

# VIACOM NEWS

## VIACOM REPORTS FIRST QUARTER 2002 RESULTS

- **First Quarter Record Free Cash Flow of \$380 Million, Up 9%**
- **EBITDA of \$1.09 Billion on Revenues of \$5.67 Billion, Led by EBITDA Growth of 12% in Cable Networks and 9% in Video Segment**
- **Company Sees Higher Advertising Revenues in Second Quarter 2002 versus Second Quarter 2001; Expects Double-Digit Increase in Full Year 2002 EBITDA and EPS compared with 2001**

New York, New York, April 25, 2002 -- Viacom Inc. (NYSE: VIA and VIA.B) today reported results for the first quarter ended March 31, 2002.

For the first quarter of 2002, Viacom reported revenues of \$5.67 billion and EBITDA (earnings before interest, taxes, depreciation and amortization) of \$1.09 billion, versus revenues of \$5.75 billion and EBITDA of \$1.15 billion for the same quarter last year. Free cash flow for the first quarter of 2002 increased to \$380 million, versus free cash flow of \$348 million in the first quarter of 2001. Free cash flow reflects the Company's EBITDA less cash interest, taxes paid, working capital requirements and capital expenditures. Viacom reported net earnings before cumulative effect of change in accounting principle of \$367 million, or \$.21 per share for the first quarter of 2002, versus a net loss of \$7 million, or zero cents per share, as reported in the first quarter of 2001.

Viacom's first quarter 2002 performance was led by higher results in its Cable Networks, Video and Entertainment segments. Cable Networks EBITDA increased 12% to \$403 million on revenues of \$1.03 billion. Video segment's EBITDA grew by 9% to \$175 million on revenues of \$1.33 billion and Entertainment reported EBITDA of \$67 million, up 1% on revenues of \$765 million.

Sumner M. Redstone, Chairman and Chief Executive Officer of Viacom, said, "Viacom's first quarter results highlight the breadth and diversity of our assets and our continuing ability to set ourselves apart from the industry. With the strength of our balance sheet and our unique ability to generate significant levels of free cash flow, Viacom continues to deliver value for shareholders. We also continue to capitalize on other opportunities, including the pursuit of core accretive acquisitions, such as our announced purchase of KCAL-TV in Los Angeles, our eighth television duopoly, and our ongoing program to purchase Viacom shares. Indeed, considering the economic environment under which we operated, our first quarter performance was clearly exceptional."

Mel Karmazin, President and Chief Operating Officer of Viacom, said, "Viacom delivered a standout performance in the first quarter of 2002, led by our Cable Networks and Video segments which grew EBITDA significantly despite the soft economic conditions through most of the first quarter of 2002, and the difficult comparisons with an exceptionally strong first quarter last year. Viacom's focus on operational efficiency, programming creativity and superior execution enabled us to outperform in the first quarter. This same focus will distinguish us as the economy continues to improve."

Mr. Karmazin added, "We are encouraged by indications of improvement across all of our businesses, driven in part by strong ratings performances at many of our programming services including CBS, MTV, UPN, Nickelodeon, BET and TNN, several of which are at or near all time highs. This strength and our superior brands will become an even more important competitive advantage as we move into the television advertising upfront sales period."

Effective first quarter 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which requires that goodwill and intangible assets with indefinite lives be tested for impairment annually rather than amortized over time. The Company previously announced that it would have no impairment charges with the exception of Blockbuster. The Company recorded an impairment charge net of minority interest of approximately \$1.5 billion related to Blockbuster's goodwill, reflected as a cumulative effect of a change in accounting principle, effective January 1, 2002 in the statement of operations. In addition, as a result of the new accounting standard, Viacom's amortization expense is now significantly lower as the Company no longer amortizes goodwill. Amortization expense for the first quarter of 2002 was approximately \$26 million as compared with \$531 million in the first quarter last year. Assuming the adoption of SFAS No. 142 had occurred at the beginning of 2001, net earnings before cumulative effect of change in accounting principle would have been \$354 million, or \$.21 per diluted share, for the first quarter of 2001 as compared with \$367 million, or \$.21 per diluted share, for the first quarter of 2002.

## Business Outlook

For the full year 2002, the Company continues to believe it will achieve double-digit growth in EBITDA and in earnings per share. The Company believes that advertising revenues will be up in the second quarter of 2002, compared with the same quarter last year.

## Segment Results (First Quarter 2002 versus First Quarter 2001)

The table below presents Viacom's reported first quarter 2002 and 2001 Revenues and EBITDA (dollars in millions):

	First Quarter		
	2002	2001	B/(W)%
<b>Revenues:</b>			
Cable Networks	\$ 1,031.2	\$ 982.4	5%
Television	1,857.8	2,030.8	(9)
Infinity	798.9	835.6	(4)
Entertainment	765.2	717.1	7
Video	1,326.0	1,307.9	1
Intercompany eliminations	(106.9)	(121.6)	12
<b>Total Revenues</b>	<b>\$ 5,672.2</b>	<b>\$ 5,752.2</b>	<b>(1)%</b>
<b>EBITDA:</b>			
Cable Networks	\$ 403.3	\$ 359.4	12%
Television	252.2	314.7	(20)
Infinity	274.0	323.1	(15)
Entertainment	66.5	66.0	1
Video	175.3	160.5	9
<b>Segment Total</b>	<b>1,171.3</b>	<b>1,223.7</b>	<b>(4)</b>
Corporate expenses/eliminations	(54.4)	(51.3)	(6)
Residual costs of discontinued operations	(22.0)	(23.5)	6
<b>Total EBITDA</b>	<b>\$ 1,094.9</b>	<b>\$ 1,148.9</b>	<b>(5)%</b>

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

Cable Networks EBITDA of \$403 million increased 12% and revenues increased 5% to \$1.03 billion. These results were led by growth in cable affiliate fees and DBS revenues partially offset by revenue declines at VH1 as a result of lower ratings. MTV scored the highest-rated first quarter in its history among viewers age 12-34 on the strength of its latest hit show *The Osbournes* and other popular series including *Cribs*, *Real World* and *Flipped*. MTV sustained its 20<sup>th</sup> consecutive quarter as the No. 1 cable network for its core 12- to 24-year-old audience. Nickelodeon finished the first quarter as basic cable's No. 1 network on a 24-hour basis, scoring its highest total-day ratings with kids 2-11 and total viewers in four years. Nickelodeon's 24-hour average of 1.8 million total viewers represents an 11% increase, spurred by strong performances from *SpongeBob SquarePants*, the premiere of the new series *ChalkZone*

and *The Fairly OddParents*. BET delivered double-digit revenue increases with higher advertising sales driven by increased pricing and higher affiliate fee revenue. Season to date, BET strengthened its position as the No. 1 cable network in primetime for African-Americans in core adults 18-34 and 18-49 audiences. BET's hit shows continued to build share: *Comicview* has increased its audience by 51%, and *106<sup>th</sup> and Park*, the number one music show on BET, grew by 14%. TNN: The National Network finished the first quarter up double digits over last year in primetime in the key 18- to 49-year-old audience. Showtime subscriptions increased by approximately 2.5 million, or 8% over the prior year, to 32.1 million subscriptions at March 31, 2002.

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

Television reported revenues of \$1.86 billion and EBITDA of \$252 million, versus revenues of \$2.03 billion and EBITDA of \$315 million for the comparable prior-year quarter. Television's results were impacted by the continued softness in the advertising market, the absence of the *Super Bowl*, which aired on the CBS Network in January 2001, and the Winter Olympics, which aired on a competing network.

The strength of CBS Networks' primetime schedule delivered four of the top ten programs on a season-to-date basis in households, viewers, adults 18-49 and adults 25-54. *Survivor: Marquesas* and *Survivor: Africa* are the season's No. 1 and No. 2 rated reality series, respectively. *CSI: Crime Scene Investigation* continues to be the highest-rated and most-watched drama of the season-to-date and CBS' special presentation of *9/11* was one of the highest-rated non-sports broadcasts of the television season. In February 2002, UPN had its best sweeps performance in five years and has shown double-digit growth in all key adult demographics on all five nights of programming.

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

Infinity reported revenues of \$799 million and EBITDA of \$274 million, versus revenues of \$836 million and EBITDA of \$323 million for the first quarter of 2001. The soft economic conditions experienced in 2001 continued well into the first quarter before recent signs of recovery in the advertising market particularly at Infinity Radio. Infinity Radio has more than 90% of its stations in the 50 largest U.S. radio markets and in 21 of these markets, Infinity Radio has at least 25% of the market revenues.

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

Entertainment revenues of \$765 million increased 7% and EBITDA of \$67 million increased 1% principally driven by higher Features, Theaters and Publishing revenues partially offset by increased advertising costs resulting from the timing of theatrical releases. Higher Features revenues reflect increases in foreign theatrical and domestic home video and pay television partially offset by lower domestic theatrical, network and foreign home video revenues. The increase in foreign theatrical revenues was led by *Vanilla Sky* while domestic theatrical revenues included contributions from Paramount's first quarter release of *We Were Soldiers*, *Orange County* and *Crossroads* as well as continuing contributions from *Jimmy Neutron: Boy Genius*. Higher Theaters' revenues were driven by higher attendance and increased average admission prices and per-capita spending. Simon & Schuster's increased revenues principally reflect increased sales in the Adult Publishing Group. Simon & Schuster's top-selling titles in the first quarter included *Everything's Eventual* by Stephen King, *Self Matters* by Philip C. McGraw, *Fall On Your Knees* by Ann-Marie MacDonald and *A Beautiful Mind* by Sylvia Nasar. The quarter also benefited from the continued success of the Pulitzer Prize winner *John Adams* by David McCullough.

Effective January 1, 2002, the Company operates Simon & Schuster under the Entertainment segment and now presents this business as part of this segment. Prior period segment information has been reclassified to conform to the new presentation.

**Video** (*Blockbuster*)

Video revenues of \$1.33 billion increased 1% and EBITDA increased 9% to \$175 million. Video's higher EBITDA was principally due to growth in higher margin DVD rental revenues as a percentage of total rental revenues, which have more than doubled year over year. Blockbuster's gross profit margins increased to 60.2% for the first quarter of 2002, versus 59.6% in the first quarter of 2001. Worldwide same store sales, including rental and retail product, increased slightly from the prior-year period. International same store sales increased 8.3% over the comparable prior-year period. Blockbuster ended the first quarter of 2002 with 8,027 company-owned and franchise stores, a net increase of 304 stores over the first quarter of 2001 of which 32 company-owned stores were added in the first quarter of 2002.

In April 2002, the Company began acquiring shares of Blockbuster's Class A common stock in order to maintain its ownership position at no less than 80% for tax consolidation purposes. Viacom currently owns approximately 81% of Blockbuster (NYSE: BBI).

**Corporate Expenses/Eliminations**

Corporate expenses, excluding intersegment profit eliminations, remained constant at \$24 million for the first quarter of 2002 versus the prior-year period. Intersegment eliminations for the quarter principally reflect the profit elimination of television programming sales to cable networks and the sale of feature films to cable networks and the video segment.

**Residual Costs of Discontinued Operations**

Residual costs of discontinued operations of \$22 million for the first quarter of 2002 primarily includes pension and postretirement benefit costs for benefit plans retained by the Company for previously divested businesses.

*Other Matters*

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.

For the three months ended March 31, 2002, the Company repurchased 7.1 million shares of its Class B Common Stock for approximately \$296 million under its stock repurchase program. From April 1 through April 22, the Company repurchased an additional 1.5 million shares for approximately \$74 million.

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

**Cautionary Statement Concerning Forward-looking Statements**

*This news release contains both historical and forward-looking statements. All statements, including Business Outlook, other than statements of historical fact are, or may be deemed to be, forward-looking statements within the meaning of section 27A of the Securities Act of 1933 and section 21E of the Securities Exchange Act of 1934. These forward-looking statements are not based on historical facts, but rather reflect the Company's current expectations concerning future results and events. Similarly, statements that describe our objectives, plans or goals are or may be forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be different from any future results, performance and achievements expressed or implied by these statements. The following important factors, among others, could affect future results, causing these results to differ materially from those expressed in our forward-looking statements: advertising market conditions generally; changes in the public acceptance of the Company's programming; changes in technology and its effect on competition in the Company's markets; changes in the Federal Communications laws and regulations; other domestic and global economic, business, competitive and/or regulatory factors affecting the Company's businesses generally; and other factors described in the Company's previous news releases and filings made under the securities laws. The forward-looking statements included in this document are made only as of the date of this document and under section 27A of the Securities Act and section 21E of the Exchange Act, we do not have any obligation to publicly update any forward-looking statements to reflect subsequent events or circumstances.*

**Contacts:****Press:**

Carl D. Folta  
Senior Vice President, Corporate Relations  
(212) 258-6352

Susan Duffy  
Vice President, Corporate Relations  
(212) 258-6347

**Investors:**

Martin Shea  
Senior Vice President, Investor Relations  
(212) 258-6515

James Bombassei  
Vice President, Investor Relations  
(212) 258-6377

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

	<b>Three months ended March 31,</b>	
	<b>2002</b>	<b>2001</b>
<b>Revenues</b>	\$ 5,672.2	\$ 5,752.2
<b>Operating income</b>	\$ 865.5	\$ 403.7
Other income (expense):		
Interest expense, net	(205.2)	(245.5)
Other items, net	9.0	(9.8)
<b>Earnings before income taxes</b>	669.3	148.4
Provision for income taxes	(274.4)	(123.5)
Equity in loss of affiliated companies, net of tax	(14.1)	(27.1)
Minority interest, net of tax	(13.4)	(5.1)
<b>Net earnings (loss) before cumulative effect of change in accounting principle</b>	367.4	(7.3)
Cumulative effect of change in accounting principle, net of tax	(1,480.9)	—
<b>Net loss</b>	\$ (1,113.5)	\$ (7.3)
<b>Earnings (loss) per common share:</b>		
<b>Basic:</b>		
Net earnings (loss) before cumulative effect of change in accounting principle	\$ .21	\$ —
Net loss	\$ (.64)	\$ —
<b>Diluted:</b>		
Net earnings (loss) before cumulative effect of change in accounting principle	\$ .21	\$ —
Net loss	\$ (.63)	\$ —
<b>Weighted average number of common shares:</b>		
Basic	1,753.5	1,628.4
Diluted	1,778.7	1,628.4