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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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

For the quarterly period ended June 30, 2006

OR

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

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

Commission File Number 001-32686

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**VIACOM INC.**

(Exact name of registrant as specified in its charter)

**DELAWARE**  
(State or other jurisdiction of  
incorporation or organization)

**20-3515052**  
(I.R.S. Employer  
Identification Number)

**1515 Broadway**  
**New York, NY 10036**  
**(212) 258-6000**  
(Address, including zip code, and telephone number,  
including area code, of registrant's principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

Class of Stock	Shares Outstanding as of July 31, 2006
Class A Common Stock, par value \$0.001 per share	61,073,449
Class B Common Stock, par value \$0.001 per share	648,387,493

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**VIACOM INC.**  
**CONSOLIDATED STATEMENTS OF EARNINGS**  
(Unaudited)

(in millions, except earnings per share amounts)	Quarter Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Revenues	\$ 2,846.7	\$ 2,301.5	\$ 5,214.2	\$ 4,408.4
Expenses:				
Operating	1,582.0	1,177.9	2,745.2	2,167.0
Selling, general and administrative	518.7	474.1	1,018.0	908.9
Depreciation and amortization	82.8	60.5	164.3	122.1
Total expenses	2,183.5	1,712.5	3,927.5	3,198.0
Operating income	663.2	589.0	1,286.7	1,210.4
Interest expense, net	(112.6)	(3.8)	(199.4)	(9.5)
Other items, net	9.3	(3.0)	2.2	(8.6)
Earnings from continuing operations before income taxes, equity in earnings of affiliated companies and minority interest	559.9	582.2	1,089.5	1,192.3
Provision for income taxes	(144.9)	(223.2)	(359.9)	(470.3)
Equity in earnings of affiliated companies, net of tax	1.9	4.1	5.8	4.8
Minority interest, net of tax	(0.9)	(0.8)	(2.2)	(2.2)
Net earnings from continuing operations	416.0	362.3	733.2	724.6
Discontinued operations, net of tax	21.3	(8.4)	21.3	(20.4)
Net earnings	\$ 437.3	\$ 353.9	\$ 754.5	\$ 704.2
Basic earnings per common share amounts:				
Earnings per share, continuing operations	\$ 0.58	\$ 0.48	\$ 1.00	\$ 0.96
Earnings (loss) per share, discontinued operations	\$ 0.03	\$ (0.01)	\$ 0.03	\$ (0.02)
Net earnings per share	\$ 0.61	\$ 0.47	\$ 1.03	\$ 0.94
Diluted earnings per common share amounts:				
Earnings per share, continuing operations	\$ 0.58	\$ 0.48	\$ 1.00	\$ 0.96
Earnings (loss) per share, discontinued operations	\$ 0.03	\$ (0.01)	\$ 0.03	\$ (0.02)
Net earnings per share	\$ 0.61	\$ 0.47	\$ 1.03	\$ 0.94
Weighted average number of common shares outstanding:				
Basic common shares	720.4	751.6	729.1	751.6
Diluted common shares	721.3	751.6	731.1	751.6

*See Notes to Consolidated Financial Statements.*

**VIACOM INC.**  
**CONSOLIDATED BALANCE SHEETS**

(in millions, except par value)

	June 30, 2006	December 31, 2005
	(unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 312.1	\$ 361.1
Receivables, less allowances of \$136.2 and \$138.6	1,896.1	1,981.7
Inventory	574.6	506.6
Prepaid expenses	187.3	150.3
Deferred tax assets, net	123.6	132.0
Other current assets	375.7	381.1
	<u>3,469.4</u>	<u>3,512.8</u>
Total current assets	3,469.4	3,512.8
Property and equipment, net	1,149.6	1,179.9
Non-current inventory, including film inventory	3,434.8	2,973.2
Goodwill	10,663.9	10,361.4
Intangible assets	733.5	370.8
Other assets	596.9	717.5
	<u>20,048.1</u>	<u>19,115.6</u>
Total assets	\$ 20,048.1	\$ 19,115.6
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 288.5	\$ 394.0
Accrued expenses	1,146.7	1,201.6
Participants' share, residuals and royalties payable	737.8	673.0
Program rights	321.6	321.2
Deferred income	390.3	284.5
Financing obligations—current	59.4	55.8
Other current liabilities	415.1	338.5
	<u>3,359.4</u>	<u>3,268.6</u>
Total current liabilities	3,359.4	3,268.6
Financing obligations—non-current	7,601.6	5,702.1
Deferred tax liabilities, net	—	41.2
Participants' share, residuals and royalties payable	502.6	471.7
Program rights	419.6	459.8
Other liabilities	1,271.0	1,384.3
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Class A Common Stock, par value \$0.001, 375.0 authorized 61.6 and 65.7 outstanding, respectively	0.1	0.1
Class B Common Stock, par value \$0.001, 5,000.0 authorized 690.6 and 685.9 outstanding, respectively	0.7	0.7
Additional paid-in capital	7,693.0	7,837.3
Treasury stock	(1,602.3)	—
Retained earnings	754.5	—
Accumulated other comprehensive income	47.9	(50.2)
	<u>6,893.9</u>	<u>7,787.9</u>
Total stockholders' equity	6,893.9	7,787.9
Total liabilities and stockholders' equity	\$ 20,048.1	\$ 19,115.6

*See Notes to Consolidated Financial Statements.*

**VIACOM INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

(in millions)	Six Months Ended	
	2006	2005
<b>OPERATING ACTIVITIES</b>		
Net earnings	\$ 754.5	\$ 704.2
Net earnings from discontinued operations	(21.3)	20.4
	733.2	724.6
Net earnings from continuing operations		
Reconciliation of non-cash adjustments:		
Depreciation and amortization	164.3	122.1
Feature film and program amortization	1,070.8	793.2
Stock based compensation	21.4	6.5
Equity in affiliated companies	(5.8)	(4.8)
Minority interest	2.2	2.2
Reconciliation of operating assets and liabilities, net of acquisitions:		
Decrease in receivables	738.5	204.3
Increase in inventory and program rights	(1,344.2)	(981.4)
Decrease in accounts payable and accrued expenses	(876.7)	(232.5)
Increase/(decrease) in deferred income	(43.3)	10.5
Increase in tax related accounts	84.1	32.5
Discontinued operations, net	—	23.6
Other, net	30.2	(17.2)
	574.7	683.6
Net cash provided by operating activities		
<b>INVESTING ACTIVITIES</b>		
Business combinations, net of cash acquired	(914.3)	(171.0)
Businesses dispositions	675.3	0.2
Capital expenditures	(68.7)	(68.4)
Investments in and advances to affiliated companies	(2.2)	10.2
Discontinued operations, net	—	(5.7)
Other, net	(4.9)	(4.7)
	(314.8)	(239.4)
Net cash used for investing activities		
<b>FINANCING ACTIVITIES</b>		
Borrowings from banks, net of deferred financing costs	965.0	—
Repayments to banks	(5,840.0)	—
Senior notes and debentures, net of discount	5,466.9	—
Commercial paper	1,295.9	—
Repayment of acquired notes payable and preferred interest	(657.4)	—
Proceeds from cash flow hedge	88.0	—
Due to Former Viacom	(60.2)	(438.5)
Payment of capital lease obligations	(27.0)	(29.4)
Purchase of treasury stock	(1,549.1)	—
Discontinued operations, net	—	(0.2)
Other, net	2.2	(4.4)
	(315.7)	(472.5)
Net cash used for financing activities		
Effect of exchange rate changes on cash and cash equivalents	6.8	(5.1)
Net decrease in cash and cash equivalents	(49.0)	(33.4)
Cash and cash equivalents as of beginning of period	361.1	150.0
	\$ 312.1	\$ 116.6
Cash and cash equivalents at end of period		

*See Notes to Consolidated Financial Statements.*

**NOTE 1. BASIS OF PRESENTATION**

Viacom Inc. and its consolidated subsidiaries ("Viacom" or the "Company") are a leading, global entertainment content company, with respected brands in focused demographics. On December 31, 2005 the Company became a stand-alone public entity by separating from the former Viacom Inc. ("Former Viacom"). Prior to the separation, the Company was a wholly-owned subsidiary of Former Viacom. The separation was effected through a merger of Former Viacom and one of its wholly-owned subsidiaries, pursuant to which Former Viacom continued as the surviving entity and was renamed CBS Corporation. In connection with the merger and the separation, each share of Former Viacom Class A common stock was converted into the right to receive 0.5 of a share of Viacom Class A common stock and 0.5 of a share of CBS Corporation Class A common stock. Similarly, each share of Former Viacom Class B common stock was converted into the right to receive 0.5 of a share of Viacom Class B common stock and 0.5 of a share of CBS Corporation Class B common stock. Holders of Viacom Class A and Class B common stock received cash in lieu of fractional shares.

The accompanying unaudited consolidated quarterly financial statements have been prepared on a basis consistent with accounting principles generally accepted in the United States ("GAAP") for interim financial information and pursuant to the rules of the Securities and Exchange Commission ("SEC"). In the opinion of management, the accompanying unaudited financial statements reflect all adjustments, consisting of only normal and recurring adjustments, necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented. The results of operations for such periods are not necessarily indicative of the results expected for the full year or any future period. These statements should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, as filed with the SEC on March 16, 2006 (the "2005 Annual Report").

Preparing financial statements in conformity with GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities as of the dates presented and the reported amounts of revenues and expenses during the reporting periods presented. Significant estimates inherent in the preparation of the accompanying financial statements include estimates of film ultimate revenues, product returns, amount of receivables expected to be collected, potential outcome of uncertain tax positions and determination of fair value of equity based compensation. Estimates are based on past experience and other considerations reasonable under the circumstances. Actual results may differ from these estimates.

*Carve-out Financial Presentation*

As a result of the separation from Former Viacom, the Consolidated Statements of Earnings for the quarter and six months ended June 30, 2005 and Consolidated Statement of Cash Flows for the six months ended June 30, 2005 and the Consolidated Balance Sheet at December 31, 2005 are presented on a carve-out basis. Accordingly, for the respective period, the assets and liabilities of Viacom have been accounted for at the historical book values carried by Former Viacom prior to the separation and were assigned to Viacom pursuant to the terms of the Separation Agreement. Indebtedness, other than certain capital lease obligations, was not transferred to Viacom and remained at CBS Corporation. Accordingly, debt service cost is not reflected in the Company's Consolidated Statements of Earnings for the quarter and six months ended June 30, 2005.

The accompanying Consolidated Statements of Earnings for the quarter and six months ended June 30, 2005 includes allocation of Former Viacom corporate expenses of \$41.6 million and \$69.8 million, respectively, primarily included within *Selling, general and administrative* costs. The allocations are

**VIACOM INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(continued)

generally meant to reflect the utilization of shared corporate facilities, people and services of Former Viacom by the Company and are not necessarily representative of actual costs.

The historical carve-out consolidated financial statements may not necessarily reflect what the Company's results of operations, financial position and cash flows would have been if the Company had been a separate stand-alone company during the periods presented.

*Special Dividend to Former Viacom*

In accordance with the terms of the Separation Agreement between CBS Corporation and Viacom, on December 29, 2005, the Company paid a preliminary special dividend of \$5.4 billion, subject to certain adjustments. On March 14, 2006, CBS Corporation provided an initial statement that the dividend should be increased by a net amount of approximately \$460 million. On April 28, 2006, the Company served CBS Corporation with a notice of disagreement. Based on an assessment of the amount and underlying components of the proposed additional dividend payment the Company recorded an amount payable as of March 31, 2006 and subsequently paid \$170.2 million to CBS Corporation on May 5, 2006. Under the Separation Agreement, after an opportunity for the parties to negotiate resolution of differences, any disputed amounts are subject to arbitration. Any further adjustment to the special dividend will be reflected as an adjustment to additional paid-in-capital.

*Stock Based Compensation*

The Company has adopted Financial Accounting Standards Board ("FASB") Statement No. 123 (revised 2004), *Share-Based Payment* ("FAS 123R") and SEC Staff Accounting Bulletin No. 107 ("SAB 107") as of January 1, 2006. FAS 123R requires a company to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The fair value received is recognized in earnings over the period during which an employee is required to provide service. FAS 123R also amends FASB Statement No. 95, *Statement of Cash Flows*, to require that excess tax benefits as defined, realized from the exercise of stock options be reported as a financing cash inflow rather than as a reduction of taxes paid in cash flow from operations.

In adopting FAS 123R, the Company has elected the modified prospective methodology. As such, periods prior to January 1, 2006 are presented in accordance with the disclosure only provisions of FASB Statement 123, *Accounting for Stock-Based Compensation* ("FAS 123"), the standard prior to FAS 123R. The following table reflects the effect on net earnings if the Company had applied the fair value recognition provisions of FAS 123 to stock based employee compensation in these periods. These pro forma effects may not be representative of future stock compensation expense since the estimated fair value of stock options on the date of grant is amortized to expense over the vesting period and the vesting of certain options was accelerated on March 8, 2005:

(in millions, except per share amounts)	Quarter Ended June 30, 2005	Six Months Ended June 30, 2005
Net earnings	\$ 353.9	\$ 704.2
Stock option expense, net of tax	3.4	132.1
<b>Pro forma net earnings</b>	<b>\$ 350.5</b>	<b>\$ 572.1</b>
Basic and diluted earnings per common share:		
Net earnings	\$ 0.47	\$ 0.94
Pro forma net earnings	\$ 0.47	\$ 0.76

**VIACOM INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

For additional information regarding the adoption of FAS 123R, please refer to *Note 9 Stock Based Compensation*.

*Distribution Services*

In connection with the purchase of DreamWorks L.L.C. ("DreamWorks"), and the disposition of DW Funding LLC ("DW Funding"), the Company was granted the exclusive worldwide right to distribute all of the animated feature films produced by DreamWorks Animation SKG, Inc. ("DreamWorks Animation") and live-action films released by DreamWorks prior to September 15, 2005 (the "live-action library").

Under the terms of both the DreamWorks Animation and live-action library distribution agreements the Company is generally responsible for all out-of-pocket costs, primarily comprised of distribution and marketing costs. For the provision of distribution services, the Company is entitled to (i) retain a fee of eight percent of gross receipts and (ii) recoup expended distribution and marketing costs on a film-by-film basis prior to any participation payments to DreamWorks Animation or DW Funding. The Company accounts for the arrangements in accordance with Statements of Position 00-2, *Accounting by Producers or Distributors of Films* ("SOP 00-2"). In addition, print and advertising costs are expensed as incurred in accordance with SOP 93-7, *Reporting on Advertising Costs*. As primary obligor, revenue and related distribution and marketing costs are presented on a gross basis in accordance with Emerging Issues Task Force ("EITF") No. 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent* ("EITF 99-19").

*Income Tax Contingencies*

Income tax contingencies are determined using an asset recognition model for which the initial valuation is based on an evaluation of tax positions under applicable tax law and the likelihood of prevailing based on these positions. Tax positions considered probable of being sustained on audit based solely on the technical merits of the position are recorded as a benefit. Under the asset recognition model, if the initial assessment fails to result in the recognition of a tax benefit, the position is monitored and subsequently recognized as a tax benefit if there are changes in tax law or analogous case law that sufficiently raise the likelihood of prevailing on the technical merits of the position to probable; if the statute of limitations expires; or if there is a completion of an audit resulting in a settlement of that tax year with the appropriate agency. In the quarter ended June 30, 2006, the Company reached a settlement of certain tax positions principally relating to the 2000 - 2003 combined federal income tax returns of Former Viacom. Principally as a result of the audit settlements, tax reserves of \$70.7 million were recognized as a component of income tax expense in the quarter.

*Discontinued Operations*

On July 22, 2005, Former Viacom sold Famous Players Inc. ("Famous Players"), its Canadian-based theater chain, for approximately \$400 million. Famous Players has been presented as a discontinued operation in the consolidated financial statements for the quarter and six months ended June 30, 2005 (see *Note 13 Commitments and Contingencies*).

In 2004, Former Viacom completed the exchange offer for the split-off of Blockbuster Inc. ("Blockbuster"). As part of the separation from CBS Corporation, the Company has agreed to indemnify CBS Corporation with respect to obligations as guarantor on certain Blockbuster store leases (see *Note 13 Commitments and Contingencies*).

VIACOM INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(continued)

For the quarter ended June 30, 2006 discontinued operations principally includes the release of reserves resulting from an audit settlement and the effect of adjusting recorded liabilities for lease obligations provided on behalf of Blockbuster and Famous Players to fair value.

*Reclassifications*

Certain amounts have been reclassified to conform to the current presentation.

*Recent Accounting Pronouncements*

In July 2006, FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—An Interpretation of FASB Statement No. 109* ("FIN 48"), was released. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the Company's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The provisions of FIN 48 are to be applied to all tax positions upon initial adoption of this standard. Only tax positions that meet the more-likely-than-not-recognition threshold at the effective date may be recognized or continue to be recognized upon adoption of FIN 48. The cumulative effect of applying the provisions of FIN 48, if any, will be reported as an adjustment to the opening balance of retained earnings. FIN 48 will be effective for the Company beginning January 1, 2007. The Company is evaluating the impact of adopting of FIN 48.

In March 2006, Statement No. 156, *Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140*, ("FAS 156") was released. FAS 156 amends Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, ("FAS 140") to require that all separately recognized servicing assets and liabilities in accordance with FAS 140 be initially measured at fair value, if practicable. Furthermore, this standard permits, but does not require, fair value measurement for separately recognized servicing assets and liabilities in subsequent reporting periods. FAS 156 is also effective for the Company beginning January 1, 2007; however, the standard is not expected to have any impact on the Company's financial position, results of operation or cash flows.

In February 2006, Statement No. 155, *Accounting for Certain Hybrid Financial Instruments*, ("FAS 155") was released. FAS 155 is an amendment of Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and FAS 140. FAS 155 establishes, among other items, the accounting for certain derivative instruments embedded within other types of financial instruments; and, eliminates a restriction on the passive derivative instruments that a qualifying special-purpose entity may hold. Effective for the Company beginning January 1, 2007, FAS 155 is not expected to have any impact on the Company's financial position, results of operations or cash flows.

In the first quarter of 2006, the Company adopted Statement No. 154, *Accounting for Changes and Error Corrections—a replacement of APB Opinion No. 20 and FASB Statement No. 3*, ("FAS 154") which changed the requirements for the accounting for and reporting of a voluntary change in accounting principle. The Company also adopted Statement No. 151, *Inventory Costs—an amendment of ARB No. 43, Chapter 4* ("FAS 151") which, among other changes, requires certain abnormal expenditures to be recognized as expenses in the current period versus capitalized as a component of inventory. The adoption of FAS 154 did not impact the results presented and the impact on any future periods will depend on the nature and significance of any future accounting changes subject to the provisions of the statement. The adoption of FAS 151 did not have any impact on the Company's financial position, results of operations or cash flows.

**VIACOM INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(continued)

**NOTE 2. STOCK REPURCHASE PROGRAM**

The Company has in place a \$3.0 billion share repurchase program under which it commenced repurchases on January 3, 2006. In addition, Viacom has entered into an agreement with National Amusements, Inc. ("NAI") and its wholly-owned subsidiary NAIRI, Inc. (the "NAIRI Agreement") pursuant to which Viacom has agreed to buy, and NAI and NAIRI have agreed to sell, a number of shares of Viacom Class B Common Stock each month such that the ownership percentage of Viacom Class A Common Stock and Class B Common Stock (considered as a single class) held by NAI and/or NAIRI would not increase as a result of Viacom's purchase of shares under the stock repurchase program. For the quarter ended June 30, 2006, 14.5 million shares had been repurchased in the open market under the program for an aggregate purchase price of \$548.5 million. Year to date June 30, 2006, 35.6 million shares have been repurchased for an aggregate price of \$1,418.1 million. In the second quarter an additional 1.9 million shares had been purchased under the NAIRI Agreement for an aggregate purchase price of \$71.4 million. For the six months ended June 30, 2006, 4.6 million shares have been purchased for an aggregate purchase price of \$184.2 million.

**NOTE 3. BUSINESS COMBINATIONS AND DISPOSITIONS**

*DreamWorks L.L.C.*

On January 31, 2006, the Company completed the acquisition of DreamWorks a leading producer of live-action motion pictures, television programming and home entertainment products. The total consideration of \$1,529.3 million net of cash acquired of \$257.2 million, consisted of \$1,106.6 million of cash paid, \$657.4 million of assumed note payables and preferred interest and \$22.5 million of stock based compensation and transaction costs. The preferred interest assumed was repurchased and cancelled prior to March 31, 2006.

The table below provides a summary of initial purchase price allocations as of the acquisition date. The initial purchase price allocations are based on a preliminary study performed by a valuation specialist and are subject to further analysis and completion:

(in millions)	Amount	Average Life
Film inventories, including live-action library	\$ 1,098.4	10 years
Distribution and fulfillment services	280.0	8 years
Trademarks	12.8	6 years
Output agreements	7.5	7 years
Working capital deficit, net	(49.3)	
Goodwill	179.9	
<b>Total purchase price, net of cash acquired</b>	<b>\$ 1,529.3</b>	

The results of operations for DreamWorks is included as part of Paramount Pictures Corporation ("Paramount") in the Entertainment segment beginning February 1, 2006. The following unaudited pro forma financial information presents the combined results of operations of the Company and DreamWorks as if the acquisition had occurred as of January 1, 2005. The unaudited pro forma financial information is not intended to represent or be indicative of the Company's consolidated financial results of operations that would have been reported had the business combination been completed as of the beginning of the

**VIACOM INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(continued)

periods presented and should not be taken as indicative of the Company's future consolidated results of operations:

(in millions)	Quarter Ended June 30,		Six Months Ended June 30,	
	2005	2006	2005	2005
Revenues	\$ 2,796.2	\$ 5,406.6	\$ 5,531.7	
Net earnings from continuing operations	351.6	721.9	695.9	
Net earnings	343.3	743.2	680.7	
Earnings per common share				
Basic	\$ 0.46	\$ 1.02	\$ 0.91	
Diluted	\$ 0.46	\$ 1.02	\$ 0.91	

*Sale of DreamWorks Live-Action Film Library*

Among the film library assets acquired with the purchase of DreamWorks was a live-action film library consisting of 59 films released through September 16, 2005. Title to the live-action library is held by DW Funding, previously a wholly-owned subsidiary of DreamWorks. On May 5, 2006, the Company sold a fifty-one percent controlling interest in DW Funding to Soros Strategic Partners LP ("Soros") and Dune Entertainment II LLC ("Dune"). In connection with the sale, DW Funding entered into senior borrowings with a third-party and mezzanine financings with Soros and Dune, the proceeds of which were utilized to fund the cash paid to the Company for the sale of the library. The Company received \$675.3 million net proceeds after considering closing adjustments, which was principally utilized to repay notes acquired as part of the DreamWorks acquisition. DW Funding is a variable interest entity; however, the Company is not the primary beneficiary and therefore accounts for its minority interest held in DW Funding, which was valued at \$7.35 million, as an equity investment.

In connection with the sale of the live-action film library, Soros entered into exclusive five-year agreements with Paramount and its international affiliates for distribution and fulfillment services of the live-action library. The Company has determined that it is the primary obligor with respect to providing these services and accounts for revenues earned and costs incurred on a gross recognition basis pursuant to EITF 99-19. In the event that Soros and Dunes continue to own DW Funding after the fifth year, the distribution agreement with Paramount will automatically renew.

*Other Business Combinations*

On May 9, 2006, the Company completed its acquisition of Xfire, Inc, a leading gaming and social networking service, for initial consideration of approximately \$102 million. Additional amounts of up to eight million will be paid out over four years based upon continued service of the employees. On June 1, 2006, the Company acquired an additional ten percent interest in Nickelodeon UK Limited ("Nick UK") for \$8.9 million. Previously Nick UK was a fifty-fifty joint venture with BSKyB. With the additional interest, the Company obtained control of Nick UK and began consolidating its operations as of June 1, 2006. The pro forma impact of the other business combinations, either individually or combined, is not material to the Company.

**VIACOM INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(continued)

**NOTE 4. INVENTORY**

The following is an analysis of inventory, including film inventory:

(in millions)	June 30, 2006	December 31, 2005
<b>Theatrical:</b>		
Released (including acquired libraries)	\$ 755.6	\$ 699.3
Completed, not released	0.2	46.2
In process and other	774.7	483.2
Television	9.4	—
Program rights	2,287.2	2,098.3
Merchandise inventory	156.2	109.3
Other	26.1	43.5
<b>Total inventory</b>	<b>4,009.4</b>	<b>3,479.8</b>
Less current portion	574.6	506.6
<b>Total non-current inventory</b>	<b>\$ 3,434.8</b>	<b>\$ 2,973.2</b>

**NOTE 5. FINANCING OBLIGATIONS**

Financing obligations of the Company consist of the following:

(in millions)	2006 June 30,	December 31, 2005
<b>Credit facilities:</b>		
Term facility	\$ 560.0	\$ 5,405.0
\$3.25 billion revolving facility	—	—
<b>Senior notes and debentures:</b>		
Senior notes due 2009, LIBOR + 0.35%	750.0	—
Senior notes due 2011, 5.75%	1,491.3	—
Senior notes due 2016, 6.25%	1,493.6	—
Senior debentures due 2036, 6.875%	1,732.7	—
Commercial paper	1,295.9	—
Obligations under capital leases	337.5	352.9
<b>Total financing obligations</b>	<b>7,661.0</b>	<b>5,757.9</b>
Less current portion	59.4	55.8
<b>Total non-current financing obligations</b>	<b>\$ 7,601.6</b>	<b>\$ 5,702.1</b>

As of June 30, 2006, the Company had credit facilities totaling \$3.81 billion, comprised of a \$3.25 billion revolving facility due December 2010 and a \$560 million term facility due in June 2007 (collectively, the "Credit Facilities"). The net proceeds of any offering of long-term debt securities by the Company must be used to prepay the term facility. To the extent the term facility has been repaid, the borrowing capacity under the facility is permanently extinguished. The Credit Facilities contain covenants which, among other

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things, require that the Company maintains a minimum interest coverage ratio. At June 30, 2006, the Company was in compliance with all covenants related to financing obligations.

On June 16, 2006, the Company completed a private placement of \$750 million in floating rate senior notes. The senior notes are due on June 16, 2009 and bear interest at a rate per year equal to three-month LIBOR plus 0.35% to be reset quarterly. On April 12, 2006, the Company completed a private placement of \$4.75 billion in aggregate principal amounts of fixed rate senior notes and debentures due 2011, 2016, and 2036 that bear a fixed per annum interest rate. The Company utilized the net proceeds from both private placements to repay a portion of amounts previously borrowed under the term facility. At June 30, 2006 the total unamortized discount related to the fixed rate senior notes and debentures was \$32.4 million.

During the first quarter of 2006, the Company had entered into a \$2.35 billion notional amount of variable to fixed interest rate swaps to hedge the variability of cash flows attributable to changes in the benchmark interest rate. In the second quarter of 2006 the Company terminated the swaps resulting in cash proceeds to the Company of approximately \$88.0 million that was principally recorded as a component of other comprehensive income, net of tax. Such amount recorded in other comprehensive income will be recognized as a reduction of interest expense, net over the life of the senior notes and debentures.

At June 30, 2006 the commercial paper had a weighted average interest rate of 5.59% and average maturity of less than 30 days.

The Company classifies the term facility and commercial paper as non-current financing obligations as management has the intent and ability, through utilization of the \$3.25 billion revolving facility due December 2010, to refinance such obligations as long-term.

**NOTE 6. COMPREHENSIVE INCOME**

Comprehensive income consists of net earnings and other comprehensive income, which refers to revenue, expenses, gains and losses that under GAAP are recorded as an element of *Stockholders' equity*. The following table summarizes the components of comprehensive income:

(in millions)	Quarter Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Net earnings	\$ 437.3	\$ 353.9	\$ 754.5	\$ 704.2
Other comprehensive income:				
Cash flow hedges, net of tax	(5.5)	0.1	52.9	(2.5)
Foreign currency	31.8	(29.0)	47.1	2.4
Other	(2.3)	(2.9)	(1.9)	10.8
Comprehensive income	\$ 461.3	\$ 322.1	\$ 852.6	\$ 714.9

**NOTE 7. EARNINGS PER SHARE**

Basic earnings per common share excludes potentially dilutive securities and is computed by dividing net earnings by the weighted average number of common shares outstanding during the period. Basic earnings per share for the quarter and six months ended June 30, 2005 was computed by dividing net earnings by the number of shares of common stock issued and outstanding at the date of the separation as if such shares were outstanding as of January 1, 2005.

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The determination of diluted earnings per common share includes the potential dilutive effect of stock options and restricted share units based upon the application of the treasury stock method. Diluted earnings per common share for the quarter and six months ended June 30, 2005 is equal to basic earnings per share for both periods as no dilutive securities were outstanding for such period.

The following table sets forth the computation of basic and diluted earnings per common share, before discontinued operations:

(in millions, except earnings per share)	Quarter Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Net earnings from continuing operations	\$ 416.0	\$ 362.3	\$ 733.2	\$ 724.6
Average common shares outstanding, basic	720.4	751.6	729.1	751.6
Dilutive effect of employee stock options	0.8	—	1.9	—
Dilutive effect of restricted share units	0.1	—	0.1	—
Average common shares outstanding, dilutive	721.3	751.6	731.1	751.6
Earnings per share, continuing operations:				
Basic	\$ 0.58	\$ 0.48	\$ 1.00	\$ 0.96
Diluted	\$ 0.58	\$ 0.48	\$ 1.00	\$ 0.96

Stock options to purchase 38.9 million shares and 0.1 million restricted share units of Company common stock were outstanding but excluded from the calculation of diluted earnings per common share because their inclusion would have been anti-dilutive for the quarter and six months ended June 30, 2006. Additionally, restricted share units of 0.7 million were excluded from the calculation of diluted earning per common share because their performance conditions were not met as of June 30, 2006.

**NOTE 8. RELATED PARTY TRANSACTIONS**

NAI through its wholly-owned subsidiary NAIRI, Inc. is Viacom's controlling stockholder, and Sumner M. Redstone is the controlling stockholder of NAI and is Viacom's Executive Chairman of the Board and Founder. NAI and/or NAIRI also own controlling interests in various other companies, some of which do business with Viacom. These companies include CBS Corporation and Midway Games, Inc., as further described below.

NAI licenses films in the ordinary course of business for its motion picture theaters from all major studios including Paramount. During the six months ended June 30, 2006 and 2005, NAI made payments to Paramount in connection with these licenses in the aggregate amounts of approximately \$1.8 million, and \$4.0 million, respectively.

NAI and Mr. Redstone owned in the aggregate approximately 88% of the common stock of Midway Games Inc. ("Midway") as of June 30, 2006. Midway places advertisements on several of Viacom's cable

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networks from time to time. During the six months ended June 30, 2006 and 2005, Midway made payments to MTV Networks of approximately \$3.0 million and \$2.4 million, respectively. The Company believes that these transactions were no more or less favorable to the subsidiaries than they would have obtained from unrelated parties. The Company may continue to enter into these and other business transactions with Midway in the future.

For information on NAI and NAIRI's participation in the Company's stock repurchase program, see *Note 2 Stock Repurchase Program*.

**Viacom and CBS Corporation Related Party Transactions**

The Company, in the normal course of business, is involved in transactions with companies owned by or affiliated with CBS Corporation which results in the recognition of revenue by Viacom. Total revenues from these transactions were \$55.6 million and \$32.4 million for the quarters ended June 30, 2006 and 2005, respectively and \$103.8 million and \$86.7 million for the six months ended June 30, 2006 and 2005, respectively. In addition, the total related party purchases from CBS Corporation included \$27.4 million (\$22.6 million for advertising and \$4.8 million for programming) and \$46.6 million (\$39.2 million for advertising and \$7.4 million for programming) for the quarters ended June 30, 2006 and 2005, respectively. Total related party purchases from CBS Corporation were \$42.8 million (\$34.8 million for advertising and \$8.0 million for programming) and \$75.5 million (\$53.0 million for advertising and \$22.5 million for programming), for the six months ended June 30, 2006 and 2005, respectively.

Transactions with CBS Corporation, through the normal course of business, are settled in cash. The following table presents the amounts due from or due to CBS Corporation as included in our Consolidated Balance Sheets:

(in millions)	June 30, 2006	December 31, 2005
<b>Amounts due from CBS Corporation</b>	\$ 102.1	\$ 142.3
<b>Amounts due to CBS Corporation</b>		
Accounts payable	\$ 15.1	\$ 12.4
Participants' share, residuals and royalties payable	24.4	40.6
Program rights, current	150.1	182.8
Deferred income, current	15.4	13.0
Other liabilities	137.2	238.2
 Total due to CBS Corporation	 \$ 342.2	 \$ 487.0

*Separation Related Agreements with CBS Corporation*

In connection with the separation, Viacom entered into a Separation Agreement with CBS Corporation that identified assets to be transferred, liabilities to be assumed and obligations of each company following the separation, including indemnification obligations for such liabilities. For information regarding the special dividend paid to CBS Corporation in accordance with the terms of the Separation Agreement and the related post-separation adjustment to the dividend, see *Note 1 Basis of Presentation* to the Consolidated Financial Statements.

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Viacom entered into a Transition Services Agreement, pursuant to which Viacom and CBS Corporation provide certain specified services to each other on an interim basis. For the quarter and six months ended June 30, 2006, approximately \$2.9 million and \$3.7 million, respectively, was included as a net charge within the Consolidated Statements of Earnings with respect to these services.

Viacom and CBS Corporation also entered into a Tax Matters Agreement, which sets forth Viacom's responsibilities with respect to, among other things, liabilities for federal, state, local and foreign income taxes for periods prior to the separation and indemnification for income taxes that would become due if the separation were a taxable event.

These agreements are described in more detail in Viacom's 2005 Annual Report.

*Relationship between Viacom and Other Related Parties*

The Company, in the normal course of business, is involved in other related party transactions that have not been material in any of the periods presented.

**NOTE 9. STOCK BASED COMPENSATION**

The Company's Long-Term Management Incentive Plan (the "LTMIP"), and similarly the Directors' plans, provide for the granting of stock options, stock appreciation rights, restricted and unrestricted shares, restricted share units ("RSUs"), phantom shares, dividend equivalents, performance awards and other equity related awards and cash payments. Historically, the Company has granted stock options and RSUs. The purpose of the LTMIP is to benefit and advance the interests of the Company by rewarding certain 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 stock options generally vest ratably over a four-year period from the date of grant and expire eight-to-ten years after the date of a grant. RSUs typically vest ratably over four years from the date of the grant.

On December 31, 2005, as a result of the separation from Former Viacom, all outstanding unexercised options to purchase shares of Former Viacom Class B Common Stock and all outstanding RSUs of Former Viacom Class B Common Stock held by an individual who was an employee or director of Former Viacom immediately prior to December 31, 2005 and was an employee or director of Viacom immediately following December 31, 2005 were converted into options to purchase shares of Viacom Class B Common Stock and RSUs of Viacom Class B Common Stock, respectively. For additional information, refer to the Company's 2005 Annual Report.

Upon the exercise of a stock option award or the vesting of RSUs, Class B Common Shares are issued from authorized but unissued shares or from treasury stock. At June 30, 2006 the Company had 40.2 million shares in treasury. In addition, options and RSUs available for future grants as of June 30, 2006 and December 31, 2005 approximated 42.0 million and 50.5 million, respectively.

*Compensation Cost Recognized*

In accordance with FAS 123R, the Company elected the modified prospective application method. Under this method, the Company began recognizing compensation cost for equity based compensation for all new or modified grants beginning January 1, 2006. In addition, the Company has begun to recognize the unvested portion of the grant date fair value of awards issued prior to the adoption based on the fair values previously calculated for disclosure purposes. At December 31, 2005, the aggregate fair value of unvested options was approximately \$63.2 million, net of forfeitures, of which \$5.7 million and \$11.3 million was recognized during the quarter and six months ended June 30, 2006. The remaining amount will continue to

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be recognized over the remaining vesting period of the options, the weighted-average of which is approximately 2.4 years.

Presented below is a summary of the compensation cost recognized in the accompanying quarterly Consolidated Statements of Earnings:

(in millions)	Quarter Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
<b>Recognized in earnings:</b>				
Employee stock options	\$ 7.3	\$ —	\$ 13.6	\$ —
Restricted share units	4.7	4.1	7.8	6.5
<b>Total compensation cost in earnings</b>	<b>\$ 12.0</b>	<b>\$ 4.1</b>	<b>\$ 21.4</b>	<b>\$ 6.5</b>
<b>Tax benefit recognized</b>	<b>\$ 4.2</b>	<b>\$ 1.6</b>	<b>\$ 8.1</b>	<b>\$ 2.6</b>

*Stock Option Plans*

The fair value of each option grant is estimated on the date of grant. For options granted during 2006, the determination of volatility is principally based upon implied volatilities from traded options, whereas for options granted during 2005 and prior, the assumption for volatility was based upon historical volatility of the Former Viacom. The expected term, representing the period of time that options granted are expected to be outstanding, is estimated using statistical analysis incorporating historical post vest exercise and employee termination behavior. The risk-free rate assumed in valuing the options is based on the U.S. Treasury Yield curve in effect applied against the expected term of the option at the time of the grant. The expected dividend yield, applicable for the Former Viacom, was based on the expected dividend yield percentage of Former Viacom divided by the market price of Former Viacom common stock at the date of grant. The Company has no intention of declaring a dividend at this time. Presented below is the weighted average fair value of grants for the periods presented and the weighted average of the applicable assumptions used to value stock options at grant date:

(in millions)	Quarter Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Weighted average fair value of grants	\$ 10.99	\$ 11.52	\$ 10.80	\$ 12.64
<b>Weighted average assumptions:</b>				
Expected stock price volatility	24.4%	24.4%	24.4%	24.0%
Expected term of options (in years)	4.5	5.2	4.5	5.2
Risk-free interest rate	5.0%	3.7%	4.9%	3.8%
Expected dividend yield	—	0.82%	—	0.75%

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The following table summarizes information about stock options outstanding at June 30, 2006. The exercise price and remaining contractual life calculations are based on weighted averages:

	Number of Shares	Exercise Price	Contractual Life	Aggregate Intrinsic Value
	<i>(thousands)</i>		<i>(in years)</i>	<i>(millions)</i>
Outstanding at January 1, 2006	41,423.1	\$ 51.22		
Granted	7,836.9	37.89		
Exercised	(263.3)	19.97		
Forfeited or expired	(260.4)	45.71		
<b>Outstanding at June 30, 2006</b>	<b>48,736.3</b>	<b>\$ 49.27</b>	<b>5.2</b>	<b>\$ 44.6</b>
<b>Exercisable at June 30, 2006</b>	<b>37,021.1</b>	<b>\$ 52.06</b>	<b>4.5</b>	<b>\$ 44.6</b>

The following table summarizes information relating to stock option exercises during the periods presented:

(in millions)	Quarter Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Proceeds from stock option exercises	\$ 2.8	\$ 3.5	\$ 5.3	\$ 7.1
Intrinsic value	2.3	13.4	5.1	14.3
Tax benefit	\$ 0.8	\$ 5.3	\$ 2.0	\$ 5.7

Stock options granted for the six months ended June 30, 2006 include approximately 685,300 replacement awards as a result of the DreamWorks acquisition. Total unrecognized compensation cost related to unvested stock option awards at June 30, 2006 is approximately \$122.8 million and is expected to be recognized on a straight-line basis over a weighted-average period of 3.2 years.

*Restricted Share Units*

The following table summarizes information about restricted share units outstanding at June 30, 2006. The grant date fair value and remaining contractual life calculations are based on weighted averages:

	Number of Shares	Grant Date Fair Value	Contractual Life	Aggregate Intrinsic Value
	<i>(thousands)</i>		<i>(in years)</i>	<i>(millions)</i>
Outstanding at January 1, 2006	1,050.6	\$ 46.24		
Granted	1,383.5	36.01		
Vested	(312.4)	46.38		
Forfeited	(45.2)	47.15		
<b>Outstanding at June 30, 2006</b>	<b>2,076.5</b>	<b>\$ 39.38</b>	<b>2.9</b>	<b>74.4</b>
<b>Unvested at June 30, 2006</b>	<b>60.3</b>	<b>\$ 46.95</b>	<b>5.1</b>	<b>2.2</b>

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In May 2006, the Company awarded, under the LTMP, 752,300 RSUs subject to performance or market and performance conditions with time vesting to its senior executives. The grant date discounted fair value for the RSUs subject to both market and performance conditions was computed using a lattice model. The grant date fair value for RSUs subject to performance conditions and time vesting is the underlying share price on the date of grant. Compensation cost assumes all performance goals will be met and is being recognized as the requisite service period is fulfilled.

The fair value of RSUs vested during the quarter and six months ended June 30, 2006 was \$1.4 million and \$13.2 million, respectively. No RSUs vested in 2005. Total unrecognized compensation cost related to RSUs at June 30, 2006 is approximately \$68.2 million and is expected to be recognized over a weighted-average period of 2.8 years.

**NOTE 10. BENEFIT PLANS**

Viacom has both funded and unfunded noncontributory defined benefit pension plans. The components of net periodic benefits costs recognized, and contributions made, were as follows:

(in millions)	Quarter Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Service cost	\$ 7.9	\$ 7.1	\$ 15.8	\$ 14.3
Interest cost	7.0	5.2	14.0	11.4
Expected return on plan assets	(4.3)	(2.7)	(8.7)	(7.1)
Amounts amortized	2.1	1.3	4.3	2.9
	\$ 12.7	\$ 10.9	\$ 25.4	\$ 21.5
Contributions	\$ 0.6	\$ 0.6	\$ 0.8	\$ 1.2

Contributions for the quarter and six months ended June 30, 2006 and 2005 relate to payments on unfunded plans to the extent benefits were paid, which generally occurs ratably over the year. After considering the funded status of the Company's defined benefit plans, minimum required contributions, movements in discount rate, investment performance and related tax consequences, the Company may choose to make contributions to its funded plans in any given year. There are currently no minimum required contributions for funded plans.

**NOTE 11. SEVERANCE AND OTHER CHARGES**

At December 31, 2005, the Company had accrued \$74.9 million related to severance charges principally related to costs incurred in rationalizing the overhead structures of the Cable Networks segment (\$47.9 million) and Entertainment segment (\$22.6 million) as a result of the separation from Former Viacom. The following table summarizes the activity for severance and other charges for the six month period ended June 30, 2006:

(in millions)	Six Months Ended June 30, 2006
Amounts recorded as of December 31, 2005	\$ 74.9
Accrued for period ended June 30, 2006	0.8
Reversal of prior period charges	(1.5)
Payments	(35.7)
Amounts recorded as of June 30, 2006	\$ 38.5

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**NOTE 12. SEGMENT INFORMATION**

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. The Company operates two segments: (i) Cable Networks and (ii) Entertainment.

Operating income eliminations primarily reflect the timing of intercompany transactions from the license of feature films to cable networks.

Revenues (in millions)	Quarter Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Cable Networks	\$ 1,751.0	\$ 1,619.8	\$ 3,322.8	\$ 3,093.6
Entertainment	1,123.3	704.9	1,948.2	1,363.1
Eliminations				
Cable Networks	(14.4)	(18.7)	(28.0)	(28.4)
Entertainment	(13.2)	(4.5)	(28.8)	(19.9)
Total revenues	\$ 2,846.7	\$ 2,301.5	\$ 5,214.2	\$ 4,408.4

Operating Income (in millions)	Quarter Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Cable Networks	\$ 710.3	\$ 636.8	\$ 1,331.4	\$ 1,214.3
Entertainment	6.4	(20.3)	57.5	54.2
Total segment operating income	716.7	616.5	1,388.9	1,268.5
Corporate expenses	(54.0)	(38.4)	(102.2)	(65.8)
Eliminations	0.5	10.9	—	7.7
Total operating income	\$ 663.2	\$ 589.0	\$ 1,286.7	\$ 1,210.4

Total Assets (in millions)	June 30, 2006	December 31, 2005
	Cable Networks	\$ 14,136.4
Entertainment	5,642.0	4,791.6
Corporate	269.7	489.0
Total assets	\$ 20,048.1	\$ 19,115.6

**NOTE 13. COMMITMENTS AND CONTINGENCIES**

*Commitments and Contingencies*

The Company's commitments not recorded on the balance sheet primarily consist of programming and talent commitments, operating lease arrangements and purchase obligations for goods and services. These

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arrangements result from the Company's normal course of business and represent obligations that are payable over several years.

*Guarantees*

In the course of its business, the Company both provides and receives the benefit of indemnities that are intended to allocate certain risks associated with business transactions. Similarly, the Company may remain contingently liable to third parties for various obligations of a business that has been divested. Further information is provided below and in the 2005 Annual Report of the Company.

Under the terms of the DW Funding sale agreement, more fully described in *Note 3 Business Combinations and Dispositions*, Soros and Dune can require Viacom to purchase and Viacom can require Soros and Dune to sell their respective interest via a call obligation at the then current value of DW Funding, commencing nine months prior to the fifth anniversary of the sale. To the extent the current fair value at the option closing date is insufficient to repay the related indebtedness of DW Funding, the Company would be required to repay certain lenders all accrued and unpaid interest and principal amounts outstanding. As of June 30, 2006, the maximum aggregate principal amount that would be payable under such provisions of the agreement is \$102.8 million. Therefore, as of June 30, 2006, the Company's maximum exposure to loss as a result of its involvement with DW Funding is the \$102.8 million previously described as well as the \$7.35 million of value ascribed to the equity investment.

In connection with the separation, the Company has agreed to indemnify CBS Corporation with respect to the obligations of the former Viacom as guarantor on certain Blockbuster store leases. Blockbuster's obligations under these store leases aggregated approximately \$329.6 million at June 30, 2006. Certain leases contain renewal options that can extend the primary lease term and remain covered by the guarantees. Blockbuster's indemnification obligations are secured by a \$150 million letter of credit. Viacom had established a liability of \$53.2 million to reflect the fair value of its indemnification obligation at June 30, 2006.

In 2005, the former Viacom sold Famous Players, an operator of movie theaters in Canada. CBS Corporation may incur liabilities associated with Famous Players theater leases. The Company agreed to indemnify CBS Corporation, with respect to any liability under these theater leases. Famous Players obligations under these theater leases aggregated approximately \$1.07 billion at June 30, 2006. The Company had established a liability of approximately \$200.6 million to reflect the fair value of these indemnification obligations.

*Legal Proceedings*

In July 2002, judgment was entered in favor of Former Viacom, Blockbuster, Paramount Home Entertainment and other major motion picture studios and their home video subsidiaries with respect to a complaint filed in the United States District Court for the Western District of Texas. The complaint included federal antitrust and California state law claims. In August 2003, the U.S. Court of Appeals for the Fifth Circuit affirmed the federal court judgment. The U.S. Supreme Court refused plaintiffs' petition for writ of certiorari in March 2004. In February 2003, a similar complaint that had been filed in a Los Angeles County Superior Court was also dismissed with prejudice. The plaintiffs appealed the California state court dismissal, as well as a prior denial of class certification. On November 22, 2005, the California Court of Appeal affirmed the trial court's dismissal of the antitrust and conspiracy claims. The court reversed the dismissal of California Unfair Practices Act and Unfair Competition Act claims and remanded those claims to the trial court, except with regard to transactions between Paramount and Blockbuster as to which the trial court dismissal was affirmed. Blockbuster remains a defendant in the case.

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with respect to our transactions with studios other than Paramount. As the result of the split-off of Blockbuster from Former Viacom in 2004, any judgment in this matter adverse to Former Viacom, Blockbuster and/or Paramount Home Entertainment may be allocated 33.33% to Blockbuster and 66.67% to Viacom. Pursuant to the Separation Agreement, Viacom has assumed and will indemnify CBS Corporation for Former Viacom's responsibility for losses in this matter.

On July 13, 2005, two identical shareholder derivative lawsuits were filed against Former Viacom. The suits, consolidated as *In re Viacom Shareholders Derivative Litigation*, relate to the compensation of Sumner Redstone, Tom Freston and Leslie Moonves, each of whom were executive officers of Former Viacom. Mr. Redstone is currently Viacom's Executive Chairman of the Board and Founder and Mr. Freston is Viacom's President and Chief Executive Officer. Mr. Moonves is the President and Chief Executive Officer of CBS Corporation. The plaintiffs claim that the compensation of these officers was excessive and unwarranted and not entirely fair to Former Viacom and its shareholders. Plaintiffs seek disgorgement of compensation paid to the named officers in 2004, unspecified damages from members of Former Viacom's Board of Directors for alleged breach of fiduciary duty, and other relief. In June of 2006, the trial level court denied Former Viacom's motion to dismiss the case on procedural and substantive grounds. Former Viacom intends to appeal this decision. Under the Separation Agreement, liabilities arising from and control of claims relating to the pre-separation compensation of officers of Former Viacom are shared equally by Viacom and CBS Corporation.

In late 2005 and early 2006, Former Viacom was named as a defendant in three lawsuits in the United States District Court for the Northern District of Texas and one lawsuit in the United States District Court for the Southern District of New York, each relating to the 2004 split-off of Blockbuster from Former Viacom. In August 2006, an additional lawsuit was filed in the Delaware Court of Chancery. The lawsuits name as defendants various combinations of NAI, Former Viacom, Blockbuster, and certain of their respective present and former officers and directors, including some individuals who are officers and directors of New Viacom. The Texas lawsuits are purported class actions which allege violations of the federal securities laws. The New York case is a purported class action which alleges that the defendants breached fiduciary obligations to the Blockbuster Investment Plan in violation of the Employee Retirement Income Security Act by continuing to offer to plan participants Blockbuster stock from and after November 2003 and by offering to plan participants the opportunity to exchange their shares of Former Viacom common stock for the shares of Blockbuster common stock that were owned by Former Viacom in connection with the 2004 split-off transaction. The Delaware case is a purported class action which alleges that the directors of Former Viacom at the time of the split-off breached certain fiduciary obligations to Viacom shareholders. Plaintiffs in each of the lawsuits allege that the defendants made untrue statements of material facts and concealed and failed to disclose material facts with respect to Blockbuster's business prospects. The lawsuits seek damages in unspecified amounts and other relief. In connection with the split-off, Blockbuster agreed to indemnify Former Viacom and our employees, officers and directors with respect to liabilities arising out of any material untrue statements and omissions in those portions of the 2004 Prospectus-Offer to Exchange relating to the split-off that were provided by Blockbuster. In July 2006, Former Viacom and Blockbuster moved to dismiss the New York case. The Texas cases have been consolidated and the plaintiffs are expected to file a consolidated complaint. Pursuant to the Separation Agreement, we will indemnify CBS Corporation for any losses arising from these lawsuits. In July 2006, Former Viacom and Blockbuster moved to dismiss the New York case. The Texas cases have been consolidated and the plaintiffs are expected to file a consolidated complaint.

Viacom believes that the plaintiffs' positions in these litigations are without merit and intends to vigorously defend itself in the litigations. Litigation is inherently uncertain and always difficult to predict. However, based on Viacom's understanding and evaluation of the relevant facts and circumstances, it believes that

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(continued)

the above-described legal matters and other litigation to which it is a party are not likely, in the aggregate, to have a material adverse effect on its results of operations, financial position or cash flows.

**NOTE 14. ADDITIONAL INFORMATION**

*Supplemental Cash Flow Information*

(in millions)	Quarter Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Cash paid for interest	\$ 55.0	\$ 6.8	\$ 164.8	\$ 13.8
Cash paid for taxes	279.1	334.4	289.0	437.9

*Interest expense, net*

(in millions)	Quarter Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Interest expense	\$ 118.7	\$ 6.1	\$ 223.8	\$ 12.3
Interest income	(6.1)	(2.3)	(24.4)	(2.8)
Interest expense, net	\$ 112.6	\$ 3.8	\$ 199.4	\$ 9.5

*Other items, net*

(in millions)	Quarter Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Loss on securitization programs	\$ (6.4)	\$ (6.0)	\$ (12.2)	\$ (11.0)
Foreign exchange gain	15.4	3.0	14.5	2.4
Other items	0.3	—	(0.1)	—
Other items, net	\$ 9.3	\$ (3.0)	\$ 2.2	\$ (8.6)

**NOTE 15. SUBSEQUENT EVENTS**

On August 9, 2006, the Company agreed to acquire Atom Entertainment, Inc., a portfolio of four leading online destinations for casual games, short films and animation, for initial cash consideration of approximately \$200 million. The acquisition is subject to customary closing conditions and is expected to close in the third quarter.

**VIACOM INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

**Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition.**

**INTRODUCTION**

**Our Business**

We are a leading global entertainment content company, with prominent and respected brands that appeal to a wide range of focused demographics. Offering programming and content for television, motion pictures and digital platforms, Viacom's world-class brands include MTV Networks (MTV: Music Television®, VH1®, Nickelodeon®, Nick at Nite®, Comedy Central®, CMT®: Country Music Television™, Spike TV®, TV Land®, Logo™ and more than 120 networks around the world), BET®, Paramount Pictures®, Paramount Home Entertainment, DreamWorks and Famous Music®. We manage our operations through two reportable operating segments: (i) *Cable Networks*, which includes MTV Networks and BET Networks; and (ii) *Entertainment*, which includes Paramount and Famous Music.

*Separation from Former Viacom*

On December 31, 2005, we became a stand-alone public company in connection with our separation from the Former Viacom. The separation was effected through a merger of Former Viacom and one of its wholly-owned subsidiaries, pursuant to which Former Viacom continued as the surviving entity and was renamed CBS Corporation, and New Viacom Corp. was separated from Former Viacom and renamed Viacom Inc. In connection with the merger and the separation, each share of Former Viacom Class A common stock was converted into the right to receive 0.5 of a share of Viacom Class A common stock and 0.5 of a share of CBS Corporation Class A common stock. Similarly, each share of Former Viacom Class B common stock was converted into the right to receive 0.5 of a share of Viacom Class B common stock and 0.5 of a share of CBS Corporation Class B common stock. Holders of Viacom Class A and Class B common stock received cash in lieu of fractional shares.

*Basis of Presentation*

As a result of the separation from Former Viacom, the unaudited Consolidated Statements of Earnings and Consolidated Statement of Cash Flows for the quarter and six months ended June 30, 2005 and the Consolidated Balance Sheet at December 31, 2005 are presented on a carve-out basis. Accordingly, for the respective period, the assets and liabilities of Viacom have been accounted for at the historical book values carried by Former Viacom prior to the separation and were assigned to Viacom pursuant to the terms of the Separation Agreement. Indebtedness, other than certain capital lease obligations, was not transferred to us and remained at CBS Corporation. Accordingly, debt service cost is not reflected in our Consolidated Statements of Earnings for the quarter and six month period ended June 30, 2005.

The accompanying Consolidated Statements of Earnings for the quarter and six months ended June 30, 2005 includes allocation of Former Viacom corporate expenses of \$41.6 million and \$69.8 million, respectively, primarily included within selling, general and administrative costs. The allocations are generally meant to reflect the utilization of shared corporate facilities, people and services of Former Viacom by us and are not necessarily representative of actual costs.

The historical carve-out consolidated financial statements may not necessarily reflect what our results of operations, financial position and cash flows would have been if we had been a separate stand-alone company during the periods presented.

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

Management's discussion and analysis of results of operations and financial condition is provided as a supplement to, and should be read in conjunction with, our 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. References to "Viacom," "Company," "we," "us" and "our" refer to Viacom Inc. and its consolidated subsidiaries through which its various businesses are conducted, unless the context requires otherwise. Significant components of the management's discussion and analysis section include:

*Consolidated Results of Operations.* Analysis of the Company's results of operations on a consolidated basis for the quarter and six months ended June 30, 2006 against the comparable periods ended June 30, 2005, prepared on a historical carve-out basis.

*Segment Results of Operations.* Analysis of the Company's results of operations for the quarter and six months ended June 30, 2006 and 2005, respectively, for the Cable Networks segment and the Entertainment segment separately.

*Liquidity and Capital Resources.* Analysis of the Company's financial condition, including a discussion of cash flows for the quarter and six months ended June 30, 2006 against the comparable 2005 periods and an update of the Company's net debt position.

**CONSOLIDATED RESULTS OF OPERATIONS**

Our summary consolidated results are presented below for the quarter and six months ended June 30:

(in millions)	Quarter Ended June 30,		2006 vs. 2005	Six Months Ended June 30,		2006 vs. 2005
	2006	2005		2006	2005	
Revenues	\$ 2,846.7	\$ 2,301.5	24%	\$ 5,214.2	\$ 4,408.4	18%
Expenses	(2,183.5)	(1,712.5)	(28)	(3,927.5)	(3,198.0)	(23)
Operating income	663.2	589.0	13	1,286.7	1,210.4	6
Interest expense, net	(112.6)	(3.8)	NM	(199.4)	(9.5)	NM
Other items, net	9.3	(3.0)	NM	2.2	(8.6)	NM
Earnings from continuing operations	559.9	582.2	(4)	1,089.5	1,192.3	(9)
Provision for income taxes	(144.9)	(223.2)	35	(359.9)	(470.3)	23
Equity in earnings of affiliates	1.9	4.1	(54)	5.8	4.8	21
Minority interest, net of tax	(0.9)	(0.8)	NM	(2.2)	(2.2)	NM
Net earnings from continuing operations	416.0	362.3	15	733.2	724.6	1
Discontinued operations	21.3	(8.4)	NM	21.3	(20.4)	NM
Net earnings	\$ 437.3	\$ 353.9	24%	\$ 754.5	\$ 704.2	7%

NM = not meaningful

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**Revenues**

Revenues for the second quarter increased \$545.2 million or 24% to \$2.85 billion. The acquisition of DreamWorks L.L.C., which was consummated on January 31, 2006, and the commencement of distribution activities for DreamWorks Animation SKG Inc. ("DreamWorks Animation") and DreamWorks live-action films (collectively "DreamWorks") contributed \$345.1 million or 63% of the reported growth versus last year. Cable Networks segment revenues increased 8% to \$1.75 billion, resulting from domestic advertising revenues which increased 10% to \$969.1 million and affiliate fees which increased 11% to \$501.8 million. Entertainment revenues were up a reported \$418.4 million in the quarter, principally attributable to DreamWorks.

Revenues for the six months ended June 30, 2006, increased \$805.8 million or 18% to \$5.21 billion. DreamWorks contributed \$519.5 million or 64% of the reported growth for the same period. Cable Networks segment revenue increased 7% or \$229.2 million to \$3.32 billion, driven principally by increases in domestic advertising sales of 8% or \$126.8 million to \$1.77 billion and affiliate fee increases of 10% or \$88.5 million to \$990.7 million. Entertainment revenues were up \$585.1 million, principally attributable to DreamWorks.

(in millions)	Quarter Ended June 30,		2006 vs. 2005	Six Months Ended June 30,		2006 vs. 2005
	2006	2005		2006	2005	
Advertising sales	\$ 1,053.6	\$ 964.6	9%	\$ 1,916.7	\$ 1,800.5	6%
Feature film	1,041.3	667.1	56	1,786.9	1,277.7	40
Affiliate fees	501.8	453.7	11	990.7	902.2	10
Ancillary	250.0	216.1	16	519.9	428.0	21
<b>Total revenues</b>	<b>\$ 2,846.7</b>	<b>\$ 2,301.5</b>	<b>24%</b>	<b>\$ 5,214.2</b>	<b>\$ 4,408.4</b>	<b>18%</b>

**Expenses and Operating Income**

*Operating Expenses*

The following table provides the components of operating expenses for the quarter and six months ended June 30, 2006 and 2005:

(in millions)	Quarter Ended June 30,		2006 vs. 2005	Six Months Ended June 30,		2006 vs. 2005
	2006	2005		2006	2005	
Production and programming	\$ 985.9	\$ 740.8	33%	\$ 1,742.1	\$ 1,403.3	24%
Distribution	499.3	359.6	39	813.9	618.4	32
Merchandising & other	96.8	77.5	25	189.2	145.3	30
<b>Total operating expenses</b>	<b>\$ 1,582.0</b>	<b>\$ 1,177.9</b>	<b>34%</b>	<b>\$ 2,745.2</b>	<b>\$ 2,167.0</b>	<b>27%</b>

Production and programming expenditures increased \$245.1 million, or 33%, for the second quarter driven principally by increased film amortization costs in Entertainment, which account for approximately 49% of total production and programming costs for the period. The increased amortization reflects the impact of

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DreamWorks as well as timing of theatrical releases. For the six months ended June 30, 2006, production and programming expenses increased \$338.8 million, or 24%, also primarily attributable to increased film amortization and to a lesser extent increased amortization for programming airing on the Company' cable networks.

Distribution expenses increased \$139.7 million or 39% for the quarter and \$195.5 million or 32% for the six months ended June 30, 2006. The increases in both periods compared to 2005 reflect higher print and advertising costs in Entertainment as a result of the timing of the spending for theatrical releases and the commencement of distribution activities for DreamWorks Animation and DreamWorks L.L.C. productions. These increases were partially offset by lower distribution expenses in Cable Networks related principally to the timing of DVD releases.

Merchandising and other expenditures increased \$19.3 million or 25% for the quarter, and \$43.9 million or 30% for the quarter and six months ended, respectively driven principally by the growth in ancillary revenues and the related participations owed on ancillary revenues generated.

*Selling, general and administrative*

Selling, general and administrative expenditures were up 9% or \$44.5 million and \$108.9 million or 12% in the quarter and six months ended June 30, 2006, respectively. The increases are driven by higher overhead at Entertainment resulting from the DreamWorks acquisition on January 31, 2006. Corporate expenses also increased 39% and 54% for the quarter and six months ended June 30, 2006, respectively driven by higher compensation related expense, including stock based compensation. An incremental \$7.9 million and \$14.9 million in compensation expense was recognized for the quarter and six months ended June 30, 2006, respectively.

*Depreciation and amortization*

Depreciation and amortization increased \$22.3 and \$42.2 for the quarter and six months ended June 30, 2006 as compared to the same period for 2005. The increase for both periods is principally attributable to the acquisition of DreamWorks. Amortization of intangibles in the second quarter was \$12.7 million and \$3.6 million due to the DreamWorks and Cable Networks acquisitions, respectively. Incremental transponder amortization for the quarter and six months ended June 30, 2006, respectively, of \$2.1 million and \$4.3 million also contributed to the overall increases.

Each component of expense is discussed in greater detail within the section "*Segment Results of Operations.*"

*Operating income*

Operating income increased 13% or \$74.2 million to \$663.2 million for the second quarter from a 2005 amount of \$589.0 million. The Cable Networks segment operating income increased \$73.5 million, or 12% to \$710.3 million. The Entertainment segment operating income was \$6.4 million compared to 2005 loss of \$20.3 million. Corporate expenses increased \$15.6 million to \$54.0 million.

For the six months ended, operating income increased 6% or \$76.3 million to \$1.29 billion. The increase was primarily attributable to the Cable Networks segment, for which operating income increased \$117.1 million, or 10%. For the same six month period, operating income at the Entertainment segment

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also increased slightly by \$3.3 million. The increases at the operating segments were partially offset by higher corporate expenses.

**Interest expense, net**

Interest expense, net for 2006 includes costs related to our senior notes and debentures, credit facilities and capital lease obligations and amounts associated with our derivative financial instruments. For the six months ended June 30, 2006, interest expense, net increased \$189.9 million, including a \$108.8 million increase in the second quarter as compared to 2005 principally due to higher average debt outstanding and higher interest rates in 2006. The higher debt outstanding results from funding the special dividend payment to CBS Corporation made in connection with the separation from Former Viacom in December 2005, the purchase of DreamWorks on January 31, 2006, and the purchase of common stock under the stock repurchase program which began in January 2006. During the second quarter, we completed two private placements of debt securities, the purpose of which was to repay amounts under the credit facilities and to provide financial flexibility by extending the expected maturities. The first private placement, completed on April 12, consisted of \$4.75 billion in aggregate principal amount of fixed rate senior notes and debentures. The second private placement, completed on June 16, consisted of \$750.0 million in aggregate principal amount of floating rate senior notes. We may incur additional debt for a variety of reasons including, but not limited to, acquisitions and stock repurchases. We expect interest expense, net for the full year 2006 to be significantly higher in 2006 as compared to 2005, which was prepared on a carve-out basis.

**Other items, net**

Other items, net of \$9.3 million for the quarter ended June 30, 2006 represented an increase of \$12.3 million as compared to same period for 2005, principally attributable to transactional foreign exchange gains primarily related to long-term transponder leases. For the six months ended, other items, net increased \$10.8 million which reflects the transactional foreign exchange gains that occurred in the second quarter, partially offset by the costs associated with the securitization of trade receivables.

**Provision for income taxes**

For the quarter ended, we recorded income tax expense of \$144.9 million on pretax earnings of \$559.9 resulting in an effective tax rate of 25.9%. The significant reduction in income tax expense results primarily from the release of \$70.7 million of discrete tax and related interest reserves as a result of audit settlements in the quarter, and a reduction in the full year effective tax rate of approximately 100 basis points to 39.6% due to a reduction in state and international effective tax rates.

**Equity in earnings of affiliated companies, net of tax**

Equity in earnings of affiliated companies, net of tax reflected earnings of \$1.9 million for the quarter ended June 30, 2006, representing a decrease of \$2.2 million. For the six months ended, equity in earnings from affiliates increased \$1.0 million. The increase was driven principally by the performance of equity affiliates in Brazil and Australia, partially offset by decline at MTV Russia and MTV Italy.

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**Minority interest, net of tax**

Minority interest, net of tax primarily represents ownership held by third-parties of certain international pay television companies. Minority interest, net of tax was flat for comparative quarters and six months ended.

**Net earnings from discontinued operations**

For the quarter ended June 30, 2006 discontinued operations principally includes the release of reserves resulting from an audit settlement and the effect of adjusting recorded liabilities for lease obligations provided on behalf of Blockbuster and Famous Players to fair value.

**Recent Developments**

*Atom Entertainment, Inc.*

On August 9, 2006, we agreed to acquire Atom Entertainment, Inc., a portfolio of four leading online destinations for casual games, short films and animation, for initial cash consideration of approximately \$200 million. The acquisition is subject to customary closing conditions and is expected to close in the third quarter.

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**SEGMENT RESULTS OF OPERATIONS**

The following table presents segment revenues, expenses and operating income for the quarter and six months ended. June 30, 2006 Transactions between segments are treated similar to third-party arrangements. Typical transactions include the purchase of advertising by the Entertainment segment on Cable Networks properties and the purchase of exploitation rights for feature films by Cable Networks of Entertainment segment titles. The impact of such intercompany transactions is included within eliminations.

(in millions)	Quarter Ended June 30,		2006 vs. 2005	Six Months Ended June 30,		2006 vs. 2005
	2006	2005		2006	2005	
<b>Revenues</b>						
Cable Networks	\$ 1,751.0	\$ 1,619.8	8%	\$ 3,322.8	\$ 3,093.6	7%
Entertainment	1,123.3	704.9	59	1,948.2	1,363.1	43
Eliminations	(27.6)	(23.2)	NM	(56.8)	(48.3)	NM
<b>Total revenues</b>	<b>2,846.7</b>	<b>2,301.5</b>	<b>24</b>	<b>5,214.2</b>	<b>4,408.4</b>	<b>18</b>
<b>Expenses</b>						
Cable Networks	1,040.7	983.0	(6)	1,991.4	1,879.3	(6)
Entertainment	1,116.9	725.2	(54)	1,890.7	1,308.9	(44)
<b>Total segment operating expenses</b>	<b>2,157.6</b>	<b>1,708.2</b>	<b>(26)</b>	<b>3,882.1</b>	<b>3,188.2</b>	<b>(22)</b>
Corporate expenses	54.0	38.4	(41)	102.2	65.8	(55)
Eliminations	(28.1)	(34.1)	NM	(56.8)	(56.0)	NM
<b>Total expenses</b>	<b>2,183.5</b>	<b>1,712.5</b>	<b>(28)</b>	<b>3,927.5</b>	<b>3,198.0</b>	<b>(23)</b>
<b>Operating income</b>						
Cable Networks	710.3	636.8	12	1,331.4	1,214.3	10
Entertainment	6.4	(20.3)	NM	57.5	54.2	6
<b>Total segment operating income</b>	<b>716.7</b>	<b>616.5</b>	<b>16</b>	<b>1,388.9</b>	<b>1,268.5</b>	<b>9</b>
Corporate expenses	(54.0)	(38.4)	(41)	(102.2)	(65.8)	(55)
Eliminations	0.5	10.9	NM	—	7.7	NM
<b>Total operating income</b>	<b>\$ 663.2</b>	<b>\$ 589.0</b>	<b>13%</b>	<b>\$ 1,286.7</b>	<b>\$ 1,210.4</b>	<b>6%</b>

NM = not meaningful

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**CABLE NETWORKS**

Cable Networks revenue growth depends on the continued increases in advertising revenues and affiliate fees from our distributors, through the continued production of compelling content. Growth also depends on our ability to successfully expand on to new distribution platforms such as wireless and the Internet as these platforms become increasingly attractive to advertisers.

(in millions)	Quarter Ended June 30,		2006 vs. 2005	Six Months Ended June 30,		2006 vs. 2005
	2006	2005		2006	2005	
<b>Revenues by component</b>						
Advertising	\$ 1,065.8	\$ 983.3	8%	\$ 1,942.4	\$ 1,828.6	6%
Affiliate fees	501.8	453.7	11	990.7	902.2	10
Ancillary	183.4	182.8	NM	389.7	362.8	7
<b>Total revenues by component</b>	<b>\$ 1,751.0</b>	<b>\$ 1,619.8</b>	<b>8%</b>	<b>\$ 3,322.8</b>	<b>\$ 3,093.6</b>	<b>7%</b>
<b>Revenues by geography</b>						
Domestic	\$ 1,512.7	\$ 1,389.9	9%	\$ 2,872.7	\$ 2,645.1	9%
International	238.3	229.9	4	450.1	448.5	NM
<b>Total revenues by geography</b>	<b>\$ 1,751.0</b>	<b>\$ 1,619.8</b>	<b>8%</b>	<b>\$ 3,322.8</b>	<b>\$ 3,093.6</b>	<b>7%</b>

NM = not meaningful

**Revenues**

Cable Networks contributed 62% and 64% of consolidated revenues for the quarter and six months ended June 30, 2006, respectively. For the second quarter, revenues increased 8% to \$1.75 billion on the strength of advertising and affiliate fees. Domestic revenues, which represent 86% of total revenues for the quarter and six months ended June 30, 2006, increased 9% for the quarter with advertising revenues up 10%, affiliate fees up 10% and ancillary fees down 1%, due to the absence of the Chappelle 2005 video release. International revenues were up 4% compared to second quarter 2005. Domestic revenue growth for the six months ended was generally consistent with second quarter, including advertising revenues up 8%, affiliate fees up 10% and ancillary revenues up 12%, principally based upon higher syndication fees. International revenues were flat as increases in affiliate fees and ancillary revenues were offset by decreases in advertising.

*Advertising*

For the second quarter, domestic advertising revenues increased 10%, or \$84.7 million, offset by a 2% decline in international advertising revenues. These results reflect a sequential improvement from domestic growth of 6% and international decline of 13% reported for the first quarter 2006. Domestic advertising revenue increased across all channels led by double digit increases at Nickelodeon, Comedy Central, and Spike TV. The decline in international advertising revenues was driven principally by continued softness in the UK and Germany which declined 4% and 26% in the quarter, respectively.

For the six months, domestic advertising revenues increased \$126.8 million, or 8%, offset by a decline in international advertising of \$13.0 million or 7%. Advertising revenues were down internationally 7%

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attributable to lower advertising spend principally in Germany and the impact of foreign exchange, partially offset by increases across much of the rest of Europe and in emerging markets, principally in Asia and Latin America.

*Affiliate fees*

For the second quarter, affiliate fees increased \$48.1 million or 11%, including increases across all domestic channels and various MTV Network International channels. Affiliate revenue growth was driven domestically by rate increases and subscriber increases. International affiliate revenues, which were principally earned in Europe, increased \$8.4 million, or 13%, reflecting new channels and the consolidation of Nick UK, which drove UK affiliate growth of 19%.

For the six months, affiliate fees increased \$88.5 million or 10%, including a 10% growth in international markets driven principally by France due to new channel launches. Domestic affiliate growth increased 10% as a result of both rate and subscriber increases.

*Ancillary*

For the second quarter, ancillary revenues were relatively flat as increases attributable to *South Park* syndication fees and home video increases at Nickelodeon and MTV were substantially offset by decreases of home video sales due to absence of *The Chappelle Show* in 2006. Internationally, ancillary revenue increased 3% as growth in Germany and Spain was partially offset by reductions across most other territories.

For the six months, ancillary revenues increased \$26.9 million, or 7%, led principally by a 12% growth in domestic ancillary revenues, or \$26.4 million, principally as a result of higher syndication fees resulting from the availability of *South Park* as well as other licensing and merchandising revenues when compared to 2005.

(in millions)	Quarter Ended June 30,		2006 vs. 2005	Six Months Ended June 30,		2006 vs. 2005
	2006	2005		2006	2005	
Revenues	\$ 1,751.0	\$ 1,619.8	8%	\$ 3,322.8	\$ 3,093.6	7%
Expenses:						
Operating expenses	585.5	550.0	6	1,126.4	1,053.8	7
Selling, general & administration	394.6	379.8	4	743.2	718.1	3
Depreciation & amortization	60.6	53.2	14	121.8	107.4	13
Total expenses	1,040.7	983.0	6	1,991.4	1,879.3	6
Operating income	\$ 710.3	\$ 636.8	12%	\$ 1,331.4	\$ 1,214.3	10%

**Expenses and Operating Income**

*Operating*

Operating expenses increased 6%, or \$35.5 million, reflecting an aggregate 8% increase in programming and production costs for the second quarter on shows such as *The Colbert Report*, *The Daily Show*, *Mind of Mencia* and *Showbiz Show* at Comedy Central, and *VH1 Rock Honors*, partially offset by the non-renewal of the WWE package at Spike, *The Chappelle Show*, and the one time special *VH1's Save the Music*.

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For the six months, total costs increased \$72.6 million, mostly for domestic networks due primarily to increase in programming and production costs. Original programming increased due to the addition of several new shows including *The Colbert Report*, *The Daily Show*, *Mind of Mencia*, and *Showbiz Show*. Acquired programming also increased mainly due to third party acquisitions airing subsequent to second quarter 2005. The production and programming increases were partially offset by the non-renewal of WWE in 2006.

*Selling, general and administrative*

Selling, general and administrative increased 4%, or \$14.8 million in the quarter. A primary driver of the increase is compensation expense, including an incremental \$3.8 million of expense related principally to the adoption of FAS 123R.

For the six months, total selling, general and administrative expenses increased \$25.1 million, mostly due to increase in general and administrative costs. Selling and marketing costs increased \$2.1 million predominantly all within domestic operations. The increase was mainly driven by higher integrated marketing spend as well as advertising expense including upfront expenses, primarily offset by savings in on-air promos and consumer marketing campaigns. General and administrative costs account for the remainder of the increase primarily driven by increased facilities costs and stock based compensation expense.

*Depreciation and amortization*

Depreciation and amortization increased \$7.4 million, for the second quarter, principally driven by capital leases related to international transponder agreements executed by MTV Europe in late 2005. In addition, intangible asset amortization expense was recorded due to 2005 acquisitions including Viva Media and Neopets. For the six months ended June 30, 2006 depreciation and amortization increased \$14.4 million due principally to increases in depreciation related to property, plant and equipment. Consistent with the second quarter, increased depreciation for the six months ended also related to MTV Europe transponders and acquisition related amortization.

*Operating income*

Operating income increased \$73.5 million or 12% to \$710.3 million in the second quarter due to 8% revenue growth, partially offset by a combined increase in operating and selling, general and administrative expenses of 5%. For the six months ended, operating income increased 10% as a result of \$229.2 million of increased revenue, principally advertising revenue, partially offset by a \$97.7 million increase in operating and selling, general and administrative costs combined. In addition, depreciation and amortization costs increased principally related to transponder costs and amortization of acquired assets.

**ENTERTAINMENT**

The results of operations for the Entertainment segment substantially depends on the public's response to our theatrical and DVD releases, our ability to obtain creative talent and story properties, and our films' distribution and marketing success. Therefore, the results of the Entertainment segment can be volatile, thus impacting comparability. In addition, the acquisition of DreamWorks L.L.C. and the related

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distribution agreements with DreamWorks Animation and the former DreamWorks live-action library also has a significant impact on the comparability of results.

(in millions)	Quarter Ended June 30,			Six Months Ended June 30,		
	2006	2005	2006 vs. 2005	2006	2005	2006 vs. 2005
<b>Revenues by component</b>						
Home entertainment	\$ 402.7	\$ 393.2	2%	\$ 824.5	\$ 766.5	8%
Television license fees	326.9	119.6	173	547.3	289.2	89
Theatrical	325.0	156.3	108	443.9	235.7	88
Ancillary	68.7	35.8	92	132.5	71.7	85
Total revenues by component	\$ 1,123.3	\$ 704.9	59%	\$ 1,948.2	\$ 1,363.1	43%
<b>Revenues by geography</b>						
Domestic	\$ 679.9	\$ 489.4	39%	\$ 1,234.3	\$ 889.9	39%
International	443.4	215.5	106	713.9	473.2	51
Total revenues by geography	\$ 1,123.3	\$ 704.9	59%	\$ 1,948.2	\$ 1,363.1	43%

**Revenues**

Entertainment contributed 39% and 37% of consolidated revenues for the quarter and six months ended June 30, 2006, respectively. DreamWorks contributed \$345.1 million and \$519.5 million for the quarter and six months ended June 30, 2006, respectively.

*Home Entertainment*

Home entertainment revenues in the second quarter increased 2% driven by \$41.7 million attributable to third-party distribution revenues, related to DreamWorks Animation and live-action library titles, substantially offset by lower revenues for current releases as compared to the prior period. Domestically, *Failure to Launch*, released late in the quarter, and *Aeon Flux* compared unfavorably against *Lemony Snicket's A Series of Unfortunate Events* and *Coach Carter* for the comparable 2005 period. Internationally, current releases for the quarter, including *Aeon Flux* and *Get Rich or Die Tryin'*, compared unfavorably against *SpongeBob SquarePants* and *Team America* for the comparable 2005 period.

For the six months ended June 30, 2006, home entertainment revenues increased 8% or \$58.0 million due to incremental DreamWorks revenue of \$157.4 million, substantially offset by lower revenues for Paramount titles. Domestically, *Failure to Launch* and *Yours Mine & Ours* in the current period compared unfavorable against *Lemony Snicket's A Series of Unfortunate Events* and *SpongeBob SquarePants* and *Coach Carter* for the comparable 2005 period. Internationally, home video sales of *Collateral* in the prior period were substantially higher than current period titles including *Four Brothers* and *Elizabethtown*. Significant DreamWorks product for the period included *Just Like Heaven* and *Dreamer*.

*Television license fees*

For the quarter ended, television license fees increased \$207.3 million, driven principally by increases in DreamWorks related distribution revenue of \$108.9 million. Including studio product, DreamWorks contributed an incremental \$147.0 million of total television license fees for the quarter. In addition, total

**VIACOM INC.**  
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international revenues were higher due to the number and mix of available titles which included *SpongeBob SquarePants*, *Without a Paddle*, and *Manchurian Candidate*.

The \$258.1 million, or 89% increase in television fees for the six months ended was principally attributable to DreamWorks. DreamWorks contributed an incremental \$202.7 million based upon the availability of such titles as *Madagascar*, *War of the Worlds*, and *Shark Tale*. In addition, Paramount titles contributed to higher pay television and network fees due to the mix and availability of titles.

*Theatrical*

For the quarter ended June 30, 2006, theatrical revenues increased \$168.7 million in the second quarter principally as a result of revenues related to the distribution of DreamWorks Animation's *Over the Hedge*. In total, DreamWorks contributed \$108.9 million of incremental revenue. In addition, international theatrical revenues benefited from the release of *Mission: Impossible III* and *Failure to Launch* in comparison to *War of the Worlds* and *Sahara* in theaters during 2005.

For the six months ended June 30, 2006, theatrical revenues increased \$208.2 million based mostly on stronger international performance. DreamWorks contributed \$151.5 million from titles including *Over the Hedge*, *She's the Man*, *Match Point*, and *Munich*. In addition, domestic theatrical releases including *Mission: Impossible III* and *Failure to Launch* performed comparably to *Longest Yard* and *Coach Carter*; however, international revenues for *Mission: Impossible III* exceeded those of the comparable *War of the Worlds* due mostly to the timing of each release as compared to quarter end.

*Ancillary revenues*

The increase in ancillary revenues of \$32.9 million and \$60.8 million for the second quarter and six months, respectively was principally driven by studio rental income as well as increased music royalties earned by Famous Music.

(in millions)	Quarter Ended June 30,			Six Months Ended June 30,		
	2006	2005	2006 vs. 2005	2006	2005	2006 vs. 2005
<b>Revenues</b>	\$ 1,123.3	\$ 704.9	59%	\$ 1,948.2	\$ 1,363.1	43%
<b>Expenses:</b>						
Operating expenses	1,012.4	661.8	53	1,675.6	1,169.0	43
Selling, general & administration	85.2	57.7	48	178.7	128.8	39
Depreciation & amortization	19.3	5.7	239	36.4	11.1	228
Total expenses	1,116.9	725.2	54	1,890.7	1,308.9	44
<b>Operating income</b>	\$ 6.4	\$ (20.3)	NM	\$ 57.5	\$ 54.2	6%

NM = not meaningful

**VIACOM INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**(continued)**

**Expenses and Operating Income**

*Operating*

Operating expenses for our Entertainment segment principally include film amortization and distribution costs. Operating expenses increased \$350.6 million for the quarter and \$506.6 million for the six months ended June 30, 2006, principally driven by increased film amortization due to increased revenues generated from both Paramount and DreamWorks product. Distribution costs increased principally as a result of print and advertising costs associated with the timing of theatrical releases and the larger slate of film product with the addition of DreamWorks and DreamWorks Animation distribution.

*Selling, general & administrative*

Selling, general and administrative costs for both the quarter and six months ended increased due to higher overhead resulting from the DreamWorks acquisition on January 31, 2006.

*Depreciation and amortization*

The increase in depreciation and amortization for both periods presented is principally attributable to the amortization of distribution rights acquired as part of the DreamWorks L.L.C. acquisition. The amortization of intangibles acquired as part of the DreamWorks L.L.C. acquisition currently is \$12.7 million per quarter.

*Operating income*

Operating income increased \$26.7 million compared to the same quarter for 2005 reflecting increases in television revenues offset by the timing of distribution expenses and higher overhead costs, principally due to the integration of DreamWorks. Depreciation and amortization increased as a result of the amortization of certain intangibles acquired in connection with the DreamWorks L.L.C. acquisition.

**LIQUIDITY AND CAPITAL RESOURCES**

Prior to the separation, Former Viacom centrally managed the cash flows generated from the Company's various businesses.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**Financial Condition**

At June 30, 2006, net debt (defined as total financing obligations less cash and cash equivalents) was \$7,348.9 million, an increase of \$1,952.1 million as compared to December 31, 2005:

(in millions)	June 30, 2006	December 31, 2005
<b>Credit facilities:</b>		
Term facility	\$ 560.0	\$ 5,405.0
\$3.25 billion revolving facility	—	—
<b>Senior notes and debentures:</b>		
Senior notes due 2009, LIBOR + 0.35%	750.0	—
Senior notes due 2011, 5.75%	1,491.3	—
Senior notes due 2016, 6.25%	1,493.6	—
Senior debentures due 2036, 6.875%	1,732.7	—
Commercial paper	1,295.9	—
Obligations under capital leases	337.5	352.9
<b>Total financing obligations</b>	<b>7,661.0</b>	<b>5,757.9</b>
Less cash and cash equivalents	312.1	361.1
<b>Net debt</b>	<b>\$ 7,348.9</b>	<b>\$ 5,396.8</b>

The following table presents a reconciliation of the movement of net debt for the six months ended June 30, 2006:

(in millions)	
Net debt, as of December 31, 2005	\$ 5,396.8
Cash provided by operating activities	(574.7)
Business combinations, net of cash acquired	914.3
Business dispositions	(675.3)
Acquired notes and preferred interest	657.4
Stock repurchases	1,549.1
Other, net	81.3
<b>Net debt, as of June 30, 2006</b>	<b>\$ 7,348.9</b>

As of June 30, 2006, we had credit facilities totaling \$3.81 billion, comprised of a \$3.25 billion revolving facility due December 2010 and a \$560 million term facility due in June 2007 (collectively, the "Credit Facilities"). The net proceeds of any offering of long-term debt securities by us must be used to prepay the term facility. To the extent the term facility has been repaid, the borrowing capacity under the facility is permanently extinguished. The Credit Facilities contain covenants which, among other things, require that we maintain a minimum interest coverage ratio. At June 30, 2006, we were in compliance with all covenants related to financing obligations.

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On June 16, 2006, we completed a private placement of \$750 million in floating rate senior notes. The senior notes are due on June 16, 2009 and bear interest at a rate per year equal to three-month LIBOR plus 0.35% to be reset quarterly. On April 12, 2006, we completed a private placement of \$4.75 billion in aggregate principal amounts of fixed rate senior notes and debentures due 2011, 2016, and 2036 that bear a fixed per annum interest rate. We utilized the net proceeds from both private placements to repay a portion of amounts previously borrowed under the term facility. At June 30, 2006 the total unamortized discount related to the fixed rate senior notes and debentures was \$32.4 million.

During the first quarter of 2006, in anticipation of the private placement offerings, we had entered into a \$2.35 billion notional amount of variable to fixed interest rate swaps to hedge the variability of cash flows attributable to changes in the benchmark interest rate. In the second quarter of 2006, upon completion of the private placement, we terminated the swaps resulting in cash proceeds to us of approximately \$88.0 million that was principally recorded as a component of other comprehensive income, net of tax. Such amount recorded in other comprehensive income will be recognized as a reduction of interest expense, net over the life of the senior notes and debentures.

*Commitments and Contingencies*

In the course of its business, we both provide and receive the benefit of indemnities that are intended to allocate certain risks associated with business transactions. Similarly, we may remain contingently liable for various obligations of a business that has been divested in the event that a third party does not live up to its obligations under an indemnification obligation

Under the terms of the DW Funding sale agreement, more fully described in *Note 3 Business Combinations and Dispositions*, Soros and Dune can require us to purchase via a put option and we can require Soros and Dune to sell their respective interest via a call obligation at the then current value of DW Funding commencing nine months prior to the fifth anniversary of the sale. To the extent the current fair value at the option closing date is insufficient to repay the related indebtedness of DW Funding, we would be required to repay certain lenders all accrued and unpaid interest and principal amounts outstanding. As of June 30, 2006, the maximum aggregate principal amount that would be payable under such provisions of the agreement is \$102.8 million. Therefore, as of June 30, 2006, the Company's maximum exposure to loss as a result of its involvement with DW Funding is the \$102.8 million previously described as well as the \$7.35 million the Company paid for its equity investment.

**Cash Flows**

At June 30, 2006, we had \$312.1 million in cash and cash equivalents a decrease from year end of \$361.1 million:

(in millions)	Six Months Ended June 30,	
	2006	2005
Cash provided by operating activities	\$ 574.7	\$ 683.6
Cash used for investing activities	(314.8)	(239.4)
Cash used for financing activities	(315.7)	(472.5)
Effect of exchange rate changes	6.8	(5.1)
Decrease in cash and cash equivalents	\$ (49.0)	\$ (33.4)

**VIACOM INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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*Operating activities*

Cash provided by operating activities decreased by \$108.9 million as compared to the six months ended June 30, 2005. The decrease was principally driven by higher investments in film, substantially driven by DreamWorks, and Cable Networks programming as well as higher cash interest payments, partially offset by lower cash tax payments.

*Investing activities*

Net cash utilized for investing activities increased \$75.4 million as compared to the comparable 2005 period due to the acquisition of DreamWorks and Xfire, partially offset by the sale of the live-action library in the second quarter.

*Financing activities*

For the six months ended June 30, 2006, we utilized the \$5.47 billion of net proceeds from two private placements of debt securities to repay a significant portion of amounts previously outstanding under our credit facilities. For the six months ended, we borrowed a net \$1.89 billion, the proceeds of which was primarily utilized for acquisitions, principally DreamWorks, and the purchase of treasury stock.

**Stock Repurchase Program**

We have in place a \$3.0 billion share repurchase program under which we commenced repurchases on January 3, 2006. In addition, we have entered into an agreement with NAI and NAIRI (the "NAIRI Agreement") pursuant to which we have agreed to buy, and NAI and NAIRI have agreed to sell, a number of shares of Viacom Class B Common Stock each month such that the ownership percentage of Viacom Class A Common Stock and Class B Common Stock (considered as a single class) held by NAI and/or NAIRI would not increase as a result of Viacom's purchase of shares under our stock repurchase program. Through August 2, 2006, the Company had acquired 44.3 million shares for total purchase price of \$1.74 billion.

**Special Dividend to Former Viacom**

In accordance with the terms of the Separation Agreement between CBS Corporation and us, on December 29, 2005, we paid a preliminary special dividend of \$5.4 billion, subject to certain adjustments. On March 14, 2006, CBS Corporation provided an initial statement that the dividend should be increased by a net amount of approximately \$460 million. On April 28, 2006, we served CBS Corporation with a notice of disagreement. Based on an assessment of the amount and underlying components of the proposed additional dividend payment we recorded an amount payable as of March 31, 2006 and subsequently paid \$170.2 million to CBS Corporation on May 5, 2006. Under the Separation Agreement, after an opportunity for the parties to negotiate resolution of differences, any disputed amounts are subject to arbitration. Any further adjustment to the special dividend will be reflected as an adjustment to *Additional paid-in-capital*.

**Source and Use of Funds**

We believe that our operating cash flows, cash and cash equivalents, borrowing capacity under committed bank facilities and future access to capital markets will be sufficient to fund our operating needs, including commitments, contingencies, capital and investing commitments, and our financing requirements. The

**VIACOM INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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funding for our commitments to purchase programming rights, film operations, and talent contracts will come primarily from cash flow from operations.

We project anticipated cash requirements, which include capital expenditures, share repurchases, acquisitions, and payments on our indebtedness, principally to be financed from cash flows generated from operating activities. Any future net cash funding requirements are expected to be financed with short term borrowings and long-term debt.

We anticipate that future debt maturities will be funded with cash and cash equivalents, cash flows generated from operating activities and future access to capital markets. There can be no assurance that we will be able to access capital markets on terms and conditions that will be acceptable to us. There are no provisions in any of our material financing agreements that would cause an acceleration of the obligation in the event of a downgrade in the Company's debt ratings.

## **OTHER MATTERS**

### **Accounting Policies and Estimates**

Due to the adoption of FAS 123R we provide the following update to the related accounting policies described in our 2005 Annual Report:

FAS 123R requires a company to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The fair value received is recognized over the period during which an employee is required to provide service. For all option fair value calculations, the Company utilizes the Black-Scholes option pricing model. Option pricing models require the use of subjective assumptions based on historical evidence and management's judgment. Changes in these assumptions can materially affect the fair value of an option grant. The assumptions utilized reflect the Company's best estimates at the time of each stock option grant; however, they involve inherent uncertainties based on market conditions generally not within the control of management. As a result, if other assumptions were utilized, stock-based compensation cost could be materially different. For additional information, see *Note 9 Stock Based Compensation*.

### **Related Party Transactions**

The Company, in the normal course of business, enters into transactions with related parties, including companies owned by or affiliated with CBS Corporation. For additional information, see *Note 8 Related Party Transactions*.

## CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q, including "Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition," contains both historical and forward-looking statements. All statements which are not 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 our current expectations concerning future results and events. 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 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 that are difficult to predict and which may cause the actual results, performance or achievements of the Company to be different from any future results, performance and achievements expressed or implied by these statements. These risks, uncertainties and other factors include, among others: advertising market conditions in cable programming markets and, in particular, for advertisements targeting demographics served by our programming services; the public acceptance of our movies, cable television and other programming; competition for advertising dollars from search and other internet and wireless-based services; the potential for further weakness in international advertising markets; the successful integration of DreamWorks and Paramount's transition to a new distribution infrastructure in international theatrical and worldwide television markets; changes in technology and its effect on competition in our markets; our ability to successfully launch its programming services to new distribution platforms; changes in the Federal communications laws and regulations applicable to cable operations including the possibility of mandatory a la carte programming; the impact of piracy on our products; the impact of increased scale in parties involved in the distribution of our products to consumers; other domestic and global economic, business, competitive and/or regulatory factors affecting our businesses generally; and other factors described in Viacom's filings made under the securities laws, including, among others, those set forth under "Risk Factors" and "Cautionary Statement Concerning Forward-Looking Statements" in our Annual Report on Form 10-K for the year ended December 31, 2005 and our Quarterly Report for the quarter ended March 31, 2006. There may be additional risks, uncertainties and factors that the Company does not currently view as material or that are not necessarily known. The forward-looking statements included in this document are made only as of the date of this document and the Company does not have any obligation to publicly update any forward-looking statements to reflect subsequent events or circumstances.

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

We are exposed to the impact of interest rate changes, foreign currency fluctuations and changes in the market value of investments. In the normal course of business, we may employ established and prudent policies and procedures to manage our exposure principally to changes in interest rates and foreign exchange risks. The objective of such policies and procedures is to manage exposure thereby limiting the volatility on earnings and cash flows. We do not enter into financial instrument transactions for speculative purposes.

For the quarter ended March 31, 2006, we had entered into \$2.35 billion notional amount of variable to fixed interest rate swaps to hedge the variability of cash flows attributable to changes in the benchmark interest rate. In the second quarter, we terminated the swaps resulting in cash proceeds to us of approximately \$88.0 million. The majority of the proceeds will be recognized as a reduction of interest expense, net over the life of the senior notes and debentures.

**Item 4. Controls and Procedures.**

Our chief executive officer and chief financial officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act")) were effective, based on the evaluation of these controls and procedures required by Rule 13a-15(b) of the Exchange Act.

We became a new registrant on November 28, 2005 and were separated from Former Viacom on December 31, 2005. No change in our internal control over financial reporting occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. However, as a result of the separation, modifications to internal controls have occurred and will continue to occur as we evaluate the optimal design of our internal controls as a separate public company.

**Item 1. Legal Proceedings.**

Since our 2005 Annual Report, there have been no material developments in the material legal proceedings in which we are involved. For a discussion of those legal proceedings, see *Note 13 Commitments and Contingencies* to the Consolidated Financial Statements included elsewhere in this report.

**Item 1A. Risk Factors.**

A wide range of risks may affect our business and financial results, now and in the future; however, we consider the risks described in our 2005 Annual Report, as updated by our quarterly report on Form 10-Q for the quarterly period ended March 31, 2006, filed with the SEC on May 12, 2006, to be the most significant. There may be other currently unknown or unpredictable economic, business, competitive, regulatory or other factors that could have material adverse effects on our future results.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

The Company has in place a \$3.0 billion share repurchase program under which it commenced repurchases on January 3, 2006. In addition, Viacom has entered into an agreement with NAI and NAIRI (the "NAIRI Agreement") pursuant to which Viacom has agreed to buy, and NAI and NAIRI have agreed to sell, a number of shares of Viacom Class B Common Stock each month such that the ownership percentage of Viacom Class A Common Stock and Class B Common Stock (considered as a single class) held by NAI and/or NAIRI would not increase as a result of Viacom's purchase of shares under the stock repurchase program. The following table provides information about Company purchases of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act during the quarter ended June 30, 2006:

	Number of Shares Repurchased	Average Price Paid per Share	Remaining Availability Under Program
	<i>(thousands)</i>	<i>(dollars)</i>	<i>(millions)</i>
As of March 31, 2006	\$ 23,791.6	\$ 41.26	\$ 2,017.6
Month ended April 30, 2006:			
Open market	4,750.0	38.91	1,832.6
NAIRI	618.5	38.98	1,808.5
Month ended May 31, 2006:			
Open market	4,250.0	38.03	1,646.7
NAIRI	553.3	38.02	1,625.6
Month ended June 30, 2006:			
Open market	5,500.0	36.63	1,423.9
NAIRI	716.0	36.63	1,397.7
<b>Total as of June 30, 2006</b>	<b>\$ 40,179.4</b>	<b>\$ 39.84</b>	<b>\$ 1,397.7</b>

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

The Annual Meeting of the Stockholders of Viacom Inc. was held on May 24, 2006. The following matters were voted on at the meeting: (i) the election of 12 directors and (ii) the ratification of the appointment of PricewaterhouseCoopers LLP to serve as the independent auditor for Viacom for fiscal year 2006.

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

Name	Number of Votes Cast For	Number of Votes Withheld
George S. Abrams	61,766,000	269,000
Philippe P. Dauman	61,813,616	221,384
Thomas E. Dooley	61,818,800	216,200
Thomas E. Freston	61,872,427	162,573
Ellen V. Futter	61,905,628	129,373
Alan C. Greenberg	61,875,600	159,400
Robert K. Kraft	61,886,615	148,385
Charles Phillips, Jr.	61,886,806	148,194
Shari Redstone	61,777,891	257,110
Sumner M. Redstone	61,776,888	258,112
Frederic V. Salerno	61,794,662	240,338
William Schwartz	61,818,629	240,338

- (ii) The votes cast for, against or abstaining with respect to the ratification of the appointment of PricewaterhouseCoopers LLP to serve as the independent registered public accounting firm for Viacom Inc. for fiscal 2006 were as follows:

For	Against	Abstentions
61,948,610	46,232	40,158

## EXHIBIT INDEX

Exhibit No.	Description of Exhibit
4.1	Indenture dated as of April 12, 2006 between Viacom Inc. and The Bank of New York, trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Viacom Inc. filed April 17, 2006) (File No. 001-32686).
4.2	First Supplemental Indenture dated as of April 12, 2006 between Viacom Inc. and The Bank of New York, trustee (including forms of Senior Notes and Debentures) (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K of Viacom Inc. filed April 17, 2006) (File No. 001-32686).
4.3	Registration Rights Agreement dated as of April 12, 2006 among Viacom Inc. and Banc of America Securities LLC, Citigroup Global Markets Inc. and J.P. Morgan Securities Inc., on behalf of themselves and the other initial purchasers named therein (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K of Viacom Inc. filed April 17, 2006) (File No. 001-32686).
4.4	The instruments defining the rights of holders of the long-term debt securities of Viacom Inc. issued on June 16, 2006 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.
10.1*	Form of Viacom Inc. 2006 Long-Term Management Incentive Plan Award Confirmation Sheet and Terms and Conditions.
10.2*	Form of Viacom Inc. 2006 Long-Term Management Incentive Plan Award with Performance Conditions Confirmation Sheet and Terms and Conditions.
10.3*	Form of Viacom Inc. 2006 Long-Term Management Incentive Plan Award for Section 16 Officers Confirmation Sheet and Terms and Conditions.
10.4*	Form of Viacom Inc. 2006 Long-Term Management Incentive Plan Share the Vision Award Confirmation Sheet and Terms and Conditions.
31.1*	Certification of the Chief Executive Officer of Viacom Inc. pursuant to Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer of Viacom Inc. pursuant to Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of the Chief Executive Officer of Viacom Inc. furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of the Chief Financial Officer of Viacom Inc. furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

\* Filed herewith.

**SIGNATURES**

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

**VIACOM INC.**

Date: August 9, 2006

By: /s/ MICHAEL J. DOLAN

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Michael J. Dolan  
*Executive Vice President and  
Chief Financial Officer*

Date: August 9, 2006

By: /s/ JACQUES S. TORTOROLI

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Jacques S. Tortoroli  
*Senior Vice President,  
Controller and Chief Accounting Officer*

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31.2*	Certification of the Chief Financial Officer of Viacom Inc. pursuant to Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of the Chief Executive Officer of Viacom Inc. furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of the Chief Financial Officer of Viacom Inc. furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

\* Filed herewith.

## QuickLinks

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**2006 LTMIP AWARD  
CONFIRMATION SHEET**

Name:

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Congratulations! On May 24, 2006, you were granted an award under the Viacom Inc. 2006 Long-Term Management Incentive Plan (the "LTMIP").

Your award consists of a combination of stock options and restricted share units ("RSUs"). The number of shares of Viacom Inc. Class B common stock, par value \$0.001 ("Class B Common Stock"), subject to your award is specified below:

**Stock Option Award**  
**Number of Shares**

**RSU Award**  
**Number of Shares**

The stock options and RSUs granted to you under this award vest in four equal installments of 25% on each of May 24, 2007, May 24, 2008, May 24, 2009 and May 24, 2010 (i.e., the first, second, third and fourth anniversary of the date the award was granted to you).

The exercise price of the stock options is \$36.78 per share, the closing price of the Class B Common Stock on the New York Stock Exchange ("NYSE") on May 24, 2006 (i.e., the date the stock options were granted to you). The stock options granted to you under this award expire on May 24, 2014.

After your stock options vest but before they expire, you may exercise them on any NYSE trading day, subject to the terms and conditions (including any forfeiture and early expiration provisions) specified in the LTMIP and any other documents relating to your award, and subject to company policies that require preclearance of trading activity and, for certain individuals, trading within specified window periods.

Once the RSUs granted to you vest, all restrictions pertaining to such RSUs will lapse and the RSUs will become payable to you in shares of Class B Common Stock. If you leave the company for any reason before your RSUs vest, you will generally forfeit all unvested RSUs as specified in the LTMIP and other documents relating to your award.

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**Viacom Inc.**  
**2006 Long-Term Management Incentive Plan**  
**Terms and Conditions to the Stock Option Certificate**

**ARTICLE I**  
**TERMS OF STOCK OPTIONS**

Section 1.1 Grant of Stock Options. The Stock Options have been awarded to the Participant subject to the terms and conditions contained in (A) the confirmation for the May 24, 2006 grant of Stock Options provided to the Participant (the "Stock Option Certificate") and the Terms and Conditions contained herein (collectively, the "Certificate") and (B) the Plan, the terms of which are hereby incorporated by reference. A copy of the Plan is being provided simultaneously on-line or attached hereto. Capitalized terms that are not otherwise defined herein have the meanings assigned to them in the Stock Option Certificate or the Plan. The Stock Options are not intended to be, or qualify as, "Incentive Stock Options" within the meaning of Section 422 of the Code.

Section 1.2 Terms of Stock Options.

(a) Vesting. The Stock Options shall be exercisable only to the extent the Participant is vested therein. Subject to the other terms and conditions contained in the Certificate and in the Plan, the Stock Options shall vest in four installments of an equal whole number of Stock Options on each of the first, second, third and fourth anniversary of the Date of Grant (any remaining Stock Options shall vest on whichever of the preceding vesting dates shall be determined by the Company in accordance with its customary procedures).

(b) Option Period. Except as provided in Section 1.2(c) hereof, the period during which the Stock Options may be exercised shall expire on the eighth anniversary of the Date of Grant (the "Expiration Date"). If the Participant remains employed by the Company or any of its Subsidiaries through the Expiration Date, his or her Outstanding Stock Options may be exercised to the extent exercisable until the close of trading (generally 4:00 p.m. New York time) on the last trading day falling within the exercise period on the New York Stock Exchange or, if different, the principal stock exchange on which the Class B Common Stock is then listed. Thus, if the Expiration Date is not a trading day, then the last day the Stock Options may be exercised is the last trading day preceding the Expiration Date.

(c) Exercise in the Event of Termination of Employment, Retirement, Permanent Disability or Death.

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(i) Termination other than for Cause, or due to Retirement, Permanent Disability or Death. Except as otherwise provided in this Section 1.2 or as otherwise determined by the Committee (including in any applicable employment agreement), in the event of the Participant's termination of employment other than a Termination for Cause or due to the Participant's Retirement, Permanent Disability or death, the Participant's Outstanding Stock Options can be exercised in accordance with the following provisions:

(A) if the Participant ceases to be an employee of the Company or any of its Subsidiaries by reason of the voluntary termination by the Participant or the termination by the Company or any of its Subsidiaries other than a Termination for Cause, his or her Outstanding Stock Options may be exercised to the extent then exercisable until the earlier of six months after the date of such termination or the Expiration Date;

(B) if the Participant ceases to be an employee of the Company or any of its Subsidiaries by reason of the Participant's Retirement, the Participant may exercise his or her Outstanding Stock Options to the extent exercisable on the date of Retirement until the earlier of the third anniversary of such date or the Expiration Date;

(C) if a Permanent Disability of the Participant occurs, his or her Outstanding Stock Options may be exercised to the extent exercisable upon the date of the onset of such Permanent Disability until the earlier of the third anniversary of such date or the Expiration Date; and

(D) if the Participant dies during a period during which his or her Stock Options could have been exercised by him or her, his or her Outstanding Stock Options may be exercised to the extent exercisable at the date of death by the person who acquired the right to exercise such Stock Options by will or the laws of descent and distribution or permitted transfer until the earlier of the second anniversary of the date of death or the Expiration Date.

Except as otherwise provided in this Section 1.2 or as otherwise determined by the Committee, upon the occurrence of an event described in clauses (A), (B), (C) or (D) of this Section 1.2(c)(i), all rights with respect to Stock Options that are not vested as of such event will be relinquished. A "termination of employment" occurs, for purposes of the Stock Options, when a Participant is no longer an employee of the Company or any of its Subsidiaries. Unless the Committee determines otherwise, the employment of a Participant who works for a Subsidiary shall terminate, for purposes of the Stock Options, on the date on which the Participant's employing company ceases to be a Subsidiary.

(ii) Termination for Cause. If the Participant's employment with the Company or any of its Subsidiaries ends due to a Termination for Cause then,

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unless the Committee in its discretion determines otherwise, all Outstanding Stock Options, whether or not then vested, shall terminate effective as of the date of such termination.

(iii) Exercise Periods following Termination of Employment, Retirement, Permanent Disability or Death. For the purposes of determining the dates on which Stock Options may be exercised following a termination of employment or Retirement, Permanent Disability or death, the day following the date of termination of employment or Retirement, Permanent Disability or death shall be the first day of the exercise period and the Stock Options may be exercised until the close of trading (generally 4:00 p.m. New York time) on the last trading day falling within the exercise period on the New York Stock Exchange or, if different, the principal stock exchange on which the Class B Common Stock is then listed. Thus, if the last day of the exercise period is not a trading day, then the last date the Stock Options may be exercised is the last trading day preceding the end of the exercise period.

### Section 1.3 Exercise of Stock Options.

(a) Whole or Partial Exercise. The Participant may exercise all vested Outstanding Stock Options granted hereunder in whole at one time or in part in increments of 100 Stock Options (or in the entire number of Outstanding Stock Options in which the Participant is vested, if such number is less than 100) by notice to the Director, Global Equity Services, Viacom Inc., 1515 Broadway, New York, New York 10036, or to such agent(s) for the Company ("Agent") as the Company may from time to time specify, in such manner and at such address as may be specified from time to time by the Company. Such notice shall (i) state the number of whole Stock Options being exercised, and (ii) be signed (or otherwise authorized in a manner acceptable to the Company) by the person or persons so exercising the Stock Options and, in the event the Stock Options are being exercised (pursuant to Section 1.2(c)(i) hereof) by any person or persons other than the Participant accompanied by proof satisfactory to the Company's counsel of the right of such person or persons to exercise the Stock Options. Information concerning any Agent and its address may be obtained by contacting the Director, Global Equity Services.

(b) Payment of Aggregate Option Price. Full payment of the aggregate Exercise Price (which shall be determined by multiplying the number of Stock Options being exercised by the Exercise Price as set forth on the Stock Option Certificate) shall be made on or before the settlement date for the shares of Class B Common Stock issued pursuant to the exercise of the Stock Options. Unless otherwise provided by the Company, such Exercise Price shall be paid in cash (e.g. personal bank check, certified check or official bank check). In accordance with the rules and procedures established by the Committee for this purpose, the Stock Options may be exercised through a "cashless exercise" procedure, approved by the Committee, involving a broker or dealer, that affords the Participant the opportunity to sell immediately some or all of the shares underlying the exercised portion of the Stock Options in order to generate sufficient cash to pay the

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Exercise Price of the Stock Options. In addition, if the Company so permits, the Exercise Price may be paid in whole or in part using a net share settlement procedure or through the withholding of shares subject to the Stock Options with a value equal to the Exercise Price. In accordance with Section 4.3 hereof, the Participant shall make an arrangement acceptable to the Company to pay to the Company an amount sufficient to satisfy the combined federal, state, local or other withholding tax obligations which arise in connection with the exercise of such Stock Options.

(c) Outstanding Stock Options. The number of shares of Class B Common Stock subject to the Stock Options that is set forth on the Stock Option Certificate may not reflect the number of Outstanding Stock Options due to Stock Option exercises or adjustments pursuant to Article II.

## **ARTICLE II EFFECT OF CERTAIN CORPORATE CHANGES**

In the event of a merger, consolidation, stock split, reverse stock split, dividend, distribution, combination, reclassification, reorganization, split-up, spin-off or recapitalization that changes the character or amount of the Class B Common Stock or any other changes in the corporate structure, equity securities or capital structure of the Company, the Committee shall make such adjustments, if any, to the number of shares and kind of securities subject to the Stock Options, and the Exercise Price of the Stock Options, in each case, as it deems appropriate. The Committee may, in its sole discretion, also make such other adjustments as it deems appropriate in order to preserve the benefits or potential benefits intended to be made available hereunder. Such determinations by the Committee shall be conclusive and binding on all persons for all purposes.

## **ARTICLE III DEFINITIONS**

As used herein, the following terms shall have the following meanings:

- (a) "Board" shall mean the Board of Directors of the Company.
  - (b) "Certificate" shall mean the Stock Option Certificate, together with the Terms and Conditions contained herein.
  - (c) "Class B Common Stock" shall mean shares of Class B Common Stock, par value \$0.001 per share, of the Company.
  - (d) "Code" shall mean the U.S. Internal Revenue Code of 1986, as amended, including any successor law thereto and the rules and regulations promulgated thereunder.
  - (e) "Committee" shall mean the Compensation Committee of the Board (or such other Committee(s) as may be appointed or designated by the Board to administer
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the Plan).

(f) "Company" shall mean Viacom Inc., a Delaware corporation.

(g) "Date of Grant" shall be the date set forth on the Stock Option Certificate.

(h) "Expiration Date" shall be the date set forth on the Stock Option Certificate and in Section 1.2(b) hereof.

(i) "Exercise Price" shall be the amount set forth on the Stock Option Certificate, which amount shall be equal to the Fair Market Value of a share of Class B Common Stock on the Date of Grant.

(j) "Fair Market Value" of a share of Class B Common Stock on a given date shall be the 4:00 p.m. (New York time) closing price on such date on the New York Stock Exchange or other principal stock exchange on which the Class B Common Stock is then listed, as reported by The Wall Street Journal (Northeast edition) or as reported by any other authoritative source selected by the Company.

(k) "Outstanding Stock Option" shall mean a Stock Option granted to the Participant which has not yet been exercised and which has not yet expired or been terminated in accordance with its terms.

(l) "Participant" shall mean the employee named on the Stock Option Certificate.

(m) "Permanent Disability" shall have the same meaning as such term or a similar term has in the long-term disability policy maintained by the Company or a Subsidiary thereof for the Participant and that is in effect on the date of the onset of the Participant's Permanent Disability, unless the Committee determines otherwise.

(n) "Plan" shall mean the Viacom Inc. 2006 Long-Term Management Incentive Plan, as amended from time to time.

(o) "Retirement" shall mean the resignation or termination of employment after attainment of an age and years of service required for payment of an immediate pension pursuant to the terms of any qualified defined benefit retirement plan maintained by the Company or a Subsidiary in which the Participant participates; provided, however, that no resignation or termination prior to a Participant's 60th birthday shall be deemed a retirement unless the Committee so determines in its sole discretion; and provided further that the resignation or termination of employment other than a Termination for Cause after attainment of age 60 shall be deemed a retirement if the Participant does not participate in a qualified defined benefit retirement plan maintained by the Company or a Subsidiary.

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(p) "Section 409A" shall mean Section 409A of the Code and the rules, regulations and guidance promulgated thereunder from time to time.

(q) "Stock Option" shall mean the contractual right granted to the Participant to purchase shares of Class B Common Stock at such time and price, and subject to such other terms and conditions, as set forth in the Certificate and the Plan.

(r) "Stock Option Certificate" shall have the meaning set forth in Section 1.1 hereof.

(s) "Subsidiary" shall mean a corporation (or a partnership or other enterprise) in which the Company owns or controls, directly or indirectly, more than 50% of the outstanding shares of stock normally entitled to vote for the election of directors (or comparable equity participation and voting power).

(t) "Termination for Cause" shall mean a termination of employment with the Company or any of its Subsidiaries which, as determined by the Committee, is by reason of (i) "cause" as such term or a similar term is defined in any employment agreement that is in effect and applicable to the Participant, or (ii) if there is no such employment agreement or if such employment agreement contains no such term, unless the Committee determines otherwise, the Participant's: (A) dishonesty; (B) conviction of embezzlement, fraud or other conduct which would constitute a felony; (C) willful unauthorized disclosure of confidential information; (D) failure, neglect of or refusal to substantially perform the duties of the Participant's employment; or (E) any other act or omission which is a material breach of the Company's policies regarding employment practices or the applicable federal, state and local laws prohibiting discrimination or which is materially injurious to the financial condition or business reputation of the Company or any Subsidiary thereof.

#### **ARTICLE IV MISCELLANEOUS**

Section 4.1 No Rights to Awards or Continued Employment. Neither the Certificate, the Plan nor any action taken in accordance with such documents shall confer upon the Participant any right to be employed by or to continue in the employment of the Company or any Subsidiary, nor to be entitled to any remuneration or benefits not set forth in the Plan or the Certificate, including the right to receive any future awards under the Plan or any other plan of the Company or any Subsidiary or interfere with or limit the right of the Company or any Subsidiary to modify the terms of or terminate the Participant's employment at any time for any reason.

Section 4.2 Restriction on Transfer. The rights of the Participant with respect to the Stock Options shall be exercisable during the Participant's lifetime only by the Participant and shall not be transferable by the Participant to whom the Stock Options are granted, except by will or the laws of descent and distribution; provided that the Committee may permit other transferability, subject to any conditions and limitations that

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it may, in its sole discretion, impose.

Section 4.3 Taxes. As a condition to the exercise of the Stock Options, the Participant shall make a payment in cash equal to the amount of any federal, state, local and/or other taxes owed as a result of such exercise. In accordance with the rules and procedures established by the Committee for this purpose, the Participant may satisfy such withholding obligations through a "cashless exercise" procedure as described in Section 1.3(b). In addition, if the Company so permits, the Participant may satisfy such withholding obligations through a net share settlement procedure or the withholding of shares subject to the applicable Stock Options.

Section 4.4 Stockholder Rights. The grant of Stock Options under the Certificate shall not entitle the Participant or a Participant's estate or any permitted transferee to any rights of a holder of shares of Class B Common Stock, other than when and until the Participant, the Participant's estate or the permitted transferee is registered on the books and records of the Company as a stockholder and shares are delivered to such party upon exercise of the Stock Options.

Section 4.5 No Restriction on Right of Company to Effect Corporate Changes. Neither the Plan nor the Certificate shall affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Class B Common Stock or the rights thereof or which are convertible into or exchangeable for Class B Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

Section 4.6 Section 409A. If any provision of the Certificate contravenes any regulations or Treasury guidance promulgated under Section 409A or could cause the Participant to recognize income for federal income tax purposes with respect to any Stock Options before such Stock Options are exercised or to be subject to interest and penalties under Section 409A, such provision of the Certificate shall be modified to maintain, to the maximum extent practicable, the original intent of the applicable provision without violating the provisions of Section 409A or causing such income recognition or imposition of interest or penalties. Moreover, any discretionary authority that the Board or the Committee may have pursuant to the Certificate shall not be applicable to Stock Options that are subject to Section 409A to the extent such discretionary authority will contravene Section 409A.

Section 4.7 Amendment. The Committee shall have broad authority to amend the Certificate without approval of the Participant to the extent necessary or desirable (i) to comply with, or take into account changes in, applicable tax laws, securities laws, accounting rules and other applicable laws, rules and regulations or (ii) to ensure that the

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Participant does not recognize income for federal income tax purposes with respect to any Stock Options before such Stock Options are exercised and is not subject to interest and penalties under Section 409A with respect to any Stock Options.

Section 4.8 Interpretation. In the event of any conflict between the provisions of the Certificate (including the definitions set forth herein) and those of the Plan, the provisions of the Plan will control. Additionally, in the event of a conflict or ambiguity between the provisions of the Certificate and the provisions of any employment agreement that is in effect and applicable to the Participant with respect to the Stock Options, the provisions of such employment agreement shall be deemed controlling to the extent such provisions are consistent with the provisions of the Plan and are more favorable to the Participant than the provisions of the Certificate.

Section 4.9 Breach of Covenants. In the event that the Committee makes a good faith determination that the Participant committed a material breach of the restrictive covenants relating to non-competition, no solicitation of employees, confidential information or proprietary property in any employment or other agreement applicable to the Participant during the one year period after termination of the Participant's employment with the Company or a Subsidiary for any reason, the Participant will be required to return any "gain" (as defined below) realized on the Stock Options during the one year period prior to such breach or at any time after such breach occurs. In addition, if the Committee makes such determination, the Participant's Outstanding Stock Options will be terminated. The "gain" on the Stock Options shall mean the difference between the Fair Market Value on the date of exercise and the Exercise Price.

Section 4.10 Governmental Regulations. The Stock Options shall be subject to all applicable rules and regulations of governmental or other authorities.

Section 4.11 Headings. The headings of articles and sections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of the Certificate.

Section 4.12 Governing Law. The Certificate and all rights hereunder shall be construed in accordance with and governed by the laws of the State of Delaware.

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**Viacom Inc.**  
**2006 Long-Term Management Incentive Plan**  
**Terms and Conditions to the Restricted Share Units with Time Vesting Certificate**

**ARTICLE I**  
**TERMS OF RESTRICTED SHARE UNITS**

Section 1.1 Grant of Restricted Share Units with Time Vesting. The Restricted Share Units with Time Vesting (the "Restricted Share Units") have been awarded to the Participant subject to the terms and conditions contained in (A) the confirmation for the May 24, 2006 grant of Restricted Share Units provided to the Participant (the "Restricted Share Units Certificate") and the Terms and Conditions contained herein (collectively, the "Certificate") and (B) the Plan, the terms of which are hereby incorporated by reference. A copy of the Plan is being provided simultaneously on-line or attached hereto. Capitalized terms that are not otherwise defined herein have the meanings assigned to them in the Restricted Share Units Certificate or the Plan. Each Restricted Share Unit shall entitle the Participant to receive one share of Class B Common Stock, subject to the terms and conditions set forth in the Certificate and the Plan.

Section 1.2 Terms of Restricted Share Units.

(a) Vesting. Subject to the other terms and conditions contained in the Certificate and in the Plan, the Restricted Share Units shall vest in four installments of an equal whole number of Restricted Share Units on each of the first, second, third and fourth anniversary of the Date of Grant.

(b) Settlement. On the date each portion of the Restricted Share Units vest, all restrictions contained in the Certificate and in the Plan shall lapse as to that portion of the Restricted Share Units and that portion of the vested Restricted Share Units shall be payable in shares of Class B Common Stock, which may be evidenced in such manner as the Committee in its discretion shall deem appropriate, including, without limitation, book-entry registration. Settlement of vested Restricted Share Units shall be made as soon as practicable after the vesting dates. Such shares of Class B Common Stock shall bear such legends as the Committee, in its sole discretion, may determine to be necessary or advisable in order to comply with applicable U.S. federal or state securities laws. If permitted by the Committee, the Participant may elect to defer settlement of the Restricted Share Units in accordance with procedures established by the Committee from time to time.

(c) Dividend Equivalents. Dividend Equivalents shall accrue on the Restricted Share Units until the Restricted Share Units are settled. The Company shall credit the accrual of the Dividend Equivalents to the Participant's account at such time and in such manner as determined by the Committee, in its sole discretion. The Company shall maintain a bookkeeping record with respect to the amount of the Dividend Equivalents credited to the Participant's account. Accrued Dividend Equivalents that have been credited to the Participant's account shall be paid in cash through payroll when the Restricted Share Units are settled. Accrued Dividend Equivalents that

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have been credited to the Participant's account will not be paid with respect to any Restricted Share Units that do not vest and are cancelled.

(d) Termination of Employment, Retirement, Permanent Disability or Death. In the event that (i) the Participant's employment with the Company or any of its Subsidiaries ends by reason of voluntary termination by the Participant, termination by the Company or any of its Subsidiaries other than a Termination for Cause, termination by the Company or any of its Subsidiaries due to a Termination for Cause or the Participant's Retirement, or (ii) the Participant's Permanent Disability or death occurs, prior to the date or dates on which the Restricted Share Units vest in accordance with Section 1.2(a) hereof, the Participant shall forfeit all unvested Restricted Share Units as of the date of such event, unless the Committee determines otherwise and provides that some or all of such Participant's unvested Restricted Share Units shall vest as of the date of such event, in which case, shares of Class B Common Stock shall be delivered in accordance with Section 1.2(b) hereof, to the Participant or, in the case of the Participant's death, to the person or persons who acquired the right to receive such certificates by will or the laws of descent and distribution. A "termination of employment" occurs, for purposes of the Restricted Share Units, when a Participant is no longer an employee of the Company or any of its Subsidiaries. Unless the Committee determines otherwise, the employment of a Participant who works for a Subsidiary shall terminate, for purposes of the Restricted Share Units, on the date on which the Participant's employing company ceases to be a Subsidiary.

## **ARTICLE II EFFECT OF CERTAIN CORPORATE CHANGES**

In the event of a merger, consolidation, stock split, reverse stock split, dividend, distribution, combination, reclassification, reorganization, split-up, spin-off or recapitalization that changes the character or amount of the Class B Common Stock or any other changes in the corporate structure, equity securities or capital structure of the Company, the Committee shall make such adjustments, if any, to the number and kind of securities subject to the Restricted Share Units, as it deems appropriate. The Committee may, in its sole discretion, also make such other adjustments as it deems appropriate in order to preserve the benefits or potential benefits intended to be made available hereunder. Such determinations by the Committee shall be conclusive and binding on all persons for all purposes.

## **ARTICLE III DEFINITIONS**

As used herein, the following terms shall have the following meanings:

- (a) "Board" shall mean the Board of Directors of the Company.
- (b) "Certificate" shall mean the Restricted Share Units Certificate, together with the Terms and Conditions contained herein.
- (c) "Class B Common Stock" shall mean shares of Class B Common Stock, par value \$0.001 per share, of the Company.

(d) "Code" shall mean the U.S. Internal Revenue Code of 1986, as amended, including any successor law thereto and the rules and regulations promulgated thereunder.

(e) "Committee" shall mean the Compensation Committee of the Board (or such other Committee(s) as may be appointed or designated by the Board to administer the Plan).

(f) "Company" shall mean Viacom Inc., a Delaware corporation.

(g) "Date of Grant" shall be the date set forth on the Restricted Share Units Certificate.

(h) "Dividend Equivalent" shall mean an amount in cash equal to the regular cash dividend that would have been paid on the number of shares of Class B Common Stock underlying the Restricted Share Units.

(i) "Fair Market Value" of a share of Class B Common Stock on a given date shall be the 4:00 p.m. (New York time) closing price on such date on the New York Stock Exchange or other principal stock exchange on which the Class B Common Stock is then listed, as reported by The Wall Street Journal (Northeast edition) or as reported by any other authoritative source selected by the Company.

(j) "Participant" shall mean the employee named on the Restricted Share Units Certificate.

(k) "Permanent Disability" shall have the same meaning as such term or a similar term has in the long-term disability policy maintained by the Company or a Subsidiary thereof for the Participant and that is in effect on the date of the onset of the Participant's Permanent Disability unless the Committee determines otherwise.

(l) "Plan" shall mean the Viacom Inc. 2006 Long-Term Management Incentive Plan, as amended from time to time.

(m) "Restricted Share Units" shall mean the contractual right granted to the Participant to receive shares of Class B Common Stock, subject to the terms and conditions set forth in the Certificate and the Plan.

(n) "Restricted Share Units Certificate" shall have the meaning set forth in Section 1.1 hereof.

(o) "Retirement" shall mean the resignation or termination of employment after attainment of an age and years of service required for payment of an immediate pension pursuant to the terms of any qualified defined benefit retirement plan maintained by the Company or a Subsidiary in which the Participant participates; provided, however, that no resignation or termination prior to a Participant's 60th birthday shall be deemed a retirement unless the Committee so determines in its sole discretion; and provided further that the resignation or termination of employment other than a Termination for Cause after attainment of age 60 shall be deemed a retirement if the Participant does not participate in a qualified defined benefit retirement plan maintained by the Company or a Subsidiary.

(p) "Section 409A" shall mean Section 409A of the Code and the rules, regulations and guidance promulgated thereunder from time to time.

(q) "Subsidiary" shall mean a corporation (or a partnership or other enterprise) in which the Company owns or controls, directly or indirectly, more than 50% of the outstanding shares of stock normally entitled to vote for the election of directors (or comparable equity participation and voting power).

(r) "Termination for Cause" shall mean a termination of employment with the Company or any of its Subsidiaries which, as determined by the Committee, is by reason of (i) "cause" as such term or a similar term is defined in any employment agreement that is in effect and applicable to the Participant, or (ii) if there is no such employment agreement or if such employment agreement contains no such term, unless the Committee determines otherwise, the Participant's: (A) dishonesty; (B) conviction of embezzlement, fraud or other conduct which would constitute a felony; (C) willful unauthorized disclosure of confidential information; (D) failure, neglect of or refusal to substantially perform the duties of the Participant's employment; or (E) any other act or omission which is a material breach of the Company's policies regarding employment practices or the applicable federal, state and local laws prohibiting discrimination or which is materially injurious to the financial condition or business reputation of the Company or any Subsidiary thereof.

#### **ARTICLE IV MISCELLANEOUS**

Section 4.1 No Rights to Awards or Continued Employment. Neither the Certificate, the Plan nor any action taken in accordance with such documents shall confer upon the Participant any right to be employed by or to continue in the employment of the Company or any Subsidiary, nor to be entitled to any remuneration or benefits not set forth in the Plan or the Certificate, including the right to receive any future awards under the Plan or any other plan of the Company or any Subsidiary or interfere with or limit the right of the Company or any Subsidiary to modify the terms of or terminate the Participant's employment at any time for any reason.

Section 4.2 Restriction on Transfer. The rights of the Participant with respect to the Restricted Share Units shall be exercisable during the Participant's lifetime only by the Participant and shall not be transferable by the Participant to whom the Restricted Share Units are granted, except by will or the laws of descent and distribution; provided that the Committee may permit other transferability, subject to any conditions and limitations that it may, in its sole discretion, impose.

Section 4.3 Taxes. The Company or a Subsidiary, as appropriate, shall be entitled to withhold from any payment made under the Plan to the Participant or a Participant's estate or any permitted transferee an amount sufficient to satisfy any federal, state, local and/or other tax withholding requirement. The Committee, in its discretion, may, as a condition to the settlement of the Restricted Share Units, payment of the Dividend Equivalents or delivery of any shares of Class B Common Stock, require that an additional amount be paid in cash equal to the amount of

any federal, state, local and/or other tax withholding requirement or, alternatively, permit the Participant to satisfy such tax withholding requirement by withholding shares of Class B Common Stock subject to the applicable Restricted Share Units and/or Dividend Equivalents.

Section 4.4 Stockholder Rights. The grant of Restricted Share Units under the Certificate shall not entitle the Participant or a Participant's estate or any permitted transferee to any rights of a holder of shares of Class B Common Stock, other than when and until the Participant, the Participant's estate or the permitted transferee is registered on the books and records of the Company as a stockholder and shares are delivered to such party upon settlement of the Restricted Share Units or payment of the Dividend Equivalents. Unless otherwise determined by the Committee in its discretion, no adjustment shall be made for dividends or distributions or other rights in respect of any shares of Class B Common Stock for which the record date is prior to the date on which the Participant, a Participant's estate or any permitted transferee shall become the holder of such shares of Class B Common Stock.

Section 4.5 No Restriction on Right of Company to Effect Corporate Changes. Neither the Plan nor the Certificate shall affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Class B Common Stock or the rights thereof or which are convertible into or exchangeable for Class B Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

Section 4.6 Section 409A. If any provision of the Certificate contravenes any regulations or Treasury guidance promulgated under Section 409A or could cause the Participant to recognize income for federal income tax purposes with respect to any Restricted Share Units before such Restricted Share Units are settled or to be subject to interest and penalties under Section 409A, such provision of the Certificate shall be modified to maintain, to the maximum extent practicable, the original intent of the applicable provision without violating the provisions of Section 409A or causing such income recognition or imposition of interest or penalties. Moreover, any discretionary authority that the Board or the Committee may have pursuant to the Certificate shall not be applicable to Restricted Share Units that are subject to Section 409A to the extent such discretionary authority will contravene Section 409A.

Section 4.7 Amendment. The Committee shall have broad authority to amend the Certificate without approval of the Participant to the extent necessary or desirable (i) to comply with, or take into account changes in, applicable tax laws, securities laws, accounting rules and other applicable laws, rules and regulations or (ii) to ensure that the Participant does not recognize income for federal income tax purposes with respect to any Restricted Share Units before such Restricted Share Units are settled and is not subject to interest and penalties under Section 409A with respect to any Restricted Share Units.

Section 4.8 Interpretation. In the event of any conflict between the provisions of the Certificate (including the definitions set forth herein) and those of the Plan, the provisions of the Plan will control. Additionally, in the event of a conflict or ambiguity between the provisions of the Certificate and the provisions of any employment agreement that is in effect and applicable to the Participant with respect to the Restricted Share Units, the provisions of such employment agreement shall be deemed controlling to the extent such provisions are consistent with the provisions of the Plan and are more favorable to the Participant than the provisions of the Certificate.

Section 4.9 Breach of Covenants. In the event that the Committee makes a good faith determination that the Participant committed a material breach of the restrictive covenants relating to non-competition, no solicitation of employees, confidential information or proprietary property in any employment or other agreement applicable to the Participant during the one year period after termination of the Participant's employment with the Company or a Subsidiary for any reason, the Participant will be required to return the shares of Class B Common Stock received by him or her in settlement of the Restricted Share Units and the cash payment of the Dividend Equivalents or, if the shares of Class B Common Stock received in settlement of the Restricted Share Units were sold by the Participant, return any proceeds realized on the sale of such shares of Class B Common Stock during the one year period prior to such breach or any time after such breach occurs.

Section 4.10 Governmental Regulations. The Restricted Share Units shall be subject to all applicable rules and regulations of governmental or other authorities.

Section 4.11 Headings. The headings of articles and sections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of the Certificate.

Section 4.12 Governing Law. The Certificate and all rights hereunder shall be construed in accordance with and governed by the laws of the State of Delaware.

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**2006 LTMP AWARD  
WITH PERFORMANCE CONDITIONS  
CONFIRMATION SHEET**

Name:

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Congratulations! On May 24, 2006, you were granted an award under the Viacom Inc. 2006 Long-Term Management Incentive Plan (the "LTMP").

Your award consists of a combination of stock options and restricted share units ("RSUs"). The number of shares of Viacom Inc. Class B common stock, par value \$0.001 ("Class B Common Stock"), subject to your award is specified below:

**Stock Option Award**  
**Number of Shares**

**RSU Award**  
**Number of shares**

The stock options granted to you under this award vest in four equal installments of 25% on each of May 24, 2007, May 24, 2008, May 24, 2009 and May 24, 2010 (i.e., the first, second, third and fourth anniversary of the date the award was granted to you).

The exercise price of the stock options is \$36.78 per share, the closing price of the Class B Common Stock on the New York Stock Exchange ("NYSE") on May 24, 2006 (i.e., the date the stock options were granted to you). The stock options granted to you under this award expire on May 24, 2014.

After your stock options vest but before they expire, you may exercise them on any NYSE trading day, subject to the terms and conditions (including any forfeiture and early expiration provisions) specified in the LTMP and any other documents relating to your award, and subject to company policies that require preclearance of trading activity and, for certain individuals, trading within specified window periods.

The RSUs granted under this award also vest in four equal installments of 25% on each of May 24, 2007, May 24, 2008, May 24, 2009 and May 24, 2010, provided that the performance condition goal has been achieved. Assuming the RSUs granted to you vest, all restrictions pertaining to such RSUs will lapse and the RSUs will become payable to you in shares of Class B Common Stock. If you leave the company for any reason before your RSUs vest, you will generally forfeit all unvested RSUs as specified in the LTMP and other documents relating to your award.

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**Viacom Inc.**  
**2006 Long-Term Management Incentive Plan**  
**Terms and Conditions to the Stock Option Certificate**

**ARTICLE I**  
**TERMS OF STOCK OPTIONS**

Section 1.1 Grant of Stock Options. The Stock Options have been awarded to the Participant subject to the terms and conditions contained in (A) the confirmation for the May 24, 2006 grant of Stock Options provided to the Participant (the "Stock Option Certificate") and the Terms and Conditions contained herein (collectively, the "Certificate") and (B) the Plan, the terms of which are hereby incorporated by reference. A copy of the Plan is being provided simultaneously on-line or attached hereto. Capitalized terms that are not otherwise defined herein have the meanings assigned to them in the Stock Option Certificate or the Plan. The Stock Options are not intended to be, or qualify as, "Incentive Stock Options" within the meaning of Section 422 of the Code.

Section 1.2 Terms of Stock Options.

(a) Vesting. The Stock Options shall be exercisable only to the extent the Participant is vested therein. Subject to the other terms and conditions contained in the Certificate and in the Plan, the Stock Options shall vest in four installments of an equal whole number of Stock Options on each of the first, second, third and fourth anniversary of the Date of Grant (any remaining Stock Options shall vest on whichever of the preceding vesting dates shall be determined by the Company in accordance with its customary procedures).

(b) Option Period. Except as provided in Section 1.2(c) hereof, the period during which the Stock Options may be exercised shall expire on the eighth anniversary of the Date of Grant (the "Expiration Date"). If the Participant remains employed by the Company or any of its Subsidiaries through the Expiration Date, his or her Outstanding Stock Options may be exercised to the extent exercisable until the close of trading (generally 4:00 p.m. New York time) on the last trading day falling within the exercise period on the New York Stock Exchange or, if different, the principal stock exchange on which the Class B Common Stock is then listed. Thus, if the Expiration Date is not a trading day, then the last day the Stock Options may be exercised is the last trading day preceding the Expiration Date.

(c) Exercise in the Event of Termination of Employment, Retirement, Permanent Disability or Death.

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(i) Termination other than for Cause, or due to Retirement, Permanent Disability or Death. Except as otherwise provided in this Section 1.2 or as otherwise determined by the Committee (including in any applicable employment agreement), in the event of the Participant's termination of employment other than a Termination for Cause or due to the Participant's Retirement, Permanent Disability or death, the Participant's Outstanding Stock Options can be exercised in accordance with the following provisions:

(A) if the Participant ceases to be an employee of the Company or any of its Subsidiaries by reason of the voluntary termination by the Participant or the termination by the Company or any of its Subsidiaries other than a Termination for Cause, his or her Outstanding Stock Options may be exercised to the extent then exercisable until the earlier of six months after the date of such termination or the Expiration Date;

(B) if the Participant ceases to be an employee of the Company or any of its Subsidiaries by reason of the Participant's Retirement, the Participant may exercise his or her Outstanding Stock Options to the extent exercisable on the date of Retirement until the earlier of the third anniversary of such date or the Expiration Date;

(C) if a Permanent Disability of the Participant occurs, his or her Outstanding Stock Options may be exercised to the extent exercisable upon the date of the onset of such Permanent Disability until the earlier of the third anniversary of such date or the Expiration Date; and

(D) if the Participant dies during a period during which his or her Stock Options could have been exercised by him or her, his or her Outstanding Stock Options may be exercised to the extent exercisable at the date of death by the person who acquired the right to exercise such Stock Options by will or the laws of descent and distribution or permitted transfer until the earlier of the second anniversary of the date of death or the Expiration Date.

Except as otherwise provided in this Section 1.2 or as otherwise determined by the Committee, upon the occurrence of an event described in clauses (A), (B), (C) or (D) of this Section 1.2(c)(i), all rights with respect to Stock Options that are not vested as of such event will be relinquished. A "termination of employment" occurs, for purposes of the Stock Options, when a Participant is no longer an employee of the Company or any of its Subsidiaries. Unless the Committee determines otherwise, the employment of a Participant who works for a Subsidiary shall terminate, for purposes of the Stock Options, on the date on which the Participant's employing company ceases to be a Subsidiary.

(ii) Termination for Cause. If the Participant's employment with the Company or any of its Subsidiaries ends due to a Termination for Cause then,

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unless the Committee in its discretion determines otherwise, all Outstanding Stock Options, whether or not then vested, shall terminate effective as of the date of such termination.

(iii) Exercise Periods following Termination of Employment, Retirement, Permanent Disability or Death. For the purposes of determining the dates on which Stock Options may be exercised following a termination of employment or Retirement, Permanent Disability or death, the day following the date of termination of employment or Retirement, Permanent Disability or death shall be the first day of the exercise period and the Stock Options may be exercised until the close of trading (generally 4:00 p.m. New York time) on the last trading day falling within the exercise period on the New York Stock Exchange or, if different, the principal stock exchange on which the Class B Common Stock is then listed. Thus, if the last day of the exercise period is not a trading day, then the last date the Stock Options may be exercised is the last trading day preceding the end of the exercise period.

### Section 1.3 Exercise of Stock Options.

(a) Whole or Partial Exercise. The Participant may exercise all vested Outstanding Stock Options granted hereunder in whole at one time or in part in increments of 100 Stock Options (or in the entire number of Outstanding Stock Options in which the Participant is vested, if such number is less than 100) by notice to the Director, Global Equity Services, Viacom Inc., 1515 Broadway, New York, New York 10036, or to such agent(s) for the Company ("Agent") as the Company may from time to time specify, in such manner and at such address as may be specified from time to time by the Company. Such notice shall (i) state the number of whole Stock Options being exercised, and (ii) be signed (or otherwise authorized in a manner acceptable to the Company) by the person or persons so exercising the Stock Options and, in the event the Stock Options are being exercised (pursuant to Section 1.2(c)(i) hereof) by any person or persons other than the Participant accompanied by proof satisfactory to the Company's counsel of the right of such person or persons to exercise the Stock Options. Information concerning any Agent and its address may be obtained by contacting the Director, Global Equity Services.

(b) Payment of Aggregate Option Price. Full payment of the aggregate Exercise Price (which shall be determined by multiplying the number of Stock Options being exercised by the Exercise Price as set forth on the Stock Option Certificate) shall be made on or before the settlement date for the shares of Class B Common Stock issued pursuant to the exercise of the Stock Options. Unless otherwise provided by the Company, such Exercise Price shall be paid in cash (e.g. personal bank check, certified check or official bank check). In accordance with the rules and procedures established by the Committee for this purpose, the Stock Options may be exercised through a "cashless exercise" procedure, approved by the Committee, involving a broker or dealer, that affords the Participant the opportunity to sell immediately some or all of the shares underlying the exercised portion of the Stock Options in order to generate sufficient cash to pay the

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Exercise Price of the Stock Options. In addition, if the Company so permits, the Exercise Price may be paid in whole or in part using a net share settlement procedure or through the withholding of shares subject to the Stock Options with a value equal to the Exercise Price. In accordance with Section 4.3 hereof, the Participant shall make an arrangement acceptable to the Company to pay to the Company an amount sufficient to satisfy the combined federal, state, local or other withholding tax obligations which arise in connection with the exercise of such Stock Options.

(c) Outstanding Stock Options. The number of shares of Class B Common Stock subject to the Stock Options that is set forth on the Stock Option Certificate may not reflect the number of Outstanding Stock Options due to Stock Option exercises or adjustments pursuant to Article II.

## **ARTICLE II EFFECT OF CERTAIN CORPORATE CHANGES**

In the event of a merger, consolidation, stock split, reverse stock split, dividend, distribution, combination, reclassification, reorganization, split-up, spin-off or recapitalization that changes the character or amount of the Class B Common Stock or any other changes in the corporate structure, equity securities or capital structure of the Company, the Committee shall make such adjustments, if any, to the number of shares and kind of securities subject to the Stock Options, and the Exercise Price of the Stock Options, in each case, as it deems appropriate. The Committee may, in its sole discretion, also make such other adjustments as it deems appropriate in order to preserve the benefits or potential benefits intended to be made available hereunder. Such determinations by the Committee shall be conclusive and binding on all persons for all purposes.

## **ARTICLE III DEFINITIONS**

As used herein, the following terms shall have the following meanings:

- (a) "Board" shall mean the Board of Directors of the Company.
  - (b) "Certificate" shall mean the Stock Option Certificate, together with the Terms and Conditions contained herein.
  - (c) "Class B Common Stock" shall mean shares of Class B Common Stock, par value \$0.001 per share, of the Company.
  - (d) "Code" shall mean the U.S. Internal Revenue Code of 1986, as amended, including any successor law thereto and the rules and regulations promulgated thereunder.
  - (e) "Committee" shall mean the Compensation Committee of the Board (or such other Committee(s) as may be appointed or designated by the Board to administer
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the Plan).

(f) "Company" shall mean Viacom Inc., a Delaware corporation.

(g) "Date of Grant" shall be the date set forth on the Stock Option Certificate.

(h) "Expiration Date" shall be the date set forth on the Stock Option Certificate and in Section 1.2(b) hereof.

(i) "Exercise Price" shall be the amount set forth on the Stock Option Certificate, which amount shall be equal to the Fair Market Value of a share of Class B Common Stock on the Date of Grant.

(j) "Fair Market Value" of a share of Class B Common Stock on a given date shall be the 4:00 p.m. (New York time) closing price on such date on the New York Stock Exchange or other principal stock exchange on which the Class B Common Stock is then listed, as reported by The Wall Street Journal (Northeast edition) or as reported by any other authoritative source selected by the Company.

(k) "Outstanding Stock Option" shall mean a Stock Option granted to the Participant which has not yet been exercised and which has not yet expired or been terminated in accordance with its terms.

(l) "Participant" shall mean the employee named on the Stock Option Certificate.

(m) "Permanent Disability" shall have the same meaning as such term or a similar term has in the long-term disability policy maintained by the Company or a Subsidiary thereof for the Participant and that is in effect on the date of the onset of the Participant's Permanent Disability, unless the Committee determines otherwise.

(n) "Plan" shall mean the Viacom Inc. 2006 Long-Term Management Incentive Plan, as amended from time to time.

(o) "Retirement" shall mean the resignation or termination of employment after attainment of an age and years of service required for payment of an immediate pension pursuant to the terms of any qualified defined benefit retirement plan maintained by the Company or a Subsidiary in which the Participant participates; provided, however, that no resignation or termination prior to a Participant's 60th birthday shall be deemed a retirement unless the Committee so determines in its sole discretion; and provided further that the resignation or termination of employment other than a Termination for Cause after attainment of age 60 shall be deemed a retirement if the Participant does not participate in a qualified defined benefit retirement plan maintained by the Company or a Subsidiary.

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(p) "Section 409A" shall mean Section 409A of the Code and the rules, regulations and guidance promulgated thereunder from time to time.

(q) "Stock Option" shall mean the contractual right granted to the Participant to purchase shares of Class B Common Stock at such time and price, and subject to such other terms and conditions, as set forth in the Certificate and the Plan.

(r) "Stock Option Certificate" shall have the meaning set forth in Section 1.1 hereof.

(s) "Subsidiary" shall mean a corporation (or a partnership or other enterprise) in which the Company owns or controls, directly or indirectly, more than 50% of the outstanding shares of stock normally entitled to vote for the election of directors (or comparable equity participation and voting power).

(t) "Termination for Cause" shall mean a termination of employment with the Company or any of its Subsidiaries which, as determined by the Committee, is by reason of (i) "cause" as such term or a similar term is defined in any employment agreement that is in effect and applicable to the Participant, or (ii) if there is no such employment agreement or if such employment agreement contains no such term, unless the Committee determines otherwise, the Participant's: (A) dishonesty; (B) conviction of embezzlement, fraud or other conduct which would constitute a felony; (C) willful unauthorized disclosure of confidential information; (D) failure, neglect of or refusal to substantially perform the duties of the Participant's employment; or (E) any other act or omission which is a material breach of the Company's policies regarding employment practices or the applicable federal, state and local laws prohibiting discrimination or which is materially injurious to the financial condition or business reputation of the Company or any Subsidiary thereof.

#### **ARTICLE IV MISCELLANEOUS**

Section 4.1 No Rights to Awards or Continued Employment. Neither the Certificate, the Plan nor any action taken in accordance with such documents shall confer upon the Participant any right to be employed by or to continue in the employment of the Company or any Subsidiary, nor to be entitled to any remuneration or benefits not set forth in the Plan or the Certificate, including the right to receive any future awards under the Plan or any other plan of the Company or any Subsidiary or interfere with or limit the right of the Company or any Subsidiary to modify the terms of or terminate the Participant's employment at any time for any reason.

Section 4.2 Restriction on Transfer. The rights of the Participant with respect to the Stock Options shall be exercisable during the Participant's lifetime only by the Participant and shall not be transferable by the Participant to whom the Stock Options are granted, except by will or the laws of descent and distribution; provided that the Committee may permit other transferability, subject to any conditions and limitations that

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it may, in its sole discretion, impose.

Section 4.3 Taxes. As a condition to the exercise of the Stock Options, the Participant shall make a payment in cash equal to the amount of any federal, state, local and/or other taxes owed as a result of such exercise. In accordance with the rules and procedures established by the Committee for this purpose, the Participant may satisfy such withholding obligations through a "cashless exercise" procedure as described in Section 1.3(b). In addition, if the Company so permits, the Participant may satisfy such withholding obligations through a net share settlement procedure or the withholding of shares subject to the applicable Stock Options.

Section 4.4 Stockholder Rights. The grant of Stock Options under the Certificate shall not entitle the Participant or a Participant's estate or any permitted transferee to any rights of a holder of shares of Class B Common Stock, other than when and until the Participant, the Participant's estate or the permitted transferee is registered on the books and records of the Company as a stockholder and shares are delivered to such party upon exercise of the Stock Options.

Section 4.5 No Restriction on Right of Company to Effect Corporate Changes. Neither the Plan nor the Certificate shall affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Class B Common Stock or the rights thereof or which are convertible into or exchangeable for Class B Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

Section 4.6 Section 409A. If any provision of the Certificate contravenes any regulations or Treasury guidance promulgated under Section 409A or could cause the Participant to recognize income for federal income tax purposes with respect to any Stock Options before such Stock Options are exercised or to be subject to interest and penalties under Section 409A, such provision of the Certificate shall be modified to maintain, to the maximum extent practicable, the original intent of the applicable provision without violating the provisions of Section 409A or causing such income recognition or imposition of interest or penalties. Moreover, any discretionary authority that the Board or the Committee may have pursuant to the Certificate shall not be applicable to Stock Options that are subject to Section 409A to the extent such discretionary authority will contravene Section 409A.

Section 4.7 Amendment. The Committee shall have broad authority to amend the Certificate without approval of the Participant to the extent necessary or desirable (i) to comply with, or take into account changes in, applicable tax laws, securities laws, accounting rules and other applicable laws, rules and regulations or (ii) to ensure that the

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Participant does not recognize income for federal income tax purposes with respect to any Stock Options before such Stock Options are exercised and is not subject to interest and penalties under Section 409A with respect to any Stock Options.

Section 4.8 Interpretation. In the event of any conflict between the provisions of the Certificate (including the definitions set forth herein) and those of the Plan, the provisions of the Plan will control. Additionally, in the event of a conflict or ambiguity between the provisions of the Certificate and the provisions of any employment agreement that is in effect and applicable to the Participant with respect to the Stock Options, the provisions of such employment agreement shall be deemed controlling to the extent such provisions are consistent with the provisions of the Plan and are more favorable to the Participant than the provisions of the Certificate.

Section 4.9 Breach of Covenants. In the event that the Committee makes a good faith determination that the Participant committed a material breach of the restrictive covenants relating to non-competition, no solicitation of employees, confidential information or proprietary property in any employment or other agreement applicable to the Participant during the one year period after termination of the Participant's employment with the Company or a Subsidiary for any reason, the Participant will be required to return any "gain" (as defined below) realized on the Stock Options during the one year period prior to such breach or at any time after such breach occurs. In addition, if the Committee makes such determination, the Participant's Outstanding Stock Options will be terminated. The "gain" on the Stock Options shall mean the difference between the Fair Market Value on the date of exercise and the Exercise Price.

Section 4.10 Governmental Regulations. The Stock Options shall be subject to all applicable rules and regulations of governmental or other authorities.

Section 4.11 Headings. The headings of articles and sections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of the Certificate.

Section 4.12 Governing Law. The Certificate and all rights hereunder shall be construed in accordance with and governed by the laws of the State of Delaware.

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**Viacom Inc.**  
**2006 Long-Term Management Incentive Plan**  
**Terms and Conditions to the Performance-Based Restricted Share Units**  
**with Time Vesting Certificate**

**ARTICLE I**  
**TERMS OF RESTRICTED SHARE UNITS**

Section 1.1 Grant of Performance-Based Restricted Share Units with Time Vesting. The Performance-Based Restricted Share Units with Time Vesting (the "Restricted Share Units") have been awarded to the Participant subject to the terms and conditions contained in (A) the confirmation for the May 24, 2006 grant of Restricted Share Units provided to the Participant (the "Restricted Share Units Certificate") and the Terms and Conditions contained herein (collectively, the "Certificate") and (B) the Plan, the terms of which are hereby incorporated by reference. A copy of the Plan is being provided simultaneously on-line or attached hereto. Capitalized terms that are not otherwise defined herein have the meanings assigned to them in the Restricted Share Units Certificate or the Plan. Each Restricted Share Unit shall entitle the Participant to receive one share of Class B Common Stock, subject to the terms and conditions set forth in the Certificate and the Plan.

Section 1.2 Terms of Restricted Share Units.

(a) Vesting. Subject to the other terms and conditions contained in the Certificate and in the Plan, the Restricted Share Units shall vest in four installments of an equal whole number of Restricted Share Units on each of the first, second, third and fourth anniversary of the Date of Grant, subject to the Committee certifying that the performance goal (the "Performance Goal") described below established by the Committee for the 2006 calendar year (the "Performance Period") has been achieved. Notwithstanding anything to the contrary in this Section 1.2, in the event that the Committee determines that the Performance Goal established for the Performance Period has not been achieved all Restricted Share Units will immediately be cancelled in their entirety and the Participant's rights with respect to such Restricted Share Units will cease. For purposes of this Section 1.2(a), "Performance Goal" means the Company achieving at least 95% of the prescribed level of operating income before depreciation and amortization (OIBDA) specified by the Committee for the Performance Period.

(b) Settlement. On the date each portion of the Restricted Share Units vest, all restrictions contained in the Certificate and in the Plan shall lapse as to that portion of the Restricted Share Units and that portion of the vested Restricted Share Units shall be payable in shares of Class B Common Stock, which may be evidenced in such manner as the Committee in its discretion shall deem appropriate, including, without limitation, book-entry registration. Settlement of vested Restricted Share Units shall be made as soon as practicable after the vesting dates. Such shares of Class B Common Stock shall bear such legends as the Committee, in its sole discretion, may determine to be necessary or advisable in order to comply with applicable U.S. federal or state securities laws. If permitted by the Committee, the Participant may elect to

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defer settlement of the Restricted Share Units in accordance with procedures established by the Committee from time to time.

(c) Dividend Equivalents. Dividend Equivalents shall accrue on the Restricted Share Units until the Restricted Share Units are settled. The Company shall credit the accrual of the Dividend Equivalents to the Participant's account at such time and in such manner as determined by the Committee, in its sole discretion. The Company shall maintain a bookkeeping record with respect to the amount of the Dividend Equivalents credited to the Participant's account. Accrued Dividend Equivalents that have been credited to the Participant's account shall be paid in cash through payroll when the Restricted Share Units are settled. Accrued Dividend Equivalents that have been credited to the Participant's account will not be paid with respect to any Restricted Share Units that do not vest and are cancelled.

(d) Termination of Employment, Retirement, Permanent Disability or Death. In the event that (i) the Participant's employment with the Company or any of its Subsidiaries ends by reason of voluntary termination by the Participant, termination by the Company or any of its Subsidiaries other than a Termination for Cause, termination by the Company or any of its Subsidiaries due to a Termination for Cause or the Participant's Retirement, or (ii) the Participant's Permanent Disability or death occurs, prior to the date or dates on which the Restricted Share Units vest in accordance with Section 1.2(a) hereof, the Participant shall forfeit all unvested Restricted Share Units as of the date of such event, unless the Committee determines otherwise and provides that some or all of such Participant's unvested Restricted Share Units shall vest as of the date of such event, in which case, shares of Class B Common Stock shall be delivered in accordance with Section 1.2(b) hereof, to the Participant or, in the case of the Participant's death, to the person or persons who acquired the right to receive such certificates by will or the laws of descent and distribution. A "termination of employment" occurs, for purposes of the Restricted Share Units, when a Participant is no longer an employee of the Company or any of its Subsidiaries. Unless the Committee determines otherwise, the employment of a Participant who works for a Subsidiary shall terminate, for purposes of the Restricted Share Units, on the date on which the Participant's employing company ceases to be a Subsidiary.

## **ARTICLE II**

### **EFFECT OF CERTAIN CORPORATE CHANGES**

In the event of a merger, consolidation, stock split, reverse stock split, dividend, distribution, combination, reclassification, reorganization, split-up, spin-off or recapitalization that changes the character or amount of the Class B Common Stock or any other changes in the corporate structure, equity securities or capital structure of the Company, the Committee shall make such adjustments, if any, to the number and kind of securities subject to the Restricted Share Units, as it deems appropriate. The Committee may, in its sole discretion, also make such other adjustments as it deems appropriate in order to preserve the benefits or potential benefits intended to be made available hereunder, including, without limitation, changes to the Performance Goal for the Performance Period. Such determinations by the Committee shall be conclusive and binding on all persons for all purposes.

## ARTICLE III

### DEFINITIONS

As used herein, the following terms shall have the following meanings:

- (a) "Board" shall mean the Board of Directors of the Company.
- (b) "Certificate" shall mean the Restricted Share Units Certificate, together with the Terms and Conditions contained herein.
- (c) "Class B Common Stock" shall mean shares of Class B Common Stock, par value \$0.001 per share, of the Company.
- (d) "Code" shall mean the U.S. Internal Revenue Code of 1986, as amended, including any successor law thereto and the rules and regulations promulgated thereunder.
- (e) "Committee" shall mean the Compensation Committee of the Board (or such other Committee(s) as may be appointed or designated by the Board to administer the Plan).
- (f) "Company" shall mean Viacom Inc., a Delaware corporation.
- (g) "Date of Grant" shall be the date set forth on the Restricted Share Units Certificate.
- (h) "Dividend Equivalent" shall mean an amount in cash equal to the regular cash dividend that would have been paid on the number of shares of Class B Common Stock underlying the Restricted Share Units.
- (i) "Fair Market Value" of a share of Class B Common Stock on a given date shall be the 4:00 p.m. (New York time) closing price on such date on the New York Stock Exchange or other principal stock exchange on which the Class B Common Stock is then listed, as reported by The Wall Street Journal (Northeast edition) or as reported by any other authoritative source selected by the Company.
- (j) "Participant" shall mean the employee named on the Restricted Share Units Certificate.
- (k) "Performance Goal" shall have the meaning set forth in Section 1.2(a) hereof.
- (l) "Performance Period" shall mean the period of time set forth in Section 1.2(a) hereof.
- (m) "Permanent Disability" shall have the same meaning as such term or a similar term has in the long-term disability policy maintained by the Company or a Subsidiary thereof for the Participant and that is in effect on the date of the onset of the Participant's Permanent Disability unless the Committee determines otherwise.
- (n) "Plan" shall mean the Viacom Inc. 2006 Long-Term Management Incentive Plan, as amended from time to time.

(o) "Restricted Share Units" shall mean the contractual right granted to the Participant to receive shares of Class B Common Stock, subject to the terms and conditions set forth in the Certificate and the Plan.

(p) "Restricted Share Units Certificate" shall have the meaning set forth in Section 1.1 hereof.

(q) "Retirement" shall mean the resignation or termination of employment after attainment of an age and years of service required for payment of an immediate pension pursuant to the terms of any qualified defined benefit retirement plan maintained by the Company or a Subsidiary in which the Participant participates; provided, however, that no resignation or termination prior to a Participant's 60th birthday shall be deemed a retirement unless the Committee so determines in its sole discretion; and provided further that the resignation or termination of employment other than a Termination for Cause after attainment of age 60 shall be deemed a retirement if the Participant does not participate in a qualified defined benefit retirement plan maintained by the Company or a Subsidiary.

(r) "Section 409A" shall mean Section 409A of the Code and the rules, regulations and guidance promulgated thereunder from time to time.

(s) "Subsidiary" shall mean a corporation (or a partnership or other enterprise) in which the Company owns or controls, directly or indirectly, more than 50% of the outstanding shares of stock normally entitled to vote for the election of directors (or comparable equity participation and voting power).

(t) "Termination for Cause" shall mean a termination of employment with the Company or any of its Subsidiaries which, as determined by the Committee, is by reason of (i) "cause" as such term or a similar term is defined in any employment agreement that is in effect and applicable to the Participant, or (ii) if there is no such employment agreement or if such employment agreement contains no such term, unless the Committee determines otherwise, the Participant's: (A) dishonesty; (B) conviction of embezzlement, fraud or other conduct which would constitute a felony; (C) willful unauthorized disclosure of confidential information; (D) failure, neglect of or refusal to substantially perform the duties of the Participant's employment; or (E) any other act or omission which is a material breach of the Company's policies regarding employment practices or the applicable federal, state and local laws prohibiting discrimination or which is materially injurious to the financial condition or business reputation of the Company or any Subsidiary thereof.

#### **ARTICLE IV MISCELLANEOUS**

Section 4.1 No Rights to Awards or Continued Employment. Neither the Certificate, the Plan nor any action taken in accordance with such documents shall confer upon the Participant any right to be employed by or to continue in the employment of the Company or any Subsidiary, nor to be entitled to any remuneration or benefits not set forth in the Plan or the Certificate, including the right to receive any future awards under the Plan or any other plan of

the Company or any Subsidiary or interfere with or limit the right of the Company or any Subsidiary to modify the terms of or terminate the Participant's employment at any time for any reason.

Section 4.2 Restriction on Transfer. The rights of the Participant with respect to the Restricted Share Units shall be exercisable during the Participant's lifetime only by the Participant and shall not be transferable by the Participant to whom the Restricted Share Units are granted, except by will or the laws of descent and distribution; provided that the Committee may permit other transferability, subject to any conditions and limitations that it may, in its sole discretion, impose.

Section 4.3 Taxes. The Company or a Subsidiary, as appropriate, shall be entitled to withhold from any payment made under the Plan to the Participant or a Participant's estate or any permitted transferee an amount sufficient to satisfy any federal, state, local and/or other tax withholding requirement. The Committee, in its discretion, may, as a condition to the settlement of the Restricted Share Units, payment of the Dividend Equivalents or delivery of any shares of Class B Common Stock, require that an additional amount be paid in cash equal to the amount of any federal, state, local and/or other tax withholding requirement or, alternatively, permit the Participant to satisfy such tax withholding requirement by withholding shares of Class B Common Stock subject to the applicable Restricted Share Units and/or Dividend Equivalents.

Section 4.4 Stockholder Rights. The grant of Restricted Share Units under the Certificate shall not entitle the Participant or a Participant's estate or any permitted transferee to any rights of a holder of shares of Class B Common Stock, other than when and until the Participant, the Participant's estate or the permitted transferee is registered on the books and records of the Company as a stockholder and shares are delivered to such party upon settlement of the Restricted Share Units or payment of the Dividend Equivalents. Unless otherwise determined by the Committee in its discretion, no adjustment shall be made for dividends or distributions or other rights in respect of any shares of Class B Common Stock for which the record date is prior to the date on which the Participant, a Participant's estate or any permitted transferee shall become the holder of such shares of Class B Common Stock.

Section 4.5 No Restriction on Right of Company to Effect Corporate Changes. Neither the Plan nor the Certificate shall affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Class B Common Stock or the rights thereof or which are convertible into or exchangeable for Class B Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

Section 4.6 Section 409A. If any provision of the Certificate contravenes any regulations or Treasury guidance promulgated under Section 409A or could cause the Participant to recognize income for federal income tax purposes with respect to any Restricted Share Units

before such Restricted Share Units are settled or to be subject to interest and penalties under Section 409A, such provision of the Certificate shall be modified to maintain, to the maximum extent practicable, the original intent of the applicable provision without violating the provisions of Section 409A or causing such income recognition or imposition of interest or penalties. Moreover, any discretionary authority that the Board or the Committee may have pursuant to the Certificate shall not be applicable to Restricted Share Units that are subject to Section 409A to the extent such discretionary authority will contravene Section 409A.

Section 4.7 Amendment. The Committee shall have broad authority to amend the Certificate without approval of the Participant to the extent necessary or desirable (i) to comply with, or take into account changes in, applicable tax laws, securities laws, accounting rules and other applicable laws, rules and regulations or (ii) to ensure that the Participant does not recognize income for federal income tax purposes with respect to any Restricted Share Units before such Restricted Share Units are settled and is not subject to interest and penalties under Section 409A with respect to any Restricted Share Units.

Section 4.8 Interpretation. In the event of any conflict between the provisions of the Certificate (including the definitions set forth herein) and those of the Plan, the provisions of the Plan will control. Additionally, in the event of a conflict or ambiguity between the provisions of the Certificate and the provisions of any employment agreement that is in effect and applicable to the Participant with respect to the Restricted Share Units, the provisions of such employment agreement shall be deemed controlling to the extent such provisions are consistent with the provisions of the Plan and are more favorable to the Participant than the provisions of the Certificate.

Section 4.9 Breach of Covenants. In the event that the Committee makes a good faith determination that the Participant committed a material breach of the restrictive covenants relating to non-competition, no solicitation of employees, confidential information or proprietary property in any employment or other agreement applicable to the Participant during the one year period after termination of the Participant's employment with the Company or a Subsidiary for any reason, the Participant will be required to return the shares of Class B Common Stock received by him or her in settlement of the Restricted Share Units and the cash payment of the Dividend Equivalents or, if the shares of Class B Common Stock received in settlement of the Restricted Share Units were sold by the Participant, return any proceeds realized on the sale of such shares of Class B Common Stock during the one year period prior to such breach or any time after such breach occurs.

Section 4.10 Governmental Regulations. The Restricted Share Units shall be subject to all applicable rules and regulations of governmental or other authorities.

Section 4.11 Headings. The headings of articles and sections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of the Certificate.

Section 4.12 Governing Law. The Certificate and all rights hereunder shall be construed in accordance with and governed by the laws of the State of Delaware.

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**2006 LTMIIP AWARD  
FOR SECTION 16 OFFICERS  
CONFIRMATION SHEET**

Name:

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Congratulations! On May 24, 2006, you were granted an award under the Viacom Inc. 2006 Long-Term Management Incentive Plan (the "LTMIIP").

Your award consists of a combination of stock options and restricted share units ("RSUs"). The number of shares of Viacom Inc. Class B common stock, par value \$0.001 ("Class B Common Stock"), subject to your award is specified below:

**Stock Option Award**  
**Number of Shares**

**RSU Award**  
**Number of shares**

The stock options granted to you under this award vest in four equal installments of 25% on each of May 24, 2007, May 24, 2008, May 24, 2009 and May 24, 2010 (i.e., the first, second, third and fourth anniversary of the date the award was granted to you).

The exercise price of the stock options is \$36.78 per share, the closing price of the Class B Common Stock on the New York Stock Exchange ("NYSE") on May 24, 2006 (i.e., the date the stock options were granted to you). The stock options granted to you under this award expire on May 24, 2014.

After your stock options vest but before they expire, you may exercise them on any NYSE trading day, subject to the terms and conditions (including any forfeiture and early expiration provisions) specified in the LTMIIP and any other documents relating to your award, and subject to company policies that require preclearance of trading activity and, for certain individuals, trading within specified window periods.

The RSUs granted under this award also vest in four equal installments of 25% on each of May 24, 2007, May 24, 2008, May 24, 2009 and May 24, 2010, provided that the performance and market condition goals have been achieved. Assuming the RSUs granted to you vest, all restrictions pertaining to such RSUs will lapse and the RSUs will become payable to you in shares of Class B Common Stock. If you leave the company for any reason before your RSUs vest, you will generally forfeit all unvested RSUs as specified in the LTMIIP and other documents relating to your award.

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**Viacom Inc.**  
**2006 Long-Term Management Incentive Plan**  
**Terms and Conditions to the Stock Option Certificate**

**ARTICLE I**  
**TERMS OF STOCK OPTIONS**

Section 1.1 Grant of Stock Options. The Stock Options have been awarded to the Participant subject to the terms and conditions contained in (A) the confirmation for the May 24, 2006 grant of Stock Options provided to the Participant (the "Stock Option Certificate") and the Terms and Conditions contained herein (collectively, the "Certificate") and (B) the Plan, the terms of which are hereby incorporated by reference. A copy of the Plan is being provided simultaneously on-line or attached hereto. Capitalized terms that are not otherwise defined herein have the meanings assigned to them in the Stock Option Certificate or the Plan. The Stock Options are not intended to be, or qualify as, "Incentive Stock Options" within the meaning of Section 422 of the Code.

Section 1.2 Terms of Stock Options.

(a) Vesting. The Stock Options shall be exercisable only to the extent the Participant is vested therein. Subject to the other terms and conditions contained in the Certificate and in the Plan, the Stock Options shall vest in four installments of an equal whole number of Stock Options on each of the first, second, third and fourth anniversary of the Date of Grant (any remaining Stock Options shall vest on whichever of the preceding vesting dates shall be determined by the Company in accordance with its customary procedures).

(b) Option Period. Except as provided in Section 1.2(c) hereof, the period during which the Stock Options may be exercised shall expire on the eighth anniversary of the Date of Grant (the "Expiration Date"). If the Participant remains employed by the Company or any of its Subsidiaries through the Expiration Date, his or her Outstanding Stock Options may be exercised to the extent exercisable until the close of trading (generally 4:00 p.m. New York time) on the last trading day falling within the exercise period on the New York Stock Exchange or, if different, the principal stock exchange on which the Class B Common Stock is then listed. Thus, if the Expiration Date is not a trading day, then the last day the Stock Options may be exercised is the last trading day preceding the Expiration Date.

(c) Exercise in the Event of Termination of Employment, Retirement, Permanent Disability or Death.

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(i) Termination other than for Cause, or due to Retirement, Permanent Disability or Death. Except as otherwise provided in this Section 1.2 or as otherwise determined by the Committee (including in any applicable employment agreement), in the event of the Participant's termination of employment other than a Termination for Cause or due to the Participant's Retirement, Permanent Disability or death, the Participant's Outstanding Stock Options can be exercised in accordance with the following provisions:

(A) if the Participant ceases to be an employee of the Company or any of its Subsidiaries by reason of the voluntary termination by the Participant or the termination by the Company or any of its Subsidiaries other than a Termination for Cause, his or her Outstanding Stock Options may be exercised to the extent then exercisable until the earlier of six months after the date of such termination or the Expiration Date;

(B) if the Participant ceases to be an employee of the Company or any of its Subsidiaries by reason of the Participant's Retirement, the Participant may exercise his or her Outstanding Stock Options to the extent exercisable on the date of Retirement until the earlier of the third anniversary of such date or the Expiration Date;

(C) if a Permanent Disability of the Participant occurs, his or her Outstanding Stock Options may be exercised to the extent exercisable upon the date of the onset of such Permanent Disability until the earlier of the third anniversary of such date or the Expiration Date; and

(D) if the Participant dies during a period during which his or her Stock Options could have been exercised by him or her, his or her Outstanding Stock Options may be exercised to the extent exercisable at the date of death by the person who acquired the right to exercise such Stock Options by will or the laws of descent and distribution or permitted transfer until the earlier of the second anniversary of the date of death or the Expiration Date.

Except as otherwise provided in this Section 1.2 or as otherwise determined by the Committee, upon the occurrence of an event described in clauses (A), (B), (C) or (D) of this Section 1.2(c)(i), all rights with respect to Stock Options that are not vested as of such event will be relinquished. A "termination of employment" occurs, for purposes of the Stock Options, when a Participant is no longer an employee of the Company or any of its Subsidiaries. Unless the Committee determines otherwise, the employment of a Participant who works for a Subsidiary shall terminate, for purposes of the Stock Options, on the date on which the Participant's employing company ceases to be a Subsidiary.

(ii) Termination for Cause. If the Participant's employment with the Company or any of its Subsidiaries ends due to a Termination for Cause then,

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unless the Committee in its discretion determines otherwise, all Outstanding Stock Options, whether or not then vested, shall terminate effective as of the date of such termination.

(iii) Exercise Periods following Termination of Employment, Retirement, Permanent Disability or Death. For the purposes of determining the dates on which Stock Options may be exercised following a termination of employment or Retirement, Permanent Disability or death, the day following the date of termination of employment or Retirement, Permanent Disability or death shall be the first day of the exercise period and the Stock Options may be exercised until the close of trading (generally 4:00 p.m. New York time) on the last trading day falling within the exercise period on the New York Stock Exchange or, if different, the principal stock exchange on which the Class B Common Stock is then listed. Thus, if the last day of the exercise period is not a trading day, then the last date the Stock Options may be exercised is the last trading day preceding the end of the exercise period.

### Section 1.3 Exercise of Stock Options.

(a) Whole or Partial Exercise. The Participant may exercise all vested Outstanding Stock Options granted hereunder in whole at one time or in part in increments of 100 Stock Options (or in the entire number of Outstanding Stock Options in which the Participant is vested, if such number is less than 100) by notice to the Director, Global Equity Services, Viacom Inc., 1515 Broadway, New York, New York 10036, or to such agent(s) for the Company ("Agent") as the Company may from time to time specify, in such manner and at such address as may be specified from time to time by the Company. Such notice shall (i) state the number of whole Stock Options being exercised, and (ii) be signed (or otherwise authorized in a manner acceptable to the Company) by the person or persons so exercising the Stock Options and, in the event the Stock Options are being exercised (pursuant to Section 1.2(c)(i) hereof) by any person or persons other than the Participant accompanied by proof satisfactory to the Company's counsel of the right of such person or persons to exercise the Stock Options. Information concerning any Agent and its address may be obtained by contacting the Director, Global Equity Services.

(b) Payment of Aggregate Option Price. Full payment of the aggregate Exercise Price (which shall be determined by multiplying the number of Stock Options being exercised by the Exercise Price as set forth on the Stock Option Certificate) shall be made on or before the settlement date for the shares of Class B Common Stock issued pursuant to the exercise of the Stock Options. Unless otherwise provided by the Company, such Exercise Price shall be paid in cash (e.g. personal bank check, certified check or official bank check). In accordance with the rules and procedures established by the Committee for this purpose, the Stock Options may be exercised through a "cashless exercise" procedure, approved by the Committee, involving a broker or dealer, that affords the Participant the opportunity to sell immediately some or all of the shares underlying the exercised portion of the Stock Options in order to generate sufficient cash to pay the

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Exercise Price of the Stock Options. In addition, if the Company so permits, the Exercise Price may be paid in whole or in part using a net share settlement procedure or through the withholding of shares subject to the Stock Options with a value equal to the Exercise Price. In accordance with Section 4.3 hereof, the Participant shall make an arrangement acceptable to the Company to pay to the Company an amount sufficient to satisfy the combined federal, state, local or other withholding tax obligations which arise in connection with the exercise of such Stock Options.

(c) Outstanding Stock Options. The number of shares of Class B Common Stock subject to the Stock Options that is set forth on the Stock Option Certificate may not reflect the number of Outstanding Stock Options due to Stock Option exercises or adjustments pursuant to Article II.

## **ARTICLE II EFFECT OF CERTAIN CORPORATE CHANGES**

In the event of a merger, consolidation, stock split, reverse stock split, dividend, distribution, combination, reclassification, reorganization, split-up, spin-off or recapitalization that changes the character or amount of the Class B Common Stock or any other changes in the corporate structure, equity securities or capital structure of the Company, the Committee shall make such adjustments, if any, to the number of shares and kind of securities subject to the Stock Options, and the Exercise Price of the Stock Options, in each case, as it deems appropriate. The Committee may, in its sole discretion, also make such other adjustments as it deems appropriate in order to preserve the benefits or potential benefits intended to be made available hereunder. Such determinations by the Committee shall be conclusive and binding on all persons for all purposes.

## **ARTICLE III DEFINITIONS**

As used herein, the following terms shall have the following meanings:

- (a) "Board" shall mean the Board of Directors of the Company.
  - (b) "Certificate" shall mean the Stock Option Certificate, together with the Terms and Conditions contained herein.
  - (c) "Class B Common Stock" shall mean shares of Class B Common Stock, par value \$0.001 per share, of the Company.
  - (d) "Code" shall mean the U.S. Internal Revenue Code of 1986, as amended, including any successor law thereto and the rules and regulations promulgated thereunder.
  - (e) "Committee" shall mean the Compensation Committee of the Board (or such other Committee(s) as may be appointed or designated by the Board to administer
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the Plan).

(f) "Company" shall mean Viacom Inc., a Delaware corporation.

(g) "Date of Grant" shall be the date set forth on the Stock Option Certificate.

(h) "Expiration Date" shall be the date set forth on the Stock Option Certificate and in Section 1.2(b) hereof.

(i) "Exercise Price" shall be the amount set forth on the Stock Option Certificate, which amount shall be equal to the Fair Market Value of a share of Class B Common Stock on the Date of Grant.

(j) "Fair Market Value" of a share of Class B Common Stock on a given date shall be the 4:00 p.m. (New York time) closing price on such date on the New York Stock Exchange or other principal stock exchange on which the Class B Common Stock is then listed, as reported by The Wall Street Journal (Northeast edition) or as reported by any other authoritative source selected by the Company.

(k) "Outstanding Stock Option" shall mean a Stock Option granted to the Participant which has not yet been exercised and which has not yet expired or been terminated in accordance with its terms.

(l) "Participant" shall mean the employee named on the Stock Option Certificate.

(m) "Permanent Disability" shall have the same meaning as such term or a similar term has in the long-term disability policy maintained by the Company or a Subsidiary thereof for the Participant and that is in effect on the date of the onset of the Participant's Permanent Disability, unless the Committee determines otherwise.

(n) "Plan" shall mean the Viacom Inc. 2006 Long-Term Management Incentive Plan, as amended from time to time.

(o) "Retirement" shall mean the resignation or termination of employment after attainment of an age and years of service required for payment of an immediate pension pursuant to the terms of any qualified defined benefit retirement plan maintained by the Company or a Subsidiary in which the Participant participates; provided, however, that no resignation or termination prior to a Participant's 60th birthday shall be deemed a retirement unless the Committee so determines in its sole discretion; and provided further that the resignation or termination of employment other than a Termination for Cause after attainment of age 60 shall be deemed a retirement if the Participant does not participate in a qualified defined benefit retirement plan maintained by the Company or a Subsidiary.

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(p) "Section 409A" shall mean Section 409A of the Code and the rules, regulations and guidance promulgated thereunder from time to time.

(q) "Stock Option" shall mean the contractual right granted to the Participant to purchase shares of Class B Common Stock at such time and price, and subject to such other terms and conditions, as set forth in the Certificate and the Plan.

(r) "Stock Option Certificate" shall have the meaning set forth in Section 1.1 hereof.

(s) "Subsidiary" shall mean a corporation (or a partnership or other enterprise) in which the Company owns or controls, directly or indirectly, more than 50% of the outstanding shares of stock normally entitled to vote for the election of directors (or comparable equity participation and voting power).

(t) "Termination for Cause" shall mean a termination of employment with the Company or any of its Subsidiaries which, as determined by the Committee, is by reason of (i) "cause" as such term or a similar term is defined in any employment agreement that is in effect and applicable to the Participant, or (ii) if there is no such employment agreement or if such employment agreement contains no such term, unless the Committee determines otherwise, the Participant's: (A) dishonesty; (B) conviction of embezzlement, fraud or other conduct which would constitute a felony; (C) willful unauthorized disclosure of confidential information; (D) failure, neglect of or refusal to substantially perform the duties of the Participant's employment; or (E) any other act or omission which is a material breach of the Company's policies regarding employment practices or the applicable federal, state and local laws prohibiting discrimination or which is materially injurious to the financial condition or business reputation of the Company or any Subsidiary thereof.

#### **ARTICLE IV MISCELLANEOUS**

Section 4.1 No Rights to Awards or Continued Employment. Neither the Certificate, the Plan nor any action taken in accordance with such documents shall confer upon the Participant any right to be employed by or to continue in the employment of the Company or any Subsidiary, nor to be entitled to any remuneration or benefits not set forth in the Plan or the Certificate, including the right to receive any future awards under the Plan or any other plan of the Company or any Subsidiary or interfere with or limit the right of the Company or any Subsidiary to modify the terms of or terminate the Participant's employment at any time for any reason.

Section 4.2 Restriction on Transfer. The rights of the Participant with respect to the Stock Options shall be exercisable during the Participant's lifetime only by the Participant and shall not be transferable by the Participant to whom the Stock Options are granted, except by will or the laws of descent and distribution; provided that the Committee may permit other transferability, subject to any conditions and limitations that

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it may, in its sole discretion, impose.

Section 4.3 Taxes. As a condition to the exercise of the Stock Options, the Participant shall make a payment in cash equal to the amount of any federal, state, local and/or other taxes owed as a result of such exercise. In accordance with the rules and procedures established by the Committee for this purpose, the Participant may satisfy such withholding obligations through a "cashless exercise" procedure as described in Section 1.3(b). In addition, if the Company so permits, the Participant may satisfy such withholding obligations through a net share settlement procedure or the withholding of shares subject to the applicable Stock Options.

Section 4.4 Stockholder Rights. The grant of Stock Options under the Certificate shall not entitle the Participant or a Participant's estate or any permitted transferee to any rights of a holder of shares of Class B Common Stock, other than when and until the Participant, the Participant's estate or the permitted transferee is registered on the books and records of the Company as a stockholder and shares are delivered to such party upon exercise of the Stock Options.

Section 4.5 No Restriction on Right of Company to Effect Corporate Changes. Neither the Plan nor the Certificate shall affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Class B Common Stock or the rights thereof or which are convertible into or exchangeable for Class B Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

Section 4.6 Section 409A. If any provision of the Certificate contravenes any regulations or Treasury guidance promulgated under Section 409A or could cause the Participant to recognize income for federal income tax purposes with respect to any Stock Options before such Stock Options are exercised or to be subject to interest and penalties under Section 409A, such provision of the Certificate shall be modified to maintain, to the maximum extent practicable, the original intent of the applicable provision without violating the provisions of Section 409A or causing such income recognition or imposition of interest or penalties. Moreover, any discretionary authority that the Board or the Committee may have pursuant to the Certificate shall not be applicable to Stock Options that are subject to Section 409A to the extent such discretionary authority will contravene Section 409A.

Section 4.7 Amendment. The Committee shall have broad authority to amend the Certificate without approval of the Participant to the extent necessary or desirable (i) to comply with, or take into account changes in, applicable tax laws, securities laws, accounting rules and other applicable laws, rules and regulations or (ii) to ensure that the

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Participant does not recognize income for federal income tax purposes with respect to any Stock Options before such Stock Options are exercised and is not subject to interest and penalties under Section 409A with respect to any Stock Options.

Section 4.8 Interpretation. In the event of any conflict between the provisions of the Certificate (including the definitions set forth herein) and those of the Plan, the provisions of the Plan will control. Additionally, in the event of a conflict or ambiguity between the provisions of the Certificate and the provisions of any employment agreement that is in effect and applicable to the Participant with respect to the Stock Options, the provisions of such employment agreement shall be deemed controlling to the extent such provisions are consistent with the provisions of the Plan and are more favorable to the Participant than the provisions of the Certificate.

Section 4.9 Breach of Covenants. In the event that the Committee makes a good faith determination that the Participant committed a material breach of the restrictive covenants relating to non-competition, no solicitation of employees, confidential information or proprietary property in any employment or other agreement applicable to the Participant during the one year period after termination of the Participant's employment with the Company or a Subsidiary for any reason, the Participant will be required to return any "gain" (as defined below) realized on the Stock Options during the one year period prior to such breach or at any time after such breach occurs. In addition, if the Committee makes such determination, the Participant's Outstanding Stock Options will be terminated. The "gain" on the Stock Options shall mean the difference between the Fair Market Value on the date of exercise and the Exercise Price.

Section 4.10 Governmental Regulations. The Stock Options shall be subject to all applicable rules and regulations of governmental or other authorities.

Section 4.11 Headings. The headings of articles and sections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of the Certificate.

Section 4.12 Governing Law. The Certificate and all rights hereunder shall be construed in accordance with and governed by the laws of the State of Delaware.

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**Viacom Inc.**  
**2006 Long-Term Management Incentive Plan**  
**Terms and Conditions to the Performance-Based Restricted Share Units**  
**with Time Vesting and Market Condition Certificate**

**ARTICLE I**  
**TERMS OF RESTRICTED SHARE UNITS**

Section 1.1 Grant of Performance-Based Restricted Share Units with Time Vesting and Market Condition. The Performance-Based Restricted Share Units with Time Vesting and Market Condition (the "Restricted Share Units") have been awarded to the Participant subject to the terms and conditions contained in (A) the confirmation for the May 24, 2006 grant of Restricted Share Units provided to the Participant (the "Restricted Share Units Certificate") and the Terms and Conditions contained herein (collectively, the "Certificate") and (B) the Plan, the terms of which are hereby incorporated by reference. A copy of the Plan is being provided simultaneously on-line or attached hereto. Capitalized terms that are not otherwise defined herein have the meanings assigned to them in the Restricted Share Units Certificate or the Plan. Each Restricted Share Unit shall entitle the Participant to receive one share of Class B Common Stock, subject to the terms and conditions set forth in the Certificate and the Plan.

Section 1.2 Terms of Restricted Share Units.

(a) Vesting. Subject to the other terms and conditions contained in the Certificate and in the Plan, the Restricted Share Units shall vest in four installments of an equal whole number of Restricted Share Units on each of the first, second, third and fourth anniversary of the Date of Grant, subject to:

(i) the Committee certifying that the performance goal (the "Performance Goal") described below established by the Committee for the 2006 calendar year (the "Performance Period") has been achieved, and

(ii) the market condition (the "Market Condition") described below established by the Committee for each of the first, second, third and fourth anniversary of the Date of Grant (each, a "Market Period") has also been achieved, provided that if, for any of the first, second or third Market Periods, the Market Condition applicable to any such Market Period(s) has not been achieved, the number of Restricted Share Units that otherwise would have vested at the end of such Market Period(s) shall not be forfeited, but instead shall be added to the number of Restricted Share Units applicable to the subsequent Market Period(s), and shall vest if the Market Condition applicable to such subsequent Market Period and the prior applicable Market Period(s) related to each installment of Restricted Share Units that did not previously vest are achieved. For example, if the Performance Goal for 2006 is achieved but the Market Conditions for the first and second Market Periods are not achieved, the first and second installment of Restricted Share Units shall not vest, but instead shall be carried forward and added to the number of Restricted Share Units that may vest if the applicable Market Condition for

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each such installment and each applicable Market Period is achieved in the third Market Period.

Notwithstanding anything to the contrary in this Section 1.2, in the event that the Committee determines that the Performance Goal established for the Performance Period has not been achieved all Restricted Share Units will immediately be cancelled in their entirety and the Participant's rights with respect to such Restricted Share Units will cease regardless of the achievement of any Market Conditions. If the Performance Goal established for the Performance Period is achieved, but the Market Condition applicable to the fourth Market Period is not achieved, any Restricted Share Units that have not yet vested, including any Restricted Share Units carried forward from any prior Market Period, will immediately be cancelled in their entirety and the Participant's rights with respect to such Restricted Share Units will cease.

"Performance Goal" for purposes of this Section 1.2 means the Company achieving at least 85% of the level of operating income before depreciation and amortization (OIBDA) budgeted for the Company for the Performance Period, as further specified by the Committee.

"Market Condition" for purposes of this Section 1.2 means (A) the change, expressed as a percentage and whether positive or negative, in the Fair Market Value of one share of Class B Common Stock over the period (the "Applicable Period") beginning on the first day of the Market Period and ending on the last day of such Market Period, is higher than (B) the change, expressed as a percentage and whether positive or negative, in the average fair market value of one share of each of the companies in the S&P 500 over the Applicable Period, as reasonably determined by the Company. Fair market value for a share of each of the S&P companies shall be the 4:00 p.m. (New York time) closing price on such date on the New York Stock Exchange or other principal stock exchange on which such shares are then listed, as reported by The Wall Street Journal (Northeast edition) or as reported by any other authoritative source selected by the Company, adjusted as appropriate by the Company in accordance with Article II below, including in the event any such companies undergo any of the changes or transactions referenced in Article II below.

(b) Settlement. On the date each portion of the Restricted Share Units vest, all restrictions contained in the Certificate and in the Plan shall lapse as to that portion of the Restricted Share Units and that portion of the vested Restricted Share Units shall be payable in shares of Class B Common Stock, which may be evidenced in such manner as the Committee in its discretion shall deem appropriate, including, without limitation, book-entry registration. Settlement of vested Restricted Share Units shall be made as soon as practicable after the vesting dates. Such shares of Class B Common Stock shall bear such legends as the Committee, in its sole discretion, may determine to be necessary or advisable in order to comply with applicable U.S. federal or state securities laws. If permitted by the Committee, the Participant may elect to defer settlement of the Restricted Share Units in accordance with procedures established by the Committee from time to time.

(c) Dividend Equivalents. Dividend Equivalents shall accrue on the Restricted Share Units until the Restricted Share Units are settled. The Company shall credit the accrual of the Dividend Equivalents to the Participant's account at such time and in such manner as determined

by the Committee, in its sole discretion. The Company shall maintain a bookkeeping record with respect to the amount of the Dividend Equivalents credited to the Participant's account. Accrued Dividend Equivalents that have been credited to the Participant's account shall be paid in cash through payroll when the Restricted Share Units are settled. Accrued Dividend Equivalents that have been credited to the Participant's account will not be paid with respect to any Restricted Share Units that do not vest and are cancelled.

(d) Termination of Employment, Retirement, Permanent Disability or Death. In the event that (i) the Participant's employment with the Company or any of its Subsidiaries ends by reason of voluntary termination by the Participant, termination by the Company or any of its Subsidiaries other than a Termination for Cause, termination by the Company or any of its Subsidiaries due to a Termination for Cause or the Participant's Retirement, or (ii) the Participant's Permanent Disability or death occurs, prior to the date or dates on which the Restricted Share Units vest in accordance with Section 1.2(a) hereof, the Participant shall forfeit all unvested Restricted Share Units as of the date of such event, unless the Committee determines otherwise and provides that some or all of such Participant's unvested Restricted Share Units shall vest as of the date of such event, in which case, shares of Class B Common Stock shall be delivered in accordance with Section 1.2(b) hereof, to the Participant or, in the case of the Participant's death, to the person or persons who acquired the right to receive such certificates by will or the laws of descent and distribution. A "termination of employment" occurs, for purposes of the Restricted Share Units, when a Participant is no longer an employee of the Company or any of its Subsidiaries. Unless the Committee determines otherwise, the employment of a Participant who works for a Subsidiary shall terminate, for purposes of the Restricted Share Units, on the date on which the Participant's employing company ceases to be a Subsidiary.

## **ARTICLE II EFFECT OF CERTAIN CORPORATE CHANGES**

In the event of a merger, consolidation, stock split, reverse stock split, dividend, distribution, combination, reclassification, reorganization, split-up, spin-off or recapitalization that changes the character or amount of the Class B Common Stock or any other changes in the corporate structure, equity securities or capital structure of the Company, the Committee shall make such adjustments, if any, to the number and kind of securities subject to the Restricted Share Units, as it deems appropriate. The Committee may, in its sole discretion, also make such other adjustments as it deems appropriate in order to preserve the benefits or potential benefits intended to be made available hereunder, including, without limitation, changes to the Market Condition for any Market Period or the Performance Goal for the Performance Period. Such determinations by the Committee shall be conclusive and binding on all persons for all purposes.

## **ARTICLE III DEFINITIONS**

As used herein, the following terms shall have the following meanings:

- (a) "Applicable Period" shall have the meaning set forth in Section 1.2(a) hereof.
- (b) "Board" shall mean the Board of Directors of the Company.

- (c) "Certificate" shall mean the Restricted Share Units Certificate, together with the Terms and Conditions contained herein.
- (d) "Class B Common Stock" shall mean shares of Class B Common Stock, par value \$0.001 per share, of the Company.
- (e) "Code" shall mean the U.S. Internal Revenue Code of 1986, as amended, including any successor law thereto and the rules and regulations promulgated thereunder.
- (f) "Committee" shall mean the Compensation Committee of the Board (or such other Committee(s) as may be appointed or designated by the Board to administer the Plan).
- (g) "Company" shall mean Viacom Inc., a Delaware corporation.
- (h) "Date of Grant" shall be the date set forth on the Restricted Share Units Certificate.
- (i) "Dividend Equivalent" shall mean an amount in cash equal to the regular cash dividend that would have been paid on the number of shares of Class B Common Stock underlying the Restricted Share Units.
- (j) "Fair Market Value" of a share of Class B Common Stock on a given date shall be the 4:00 p.m. (New York time) closing price on such date on the New York Stock Exchange or other principal stock exchange on which the Class B Common Stock is then listed, as reported by The Wall Street Journal (Northeast edition) or as reported by any other authoritative source selected by the Company.
- (k) "Market Condition" shall have the meaning set forth in Section 1.2(a) hereof.
- (l) "Market Period" shall have the meaning set forth in Section 1.2(a) hereof.
- (m) "Participant" shall mean the employee named on the Restricted Share Units Certificate.
- (n) "Performance Goal" shall have the meaning set forth in Section 1.2(a) hereof.
- (o) "Performance Period" shall mean the period of time set forth in Section 1.2(a) hereof.
- (p) "Permanent Disability" shall have the same meaning as such term or a similar term has in the long-term disability policy maintained by the Company or a Subsidiary thereof for the Participant and that is in effect on the date of the onset of the Participant's Permanent Disability unless the Committee determines otherwise.
- (q) "Plan" shall mean the Viacom Inc. 2006 Long-Term Management Incentive Plan, as amended from time to time.

(r) "Restricted Share Units" shall mean the contractual right granted to the Participant to receive shares of Class B Common Stock, subject to the terms and conditions set forth in the Certificate and the Plan.

(s) "Restricted Share Units Certificate" shall have the meaning set forth in Section 1.1 hereof.

(t) "Retirement" shall mean the resignation or termination of employment after attainment of an age and years of service required for payment of an immediate pension pursuant to the terms of any qualified defined benefit retirement plan maintained by the Company or a Subsidiary in which the Participant participates; provided, however, that no resignation or termination prior to a Participant's 60th birthday shall be deemed a retirement unless the Committee so determines in its sole discretion; and provided further that the resignation or termination of employment other than a Termination for Cause after attainment of age 60 shall be deemed a retirement if the Participant does not participate in a qualified defined benefit retirement plan maintained by the Company or a Subsidiary.

(u) "Section 409A" shall mean Section 409A of the Code and the rules, regulations and guidance promulgated thereunder from time to time.

(v) "Subsidiary" shall mean a corporation (or a partnership or other enterprise) in which the Company owns or controls, directly or indirectly, more than 50% of the outstanding shares of stock normally entitled to vote for the election of directors (or comparable equity participation and voting power).

(w) "Termination for Cause" shall mean a termination of employment with the Company or any of its Subsidiaries which, as determined by the Committee, is by reason of (i) "cause" as such term or a similar term is defined in any employment agreement that is in effect and applicable to the Participant, or (ii) if there is no such employment agreement or if such employment agreement contains no such term, unless the Committee determines otherwise, the Participant's: (A) dishonesty; (B) conviction of embezzlement, fraud or other conduct which would constitute a felony; (C) willful unauthorized disclosure of confidential information; (D) failure, neglect of or refusal to substantially perform the duties of the Participant's employment; or (E) any other act or omission which is a material breach of the Company's policies regarding employment practices or the applicable federal, state and local laws prohibiting discrimination or which is materially injurious to the financial condition or business reputation of the Company or any Subsidiary thereof.

#### **ARTICLE IV MISCELLANEOUS**

Section 4.1 No Rights to Awards or Continued Employment. Neither the Certificate, the Plan nor any action taken in accordance with such documents shall confer upon the Participant any right to be employed by or to continue in the employment of the Company or any Subsidiary, nor to be entitled to any remuneration or benefits not set forth in the Plan or the Certificate, including the right to receive any future awards under the Plan or any other plan of

the Company or any Subsidiary or interfere with or limit the right of the Company or any Subsidiary to modify the terms of or terminate the Participant's employment at any time for any reason.

Section 4.2 Restriction on Transfer. The rights of the Participant with respect to the Restricted Share Units shall be exercisable during the Participant's lifetime only by the Participant and shall not be transferable by the Participant to whom the Restricted Share Units are granted, except by will or the laws of descent and distribution; provided that the Committee may permit other transferability, subject to any conditions and limitations that it may, in its sole discretion, impose.

Section 4.3 Taxes. The Company or a Subsidiary, as appropriate, shall be entitled to withhold from any payment made under the Plan to the Participant or a Participant's estate or any permitted transferee an amount sufficient to satisfy any federal, state, local and/or other tax withholding requirement. The Committee, in its discretion, may, as a condition to the settlement of the Restricted Share Units, payment of the Dividend Equivalents or delivery of any shares of Class B Common Stock, require that an additional amount be paid in cash equal to the amount of any federal, state, local and/or other tax withholding requirement or, alternatively, permit the Participant to satisfy such tax withholding requirement by withholding shares of Class B Common Stock subject to the applicable Restricted Share Units and/or Dividend Equivalents.

Section 4.4 Stockholder Rights. The grant of Restricted Share Units under the Certificate shall not entitle the Participant or a Participant's estate or any permitted transferee to any rights of a holder of shares of Class B Common Stock, other than when and until the Participant, the Participant's estate or the permitted transferee is registered on the books and records of the Company as a stockholder and shares are delivered to such party upon settlement of the Restricted Share Units or payment of the Dividend Equivalents. Unless otherwise determined by the Committee in its discretion, no adjustment shall be made for dividends or distributions or other rights in respect of any shares of Class B Common Stock for which the record date is prior to the date on which the Participant, a Participant's estate or any permitted transferee shall become the holder of such shares of Class B Common Stock.

Section 4.5 No Restriction on Right of Company to Effect Corporate Changes. Neither the Plan nor the Certificate shall affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Class B Common Stock or the rights thereof or which are convertible into or exchangeable for Class B Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

Section 4.6 Section 409A. If any provision of the Certificate contravenes any regulations or Treasury guidance promulgated under Section 409A or could cause the Participant to recognize income for federal income tax purposes with respect to any Restricted Share Units

before such Restricted Share Units are settled or to be subject to interest and penalties under Section 409A, such provision of the Certificate shall be modified to maintain, to the maximum extent practicable, the original intent of the applicable provision without violating the provisions of Section 409A or causing such income recognition or imposition of interest or penalties. Moreover, any discretionary authority that the Board or the Committee may have pursuant to the Certificate shall not be applicable to Restricted Share Units that are subject to Section 409A to the extent such discretionary authority will contravene Section 409A.

Section 4.7 Amendment. The Committee shall have broad authority to amend the Certificate without approval of the Participant to the extent necessary or desirable (i) to comply with, or take into account changes in, applicable tax laws, securities laws, accounting rules and other applicable laws, rules and regulations or (ii) to ensure that the Participant does not recognize income for federal income tax purposes with respect to any Restricted Share Units before such Restricted Share Units are settled and is not subject to interest and penalties under Section 409A with respect to any Restricted Share Units.

Section 4.8 Interpretation. In the event of any conflict between the provisions of the Certificate (including the definitions set forth herein) and those of the Plan, the provisions of the Plan will control. Additionally, in the event of a conflict or ambiguity between the provisions of the Certificate and the provisions of any employment agreement that is in effect and applicable to the Participant with respect to the Restricted Share Units, the provisions of such employment agreement shall be deemed controlling to the extent such provisions are consistent with the provisions of the Plan and are more favorable to the Participant than the provisions of the Certificate.

Section 4.9 Breach of Covenants. In the event that the Committee makes a good faith determination that the Participant committed a material breach of the restrictive covenants relating to non-competition, no solicitation of employees, confidential information or proprietary property in any employment or other agreement applicable to the Participant during the one year period after termination of the Participant's employment with the Company or a Subsidiary for any reason, the Participant will be required to return the shares of Class B Common Stock received by him or her in settlement of the Restricted Share Units and the cash payment of the Dividend Equivalents or, if the shares of Class B Common Stock received in settlement of the Restricted Share Units were sold by the Participant, return any proceeds realized on the sale of such shares of Class B Common Stock during the one year period prior to such breach or any time after such breach occurs.

Section 4.10 Governmental Regulations. The Restricted Share Units shall be subject to all applicable rules and regulations of governmental or other authorities.

Section 4.11 Headings. The headings of articles and sections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of the Certificate.

Section 4.12 Governing Law. The Certificate and all rights hereunder shall be construed in accordance with and governed by the laws of the State of Delaware.

## QuickLinks

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**2006 SHARE THE VISION AWARD  
CONFIRMATION SHEET**

**Name:**

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Congratulations! On May 24, 2006, you were granted an award under the Viacom Share the Vision program.

Your award consists of stock options. The number of shares of Viacom Inc. Class B common stock, par value \$0.001 per share ("Class B Common Stock"), subject to your award is specified below:

**Stock Option Award**  
**Number of Shares**

The stock options granted to you under this award will vest in full on July 23, 2006 (i.e., sixty days after the date of grant).

The exercise price of the stock options granted to you under this award is \$36.78 per share, the closing price of the Class B Common Stock on the New York Stock Exchange (the "NYSE") on May 24, 2006 (i.e., the date the stock options were granted to you). The stock options granted to you under this award expire on May 24, 2014.

After your stock options vest but before they expire, you may exercise them on any NYSE trading day, subject to the terms and conditions (including any forfeiture and early expiration provisions) specified in the Viacom Inc. 2006 Long-Term Management Incentive Plan and any other documents relating to your award, and subject to company policies that require preclearance of trading activity and, for certain individuals, trading within specified window periods.

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**Viacom Inc.**  
**2006 Long-Term Management Incentive Plan**  
**Terms and Conditions to the Stock Option Certificate**

**ARTICLE I**  
**TERMS OF STOCK OPTIONS**

Section 1.1 Grant of Stock Options. The Stock Options have been awarded to the Participant subject to the terms and conditions contained in (A) the confirmation for the May 24, 2006 grant of Stock Options provided to the Participant (the "Stock Option Certificate") and the Terms and Conditions contained herein (collectively, the "Certificate") and (B) the Plan, the terms of which are hereby incorporated by reference. A copy of the Plan is being provided simultaneously on-line or attached hereto. Capitalized terms that are not otherwise defined herein have the meanings assigned to them in the Stock Option Certificate or the Plan. The Stock Options are not intended to be, or qualify as, "Incentive Stock Options" within the meaning of Section 422 of the Code.

Section 1.2 Terms of Stock Options.

(a) Vesting. The Stock Options shall be exercisable only to the extent the Participant is vested therein. Subject to the other terms and conditions contained in the Certificate and in the Plan, the Stock Options shall vest in four installments of an equal whole number of Stock Options on each of the first, second, third and fourth anniversary of the Date of Grant (any remaining Stock Options shall vest on whichever of the preceding vesting dates shall be determined by the Company in accordance with its customary procedures).

(b) Option Period. Except as provided in Section 1.2(c) hereof, the period during which the Stock Options may be exercised shall expire on the eighth anniversary of the Date of Grant (the "Expiration Date"). If the Participant remains employed by the Company or any of its Subsidiaries through the Expiration Date, his or her Outstanding Stock Options may be exercised to the extent exercisable until the close of trading (generally 4:00 p.m. New York time) on the last trading day falling within the exercise period on the New York Stock Exchange or, if different, the principal stock exchange on which the Class B Common Stock is then listed. Thus, if the Expiration Date is not a trading day, then the last day the Stock Options may be exercised is the last trading day preceding the Expiration Date.

(c) Exercise in the Event of Termination of Employment, Retirement, Permanent Disability or Death.

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(i) Termination other than for Cause, or due to Retirement, Permanent Disability or Death. Except as otherwise provided in this Section 1.2 or as otherwise determined by the Committee (including in any applicable employment agreement), in the event of the Participant's termination of employment other than a Termination for Cause or due to the Participant's Retirement, Permanent Disability or death, the Participant's Outstanding Stock Options can be exercised in accordance with the following provisions:

(A) if the Participant ceases to be an employee of the Company or any of its Subsidiaries by reason of the voluntary termination by the Participant or the termination by the Company or any of its Subsidiaries other than a Termination for Cause, his or her Outstanding Stock Options may be exercised to the extent then exercisable until the earlier of six months after the date of such termination or the Expiration Date;

(B) if the Participant ceases to be an employee of the Company or any of its Subsidiaries by reason of the Participant's Retirement, the Participant may exercise his or her Outstanding Stock Options to the extent exercisable on the date of Retirement until the earlier of the third anniversary of such date or the Expiration Date;

(C) if a Permanent Disability of the Participant occurs, his or her Outstanding Stock Options may be exercised to the extent exercisable upon the date of the onset of such Permanent Disability until the earlier of the third anniversary of such date or the Expiration Date; and

(D) if the Participant dies during a period during which his or her Stock Options could have been exercised by him or her, his or her Outstanding Stock Options may be exercised to the extent exercisable at the date of death by the person who acquired the right to exercise such Stock Options by will or the laws of descent and distribution or permitted transfer until the earlier of the second anniversary of the date of death or the Expiration Date.

Except as otherwise provided in this Section 1.2 or as otherwise determined by the Committee, upon the occurrence of an event described in clauses (A), (B), (C) or (D) of this Section 1.2(c)(i), all rights with respect to Stock Options that are not vested as of such event will be relinquished. A "termination of employment" occurs, for purposes of the Stock Options, when a Participant is no longer an employee of the Company or any of its Subsidiaries. Unless the Committee determines otherwise, the employment of a Participant who works for a Subsidiary shall terminate, for purposes of the Stock Options, on the date on which the Participant's employing company ceases to be a Subsidiary.

(ii) Termination for Cause. If the Participant's employment with the Company or any of its Subsidiaries ends due to a Termination for Cause then,

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unless the Committee in its discretion determines otherwise, all Outstanding Stock Options, whether or not then vested, shall terminate effective as of the date of such termination.

(iii) Exercise Periods following Termination of Employment, Retirement, Permanent Disability or Death. For the purposes of determining the dates on which Stock Options may be exercised following a termination of employment or Retirement, Permanent Disability or death, the day following the date of termination of employment or Retirement, Permanent Disability or death shall be the first day of the exercise period and the Stock Options may be exercised until the close of trading (generally 4:00 p.m. New York time) on the last trading day falling within the exercise period on the New York Stock Exchange or, if different, the principal stock exchange on which the Class B Common Stock is then listed. Thus, if the last day of the exercise period is not a trading day, then the last date the Stock Options may be exercised is the last trading day preceding the end of the exercise period.

### Section 1.3 Exercise of Stock Options.

(a) Whole or Partial Exercise. The Participant may exercise all vested Outstanding Stock Options granted hereunder in whole at one time or in part in increments of 100 Stock Options (or in the entire number of Outstanding Stock Options in which the Participant is vested, if such number is less than 100) by notice to the Director, Global Equity Services, Viacom Inc., 1515 Broadway, New York, New York 10036, or to such agent(s) for the Company ("Agent") as the Company may from time to time specify, in such manner and at such address as may be specified from time to time by the Company. Such notice shall (i) state the number of whole Stock Options being exercised, and (ii) be signed (or otherwise authorized in a manner acceptable to the Company) by the person or persons so exercising the Stock Options and, in the event the Stock Options are being exercised (pursuant to Section 1.2(c)(i) hereof) by any person or persons other than the Participant accompanied by proof satisfactory to the Company's counsel of the right of such person or persons to exercise the Stock Options. Information concerning any Agent and its address may be obtained by contacting the Director, Global Equity Services.

(b) Payment of Aggregate Option Price. Full payment of the aggregate Exercise Price (which shall be determined by multiplying the number of Stock Options being exercised by the Exercise Price as set forth on the Stock Option Certificate) shall be made on or before the settlement date for the shares of Class B Common Stock issued pursuant to the exercise of the Stock Options. Unless otherwise provided by the Company, such Exercise Price shall be paid in cash (e.g. personal bank check, certified check or official bank check). In accordance with the rules and procedures established by the Committee for this purpose, the Stock Options may be exercised through a "cashless exercise" procedure, approved by the Committee, involving a broker or dealer, that affords the Participant the opportunity to sell immediately some or all of the shares underlying the exercised portion of the Stock Options in order to generate sufficient cash to pay the

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Exercise Price of the Stock Options. In addition, if the Company so permits, the Exercise Price may be paid in whole or in part using a net share settlement procedure or through the withholding of shares subject to the Stock Options with a value equal to the Exercise Price. In accordance with Section 4.3 hereof, the Participant shall make an arrangement acceptable to the Company to pay to the Company an amount sufficient to satisfy the combined federal, state, local or other withholding tax obligations which arise in connection with the exercise of such Stock Options.

(c) Outstanding Stock Options. The number of shares of Class B Common Stock subject to the Stock Options that is set forth on the Stock Option Certificate may not reflect the number of Outstanding Stock Options due to Stock Option exercises or adjustments pursuant to Article II.

## **ARTICLE II EFFECT OF CERTAIN CORPORATE CHANGES**

In the event of a merger, consolidation, stock split, reverse stock split, dividend, distribution, combination, reclassification, reorganization, split-up, spin-off or recapitalization that changes the character or amount of the Class B Common Stock or any other changes in the corporate structure, equity securities or capital structure of the Company, the Committee shall make such adjustments, if any, to the number of shares and kind of securities subject to the Stock Options, and the Exercise Price of the Stock Options, in each case, as it deems appropriate. The Committee may, in its sole discretion, also make such other adjustments as it deems appropriate in order to preserve the benefits or potential benefits intended to be made available hereunder. Such determinations by the Committee shall be conclusive and binding on all persons for all purposes.

## **ARTICLE III DEFINITIONS**

As used herein, the following terms shall have the following meanings:

- (a) "Board" shall mean the Board of Directors of the Company.
  - (b) "Certificate" shall mean the Stock Option Certificate, together with the Terms and Conditions contained herein.
  - (c) "Class B Common Stock" shall mean shares of Class B Common Stock, par value \$0.001 per share, of the Company.
  - (d) "Code" shall mean the U.S. Internal Revenue Code of 1986, as amended, including any successor law thereto and the rules and regulations promulgated thereunder.
  - (e) "Committee" shall mean the Compensation Committee of the Board (or such other Committee(s) as may be appointed or designated by the Board to administer
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the Plan).

(f) "Company" shall mean Viacom Inc., a Delaware corporation.

(g) "Date of Grant" shall be the date set forth on the Stock Option Certificate.

(h) "Expiration Date" shall be the date set forth on the Stock Option Certificate and in Section 1.2(b) hereof.

(i) "Exercise Price" shall be the amount set forth on the Stock Option Certificate, which amount shall be equal to the Fair Market Value of a share of Class B Common Stock on the Date of Grant.

(j) "Fair Market Value" of a share of Class B Common Stock on a given date shall be the 4:00 p.m. (New York time) closing price on such date on the New York Stock Exchange or other principal stock exchange on which the Class B Common Stock is then listed, as reported by The Wall Street Journal (Northeast edition) or as reported by any other authoritative source selected by the Company.

(k) "Outstanding Stock Option" shall mean a Stock Option granted to the Participant which has not yet been exercised and which has not yet expired or been terminated in accordance with its terms.

(l) "Participant" shall mean the employee named on the Stock Option Certificate.

(m) "Permanent Disability" shall have the same meaning as such term or a similar term has in the long-term disability policy maintained by the Company or a Subsidiary thereof for the Participant and that is in effect on the date of the onset of the Participant's Permanent Disability, unless the Committee determines otherwise.

(n) "Plan" shall mean the Viacom Inc. 2006 Long-Term Management Incentive Plan, as amended from time to time.

(o) "Retirement" shall mean the resignation or termination of employment after attainment of an age and years of service required for payment of an immediate pension pursuant to the terms of any qualified defined benefit retirement plan maintained by the Company or a Subsidiary in which the Participant participates; provided, however, that no resignation or termination prior to a Participant's 60th birthday shall be deemed a retirement unless the Committee so determines in its sole discretion; and provided further that the resignation or termination of employment other than a Termination for Cause after attainment of age 60 shall be deemed a retirement if the Participant does not participate in a qualified defined benefit retirement plan maintained by the Company or a Subsidiary.

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(p) "Section 409A" shall mean Section 409A of the Code and the rules, regulations and guidance promulgated thereunder from time to time.

(q) "Stock Option" shall mean the contractual right granted to the Participant to purchase shares of Class B Common Stock at such time and price, and subject to such other terms and conditions, as set forth in the Certificate and the Plan.

(r) "Stock Option Certificate" shall have the meaning set forth in Section 1.1 hereof.

(s) "Subsidiary" shall mean a corporation (or a partnership or other enterprise) in which the Company owns or controls, directly or indirectly, more than 50% of the outstanding shares of stock normally entitled to vote for the election of directors (or comparable equity participation and voting power).

(t) "Termination for Cause" shall mean a termination of employment with the Company or any of its Subsidiaries which, as determined by the Committee, is by reason of (i) "cause" as such term or a similar term is defined in any employment agreement that is in effect and applicable to the Participant, or (ii) if there is no such employment agreement or if such employment agreement contains no such term, unless the Committee determines otherwise, the Participant's: (A) dishonesty; (B) conviction of embezzlement, fraud or other conduct which would constitute a felony; (C) willful unauthorized disclosure of confidential information; (D) failure, neglect of or refusal to substantially perform the duties of the Participant's employment; or (E) any other act or omission which is a material breach of the Company's policies regarding employment practices or the applicable federal, state and local laws prohibiting discrimination or which is materially injurious to the financial condition or business reputation of the Company or any Subsidiary thereof.

#### **ARTICLE IV MISCELLANEOUS**

Section 4.1 No Rights to Awards or Continued Employment. Neither the Certificate, the Plan nor any action taken in accordance with such documents shall confer upon the Participant any right to be employed by or to continue in the employment of the Company or any Subsidiary, nor to be entitled to any remuneration or benefits not set forth in the Plan or the Certificate, including the right to receive any future awards under the Plan or any other plan of the Company or any Subsidiary or interfere with or limit the right of the Company or any Subsidiary to modify the terms of or terminate the Participant's employment at any time for any reason.

Section 4.2 Restriction on Transfer. The rights of the Participant with respect to the Stock Options shall be exercisable during the Participant's lifetime only by the Participant and shall not be transferable by the Participant to whom the Stock Options are granted, except by will or the laws of descent and distribution; provided that the Committee may permit other transferability, subject to any conditions and limitations that

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it may, in its sole discretion, impose.

Section 4.3 Taxes. As a condition to the exercise of the Stock Options, the Participant shall make a payment in cash equal to the amount of any federal, state, local and/or other taxes owed as a result of such exercise. In accordance with the rules and procedures established by the Committee for this purpose, the Participant may satisfy such withholding obligations through a "cashless exercise" procedure as described in Section 1.3(b). In addition, if the Company so permits, the Participant may satisfy such withholding obligations through a net share settlement procedure or the withholding of shares subject to the applicable Stock Options.

Section 4.4 Stockholder Rights. The grant of Stock Options under the Certificate shall not entitle the Participant or a Participant's estate or any permitted transferee to any rights of a holder of shares of Class B Common Stock, other than when and until the Participant, the Participant's estate or the permitted transferee is registered on the books and records of the Company as a stockholder and shares are delivered to such party upon exercise of the Stock Options.

Section 4.5 No Restriction on Right of Company to Effect Corporate Changes. Neither the Plan nor the Certificate shall affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Class B Common Stock or the rights thereof or which are convertible into or exchangeable for Class B Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

Section 4.6 Section 409A. If any provision of the Certificate contravenes any regulations or Treasury guidance promulgated under Section 409A or could cause the Participant to recognize income for federal income tax purposes with respect to any Stock Options before such Stock Options are exercised or to be subject to interest and penalties under Section 409A, such provision of the Certificate shall be modified to maintain, to the maximum extent practicable, the original intent of the applicable provision without violating the provisions of Section 409A or causing such income recognition or imposition of interest or penalties. Moreover, any discretionary authority that the Board or the Committee may have pursuant to the Certificate shall not be applicable to Stock Options that are subject to Section 409A to the extent such discretionary authority will contravene Section 409A.

Section 4.7 Amendment. The Committee shall have broad authority to amend the Certificate without approval of the Participant to the extent necessary or desirable (i) to comply with, or take into account changes in, applicable tax laws, securities laws, accounting rules and other applicable laws, rules and regulations or (ii) to ensure that the

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Participant does not recognize income for federal income tax purposes with respect to any Stock Options before such Stock Options are exercised and is not subject to interest and penalties under Section 409A with respect to any Stock Options.

Section 4.8 Interpretation. In the event of any conflict between the provisions of the Certificate (including the definitions set forth herein) and those of the Plan, the provisions of the Plan will control. Additionally, in the event of a conflict or ambiguity between the provisions of the Certificate and the provisions of any employment agreement that is in effect and applicable to the Participant with respect to the Stock Options, the provisions of such employment agreement shall be deemed controlling to the extent such provisions are consistent with the provisions of the Plan and are more favorable to the Participant than the provisions of the Certificate.

Section 4.9 Breach of Covenants. In the event that the Committee makes a good faith determination that the Participant committed a material breach of the restrictive covenants relating to non-competition, no solicitation of employees, confidential information or proprietary property in any employment or other agreement applicable to the Participant during the one year period after termination of the Participant's employment with the Company or a Subsidiary for any reason, the Participant will be required to return any "gain" (as defined below) realized on the Stock Options during the one year period prior to such breach or at any time after such breach occurs. In addition, if the Committee makes such determination, the Participant's Outstanding Stock Options will be terminated. The "gain" on the Stock Options shall mean the difference between the Fair Market Value on the date of exercise and the Exercise Price.

Section 4.10 Governmental Regulations. The Stock Options shall be subject to all applicable rules and regulations of governmental or other authorities.

Section 4.11 Headings. The headings of articles and sections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of the Certificate.

Section 4.12 Governing Law. The Certificate and all rights hereunder shall be construed in accordance with and governed by the laws of the State of Delaware.

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## QuickLinks

[2006 SHARE THE VISION AWARD CONFIRMATION SHEET](#)

[Viacom Inc. 2006 Long-Term Management Incentive Plan Terms and Conditions to the Stock Option Certificate](#)

[ARTICLE I TERMS OF STOCK OPTIONS](#)

[ARTICLE II EFFECT OF CERTAIN CORPORATE CHANGES](#)

[ARTICLE III DEFINITIONS](#)

[ARTICLE IV MISCELLANEOUS](#)

**CERTIFICATION**

I, Thomas E. Freston, certify that:

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

Date: August 9, 2006

/s/ THOMAS E. FRESTON

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Thomas E. Freston  
President and Chief Executive Officer

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QuickLinks

[CERTIFICATION](#)

**CERTIFICATION**

I, Michael J. Dolan, certify that:

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

Date: August 9, 2006

/s/ MICHAEL J. DOLAN

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Michael J. Dolan  
Executive Vice President and Chief Financial Officer

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QuickLinks

[CERTIFICATION](#)

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

In connection with the Quarterly Report of Viacom Inc. (the "Company") on Form 10-Q for the period ending June 30, 2006 as filed with the Securities and Exchange Commission (the "Report"), I, Thomas E. Freston, President and Chief Executive Officer of the Company, certify that to my knowledge:

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

/s/ THOMAS E. FRESTON

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Thomas E. Freston  
August 9, 2006

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

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## QuickLinks

[Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

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

In connection with the Quarterly Report of Viacom Inc. (the "Company") on Form 10-Q for the period ending June 30, 2006 as filed with the Securities and Exchange Commission (the "Report"), I, Michael J. Dolan, Executive Vice President and Chief Financial Officer of the Company, certify that to my knowledge:

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

/s/ MICHAEL J. DOLAN

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Michael J. Dolan  
August 9, 2006

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

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## QuickLinks

[Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)