
**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 March 31, 2017

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 as of April 30, 2017
Class A common stock, par value \$0.001 per share	49,431,379
Class B common stock, par value \$0.001 per share	352,300,394

VIACOM INC.
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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements.

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

(in millions, except per share amounts)	Quarter Ended March 31,		Six Months Ended March 31,	
	2017	2016	2017	2016
Revenues	\$ 3,256	\$ 3,001	\$ 6,580	\$ 6,155
Expenses:				
Operating	1,944	1,654	3,763	3,247
Selling, general and administrative	748	705	1,449	1,372
Depreciation and amortization	58	56	114	111
Restructuring	174	—	216	—
Total expenses	2,924	2,415	5,542	4,730
Operating income	332	586	1,038	1,425
Interest expense, net	(158)	(155)	(314)	(310)
Equity in net earnings of investee companies	18	35	31	66
Loss on extinguishment of debt	(30)	—	(36)	—
Other items, net	(8)	(6)	1	(4)
Earnings before provision for income taxes	154	460	720	1,177
Provision for income taxes	(26)	(151)	(184)	(407)
Net earnings (Viacom and noncontrolling interests)	128	309	536	770
Net earnings attributable to noncontrolling interests	(7)	(6)	(19)	(18)
Net earnings attributable to Viacom	\$ 121	\$ 303	\$ 517	\$ 752
Basic earnings per share attributable to Viacom	\$ 0.30	\$ 0.76	\$ 1.30	\$ 1.90
Diluted earnings per share attributable to Viacom	\$ 0.30	\$ 0.76	\$ 1.30	\$ 1.89
Weighted average number of common shares outstanding:				
Basic	398.2	396.1	397.6	396.4
Diluted	399.5	397.4	398.7	397.9
Dividends declared per share of Class A and Class B common stock	\$ 0.20	\$ 0.40	\$ 0.40	\$ 0.80

See accompanying notes to Consolidated Financial Statements

VIACOM INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(in millions)	Quarter Ended March 31,		Six Months Ended March 31,	
	2017	2016	2017	2016
Net earnings (Viacom and noncontrolling interests)	\$ 128	\$ 309	\$ 536	\$ 770
Other comprehensive income/(loss), net of tax:				
Foreign currency translation adjustments	63	22	(75)	(18)
Defined benefit pension plans	1	1	3	(4)
Cash flow hedges	2	2	2	1
Other comprehensive income/(loss) (Viacom and noncontrolling interests)	66	25	(70)	(21)
Comprehensive income	194	334	466	749
Less: Comprehensive income attributable to noncontrolling interest	7	5	18	14
Comprehensive income attributable to Viacom	\$ 187	\$ 329	\$ 448	\$ 735

See accompanying notes to Consolidated Financial Statements

VIACOM INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in millions, except par value)	March 31, 2017	September 30, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 671	\$ 379
Receivables, net	3,031	2,712
Inventory, net	918	844
Prepaid and other assets	508	587
Total current assets	5,128	4,522
Property and equipment, net	964	932
Inventory, net	4,058	4,032
Goodwill	11,609	11,400
Intangibles, net	325	315
Other assets	1,258	1,307
Total assets	<u>\$ 23,342</u>	<u>\$ 22,508</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 347	\$ 453
Accrued expenses	791	773
Participants' share and residuals	838	801
Program obligations	716	692
Deferred revenue	382	419
Current portion of debt	18	17
Other liabilities	468	517
Total current liabilities	3,560	3,672
Noncurrent portion of debt	12,171	11,896
Participants' share and residuals	354	358
Program obligations	548	311
Deferred tax liabilities, net	292	381
Other liabilities	1,434	1,349
Redeemable noncontrolling interest	200	211
Commitments and contingencies (Note 7)		
Viacom stockholders' equity:		
Class A common stock, par value \$0.001, 375.0 authorized; 49.4 and 49.4 outstanding, respectively	—	—
Class B common stock, par value \$0.001, 5,000.0 authorized; 351.8 and 347.6 outstanding, respectively	—	—
Additional paid-in capital	10,143	10,139
Treasury stock, 395.0 and 399.4 common shares held in treasury, respectively	(20,635)	(20,798)
Retained earnings	15,987	15,628
Accumulated other comprehensive loss	(761)	(692)
Total Viacom stockholders' equity	4,734	4,277
Noncontrolling interests	49	53
Total equity	<u>4,783</u>	<u>4,330</u>
Total liabilities and equity	<u>\$ 23,342</u>	<u>\$ 22,508</u>

See accompanying notes to Consolidated Financial Statements

VIACOM INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in millions)	Six Months Ended March 31,	
	2017	2016
OPERATING ACTIVITIES		
Net earnings (Viacom and noncontrolling interests)	\$ 536	\$ 770
Reconciling items:		
Depreciation and amortization	114	111
Feature film and program amortization	2,312	2,106
Equity-based compensation	50	52
Equity in net earnings and distributions from investee companies	(5)	(62)
Deferred income taxes	(150)	377
Operating assets and liabilities, net of acquisitions:		
Receivables	(199)	52
Production and programming	(2,048)	(2,500)
Accounts payable and other current liabilities	(258)	(508)
Other, net	53	(114)
Net cash provided by operating activities	405	284
INVESTING ACTIVITIES		
Acquisitions and investments, net	(343)	(44)
Capital expenditures	(95)	(54)
Proceeds received from grantor trusts	49	—
Sale of marketable securities	108	—
Net cash flow used in investing activities	(281)	(98)
FINANCING ACTIVITIES		
Borrowings	2,569	—
Debt repayments	(2,300)	—
Commercial paper	—	250
Purchase of treasury stock	—	(100)
Dividends paid	(159)	(318)
Exercise of stock options	115	3
Other, net	(34)	(43)
Net cash provided by/(used in) financing activities	191	(208)
Effect of exchange rate changes on cash and cash equivalents	(23)	(4)
Net change in cash and cash equivalents	292	(26)
Cash and cash equivalents at beginning of period	379	506
Cash and cash equivalents at end of period	\$ 671	\$ 480

See accompanying notes to Consolidated Financial Statements

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 content, applications (“apps”), games, consumer products, social media experiences and other entertainment content for audiences in more than 180 countries. Viacom operates through two reporting segments: *Media 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 through three brand groups: the Global Entertainment Group, the Nickelodeon Group and BET Networks. The *Filmed Entertainment* segment produces, finances, acquires and distributes motion pictures, television programming and other entertainment content under the Paramount Pictures, Paramount Animation, Nickelodeon Movies, MTV Films 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, 2017 (“fiscal 2017”) or any future period. These financial statements should be read in conjunction with our Form 10-K for the year ended September 30, 2016, as filed with the SEC on November 9, 2016 (the “2016 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*Income Taxes*

In October 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-16 - Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory. ASU 2016-16 will require the tax effects of intercompany transactions, other than sales of inventory, to be recognized currently, eliminating an exception under current GAAP in which the tax effects of intra-entity asset transfers are deferred until the transferred asset is sold to a third party or otherwise recovered through use. The guidance will be effective for the first interim period of our 2019 fiscal year, with early adoption permitted. We are currently evaluating the impact of the new standard.

Statement of Cash Flows

In August 2016, the FASB issued ASU 2016-15 - Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 addresses how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The guidance will be effective for the first interim period of our 2019 fiscal year, with early adoption permitted. The new standard will impact our statement of cash flows by increasing cash flow from operating activities and decreasing cash flow from financing activities in periods when debt prepayment or debt extinguishment costs are paid.

Financial Instruments

In connection with its financial instruments project, the FASB issued ASU 2016-13 - Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments in June 2016 and ASU 2016-01 - Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities in January 2016.

- ASU 2016-13 introduces a new impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a forward-looking “expected loss” model that will replace the current “incurred loss” model and generally will result in

VIACOM INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

earlier recognition of allowances for losses. The guidance will be effective for the first interim period of our 2021 fiscal year, with early adoption in fiscal year 2020 permitted.

- ASU 2016-01 addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Among other provisions, the new guidance requires the fair value measurement of investments in certain equity securities. For investments without readily determinable fair values, entities have the option to either measure these investments at fair value or at cost adjusted for changes in observable prices minus impairment. All changes in measurement will be recognized in net income. The guidance will be effective for the first interim period of our 2019 fiscal year. Early adoption is not permitted, except for certain provisions relating to financial liabilities.

We are currently evaluating the impact of the new standards.

Equity-Based Compensation

In March 2016, the FASB issued ASU 2016-09 - Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting. ASU 2016-09 includes provisions intended to simplify various aspects related to how share-based payments are accounted for and presented in the financial statements, such as requiring all income tax effects of awards to be recognized in the income statement when the awards vest or are settled and allowing a policy election to account for forfeitures as they occur. In addition, all related cash flows resulting from share-based payments will be reported as operating activities on the statement of cash flows. The guidance will be effective for the first interim period of our 2018 fiscal year, with early adoption permitted. The new standard will impact our financial statements by increasing or decreasing our income tax provision and increasing cash flow from operating activities.

Leases

In February 2016, the FASB issued ASU 2016-02 - Leases. ASU 2016-02 requires lessees to recognize a right-of-use asset and a lease liability on the balance sheet for most leases. For income statement purposes, leases will be classified as either operating or finance, generally resulting in straight-line expense recognition for operating leases (similar to current operating leases) and accelerated expense recognition for financing leases (similar to current capital leases). The guidance will be effective for the first interim period of our 2020 fiscal year, with early adoption permitted. We are currently evaluating the impact of the new standard.

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09 - Revenue from Contracts with Customers, a comprehensive revenue recognition model that supersedes the current revenue recognition requirements and most industry-specific guidance. Subsequent accounting standard updates have also been issued which amend and/or clarify the application of ASU 2014-09. The guidance provides a five step framework to 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. The guidance will be effective for the first interim period of our 2019 fiscal year (with early adoption permitted beginning with our 2018 fiscal year), and allows adoption either under a full retrospective or a modified retrospective approach. We are currently evaluating the impact of the new standard.

VIACOM INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

NOTE 2. ACQUISITION

On November 15, 2016, we acquired Televisión Federal S.A. (“Telefe”), one of the main free-to-air channels and biggest content producers in Argentina, for \$336 million, net of cash acquired. Telefe adds to our portfolio of international TV networks and accelerates our growth strategy in Argentina.

The following table summarizes our estimated allocation of the purchase price as of the acquisition date:

Purchase Price Allocation (in millions)		
Current assets	\$	88
Goodwill		250
Intangible assets		49
Property and equipment		76
Other assets		13
Assets acquired		476
Accounts payable and accrued expenses		55
Other liabilities		85
Liabilities assumed		140
	\$	336

The goodwill, which is not deductible for tax purposes, reflects the Company-specific synergies arising from the acquisition. Intangible assets primarily consist of trade names and broadcast licenses with a useful life of 15 years.

The operating results of Telefe in the current and prior year are not material.

NOTE 3. INVENTORY

Our total inventory consists of the following:

Inventory (in millions)	March 31, 2017	September 30, 2016
Film inventory:		
Released, net of amortization	\$ 687	\$ 632
Completed, not yet released	6	128
In process and other	909	993
	1,602	1,753
Television productions:		
Released, net of amortization	31	16
In process and other	57	102
	88	118
Original programming:		
Released, net of amortization	1,224	1,082
In process and other	524	706
	1,748	1,788
Acquired program rights, net of amortization	1,445	1,127
Home entertainment inventory	93	90
Total inventory, net	4,976	4,876
Less current portion	918	844
Noncurrent portion	\$ 4,058	\$ 4,032

VIACOM INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

NOTE 4. DEBT

Our total debt consists of the following:

Debt (in millions)	March 31, 2017	September 30, 2016
Senior Notes and Debentures:		
Senior notes due December 2016, 2.500%	\$ —	\$ 400
Senior notes due April 2017, 3.500%	—	499
Senior notes due October 2017, 6.125%	—	499
Senior notes due September 2018, 2.500%	—	498
Senior notes due April 2019, 2.200%	—	399
Senior notes due September 2019, 5.625%	550	550
Senior notes due December 2019, 2.750%	399	399
Senior notes due March 2021, 4.500%	495	495
Senior notes due December 2021, 3.875%	594	593
Senior notes due February 2022, 2.250%	396	—
Senior notes due June 2022, 3.125%	297	296
Senior notes due March 2023, 3.250%	297	297
Senior notes due September 2023, 4.250%	1,236	1,235
Senior notes due April 2024, 3.875%	545	544
Senior notes due October 2026, 3.450%	889	—
Senior debentures due December 2034, 4.850%	593	593
Senior debentures due April 2036, 6.875%	1,067	1,066
Senior debentures due October 2037, 6.750%	75	75
Senior debentures due February 2042, 4.500%	244	244
Senior debentures due March 2043, 4.375%	1,093	1,091
Senior debentures due June 2043, 4.875%	247	247
Senior debentures due September 2043, 5.850%	1,229	1,228
Senior debentures due April 2044, 5.250%	545	545
Junior Debentures:		
Junior subordinated debentures due February 2057, 5.875%	642	—
Junior subordinated debentures due February 2057, 6.250%	642	—
Capital lease and other obligations	114	120
Total debt	12,189	11,913
Less current portion	18	17
Noncurrent portion	\$ 12,171	\$ 11,896

In the six months ended March 31, 2017, we issued \$2.6 billion of junior debentures and senior notes and redeemed \$2.3 billion of senior notes. Our issuances of debt were comprised of:

- \$650 million in aggregate principal amount of fixed-to-floating rate junior subordinated debentures due 2057 at par, callable in 5 years (the “5-year Hybrid debentures”); and
- \$650 million in aggregate principal amount of fixed-to-floating rate junior subordinated debentures due 2057 at par, callable in 10 years (the “10-year Hybrid debentures” and, together with the 5-year Hybrid debentures, the “Hybrid Debentures”).
- \$400 million in aggregate principal amount of 2.250% senior notes due 2022 at a price equal to 99.692% of the principal amount (the “2022 Senior Notes”); and
- \$900 million in aggregate principal amount of 3.450% senior notes due 2026 at a price equal to 99.481% of the principal amount (the “2026 Senior Notes” and, together with the 2022 Senior Notes, the “Senior Notes”).

The 5-year Hybrid debentures will accrue interest at a rate of 5.875% until February 28, 2022, on which date the rate will switch to a floating rate based on three-month LIBOR plus 3.895%, reset quarterly. The 10-year Hybrid debentures will accrue interest at a rate of 6.250% until February 28, 2027, on which date the rate will switch to a floating rate based on three-month LIBOR plus 3.899%, reset quarterly. The Hybrid Debentures can be called by us at any time after the expiration of the fixed-rate period.

VIACOM INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

The proceeds, net of issuance fees and expenses, from the issuance of the Hybrid Debentures and the Senior Notes were \$2.569 billion, which were used to redeem the following senior notes:

- \$500 million of our outstanding 6.125% senior notes due October 2017
- \$500 million of our outstanding 2.500% senior notes due September 2018
- \$400 million of our outstanding 2.200% senior notes due April 2019
- \$400 million of our outstanding 2.500% senior notes due December 2016
- \$500 million of our outstanding 3.500% senior notes due April 2017

The aggregate redemption price was equal to the sum of the principal amounts and a make-whole amount, together totaling \$2.333 billion, and accrued interest of \$26 million. As a result of the redemptions, we recognized pre-tax extinguishment losses of \$30 million, which included \$3 million of unamortized debt discount and issuance fees, and \$36 million in the quarter and six months ended March 31, 2017, respectively.

The total unamortized discount and issuance fees and expenses related to our senior notes and senior and junior debentures was \$477 million as of March 31, 2017 and \$459 million as of September 30, 2016. The fair value of our senior notes and senior and junior debentures was approximately \$12.6 billion as of March 31, 2017. The valuation of our publicly traded debt is based on quoted prices in active markets.

Credit Facility

At March 31, 2017, there were no amounts outstanding under our \$2.5 billion revolving credit facility due November 2019. The credit facility is used for general corporate purposes and to support commercial paper outstanding, if any. 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 March 31, 2017.

NOTE 5. PENSION BENEFITS

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

Net Periodic Benefit Cost (in millions)	Quarter Ended March 31,		Six Months Ended March 31,	
	2017	2016	2017	2016
Interest cost	\$ 8	\$ 8	\$ 16	\$ 17
Expected return on plan assets	(9)	(9)	(18)	(19)
Recognized actuarial loss	2	2	4	3
Net periodic benefit cost	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 2</u>	<u>\$ 1</u>

NOTE 6. REDEEMABLE NONCONTROLLING INTEREST

We are subject to a redeemable put option, payable in a foreign currency, with respect to an international subsidiary. The put option expires in December 2022 and is classified as *Redeemable noncontrolling interest* in the Consolidated Balance Sheets.

The activity reflected within redeemable noncontrolling interest is as follows:

Redeemable Noncontrolling Interest (in millions)	Six Months Ended March 31,	
	2017	2016
Beginning balance	\$ 211	\$ 219
Net earnings	9	9
Distributions	(10)	(12)
Translation adjustment	(9)	(16)
Redemption value adjustment	(1)	21
Ending Balance	<u>\$ 200</u>	<u>\$ 221</u>

VIACOM INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

NOTE 7. COMMITMENTS AND CONTINGENCIES**Commitments**

As more fully described in Note 11 of the 2016 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 \$204 million as of March 31, 2017. 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 \$190 million with respect to such obligations as of March 31, 2017. 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.

Purported Class and Derivative Actions

Between June 17, 2016 and August 1, 2016, three substantially similar purported class action complaints were filed in the Delaware Chancery Court by purported Viacom stockholders, against Viacom and Viacom's directors at the time (the "Incumbent Directors"), as well as National Amusements, Inc. ("National Amusements") and NAI Entertainment Holdings LLC (together, "NAI"), and were subsequently consolidated into one action. The action - brought on behalf of the class of all holders of Viacom Class B common stock except the named defendants and any person or entity affiliated with any of the defendants - alleges claims for breaches of fiduciary duty against the incumbent director defendants and NAI, and alleges that the Viacom directors who joined the Board of Directors subsequent to the filing of the actions (the "New Directors") aided and abetted these breaches. In addition to damages and attorneys' fees, the action seeks "such relief as the Court deems just and proper." All defendants, including Viacom and the Incumbent Directors, have moved to dismiss the action. The plaintiffs filed an amended consolidated complaint in November 2016, and we again moved to dismiss the action. In March 2017, plaintiffs and the New Directors petitioned the court to dismiss the New Directors from the lawsuit, and the court dismissed the New Directors from the lawsuit without prejudice.

On July 20, 2016, a purported derivative action was commenced in the Delaware Chancery Court by a purported Viacom stockholder against Viacom and its directors. The complaint alleges that Viacom's directors breached their fiduciary duties to Viacom in connection with compensation paid to Mr. Redstone. These breaches, it is alleged, permitted a waste of corporate assets and the unjust enrichment of Mr. Redstone. We have moved to dismiss the action.

VIACOM INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

NOTE 8. STOCKHOLDERS' EQUITY

The components of stockholders' equity are as follows:

Stockholders' Equity (in millions)	Six Months Ended March 31, 2017			Six Months Ended March 31, 2016		
	Total Viacom Stockholders' Equity	Noncontrolling Interests	Total Equity	Total Viacom Stockholders' Equity	Noncontrolling Interests	Total Equity
Beginning Balance	\$ 4,277	\$ 53	\$ 4,330	\$ 3,538	\$ 61	\$ 3,599
Net earnings	517	19	536	752	18	770
Other comprehensive loss ⁽¹⁾	(69)	(1)	(70)	(17)	(4)	(21)
Noncontrolling interests	1	(22)	(21)	(21)	(17)	(38)
Dividends declared	(159)	—	(159)	(318)	—	(318)
Purchase of treasury stock	—	—	—	(100)	—	(100)
Equity-based compensation and other	167	—	167	55	—	55
Ending Balance	<u>\$ 4,734</u>	<u>\$ 49</u>	<u>\$ 4,783</u>	<u>\$ 3,889</u>	<u>\$ 58</u>	<u>\$ 3,947</u>

(1) The components of other comprehensive loss are net of tax expense of \$3 million and \$5 million for the six months ended March 31, 2017 and 2016, respectively.

NOTE 9. RESTRUCTURING AND PROGRAMMING CHARGES

In February 2017, following a comprehensive review of our operations and performance, we announced new strategic priorities that included, among other things, increased focus and commitment to six flagship brands: BET, Comedy Central, MTV, Nickelodeon, Nick Jr. and Paramount (our "flagship brand strategy"). In connection with strategic initiatives resulting from execution of the new strategic priorities, we recognized pre-tax restructuring and programming charges of \$280 million and \$322 million in the quarter and six months ended March 31, 2017, respectively. The charges, as detailed in the table below, include severance charges, a non-cash intangible asset impairment charge resulting from the decision to abandon an international trade name and a programming charge associated with management's decision to cease use of certain original and acquired programming in connection with our flagship brand strategy. The programming charge is included within *Operating expenses* in the Consolidated Statement of Earnings.

The following table presents the restructuring and programming charges incurred in 2017 by reporting segment:

Restructuring and Programming Charges (in millions)	Quarter Ended March 31, 2017				Six Months Ended March 31, 2017			
	Media Networks	Filmed Entertainment	Corporate	Total	Media Networks	Filmed Entertainment	Corporate	Total
Severance ⁽¹⁾	\$ 97	\$ 47	\$ 12	\$ 156	\$ 130	\$ 48	\$ 20	\$ 198
Asset impairment	18	—	—	18	18	—	—	18
Restructuring	115	47	12	174	148	48	20	216
Programming	106	—	—	106	106	—	—	106
Total	<u>\$ 221</u>	<u>\$ 47</u>	<u>\$ 12</u>	<u>\$ 280</u>	<u>\$ 254</u>	<u>\$ 48</u>	<u>\$ 20</u>	<u>\$ 322</u>

(1) Includes equity-based compensation expense of \$13 million in the quarter and \$20 million in the six months ended March 31, 2017.

Our severance liability by reporting segment is as follows:

Severance Liability (in millions)	Media Networks	Filmed Entertainment	Corporate	Total
September 30, 2016	\$ 36	\$ 12	\$ 94	\$ 142
Net accruals	124	39	15	178
Severance payments	(19)	(8)	(55)	(82)
March 31, 2017	<u>\$ 141</u>	<u>\$ 43</u>	<u>\$ 54</u>	<u>\$ 238</u>

Severance payments include \$49 million paid from proceeds in grantor trusts established to facilitate the administration of payments to certain former senior executives. As of March 31, 2017, of the remaining \$238 million liability, \$140 million is classified as a current liability in the Consolidated Balance Sheets, with the remaining \$98 million classified as a noncurrent liability. Amounts classified as noncurrent are expected to be paid through 2019, in accordance with applicable contractual terms.

VIACOM INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

NOTE 10. 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 March 31,		Six Months Ended March 31,	
	2017	2016	2017	2016
Weighted average number of common shares outstanding, basic	398.2	396.1	397.6	396.4
Dilutive effect of equity awards	1.3	1.3	1.1	1.5
Weighted average number of common shares outstanding, diluted	399.5	397.4	398.7	397.9
Anti-dilutive common shares	11.8	13.2	13.7	13.0

NOTE 11. SUPPLEMENTAL CASH FLOW AND OTHER INFORMATION

Our supplemental cash flow information is as follows:

Supplemental Cash Flow Information (in millions)	Six Months Ended March 31,	
	2017	2016
Cash paid for interest	\$ 320	\$ 302
Cash paid for income taxes	\$ 315	\$ 204

Accounts Receivable

We had \$482 million and \$547 million of noncurrent trade receivables as of March 31, 2017 and September 30, 2016, respectively. Accounts receivables are principally related to long-term television license arrangements at *Filmed Entertainment* and subscription video-on-demand and other over-the-top arrangements at *Media Networks*. These amounts are included within *Other assets - noncurrent* in our Consolidated Balance Sheets. Such amounts are due in accordance with the underlying terms of the respective agreements with companies that are investment grade or with which we have historically done business under similar terms. We have determined that credit loss allowances are generally not considered necessary for these amounts.

Assets Held for Sale

Certain *Media Networks* assets included within *Property and equipment, net* and *Intangibles, net* in our Consolidated Balance Sheets, with a carrying value of approximately \$60 million, are held for sale. We expect the sales of these assets to be completed within a year and plan to use the proceeds for the repayment of outstanding debt.

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 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.

Our Consolidated Balance Sheets include amounts related to consolidated VIEs totaling \$199 million in assets and \$61 million in liabilities as of March 31, 2017, and \$190 million in assets and \$57 million in liabilities as of September 30, 2016. The consolidated VIEs’ revenues, expenses and operating income were not significant for all periods presented.

VIACOM INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

Income Taxes

Our effective income tax rate was 16.9% and 25.6% in the quarter and six months ended March 31, 2017, respectively. Net discrete tax benefit of \$4 million in the quarter and \$19 million in the six months, taken together with the discrete tax impact of the restructuring and programming charges and debt extinguishment loss, reduced the effective income tax rate by 13.3 and 4.9 percentage points, respectively. The net discrete tax benefit in the quarter was related to the release of tax reserves with respect to certain effectively settled tax positions. The net discrete tax benefit in the six months was principally related to the reversal of a valuation allowance on net operating losses upon receipt of a favorable tax authority ruling and the release of tax reserves with respect to certain effectively settled tax positions.

Our effective income tax rate was 32.8% and 34.6% in the quarter and six months ended March 31, 2016, respectively. Net discrete tax expense of \$21 million contributed 1.8 percentage points to the effective income tax rate in the six months. The net discrete tax expense was principally related to a reduction in qualified production activity tax benefits as a result of retroactively reenacted legislation.

NOTE 12. FAIR VALUE MEASUREMENTS

The following table summarizes our financial assets and liabilities measured and recorded at fair value on a recurring basis as of March 31, 2017 and September 30, 2016:

Financial Asset/(Liability) (in millions)	Total	Quoted Prices In Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		Level 1	Level 2	Level 3
March 31, 2017				
Marketable securities	\$ —	\$ —	\$ —	\$ —
Derivatives	(7)	—	(7)	—
Total	<u>\$ (7)</u>	<u>\$ —</u>	<u>\$ (7)</u>	<u>\$ —</u>
September 30, 2016				
Marketable securities	\$ 114	\$ 114	\$ —	\$ —
Derivatives	(13)	—	(13)	—
Total	<u>\$ 101</u>	<u>\$ 114</u>	<u>\$ (13)</u>	<u>\$ —</u>

During the quarter, we sold our investments in marketable securities. The fair value for marketable securities was 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 \$1.116 billion and \$1.149 billion as of March 31, 2017 and September 30, 2016, respectively. At March 31, 2017, \$648 million related to our foreign currency balances and \$468 million related to future production costs. At September 30, 2016, \$874 million related to our foreign currency balances and \$275 million related to future production costs.

NOTE 13. 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 licensing of *Filmed Entertainment*'s feature film and television content 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. Adjusted operating income is defined as operating income, before equity-based compensation and certain other items identified as affecting comparability, when applicable.

VIACOM INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

Revenues by Segment (in millions)	Quarter Ended March 31,		Six Months Ended March 31,	
	2017	2016	2017	2016
Media Networks	\$ 2,394	\$ 2,381	\$ 4,983	\$ 4,946
Filmed Entertainment	895	655	1,653	1,267
Eliminations	(33)	(35)	(56)	(58)
Total revenues	<u>\$ 3,256</u>	<u>\$ 3,001</u>	<u>\$ 6,580</u>	<u>\$ 6,155</u>

Adjusted Operating Income/(Loss) (in millions)	Quarter Ended March 31,		Six Months Ended March 31,	
	2017	2016	2017	2016
Media Networks	\$ 747	\$ 805	\$ 1,734	\$ 1,862
Filmed Entertainment	(66)	(136)	(246)	(282)
Corporate expenses	(55)	(53)	(105)	(103)
Eliminations	—	(4)	7	—
Equity-based compensation	(14)	(26)	(30)	(52)
Restructuring and programming charges	(280)	—	(322)	—
Operating income	332	586	1,038	1,425
Interest expense, net	(158)	(155)	(314)	(310)
Equity in net earnings of investee companies	18	35	31	66
Loss on extinguishment of debt	(30)	—	(36)	—
Other items, net	(8)	(6)	1	(4)
Earnings before provision for income taxes	<u>\$ 154</u>	<u>\$ 460</u>	<u>\$ 720</u>	<u>\$ 1,177</u>

Total Assets (in millions)	March 31, 2017	September 30, 2016
Media Networks	\$ 17,282	\$ 16,410
Filmed Entertainment	6,344	6,391
Corporate/Eliminations	(284)	(293)
Total assets	<u>\$ 23,342</u>	<u>\$ 22,508</u>

Revenues by Component (in millions)	Quarter Ended March 31,		Six Months Ended March 31,	
	2017	2016	2017	2016
Advertising	\$ 1,109	\$ 1,123	\$ 2,403	\$ 2,443
Affiliate	1,156	1,129	2,300	2,248
Feature film	783	610	1,463	1,180
Ancillary	241	174	470	342
Eliminations	(33)	(35)	(56)	(58)
Total revenues	<u>\$ 3,256</u>	<u>\$ 3,001</u>	<u>\$ 6,580</u>	<u>\$ 6,155</u>

NOTE 14. RELATED PARTY TRANSACTIONS

National Amusements, directly and indirectly, is the controlling stockholder of both Viacom and CBS Corporation (“CBS”). National Amusements owns shares in Viacom representing approximately 79.8% of the voting interest in Viacom and approximately 10% of Viacom’s combined common stock. National Amusements is controlled by Sumner M. Redstone, our Chairman Emeritus, who is the Chairman and Chief Executive Officer of National Amusements, through the Sumner M. Redstone National Amusements Trust (the “SMR Trust”), which owns shares in National Amusements representing 80% of the voting interest of National Amusements. The shares representing the other 20% of the voting interest of National Amusements are held through a trust controlled by Shari E. Redstone, who is Mr. Redstone’s daughter and the non-executive Vice Chair of Viacom’s Board of Directors and the President and a member of the Board of Directors of National Amusements. The shares of

VIACOM INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

National Amusements held by the SMR Trust are voted solely by Mr. Redstone until such time as his incapacity or death. Upon Mr. Redstone's incapacity or death, (1) Ms. Redstone will also become a trustee of the SMR Trust and (2) the shares of National Amusements held by the SMR Trust will be voted by the trustees of the SMR Trust. The current trustees include Mr. Redstone and David R. Andelman, a member of the boards of directors of National Amusements and CBS. The current Board of Directors of National Amusements includes Mr. Redstone, Ms. Redstone and Mr. Andelman. In addition, Mr. Redstone serves as Chairman Emeritus of CBS and Ms. Redstone serves as non-executive Vice Chair of CBS.

Transactions between Viacom and related parties are overseen by our Governance and Nominating Committee.

Viacom and National Amusements Related Party Transactions

National Amusements licenses films in the ordinary course of business for its motion picture theaters from all major studios, including Paramount. During the six months ended March 31, 2017 and 2016, Paramount earned revenues from National Amusements in connection with these licenses in the aggregate amounts of approximately \$4 million in each period.

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, 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 \$25 million to CBS during the current fiscal year. 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.

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

CBS Related Party Transactions (in millions)	Quarter Ended March 31,		Six Months Ended March 31,	
	2017	2016	2017	2016
Consolidated Statements of Earnings				
Revenues	\$ 30	\$ 22	\$ 74	\$ 65
Operating expenses	\$ 40	\$ 29	\$ 90	\$ 88
			March 31, 2017	September 30, 2016
Consolidated Balance Sheets				
Accounts receivable			\$ 3	\$ 3
Participants' share and residuals, current			\$ 73	\$ 66
Program obligations, current			59	61
Program obligations, noncurrent			63	32
Other liabilities			1	2
Total due to CBS			\$ 196	\$ 161

VIACOM INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

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 March 31,		Six Months Ended March 31,	
	2017	2016	2017	2016
Consolidated Statements of Earnings				
Revenues	\$ 44	\$ 25	\$ 95	\$ 30
Operating expenses	\$ 25	\$ 14	\$ 57	\$ 16
Selling, general and administrative	\$ (3)	\$ (4)	\$ (6)	\$ (6)
			March 31, 2017	September 30, 2016
Consolidated Balance Sheets				
Accounts receivable			\$ 81	\$ 67
Other assets			2	1
Total due from other related parties			\$ 83	\$ 68
Accounts payable			\$ 7	\$ 8
Other liabilities			41	69
Total due to other related parties			\$ 48	\$ 77

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

NOTE 15. SUBSEQUENT EVENTS

On April 5, 2017, we announced an agreement for Metro-Goldwyn-Mayer to acquire our 49.76% interest in EPIX, a premium entertainment network, for approximately \$597 million. The transaction is subject to regulatory approval and is expected to close during our fiscal third quarter. We expect to recognize a gain of approximately \$290 million from the sale. In addition, prior to the closing of the sale, EPIX will pay a dividend, of which our pro rata share is approximately \$37 million.

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, 2016, as filed with the Securities and Exchange Commission ("SEC") on November 9, 2016 (the "2016 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 six months ended March 31, 2017, compared with the quarter and six months ended March 31, 2016. 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 six months ended March 31, 2017, compared with the six months ended March 31, 2016, and of our outstanding debt, commitments and contingencies existing as of March 31, 2017.

OVERVIEW

Summary

We are home to premier global media brands that create compelling television programs, motion pictures, short-form content, applications ("apps"), games, consumer products, social media experiences and other entertainment content for audiences in more than 180 countries. Our media networks, including Nickelodeon®, COMEDY CENTRAL®, MTV®, VH1®, SPIKE®, BET®, CMT®, TV Land®, Nick at Nite®, Nick Jr.®, Logo®, Nicktoons®, TeenNick®, Channel 5® (United Kingdom), Telefe™ (Argentina) and Paramount Channel™, reach 510 million households worldwide. Viacom Media Networks also operates branded experiences including channels on streaming services and social media platforms such as DIRECTV NOW and Snapchat Discover. Paramount Pictures® is a major global producer and distributor of filmed entertainment. Paramount Television™ develops, finances and produces programming for television and other platforms.

We operate through two reporting segments: *Media Networks* and *Filmed Entertainment*. Our measure of segment performance is adjusted operating income. We define adjusted operating income for our segments as operating income, before equity-based compensation and certain other items identified as affecting comparability, 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.

Media Networks

Our *Media Networks* segment generates revenues in three categories: (i) the sale of advertising and marketing services, (ii) affiliate fees from distributors of our programming and program services, such as cable television operators, direct-to-home satellite television operators, Internet distributors, mobile networks and subscription video-on-demand ("SVOD") and other over-the-top ("OTT") services, and (iii) ancillary revenues. Ancillary revenues are principally derived from consumer products, which includes licensing our brands and intellectual property, creation and publishing of interactive games across various platforms (including mobile, PC, and console) and recreation experiences, viewing of our programming through download-to-own and download-to-rent services and the sale of DVDs and Blu-ray discs, 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, participations and residuals, 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 principally from: (i) the worldwide theatrical release and/or distribution of motion pictures, (ii) home entertainment, which includes the worldwide sales and distribution of DVDs and Blu-ray discs relating to the motion pictures released theatrically by Paramount and programming of other Viacom brands such as

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

Nickelodeon, MTV, Comedy Central and BET, as well as certain acquired films and content distributed on behalf of third parties such as CBS, the viewing of our films through transactional video-on-demand and download-to-own services, for a fee and/or on a revenue sharing basis, (iii) licensing of film and television programs produced, acquired and/or distributed by Paramount that are licensed on a territory by territory basis, for a fee or on a revenue sharing basis, to SVOD, pay and basic cable television, free television and free video-on-demand services and (iv) ancillary revenues from providing production and facilities services to third parties, primarily at Paramount's studio lot, licensing its brands for consumer products, themed restaurants, hotels and resorts, live stage plays, film clips and theme parks, and sale of film rights.

Filmed Entertainment segment expenses consist of operating expenses, SG&A expenses and depreciation and amortization. Operating expenses principally include the amortization of costs of our released feature films and television programming (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.

RESULTS OF OPERATIONS

Consolidated Results of Operations

Our summary consolidated results of operations are presented below for the quarter and six months ended March 31, 2017 and 2016.

	Quarter Ended March 31,		Better/(Worse)		Six Months Ended March 31,		Better/(Worse)	
(in millions, except per share amounts)	2017	2016	\$	%	2017	2016	\$	%
GAAP								
Revenues	\$ 3,256	\$ 3,001	\$ 255	8 %	\$ 6,580	\$ 6,155	\$ 425	7 %
Operating income	332	586	(254)	(43)	1,038	1,425	(387)	(27)
Net earnings attributable to Viacom	121	303	(182)	(60)	517	752	(235)	(31)
Diluted earnings per share	0.30	0.76	(0.46)	(61)	1.30	1.89	(0.59)	(31)
Non-GAAP*								
Adjusted operating income	\$ 612	\$ 586	\$ 26	4 %	\$ 1,360	\$ 1,425	\$ (65)	(5)%
Adjusted net earnings attributable to Viacom	317	303	14	5	730	773	(43)	(6)
Adjusted diluted earnings per share	0.79	0.76	0.03	4	1.83	1.94	(0.11)	(6)

* See "Factors Affecting Comparability" section below for a reconciliation of our reported results to our adjusted results, which are calculated on a non-GAAP basis.

Factors Affecting Comparability

The Consolidated Financial Statements reflect our results of operations, financial position and cash flows reported in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Our results have been affected by certain items identified as affecting comparability. Accordingly, when applicable, we use non-GAAP measures such as consolidated adjusted operating income, adjusted earnings before provision for income taxes, adjusted provision for income taxes, adjusted net earnings attributable to Viacom and adjusted diluted earnings per share ("EPS"), 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 GAAP, they should not be considered in isolation of, or as a substitute for, operating income, earnings before provision for income taxes, provision for income taxes, net earnings 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.

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

The following tables reconcile our reported results (GAAP) to our adjusted results (non-GAAP) for the quarter and six months ended March 31, 2017 and the six months ended March 31, 2016. There were no adjustments to our results for the quarter ended March 31, 2016. The tax impacts included in the tables below have been calculated using the rates applicable to the adjustments presented.

(in millions, except per share amounts)

	Quarter Ended March 31, 2017				
	Operating Income	Earnings Before Provision for Income Taxes	Provision for Income Taxes	Net Earnings Attributable to Viacom	Diluted EPS
Reported results (GAAP)	\$ 332	\$ 154	\$ 26	\$ 121	\$ 0.30
Factors Affecting Comparability:					
Restructuring and programming charges	280	280	100	180	0.45
Loss on extinguishment of debt	—	30	10	20	0.05
Discrete tax benefit	—	—	4	(4)	(0.01)
Adjusted results (Non-GAAP)	\$ 612	\$ 464	\$ 140	\$ 317	\$ 0.79

(in millions, except per share amounts)

	Six Months Ended March 31, 2017				
	Operating Income	Earnings Before Provision for Income Taxes	Provision for Income Taxes	Net Earnings Attributable to Viacom	Diluted EPS
Reported results (GAAP)	\$ 1,038	\$ 720	\$ 184	\$ 517	\$ 1.30
Factors Affecting Comparability:					
Restructuring and programming charges	322	322	114	208	0.52
Loss on extinguishment of debt	—	36	12	24	0.06
Discrete tax benefit	—	—	19	(19)	(0.05)
Adjusted results (Non-GAAP)	\$ 1,360	\$ 1,078	\$ 329	\$ 730	\$ 1.83

(in millions, except per share amounts)

	Six Months Ended March 31, 2016				
	Operating Income	Earnings Before Provision for Income Taxes	Provision for Income Taxes	Net Earnings Attributable to Viacom	Diluted EPS
Reported results (GAAP)	\$ 1,425	\$ 1,177	\$ 407	\$ 752	\$ 1.89
Factors Affecting Comparability:					
Discrete tax expense	—	—	(21)	21	0.05
Adjusted results (Non-GAAP)	\$ 1,425	\$ 1,177	\$ 386	\$ 773	\$ 1.94

Restructuring and programming charges: In February 2017, following a comprehensive review of our operations and performance, we announced new strategic priorities that included, among other things, increased focus and commitment to six flagship brands: BET, Comedy Central, MTV, Nickelodeon, Nick Jr. and Paramount (our “flagship brand strategy”). In connection with strategic initiatives resulting from execution of the new strategic priorities, we recognized pre-tax restructuring and programming charges of \$280 million and \$322 million in the quarter and six months ended March 31, 2017, respectively. The charges, as detailed in the table below, include severance charges, a non-cash intangible asset impairment charge resulting from the decision to abandon an international trade name and a programming charge associated with management’s decision to cease use of certain original and acquired programming in connection with our flagship brand strategy. The programming charge is included within *Operating expenses* in the Consolidated Statement of Earnings. As we continue to evaluate our strategic initiatives, we may incur additional restructuring and other charges in the third fiscal quarter.

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

The following table presents the restructuring and programming charges incurred in 2017 by reporting segment:

Restructuring and Programming Charges (in millions)	Quarter Ended March 31, 2017				Six Months Ended March 31, 2017			
	Media Networks	Filmed Entertainment	Corporate	Total	Media Networks	Filmed Entertainment	Corporate	Total
Severance	\$ 97	\$ 47	\$ 12	\$ 156	\$ 130	\$ 48	\$ 20	\$ 198
Asset impairment	18	—	—	18	18	—	—	18
Restructuring	115	47	12	174	148	48	20	216
Programming	106	—	—	106	106	—	—	106
Total	\$ 221	\$ 47	\$ 12	\$ 280	\$ 254	\$ 48	\$ 20	\$ 322

Loss on extinguishment of debt: In 2017, we redeemed \$2.3 billion of our senior notes outstanding at a redemption price equal to the sum of the principal amounts and a make-whole amount, together totaling \$2.333 billion. As a result of the redemptions, we recognized pre-tax extinguishment losses of \$30 million, which included \$3 million of unamortized debt discount and issuance fees, and \$36 million in the quarter and six months ended March 31, 2017, respectively.

Discrete taxes: The net discrete tax benefit in the quarter ended March 31, 2017 was related to the release of tax reserves with respect to certain effectively settled tax positions. The net discrete tax benefit in the six months ended March 31, 2017 was principally related to the reversal of a valuation allowance on net operating losses upon receipt of a favorable tax authority ruling, as well as the release of tax reserves with respect to certain effectively settled tax positions. The net discrete tax expense in the six months ended March 31, 2016 was principally related to a reduction in qualified production activity tax benefits as a result of retroactively reenacted legislation.

Revenues

Worldwide revenues increased \$255 million, or 8%, to \$3.256 billion in the quarter and \$425 million, or 7%, to \$6.580 billion in the six months ended March 31, 2017. *Filmed Entertainment* revenues increased \$240 million, or 37%, in the quarter and \$386 million, or 30%, in the six months, reflecting increases across all revenue streams. *Media Networks* revenues increased \$13 million, or 1%, in the quarter and \$37 million, or 1%, in the six months, principally reflecting higher affiliate revenues, partially offset by lower advertising revenues, as well as higher ancillary revenues in the six month period.

Expenses

Total expenses increased \$509 million, or 21%, to \$2.924 billion in the quarter ended March 31, 2017, reflecting restructuring and programming charges of \$280 million and higher segment expenses. Total expenses increased \$812 million, or 17%, to \$5.542 billion in the six months ended March 31, 2017, primarily driven by higher segment expenses and restructuring and programming charges of \$322 million. *Filmed Entertainment* expenses increased \$170 million, or 21%, in the quarter and \$350 million, or 23%, in the six months, driven by higher operating expenses. *Media Networks* expenses increased \$71 million, or 5%, in the quarter and \$165 million, or 5%, in the six months, driven by higher SG&A and operating expenses.

Operating

Operating expenses increased \$290 million, or 18%, to \$1.944 billion in the quarter and \$516 million, or 16%, to \$3.763 billion in the six months. Consolidated operating expenses include a *Media Networks* programming charge of \$106 million in the quarter and six months. *Filmed Entertainment* operating expenses increased \$177 million, or 26%, in the quarter and \$361 million, or 27%, in the six months. *Media Networks* segment operating expenses increased \$8 million, or 1%, in the quarter and \$53 million, or 3%, in the six months.

Selling, General and Administrative

SG&A expenses increased \$43 million, or 6%, to \$748 million in the quarter and \$77 million, or 6%, to \$1.449 billion in the six months, reflecting higher segment expenses of \$54 million in the quarter and \$98 million in the six months, partially offset by a decrease in equity-based compensation of \$12 million in the quarter and \$22 million in the six months, primarily driven by management changes. *Media Networks* SG&A expenses increased \$59 million, or 11%, in the quarter and \$106 million, or 10%, in the six months. *Filmed Entertainment* SG&A expenses decreased \$5 million, or 6%, in the quarter and \$8 million, or 5%, in the six months.

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

Restructuring

As discussed in “*Factors Affecting Comparability*”, restructuring charges of \$174 million and \$216 million were recognized in the quarter and six months ended March 31, 2017, respectively. The charges include severance of \$156 million in the quarter and \$198 million in the six months and a non-cash intangible asset impairment charge of \$18 million in the quarter and six months.

Operating Income

Operating income decreased \$254 million, or 43%, to \$332 million in the quarter and \$387 million, or 27%, to \$1.038 billion in the six months ended March 31, 2017, reflecting the operating results discussed above. Excluding the items discussed in “*Factors Affecting Comparability*”, adjusted operating income increased \$26 million, or 4%, to \$612 million in the quarter and decreased \$65 million, or 5%, to \$1.360 billion in the six months. *Filmed Entertainment* adjusted operating results improved \$70 million, or 51%, in the quarter and \$36 million, or 13%, in the six months, while *Media Networks* adjusted operating income decreased \$58 million, or 7%, in the quarter and \$128 million, or 7%, in the six months.

Income Taxes

Our effective income tax rate was 16.9% and 25.6% in the quarter and six months ended March 31, 2017, respectively. A net discrete tax benefit of \$4 million in the quarter and \$19 million in the six months, taken together with the discrete tax impact of the other factors affecting comparability discussed above, reduced the effective income tax rate by 13.3 and 4.9 percentage points in the quarter and six months, respectively. Excluding the impact of these items, our adjusted effective income tax rate was 30.2% in the quarter, a decline of 2.6 percentage points from the prior year quarter, and 30.5% in the six months, a decline of 2.3 percentage points from the prior year period, primarily driven by the change in the mix of domestic and international income.

Our effective income tax rate was 32.8% and 34.6% in the quarter and six months ended March 31, 2016, respectively. A net discrete tax expense of \$21 million contributed 1.8 percentage points to the effective income tax rate in the six months. Excluding the impact of the net discrete tax expense, our adjusted effective income tax rate was 32.8% in the six months.

Net Earnings Attributable to Viacom

Net earnings attributable to Viacom decreased \$182 million, or 60%, to \$121 million in the quarter and \$235 million, or 31%, to \$517 million in the six months, principally due to the restructuring and programming charges described above and foreign exchange, which had an unfavorable impact of 3-percentage points and 2-percentage points in the quarter and six months, respectively. In addition, equity in net earnings of investee companies decreased \$17 million in the quarter and \$35 million in the six months. Excluding the items discussed in “*Factors Affecting Comparability*”, adjusted net earnings attributable to Viacom increased \$14 million, or 5%, to \$317 million in the quarter and decreased \$43 million, or 6%, to \$730 million in the six months.

Diluted Earnings Per Share

Diluted EPS decreased \$0.46 per diluted share to \$0.30 in the quarter and \$0.59 per diluted share to \$1.30 in the six months, reflecting the impact of net earnings. Excluding the items discussed in “*Factors Affecting Comparability*”, adjusted diluted EPS increased \$0.03 per diluted share to \$0.79 in the quarter and decreased \$0.11 per diluted share to \$1.83 in the six 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 licensing of *Filmed Entertainment*'s feature film and television content by *Media Networks*.

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

Media Networks

	Quarter Ended March 31,		Better/(Worse)		Six Months Ended March 31,		Better/(Worse)	
(in millions)	2017	2016	\$	%	2017	2016	\$	%
Revenues by Component								
Advertising	\$ 1,109	\$ 1,123	\$ (14)	(1)%	\$ 2,403	\$ 2,443	\$ (40)	(2)%
Affiliate	1,156	1,129	27	2	2,300	2,248	52	2
Ancillary	129	129	—	—	280	255	25	10
Total revenues by component	\$ 2,394	\$ 2,381	\$ 13	1 %	\$ 4,983	\$ 4,946	\$ 37	1 %
Expenses								
Operating	\$ 1,004	\$ 996	\$ (8)	(1)%	\$ 2,006	\$ 1,953	\$ (53)	(3)%
Selling, general and administrative	597	538	(59)	(11)	1,154	1,048	(106)	(10)
Depreciation and amortization	46	42	(4)	(10)	89	83	(6)	(7)
Total expenses	\$ 1,647	\$ 1,576	\$ (71)	(5)%	\$ 3,249	\$ 3,084	\$ (165)	(5)%
Adjusted Operating Income	\$ 747	\$ 805	\$ (58)	(7)%	\$ 1,734	\$ 1,862	\$ (128)	(7)%

Revenues

Worldwide revenues increased \$13 million, or 1%, to \$2.394 billion and \$37 million, or 1%, to \$4.983 billion in the quarter and six months ended March 31, 2017, respectively. Excluding foreign exchange, which had a 1-percentage point and 2-percentage point unfavorable impact, worldwide revenues increased 2% and 3% in the quarter and six months, respectively. Worldwide revenues include a 2-percentage point favorable impact from the acquisition of Televisión Federal S.A. (“Telefe”) in both the quarter and six months. Domestic revenues decreased \$33 million, or 2%, to \$1.916 billion in the quarter and \$35 million, or 1%, to \$3.971 billion in the six months. International revenues increased \$46 million, or 11%, to \$478 million in the quarter and \$72 million, or 8%, to \$1.012 billion in the six months. Excluding foreign exchange, which had a 7-percentage point and 10-percentage point unfavorable impact, respectively, international revenues increased 18% in both the quarter and six months, driven by growth in Europe and the acquisition of Telefe. Telefe had a 10-percentage point and 9-percentage point favorable impact on international revenues in the quarter and six months, respectively.

Advertising

Worldwide advertising revenues decreased \$14 million, or 1%, to \$1.109 billion in the quarter and \$40 million, or 2%, to \$2.403 billion in the six months. Excluding foreign exchange, which had a 2-percentage point and 3-percentage point unfavorable impact in the quarter and six months, respectively, worldwide advertising revenues increased 1% in both periods. Worldwide advertising revenues include a 3-percentage point favorable impact from the acquisition of Telefe in both the quarter and six months. Domestic advertising revenues decreased \$37 million, or 4%, to \$871 million in the quarter and \$67 million, or 3%, to \$1.862 billion in the six months, reflecting higher pricing, more than offset by lower impressions. International advertising revenues increased \$23 million, or 11%, to \$238 million in the quarter and \$27 million, or 5%, to \$541 million in the six months. Excluding foreign exchange, which had an 11-percentage point and 13-percentage point unfavorable impact, international advertising revenues increased 22% and 18%, driven by the acquisition of Telefe, and growth in Europe. Telefe had a 17-percentage point and 13-percentage point favorable impact on international advertising revenues in the quarter and six months, respectively.

Affiliate

Worldwide affiliate revenues increased \$27 million, or 2%, to \$1.156 billion in the quarter and \$52 million, or 2%, to \$2.300 billion in the six months. Excluding foreign exchange, which had a 1-percentage point unfavorable impact in both the quarter and six months, worldwide affiliate revenues increased 3% in both periods. Domestic affiliate revenues increased \$10 million, or 1%, to \$975 million in the quarter and \$31 million, or 2%, to \$1.960 billion in the six months, principally reflecting rate increases, partially offset by a modest decline in subscribers, as well as lower revenues in the quarter from SVOD and other OTT agreements. International affiliate revenues increased \$17 million, or 10%, to \$181 million in the quarter and \$21 million, or 7%, to \$340 million in the six months. Excluding foreign exchange, which had a 4-percentage point and 6-percentage point unfavorable impact, international affiliate revenues increased 14% and 13% in the quarter and six months, respectively. The increase was driven by the impact of rate increases, subscriber growth and new channel launches, as well as higher revenues from SVOD and other OTT agreements. In addition, the acquisition of Telefe had a 4-percentage point and 2-percentage point favorable impact on international affiliate revenues in the quarter and six months, respectively.

**Management's Discussion and Analysis
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(continued)**

Ancillary

Worldwide ancillary revenues remained flat at \$129 million in the quarter. Domestic ancillary revenues decreased \$6 million, or 8%, to \$70 million and international ancillary revenues increased \$6 million, or 11%, to \$59 million.

Worldwide ancillary revenues increased \$25 million, or 10%, to \$280 million in the six months. Excluding foreign exchange, which had a 2-percentage point unfavorable impact, worldwide ancillary revenues increased 12%. Worldwide ancillary revenues include a 2-percentage point favorable impact from the acquisition of Telefe. Domestic ancillary revenues increased \$1 million, or 1%, to \$149 million and international ancillary revenues increased \$24 million, or 22%, to \$131 million. Excluding foreign exchange, which had a 5-percentage point unfavorable impact, international ancillary revenues increased 27%, principally driven by higher consumer product revenue and the acquisition of Telefe, which had a 5-percentage point favorable impact on international ancillary revenues.

Expenses

Media Networks segment expenses increased \$71 million, or 5%, to \$1.647 billion in the quarter and \$165 million, or 5%, to \$3.249 billion in the six months. Excluding foreign exchange, which had a 1-percentage point and 3-percentage point favorable impact, respectively, worldwide expenses increased 6% and 8% in the quarter and six months. Worldwide expenses include an unfavorable 3-percentage point impact from the acquisition of Telefe in both the quarter and six months.

Operating

Operating expenses increased \$8 million, or 1%, to \$1.004 billion in the quarter and \$53 million, or 3%, to \$2.006 billion in the six months. Programming costs were substantially flat in the quarter as a 3-percentage point increase due to the acquisition of Telefe was offset by lower expenses reflecting the timing of programming premieres. Programming costs increased \$47 million, or 3% in the six months, primarily reflecting higher expenses due to the acquisition of Telefe. For the second half of fiscal year 2017, we expect programming costs to increase at a mid-single-digit rate due to our continuing investment in original content. Distribution and other expenses increased \$9 million, or 9%, in the quarter and \$6 million, or 3%, in the six months.

Selling, General and Administrative

SG&A expenses increased \$59 million, or 11%, to \$597 million in the quarter and \$106 million, or 10%, to \$1.154 billion in the six months, driven by a 4-percentage point and 2-percentage point increase in the quarter and six months, respectively, due to the acquisition of Telefe and higher advertising and promotion costs. In addition, the six months also reflects higher incentive compensation costs.

Adjusted Operating Income

Adjusted operating income decreased \$58 million, or 7%, to \$747 million and \$128 million, or 7%, to \$1.734 billion in the quarter and six months, respectively, primarily reflecting the operating results discussed above. Additionally, foreign exchange had a 2-percentage point unfavorable impact in the six months.

Filmed Entertainment

	Quarter Ended March 31,		Better/(Worse)		Six Months Ended March 31,		Better/(Worse)	
	2017	2016	\$	%	2017	2016	\$	%
(in millions)								
Revenues by Component								
Theatrical	\$ 238	\$ 217	\$ 21	10 %	\$ 430	\$ 311	\$ 119	38 %
Home entertainment	198	153	45	29	441	392	49	13
Licensing	347	240	107	45	592	477	115	24
Ancillary	112	45	67	149	190	87	103	118
Total revenues by component	\$ 895	\$ 655	\$ 240	37 %	\$ 1,653	\$ 1,267	\$ 386	30 %
Expenses								
Operating	\$ 867	\$ 690	\$ (177)	(26)%	\$ 1,714	\$ 1,353	\$ (361)	(27)%
Selling, general and administrative	83	88	5	6	162	170	8	5
Depreciation and amortization	11	13	2	15	23	26	3	12
Total expenses	\$ 961	\$ 791	\$ (170)	(21)%	\$ 1,899	\$ 1,549	\$ (350)	(23)%
Adjusted Operating Loss	\$ (66)	\$ (136)	\$ 70	51 %	\$ (246)	\$ (282)	\$ 36	13 %

**Management's Discussion and Analysis
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Revenues

Worldwide revenues increased \$240 million, or 37%, to \$895 million and \$386 million, or 30%, to \$1.653 billion in the quarter and six months ended March 31, 2017, respectively. Domestic revenues increased 25% to \$458 million in the quarter and 36% to \$923 million in the six months. International revenues increased 51% to \$437 million in the quarter and 24% to \$730 million in the six months.

Theatrical

Worldwide theatrical revenues increased \$21 million, or 10%, to \$238 million in the quarter. Revenues from our current quarter releases increased \$70 million, driven by the release of *xXx: Return of Xander Cage*. Carryover revenues declined \$49 million, primarily driven by revenues from *Daddy's Home* in the prior year quarter. Significant current quarter releases were *xXx: Return of Xander Cage*, *Rings* and *Ghost in the Shell*, while the prior year quarter releases included *10 Cloverfield Lane* and *13 Hours: The Secret Soldiers of Benghazi*. Domestic theatrical revenues decreased 45%, while international theatrical revenues increased 98%, reflecting the strong international performance of *xXx: Return of Xander Cage*. Foreign exchange had a 3-percentage point favorable impact on international theatrical revenues.

Worldwide theatrical revenues increased \$119 million, or 38%, to \$430 million in the six months, principally reflecting the mix of current year releases. Significant current year releases included *xXx: Return of Xander Cage*, *Jack Reacher: Never Go Back*, *Arrival*, *Allied*, *Rings*, *Office Christmas Party* and *Fences*, compared with *Daddy's Home*, *The Big Short*, *10 Cloverfield Lane* and *13 Hours: The Secret Soldiers of Benghazi* in the prior year. Domestic theatrical revenues increased 4%, while international theatrical revenues increased 90% driven by the strong performance of *xXx: Return of Xander Cage*. Foreign exchange had a 1-percentage point favorable impact on international theatrical revenues.

Home Entertainment

Worldwide home entertainment revenues increased \$45 million, or 29%, to \$198 million in the quarter, primarily reflecting the number and mix of current quarter releases. Significant current quarter releases were *Jack Reacher: Never Go Back*, *Arrival*, *Allied* and *Fences*. The prior year quarter releases included *Daddy's Home* and *The Big Short*. Domestic home entertainment revenues increased 23% and international home entertainment revenues increased 49%. Foreign exchange had a 5-percentage point unfavorable impact on international home entertainment revenues.

Worldwide home entertainment revenues increased \$49 million, or 13%, to \$441 million in the six months, primarily reflecting higher carryover revenues in the current year due to the mix of available titles, including *Teenage Mutant Ninja Turtles: Out of the Shadows*. Significant releases in the current year were *Star Trek Beyond*, *Jack Reacher: Never Go Back* and *Arrival*, while the prior year releases included *Mission: Impossible - Rogue Nation*, *Terminator: Genisys*, *Daddy's Home* and *The Big Short*. Domestic home entertainment revenues increased 17% and international home entertainment revenues increased 4%. Foreign exchange had a 5-percentage point unfavorable impact on international home entertainment revenues.

Licensing

Licensing revenues increased \$107 million, or 45%, to \$347 million and \$115 million, or 24%, to \$592 million in the quarter and six months, respectively, primarily driven by the release of Paramount Television product, including *13 Reasons Why*, and higher revenues from licensing arrangements with pay television and SVOD distributors. Domestic licensing revenues increased 85% and 63% in the quarter and six months, respectively, and international licensing revenues increased 24% and 4% in the quarter and six months, respectively.

Ancillary

Ancillary revenues increased \$67 million, or 149%, to \$112 million and \$103 million, or 118%, to \$190 million in the quarter and six months, respectively. Domestic ancillary revenues increased \$57 million, or 158%, to \$93 million in the quarter and \$92 million, or 135%, to \$160 million in the six months, driven by sale of a partial copyright interest in certain films released in the current year in connection with a slate financing arrangement.

Expenses

Total expenses increased \$170 million, or 21%, to \$961 million in the quarter and \$350 million, or 23%, to \$1.899 billion in the six months, driven by higher operating expenses.

Operating

Operating expenses increased \$177 million, or 26%, to \$867 million in the quarter and \$361 million, or 27%, to \$1.714 billion in the six months. Distribution and other costs, principally print and advertising expenses, increased \$115 million, or 33%, in the quarter and \$266 million, or 40%, in the six months, primarily driven by higher marketing costs for our current year slate. Film costs increased \$62 million, or 18%, in the quarter and \$95 million, or 14%, in the six months, primarily driven by higher television production costs.

**Management's Discussion and Analysis
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(continued)**

Selling, General and Administrative

SG&A expenses decreased \$5 million, or 6%, to \$83 million and \$8 million, or 5%, to \$162 million in the quarter and six months, respectively.

Adjusted Operating Loss

Adjusted operating loss was \$66 million in the quarter compared with \$136 million for the prior year quarter, an improvement of \$70 million, and \$246 million for the six months compared with \$282 million in the prior year, an improvement of \$36 million, primarily reflecting the operating results discussed above. Operating losses reflect 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 film are recognized as earned through its theatrical exhibition and subsequent distribution windows.

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 the repayment of debt, quarterly cash dividends, capital expenditures and acquisitions of businesses, as well as discretionary share repurchases under our stock repurchase program, as deemed appropriate.

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.

In fiscal 2017, we entered into three-year strategic cooperation and slate financing agreements with Huahua Media ("Huahua") and Shanghai Film Group ("SFG"). Pursuant to the agreements, Huahua and SFG agreed to co-finance an aggregate of approximately thirty percent of Paramount's cost of its slate of films for a three-year period, with options for an additional year, with five percent of the slate financing being subject to receipt of certain regulatory approvals within a set time period. The arrangements include the sale of a partial copyright interest in each film. Such interests are recorded as ancillary revenue in instances where the film is substantially complete at the time of execution of the arrangement or as a reduction of the cost of the film if the sale of copyright interest occurs prior to substantial completion of the film.

Cash Flows

Cash and cash equivalents were \$671 million as of March 31, 2017, an increase of \$292 million compared with September 30, 2016. The following tables include information driving the change in cash and cash equivalents and a reconciliation of net cash provided by operating activities (GAAP) to free cash flow and operating free cash flow (non-GAAP). We define free cash flow as net cash provided by operating activities minus capital expenditures, plus excess tax benefits from equity-based compensation awards (actual tax deductions in excess of amounts previously recognized, which is included within financing activities in the statement of cash flows), as applicable. We define operating free cash flow as free cash flow, excluding the impact of the cash premium on the extinguishment of debt, as applicable. Free cash flow and operating free cash flow are non-GAAP measures. Management believes the use of these measures provide investors with an important perspective on, in the case of free cash flow, our liquidity, including our ability to service debt and make investments in our businesses, and, in the case of operating free cash flow, our liquidity from ongoing activities.

**Management's Discussion and Analysis
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Change in cash and cash equivalents (in millions)	Six Months Ended March 31,		Better/(Worse)
	2017	2016	\$
Net cash provided by operating activities	\$ 405	\$ 284	\$ 121
Net cash flow used in investing activities	(281)	(98)	(183)
Net cash provided by/(used in) financing activities	191	(208)	399
Effect of exchange rate changes on cash and cash equivalents	(23)	(4)	(19)
Increase/(decrease) in cash and cash equivalents	<u>\$ 292</u>	<u>\$ (26)</u>	<u>\$ 318</u>
Reconciliation of net cash provided by operating activities to free cash flow and operating free cash flow			
Net cash provided by operating activities (GAAP)	\$ 405	\$ 284	\$ 121
Capital expenditures	(95)	(54)	(41)
Free cash flow (Non-GAAP)	310	230	80
Debt retirement premium	33	—	33
Operating free cash flow (Non-GAAP)	<u>\$ 343</u>	<u>\$ 230</u>	<u>\$ 113</u>

Operating Activities

Cash provided by operating activities improved \$121 million for the six months ended March 31, 2017, primarily reflecting lower film production spend, partially offset by other unfavorable working capital requirements.

Investing Activities

Cash used in investing activities increased \$183 million for the six months ended March 31, 2017, principally driven by the acquisition of Telefe for \$336 million, net of cash acquired, and higher capital expenditures, partially offset by proceeds of \$108 million from the sale of marketable securities in the current year.

Financing Activities

Cash provided by financing activities was \$191 million for the six months ended March 31, 2017 compared with cash used in financing activities of \$208 million in the prior year. The change of \$399 million primarily reflects lower dividend payments of \$159 million and a \$112 million increase in stock options exercised. In addition, we did not repurchase stock in the current year compared with stock repurchase payments of \$100 million in the prior year.

Capital Resources

Capital Structure and Debt

Total debt was \$12.189 billion as of March 31, 2017, an increase of \$276 million from \$11.913 billion at September 30, 2016.

In the six months ended March 31, 2017, we issued \$2.6 billion of junior debentures and senior notes and redeemed \$2.3 billion of senior notes. Our issuances of debt were comprised of:

- \$650 million in aggregate principal amount of fixed-to-floating rate junior subordinated debentures due 2057 at par, callable in 5 years (the “5-year Hybrid debentures”); and
- \$650 million in aggregate principal amount of fixed-to-floating rate junior subordinated debentures due 2057 at par, callable in 10 years (the “10-year Hybrid debentures” and, together with the 5-year Hybrid debentures, the “Hybrid Debentures”).
- \$400 million in aggregate principal amount of 2.250% senior notes due 2022 at a price equal to 99.692% of the principal amount (the “2022 Senior Notes”); and
- \$900 million in aggregate principal amount of 3.450% senior notes due 2026 at a price equal to 99.481% of the principal amount (the “2026 Senior Notes” and, together with the 2022 Senior Notes, the “Senior Notes”).

The 5-year Hybrid debentures will accrue interest at a rate of 5.875% until February 28, 2022, on which date the rate will switch to a floating rate based on three-month LIBOR plus 3.895%, reset quarterly. The 10-year Hybrid debentures will accrue interest at a rate of 6.250% until February 28, 2027, on which date the rate will switch to a floating rate based on three-month LIBOR plus 3.899%, reset quarterly. The Hybrid Debentures can be called by us at any time after the expiration of the fixed-rate period.

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The Hybrid Debentures' subordination, interest deferral option and extended term provide significant credit protection measures for senior creditors and as a result of these features, the debentures were awarded a 50% equity credit by S&P and Fitch, and a 25% equity credit by Moody's.

The proceeds, net of issuance fees and expenses, from the issuance of the Hybrid Debentures and the Senior Notes were \$2.569 billion, which were used to redeem the following senior notes:

- \$500 million of our outstanding 6.125% senior notes due October 2017
- \$500 million of our outstanding 2.500% senior notes due September 2018
- \$400 million of our outstanding 2.200% senior notes due April 2019
- \$400 million of our outstanding 2.500% senior notes due December 2016
- \$500 million of our outstanding 3.500% senior notes due April 2017

The aggregate redemption price was equal to the sum of the principal amounts and a make-whole amount, together totaling \$2.333 billion, and accrued interest of \$26 million. As a result of the redemptions, we recognized pre-tax extinguishment losses of \$30 million, which included \$3 million of unamortized debt discount and issuance fees, and \$36 million in the quarter and six months ended March 31, 2017, respectively.

Credit Facility

At March 31, 2017, there were no amounts outstanding under our credit facility. The credit facility is used for general corporate purposes and to support commercial paper outstanding, if any. 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 March 31, 2017.

Commitments and Contingencies

Legal Matters

See Note 7 to the Consolidated Financial Statements for information regarding legal matters.

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 14 to the Consolidated Financial Statements.

**Management's Discussion and Analysis
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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 effect of recent changes in management and our board of directors; the ability of our recently-announced strategic initiatives to achieve their operating objectives; the public acceptance of our brands, programs, motion pictures and other entertainment content on the various platforms on which they are distributed; the impact of inadequate audience measurement on our program ratings and advertising and affiliate revenues; 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, number 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 or other 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 below and in our news releases and filings with the Securities and Exchange Commission, including but not limited to our 2016 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 March 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. *Legal Proceedings.*

Since our 2016 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 7 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 2016 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.

Item 6. Exhibits.

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
3.2	Amended and Restated Bylaws of Viacom Inc. (effective as of August 18, 2016, as amended as of February 6, 2017) (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K of Viacom Inc. filed February 10, 2017).
10.1*	Amendment, effective as of March 13, 2017, to Viacom Excess Pension Plan, as amended and restated January 1, 2009.
10.2*	Amendment, effective as of March 13, 2017, to Viacom Excess 401(k) Plan for Designated Senior Executives, as amended and restated January 1, 2009.
10.3*	Amendment, effective as of March 13, 2017, to Viacom Bonus Deferral Plan for Designated Senior Executives, as amended and restated January 1, 2009.
10.4*	Letter Agreement between Viacom Inc. and Michael D. Fricklas, dated as of February 27, 2017.
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

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: May 4, 2017

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

Date: May 4, 2017

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

AMENDMENT TO THE
VIACOM EXCESS PENSION PLAN

Effective as of March 13, 2017, the first paragraph of Section 3, Administration, of the Plan is replaced in its entirety with the following:

This Plan shall be administered by the Retirement Committee (hereinafter called the "Committee"), which shall administer it in a manner consistent with the administration of the Qualified Plan, except that this Plan shall be administered as an unfunded plan that is not intended to meet the qualification requirements of Section 401(a) of the Code.

The Committee shall consist of the Executive Vice President/Chief Administrative Officer, the Senior Vice President/Head of Compensation & Benefits and Deputy General Tax Counsel, and the Senior Vice President/Compensation and Benefits; provided, however, that the Executive Vice President/Chief Administrative Officer may add members and may remove members. If there is no employee holding such title, the person acting in that capacity or holding a successor title, as appropriate, shall serve in that position on the Committee (but if such person is already a member, he/she shall have only one vote). The Committee's decisions in all matters involving the interpretation and application of this Plan shall be final. The Committee may act on its own behalf or through the actions of a duly authorized delegate or delegates.

AMENDMENT TO THE
VIACOM EXCESS 401(K) PLAN FOR DESIGNATED SENIOR EXECUTIVES

1. Effective as of March 13, 2017, Section 2.4 of the Plan is amended to read in its entirety as follows:

2.4 Committee. The term "Committee" means the Retirement Committee appointed hereunder. The Committee may act on its own behalf or through the actions of a duly authorized delegate or delegates.

2. Effective as of March 13, 2017, Section 10.1 of the Plan is amended to read in its entirety as follows:

10.1 Committee. This Plan will be administered by the Committee as an unfunded plan that is not intended to meet the qualification requirements of Section 401(a) of the Code. The Committee shall consist of the Executive Vice President/Chief Administrative Officer, the Senior Vice President/Head of Compensation & Benefits and Deputy General Tax Counsel, and the Senior Vice President/Compensation and Benefits; provided, however, that the Executive Vice President/Chief Administrative Officer may add members and may remove members. If there is no employee holding such title, the person acting in that capacity or holding a successor title, as appropriate, shall serve in that position on the Committee (but if such person is already a member, he/she shall have only one vote).

AMENDMENT TO THE
VIACOM BONUS DEFERRAL PLAN
FOR DESIGNATED SENIOR EXECUTIVES

1. Effective as of March 13, 2017, Section 2.5 of the Plan is amended to read in its entirety as follows:

2.5 Committee. The term "Committee" means the Retirement Committee appointed hereunder. The Committee may act on its own behalf or through the actions of a duly authorized delegate or delegates.

2. Effective as of March 13, 2017, Section 9.1 of the Plan is amended to read in its entirety as follows:

9.1 Committee. This Plan will be administered by the Committee as an unfunded plan that is not intended to meet the qualification requirements of Section 401(a) of the Code. The Committee shall consist of the Executive Vice President/Chief Administrative Officer, the Senior Vice President/Head of Compensation & Benefits and Deputy General Tax Counsel, and the Senior Vice President/Compensation and Benefits; provided, however, that the Executive Vice President/Chief Administrative Officer may add members and may remove members. If there is no employee holding such title, the person acting in that capacity or holding a successor title, as appropriate, shall serve in that position on the Committee (but if such person is already a member, he/she shall have only one vote).



As of February 28, 2017

Michael D. Fricklas
c/o Viacom Inc.
1515 Broadway
New York, NY 10036

Dear Mr. Fricklas:

We hereby refer to the Employment Agreement between you and Viacom Inc. ("Viacom") dated October 2, 2009, amended as of August 6, 2012, as of May 20, 2015 and further amended as of December 12, 2016 (together, the "Employment Agreement"). All defined terms used without definition shall have the meanings provided in your Employment Agreement.

This letter confirms that your employment shall be treated as a termination without Cause under paragraph 11(b) of your Employment Agreement on May 26, 2017, or such earlier date stated in a written notice provided to you no less than fifteen (15) days prior to such earlier termination date ("Termination Date").

1. Termination Payments/Benefits.

(a) Paragraph 11(c)(i) shall be amended by deleting it in its entirety and replacing it with the following paragraph:

"The Company shall continue to pay your Salary (at the rate in effect on the Termination Date) at the same time and in the same manner as if you had not terminated employment, for twenty-four (24) months following the Termination Date."

2. Cooperation/Duration.

(a) Paragraph 9(a) shall be amended by deleting it in its entirety and replacing it with the following paragraph:

"Communication. Except as required by law or legal process or at the request of the Company, you shall not communicate with anyone, except to the extent necessary in the performance of your duties under this Agreement in accordance with Viacom Inc.'s policies, with respect to the facts or subject matter of any claim, litigation, regulatory or administrative proceeding directly or indirectly involving Viacom that relates to any period during which you were employed by the Company ("Viacom Legal Matters") without obtaining the prior consent of Viacom Inc. or its counsel."

(b) Paragraph 9(f) shall be amended by deleting it in its entirety and replacing it with the following paragraph:



“Duration.” The provisions of this paragraph 9 shall apply during the Contract Period and at all times thereafter, and shall survive the termination of your employment with the Company with respect to any and all Viacom Legal Matters.”

3. Offset.

(a) Paragraph 11(e) shall be amended by deleting it in its entirety and replacing it with the following paragraph:

“Offset.” The amount of payments provided in paragraph 11 as amended above in respect of the period that begins twelve (12) months after the Termination Date shall be reduced by any compensation for services earned by you (including as an independent consultant or independent contractor) from any source in respect of the period that begins twelve (12) months after the Termination Date and ends when the Company is no longer required to make payments pursuant to paragraph 11 as amended above (the “Offset Period”), including, without limitation, salary, sign-on or annual bonus, consulting fees, commission payments and any amounts the payment of which is deferred at your election, or with your consent, until after the expiration of the Offset Period; provided that, if the Company in its reasonable discretion determines that any grant of long-term compensation is made in substitution of the aforementioned payments, such payments shall be further reduced by the value on the date of grant, as reasonably determined by the Company, of such long-term compensation you receive. You agree to promptly notify the Company of any arrangements during the Offset Period in which you earn compensation for services and to cooperate fully with the Company in determining the amount of any such reduction.”

4. Indemnification.

(a) Paragraph 21(c) shall be amended to change the word “or” to the word “and”.

5. Other.

(a) The second and penultimate paragraphs of the December 12, 2016 letter agreement amending your Employment Agreement shall be deleted in their entirety.

6. Other Payments. Set forth as Appendix A is a summary of your account balance (or accumulated benefit) as of the assumed Termination Date reflected in the summary under the Viacom Pension Plan, the Viacom 401(k) Plan, the Viacom Excess Pension Plan, the Viacom Excess 401(k) Plan, the Viacom Bonus Deferral Plan, and the Viacom Deferred Compensation with, in each case, the payment schedule for your benefits thereunder.

[Rest of page intentionally left blank]

Please confirm your understanding of the Agreement by signing and returning both copies of this Agreement. This document shall constitute a binding agreement between us only after it also has been executed by the Company and a fully executed copy has been returned to you.

Very truly yours,
VIACOM INC.

By: /s/ Scott Mills

Scott Mills
Executive Vice President,
Chief Administrative Officer

ACCEPTED AND AGREED:

/s/ Michael D. Fricklas

Michael D. Fricklas

Dated: _____

APPENDIX A

Summary of account balances or accumulated benefits as of February 24, 2017, unless otherwise noted, and assumes a termination date on or prior to May 26, 2017.

Plan Name	Account Balance or Accumulated Plan Benefit	Timing of Distribution	Payment Options
Viacom Pension Plan	\$554,357.99 ^a	Benefits may commence as early as the first of the month following the date of termination	Single lump sum payment or monthly annuity
Viacom Excess Pension Plan			
<i>Grandfathered Benefit</i>	\$936,024.45 ^a	Benefit may commence as early as the first of the month following date of termination*	Single lump sum payment or monthly annuity*
<i>On-Going Benefit</i>	\$3,039.05 ^b	Benefit must commence the first of the month following or coincident with six (6) months after the date of termination	Monthly annuity
Viacom 401(k) Plan	\$974,995.64	Account may be distributed at participant's discretion after termination	Single lump sum payment
Viacom Excess 401(k) Plan	\$4,676,999.01	Account must be distributed on or about January 31, 2018	Single lump sum payment
Viacom Bonus Deferral Plan	\$1,514,876.33	Account must be distributed on or about January 31, 2018	Single lump sum payment
Viacom Deferred Compensation Agreement	\$1,127,745.87	Account must be distributed on or about January 31, 2018	Single lump sum payment

^a Balance shown represents benefit payable as of March 1, 2017. The actual amount paid will depend on when payments commence and the form of payment selected.

^b Amount shown represents a monthly annuity payable for the participant's life, commencing as of his normal retirement date of February 1, 2025. The actual amount paid will depend on when payments commence and the form of payment selected. For example, if benefits commence as a single life annuity on September 1, 2017, the amount payable would be \$1,833.46 per month.

*The timing of distribution and payment options for the Grandfathered Benefit are linked to your election with respect to your Qualified Pension Plan benefit.

CERTIFICATION

I, Robert M. Bakish, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. 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
 - d. 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 on 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: May 4, 2017

/s/ ROBERT M. BAKISH

President and Chief Executive Officer

CERTIFICATION

I, Wade Davis, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. 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
 - d. 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 on 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: May 4, 2017

/s/ WADE DAVIS

Executive Vice President, Chief Financial Officer

**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 ended March 31, 2017 as filed with the Securities and Exchange Commission (the "Report"), I, Robert M. Bakish, 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/ ROBERT M. BAKISH

Robert M. Bakish

May 4, 2017

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.

**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 ended March 31, 2017 as filed with the Securities and Exchange Commission (the "Report"), I, Wade Davis, Executive Vice President, 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/ WADE DAVIS

Wade Davis

May 4, 2017

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.