cash and Cash Equivalents Cash and cash equivalents consist of cash on hand and short-term (maturities of three months or less at the date of purchase) highly liquid investments.

Inventories Inventories related to theatrical and television product (which includes direct production costs, production overhead and acquisition costs) are stated at the lower of amortized cost or net realizable value. Inventories are amortized, and estimated liabilities for residuals and participation are accrued, for an individual product based on the proportion that current estimated revenues bear to the estimated remaining total lifetime revenues. Estimates for initial domestic syndication and basic cable revenues are not included in the estimated lifetime revenues of network series until such sales are probable. These estimates are periodically reviewed and adjustments if any, will result in changes to inventory amortization rates and estimated accruals for residuals and participations. As a result of the adoption of Statement of Position 00-2, "Accounting by Producers or Distributors of Films," the costs of feature and television films are classified as non-current assets.

The Company estimates that approximately 95% of unamortized costs of completed and released films (excluding amounts allocated under purchase accounting) at December 31, 2001 will be amortized within the next three years. Approximately $693.3 million of released, and completed but not released film costs are expected to be amortized during the next twelve months. As of December 31, 2001, unamortized acquired film libraries of approximately $505.6 million remain to be amortized on a straight-line basis over an average remaining life of 12 years.

Inventories related to base stock videocassettes are recorded at cost and amortized on an accelerated basis over three months and then on a straight-line basis over six months to an estimated $2 salvage value.

The cost of non-base stock videocassettes is amortized on an accelerated basis over three months to an estimated $2 salvage value. The cost of new release DVDs is amortized on an accelerated basis over six months to an estimated $4 residual value. Video games and base-stock DVDs are amortized on an accelerated basis over a 12 month period to an estimated $5 and $4 salvage value, respectively. (See Notes 6 and 7).

Program Rights The Company acquires rights to programming and produces programming to exhibit on its broadcast networks, cable networks and broadcast stations. The costs incurred in acquiring and producing programs are capitalized and amortized over the license period or projected useful life of the programming. Program rights and the related liabilities are recorded at the gross amount of the liabilities when the license period has begun, the cost of the program is determinable, and the program is accepted and available for airing.

Property and Equipment Property and equipment is stated at cost. Depreciation is computed by the straight-line method over estimated useful lives as follows:

Buildings (including capital leases)	20 to 40 years
Leasehold improvements	4 to 15 years
Advertising structures	5 to 20 years
Equipment and other (including capital leases)	3 to 20 years

Depreciation expense, including capitalized lease amortization, was $872.8 million (2001), $799.7 million (2000) and $496.8 million (1999). Amortization expense related to capital leases was $81.0 million (2001), $77.8 million (2000) and $80.1 million (1999). Accumulated amortization of capital leases was $294.6 million at December 31, 2001 and $296.6 million at December 31, 2000.

Impairment of Long-Lived Assets The Company assesses long-lived assets and identifiable intangibles for impairment whenever there is an indication that the carrying amount of the asset may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted cash flows generated by those assets to their net carrying value. The amount of impairment loss, if any, will generally be measured by the difference between the net book value of the assets and the estimated fair value of the related assets (see *Recent Pronouncements*).

Intangible Assets Intangible assets, which primarily consist of the cost of acquired businesses in excess of the fair value of tangible assets and liabilities acquired ("goodwill") and FCC licenses, are generally amortized by the straight-line method over estimated useful lives of up to 40 years. The Company evaluates the amortization period of intangibles on an ongoing basis in light of changes in any business conditions, events or circumstances that may indicate the potential impairment of intangible assets. At December 31, 2001 and December 31, 2000, approximately $10.6 billion and $10.9 billion of intangible assets, respectively are attributable to FCC licenses. Accumulated amortization of intangible assets was $5.5 billion at December 31, 2001 and $3.4 billion at December 31, 2000. Accounting for intangible assets will change upon the Company's adoption of the new standard for goodwill and other intangible assets in 2002 (see *Recent Pronouncements).*

Revenue Recognition Subscriber fees for Cable Networks are recognized in the period the service is provided. Advertising revenues are recognized in the period during which advertising spots are aired. Video segment revenues are recognized at the time of rental or sale. The Publishing segment recognizes revenue when merchandise is shipped. Revenues from the sale of outdoor advertising space are recognized ratably over the contract terms.

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Entertainment revenues from films in the domestic and foreign theatrical markets are recognized as films are exhibited; revenues from the sale of videocassettes, discs and DVDs are recognized upon availability for sale to the public; and revenues from all television sources are recognized upon availability of the film for telecast. On average, the length of the initial revenue cycle for feature films approximates four to seven years.

Television series initially produced for the networks and first-run syndication are generally licensed to domestic and foreign markets concurrently. The more successful series are later syndicated in domestic markets and in certain foreign markets. The length of the revenue cycle for television series will vary depending on the number of seasons a series remains in active production. Revenues arising from television license agreements are recognized in the period that the films or television series are available for telecast and therefore may cause fluctuation in operating results.

Advertising The Company incurred advertising expenses of $1.5 billion (2001), $1.4 billion (2000) and $1.1 billion (1999).

Interest Costs associated with the refinancing or issuance of debt, as well as with debt discount, are expensed as interest over the term of the related debt. The Company may enter into interest rate exchange agreements; the amount to be paid or received under such agreements would be accrued as interest rates change and recognized over the life of the agreements as an adjustment to interest expense.

Foreign Currency Translation and Transactions The Company's foreign subsidiaries' assets and liabilities are translated at exchange rates in effect at the balance sheet date, while results of operations are translated at average exchange rates for the respective periods. The resulting translation gains or losses, net of tax are included as a separate component of stockholders' equity in accumulated other comprehensive income. Foreign currency transaction gains and losses have been included in "Other items, net."

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

Provision for Doubtful Accounts The provision for doubtful accounts charged to expense was $112.3 million (2001), $124.1 million (2000) and $33.5 million (1999).

Net Earnings (Loss) per Common Share Basic earnings per share is based upon the net earnings applicable to common shares after preferred dividend requirements and divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the effect of the assumed conversions of convertible securities and the exercise of stock options only in the periods in which such effect would have been dilutive.

The numerator used in the calculation of both basic and diluted EPS for each respective year reflects earnings (loss) less preferred stock dividends of $.4 million and the premium on preferred stock of $12 million for 1999. For the years ended December 31, 2001 and December 31, 2000, incremental shares of 27.9 million and 30.1 million, respectively, for the assumed exercise of stock options were excluded from the computation of diluted EPS because their inclusion would have been anti-dilutive.

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

	2001	2000	1999
Weighted average shares for basic EPS	1,731.6	1,225.3	695.2
Incremental shares for stock options			14.3
Weighted average shares for diluted EPS	1,731.6	1,225.3	709.5

Comprehensive Income (Loss) The components of accumulated other comprehensive income (loss), net of tax benefits of $101.7 million, $104.1 million and $21.0 million at December 31, 2001, 2000 and 1999, respectively, were as follows:

	Unrealized Gain (Loss) on Securities	Change in fair value of cash flow hedges	Cumulative Translation Adjustments	Minimum Pension Liability Adjustment	Accumulated Other Comprehensive Income (Loss)
At December 31, 1998	$ 1.2	$	$ (58.1)	$ (10.2)	$ (67.1)
1999 Activity	13.5		21.2	2.2	36.9
At December 31, 1999	14.7		(36.9)	(8.0)	(30.2)
2000 Activity	(47.5)		(71.4)	(3.4)	(122.3)
At December 31, 2000	(32.8)		(108.3)	(11.4)	(152.5)
2001 Activity	32.5	(3.0)	(29.3)	(.4)	(.2)
At December 31, 2001	$ (.3)	$ (3.0)	$ (137.6)	$ (11.8)	$ (152.7)

Change in Accounting In June 2000, the Company elected early adoption of Statement of Position 00-2, "Accounting by Producers or Distributors of Films" ("SOP 00-2"). SOP 00-2 established new film accounting standards, including changes in revenue recognition and accounting for advertising, development and overhead costs. Under the new accounting standard, all exploitation costs such as advertising expenses, marketing costs and video duplication costs for theatrical and television product will be expensed as incurred, whereas under the old accounting standards, these costs were capitalized and amortized over the products' lifetime. As a result of this early adoption in the second quarter of 2000, the Company recorded a pre-tax non-cash charge of $753.9 million ($452.3 million after-tax or $.37 per basic and diluted share). This charge has been reflected as a cumulative effect of a change in accounting principle, effective January 1, 2000, in the consolidated statement of operations for the year ended December 31, 2000. Under SOP 00-2 for the year ended December 31, 2000, the Company reported lower operating results of approximately $77 million.

In June 2000, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 139 ("SFAS 139") which rescinds SFAS No. 53 on financial reporting by motion picture film producers or distributors. SFAS 139 requires public companies to follow the guidance provided by SOP 00-2.

Derivative Instruments and Hedging Activities Effective January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended ("SFAS 133"). SFAS 133 requires all derivatives to be recorded on the balance sheet at fair value. SFAS 133 also established new accounting rules for hedging instruments which, depending on the nature of the hedge, require that changes in the fair value of the derivatives either be offset against the change in fair value of assets or liabilities through earnings, or be recognized in other comprehensive income until the hedged item is recognized in earnings. The impact of adoption was immaterial on the Company's consolidated results of operations and financial position (see Note 10).

Stock-based Compensation The Company follows the disclosure-only provisions of 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 the stock option grants because the Company typically does not issue options at exercise prices below market value at date of grant.

Recent Pronouncements In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), effective for fiscal years beginning after December 15, 2001 and replaces SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." SFAS 144 establishes an accounting model for long-lived assets to be disposed of by sale, including discontinued operations, and replaces the provisions of Accounting Principles Board ("APB") Opinion No. 30 for the disposal of segments of a business. Long-lived assets classified as held for disposal as a result of disposal activities that were initiated prior to adoption of SFAS 144 shall continue to be accounted for under the provisions of SFAS No. 121 or APB Opinion No. 30. The adoption of SFAS 144 will not have a material effect on the Company's financial statements.

In June 2001, the FASB issued SFAS No. 141 "Business Combinations" ("SFAS 141"), effective for business combinations initiated after June 30, 2001 and SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") effective for the fiscal years beginning after December 15, 2001. Under SFAS 141 all business combinations are required to be accounted for under the purchase method of accounting.

SFAS 142 supersedes APB Opinion No. 17 "Intangible Assets", related to financial accounting and reporting for acquired goodwill and other intangible assets. SFAS 142 requires that goodwill and intangible assets with indefinite lives, including such assets recorded in past business combinations, no longer be amortized to earnings, but should instead be 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. Intangible assets with finite lives will continue to be amortized over their useful lives and reviewed for impairment. The Company will adopt SFAS 142 in the first quarter of 2002. The Company has determined that with the exception of Blockbuster, none of the Company's reporting units has an impairment. The impairment charge will be determined after the fair value of Blockbuster has been allocated to specific assets and liabilities and will be recognized as a cumulative effect of a change in accounting principle. Any potential write-off of Blockbuster's goodwill would represent an insignificant decrease relative to the Company's consolidated intangibles of approximately $71 billion. Also, as a result of the new accounting standard, future amortization expense will be significantly lower. The Company anticipates a significant reduction in amortization expense from $2.2 billion for 2001 to approximately $110 million for 2002.

2) SUBSEQUENT EVENT

On February 13, 2002, the Company announced that it had agreed to acquire the assets of KCAL-TV for approximately $650 million in cash. The acquisition is expected to close in mid 2002 and is subject to Federal Communications Commission review.

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3) ACQUISITIONS

On February 21, 2001, the Company completed a merger with Infinity, acquiring all of the issued and outstanding shares of Infinity common stock that it did not already own, approximately 36%. Under the terms of the merger, which was tax-free for the stockholders of Infinity and Viacom, each issued and outstanding share of Infinity Class A common stock was converted into the right to receive 0.592 of a share of Viacom Class B Common Stock. The Infinity merger was accounted for at historical cost, with the exception of minority interest, which was accounted for under the purchase method of accounting. The total purchase price of approximately $13.4 billion represented the issuance of approximately 231.6 million shares of Viacom Class B Common Stock and the fair value of Infinity stock options assumed by the Company. Infinity stockholders received a cash payment in lieu of any fractional shares. The goodwill attributable to this transaction was approximately $7.7 billion.

On January 23, 2001, the Company completed its acquisition of BET for approximately $3 billion, which principally represented the net issuance of approximately 43.0 million shares of Viacom Class B Common Stock and the assumption by the Company of approximately

$590 million in debt. The acquisition was accounted for under the purchase method of accounting. An allocation of the total cost to acquire BET was based on the fair value of the assets acquired and liabilities assumed at the time of the acquisition. The excess purchase price over the fair value of the tangible net assets acquired of approximately $2.9 billion was allocated to intangibles. As of the acquisition date, BET's results are included as part of the Cable Networks segment.

On May 4, 2000, CBS was merged with and into the Company (the "Viacom/CBS Merger"). The total purchase price of approximately $39.8 billion included approximately $37.7 billion for the issuance of 825.5 million shares of Viacom Class B Common Stock and 11,004 shares of Viacom Series C convertible preferred stock, which were subsequently converted into 11.0 million shares of Viacom Class B Common Stock, and approximately $1.9 billion for the fair value of CBS stock options assumed by the Company and transaction costs. In addition, Viacom assumed approximately $3.7 billion of CBS' debt.

The Viacom/CBS Merger was accounted for under the purchase method of accounting. CBS' results of operations are included in the Company's reported consolidated results of operations from the effective date of acquisition. The total cost to acquire CBS has been allocated based on the fair values of the assets acquired and liabilities assumed at the time of the Viacom/CBS Merger. The excess purchase price over the fair value of the tangible net assets acquired of approximately $50 billion was allocated to intangibles.

Effective 2002, goodwill attributable to the above acquisitions will no longer be amortized but will be tested for impairment on an annual basis in connection with the adoption of SFAS 142 (see Note 1).

The unaudited condensed pro forma results of operations data presented below were prepared based upon the historical consolidated results of operations of the Company and CBS and assumes the above acquisitions and the Viacom/CBS Merger had occurred as of January 1, 2000.

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Pro Forma Results of Operations Data (unaudited)

Year Ended December 31,		**2001**		**2000**
Revenues	$	23,239.3	$	23,351.8
Net loss before extraordinary loss and cumulative effect of change in accounting principle	$	(243.4)	$	(688.0)
Net loss attributable to common stock	$	(247.0)	$	(1,138.3)
Basic and diluted loss per common share:				
Net loss before extraordinary loss and cumulative effect of change in accounting principle	$	(.14)	$	(.39)
Net loss	$	(.14)	$	(.64)

The pro forma financial information is presented for comparative purposes only and is not necessarily indicative of the operating results that actually would have occurred had the above events been consummated on January 1, 2000. In addition, these results have not been adjusted to exclude the one-time Viacom/CBS merger-related charges of $698 million in 2000. These results are not intended to be a projection of future results and do not reflect any synergies that might be achieved from the combined operations.

In addition to the above acquisitions, the Company also acquired the following businesses during 2001 and 2000 that have not been reflected in the pro forma results of operations data above. The aggregate impact of these acquisitions in these periods was not material to the Company's revenues, net loss or net loss per share.

In November 2001, the Company completed the television station swaps of WDCA-TV Washington D.C. and KTXH-TV Houston in exchange for KBHK-TV San Francisco. As a result of the swaps, the Company recognized a gain of approximately $210.1 million.

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

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

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

During the second quarter of 2000, Infinity completed the acquisition of Giraudy, one of France's largest outdoor advertising companies, for approximately $400 million. Infinity also acquired Societa Manifesti & Affisioni S.p.A., one of the leading Italian outdoor media sales companies, for approximately $90 million.

On March 31, 2000, the Company acquired the remaining 50% interest in United Paramount Network ("UPN") that it did not already own. In the second quarter of 2000, the Company consolidated UPN's results of operations. Prior to this acquisition, the Company reported its proportionate share of net losses of UPN in "Equity in loss of affiliated companies, net of tax" in the Consolidated Statements of Operations.

4) RESTRUCTURING AND MERGER-RELATED CHARGES

In the fourth quarter of 2001, MTVN announced a restructuring plan to reduce headcount in its domestic offices and close certain offices in Latin America, Europe and Asia. In connection with this plan, the Company recorded a restructuring charge of approximately $66.6 million. Included in the restructuring charge was severance of $58.3 million for the termination of approximately 450 employees worldwide and lease termination and other occupancy costs of $8.3 million for vacated office space in New York. As of December 31, 2001, the Company had paid and charged $11.4 million against the severance liability and the lease termination liability has not yet been utilized. The Company expects to substantially utilize these reserves by the end of 2002.

In the fourth quarter of 2001, in connection with the Company's plan to integrate UPN with CBS operations, the Company recorded a restructuring charge of $52.8 million. The restructuring charge included programming write-offs of $29.6 million, approximately $15 million of employee-related costs, including severance, and lease termination and other costs of $8.2 million. The integration of UPN with CBS Network operations began in January 2002. The Company plans to eliminate approximately 50 positions and vacate space at 3 of UPN's offices. As of December 31, 2001, the Company had not utilized the severance and lease termination reserves. The Company expects to substantially utilize these reserves by the end of 2002.

In the second quarter of 2000, the Company recorded non-recurring merger-related charges of $698 million ($505 million after-tax or $.41 per share) associated with the integration of Viacom and CBS and the acquisition of UPN (see Note 3). These amounts included non-cash charges of $415 million principally attributable to compensation for stock options and $283 million of cash payments and accrued liabilities for severance, transaction fees and integration costs. As of December 31, 2001, the Company had paid and charged approximately $109 million for severance liabilities, $27 million for transaction fees and $69 million related to integration costs.

In June 1999, the Company completed its tender offer for all outstanding shares of Spelling Entertainment Group Inc. ("Spelling") common stock that it did not already own for $9.75 per share in cash and then acquired the remaining outstanding shares of Spelling that were not tendered through a merger of Spelling and a wholly owned subsidiary of the Company. As a result of the merger, each share of Spelling common stock was also converted into the right to receive $9.75 in cash. The consideration for tendered shares was approximately $176 million.

In connection with the integration of the operations of Spelling into Paramount Television, the Company recorded a charge of approximately $81.1 million, of which $70.3 million was recorded as a restructuring charge and $10.8 million was recorded as part of depreciation expense in the third quarter of 1999. Included in the charge was severance and employee related costs of $48.1 million, lease termination and other occupancy costs of $17.7 million and other exit costs of $4.5 million. Severance and other employee related costs represent the costs to terminate approximately 250 employees engaged in legal, sales, marketing, finance, information systems, technical support and human resources for Spelling. Lease termination and other occupancy costs principally represent the expenses associated with vacating existing lease obligations in New York and Los Angeles. The depreciation expense of approximately $10.8 million was associated with the fixed asset write-offs for software, leasehold improvements and equipment located at these premises. As of December 31, 2001, the Company had paid and charged approximately $48.1 million against the severance liability, $13.9 million against lease termination and other occupancy costs and $3.1 million against the other exit costs.

5) BLOCKBUSTER SPECIAL ITEM CHARGES

During the third quarter of 2001, Blockbuster executed a strategic re-merchandising plan to allow for an expansion of store space for DVD and other strategic product offerings. Blockbuster initiated this plan with the goal of optimizing its stores' revenues and gross profit based on an evaluation of its product mix and product offerings. This evaluation also included analyses of industry trends and projections, such as the accelerated consumer acceptance of the DVD format, as evidenced by Blockbuster's increase in DVD rental revenues as a percentage of total rental revenues from approximately 7.3% for the three months ended September 30, 2000 to approximately 19.8% for the three months ended September 30, 2001 and the continued increase to 23.4% for the three months ended December 31, 2001. In connection with its plan, Blockbuster eliminated approximately 30% of its rental VHS library in its stores, certain VHS merchandise inventory primarily located in its distribution center, and certain games from its rental library in its stores, and reorganized several of its corporate departments. The cost of the eliminated inventory, net of any estimated proceeds, resulted primarily in non-cash charges of approximately $195.9 million to operating expenses in the Company's consolidated statement of operations. Blockbuster also recorded a charge of approximately $26.9 million in selling, general and administrative expenses, primarily related to employee, labor and supply and disposal costs to execute the plan. Additionally, $2.6 million was charged to depreciation expense and $1.9 million was charged below operating income to equity in loss of affiliated companies. The strategic re-merchandising plan was completed by the end of 2001 through the destruction or sale of the identified items.

Also, during the third quarter of 2001, Blockbuster recorded approximately $27.6 million in selling, general and administrative expenses related to two outstanding lawsuits.

The amounts described above, along with the $141.7 million recorded as a change in accounting estimates for rental inventory, comprise the Blockbuster charges of $394.7 million to operating income for the year ended December 31, 2001.

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6) CHANGE IN ACCOUNTING ESTIMATES FOR RENTAL INVENTORY

Effective July 1, 2001, Blockbuster changed its accounting estimates related to rental inventory, including residual values and useful lives, in connection with its strategic re-merchandising plan as discussed in Note 5. The residual value of VHS rental inventories was reduced from $4 per unit to $2 per unit, and the residual value of game rental inventories was reduced from $10 per unit to $5 per unit. In addition, Blockbuster reduced its estimate of the useful life of its base stock VHS rental inventories from 36 months to 9 months. These changes in estimate reflect the impact of changes in the rental business, such as an increase in DVD rental revenues, a decrease in VHS rental revenues and trends affecting games, which have led to a reduction in the average selling value of Blockbuster's previously rented VHS and game products and a reduction in the average life of VHS rental products. As a result of these changes in estimate, the Company's operating expenses were $141.7 million higher and net loss was higher by $73.9 million, or an increase in loss per share of $.04, than it would have been under the previous method for the year ended December 31, 2001.

7) INVENTORY

At December 31,	**2001**	**2000**
Theatrical and television inventory:		
Theatrical:		
Released (including acquired film libraries)	$ 510.3	$ 365.6
Completed, not released	.9	49.5
In process and other	398.7	276.6
Television:		
Released (including acquired film libraries)	998.3	881.9
In process and other	158.4	151.5
Program rights	2,416.4	2,163.4
	4,483.0	3,888.5

Less current portion		1,003.2		985.9
		3,479.8		2,902.6
Merchandise inventory		261.4		309.9
Rental inventory		331.3		631.6
Publishing, primarily finished goods		71.2		67.9
Other		107.4		137.0
		771.3		1,146.4
Less current portion		366.2		416.1
		405.1		730.3
Total Current Inventory	$	1,369.4	$	1,402.0
Total Non-Current Inventory	$	3,884.9	$	3,632.9

8) INVESTMENTS IN AFFILIATED COMPANIES

The Company accounts for its investments in affiliated companies over which the Company has significant influence or ownership of more than 20% but less than or equal to 50%, under the equity method. Such investments principally include but are not limited to the Company's interest in Comedy Central (50% owned), United Cinemas International (50% owned), Nickelodeon U.K. (50% owned), NOGGIN (50% owned), Middle East Channel (33% owned), WF Cinema Holding L.P. (50% owned), Grauman's Theatres LLC (50% owned), MarketWatch.com, Inc. (34% owned) and Hollywood Media Corp. (30% owned). The following is a summary of combined financial information that is based on information provided by the equity investees.

Year Ended December 31,		**2001**		**2000**		**1999**
Results of Operations Data:						
Revenues	$	2,602.3	$	2,465.0	$	1,995.4
Operating loss		(94.8)		(191.4)		(109.4)
Net loss before extraordinary loss and cumulative effect of change in accounting principle		(172.8)		(254.9)		(154.9)

At December 31,		**2001**		**2000**
Financial Position:				
Current assets	$	908.2	$	1,025.7
Non-current assets		1,157.7		1,247.9
Current liabilities		785.0		786.1
Non-current liabilities		681.6		580.3

For equity investments, a difference typically exists between the initial investment and the proportionate share in the underlying net assets of the investee. The unamortized difference of $74.9 million and $162.2 million at December 31, 2001 and 2000, respectively is being amortized over the remaining estimated useful life. The amortization expense is reflected in "Equity in loss of affiliated companies, net of tax." Accounting for intangibles will change upon the Company's adoption of the new standard for goodwill and other intangible assets in 2002 (see Note 1 *Recent*

Pronouncements).

At December 31, 2001, the Company's equity investments included two publicly traded Internet-based companies: Hollywood Media Corp. and MarketWatch.com, Inc. Based upon quoted market prices at December 31, 2001, the aggregate market value of these investments was approximately $73.9 million.

At the date of acquisition, for cost and equity investments in Internet-based companies, the Company typically records the investment at an amount equal to the cash consideration paid plus the fair value of the advertising and promotion time to be provided. The associated obligation to provide future advertising and promotion time is non-cash and is recorded as deferred revenue at an amount equal to the fair value of the advertising and promotion time to be provided. Any related deferred revenue balance is presented as "Deferred income" and "Other liabilities" in the Consolidated Balance Sheets. Deferred revenue is relieved and barter revenue is recognized as the related advertising and promotion time is delivered. Barter revenue of $87.2 million has been recognized for the year ended December 31, 2001.

At December 31, 2001, the Company had $65.6 million in cost investments that are included as a component of other assets. The 2001 mark-to-market adjustments in fair value for the publicly traded cost

investments were $(.3) million, net of tax, and were recorded as a decrease in other comprehensive income. The Company determined that some of its cost investments experienced an other than temporary decline in market value as of December 31, 2001, and accordingly, the Company recorded a non-cash impairment loss on these investments for approximately $125.0 million in "Other items, net" in the Consolidated Statements of Operations.

National Amusements, Inc. ("NAI") is a closely held corporation that beneficially owns approximately 68% of the Company's Class A Common Stock and approximately 11% of the Company's Class A Common Stock and Class B Common Stock on a combined basis at December 31, 2001. 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.

The Company owns a minority equity interest in Westwood One, Inc. ("Westwood One"). Most of Infinity'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 of Infinity's programming. In addition, certain employees of Infinity serve as officers of Westwood One for which the Company receives a management fee. Revenue and expense reimbursements from these arrangements were approximately $102.4 million and $77.6 million in 2001 and 2000, respectively.

The Company, through the normal course of business, is involved in transactions with affiliated companies that have not been material in any of the periods presented.

9) BANK FINANCING AND DEBT

Long-term debt consists of the following:

At December 31,	**2001**	**2000**
Notes payable to banks	$ 645.0	$ 1,879.1
Commercial paper	1,104.3	3,856.4
7.50% Senior Notes* due 2002	250.0	249.6
7.625% Senior Notes due 2002	143.0	143.0
8.375% Notes due 2002		201.4

6.75% Senior Notes due 2003	350.0	349.9
6.875% Notes due 2003	274.9	274.9
7.15% Senior Notes due 2005	499.2	499.0
7.75% Senior Notes due 2005	967.8	966.9
6.40% Senior Notes due 2006	804.3	
7.70% Senior Notes due 2010	1,675.9	1,148.7
6.625% Senior Notes due 2011	993.3	
8.625% Debentures due 2012	266.3	271.1
8.875% Notes due 2014	101.9	101.9
7.625% Senior Debentures due 2016	199.0	198.9
8.25% Senior Debentures* due 2022	237.3	237.2
7.125% Senior Notes due 2023	52.2	52.2
7.875% Debentures due 2023	250.7	250.7
7.50% Senior Debentures* due 2023	149.6	149.6
7.875% Senior Debentures due 2030	1,284.2	499.9
7.25% Senior Notes due 2051	335.0	
10.25% Senior Subordinated Notes* due 2001		35.3
9.00% Senior Subordinated Notes due 2006		63.1
9.375% Senior Subordinated Notes due 2006		189.6
8.875% Senior Subordinated Notes due 2007	2.7	376.4
10.50% Senior Subordinated Notes due 2009	48.1	67.8
11.375% Subordinated Debentures due 2009	19.8	39.4
Other notes	16.2	43.5
Obligations under capital leases	452.0	552.2
	11,122.7	12,697.7
Less current portion	299.0	223.9
	$ 10,823.7	$ 12,473.8

* Issues of Viacom International Inc. guaranteed by the Company.

The notes and debentures above included the aggregate unamortized premium of $49.4 million at December 31, 2001 and were presented net of an aggregate unamortized discount of $21.4 million at December 31, 2000.

As a result of the Viacom/CBS Merger, Viacom assumed approximately $3.7 billion of CBS' debt.

On March 28, 2000, the Viacom credit agreements were amended to allow for the merger of CBS with and into the Company. On April 17, 2000, the CBS credit agreement, which consisted of a $1.5 billion

revolving credit facility maturing August 29, 2001 and the Infinity credit agreement, which consisted of a $1.5 billion revolving credit facility maturing August 29, 2001, were amended to allow for the merger of CBS with and into the Company. On May 3, 2000, Infinity entered into two new credit facilities, totaling $1.95 billion, comprised of a $1.45 billion 5-year revolving credit facility and a $500 million 364-day revolving credit facility.

On March 7, 2001, the Company cancelled all of the above-mentioned credit agreements other than the Infinity $1.45 billion facility, and entered into two new credit facilities. These two new facilities totaled $3.5 billion and were comprised of a $1.5 billion 5-year revolving credit facility and a $2.0 billion 364-day revolving credit facility. The Company also amended and restated the Infinity $1.45 billion facility. The terms and conditions were substantially conformed to the $1.5 billion 5-year revolving credit facility, and the Company was designated as the borrower. As of December 31, 2001, the Company had unused revolving credit facilities of $4.85 billion in the aggregate. The $2.0 billion facility was to expire in 2002, and the $1.5 billion and $1.45 billion facilities in 2005 and 2006, respectively. On March 5, 2002, the Company entered into a new $1.8 billion 364-day facility to replace the $2.0 billion facility which was to expire on March 6, 2002. The $1.8 billion facility expires in March 2003.

The primary purpose of the facilities is to support commercial paper borrowings. The Company, at its option, may borrow in certain foreign currencies up to specified limits under the $1.5 billion 5-year revolving credit facility. Borrowing rates under the facilities are determined at the time of each borrowing and are based generally on the London Interbank Offer Rate ("LIBOR") plus a margin based on the Company's senior unsecured debt rating. At December 31, 2001, LIBOR for borrowing periods of one month and two months were 1.87% and 1.88%, respectively. The Company pays commitment fees based on the total amount of the facility commitments. As of March 5, 2002, the amount available under the Company's revolving credit facilities totaled $4.59 billion.

The facilities contain certain covenants which, among other things, require that the Company maintain a minimum interest coverage ratio. At December 31, 2001, the Company was in compliance with the financial covenants.

The Company issues commercial paper under its $4.75 billion program. Borrowings under the program have maturities of less than a year and are supported by unused revolving credit facilities. At December 31, 2001, the Company had borrowings under the program of approximately $1.1 billion.

On January 15, 2002, the 11.375% subordinated debentures due 2009 were redeemed at a redemption price equal to 105.7% of the principal amount.

On December 3, 2001, the Company completed a consent solicitation and tender offer to purchase for cash substantially all of the outstanding 8.875% senior subordinated notes due 2007 at a redemption price equal to 107.5% of the principle amount. An extraordinary loss of $3.9 million, net of tax, was recognized on the tender offer.

On June 29, 2001, the Company issued $335 million of 7.25% senior notes due June 30, 2051; interest on the senior notes will be paid quarterly. Proceeds from the debt issuance were used to repay commercial paper indebtedness. The senior notes are redeemable at anytime by the Company after June 30, 2006 at their principal amount plus accrued interest.

In 2001, the Company issued, under Rule 144A, $800 million of 6.40% senior notes due January 30, 2006, $1.0 billion of 6.625% senior notes due May 15, 2011; $500 million of 7.70% senior notes due July 30, 2010, and $750 million of 7.875% senior debentures due July 30, 2030; interest on the senior notes and debentures will be payable semi-annually. Proceeds were used to repay bank debt, including commercial paper. These notes and debentures were exchanged for registered notes and debentures. The senior debentures and the senior notes due July 30, 2010, May 15, 2011 and July 30, 2030 are redeemable at any time at their principal amount plus the applicable premium and accrued interest.

During 2001, all $189.6 million outstanding of Infinity's 9.375% senior subordinated notes due 2006 were redeemed at a redemption price equal to 104.7% of the principal amount. On February 1, 2001, all $60.3 million outstanding of Infinity's 9% senior subordinated notes due 2006 were redeemed at a redemption price equal to 104.5% of the principal amount.

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

At December 31, 2001, the Company had classified $1.69 billion as long-term debt, reflecting its intent and ability, through the existence of unused revolving credit facilities, to refinance on a long-term basis commercial paper and other debt scheduled to mature in 2002. The Company's scheduled maturities of long-term debt at face value, excluding commercial paper and capital leases, outstanding at December 31, 2001 are as follows:

	Year of Maturity					
	2002	**2003**	**2004**	**2005**	**2006**	**2007 & thereafter**

Long-term debt	$ 582.6	$ 910.0	$ 178.9	$ 1,472.8	$ 800.8	$ 5,571.9

Blockbuster Credit Agreement

On June 21, 1999, Blockbuster entered into a $1.9 billion unsecured credit agreement (the "Blockbuster Credit Agreement") with a syndicate of banks. The Blockbuster Credit Agreement was initially comprised of a $700 million long-term revolver due July 1, 2004; a $600 million term loan due in quarterly installments beginning April 1, 2002 and ending July 1, 2004; and a $600 million short-term revolver, which was paid down during 2000. The repayment of the short-term revolver permanently reduced the borrowing capacity under the Blockbuster Credit Agreement from $1.9 billion to $1.3 billion. Blockbuster had $700 million of available borrowing capacity under a long-term revolver at December 31, 2001. Interest rates under the Blockbuster Credit Agreement are based on the prime rate in the United States or LIBOR (plus a margin, or "LIBOR spread" based on leverage ratios, which is currently 1.25%), at Blockbuster's option at the time of borrowing. The weighted-average interest rate at December 31, 2001 for borrowings under the Blockbuster Credit Agreement was 5.8%. A variable commitment fee based on the total leverage ratio is charged on the unused amount of the revolver (.25% at December 31, 2001).

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

minimum fixed charge coverage ratio. At December 31, 2001, Blockbuster was in compliance with all covenants under the Blockbuster Credit Agreement.

Included in the Company's scheduled maturities presented above, are Blockbuster's scheduled maturities of long-term debt outstanding, excluding commercial paper and capital leases, at December 31, 2001 as follows:

	Year of Maturity					
	2002	**2003**	**2004**	**2005**	**2006**	**2007 & thereafter**
Long-term debt	$ 157.8	$ 279.3	$ 178.1	$ 1.0		

Accounts Receivable Securitization Programs

As of December 31, 2001, the Company had an aggregate of $950 million outstanding under revolving receivable securitization programs. The programs result in the sale of receivables on a non-recourse basis to unrelated third parties on a one-year renewable basis, thereby reducing accounts receivable and debt on the Company's consolidated balance sheet. The Company enters into these arrangements because they provide a cost-efficient form of financing and an additional source of liquidity. Proceeds from the programs were used to reduce outstanding borrowings. The Company is required to maintain certain ratios in connection with the programs. As of December 31, 2001, the Company was in compliance with the required ratios under the receivable securitization programs.

10) FINANCIAL INSTRUMENTS

The Company's carrying value of financial instruments approximates fair value, except for differences with respect to the notes and debentures and certain differences related to other financial instruments that are not significant. At December 31, 2001, the carrying value of the senior debt and senior subordinated debt is $8.9 billion and the fair value, which is estimated based on quoted market prices, is $9.5 billion.

The Company uses derivative financial instruments to modify its exposure to market risks from changes in foreign exchange rates and interest rates. The Company does not hold or enter into financial instruments for speculative trading purposes. The foreign exchange hedging instruments used are spot, forward and option contracts. The foreign exchange contracts have principally been used to hedge the British Pound, the Australian Dollar, the Japanese Yen, the Canadian Dollar, the Singapore Dollar and the Euro. The Company designates forward contracts used to hedge future production costs as cash flow hedges. Additionally, the Company enters into non-designated forward contracts to hedge non-dollar denominated cash flows and foreign currency balances. The change in fair value of the non-designated contracts is included in current period earnings as part of "Other items, net."

The Company's interest expense is exposed to movements in short-term rates. Swap agreements are used to modify this exposure. This includes both fixed to variable rate swaps which are designated as fair value hedges and variable to fixed rate swaps which are designated as cash flow hedges. As of December 31, 2001, the swaps could be terminated by a payment of approximately $4.5 million.

The effective portion of the change in fair value of cash flow hedges are reported in other comprehensive income and reclassified into earnings in the same period in which the hedged transaction affects earnings. The ineffective portion included in earnings was not material. The change in value of the fair value hedges and the hedged instruments is reported in earnings for the periods presented.

During December 2001, the Company entered into $750 million notional amount swap agreements, which converted fixed rate debt obligations into variable rate debt obligations. Of the $750 million notional amount, $225 million matures on January 15, 2003, $275 million matures on September 1, 2003 and $250 million matures on June 1, 2005, and the Company receives interest at approximately 3.2%, 3.8% and 4.5%, respectively, and pays three-month LIBOR. These fair value hedges were fully effective.

At December 31, 2001, the notional amount of the foreign exchange derivative contracts was $268.1 million. Of this balance, $76.6 million represents cash flow hedges used to reduce foreign exchange exposure for future production costs. The remaining $191.5 million represents hedges of underlying foreign currency balances, expected foreign currency net cash flows and investment hedges.

On January 23, 2001, the Company, in connection with the acquisition of BET, assumed $425 million cash flow swap agreements which effectively convert variable rate interest payments on commercial paper to a fixed rate. As of December 31, 2001, the notional amount outstanding was approximately $253 million. The notional amount of swaps amortize by approximately $78 million and $156 million in September of 2002 and 2003, respectively, and matures in September 2004. Interest is received based upon three-month LIBOR and is paid at approximately 5.07%. The amount of the ineffectiveness of these cash flow hedges, that was reflected in earnings, was immaterial.

The Company continually monitors its positions with, and credit quality of, the financial institutions which are counterparties to its financial instruments. The Company is exposed to credit loss in the event of nonperformance by the counterparties to the agreements. However, the Company does not anticipate nonperformance by the counterparties. Outstanding letters of credit and surety bonds totaled approximately $306 million at December 31, 2001. The Company's receivables do not represent significant concentrations of credit risk at December 31, 2001, due to the wide variety of customers, markets and geographic areas to which the Company's products and services are sold.

11) STOCKHOLDERS' EQUITY

During 2001, the Company repurchased 24.2 million shares of its Class B Common Stock for approximately $1.0 billion under its share repurchase programs. During 2000, the Company repurchased 10,000 shares of its Class A Common Stock and 34.2 million shares of its Class B Common Stock for approximately $1.95 billion in the aggregate. During 1999, the Company had repurchased a total of 25,000 shares of its Class A Common Stock, 10.6 million shares of its Class B Common Stock and 1.1 million Viacom Five-Year Warrants, for approximately $466.4 million in the aggregate.

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

Long-Term Incentive Plans The Company has Long-Term Incentive Plans (the "Plans") under which options are issued: the Viacom Long-Term Management Incentive Plans (the "Viacom Plans") and the Blockbuster Long-Term Management Incentive Plan (the "Blockbuster Plan"). In 1999, the Company established the MTVi Long-Term Incentive Plan (the "MTVi Plan"). No options were granted under this plan during 2001. Effective February 21, 2001, as a result of the Company's acquisition of the minority interest of Infinity (see Note 3), Viacom assumed the Infinity Long-Term Incentive Plan (the "Infinity Plan") and all options outstanding as of this date were converted into Viacom options. Effective May 4, 2000, as a result of the Viacom/CBS Merger (see Note 3), Viacom assumed the CBS Long-Term Incentive Plan (the "CBS Plan") and all options outstanding as of this date were converted into Viacom options.

Options under the Infinity Plan and CBS Plan generally vest over a three-year period and expire ten years from the date of grant. These converted options still maintain their original terms and conditions.

The Company has adopted the disclosure-only provisions of SFAS 123. In accordance with the provisions of SFAS 123, the Company applies APB Opinion No. 25 "Accounting for Stock Issued to Employees" and related interpretations in accounting for the Plans and accordingly, does not recognize compensation expense for any of the Plans because the Company typically does not issue options at exercise prices below the market value at date of grant. Had compensation expense for the Plans been determined based upon the fair value at the grant date for awards consistent with the methodology prescribed by SFAS 123, the Company's consolidated net earnings (loss) would have been $(359.1) million or $(0.21) per basic and diluted common share in 2001, $(922.0) million or $(0.75) per basic and diluted common share in 2000 and $263.2 million or $0.38 per basic and $0.37 per diluted common share, in 1999. These pro forma effects may not be representative of future amounts since the estimated fair value of stock options on the date of grant is amortized to expense over the vesting period and additional options may be granted in future years.

Viacom Plans The purpose of the Viacom Plans is to benefit and advance the interests of the Company by rewarding certain key employees for their contributions to the financial success of the Company and thereby motivating them to continue to make such contributions in the future. The Viacom Plans provide for fixed grants of equity-based interests pursuant to awards of phantom shares, stock options, stock appreciation rights, restricted shares or other equity-based interests ("Awards"), and for subsequent payments of cash with respect to phantom shares or stock appreciation rights based, subject to certain limits, on their appreciation in value over stated periods of time. The stock options generally vest over a three to six year period from the date of grant and expire 10 years after the date of grant. The Company has reserved a total of 11,392 shares of Viacom Inc. Class A Common Stock and 137,471,979 shares of Viacom Inc. Class B Common Stock for exercise of stock options.

During 2000, the total aggregate number of shares of Viacom Inc. Class B Common Stock that may be issued under the 1997 plan was increased by 5,000,000 shares. In the second quarter of 2000, the Viacom Inc. 2000 Long-Term Management Incentive Plan and 2000 Stock Option Plan for outside directors was adopted. An aggregate of 100,000,000 and 1,000,000 shares of Viacom Inc. Class B Common Stock may be issued under these plans, respectively. The stock options available for future grant under the Viacom Plans are as follows:

December 31, 1999	11,726,413
December 31, 2000	107,266,077
December 31, 2001	85,653,665

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The weighted-average fair value of each option as of the grant date was $23.71, $27.39 and $19.89 in 2001, 2000 and 1999, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2001	**2000**	**1999**
Expected dividend yield(a)			
Expected stock price volatility	33.74%	32.10%	29.64%
Risk-free interest rate	5.04%	6.56%	6.11%
Expected life of options (years)	6.7	6.8	7.5

(a) The Company has not declared any cash dividends on its common stock for any of the periods presented and has no present intention of so doing.

The following table summarizes the Company's stock option activity under the Viacom plans:

	Options Outstanding	**Weighted-Average Exercise Price**

	Options Outstanding	Weighted-Average Exercise Price
Balance at December 31, 1998	44,913,306	$ 20.09
Granted	14,283,483	42.02
Exercised	(4,403,681)	17.19
Canceled	(814,588)	18.59
Balance at December 31, 1999	53,978,520	26.16
Granted	11,147,875	57.12
CBS stock options assumed	64,258,809	24.76
Exercised	(10,765,816)	17.42
Canceled	(1,440,083)	39.63
Balance at December 31, 2000	117,179,305	28.98
Granted	22,208,178	52.57
BET stock options assumed	3,169,784	14.24
Infinity stock options assumed	7,988,794	48.39
Exercised	(10,587,348)	17.28
Canceled	(2,475,342)	44.16
Balance at December 31, 2001	137,483,371	34.20

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The following table summarizes information concerning outstanding and exercisable stock options under the Viacom Plans at December 31, 2001:

	Outstanding			Exercisable	
Range of Exercise Price	Options	Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
$ 0 to 9.99	7,053,070	2.35	$ 4.71	7,053,070	$ 4.71
10 to 19.99	31,587,889	4.53	16.02	29,126,439	16.03
20 to 29.99	17,830,017	4.62	23.44	17,618,571	23.46
30 to 39.99	21,277,384	6.03	31.85	13,764,569	31.55
40 to 49.99	21,054,577	7.78	42.71	6,450,080	43.64
50 to 59.99	37,590,164	8.66	55.69	5,548,780	56.35
60 to 69.99	548,420	8.44	66.89	19,306	61.10
70 to 71.00	541,850	8.58	70.02	38,900	70.00
	137,483,371			79,619,715	

Stock options exercisable at year end:

December 31, 1999	12,647,656
December 31, 2000	72,278,110
December 31, 2001	79,619,715

Blockbuster Plan

On July 15, 1999, Blockbuster's Board of Directors adopted the Blockbuster Plan for the benefit of its employees and directors. An aggregate of 25,000,000 shares of Blockbuster class A common stock is reserved for issuance under the Blockbuster Plan, which provides for the issuance of stock-based incentive awards, including stock options to purchase shares of Blockbuster class A common stock, stock appreciation rights, restricted shares of Blockbuster class A common stock, restricted share units and phantom shares. Blockbuster stock options granted in 1999 generally vest over a five-year period from the date of grant and generally expire 10 years after the date of the grant and the Blockbuster Stock options granted in 2000 and 2001 generally vest over a four-year period from the date of grant and generally expire 10 years after the date of the grant.

The weighted average fair value of each Blockbuster option as of the grant date was $10.00, $5.63 and $7.98 in 2001, 2000, and 1999, respectively. The fair value of each Blockbuster option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2001	2000	1999
Expected dividend yield(a)	0.3%	1.0%	0.6%
Expected stock price volatility	52.0%	45.0%	45.0%
Risk-free interest rate	5.0%	6.1%	6.2%
Expected life of options (years)	7.0	7.0	7.0

(a) Blockbuster's current intention is to pay dividends of $.02 per share each quarter on both its class A common stock and class B common stock.

The following table summarizes Blockbuster's stock option activity pursuant to the Blockbuster Plan:

	Options Outstanding	Weighted-Average Exercise Price
Balance at December 31, 1998		$
Granted	11,573,108	14.99
Exercised		
Cancelled	(337,629)	15.00
Balance at December 31, 1999	11,235,479	14.99
Granted	4,695,235	11.04
Exercised		
Cancelled	(2,235,173)	14.47
Balance at December 31, 2000	13,695,541	13.72
Granted	5,274,808	17.43
Exercised	(1,833,057)	14.18
Cancelled	(1,725,648)	14.07
Balance at December 31, 2001	15,411,644	14.90

The following table summarizes information concerning outstanding and exercisable Blockbuster stock options issued to Blockbuster employees and directors at December 31, 2001:

	Outstanding			Exercisable	
Range of Exercise Prices	Options	Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
$ 11.00 to 12.00	3,605,679	8.6	$ 11.01	798,794	$ 11.00
13.00 to 18.00	11,580,765	8.4	15.91	2,767,567	14.99
24.00 to 26.00	225,200	9.9	25.38		
	15,411,644			3,566,361	

12) INCOME TAXES

U.S. and foreign earnings before income taxes are as follows:

Year Ended December 31,	2001	2000	1999
United States	$ 597.3	$ 165.3	$ 656.3
Foreign	185.5	395.3	187.6
Total	$ 782.8	$ 560.6	$ 843.9

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Components of the provision for income taxes on earnings before income taxes are as follows:

Year Ended December 31,	2001	2000	1999
Current:			
Federal	$ 481.2	$ 553.1	$ 167.4
State and local	180.7	209.8	21.3
Foreign	77.5	47.1	35.3
	739.4	810.0	224.0
Deferred	183.1	(80.2)	187.4
Provision for income taxes	$ 922.5	$ 729.8	$ 411.4

The equity losses of affiliated companies are shown net of tax on the Company's Consolidated Statements of Operations. The tax benefit relating to losses from equity investments in 2001, 2000 and 1999 are $21.2 million, $20.5 million and $17.7 million, respectively, which represents an effective tax rate of 14.3%, 14.2% and 22.6%, respectively.

For 2000, the cumulative effect of change in accounting principle of $452.3 million is presented net of a tax benefit of $301.6 million.

The difference between the effective tax rates and the statutory U.S. federal tax rate of 35% is principally due to the effect of non-deductible goodwill amortization, state and local taxes and foreign income taxed below statutory U.S. rates. In 2001 and 2000, respectively,

$141.8 million and $218.8 million of income tax benefit was recorded as a component of stockholders' equity as a result of exercised stock options.

A reconciliation of the statutory U.S. federal tax rate to the Company's effective tax rate on earnings before income taxes is summarized as follows:

Year Ended December 31,	**2001**	**2000**	**1999**
Statutory U.S. federal tax rate	35.0%	35.0%	35.0%
Amortization of intangibles	91.3	81.1	15.7
State and local taxes, net of federal tax benefit	7.3	7.3	3.7
Realization of additional stock basis	(11.5)		
Nontaxable gain on like-kind exchange	(10.3)		
Effect of foreign operations	(1.3)	(17.7)	(9.3)
Merger-related costs and non-deductible expenses		19.5	
Other, net	7.3	5.0	3.7
Effective tax rate on earnings before income taxes	117.8%	130.2%	48.8%

The following is a summary of the components of the deferred tax accounts:

At December 31,	**2001**	**2000**
Deferred tax assets:		
Provision for expense and losses	$ 1,380.6	$ 1,854.5
Postretirement and other employee benefits	584.8	586.5
Tax credit and loss carryforwards	485.2	485.6
Total deferred tax assets	2,450.6	2,926.6
Valuation allowance	(136.0)	(172.1)
Net deferred tax assets	2,314.6	2,754.5
Deferred tax liabilities:		
Property, equipment and intangible assets	(2,506.8)	(2,522.0)
Lease portfolio	(384.0)	(422.2)
Other	(384.0)	(612.1)
Total deferred tax liabilities	(3,274.8)	(3,556.3)
Deferred income taxes, net liability	$ (960.2)	$ (801.8)

At December 31, 2001 and 2000, the Company had a net current deferred tax asset of $359.7 million and $336.3 million, and non-current deferred income tax liabilities of $1.1 billion and $931.5 million, respectively. The Company has included in "Other liabilities," in 2001 and 2000 respectively, non-current deferred income tax liabilities of $188.7 million and $206.6 million, for its retained liabilities of discontinued businesses.

At December 31, 2001, the Company had net operating loss carryforwards for federal, state and local and foreign jurisdiction of approximately $857 million, which expire in various years from 2002 through 2016. In addition, the Company had alternative minimum tax credit carryforwards of $95 million that have no expiration dates and foreign tax credit carryforwards of $92 million that expire through 2005.

The 2001 and 2000 deferred tax assets are reduced by a valuation allowance of $136.0 million and $172.1 million, respectively, principally relating to tax benefits of net operating losses which are not expected to be recognized.

The Company's share of the undistributed earnings of foreign subsidiaries not included in its consolidated federal income tax return that could be subject to additional income taxes if remitted, was approximately $1.6 billion at December 31, 2001 and December 31, 2000. No provision has been recorded for the U.S. or foreign taxes that could result from the remittance of such undistributed earnings since the Company intends to reinvest these earnings outside the U.S. indefinitely and it is not practicable to estimate the amount of such taxes.

13) PENSION AND OTHER POSTRETIREMENT BENEFITS

The Company and certain of its subsidiaries have non-contributory pension plans covering specific groups of employees. The benefits for these plans are based primarily on an employee's years of service and pay near retirement. Participant employees are vested in the plans after five years of service. The Company's policy for all pension plans is to fund amounts in accordance with the Employee Retirement Income Security Act of 1974. Plan assets consist principally of common stocks, marketable bonds and U.S.

government securities. The Company's Class B Common Stock represents approximately 8.3% and 8.0% of the plan assets' fair value at December 31, 2001 and 2000, respectively.

In addition, the Company sponsors health and welfare plans that provide certain postretirement health care and life insurance benefits to retired employees and their covered dependents who are eligible for these benefits if they meet certain age and service requirements. The plans are contributory and contain cost-sharing features such as deductibles and coinsurance which are adjusted annually. The plans are partially funded, however the Company funds most of these benefits as claims are paid.

The significant changes in the components of the benefit obligation plan assets and the net periodic cost in 2000 were due primarily to the Viacom/CBS Merger.

The following table sets forth the change in benefit obligation for the Company's benefit plans:

	Pension Benefits		Postretirement Benefits	
At December 31,	**2001**	**2000**	**2001**	**2000**
Change in benefit obligation:				
Benefit obligation, beginning of year	$ 4,984.3	$ 795.2	$ 1,120.2	$ 51.1
Service cost	49.7	38.5	2.4	2.1
Interest cost	364.6	278.9	82.7	59.3
Actuarial loss (gain)	254.2	(14.8)	78.3	(1.2)
Benefits paid	(549.3)	(356.5)	(96.2)	(79.6)
Business combinations	3.6	4,238.7		1,092.0
Participants' contributions		.5	2.7	2.9
Amendments	2.5	1.5		(6.4)
Cumulative translation adjustments	(9.9)	(3.0)		
Special termination benefits		5.3		

Benefit obligation, end of year	$	5,099.7	$	4,984.3	$	1,190.1	$	1,120.2

The following table sets forth the change in plan assets for the Company's benefit plans:

	Pension Benefits		Postretirement Benefits	
At December 31,	**2001**	**2000**	**2001**	**2000**
Change in plan assets:				
Fair value of plan assets, beginning of year	$ 4,891.2	$ 973.8	$ 46.4	$
Actual return on plan assets	190.3	160.6	5.5	1.3
Employer contributions	42.1	34.8	85.6	75.7
Benefits paid	(549.3)	(356.5)	(96.2)	(79.6)
Business combinations	4.3	4,082.4		46.1
Participants' contributions		.5	2.7	2.9
Cumulative translation adjustments	(12.6)	(4.4)		
Fair value of plan assets, end of year	$ 4,566.0	$ 4,891.2	$ 44.0	$ 46.4

For those pension plans with accumulated benefit obligations in excess of plan assets, the projected benefit obligations and accumulated benefit obligations were $1,308.9 million and $1,207.9 million,

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respectively, for 2001 and $511.9 million and $474.5 million, respectively, for 2000. The fair value of such plan assets was $716.6 million for 2001 and $4.7 million for 2000.

The accrued pension and postretirement costs recognized in the Company's consolidated balance sheet are computed as follows:

	Pension Benefits		Postretirement Benefits	
At December 31,	**2001**	**2000**	**2001**	**2000**
Funded status	$ (533.7)	$ (93.1)	$ (1,146.1)	$ (1,073.8)
Unrecognized transition obligation	.1	(1.1)		
Unrecognized prior service cost (benefit)	11.2	10.4	(9.4)	(10.5)
Unrecognized actuarial loss (gain)	264.3	(192.4)	60.3	(16.2)
Accrued pension liability, net	$ (258.1)	$ (276.2)	$ (1,095.2)	$ (1,100.5)
Amounts recognized in the Consolidated Balance Sheets:				

Accrued pension liability	$ (548.5)	$ (536.3)	$ (1,095.2)	$ (1,100.5)
Prepaid benefits cost	266.4	239.1		
Intangibles	4.1	1.9		
Accumulated other comprehensive pre-tax loss	19.9	19.1		
Net liability recognized	$ (258.1)	$ (276.2)	$ (1,095.2)	$ (1,100.5)

Net periodic cost for the Company's pension and postretirement benefit plans consists of the following:

	Pension Benefits			**Postretirement Benefits**		
At December 31,	**2001**	**2000**	**1999**	**2001**	**2000**	**1999**
Components of net periodic cost:						
Service cost	$ 49.7	$ 38.5	$ 33.7	$ 2.4	$ 2.1	$ .7
Interest cost	364.6	278.9	61.5	82.7	59.3	3.7
Expected return on plan assets	(388.6)	(301.8)	(79.4)	(3.7)	(2.2)	
Amortization of transition obligation	(1.1)	(1.1)	(.2)			
Amortization of prior service cost	1.9	1.9	1.6	(1.1)	(.6)	(.7)
Recognized actuarial (gain) loss	(.1)	(17.0)	1.1	(.1)	(1.2)	(.7)
Curtailment gain			(7.1)			
Special termination benefits		1.7	3.6			
Net periodic cost	$ 26.4	$ 1.1	$ 14.8	$ 80.2	$ 57.4	$ 3.0

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The following weighted average assumptions were used in accounting for the pension plans:

	2001	**2000**	**1999**
Discount rate	7.21%	7.71%	8.0%
Expected return on plan assets	8.3%	8.3%	9.5%
Rate of increase in future compensation	4.5%	5.0%	5.0%

The following weighted average assumptions were used in accounting for postretirement benefits:

	2001	**2000**	**1999**
Discount rate	7.25%	7.75%	8.0%
Projected health care cost trend rate	7.5%	8.0%	5.5%
Ultimate trend rate	5.3%	5.8%	5.5%
Year ultimate trend rate is achieved	2009	2008	1999

Assumed health care cost trend rates could have a significant effect on the amounts reported for the postretirement health care plan. A one-percentage point change in assumed health care cost trend rates would have the following effects:

	One Percentage Point Increase		One Percentage Point Decrease	
Effect on total of service and interest cost components	$	3.3	$	(3.1)
Effect on the accumulated postretirement benefit obligation	$	41.1	$	(38.0)

The Company contributes to multi-employer plans that provide pension and health and welfare benefits to certain employees under collective bargaining agreements. The contributions to these plans were $38.8 million (2001) and $32.3 million (2000).

In addition, the Company has defined contribution plans for the benefit of substantially all employees meeting certain eligibility requirements. Employer contributions to such plans were $50.4 million, $35.8 million and $16.5 million for the years ended December 31, 2001, 2000 and 1999.

14) COMMITMENTS AND CONTINGENCIES

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

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

At December 31, 2001, minimum rental payments under noncancelable leases and minimum franchise payments are as follows:

	Leases					
	Capital		Operating		Guaranteed Minimum Franchise Payments	
2002	$	172.6	$	833.5	$	341.3
2003		112.2		753.9		301.5
2004		76.5		633.4		271.4
2005		62.5		517.0		223.9
2006		49.8		415.3		130.5
2007 and thereafter		88.8		1,861.2		237.3
Total minimum lease payments		562.4	$	5,014.3	$	1,505.9
Less amounts representing interest		110.4				
Present value of net minimum payments	$	452.0				

Future minimum capital lease payments have not been reduced by future minimum sublease rentals of $14.4 million. Future minimum operating lease payments have been reduced by future minimum sublease income of $100.3 million. Rent expense amounted to $997.4 million (2001), $838.2 million (2000) and $601.7 million (1999). The increase in rent in 2001 was principally driven by the Infinity segment as the expense reflects a full year of rent in 2001 versus eight months in 2000 resulting from the Viacom/CBS Merger in May 2000. Additionally, the subsequent acquisitions of two outdoor companies during the second quarter of 2000 contributed to the increase.

Other commitments of the Company, estimated to aggregate approximately $15.2 billion, are not reflected in the balance sheet as of December 31, 2001. These commitments include approximately $10.3 billion for the acquisition of sports programming rights, approximately $3.9 billion relating to television and feature film production and acquisitions and approximately $1.0 billion for talent contracts. A majority of such fees are payable over several years, as part of the normal course of business.

Legal Matters

Antitrust. The Company, Blockbuster and Paramount Home Entertainment are among the defendants in a lawsuit filed on July 21, 1999 in the United States District Court for the Western District of Texas by one former and three present independent video retailers against the major motion picture studios and the Company. The plaintiffs, purporting to act as class representatives on behalf of themselves and all others similarly situated, alleged that the Company and the studios conspired among themselves and with Blockbuster to restrain competition in the nationwide market for distribution of videocassettes for rental to the public in violation of federal and California law. Plaintiffs sought injunctive relief under federal law as well as triple the amount of the alleged actual damages to themselves and those similarly situated under California statutes. In January 2001, plaintiffs moved to withdraw their California state law claims from the federal lawsuit in Texas and filed a substantially similar complaint with approximately 200 additional named plaintiffs in Superior Court for the County of Los Angeles. This complaint also sought certification of a nationwide class of similarly situated plaintiffs. In March 2001, the Texas court denied the plaintiffs' motion for class certification of both the federal and the California state law claims in the federal action and denied the plaintiffs' motion to withdraw their California state law claims from that action. On January 8, 2002, the California court also denied plaintiffs' motion for class certification. The Company

believes that the plaintiffs' position in these litigations is without merit and intends to defend itself vigorously in the litigations.

Asbestos and Environmental. The Company is a defendant in lawsuits claiming various asbestos-related personal injuries, which allegedly occurred as a result of exposure caused by various products manufactured by Westinghouse, a predecessor, generally prior to the early 1970s. Westinghouse was neither a producer nor a manufacturer of asbestos. The Company is typically named as one of a large number of defendants in both state and federal cases. In the majority of 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 typically are both filed and settled in large groups, which makes the amount and timing of settlements, and the number of pending claims, subject to significant fluctuation from period to period. As of December 31, 2001, the Company had pending approximately 106,000 asbestos claims, as compared to approximately 100,000 as of December 31, 2000 and 121,000 as of December 31, 1999. Of the claims pending as of December 31, 2001, approximately 75,000 were pending in state courts, 22,000 in federal court and approximately 9,000 were third party claims. During 2001, the Company received approximately 60,000 new claims and closed approximately the same number of 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 in 2001 for settlement and defense of asbestos claims after insurance recoveries and net of tax benefits, were approximately $21 million. A portion of such costs relates to claims settled in prior years.

The Company believes that its reserves and insurance are adequate to cover its asbestos liabilities.

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.

Other. The Company has amounts owed by an international licensee under a series of long-term licensing arrangements covering feature film and television product. The licensee is disputing its obligation to accept and to pay for a portion of this product under certain of these arrangements. The Company has brought suit to enforce its rights under those arrangements and strongly believes in the merits of its position. In the event of the licensee's bankruptcy, the Company may be unable to recover some or all of amounts being sought in the litigation, as well as the undisputed sums owing under these arrangements. The Company however, believes that the resolution of such matters will not have a material adverse effect on the Company's consolidated results of operations.

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 the above-described legal matters are not likely to have a material adverse effect on its results of operations, financial position or cash flows.

15) 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. Effective January 1, 2001, the Company operated its online businesses under the Cable Networks and Television segments and accordingly, the online businesses are presented as part of these respective segments. Prior period information for the Company has been reclassified to conform to the new presentation. The Company operates six reportable segments:

Cable Networks Basic cable and premium subscription television program services.

Television Television networks and stations; and production and distribution of television programming.

Infinity Radio stations and outdoor advertising properties.

Entertainment Production and distribution of motion pictures; as well as the operation of movie theaters, theme parks and music publishing.

Video Home videocassette, DVD and video game rental and retail operations.

Publishing Consumer publishing (will be reported as part of the Entertainment segment effective January 1, 2002).

The accounting policies of the segments are the same as those described in Note 1 Description of Business and Summary of Significant Accounting Policies. Intercompany revenues are recorded at fair market value as if the sales were to third parties and are eliminated in consolidation. The 2001 intercompany revenue elimination was principally associated with the Entertainment, Television and Cable segments and were $407.8 million, $296.4 million and $77.1 million, respectively. Intercompany profit eliminations are principally comprised of television programming sales to Cable Networks and the sale of feature films to cable and broadcast networks and the Video segment. The 2000 and 1999 intersegment revenues were primarily from the Entertainment Segment of $374.0 million and $248.4 million, respectively.

The Company evaluates performance based on many factors; one of the primary measures is EBITDA (defined as operating income (loss) before depreciation and amortization, principally of goodwill related to business combinations). The Company believes that EBITDA is an appropriate measure of evaluating the operating performance of its segments. However, EBITDA should be considered in addition to, not as a substitute for or superior to, operating income, net earnings, cash flows, and other measures of financial performance prepared in accordance with generally accepted accounting principles ("GAAP"). As EBITDA is not a measure of performance calculated in accordance with GAAP, this measure may not be comparable to similarly titled measures employed by other companies.

Year ended December 31,	2001	2000	1999
Revenues:			
Cable Networks	$ 4,297.6	$ 3,951.0	$ 3,075.3
Television	7,247.7	5,426.4	2,352.0
Infinity	3,670.2	2,764.7	

Entertainment		2,950.2		2,758.3		2,665.9
Video		5,156.7		4,960.1		4,463.5
Publishing		648.7		596.0		610.7
Intercompany eliminations		(748.3)		(412.8)		(308.6)
Total Revenues	$	23,222.8	$	20,043.7	$	12,858.8

Year ended December 31,		**2001**		**2000**		**1999**
EBITDA:						
Cable Networks	$	1,682.0	$	1,373.3	$	1,004.7
Television		1,188.5		919.1		271.5
Infinity		1,517.7		1,282.6		
Entertainment		316.7		368.8		378.3
Video		204.1		534.8		520.3
Publishing		65.1		71.3		74.0
Segment total		4,974.1		4,549.9		2,248.8
Reconciliation to Operating Income:						
Corporate expenses/eliminations		(339.7)		(928.0)		(156.8)
Residual costs of discontinued operations(a)		(87.2)		(77.5)		
Depreciation and amortization		(3,087.0)		(2,223.5)		(844.7)
Total Operating Income	$	1,460.2	$	1,320.9	$	1,247.3

Year ended December 31,		**2001**		**2000**		**1999**
Depreciation and Amortization						
Cable Networks	$	447.1	$	299.8	$	136.8
Television		786.4		568.1		128.1
Infinity		1,225.8		693.2		
Entertainment		158.5		159.1		147.2
Video		423.7		459.1		392.4
Publishing		24.3		21.7		19.7
Segment total		3,065.8		2,201.0		824.2
Corporate		21.2		22.5		20.5
Total Depreciation and Amortization	$	3,087.0	$	2,223.5	$	844.7

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

At December 31,	2001	2000	1999
Total Assets:			
Cable Networks	$ 11,318.3	$ 8,077.7	$ 3,300.2
Television	25,202.5	25,417.9	4,744.2
Infinity	39,833.0	33,689.7	
Entertainment	4,921.5	4,853.9	5,899.5
Video	7,642.8	8,385.1	8,475.6
Publishing	943.7	954.1	948.1
Segment total	89,861.8	81,378.4	23,367.6
Corporate	948.1	1,267.7	1,118.8
Total Assets	$ 90,809.9	$ 82,646.1	$ 24,486.4

Year Ended December 31,	2001	2000	1999
Capital Expenditures:			
Cable Networks	$ 139.9	$ 158.1	$ 106.2
Television	120.2	116.1	51.3
Infinity	99.3	72.0	
Entertainment	48.5	87.9	134.3
Video	93.1	212.1	384.9
Publishing	6.4	6.0	8.7
Segment total	507.4	652.2	685.4
Corporate	8.0	6.8	20.8
Total Capital Expenditures	$ 515.4	$ 659.0	$ 706.2

Information regarding the Company's operations by geographic area is as follows:

Year Ended or At December 31,	2001	2000	1999
Revenues(a):			
United States	$ 19,466.5	$ 16,428.3	$ 10,207.0
International	3,756.3	3,615.4	2,651.8
Total Revenues	$ 23,222.8	$ 20,043.7	$ 12,858.8
Long-lived Assets(b):			
United States	$ 80,930.9	$ 71,979.5	$ 17,675.6

International		2,672.6		2,834.2		1,401.3
Total Long-lived Assets	$	83,603.5	$	74,813.7	$	19,076.9

Intercompany transactions between geographic areas are not significant.

(a) Revenue classifications are based on customers' locations.

(b) Reflects total assets less current assets and non-current deferred tax assets.

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16) OTHER ITEMS, NET

In 2001, "Other items, net" of $254.7 million principally reflects a gain from television station swaps of $210.1 million and the recovery of certain advertising commitments of $250.0 million offset by impairment losses related to the Company's investments of approximately $125.0 million. These one-time pre-tax gains were partially offset by foreign exchange losses of $8.2 million and loss from the sale of assets of $22.8 million. Additionally, 2001 reflects an impairment loss of $46.6 million related to the purchase of two television stations. In 2000, "Other items, net" of $8.8 million principally reflected foreign exchange gains of $31.7 million and net gains of approximately $44.3 million on the sale of assets which were mostly offset by write-down of several internet cost investments to their market value of approximately $66.9 million. In 1999, "Other items, net" of $17.8 million principally reflects a $25.2 million foreign exchange gain and net gain of $17.1 million from the sale of land, property and equipment, partially offset by losses associated with securitizing trade receivables.

17) EXTRAORDINARY LOSS, NET OF TAX

For the year ended December 31, 2001, the Company recognized an extraordinary loss of $3.9 million, net of tax benefits of $2.6 million, on the early extinguishment of debt. The extraordinary loss is not significant and therefore did not impact basic and diluted earnings per share. In 1999, the Company recognized after-tax extraordinary losses on the early extinguishment of debt of $37.7 million, or a loss of $.06 per basic and diluted share.

18) SUPPLEMENTAL CASH FLOW INFORMATION

Year Ended December 31,		**2001**		**2000**		**1999**
Cash paid for interest, net of amounts capitalized	$	825.8	$	651.4	$	445.6
Cash paid for income taxes	$	430.3	$	61.2	$	615.8
Supplemental schedule of non-cash investing and financing activities:						
Equipment acquired under capitalized leases	$	55.0	$	72.9	$	223.4
Fair value of assets acquired	$	11,355.9	$	61,910.3	$	463.2
Fair value of liabilities assumed		(329.4)		(14,849.3)		(.8)
Minority interest		5,749.4		(5,712.1)		(150.0)
Cash paid, net of cash acquired		(886.1)		(2,380.0)		(312.4)
Impact on stockholders' equity	$	15,889.8	$	38,968.9	$	

19) QUARTERLY FINANCIAL DATA (unaudited quarterly data):

2001	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Total Year**
Revenues	$ 5,752.2	$ 5,716.9	$ 5,713.8	$ 6,039.9	$ 23,222.8
Operating income	$ 403.7	$ 585.8	$ 193.7	$ 277.0	$ 1,460.2
Net earnings (loss) before extraordinary loss and cumulative effect of change in accounting principle	$ (7.3)	$ 16.7	$ (190.4)	$ (38.6)	$ (219.6)
Net earnings (loss)	$ (7.3)	$ 16.7	$ (190.4)	$ (42.5)	$ (223.5)
Net earnings (loss) attributable to common stock	$ (7.3)	$ 16.7	$ (190.4)	$ (42.5)	$ (223.5)
Basic and diluted earnings per common share:					
Earnings (loss) before extraordinary loss and cumulative effect of change in accounting principle	$	$ .01	$ (.11)	$ (.02)	$ (.13)
Net earnings (loss)	$	$ .01	$ (.11)	$ (.02)	$ (.13)
Weighted average number of common shares outstanding:					
Basic	1,628.4	1,768.6	1,768.0	1,759.7	1,731.6
Diluted	1,628.4	1,800.2	1,768.0	1,759.7	1,731.6

2000

Revenues (2)	$ 3,025.8	$ 4,850.9(1)	$ 5,810.8(1)	$ 6,356.2(1)	$ 20,043.7(1)
Operating income (3) (4)	$ 240.4	$ (278.2)	$ 759.9	$ 598.8	$ 1,320.9
Net earnings before extraordinary loss and cumulative effect of change in accounting principle (4)	$ 68.0	$ (495.6)	$ 33.4	$ 30.4	$ (363.8)
Net earnings (4)	$ (384.3)	$ (495.6)	$ 33.4	$ 30.4	$ (816.1)
Net earnings attributable to common stock (4)	$ (384.3)	$ (495.6)	$ 33.4	$ 30.4	$ (816.1)
Basic earnings per common share:					
Earnings before extraordinary loss and cumulative effect of change in accounting principle	$ .10	$ (.41)	$ .02	$ .02	$ (.30)
Net earnings	$ (.55)	$ (.41)	$ .02	$ .02	$ (.67)
Diluted earnings per common share:					
Earnings (loss) before extraordinary loss and cumulative effect of change in accounting principle	$ .10	$ (.41)	$ .02	$ .02	$ (.30)
Net earnings	$ (.54)	$ (.41)	$ .02	$ .02	$ (.67)
Weighted average number of common shares outstanding:					
Basic	694.8	1,207.6	1,503.7	1,498.2	1,225.3
Diluted	711.5	1,207.6	1,544.5	1,531.1	1,225.3

(1)

Includes financial information for CBS from the date of its merger with and into Viacom on May 4, 2000. Accordingly, operating results are not necessarily comparable on a year-to-year basis.

(2)

Revenues have been restated based on the guidelines set forth in SAB 101, "Revenue Recognition in Financial Statements".

(3)

The second quarter of 2000 included merger-related charges of $698 million ($505 million after-tax or $.41 per share) related to the Viacom/CBS Merger and the acquisition of the remaining 50% interest in UPN that the Company did not already own.

(4)

The first quarter of 2000 included a pre-tax non-cash of $753.9 million ($452.3 million after-tax or $.37 per share) related to the Company's early adoption of SOP 00-2. This charge was reflected as a cumulative effect of a change in accounting principle, effective January 1, 2000. Under SOP 00-2, for the three months ended March 31, 2000, the Company recognized additional operating expenses of $14.6 million ($8.0 million after-tax).

20) CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

Viacom International is a wholly owned subsidiary of the Company. The Company has fully and unconditionally guaranteed Viacom International debt securities (See Note 9). The following condensed consolidating financial statements present the results of operations, financial position and cash flows of the Company, Viacom International, the direct and indirect Non-Guarantor Affiliates of the Company, and the eliminations necessary to arrive at the information for the Company on a consolidated basis.

	Year Ended December 31, 2001				
	Viacom Inc.	**Viacom International**	**Non-Guarantor Affiliates**	**Eliminations**	**Viacom Inc. Consolidated**
Revenues	$ 321.8	$ 2,502.5	$ 20,725.2	$ (326.7)	$ 23,222.8
Expenses:					
Operating	137.0	788.0	13,391.4	(179.4)	14,137.0
Selling, general and administrative	137.5	706.3	3,575.4		4,419.2
Restructuring charges		66.6	52.8		119.4
Depreciation and amortization	17.1	190.1	2,879.8		3,087.0
Total expenses	291.6	1,751.0	19,899.4	(179.4)	21,762.6
Operating income	30.2	751.5	825.8	(147.3)	1,460.2
Interest expense, net	(702.3)	(21.0)	(208.8)		(932.1)
Other items, net	(20.4)	(5.6)	280.7		254.7
Earnings (loss) before income taxes	(692.5)	724.9	897.7	(147.3)	782.8
Benefit (provision) for income taxes	277.0	(319.1)	(880.4)		(922.5)
Equity in earnings (loss) of affiliated companies, net of tax	192.0	3.6	(134.7)	(187.9)	(127.0)
Minority interest, net of tax		10.6	36.5		47.1
Net earnings (loss) before extraordinary items	(223.5)	420.0	(80.9)	(335.2)	(219.6)
Extraordinary loss, net of tax			(3.9)		(3.9)
Net earnings (loss)	$ (223.5)	$ 420.0	$ (84.8)	$ (335.2)	$ (223.5)

	Year Ended December 31, 2000				
	Viacom Inc.	Viacom International	Non-Guarantor Affiliates	Eliminations	Viacom Inc. Consolidated
Revenues	$ 271.7	$ 2,520.2	$ 17,264.4	$ (12.6)	$ 20,043.7
Expenses:					
Operating	107.4	813.5	10,766.2	20.0	11,707.1
Selling, general and administrative	122.5	892.6	3,078.6		4,093.7
Merger-related charges		650.0	48.5		698.5
Depreciation and amortization	14.6	149.6	2,059.3		2,223.5
Total expenses	244.5	2,505.7	15,952.6	20.0	18,722.8
Operating income	27.2	14.5	1,311.8	(32.6)	1,320.9
Interest income (expense), net	(598.9)	67.4	(237.6)		(769.1)
Other items, net	(19.4)	26.7	1.5		8.8
Earnings (loss) before income taxes	(591.1)	108.6	1,075.7	(32.6)	560.6
Benefit (provision) for income taxes	236.5	(154.6)	(811.7)		(729.8)
Equity in loss of affiliated companies, net of tax	(461.5)	(463.0)	(158.2)	958.5	(124.2)
Minority interest, net of tax		20.1	(90.5)		(70.4)
Net earnings (loss) before cumulative effect of change in accounting principle	(816.1)	(488.9)	15.3	925.9	(363.8)
Cumulative effect of change in accounting principle, net of tax			(452.3)		(452.3)
Net loss	$ (816.1)	$ (488.9)	$ (437.0)	$ 925.9	$ (816.1)

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	Year Ended December 31, 1999				
	Viacom Inc.	Viacom International	Non-Guarantor Affiliates	Eliminations	Viacom Inc. Consolidated
Revenues	$ 35.4	$ 2,164.6	$ 10,709.5	$ (50.7)	$ 12,858.8
Expenses:					
Operating	30.5	706.3	7,680.8	(79.7)	8,337.9
Selling, general and administrative	3.0	783.2	1,572.4		2,358.6
Restructuring charge			70.3		70.3
Depreciation and amortization	4.6	105.4	734.7		844.7
Total expenses	38.1	1,594.9	10,058.2	(79.7)	11,611.5
Operating income (loss)	(2.7)	569.7	651.3	29.0	1,247.3
Interest income (expense), net	(361.3)	77.4	(137.3)		(421.2)
Other items, net	(24.8)	28.0	14.6		17.8

	Year Ended December 31, 1999				
Earnings (loss) before income taxes	(388.8)	675.1	528.6	29.0	843.9
Benefit (provision) for income taxes	159.5	(276.8)	(294.1)		(411.4)
Equity in earnings (loss) of affiliated companies, net of tax	600.7	199.9	(82.1)	(779.2)	(60.7)
Minority interest, net of tax		2.8	(2.9)		(.1)
Earnings before extraordinary loss	371.4	601.0	149.5	(750.2)	371.7
Extraordinary loss, net of tax	(37.4)	(.3)			(37.7)
Net earnings	334.0	600.7	149.5	(750.2)	334.0
Cumulative convertible preferred stock dividend requirement	(.4)				(.4)
Premium on repurchase of preferred stock	(12.0)				(12.0)
Net earnings attributable to common stock	$ 321.6	$ 600.7	$ 149.5	$ (750.2)	$ 321.6

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	At December 31, 2001				
	Viacom Inc.	Viacom International	Non-Guarantor Affiliates	Eliminations	Viacom Inc. Consolidated
Assets					
Cash and cash equivalents	$ 367.7	$ 2.7	$ 357.0	$	$ 727.4
Receivables, net	79.3	474.2	3,341.5	(313.2)	3,581.8
Inventory	9.9	268.7	1,090.8		1,369.4
Other current assets	80.5	357.5	1,089.8		1,527.8
Total current assets	537.4	1,103.1	5,879.1	(313.2)	7,206.4
Property and equipment	116.5	1,030.4	8,218.0		9,364.9
Less accumulated depreciation and amortization	42.1	368.0	2,619.6		3,029.7
Net property and equipment	74.4	662.4	5,598.4		6,335.2
Inventory	10.2	617.1	3,418.2	(160.6)	3,884.9
Intangibles, at amortized cost	258.0	54.4	70,677.7		70,990.1
Investments in consolidated subsidiaries	65,837.7	14,734.4		(80,572.1)	
Other assets	117.5	1,018.6	1,605.4	(348.2)	2,393.3
Total Assets	$ 66,835.2	$ 18,190.0	$ 87,178.8	$ (81,394.1)	$ 90,809.9
Liabilities and Stockholders' Equity					
Accounts payable	$	$ 58.4	$ 969.1	$ (82.5)	$ 945.0
Accrued expenses and other	(12.7)	1,622.5	3,614.0	(215.5)	5,008.3
Accrued participations		12.8	1,322.1	(25.5)	1,309.4
Current portion of long-term debt		13.0	286.0		299.0
Total current liabilities	(12.7)	1,706.7	6,191.2	(323.5)	7,561.7

	At December 31, 2001				
Long-term debt	9,332.1	717.2	823.4	(49.0)	10,823.7
Other liabilities	(9,449.0)	3,412.3	10,921.5	3,611.1	8,495.9
Minority interest		149.1	1,062.7		1,211.8
Stockholders' Equity:					
Preferred Stock		106.1	20.4	(126.5)	
Common Stock	18.4	188.5	734.3	(922.8)	18.4
Additional paid-in capital	64,980.6	6,536.8	68,182.0	(74,718.8)	64,980.6
Retained earnings (deficit)	5,299.5	5,352.8	(581.6)	(8,862.4)	1,208.3
Accumulated other comprehensive income (loss)	4.1	20.5	(175.1)	(2.2)	(152.7)
	70,302.6	12,204.7	68,180.0	(84,632.7)	66,054.6
Less treasury stock, at cost	3,337.8				3,337.8
Total stockholders' equity	66,964.8	12,204.7	68,180.0	(84,632.7)	62,716.8
Total Liabilities and Stockholders' Equity	$ 66,835.2	$ 18,190.0	$ 87,178.8	$ (81,394.1)	$ 90,809.9

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	At December 31, 2000				
	Viacom Inc.	**Viacom International**	**Non-Guarantor Affiliates**	**Eliminations**	**Viacom Inc. Consolidated**
Assets					
Cash and cash equivalents	$ 192.8	$ 326.5	$ 415.2	$	$ 934.5
Receivables, net	89.3	456.0	3,661.3	(242.5)	3,964.1
Inventory	11.3	259.9	1,130.8		1,402.0
Other current assets	355.1	425.5	789.3	(38.1)	1,531.8
Total current assets	648.5	1,467.9	5,996.6	(280.6)	7,832.4
Property and equipment	170.0	744.8	8,070.9		8,985.7
Less accumulated depreciation and amortization	14.2	319.9	2,049.8		2,383.9
Net property and equipment	155.8	424.9	6,021.1		6,601.8
Inventory		518.6	3,132.1	(17.8)	3,632.9
Intangibles, at amortized cost	264.9	636.4	61,102.8		62,004.1
Investments in consolidated subsidiaries	49,331.0	14,898.9		(64,229.9)	
Other assets	198.2	695.1	1,813.0	(131.4)	2,574.9
Total Assets	$ 50,598.4	$ 18,641.8	$ 78,065.6	$ (64,659.7)	$ 82,646.1
Liabilities and Stockholders' Equity					
Accounts payable	$	$ 35.2	$ 1,332.3	$ (106.4)	$ 1,261.1

	At December 31, 2000				
Accrued expenses and other	312.3	1,515.5	3,379.3	(154.2)	5,052.9
Accrued participations			1,234.5	(14.2)	1,220.3
Current portion of long-term debt		10.8	213.1		223.9
Total current liabilities	312.3	1,561.5	6,159.2	(274.8)	7,758.2
Long-term debt	7,194.1	858.2	4,613.2	(191.7)	12,473.8
Other liabilities	(9,118.5)	3,588.9	5,908.2	7,028.4	7,407.0
Minority interest		158.9	6,881.3		7,040.2
Stockholders' Equity:					
Preferred Stock		106.1	20.4	(126.5)	
Common Stock	15.9	185.7	508.8	(694.5)	15.9
Additional paid-in capital	50,729.9	7,253.4	54,621.6	(61,875.0)	50,729.9
Retained earnings (deficit)	5,523.0	4,931.1	(496.5)	(8,525.8)	1,431.8
Accumulated other comprehensive income (loss)	(.1)	(2.0)	(150.6)	.2	(152.5)
	56,268.7	12,474.3	54,503.7	(71,221.6)	52,025.1
Less treasury stock, at cost	4,058.2				4,058.2
Total stockholders' equity	52,210.5	12,474.3	54,503.7	(71,221.6)	47,966.9
Total Liabilities and Stockholders' Equity	$ 50,598.4	$ 18,641.8	$ 78,065.6	$ (64,659.7)	$ 82,646.1

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	Year Ended December 31, 2001				
	Viacom Inc.	**Viacom International**	**Non-Guarantor Affiliates**	**Eliminations**	**Viacom Inc. Consolidated**
Net cash flow provided by (used for) operating activities	$ (261.7)	$ 680.9	$ 3,089.9	$	$ 3,509.1
Investing Activities:					
Acquisitions, net of cash acquired	(1.4)	(35.6)	(849.1)		(886.1)
Capital expenditures		(120.6)	(394.8)		(515.4)
Investments in and advances to affiliated companies		(47.8)	(22.3)		(70.1)
Purchases of short-term investments		(14.2)			(14.2)
Proceeds from sale of investments		3.3	58.1		61.4
Proceeds from dispositions			233.7		233.7
Other, net		(0.3)	0.5		0.2
Net cash flow used for investing activities	(1.4)	(215.2)	(973.9)		(1,190.5)
Financing Activities:					
Repayments to banks, including commercial paper, net	(1,093.3)	(100.0)	(2,818.7)		(4,012.0)
Increase (decrease) in intercompany payables	(778.0)	(642.2)	1,420.2		

	Year Ended December 31, 2001				
Proceeds from issuance of senior notes and debentures	3,417.9		5.8		3,423.7
Purchase of treasury stock	(1,066.1)				(1,066.1)
Repayment of notes and debentures	(225.0)	(35.3)	(656.8)		(917.1)
Payment on capital lease obligations		(12.0)	(124.3)		(136.3)
Proceeds from exercise of stock options	182.5		2.1		184.6
Other, net			(2.5)		(2.5)
Net cash flow provided by (used for) financing activities	438.0	(789.5)	(2,174.2)		(2,525.7)
Net increase (decrease) in cash and cash equivalents	174.9	(323.8)	(58.2)		(207.1)
Cash and cash equivalents at beginning of year	192.8	326.5	415.2		934.5
Cash and cash equivalents at end of year	$ 367.7	$ 2.7	$ 357.0	$	$ 727.4

	Year Ended December 31, 2000				
	Viacom Inc.	**Viacom International**	**Non-Guarantor Affiliates**	**Eliminations**	**Viacom Inc. Consolidated**
Net cash flow provided by (used for) operating activities	$ (654.1)	$ 830.5	$ 2,146.9	$	$ 2,323.3
Investing Activities:					
Acquisitions, net of cash acquired			(2,380.0)		(2,380.0)
Capital expenditures	(1.5)	(126.3)	(531.2)		(659.0)
Investments in and advances to affiliated companies	(7.3)	(57.9)	(174.0)		(239.2)
Purchases of short-term investments		(89.9)			(89.9)
Proceeds from sale of investments		82.1	234.5		316.6
Proceeds from dispositions			190.6		190.6
Net cash flow used for investing activities	(8.8)	(192.0)	(2,660.1)		(2,860.9)
Financing Activities:					
Borrowings from (repayments to) banks, including commercial paper, net	469.7	(96.2)	1,039.9		1,413.4
Increase (decrease) in intercompany payables	456.3	(530.3)	74.0		
Proceeds from senior notes and debentures	1,606.5		76.4		1,682.9
Purchase of treasury stock	(1,945.4)				(1,945.4)
Repayment of notes and debentures		(160.6)	(171.3)		(331.9)
Payment on capital lease obligations		(10.9)	(119.7)		(130.6)
Purchase of treasury stock by subsidiary			(84.1)		(84.1)
Proceeds from exercise of stock options	187.0				187.0

	Year Ended December 31, 2000				
Net cash flow provided by (used for) financing activities	774.1	(798.0)	815.2		791.3
Net increase (decrease) in cash and cash equivalents	111.2	(159.5)	302.0		253.7
Cash and cash equivalents at beginning of year	81.6	486.0	113.2		680.8
Cash and cash equivalents at end of year	$ 192.8	$ 326.5	$ 415.2	$	$ 934.5

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	Year Ended December 31, 1999				
	Viacom Inc.	**Viacom International**	**Non-Guarantor Affiliates**	**Eliminations**	**Viacom Inc. Consolidated**
Net cash flow provided by (used for) operating activities	$ 423.0	$ (221.5)	$ 92.6	$	$ 294.1
Investing Activities:					
Acquisitions, net of cash acquired	(180.6)		(131.8)		(312.4)
Capital expenditures		(113.9)	(592.3)		(706.2)
Investments in and advances to affiliated companies		(40.3)	(121.3)		(161.6)
Purchases of short-term investments		(416.2)			(416.2)
Proceeds from sale of investments		410.3			410.3
Proceeds from dispositions			114.3		114.3
Other, net	(18.4)	(6.6)	(10.8)		(35.8)
Net cash flow used for investing activities	(199.0)	(166.7)	(741.9)		(1,107.6)
Financing Activities:					
Borrowings from banks, including commercial paper, net	999.3		1,185.5		2,184.8
Increase (decrease) in intercompany payables	232.4	722.1	(954.5)		
Purchase of treasury stock and warrants	(478.8)				(478.8)
Repayment of notes and debentures	(1,073.8)	(1.5)			(1,075.3)
Repurchase of Preferred Stock	(611.9)				(611.9)
Payment on capital lease obligations		(35.9)	(70.6)		(106.5)
Net proceeds from issuance of subsidiary stock			430.7		430.7
Proceeds from exercise of stock options and warrants	390.8				390.8
Payment of Preferred Stock dividends	(7.8)				(7.8)
Other, net	1.0				1.0
Net cash flow provided by (used for) financing activities	(548.8)	684.7	591.1		727.0
Net increase (decrease) in cash and cash equivalents	(324.8)	296.5	(58.2)		(86.5)

	Year Ended December 31, 1999							
Cash and cash equivalents at beginning of year		406.4		189.5		171.4		767.3
Cash and cash equivalents at end of year	$	81.6	$	486.0	$	113.2	$	$ 680.8

PART III

Item 10. ***Directors and Executive Officers.***

The information contained in the Viacom Inc. Proxy Statement under the captions "Information Concerning Directors and Nominees" and "Section 16(a) Beneficial Ownership Reporting Compliance" is incorporated herein by reference. Information with respect to the Executive Officers of the Company is included in Part I hereof.

Item 11. ***Executive Compensation.***

The information contained in the Viacom Inc. Proxy Statement under the captions "Directors' Compensation" and "Executive Compensation" is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management.***

The information contained in the Viacom Inc. Proxy Statement under the caption "Security Ownership of Certain Beneficial Owners and Management" is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions.***

The information contained in the Viacom Inc. Proxy Statement under the captions "Executive Compensation Compensation Committee Interlocks and Insider Participation" and "Related Transactions" is incorporated herein by reference.

PART IV

Item 14. ***Exhibits, Financial Statement Schedules and Reports on Form 8-K.***

(a) and (d) Financial Statements and Schedules (see Index on Page F-1)

(b) Reports on Form 8-K

None

(c) Exhibits (see Index on Page E-1)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Viacom Inc. has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

VIACOM INC.

By: **/s/ SUMNER M. REDSTONE**

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

By: **/s/ RICHARD J. BRESSLER**

Richard J. Bressler
Senior Executive Vice President
Chief Financial Officer

By: **/s/ SUSAN C. GORDON**

Susan C. Gordon
Vice President, Controller
Chief Accounting Officer

Date: March 29, 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of Viacom Inc. and in the capacities and on the dates indicated:

Signature	Title	Date
* George S. Abrams	Director	March 29, 2002
* David R. Andelman	Director	March 29, 2002
* George H. Conrades	Director	March 29, 2002
* Philippe P. Dauman	Director	March 29, 2002
* William H. Gray III	Director	March 29, 2002
/s/ MEL KARMAZIN Mel Karmazin	Director	March 29, 2002
* Jan Leschly	Director	March 29, 2002

Signature	Title	Date
* David T. McLaughlin	Director	March 29, 2002
* Ken Miller	Director	March 29, 2002
* Leslie Moonves	Director	March 29, 2002
* Brent D. Redstone	Director	March 29, 2002
* Shari Redstone	Director	March 29, 2002
/s/ SUMNER M. REDSTONE Sumner M. Redstone	Director	March 29, 2002
* Frederic V. Salerno	Director	March 29, 2002
* William Schwartz	Director	March 29, 2002
* Ivan Seidenberg	Director	March 29, 2002
* Patty Stonesifer	Director	March 29, 2002
* Robert D. Walter	Director	March 29, 2002

*By: **/s/ MICHAEL D. FRICKLAS**

Michael D. Fricklas
Attorney-in-Fact
for the Directors

March 29, 2002

VIACOM INC. AND SUBSIDIARIES
INDEX TO EXHIBITS
ITEM 14(c)

Exhibit No.	Description of Document	Page No.
(2)	**Plan of Acquisition**	
(a)	Amended and Restated Agreement and Plan of Merger, dated as of September 6, 1999, as amended and restated as of October 8, 1999 and as of November 23, 1999, among Viacom Inc., CBS Corporation and Viacom/CBS LLC (incorporated by reference to Exhibit 2.1 to the Registration Statement on Form S-4 initially filed by Viacom Inc. on October 7, 1999) (File No. 333-88613).	
(b)	Agreement and Plan of Merger, dated as of October 30, 2000, among Viacom Inc., IBC Merger Corp. and Infinity Broadcasting Corporation (incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K of Viacom Inc. filed on October 31, 2000) (File No. 1-9553).	
(3)	**Articles of Incorporation and By-laws**	
(a)	Restated Certificate of Incorporation of Viacom Inc. effective May 23, 2001 (filed herewith).	
(b)	Amended and Restated By-laws of Viacom Inc. effective May 4, 2000 (incorporated by reference to Exhibit 3.2 to the Registration Statement on Form S-4 initially filed by Viacom Inc. on October 7, 1999) (File No. 333-88613).	
(4)	**Instruments defining the rights of security holders, including indentures**	
(a)	Specimen certificate representing the Viacom Inc. Class A Common Stock (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-4 initially filed by Viacom Inc. on May 19, 1987) (File No. 33-13812).	
(b)	Specimen certificate representing Viacom Inc. Class B Common Stock (incorporated by reference to Exhibit 4(a) to the Quarterly Report on Form 10-Q of Viacom Inc. for the quarter ended June 30, 1990) (File No. 1-9553).	
(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. 1989 Long-Term Management Incentive Plan (as amended and restated through November 1, 1996) (incorporated by reference to Exhibit 10(a) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 1996) (File No. 1-9553).*	
(b)	Viacom Inc. 1994 Long-Term Management Incentive Plan (as amended and restated through November 1, 1996) (incorporated by reference to Exhibit 10(b) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 1996) (File No. 1-9553).*	
(c)	Viacom Inc. 1997 Long-Term Management Incentive Plan (as amended and restated through May 25, 2000) (incorporated by reference to Exhibit B to Viacom Inc.'s Proxy Statement dated June 5, 2000) (File No. 1-9553).*	

(d)	Viacom Inc. 2000 Long-Term Management Incentive Plan (as amended and restated through January 31, 2001) (filed herewith).*	
(e)	Viacom Inc. Senior Executive Short-Term Incentive Plan (as amended and restated through May 25, 2000) (incorporated by reference to Exhibit C to Viacom Inc.'s Proxy Statement dated June 5, 2000) (File No. 1-9553).*	
(f)	Viacom International Inc. Deferred Compensation Plan for Non-Employee Directors (as amended and restated through December 17, 1992) (incorporated by reference to Exhibit 10(e) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 1992, as amended by Form 10-K/A Amendment No. 1 dated November 29, 1993 and as further amended by Form 10-K/A Amendment No. 2 dated December 9, 1993) (File No. 1-9553).*	

(g)	Viacom Inc. and Viacom International Inc. Retirement Income Plan for Non-Employee Directors (incorporated by reference to Exhibit 10(f) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 1989) (File No. 1-9553).*
(h)	Viacom Inc. Stock Option Plan for Outside Directors (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of Viacom Inc. for the quarter ended June 30, 1993) (File No. 1-9553).*
(i)	Viacom Inc. 1994 Stock Option Plan for Outside Directors (incorporated by reference to Exhibit B to Viacom Inc.'s Proxy Statement dated April 28, 1995) (File No. 1-9553).*
(j)	Viacom Inc. 2000 Stock Option Plan for Outside Directors (incorporated by reference to Exhibit D to Viacom Inc.'s Proxy Statement dated June 5, 2000) (File No. 1-9553).*
(k)	Viacom Excess 401(k) Plan (Effective April 1, 1984, Restated as of December 1, 1999, Amended Effective January 1, 2002) (incorporated by reference to Exhibit 4.3 to the Viacom Inc. Registration Statement on Form S-8 filed on December 21, 2001) (File No. 333-75752).*
(l)	Excess Pension Plan for Certain Employees of Viacom International Inc. restated as of January 1, 1996 (incorporated by reference to Exhibit 10(j) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 1999) (File No. 1-9553).*
(m)	Employment Letter Agreement, dated September 6, 1999, between Viacom Inc. and Sumner M. Redstone (incorporated by reference to Exhibit 10.3 to the Registration Statement on Form S-4 initially filed by Viacom Inc. on October 7, 1999) (File No. 333-88613).*
(n)	Employment Letter Agreement, dated September 6, 1999, between Viacom Inc. and Mel Karmazin (incorporated by reference to Exhibit 10.4 to the Registration Statement on Form S-4 initially filed by Viacom Inc. on October 7, 1999) (File No. 333-88613), as amended by the First Amendment to Employment Agreement dated December 31, 1999 (incorporated by reference to Exhibit 10(ss) to the Annual Report on Form 10-K of CBS Corporation for the fiscal year ended December 31, 1999) (File No. 1-977), and as further amended by an Agreement dated June 13, 2000 (incorporated by reference to Exhibit 10.5 to the Quarterly Report on Form 10-Q of Viacom Inc. for the quarter ended June 30, 2000) (File No. 1-9553).*

(o)	Agreement, dated as of January 1, 1996, between Viacom Inc. and Philippe P. Dauman (incorporated by reference to Exhibit 10(l) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 1995) (File No. 1-9553), as amended by an Agreement dated August 20, 1998 (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of Viacom Inc. for the quarter ended September 30, 1998) (File No. 1-9553).*
(p)	Agreement, dated September 6, 1999, between Viacom Inc. and Philippe P. Dauman (incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K of Viacom Inc. filed on September 8, 1999, as amended by Form 8-K/A filed on September 8, 1999) (File No. 1-9553), as amended by an Agreement dated April 28, 2000 (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q of Viacom Inc. for the quarter ended March 31, 2000) (File No. 1-9553).*
(q)	Agreement, dated March 2001, between Viacom Inc. and Richard J. Bressler (filed herewith).*
(r)	Agreement, dated as of May 1, 2000, between Viacom Inc. and Michael D. Fricklas (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q of Viacom Inc. for the quarter ended September 30, 2000) (File No. 1-9553).*
(s)	Agreement, dated March 2, 1999, between CBS Corporation and Fredric G. Reynolds (incorporated by reference to Exhibit 10(q) to the Quarterly Report on Form 10-Q of CBS Corporation for the quarter ended March 31, 1999) (File No. 1-977).*
(t)	Agreement, dated as of May 1, 2000, between Viacom Inc. and William A. Roskin (incorporated by reference to Exhibit 10(v) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 2000).*
(u)	Service Agreement, dated as of March 1, 1994, between George S. Abrams and Viacom Inc. (incorporated by reference to Exhibit 10(q) to the Annual Report on

Form 10-K of Viacom Inc. for the fiscal year ended December 31, 1994) (File No. 1-9553).*

(v) Agreement, dated as of May 17, 1995, between CBS Broadcasting Inc. and Leslie Moonves, as amended by an Agreement dated January 20, 1998 (incorporated by reference to Exhibit 10(v) to the Annual Report on Form 10-K of CBS Corporation for the fiscal year ended December 31, 1997) (File No. 1-977), as further amended by an Agreement dated as of July 5, 1999 (incorporated by reference to Exhibit 10(q) to the Quarterly Report on Form 10-Q of CBS Corporation for the quarter ended September 30, 1999 (File No. 1-977), and as further amended by an Agreement dated as of May 25, 2000 (incorporated by reference to Exhibit 10(x) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 2000).*

(w) CBS Corporation ("CBS") plans* assumed by Viacom Inc. after the merger with CBS, consisting of the following:

(i) CBS 1991 Long-Term Incentive Plan (as amended as of July 28, 1999) (incorporated by reference to Exhibit 10.15 to the Quarterly Report on Form 10-Q of Infinity Broadcasting Corporation for the quarter ended September 30, 1999) (File No. 1-14599).

(ii) CBS 1993 Long-Term Incentive Plan (as amended as of July 28, 1999) (incorporated by reference to Exhibit 10.16 to the Quarterly Report on Form 10-Q of Infinity Broadcasting Corporation for the quarter ended September 30, 1999) (File No. 1-14599).

(iii) Amended and Restated Infinity Broadcasting Corporation Stock Option Plan (incorporated by reference to Exhibit 4.4 to the Post- Effective Amendment No. 1 on Form S-8 to the Registration Statement on Form S-4 filed by CBS (f/k/a Westinghouse Electric Corporation) on January 2, 1997) (File No. 333-13219).

(iv) Infinity Broadcasting Corporation Warrant Certificate No. 3 to Mel Karmazin (incorporated by reference to Exhibit 4.6 to the Post- Effective Amendment No. 1 on Form S-8 to the Registration Statement on Form S-4 filed by CBS Corporation (f/k/a Westinghouse Electric Corporation) on January 2, 1997) (File No. 333-13219).

(v) Westinghouse Executive Pension Plan (As amended and restated as of July 28, 1999) (incorporated by reference to Exhibit 10.20 to the Quarterly Report on Form 10-Q of Infinity Broadcasting Corporation for the quarter ended September 30, 1999) (File No. 1-14599).

(vi) CBS Supplemental Executive Retirement Plan (As amended as of April 1, 1999) (incorporated by reference to Exhibit 10(h) to the Quarterly Report on Form 10-Q of CBS for the quarter ended September 30, 1999) (File No. 1-977).

(vii) CBS Bonus Supplemental Executive Retirement Plan (As amended as of April 1, 1999) (incorporated by reference to Exhibit 10(i) to the Quarterly Report on Form 10-Q of CBS for the quarter ended September 30, 1999) (File No. 1-977).

(viii) CBS Supplemental Employee Investment Fund (As amended as of January 1, 1998) (incorporated by reference to Exhibit 10(j) to the Quarterly Report on Form 10-Q of CBS for the quarter ended September 30, 1999) (File No. 1-977).

(ix) Director's Charitable Giving Program, As Amended Effective April 30, 1996 (incorporated by reference to Exhibit 10(g) to the Quarterly Report on Form 10-Q of CBS (f/k/a Westinghouse Electric Corporation) for the quarter ended June 30, 1996) (File No. 1-977).

(x) CBS Deferred Compensation and Stock Plan for Directors (as amended as of February 24, 2000) (incorporated by reference to Exhibit 10(y)(ix) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 2000).

(xi) Advisory Director's Plan Termination Fee Deferral Terms and Conditions, Effective April 30, 1996 (As Revised Effective February 24, 2000) (incorporated by reference to Exhibit 10(y)(x) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 2000).

(x) Infinity Broadcasting Corporation ("Infinity") stock option plans* assumed by Viacom Inc. after the merger with Infinity, consisting of the following: (i) Infinity 1998 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.16 to the Annual Report on Form 10-K of Infinity for the fiscal year ended December 31,

1999) (File No. 1-14599).
(ii) Infinity Stock Plan for Directors (incorporated by reference to Exhibit 10.25 to the Annual Report on Form 10-K of Infinity for the fiscal year ended December 31, 1998 (File No. 1-14599).

(y) Credit Agreement, dated as of June 21, 1999, between Blockbuster Inc. and the banks named therein (incorporated by reference to Exhibit 10.22 to the Registration Statement on Form S-1 initially filed by Blockbuster Inc. on May 6, 1999) (File No. 333-77899).

(z) Amended and Restated Five-Year Credit Agreement, dated as of May 3, 2000, as amended and restated as of March 7, 2001, among Viacom Inc.; Viacom International Inc.; the Subsidiary Borrowers Parties thereto; the Lenders named therein; The Chase Manhattan Bank, as Administrative Agent; Fleet National Bank and Bank of America, N.A., as Co-Syndication Agents; and Bank of New York, as Documentation Agent (incorporated by reference to Exhibit 10(bb) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 2000).

(aa) Five-Year Credit Agreement, dated as of March 7, 2001, among Viacom Inc.; Viacom International Inc.; the Subsidiary Borrowers Parties thereto; the Lenders named therein; The Chase Manhattan Bank, as Administrative Agent; Salomon Smith Barney Inc., as Syndication Agent; and Bank of America, N.A. and Fleet National Bank, as Co-Documentation Agents (incorporated by reference to Exhibit 10(cc) to the Annual Report on Form 10-K of Viacom Inc. for the fiscal year ended December 31, 2000), as amended by Amendment No. 1 to Five-Year Credit Agreement dated as of March 5, 2002 (filed herewith).

(bb) 364-Day Credit Agreement, dated as of March 5, 2002, among Viacom Inc.; Viacom International Inc.; the Subsidiary Borrowers Parties thereto; the Lenders named therein; JPMorgan Chase Bank, as Administrative Agent; Salomon Smith Barney Inc., as Syndication Agent; and Fleet National Bank and Bank of America, N.A., as Co-Documentation Agents (filed herewith).

(21) **Subsidiaries of Viacom Inc.**

(23) **Consents of Experts and Counsel**

(a) Consent of PricewaterhouseCoopers LLP

(24) **Powers of Attorney**

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* Management contract or compensatory plan required to be filed as an exhibit to this form pursuant to Item 14(c)

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VIACOM INC. AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS AND SCHEDULE

Item 14a

The following consolidated financial statements and schedule of the registrant and its subsidiaries are submitted herewith as part of this report:

All other Schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule.

VIACOM INC. AND SUBSIDIARIES
SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
(Millions of dollars)

Col. A	Col. B	Col. C			Col. D	Col. E
Description	**Balance at Beginning of Period**	**Balance Acquired through Acquisitions(1)**	**Charged to Costs and Expenses**	**Charged to Other Accounts**	**Deductions**	**Balance at End of Period**
Allowance for doubtful accounts:						
Year ended December 31, 2001	$ 246.2	$	$ 112.3	$ (9.3)	$ 74.3	$ 274.9
Year ended December 31, 2000	$ 109.5	$ 94.7	$ 124.1	$ 28.4	$ 110.5	$ 246.2
Year ended December 31, 1999	$ 98.7	$	$ 33.5	$ 8.1	$ 30.8	$ 109.5
Valuation allowance on deferred tax assets:						
Year ended December 31, 2001	$ 172.1	$	$ 5.0	$ 22.5	$ 63.6(2)	$ 136.0
Year ended December 31, 2000	$ 96.0	$ 53.0	$ 39.0	$	$ 15.9	$ 172.1
Year ended December 31, 1999	$ 88.3	$	$	$ 3.8	$ (3.9)	$ 96.0
Reserves for inventory obsolescence:						
Year ended December 31, 2001	$ 190.8	$	$ 108.3	$ (2.1)	$ 214.7	$ 82.3
Year ended December 31, 2000	$ 33.2	$ 196.7	$ 59.0	$ (1.7)	$ 96.4	$ 190.8
Year ended December 31, 1999	$ 56.7	$	$ 18.5	$ 16.8	$ 58.8	$ 33.2

Notes:

(1) Primarily consists of acquisition of CBS.

(2) Primarily related to the release of a pre-acquisition CBS valuation allowance of foreign tax credits.