

Viacom Inc.
Form 10-Q
August 06, 2015

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

FORM 10-Q

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

For the quarterly period ended June 30, 2015

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

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

Class of Stock

Shares Outstanding

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	as of July 15, 2015
Class A common stock, par value \$0.001 per share	50,323,739
Class B common stock, par value \$0.001 per share	347,460,112

Table of ContentsVIACOM INC.
INDEX TO FORM 10-Q

	Page
<u>PART I—FINANCIAL INFORMATION</u>	
<u>Item 1. Consolidated Financial Statements (Unaudited)</u>	
Consolidated Statements of Earnings for the quarter and nine months ended June 30, 2015 and 2014	<u>1</u>
Consolidated Statements of Comprehensive Income for the quarter and nine months ended June 30, 2015 and 2014	<u>2</u>
Consolidated Balance Sheets as of June 30, 2015 and September 30, 2014	<u>3</u>
Consolidated Statements of Cash Flows for the nine months ended June 30, 2015 and 2014	<u>4</u>
Notes to Consolidated Financial Statements	<u>5</u>
<u>Item 2. Management’s Discussion and Analysis of Results of Operations and Financial Condition</u>	<u>16</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>26</u>
<u>Item 4. Controls and Procedures</u>	<u>26</u>
<u>PART II—OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>27</u>
<u>Item 1A. Risk Factors</u>	<u>27</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>27</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>27</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>27</u>
<u>Item 5. Other Information</u>	<u>27</u>
<u>Item 6. Exhibits</u>	<u>28</u>

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements.

VIACOM INC.

CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

	Quarter Ended		Nine Months Ended	
	June 30,		June 30,	
(in millions, except per share amounts)	2015	2014	2015	2014
Revenues	\$3,058	\$3,421	\$9,480	\$9,792
Expenses:				
Operating	1,252	1,565	4,931	4,577
Selling, general and administrative	666	718	2,118	2,134
Depreciation and amortization	56	52	168	163
Restructuring	—	—	206	—
Total expenses	1,974	2,335	7,423	6,874
Operating income	1,084	1,086	2,057	2,918
Interest expense, net	(166)	(158)	(492)	(459)
Equity in net earnings of investee companies	28	22	103	58
Loss on extinguishment of debt	—	(11)	—	(11)
Other items, net	—	3	(30)	—
Earnings from continuing operations before provision for income taxes	946	942	1,638	2,506
Provision for income taxes	(301)	(288)	(528)	(784)
Net earnings from continuing operations	645	654	1,110	1,722
Discontinued operations, net of tax	—	(1)	—	(1)
Net earnings (Viacom and noncontrolling interests)	645	653	1,110	1,721
Net earnings attributable to noncontrolling interests	(54)	(43)	(72)	(62)
Net earnings attributable to Viacom	\$591	\$610	\$1,038	\$1,659
Amounts attributable to Viacom:				
Net earnings from continuing operations	\$591	\$611	\$1,038	\$1,660
Discontinued operations, net of tax	—	(1)	—	(1)
Net earnings attributable to Viacom	\$591	\$610	\$1,038	\$1,659
Basic earnings per share attributable to Viacom:				
Continuing operations	\$1.49	\$1.43	\$2.57	\$3.80
Discontinued operations	—	—	—	—
Net earnings	\$1.49	\$1.43	\$2.57	\$3.80
Diluted earnings per share attributable to Viacom:				
Continuing operations	\$1.47	\$1.40	\$2.54	\$3.73
Discontinued operations	—	—	—	—
Net earnings	\$1.47	\$1.40	\$2.54	\$3.73
Weighted average number of common shares outstanding:				
Basic	397.5	428.0	403.6	436.4
Diluted	401.2	435.8	408.0	444.8
Dividends declared per share of Class A and Class B common stock	\$0.40	\$0.33	\$1.06	\$0.93

See accompanying notes to Consolidated Financial Statements

Table of Contents

VIACOM INC.
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)

(in millions)	Quarter Ended		Nine Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Net earnings (Viacom and noncontrolling interests)	\$645	\$653	\$1,110	\$1,721
Other comprehensive income/(loss), net of tax:				
Foreign currency translation adjustments	73	(7	) (189	) 26
Defined benefit pension plans	43	—	22	—
Cash flow hedges	2	—	2	1
Available for sale securities	1	—	—	—
Other comprehensive income/(loss) (Viacom and noncontrolling interests)	119	(7	) (165	) 27
Comprehensive income	764	646	945	1,748
Less: Comprehensive income attributable to noncontrolling interest	57	44	69	64
Comprehensive income attributable to Viacom	\$707	\$602	\$876	\$1,684

See accompanying notes to Consolidated Financial Statements

Table of Contents

VIACOM INC.

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in millions, except par value)	June 30, 2015	September 30, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$421	\$1,000
Receivables, net	2,720	3,066
Inventory, net	841	846
Prepaid and other assets	433	340
Total current assets	4,415	5,252
Property and equipment, net	937	1,016
Inventory, net	3,890	3,897
Goodwill	11,472	11,535
Intangibles, net	356	399
Other assets	1,025	948
Total assets	\$22,095	\$23,047
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$331	\$475
Accrued expenses	711	969
Participants' share and residuals	797	993
Program obligations	664	703
Deferred revenue	266	259
Current portion of debt	267	18
Other liabilities	794	518
Total current liabilities	3,830	3,935
Noncurrent portion of debt	12,816	12,681
Participants' share and residuals	255	403
Program obligations	362	459
Deferred tax liabilities, net	365	266
Other liabilities	1,321	1,340
Redeemable noncontrolling interest	206	216
Commitments and contingencies (Note 6)		
Viacom stockholders' equity:		
Class A common stock, par value \$0.001, 375.0 authorized; 50.3 and 50.9 outstanding, respectively	—	—
Class B common stock, par value \$0.001, 5,000.0 authorized; 347.6 and 363.3 outstanding, respectively	—	—
Additional paid-in capital	9,981	9,772
Treasury stock, 398.0 and 377.0 common shares held in treasury, respectively	(20,725)	(19,225)
Retained earnings	14,071	13,465
Accumulated other comprehensive loss	(455)	(293)
Total Viacom stockholders' equity	2,872	3,719
Noncontrolling interests	68	28
Total equity	2,940	3,747
Total liabilities and equity	\$22,095	\$23,047

See accompanying notes to Consolidated Financial Statements

3

Table of Contents

VIACOM INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in millions)	Nine Months Ended	
	June 30,	
	2015	2014
OPERATING ACTIVITIES		
Net earnings (Viacom and noncontrolling interests)	\$1,110	\$1,721
Discontinued operations, net of tax	—	1
Net earnings from continuing operations	1,110	1,722
Reconciling items:		
Depreciation and amortization	168	163
Feature film and program amortization	3,475	2,884
Equity-based compensation	72	93
Equity in net earnings and distributions from investee companies	(99	) (30
Deferred income taxes	38	(198
Operating assets and liabilities, net of acquisitions:		
Receivables	317	51
Inventory, program rights and participations	(3,885	) (3,239
Accounts payable and other current liabilities	(23	) 42
Other, net	(93	) (125
Cash provided by operations	1,080	1,363
INVESTING ACTIVITIES		
Acquisitions and investments, net	5	(5
Capital expenditures	(90	) (81
Net cash flow used in investing activities	(85	) (86
FINANCING ACTIVITIES		
Borrowings	990	1,484
Debt repayments	(600	) (600
Purchase of treasury stock	(1,548	) (2,681
Dividends paid	(405	) (401
Excess tax benefits on equity-based compensation awards	45	80
Exercise of stock options	142	159
Other, net	(131	) (154
Net cash flow used in financing activities	(1,507	) (2,113
Effect of exchange rate changes on cash and cash equivalents	(67	) 18
Net change in cash and cash equivalents	(579	) (818
Cash and cash equivalents at beginning of period	1,000	2,403
Cash and cash equivalents at end of period	\$421	\$1,585

See accompanying notes to Consolidated Financial Statements

Table of Contents

VIACOM INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

Description of Business

Viacom is home to premier global media brands that create compelling television programs, motion pictures, short-form video, apps, games, consumer products, social media and other entertainment content for audiences in 180 countries. Viacom operates through two reporting segments: Media Networks, which includes the Music & Entertainment Group, the Kids & Family Group and BET Networks, and Filmed Entertainment. The Media Networks segment provides entertainment content and related branded products for consumers in targeted demographics attractive to advertisers, content distributors and retailers. The Filmed Entertainment segment produces, finances, acquires and distributes motion pictures, television programming and other entertainment content under the Paramount Pictures, Paramount Vantage, Paramount Classics, Insurge Pictures, MTV Films, Nickelodeon Movies and Paramount Television brands. References in this document to “Viacom”, “Company”, “we”, “us” and “our” mean Viacom Inc. and our consolidated subsidiaries, unless the context requires otherwise.

Unaudited Interim Financial Statements

The accompanying unaudited consolidated quarterly financial statements have been prepared on a basis consistent with accounting principles generally accepted in the United States of America (“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 our results of operations, financial position and cash flows for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results expected for the fiscal year ending September 30, 2015 (“fiscal 2015”) or any future period. These financial statements should be read in conjunction with our Form 10-K for the year ended September 30, 2014, as filed with the SEC on November 13, 2014 (the “2014 Form 10-K”).

Use of Estimates

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 periods presented. Significant estimates inherent in the preparation of the accompanying Consolidated Financial Statements include estimates of film ultimate revenues, product returns, potential outcome of uncertain tax positions, fair value of acquired assets and liabilities, fair value of equity-based compensation and pension benefit assumptions. Estimates are based on past experience and other considerations reasonable under the circumstances. Actual results may differ from these estimates.

Recent Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-03, which changes the presentation of debt issuance costs in the balance sheet as a direct deduction from the carrying amount of the related debt rather than as an asset. The guidance is effective for interim and annual periods beginning after December 15, 2015, with early adoption permitted, and must be applied on a retrospective basis to all prior periods presented in the financial statements. In the third quarter of 2015, we adopted the new guidance which resulted in the reclassification of approximately \$70 million of debt issuance costs from Other assets to Noncurrent portion of debt in our Consolidated Balance Sheets as of June 30, 2015 and September 30, 2014.

In May 2014, the FASB issued ASU 2014-09 - Revenue from Contracts with Customers (“ASU 2014-09”), a comprehensive revenue recognition model that supersedes the current revenue recognition requirements and most industry-specific guidance. The underlying core principle of ASU 2014-09 is that a company should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration it expects to be entitled to in exchange for those goods or services. ASU 2014-09 will be effective for the first interim period within annual reporting periods beginning after December 15, 2017, and allows adoption either under a full

retrospective or a modified retrospective approach. Early adoption is permitted, but no earlier than annual reporting periods beginning after December 15, 2016. We are currently evaluating the impact of the new standard.

Table of Contents

VIACOM INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 2. INVENTORY

Our total inventory consists of the following:

Inventory (in millions)	June 30, 2015	September 30, 2014
Film inventory:		
Released, net of amortization	\$754	\$664
Completed, not yet released	6	131
In process and other	853	436
Total film inventory, net of amortization	1,613	1,231
Original programming:		
Released, net of amortization	1,126	1,409
In process and other	717	631
Total original programming, net of amortization	1,843	2,040
Acquired program rights, net of amortization	1,177	1,367
Home entertainment inventory	98	105
Total inventory, net	4,731	4,743
Less: current portion	(841	) (846
Total inventory-noncurrent, net	\$3,890	\$3,897

Table of Contents

VIACOM INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 3. DEBT

Our total debt consists of the following:

Debt (in millions)	June 30, 2015	September 30, 2014
Senior Notes and Debentures:		
Senior notes due February 2015, 1.250%	\$—	\$600
Senior notes due September 2015, 4.250%	250	250
Senior notes due April 2016, 6.250%	917	916
Senior notes due December 2016, 2.500%	399	398
Senior notes due April 2017, 3.500%	498	497
Senior notes due October 2017, 6.125%	499	498
Senior notes due September 2018, 2.500%	497	495
Senior notes due April 2019, 2.200%	398	398
Senior notes due September 2019, 5.625%	551	551
Senior notes due December 2019, 2.750%	398	—
Senior notes due March 2021, 4.500%	493	492
Senior notes due December 2021, 3.875%	592	591
Senior notes due June 2022, 3.125%	296	295
Senior notes due March 2023, 3.250%	297	296
Senior notes due September 2023, 4.250%	1,232	1,230
Senior notes due April 2024, 3.875%	543	543
Senior debentures due December 2034, 4.850%	592	—
Senior debentures due April 2036, 6.875%	1,066	1,065
Senior debentures due October 2037, 6.750%	75	75
Senior debentures due February 2042, 4.500%	243	243
Senior debentures due March 2043, 4.375%	1,084	1,081
Senior debentures due June 2043, 4.875%	246	246
Senior debentures due September 2043, 5.850%	1,227	1,227
Senior debentures due April 2044, 5.250%	544	544
Capital lease and other obligations	146	168
Total debt	13,083	12,699
Less: current portion	(267)	(18)
Total noncurrent portion of debt	\$12,816	\$12,681

Senior Notes and Debentures

In December 2014, we issued a total of \$1.0 billion of senior notes and debentures as follows:

2.750% Senior Notes due December 2019 with an aggregate principal amount of \$400 million at a price equal to 99.986% of the principal amount.

4.850% Senior Debentures due December 2034 with an aggregate principal amount of \$600 million at a price equal to 99.543% of the principal amount.

The proceeds, net of the discount and other issuance fees and expenses, from the issuance of the senior notes and debentures were \$990 million.

The total unamortized discount and issuance fees and expenses related to our senior notes and debentures was \$483 million as of June 30, 2015 and \$489 million as of September 30, 2014. The fair value of our senior notes and debentures was approximately \$13.4 billion as of June 30, 2015. The valuation of our publicly traded debt is based on quoted prices in active markets.

In February 2015, we repaid the \$600 million aggregate principal amount of our 1.250% Senior Notes. The Senior Notes due in April 2016 are classified as long-term debt as we have the intent and the ability, through utilization of our \$2.5 billion revolving credit facility, to refinance this debt.

7

Table of Contents

VIACOM INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

Credit Facility

In November 2014, we amended our revolving credit agreement, originally dated as of October 8, 2010, to, among other things, extend the maturity date of the \$2.5 billion revolving credit facility from November 9, 2017 to November 18, 2019. At June 30, 2015, there were no amounts outstanding under the credit facility. The credit facility has one principal financial covenant that requires our interest coverage for the most recent four consecutive fiscal quarters to be at least 3.0x, which we met as of June 30, 2015.

NOTE 4. PENSION BENEFITS

During the quarter ended December 31, 2014, we offered certain participants of our funded pension plan the option to receive a one-time lump-sum payment equal to the present value of their respective pension benefit. The settlement triggered a remeasurement of the net pension obligation and settlement accounting. The settlement resulted in the recognition of a non-cash settlement loss of \$24 million reclassified from unrecognized actuarial loss included within Accumulated other comprehensive income/(loss) in the Consolidated Balance Sheet.

The components of net periodic benefit cost/(income) for our defined benefit pension plans, which are currently frozen to future benefit accruals, are set forth below.

Net Periodic Benefit Cost/(Income) (in millions)	Quarter Ended June 30,		Nine Months Ended June 30,		
	2015	2014	2015	2014	
Interest cost	\$10	\$11	\$32	\$35	
Expected return on plan assets	(11) (13) (35) (38)
Recognized actuarial loss	2	1	5	1	
Loss on pension settlement	—	—	24	—	
Net periodic benefit cost/(income)	\$1	\$(1) \$26	\$(2)

NOTE 5. REDEEMABLE NONCONTROLLING INTEREST

We are subject to a redeemable put option, payable in a foreign currency, with respect to an international subsidiary, which was recently renewed. The put option now expires in February 2019 and is classified as Redeemable noncontrolling interest in the Consolidated Balance Sheets.

The components of redeemable noncontrolling interest are as follows:

Redeemable Noncontrolling Interest (in millions)	Nine Months Ended June 30,		
	2015	2014	
Beginning balance	\$216	\$200	
Net earnings	11	14	
Distributions	(16) (15)
Translation adjustment	(9	) 14
Redemption value adjustment	4	1	
Ending Balance	\$206	\$214	

Table of Contents

VIACOM INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 6. COMMITMENTS AND CONTINGENCIES

Commitments

As more fully described in Notes 4 and 11 of the 2014 Form 10-K, our commitments primarily consist of programming and talent commitments, operating and capital lease arrangements, and purchase obligations for goods and services. These arrangements result from our normal course of business and represent obligations that may be payable over several years.

Contingencies

We have certain indemnification obligations with respect to leases primarily associated with the previously discontinued operations of Famous Players Inc. ("Famous Players"). In addition, we have certain indemnities provided by the acquirer of Famous Players. These lease commitments amounted to approximately \$304 million as of June 30, 2015. The amount of lease commitments varies over time depending on expiration or termination of individual underlying leases, or of the related indemnification obligation, and foreign exchange rates, among other things. We may also have exposure for certain other expenses related to the leases, such as property taxes and common area maintenance. We have recorded a liability of \$192 million with respect to such obligations as of June 30, 2015. We believe our accrual is sufficient to meet any future obligations based on our consideration of available financial information, the lessees' historical performance in meeting their lease obligations and the underlying economic factors impacting the lessees' business models.

Legal Matters

Litigation is inherently uncertain and always difficult to predict. However, based on our understanding and evaluation of the relevant facts and circumstances, we believe that the legal matters described below and other litigation to which we are a party are not likely, in the aggregate, to have a material adverse effect on our results of operations, financial position or operating cash flows.

On July 23, 2015, the European Commission's competition authority, DG Comp, issued a Statement of Objections (the "SO") to the six major Hollywood film studios, including Paramount Pictures ("Paramount"), and to Sky TV UK ("Sky"), in connection with DG Comp's investigation into whether conventional territorial restrictions in agreements licensing motion pictures to Pay-TV broadcasters impeded European Union single market imperatives in an anti-competitive way. The SO directed at Paramount takes issue with certain geo-filtering provisions in Paramount's 2009 and 2014 agreements with Sky, which are designed to enforce the territorial nature of the movie content Paramount licenses for distribution on Sky's online and mobile Pay TV platforms. In addition, the SO challenges certain provisions in the 2009 agreement regarding Sky's satellite distribution of Paramount films. Paramount has an opportunity to respond to the SO, and for a hearing before the European Commission. If the SO directed at Paramount is not resolved by settlement and the European Commission decides that violations have in fact occurred, it has the power to impose fines. Any such ruling would be subject to judicial review in the European Union's General Court and, thereafter, the European Court of Justice. The full process, including appeals, could last several years. We believe that Paramount's licensing practices in the European Union are consistent with the region's competition and other rules, and the objections presented by the European Commission are without merit. We will vigorously defend against the claims made by the European Commission.

In February 2013, Cablevision Systems Corporation filed a lawsuit in the United States District Court for the Southern District of New York alleging that Viacom's industry standard practice of offering discounts for additional network distribution constituted a "tying" arrangement in violation of federal and New York state antitrust laws. Similar arrangements have been upheld by numerous federal and state courts, including in a federal case in which Cablevision itself advocated for the legality of such arrangements. We believe the lawsuit is without merit. In July 2014, Viacom answered the amended complaint and asserted counterclaims against Cablevision for having fraudulently induced Viacom to renew their affiliate agreement at the end of 2012 on terms which Cablevision intended to challenge in the courts. Cablevision answered the counterclaims in September 2014. The litigation is in the discovery phase.

Table of Contents

VIACOM INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 7. STOCKHOLDERS' EQUITY

The components of stockholders' equity are as follows:

Stockholders' Equity (in millions)	Nine Months Ended June 30, 2015			Nine Months Ended June 30, 2014		
	Total Viacom Stockholders' Equity	Noncontrolling Interests	Total Equity	Total Viacom Stockholders' Equity	Noncontrolling Interests	Total Equity
Beginning Balance	\$3,719	\$ 28	\$3,747	\$5,193	\$ (3)	\$5,190
Net earnings	1,038	72	1,110	1,659	62	1,721
Other comprehensive income/(loss) ⁽¹⁾	(162)	(3)	(165)	25	2	27
Noncontrolling interests	(4)	(29)	(33)	(1)	(26)	(27)
Dividends declared	(428)	—	(428)	(409)	—	(409)
Purchase of treasury stock	(1,500)	—	(1,500)	(2,550)	—	(2,550)
Equity-based compensation and other	209	—	209	234	—	234
Ending Balance	\$2,872	\$ 68	\$2,940	\$4,151	\$ 35	\$4,186

(1) The components of other comprehensive income/(loss) are net of a tax expense of \$16 million for the nine months ended June 30, 2015. There was no tax impact for the nine months ended June 30, 2014.

Equity Awards

During the quarter ended June 30, 2015, we granted 3.0 million stock options and 0.8 million restricted share units with a weighted average grant date fair value of \$10.93 and \$65.92 per share, respectively.

NOTE 8. RESTRUCTURING AND PROGRAMMING CHARGES

Following a company-wide review across our worldwide Media Networks, Filmed Entertainment operations and corporate functions earlier in the year, we implemented significant strategic and operational improvements. These included the reorganization of three of our operating segments (Music, Entertainment and Nickelodeon) into two new segments (Music & Entertainment and Kids & Family). The new structure realigns sales, marketing, creative and support functions, increases efficiencies in program and product development, enhances opportunities to share expertise, and promotes greater cross-marketing and cross channel programming activity. We are also reallocating resources to expand our capabilities in critical business areas including data analysis, technology development and consumer insights, reflecting the rapidly changing media marketplace, shifting consumer behavior and evolving measurement practices. In connection with the strategic realignment, we recognized a pre-tax charge of \$784 million in the quarter ending March 31, 2015, reflecting \$578 million of programming charges, of which \$432 million reflect write-downs, and a \$206 million restructuring charge associated with workforce reductions. The programming charges are included within Operating expenses in the Consolidated Statement of Earnings.

Media Networks recognized programming charges of \$411 million for the write-down of underperforming programming, including the abandonment of select acquired titles, and \$123 million of accelerated amortization of programming expenses associated with a change in our ultimate revenue projections for certain original programming genres that have been impacted by changing media consumption habits. Filmed Entertainment recognized charges of \$21 million for the write-down of certain films not yet released and \$23 million related to the abandonment of development projects.

The following table presents the 2015 restructuring and programming charges by segment:
2015 Restructuring and Programming Charges

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(in millions)	Media Networks	Filmed Entertainment	Corporate	Total
Restructuring charge	\$137	\$57	\$12	\$206
Programming charges	534	44	—	578
Total	\$671	\$101	\$12	\$784

10

Table of Contents

VIACOM INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

Our restructuring liability related to future severance payments as of June 30, 2015 by reporting segment is as follows:
2015 Restructuring Liability

(in millions)	Media Networks	Filmed Entertainment	Corporate	Total
March 31, 2015	\$137	\$57	\$12	\$206
Severance payments	(23)	(3)	(2)	(28)
June 30, 2015	\$114	\$54	\$10	\$178

The strategic realignment is largely complete and we anticipate that a majority of the severance will be paid by March 31, 2016.

NOTE 9. EARNINGS PER SHARE

Basic earnings per common share is computed by dividing Net earnings attributable to Viacom by the weighted average number of common shares outstanding during the period. The determination of diluted earnings per common share includes the weighted average number of common shares plus the dilutive effect of equity awards based upon the application of the treasury stock method. Anti-dilutive common shares were excluded from the calculation of diluted earnings per common share.

The following table sets forth the weighted average number of common shares outstanding used in determining basic and diluted earnings per common share and anti-dilutive common shares:

Weighted Average Number of Common Shares Outstanding and Anti-dilutive Common Shares (in millions)	Quarter Ended		Nine Months Ended	
	June 30, 2015	2014	June 30, 2015	2014
Weighted average number of common shares outstanding, basic	397.5	428.0	403.6	436.4
Dilutive effect of equity awards	3.7	7.8	4.4	8.4
Weighted average number of common shares outstanding, diluted	401.2	435.8	408.0	444.8
Anti-dilutive common shares	8.1	2.1	5.6	0.8

NOTE 10. SUPPLEMENTAL CASH FLOW AND OTHER INFORMATION

Our supplemental cash flow information is as follows:

Supplemental Cash Flow Information	Nine Months Ended	
(in millions)	June 30, 2015	2014
Cash paid for interest	\$479	\$416
Cash paid for income taxes	\$388	\$686

Cash paid for income taxes in the nine months ended June 30, 2015 reflects the benefit from the retroactive reenactment of legislation allowing for accelerated tax deductions on certain qualified film and television productions.
Accounts Receivable

We had \$480 million and \$482 million of noncurrent trade receivables as of June 30, 2015 and September 30, 2014, respectively. The accounts receivable were primarily in the Filmed Entertainment segment, included within Other assets in our Consolidated Balance Sheets, and principally related to long-term television license arrangements. Such amounts are due in accordance with the underlying terms of the respective agreements and are principally from

investment grade companies with which we have historically done business under similar terms, for which credit loss allowances are generally not considered necessary.

Variable Interest Entities

In the normal course of business, we enter into joint ventures or make investments with business partners that support our underlying business strategy and provide us the ability to enter new markets to expand the reach of our brands, develop new programming and/or distribute our existing content. In certain instances, an entity in which we make an investment may

Table of Contents

VIACOM INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

qualify as a variable interest entity (“VIE”). In determining whether we are the primary beneficiary of a VIE, we assess whether we have the power to direct matters that most significantly impact the activities of the VIE and have the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

Unconsolidated Variable Interest Entities: We have an unconsolidated investment in Viacom 18, a 50% owned joint venture in India with Network 18 Media and Investments Limited that qualifies as a VIE. Our aggregate investment carrying value in Viacom 18 was \$72 million and \$68 million as of June 30, 2015 and September 30, 2014, respectively.

Consolidated Variable Interest Entities: Our Consolidated Balance Sheets include amounts related to consolidated VIEs totaling \$223 million in assets and \$54 million in liabilities as of June 30, 2015, and \$138 million in assets and \$54 million in liabilities as of September 30, 2014. The consolidated VIEs’ revenues, expenses and operating income were not significant for all periods presented.

Income Taxes

Our effective tax rate was 31.8% in the quarter ended June 30, 2015. Our effective tax rate was 32.2% in the nine months ended June 30, 2015, which included the restructuring and programming charges, the pension settlement loss and other discrete tax expense that, when taken together, contributed 0.4 percentage points to the effective tax rate. This discrete tax expense was principally related to a reduction in qualified production activity tax benefits as a result of retroactively reenacted legislation.

Our effective tax rate was 30.6% in the quarter ended June 30, 2014. Our effective tax rate was 31.3% in the nine months ended June 30, 2014, which included the loss on extinguishment of debt and discrete tax benefits that reduced the effective tax rate by 0.8 percentage points. This discrete tax benefit was principally related to the recognition of capital loss carryforward benefits.

NOTE 11. FAIR VALUE MEASUREMENTS

The following table summarizes our financial assets and liabilities measured and recorded at fair value on a recurring basis as of June 30, 2015 and September 30, 2014:

Financial Asset/(Liability)	Total	Quoted Prices		
		In Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
(in millions)		Level 1	Level 2	Level 3
June 30, 2015				
Marketable securities	\$ 116	\$ 116	\$—	\$—
Derivatives	—	—	—	—
Total	\$ 116	\$ 116	\$—	\$—
September 30, 2014				
Marketable securities	\$ 107	\$ 107	\$—	\$—
Derivatives	(8)	—	(8)	—
Total	\$ 99	\$ 107	\$(8)	\$—

The fair value for marketable securities is determined utilizing a market approach based on quoted market prices in active markets at period end and the fair value for derivatives is determined utilizing a market-based approach. The notional value of all foreign exchange contracts was \$962 million and \$628 million as of June 30, 2015 and September 30, 2014, respectively. At June 30, 2015, \$548 million related to our foreign currency balances, \$148

million related to our anticipated investment in Prism TV Private Limited (“Prism”) and \$266 million related to future production and programming costs. On July 31, 2015, we acquired a 50% interest in Prism, an owner and operator of regional entertainment channels in India, for 9.4 billion rupees (approximately \$153 million). We will account for our investment in Prism under the equity method of accounting. At September 30, 2014, \$390 million related to our foreign currency balances, \$154 million related to the anticipated investing cash flows and \$84 million related to future production costs.

As described in Note 8, we recognized impairment charges related to the write-down of certain programming and films. The impairment charges reflect the excess of the unamortized cost of the impaired programs and films over their estimated fair value using discounted cash flows, which is a Level 3 valuation technique.

Table of Contents

VIACOM INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 12. REPORTING SEGMENTS

The following tables set forth our financial performance by reporting segment. Our reporting segments have been determined in accordance with our internal management structure. We manage our operations through two reporting segments: (i) Media Networks and (ii) Filmed Entertainment. Typical intersegment transactions include the purchase of advertising by the Filmed Entertainment segment on Media Networks' properties and the purchase of Filmed Entertainment's feature films exhibition rights by Media Networks. The elimination of such intercompany transactions in the Consolidated Financial Statements is included within eliminations in the tables below.

Our measure of segment performance is adjusted operating income/(loss). Adjusted operating income/(loss) is defined as operating income/(loss), before equity-based compensation and certain other items identified as affecting comparability, including restructuring and programming charges, when applicable.

Revenues by Segment (in millions)	Quarter Ended June 30,		Nine Months Ended June 30,	
	2015	2014	2015	2014
Media Networks	\$2,597	\$2,591	\$7,703	\$7,507
Filmed Entertainment	479	856	1,858	2,368
Eliminations	(18	) (26	) (81	) (83
Total revenues	\$3,058	\$3,421	\$9,480	\$9,792

Adjusted Operating Income/(Loss) (in millions)	Quarter Ended June 30,		Nine Months Ended June 30,	
	2015	2014	2015	2014
Media Networks	\$1,114	\$1,121	\$3,121	\$3,184
Filmed Entertainment	48	55	(11	) (8
Corporate expenses	(58	) (61	) (176	) (164
Eliminations	1	1	3	(1
Equity-based compensation	(21	) (30	) (72	) (93
Restructuring and programming charges	—	—	(784) —
Loss on pension settlement	—	—	(24) —
Operating income	1,084	1,086	2,057	2,918
Interest expense, net	(166	) (158	) (492	) (459
Equity in net earnings of investee companies	28	22	103	58
Loss on extinguishment of debt	—	(11	) —	(11
Other items, net	—	3	(30) —
Earnings from continuing operations before provision for income taxes	\$946	\$942	\$1,638	\$2,506

Total Assets (in millions)	June 30,	September 30,
	2015	2014
Media Networks	\$17,140	\$17,647
Filmed Entertainment	5,874	5,440
Corporate/Eliminations	(919	) (40
Total assets	\$22,095	\$23,047

Table of Contents

VIACOM INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

Revenues by Component (in millions)	Quarter Ended June 30,		Nine Months Ended June 30,	
	2015	2014	2015	2014
Advertising	\$1,223	\$1,249	\$3,762	\$3,698
Feature film	433	775	1,712	2,203
Affiliate fees	1,244	1,224	3,522	3,404
Ancillary	176	199	565	570
Eliminations	(18	) (26	) (81	) (83
Total revenues	\$3,058	\$3,421	\$9,480	\$9,792

Certain prior year revenues for the Filmed Entertainment segment have been reclassified to conform to the current year presentation.

NOTE 13. RELATED PARTY TRANSACTIONS

National Amusements, Inc. (“NAI”), directly and indirectly, is the controlling stockholder of both Viacom and CBS Corporation (“CBS”). Sumner M. Redstone, the controlling shareholder, Chairman and Chief Executive Officer of NAI, serves as our Executive Chairman and Founder and as the Executive Chairman and Founder of CBS. Shari Redstone, who is Sumner Redstone’s daughter, is the President and a director of NAI, and serves as non-executive Vice Chair of the Board of Directors of both Viacom and CBS. George Abrams, one of our directors, serves on the boards of both NAI and Viacom, and Frederic Salerno, another of our directors, serves on the boards of both Viacom and CBS. Philippe Dauman, our President and Chief Executive Officer, also serves on the boards of both NAI and Viacom. Transactions between Viacom and related parties are overseen by our Governance and Nominating Committee.

Viacom and NAI Related Party Transactions

NAI licenses films in the ordinary course of business for its motion picture theaters from all major studios, including Paramount. During the nine months ended June 30, 2015 and 2014, Paramount earned revenues from NAI in connection with these licenses in the aggregate amounts of approximately \$6 million and \$8 million, respectively.

Viacom and CBS Corporation Related Party Transactions

In the ordinary course of business, we are involved in transactions with CBS and its various businesses that result in the recognition of revenues and expenses by us. Transactions with CBS are settled in cash.

Our Filmed Entertainment segment earns revenues and recognizes expenses associated with its distribution of certain television products into the home entertainment market on behalf of CBS. Pursuant to its agreement with CBS, which was extended in May 2015, Paramount distributes CBS’s library of television and other content on DVD and Blu-ray disc on a worldwide basis. Under the terms of the agreement, Paramount is entitled to retain a fee based on a percentage of gross receipts and is generally responsible for all out-of-pocket costs, which are recoupable together with any advance amounts paid. Paramount made advance payments of \$75 million to CBS during the nine months ended June 30, 2015. Paramount also earns revenues from CBS through leasing of studio space and licensing of certain film products.

Our Media Networks segment recognizes advertising revenues and purchases television programming from CBS. The cost of the programming purchases is initially recorded as acquired program rights inventory and amortized over the estimated period that revenues will be generated.

Both of our segments recognize advertising expenses related to the placement of advertisements with CBS.

Table of Contents

VIACOM INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

The following table summarizes the transactions with CBS as included in our Consolidated Financial Statements:

CBS Related Party Transactions (in millions)	Quarter Ended June 30,		Nine Months Ended June 30,	
	2015	2014	2015	2014
Consolidated Statement of Earnings				
Revenue	\$32	\$47	\$124	\$158
Operating expenses	\$42	\$66	\$190	\$219
			June 30, 2015	September 30, 2014
Consolidated Balance Sheets				
Accounts receivable			\$4	\$5
Accounts payable			\$1	\$2
Participants' share and residuals, current			69	100
Program obligations, current			79	87
Program obligations, noncurrent			65	104
Other liabilities			4	9
Total due to CBS			\$218	\$302

Other Related Party Transactions

In the ordinary course of business, we are involved in related party transactions with equity investees. These related party transactions primarily relate to the provision of advertising services, licensing of film and programming content, distribution of films and provision of certain administrative support services, for which the impact on our Consolidated Financial Statements is as follows:

Other Related Party Transactions (in millions)	Quarter Ended June 30,		Nine Months Ended June 30,	
	2015	2014	2015	2014
Consolidated Statement of Earnings				
Revenue	\$24	\$29	\$82	\$109
Operating expenses	\$9	\$7	\$30	\$37
Selling, general and administrative	\$(5)	\$(4)	\$(11)	\$(10)
			June 30, 2015	September 30, 2014
Consolidated Balance Sheets				
Account receivable			\$53	\$84
Other assets			2	1
Total due from other related parties			\$55	\$85
Accounts payable			\$7	\$2
Other liabilities			45	37
Total due to other related parties			\$52	\$39

All other related party transactions are not material in the periods presented.

Item 2. 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 the unaudited consolidated financial statements and related notes to enhance the understanding of our results of operations, financial condition and cash flows. Additional context can also be found in our Form 10-K for the fiscal year ended September 30, 2014, as filed with the Securities and Exchange Commission ("SEC") on November 13, 2014 (the "2014 Form 10-K"). References in this document to "Viacom," "Company," "we," "us" and "our" mean Viacom Inc. and our consolidated subsidiaries, unless the context requires otherwise. Significant components of management's discussion and analysis of results of operations and financial condition include:

Overview: The overview section provides a summary of our business.

Results of Operations: The results of operations section provides an analysis of our results on a consolidated and reportable segment basis for the quarter and nine months ended June 30, 2015, compared with the quarter and nine months ended June 30, 2014. In addition, we provide a discussion of items that affect the comparability of our results of operations.

Liquidity and Capital Resources: The liquidity and capital resources section provides a discussion of our cash flows for the nine months ended June 30, 2015, compared with the nine months ended June 30, 2014, and of our outstanding debt, commitments and contingencies existing as of June 30, 2015.

OVERVIEW

Summary

We are home to premier global media brands that create compelling television programs, motion pictures, short-form video, apps, games, consumer products, social media and other entertainment content for audiences in 180 countries. Our media networks, including Nickelodeon®, COMEDY CENTRAL®, MTV®, VH1®, SPIKE®, BET®, CMT®, TV Land®, Nick at Nite®, Nick Jr.®, Channel 5® (UK), Logo®, Nicktoons®, TeenNick® and Paramount Channel™, reach a cumulative 3.4 billion television subscribers worldwide. Paramount Pictures® is a major global producer and distributor of filmed entertainment.

We operate through two reporting segments: Media Networks and Filmed Entertainment. Our measure of segment performance is adjusted operating income/(loss). We define adjusted operating income/(loss) for our segments as operating income/(loss), before equity-based compensation and certain other items identified as affecting comparability, including restructuring and programming charges, when applicable. Equity-based compensation is excluded from our segment measure of performance since it is set and approved by the Compensation Committee of Viacom's Board of Directors in consultation with corporate executive management, and is included as a component of consolidated adjusted operating income.

When applicable, we use consolidated adjusted operating income, adjusted net earnings from continuing operations attributable to Viacom and adjusted diluted earnings per share ("EPS") from continuing operations, among other measures, to evaluate our actual operating performance and for planning and forecasting of future periods. We believe that the adjusted results provide relevant and useful information for investors because they clarify our actual operating performance, make it easier to compare our results with those of other companies and allow investors to review performance in the same way as our management. Since these are not measures of performance calculated in accordance with accounting principles generally accepted in the United States of America ("GAAP"), they should not be considered in isolation of, or as a substitute for, operating income, net earnings from continuing operations attributable to Viacom and diluted EPS as indicators of operating performance and they may not be comparable to similarly titled measures employed by other companies. For a reconciliation of our adjusted measures and discussion of the items affecting comparability, refer to the section entitled "Factors Affecting Comparability".

Table of Contents

Management's Discussion and Analysis
of Results of Operations and Financial Condition
(continued)

Media Networks

Our Media Networks segment generates revenues in three categories: (i) the sale of advertising and marketing services related to our content, (ii) affiliate fees from multichannel television service providers, including cable television operators, direct-to-home satellite television operators and telecommunications operators, subscription and advertising supported video-on-demand services, and other distributors of our programming and program services, and (iii) ancillary revenues, which include consumer products licensing, brand licensing, sale of content on DVDs and Blu-ray discs, licensing of our content for download-to-own and download-to-rent services and television syndication.

Media Networks segment expenses consist of operating expenses, selling, general and administrative ("SG&A") expenses and depreciation and amortization. Operating expenses are comprised of costs related to original and acquired programming, including programming amortization, expenses associated with the distribution of home entertainment products and consumer products licensing, participation fees, integrated marketing expenses and other costs of sales. SG&A expenses consist primarily of employee compensation, marketing, research and professional service fees and facility and occupancy costs. Depreciation and amortization expenses reflect depreciation of fixed assets, including transponders financed under capital leases, and amortization of finite-lived intangible assets.

Filmed Entertainment

Our Filmed Entertainment segment generates revenues worldwide principally from: (i) the theatrical release and/or distribution of motion pictures, (ii) home entertainment revenues, which include sales of DVDs and Blu-ray discs relating to the motion pictures we release theatrically and direct-to-DVD, as well as content distributed on behalf of Viacom and third parties, transactional video-on-demand and download-to-own services, (iii) licensing of film and television exhibition rights to pay and basic cable television, broadcast television, syndicated television and subscription video-on-demand services and (iv) ancillary revenues from providing production services to third parties, primarily at Paramount's studio lot, licensing of its brands for consumer products and theme parks, and distribution of content specifically developed for digital platforms and game distribution.

Filmed Entertainment segment expenses consist of operating expenses, SG&A expenses and depreciation and amortization. Operating expenses principally include the amortization of film costs of our released feature films (including participations and residuals), print and advertising expenses and other distribution costs. We incur marketing costs before and throughout the theatrical release of a film and, to a lesser extent, other distribution windows. Such costs are incurred to generate public interest in our films and are expensed as incurred; therefore, we typically incur losses with respect to a particular film prior to and during the film's theatrical exhibition and profitability may not be realized until well after a film's theatrical release. Therefore, the results of the Filmed Entertainment segment can be volatile as films work their way through the various distribution windows. SG&A expenses include employee compensation, facility and occupancy costs, professional service fees and other overhead costs. Depreciation and amortization expense principally consists of depreciation of fixed assets.

Table of ContentsManagement's Discussion and Analysis
of Results of Operations and Financial Condition
(continued)

RESULTS OF OPERATIONS

Consolidated Results of Operations

Our summary consolidated results of operations are presented below for the quarters and nine months ended June 30, 2015 and 2014.

	Quarter Ended June 30,		Better/(Worse)		Nine Months Ended June 30,		Better/(Worse)	
	2015	2014	\$	%	2015	2014	\$	%
(in millions, except per share amounts)								
Revenues	\$3,058	\$3,421	\$(363)	(11)%	\$9,480	\$9,792	\$(312)	(3)%
Operating income	1,084	1,086	(2)	—	2,057	2,918	(861)	(30)
Adjusted operating income	1,084	1,086	(2)	—	2,865	2,918	(53)	(2)
Net earnings from continuing operations attributable to Viacom	591	611	(20)	(3)	1,038	1,660	(622)	(37)
Adjusted net earnings from continuing operations attributable to Viacom	591	618	(27)	(4)	1,596	1,647	(51)	(3)
Diluted EPS from continuing operations	1.47	1.40	0.07	5	2.54	3.73	(1.19)	(32)
Adjusted diluted EPS from continuing operations	\$1.47	\$1.42	\$0.05	4%	\$3.91	\$3.70	\$0.21	6%

See the section entitled "Factors Affecting Comparability" for a reconciliation of our adjusted measures to our reported results.

Revenues

Worldwide revenues decreased \$363 million, or 11%, to \$3.058 billion in the quarter ended June 30, 2015. Excluding an unfavorable 2% impact of foreign exchange, worldwide revenues declined 9%. Filmed Entertainment revenues decreased \$377 million, or 44%, as revenues were lower across distribution windows and Media Networks revenues were slightly higher. Excluding an unfavorable 3% and 2% impact of foreign exchange, Filmed Entertainment revenues declined 41% and Media Networks revenues increased 2%, respectively.

Worldwide revenues decreased \$312 million, or 3%, to \$9.480 billion in the nine months ended June 30, 2015.

Excluding an unfavorable 2% impact of foreign exchange, worldwide revenues declined 1%. Filmed Entertainment revenues decreased \$510 million, or 22%, driven by lower revenues across distribution windows. Media Networks revenues increased \$196 million, or 3%, due to higher affiliate fees revenues, as well as an increase in advertising revenues driven by the acquisition of Channel 5 Broadcast Limited ("Channel 5") in September 2014, partially offset by the impact of foreign exchange. Excluding an unfavorable 1% and 3% impact of foreign exchange, Media Networks revenues increased 4% and Filmed Entertainment revenues declined 19%, respectively.

Operating Income

Adjusted operating income was substantially flat at \$1.084 billion in the quarter. Adjusted operating income decreased \$53 million, or 2%, to \$2.865 billion in the nine months, as higher revenues at Media Networks were more than offset by an increase in programming and promotional expenses. Adjusted results in the nine months exclude the impact of restructuring and programming charges totaling \$784 million and a non-cash pension settlement loss of \$24 million. Including the impact of the restructuring and programming charges and pension settlement loss, operating income decreased \$861 million, or 30%.

See the section entitled “Segment Results of Operations” for a more in-depth discussion of the revenues, expenses and adjusted operating income/(loss) for each of the Media Networks and Filmed Entertainment segments.

Net Earnings from Continuing Operations Attributable to Viacom

Adjusted net earnings from continuing operations attributable to Viacom decreased \$27 million, or 4%, to \$591 million in the quarter, principally due to a higher effective income tax rate and the impact of net earnings attributable to noncontrolling interests.

Adjusted net earnings from continuing operations attributable to Viacom decreased \$51 million, or 3%, to \$1.596 billion in the nine months, principally due to the decline in tax-effected operating income described above, increased interest expense, reflecting higher levels of debt outstanding, and foreign currency exchange losses, partially offset by higher income from equity in net earnings of investee companies and a lower effective income tax rate.

Our effective income tax rate was 31.8% in the quarter and nine months, compared with 30.6% and 32.1% in the quarter and nine months ended June 30, 2014, respectively, excluding the impact of discrete tax items.

Table of ContentsManagement's Discussion and Analysis
of Results of Operations and Financial Condition
(continued)

Adjusted diluted EPS from continuing operations increased \$0.05 per diluted share to \$1.47 in the quarter principally reflecting fewer shares outstanding. Adjusted diluted EPS from continuing operations increased \$0.21 to \$3.91 in the nine months, principally reflecting fewer shares outstanding, partially offset by the impact of foreign exchange, which had a \$0.09 unfavorable impact.

Adjusted results attributable to Viacom in the quarter ended June 30, 2014 exclude a loss on extinguishment of debt. Including this item, net earnings from continuing operations attributable to Viacom decreased \$20 million, or 3%, and diluted EPS from continuing operations increased \$0.07.

Adjusted results attributable to Viacom in the nine months ended June 30, 2015 exclude the restructuring and programming charges and the pension settlement loss noted above, as well as discrete taxes. For the nine months ended June 30, 2014 adjusted results attributable to Viacom exclude the loss on extinguishment of debt and discrete taxes. Including these items, net earnings from continuing operations attributable to Viacom decreased \$622 million, or 37%, to \$1.038 billion and diluted EPS from continuing operations declined \$1.19 to \$2.54 in the nine months.

Segment Results of Operations

Transactions between reportable segments are accounted for as third-party arrangements for the purposes of presenting segment results of operations. Typical intersegment transactions include the purchase of advertising by the Filmed Entertainment segment on Media Networks' properties and the purchase of Filmed Entertainment's feature films exhibition rights by Media Networks.

Media Networks

(in millions)	Quarter Ended June 30,		Better/(Worse)		Nine Months Ended June 30,		Better/(Worse)		
	2015	2014	\$	%	2015	2014	\$	%	
Revenues by Component									
Advertising	\$1,223	\$1,249	\$(26)	(2)%	\$3,762	\$3,698	\$64	2%	
Affiliate fees	1,244	1,224	20	2	3,522	3,404	118	3	
Ancillary	130	118	12	10	419	405	14	3	
Total revenues by component	\$2,597	\$2,591	\$6	—	\$7,703	\$7,507	\$196	3%	
Expenses									
Operating	\$944	\$907	\$(37)	(4)%	\$2,888	\$2,636	\$(252)	(10)%	
Selling, general and administrative	497	527	30	6	1,570	1,579	9	1	
Depreciation and amortization	42	36	(6)	(17)	124	108	(16)	(15)	
Total expenses	\$1,483	\$1,470	\$(13)	(1)%	\$4,582	\$4,323	\$(259)	(6)%	
Adjusted Operating Income	\$1,114	\$1,121	\$(7)	(1)%	\$3,121	\$3,184	\$(63)	(2)%	

Revenues

Worldwide revenues were up slightly at \$2.597 billion in the quarter ended June 30, 2015. Excluding an unfavorable 2% impact of foreign exchange, worldwide revenues increased 2% in the quarter. Domestic revenues decreased \$71 million, or 3%, to \$2.169 billion in the quarter due to lower advertising revenues. International revenues grew 22% to \$428 million in the quarter primarily due to the acquisition of Channel 5, partially offset by foreign exchange, which had a 10-percentage point unfavorable impact on international revenues in the quarter.

Worldwide revenues increased \$196 million, or 3%, to \$7.703 billion in the nine months ended June 30, 2015, driven by higher affiliate fee and advertising revenues. Excluding an unfavorable 1% impact of foreign exchange, worldwide revenues increased 4% in nine months. Domestic revenues decreased \$68 million, or 1%, to \$6.315 billion in the nine

months due to lower advertising revenues partially offset by higher affiliate fee revenues. International revenues grew 23% to \$1.388 billion in the nine months primarily due to the acquisition of Channel 5, partially offset by foreign exchange, which had a 10-percentage point unfavorable impact on international revenues in the nine months.

Table of Contents

Management's Discussion and Analysis
of Results of Operations and Financial Condition
(continued)

Advertising

Worldwide advertising revenues decreased \$26 million, or 2%, to \$1.223 billion in the quarter and increased \$64 million, or 2%, to \$3.762 billion in the nine months. Domestic advertising revenues decreased 9% in the quarter and 7% in the nine months. While pricing remained essentially flat, softer ratings caused lower audience delivery, reducing impressions and associated revenue. International advertising revenues increased 58% in the quarter and 65% in the nine months, driven by the acquisition of Channel 5, partially offset by the impact of foreign exchange, which had an 11-percentage point and 10-percentage point unfavorable impact on international advertising revenues in the quarter and nine months, respectively.

Affiliate Fees

Worldwide affiliate fee revenues increased \$20 million, or 2%, to \$1.244 billion in the quarter, and \$118 million, or 3%, to \$3.522 billion in the nine months, driven by rate increases. Domestic affiliate revenues increased 2% and 5% in the quarter and nine months, respectively. Excluding the impact from the timing of product available under certain distribution agreements, domestic affiliate revenues grew in the mid-single digits. International affiliate revenues decreased 3% and 4% in the quarter and nine months, respectively, principally due to foreign exchange, partially offset by an increase in revenues driven by the launch of new channels and new distribution agreements. Foreign exchange had an 11-percentage point and 10-percentage point unfavorable impact on international affiliate revenues in the quarter and nine months, respectively.

Expenses

Total expenses increased \$13 million, or 1%, to \$1.483 billion in the quarter and increased \$259 million, or 6%, to \$4.582 billion in the nine months.

Operating

Operating expenses increased \$37 million, or 4%, to \$944 million in the quarter and \$252 million, or 10%, to \$2.888 billion in the nine months.

Programming costs increased \$27 million, or 3%, in the quarter and \$214 million, or 9%, in the nine months, driven by the acquisition of Channel 5, partially offset by the benefit associated with recent programming charges.

Distribution and other expenses increased \$10 million, or 10%, in the quarter and \$38 million, or 13% in the nine months, principally due to Channel 5 distribution costs.

Selling, General and Administrative

SG&A expenses decreased \$30 million, or 6%, to \$497 million in the quarter primarily due to lower employee costs, including the benefit of cost savings from our recent restructuring activities, as well as lower incentive compensation. SG&A expenses decreased \$9 million, or 1%, to \$1.570 billion in the nine months, driven by the impact of foreign exchange, partially offset by the acquisition of Channel 5.

Depreciation and Amortization

Depreciation and amortization increased \$6 million, or 17%, to \$42 million and \$16 million, or 15%, to \$124 million in the quarter and nine months, respectively, driven by the acquisition of Channel 5.

Adjusted Operating Income

Adjusted operating income decreased \$7 million, or 1%, to \$1.114 billion in the quarter and decreased \$63 million, or 2%, to \$3.121 billion in the nine months, reflecting the operating results discussed above and a 1-percentage point unfavorable foreign exchange impact in both the quarter and nine months.

Table of ContentsManagement's Discussion and Analysis
of Results of Operations and Financial Condition
(continued)

Filmed Entertainment

(in millions)	Quarter Ended		Better/(Worse)		Nine Months		Better/(Worse)	
	June 30,				Ended			
	2015	2014	\$	%	2015	2014	\$	%
Revenues by Component								
Theatrical	\$20	\$264	\$(244)	(92)%	\$394	\$652	\$(258)	(40)%
Home entertainment	199	284	(85)	(30)	709	813	(104)	(13)
License fees	214	227	(13)	(6)	609	738	(129)	(17)
Ancillary	46	81	(35)	(43)	146	165	(19)	(12)
Total revenues by component	\$479	\$856	\$(377)	(44)%	\$1,858	\$2,368	\$(510)	(22)%
Expenses								
Operating	\$328	\$685	\$357	52%	\$1,550	\$2,023	\$473	23%
Selling, general and administrative	90	102	12	12	280	302	22	7
Depreciation and amortization	13	14	1	7	39	51	12	24
Total expenses	\$431	\$801	\$370	46%	\$1,869	\$2,376	\$507	21%
Adjusted Operating Income/(Loss)	\$48	\$55	\$(7)	(13)%	\$(11)	\$(8)	\$(3)	(38)%

Revenues

Worldwide revenues decreased \$377 million, or 44%, to \$479 million, and \$510 million, or 22%, to \$1.858 billion in the quarter and nine months ended June 30, 2015, respectively. Excluding an unfavorable 3% impact of foreign exchange, worldwide revenues declined 41% and 19% in the quarter and nine months, respectively. Domestic revenues were \$266 million, a decrease of 34%, and \$1.007 billion, a decrease of 11%, in the quarter and nine months, respectively. International revenues were \$213 million, a decrease of 53%, and \$851 million, a decrease of 31%, with foreign exchange having a 5-percentage point and 6-percentage point unfavorable impact on international revenues, in the quarter and nine months, respectively.

Theatrical

Worldwide theatrical revenues decreased \$244 million, or 92%, to \$20 million in the quarter, largely due to the timing of our summer tentpole releases. In the prior year, Transformers: Age of Extinction was released in our third fiscal quarter, while this year's summer tentpoles, Terminator: Genisys and Mission: Impossible - Rogue Nation, were widely released in our fourth fiscal quarter. As a result, revenues from our current quarter releases decreased \$145 million. Carryover revenues decreased \$99 million principally due to revenues from Noah in the prior year quarter. Domestic theatrical revenues decreased 98% and international theatrical revenues decreased 90%. Foreign exchange had a 1-percentage point unfavorable impact on international theatrical revenues.

Worldwide theatrical revenues decreased \$258 million, or 40%, to \$394 million in the nine months. Revenues from our current year releases were lower by \$311 million due to the timing and mix of releases. Significant current year releases included The SpongeBob Movie: Sponge Out of Water, Interstellar, Selma and The Gambler, while the prior year included Noah, Transformers: Age of Extinction, Anchorman 2: The Legend Continues, Jackass Presents: Bad Grandpa and The Wolf of Wall Street. Carryover revenues were \$53 million higher driven by the release of Teenage Mutant Ninja Turtles in the fourth fiscal quarter of the prior year. Domestic theatrical revenues decreased 25% and international theatrical revenues decreased 54%. Foreign exchange had a 6-percentage point unfavorable impact on international theatrical revenues.

Home Entertainment

Worldwide home entertainment revenues decreased \$85 million, or 30%, to \$199 million in the quarter principally due to lower revenues on distribution and catalog titles. Domestic home entertainment revenues decreased 18% and international home entertainment revenues decreased 50%. Foreign exchange had a 10-percentage point unfavorable impact on international home entertainment revenues.

Table of Contents

Management's Discussion and Analysis
of Results of Operations and Financial Condition
(continued)

Worldwide home entertainment revenues decreased \$104 million, or 13%, to \$709 million in the nine months principally reflecting lower revenues from distribution titles. Higher revenues from current year releases were offset by lower carryover revenues from prior year releases. Significant titles in the current year included Teenage Mutant Ninja Turtles, Interstellar, Hercules and The SpongeBob Movie: Sponge Out of Water, while the prior year included The Wolf of Wall Street, Jackass Presents: Bad Grandpa and Anchorman 2: The Legend Continues. Domestic home entertainment revenues increased 8%, primarily driven by strong domestic performance of Teenage Mutant Ninja Turtles, while international home entertainment revenues decreased 34%. Foreign exchange had a 7-percentage point unfavorable impact on international home entertainment revenues.

License Fees

License fees decreased \$13 million, or 6%, to \$214 million, and \$129 million, or 17%, to \$609 million, in the quarter and nine months, respectively, primarily driven by the number and mix of available titles.

Ancillary

Ancillary revenues decreased \$35 million, or 43%, to \$46 million, and \$19 million, or 12%, to \$146 million, in the quarter and nine months, respectively, primarily driven by the benefit of the sale of certain distribution rights in the prior year.

Expenses

Total expenses decreased \$370 million, or 46%, to \$431 million, and \$507 million, or 21%, to \$1.869 billion, in the quarter and nine months, respectively, principally driven by a decline in operating expenses.

Operating

Operating expenses decreased \$357 million, or 52%, to \$328 million, and \$473 million, or 23%, to \$1.550 billion, in the quarter and nine months, respectively. Film costs decreased \$168 million, or 44%, in the quarter and \$205 million, or 20%, in the nine months, primarily as a result of lower participation costs. Distribution and other costs, principally print and advertising expenses, decreased \$189 million, or 62%, in the quarter and \$268 million, or 27%, for the nine months driven by the timing and mix of current year theatrical titles.

Selling, General and Administrative

SG&A expenses decreased \$12 million, or 12%, to \$90 million, and \$22 million, or 7%, to \$280 million in the quarter and nine months, respectively, primarily driven by lower employee costs.

Depreciation and Amortization

Depreciation and amortization decreased \$1 million, or 7%, to \$13 million in the quarter. In the nine months, depreciation and amortization decreased \$12 million, or 24%, to \$39 million, driven by a decline in amortization expense associated with an intangible asset becoming fully amortized in the prior year.

Adjusted Operating Income/(Loss)

Adjusted operating income was \$48 million for the quarter ended June 30, 2015 compared with \$55 million for the quarter ended June 30, 2014, a decline of \$7 million. Adjusted operating loss was \$11 million for the nine months ended June 30, 2015 compared with an adjusted operating loss of \$8 million for the nine months ended June 30, 2014. The generation of an operating loss reflects the recognition of print and advertising expenses incurred in the period, generally before and throughout the theatrical release of a film, while revenues for the respective films are recognized as earned through its theatrical exhibition and subsequent distribution windows.

Table of ContentsManagement's Discussion and Analysis
of Results of Operations and Financial Condition
(continued)

Factors Affecting Comparability

The Consolidated Financial Statements as of and for the quarters and nine months ended June 30, 2015 and 2014 reflect our results of operations, financial position and cash flows reported in accordance with GAAP. Results for the aforementioned periods, as discussed in the section entitled "Overview", have been affected by certain items identified as affecting comparability. Accordingly, when applicable, we use adjusted measures to evaluate our actual operating performance.

There were no adjustments to our results for the quarter ended June 30, 2015. The following tables reconcile our adjusted measures to our reported results for the nine months ended June 30, 2015 and quarter and nine months ended June 30, 2014. The tax impacts included in the tables have been calculated using the rates applicable to the adjustments presented.

(in millions, except per share amounts)

	Nine Months Ended June 30, 2015			
	Operating Income	Pre-tax Earnings from Continuing Operations	Net Earnings from Continuing Operations Attributable to Viacom	Diluted EPS from Continuing Operations
Reported results	\$2,057	\$ 1,638	\$ 1,038	\$2.54
Factors Affecting Comparability:				
Restructuring and programming charges	784	784	520	1.27
Loss on pension settlement	24	24	15	0.04
Discrete tax expense	—	—	23	0.06
Adjusted results	\$2,865	\$ 2,446	\$ 1,596	\$3.91

Restructuring and programming charges: We recognized a pre-tax charge of \$784 million, reflecting \$578 million of programming charges and a \$206 million restructuring charge associated with workforce reductions. The strategic realignment is largely complete and we anticipate that a majority of the severance will be paid by March 31, 2016. We plan to achieve net savings in fiscal 2015 of approximately \$175 million as a result of the programming charges and reduced headcount requirements, and ongoing annual net savings of approximately \$350 million. See Note 8 of the Consolidated Financial Statements for additional information.

Loss on pension settlement: The pre-tax non-cash charge of \$24 million was driven by the settlement of pension benefits of certain participants of our funded pension plan.

Discrete tax expense: The discrete tax expense is principally related to a reduction in qualified production activity tax benefits as a result of retroactively reenacted legislation.

Our effective tax rate was 31.8% in the quarter and nine months ended June 30, 2015, respectively, with the nine months excluding the impact of the restructuring and programming charges, the pension settlement loss and other discrete tax expense. Discrete tax expense, taken together with the impact of the restructuring and programming charges and the pension settlement loss, contributed 0.4 percentage points to the effective tax rate, which reconciles to the reported effective tax rate of 32.2% in the nine months.

(in millions, except per share amounts)

	Quarter Ended June 30, 2014			
	Operating Income	Pre-tax Earnings from Continuing Operations	Net Earnings from Continuing Operations	Diluted EPS from Continuing Operations

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		Operations	Attributable to Viacom	Operations
Reported results	\$ 1,086	\$ 942	\$ 611	\$ 1.40
Factors Affecting Comparability:				
Loss on extinguishment of debt	—	11	7	0.02
Adjusted results	\$ 1,086	\$ 953	\$ 618	\$ 1.42

23

Table of ContentsManagement's Discussion and Analysis
of Results of Operations and Financial Condition
(continued)

(in millions, except per share amounts)

	Nine Months Ended June 30, 2014			
	Operating Income	Pre-tax Earnings from Continuing Operations	Net Earnings from Continuing Operations Attributable to Viacom	Diluted EPS from Continuing Operations
Reported results	\$2,918	\$ 2,506	\$ 1,660	\$3.73
Factors Affecting Comparability:				
Loss on extinguishment of debt	—	11	7	0.02
Discrete tax benefits	—	—	(20	) (0.05
Adjusted results	\$2,918	\$ 2,517	\$ 1,647	\$3.70

Loss on extinguishment of debt: The pre-tax extinguishment loss of \$11 million in the quarter ended June 30, 2014 was driven by the redemption of all \$600 million of our outstanding 4.375% Senior Notes due September 2014.

Discrete tax benefits: The discrete tax benefits are principally related to the recognition of capital loss carryforward benefits.

Our effective tax rate was 30.6% in the quarter ended June 30, 2014. For the nine months ended June 30, 2014, our effective tax rate was 32.1%, excluding the impact of the loss on extinguishment of debt and discrete tax benefits. In the nine months, the discrete tax benefit, taken together with the impact of the loss on extinguishment of debt, reduced the effective tax rate by a 0.8 percentage point, which reconcile to the reported effective tax rate of 31.3%.

LIQUIDITY AND CAPITAL RESOURCES**Liquidity****Sources and Uses of Cash**

Our primary source of liquidity is cash provided through the operations of our businesses. We have access to external financing sources such as our \$2.5 billion five-year revolving credit facility and the capital markets. Our principal uses of cash from operations include the creation of new programming and film content, acquisitions of third-party content, and interest and income tax payments. We also use cash for discretionary share repurchases under our stock repurchase program, as deemed appropriate, as well as quarterly cash dividends, capital expenditures and acquisitions of businesses.

We believe that our cash flows from operating activities together with our credit facility provide us with adequate resources to fund our anticipated ongoing cash requirements. We anticipate that future debt maturities will be funded with cash and cash equivalents, cash flows from operating activities and future access to capital markets, including our credit facility.

We may continue to access external financing from time to time depending on our cash requirements, assessments of current and anticipated market conditions and after-tax cost of capital. Our access to capital markets can be impacted by factors outside our control, including economic conditions; however, we believe that our strong cash flows and balance sheet, our credit facility and our credit rating will provide us with adequate access to funding given our expected cash needs. Any new borrowing cost would be affected by market conditions and short and long-term debt ratings assigned by independent rating agencies, and there can be no assurance that we will be able to access capital markets on terms and conditions that will be favorable to us.

Cash Flows

Cash and cash equivalents were \$421 million as of June 30, 2015, a decrease of \$579 million compared with September 30, 2014.

Operating Activities

Cash provided by operations was \$1.080 billion for the nine months ended June 30, 2015, a decrease of \$283 million compared with the nine months ended June 30, 2014, primarily reflecting an increase in programming spending, partially offset by lower income tax payments.

Investing Activities

Cash used in investing activities was \$85 million and \$86 million for the nine months ended June 30, 2015 and 2014, respectively.

Table of Contents

Management's Discussion and Analysis
of Results of Operations and Financial Condition
(continued)

Financing Activities

Cash used in financing activities was \$1.507 billion for the nine months ended June 30, 2015, primarily driven by the settlement of share repurchases totaling \$1.548 billion and dividend payments of \$405 million, partially offset by net proceeds of \$390 million from debt transactions. Proceeds of \$990 million from the issuance of senior notes and debentures with an aggregate principal amount of \$1.0 billion were partially offset by the repayment of the \$600 million aggregate principal amount of our 1.250% Senior Notes due in February 2015.

Cash used in financing activities was \$2.113 billion for the nine months ended June 30, 2014, primarily driven by the settlement of share repurchases of \$2.681 billion and dividend payments totaling \$401 million, partially offset by net proceeds of \$884 million from debt transactions. Proceeds of \$1.484 billion from the issuance of senior notes and debentures with an aggregate principal amount of \$1.5 billion were partially offset by the debt extinguishment payment of \$600 million.

Capital Resources

Capital Structure and Debt

Total debt was \$13.083 billion as of June 30, 2015, an increase of \$384 million from \$12.699 billion at September 30, 2014.

In December 2014, we issued a total of \$1.0 billion of senior notes and debentures as follows:

2.750% Senior Notes due December 2019 with an aggregate principal amount of \$400 million at a price equal to 99.986% of the principal amount.

4.850% Senior Debentures due December 2034 with an aggregate principal amount of \$600 million at a price equal to 99.543% of the principal amount.

The proceeds, net of the discount and other issuance fees and expenses, from the issuance of the senior notes and debentures were \$990 million. We utilized the net proceeds for the repayment of the \$600 million aggregate principal amount of our 1.250% Senior Notes due in February 2015. We utilized the remaining proceeds for general corporate purposes, including the repurchase of shares under our stock repurchase program.

Credit Facility

In November 2014, we amended our revolving credit agreement, originally dated as of October 8, 2010, to, among other things, extend the maturity date of the \$2.5 billion revolving credit facility from November 9, 2017 to November 18, 2019. At June 30, 2015, there were no amounts outstanding under the credit facility. The credit facility has one principal financial covenant that requires our interest coverage for the most recent four consecutive fiscal quarters to be at least 3.0x, which we met as of June 30, 2015.

Stock Repurchase Program

During the nine months ended June 30, 2015, we repurchased 21.1 million shares of Class B common stock for an aggregate purchase price of \$1.5 billion, leaving \$5.0 billion of remaining capacity under our program. Given recent strategic initiatives, we have temporarily paused share purchases under our program in order to stay within our target leverage ratio. We anticipate resuming stock repurchases in October 2015. Share repurchases under the program are expected to be funded through a combination of debt and cash generated by operations, as deemed appropriate.

Commitments and Contingencies

Legal Matters

Litigation is inherently uncertain and difficult to predict. However, based on our understanding and evaluation of the relevant facts and circumstances, we believe that the legal matters described in this document and other litigation to which we are a party are not likely, in the aggregate, to have a material adverse effect on our results of continuing operations, financial position or operating cash flows. For additional information, see Note 6 to the Consolidated Financial Statements.

OTHER MATTERS

Related Parties

In the ordinary course of business we enter into transactions with related parties, including National Amusements, Inc., CBS Corporation, their respective subsidiaries and affiliates, and companies that we account for under the equity method of accounting. For additional information, see Note 13 to the Consolidated Financial Statements.

Table of Contents

Management's Discussion and Analysis
of Results of Operations and Financial Condition
(continued)

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 that are not statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements reflect our current expectations concerning future results, objectives, plans and goals, and involve known and unknown risks, uncertainties and other factors that are difficult to predict and which may cause future results, performance or achievements to differ. These risks, uncertainties and other factors include, among others: the public acceptance of our programs, motion pictures and other entertainment content on the various platforms on which they are distributed; technological developments and their effect in our markets and on consumer behavior; competition for content, audiences, advertising and distribution; the impact of piracy; economic fluctuations in advertising and retail markets, and economic conditions generally; fluctuations in our results due to the timing, mix and availability of our motion pictures and other programming; the potential for loss of carriage or other reduction in the distribution of our content; changes in the Federal communications laws and regulations; evolving cybersecurity and similar risks; other domestic and global economic, business, competitive and/or regulatory factors affecting our businesses generally; and other factors described in our news releases and filings with the Securities and Exchange Commission, including but not limited to our 2014 Form 10-K and reports on Form 10-Q and Form 8-K. The forward-looking statements included in this document are made only as of the date of this document, and we do 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 ordinary 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 to market risks in order to minimize the impact on earnings and cash flows. We do not hold or enter into financial instruments for speculative trading purposes.

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) or 15d-15(b) of the Exchange Act.

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

Since our 2014 Form 10-K, there have been no material developments in the material legal proceedings in which we are involved, except as set forth in Note 6 to the Consolidated Financial Statements.

Item 1A. Risk Factors.

A wide range of risks may affect our business and financial results, now and in the future. We consider the risks described in our 2014 Form 10-K 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.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

None.

Table of Contents

Item 6. Exhibits.

Exhibit No. Description of Exhibit

10.1*	Amendment, dated May 20, 2015, to Employment Agreement between Viacom Inc. and Michael D. Fricklas, dated October 2, 2009 (incorporated by reference to Exhibit 10.17 to the Annual Report on Form 10-K of Viacom Inc. filed February 11, 2010), as amended by Letter Agreement dated August 6, 2012 (incorporated by reference to Exhibit 10.21 to the Annual Report on Form 10-K of Viacom Inc. filed November 15, 2012) (File No. 001-32686).
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.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith

Table of Contents

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 6, 2015

By: /s/ WADE DAVIS
Wade Davis
Executive Vice President, Chief Financial Officer

Date: August 6, 2015

By: /s/ KATHERINE GILL-CHAREST
Katherine Gill-Charest
Senior Vice President, Controller
(Chief Accounting Officer)