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

FORM 10-Q

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

For the quarterly period ended June 30, 2012

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	**20-3515052**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

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

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

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

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

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

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

Class of Stock	**Shares Outstanding as of July 15, 2012**
Class A common stock, par value $0.001 per share	51,152,571
Class B common stock, par value $0.001 per share	463,435,375

VIACOM INC.
INDEX TO FORM 10-Q

PART I – FINANCIAL INFORMATION

Item 1. ***Financial Statements.***

VIACOM INC.
CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

(in millions, except per share amounts)	Quarter Ended June 30, 2012	Quarter Ended June 30, 2011	Nine Months Ended June 30, 2012	Nine Months Ended June 30, 2011
Revenues	**$ 3,241**	$ 3,766	**$ 10,524**	$ 10,861
Expenses:				
Operating	**1,599**	1,945	**5,429**	5,683
Selling, general and administrative	**682**	761	**2,066**	2,180
Depreciation and amortization	**57**	65	**178**	203
Restructuring	**-**	14	**-**	14
Total expenses	**2,338**	2,785	**7,673**	8,080
Operating income	**903**	981	**2,851**	2,781
Interest expense, net	**(104)**	(104)	**(312)**	(310)
Equity in net earnings of investee companies	**10**	12	**25**	51
Loss on extinguishment of debt	**-**	-	**(21)**	(87)
Other items, net	**(7)**	10	**(12)**	3
Earnings from continuing operations before provision for income taxes	**802**	899	**2,531**	2,438
Provision for income taxes	**(266)**	(310)	**(795)**	(838)
Net earnings from continuing operations	**536**	589	**1,736**	1,600
Discontinued operations, net of tax	**11**	-	**(371)**	(10)
Net earnings (Viacom and noncontrolling interests)	**547**	589	**1,365**	1,590
Net earnings attributable to noncontrolling interests	**(13)**	(15)	**(34)**	(30)
Net earnings attributable to Viacom	**$ 534**	$ 574	**$ 1,331**	$ 1,560
Amounts attributable to Viacom:				
Net earnings from continuing operations	**$ 523**	$ 574	**$ 1,702**	$ 1,570
Discontinued operations, net of tax	**11**	-	**(371)**	(10)
Net earnings attributable to Viacom	**$ 534**	$ 574	**$ 1,331**	$ 1,560
Basic earnings per share attributable to Viacom:				
Continuing operations	**$ 1.00**	$ 0.99	**$ 3.17**	$ 2.65
Discontinued operations	**$ 0.02**	$ -	**$ (0.69)**	$ (0.02)
Net earnings	**$ 1.02**	$ 0.99	**$ 2.48**	$ 2.63
Diluted earnings per share attributable to Viacom:				
Continuing operations	**$ 0.99**	$ 0.97	**$ 3.13**	$ 2.62
Discontinued operations	**$ 0.02**	$ -	**$ (0.68)**	$ (0.02)
Net earnings	**$ 1.01**	$ 0.97	**$ 2.45**	$ 2.60
Weighted average number of common shares outstanding:				
Basic	**523.7**	582.7	**537.3**	593.5
Diluted	**530.4**	591.6	**544.1**	600.2
Dividends declared per share of Class A and Class B common stock	**$ 0.275**	$ 0.25	**$ 0.775**	$ 0.55

See accompanying notes to Consolidated Financial Statements

VIACOM INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in millions, except par value)	June 30, 2012	September 30, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 774**	$ 1,021
Receivables, net	**2,582**	2,732
Inventory, net	**817**	828
Deferred tax assets, net	**47**	41
Prepaid and other assets	**291**	639
Total current assets	**4,511**	5,261
Property and equipment, net	**1,045**	1,057
Inventory, net	**4,247**	4,239
Goodwill	**11,031**	11,064
Intangibles, net	**339**	392
Deferred tax assets, net	**73**	-
Other assets	**712**	788
Total assets	**$ 21,958**	$ 22,801
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	**$ 295**	$ 427
Accrued expenses	**894**	1,152
Participants' share and residuals	**1,038**	1,158
Program rights obligations	**491**	475
Deferred revenue	**236**	187
Current portion of debt	**17**	23
Other liabilities	**745**	520
Total current liabilities	**3,716**	3,942
Noncurrent portion of debt	**8,147**	7,342
Participants' share and residuals	**434**	487
Program rights obligations	**650**	771
Deferred tax liabilities, net	**-**	123
Other liabilities	**1,393**	1,351
Redeemable noncontrolling interest	**145**	152
Commitments and contingencies (Note 10)		
Viacom stockholders' equity:		
Class A common stock, par value $0.001, 375.0 authorized; 51.2 and 51.4 outstanding, respectively	**-**	-
Class B common stock, par value $0.001, 5,000.0 authorized; 465.8 and 506.9 outstanding, respectively	**1**	1
Additional paid-in capital	**8,698**	8,614
Treasury stock, 252.9 and 207.2 common shares held in treasury, respectively	**(10,325)**	(8,225)
Retained earnings	**9,336**	8,418
Accumulated other comprehensive loss	**(232)**	(164)
Total Viacom stockholders' equity	**7,478**	8,644
Noncontrolling interests	**(5)**	(11)
Total equity	**7,473**	8,633
Total liabilities and equity	**$ 21,958**	$ 22,801

See accompanying notes to Consolidated Financial Statements

VIACOM INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in millions)	Nine Months Ended June 30, 2012	Nine Months Ended June 30, 2011
OPERATING ACTIVITIES		
Net earnings (Viacom and noncontrolling interests)	**$ 1,365**	$ 1,590
Discontinued operations, net of tax	**371**	10
Net earnings from continuing operations	**1,736**	1,600
Reconciling items:		
Depreciation and amortization	**178**	203
Feature film and program amortization	**3,270**	3,325
Equity-based compensation	**92**	93
Equity in net income and distributions from investee companies	**(19)**	(43)
Deferred income taxes	**(205)**	269
Operating assets and liabilities, net of acquisitions:		
Receivables	**228**	(426)
Inventory, program rights and participations	**(3,542)**	(3,177)
Accounts payable and other current liabilities	**(99)**	14
Other, net	**103**	(2)
Discontinued operations, net	**(6)**	(20)
Cash provided by operations	**1,736**	1,836
INVESTING ACTIVITIES		
Acquisitions and investments	**(19)**	(58)
Capital expenditures	**(109)**	(77)
Discontinued operations, net	**(84)**	-
Net cash flow used in investing activities	**(212)**	(135)
FINANCING ACTIVITIES		
Borrowings	**2,116**	982
Debt repayments	**(892)**	(776)
Commercial paper	**(423)**	-
Purchase of treasury stock	**(2,112)**	(1,561)
Dividends paid	**(411)**	(272)
Excess tax benefits on equity-based compensation awards	**35**	12
Other, net	**(63)**	17
Net cash flow used in financing activities	**(1,750)**	(1,598)
Effect of exchange rate changes on cash and cash equivalents	**(21)**	15
Net change in cash and cash equivalents	**(247)**	118
Cash and cash equivalents at beginning of period	**1,021**	837
Cash and cash equivalents at end of period	**$ 774**	$ 955

See accompanying notes to Consolidated Financial Statements

Table of Contents

VIACOM INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(Unaudited)

(in millions)	Common Stock Outstanding (shares)	Common Stock/APIC	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Viacom Stockholders' Equity	Noncontrolling Interests	Total Equity
March 31, 2012	530.2	$ 8,674	$ (9,625)	$ 8,947	$ (193)	$ 7,803	$ (11)	$ 7,792
Net earnings				**534**		**534**	**13**	**547**
Translation adjustments					**(44)**	**(44)**	**-**	**(44)**
Defined benefit pension plans					**3**	**3**	**-**	**3**
Other					**2**	**2**	**-**	**2**
Comprehensive income						**495**	**13**	**508**
Noncontrolling interests				**-**		**-**	**(7)**	**(7)**
Dividends declared				**(145)**		**(145)**	**-**	**(145)**
Purchase of treasury stock	**(14.8)**		**(700)**			**(700)**	**-**	**(700)**
Equity-based compensation and other	**1.6**	**25**				**25**	**-**	**25**
June 30, 2012	**517.0**	**$ 8,699**	**$ (10,325)**	**$ 9,336**	**$ (232)**	**$ 7,478**	**$ (5)**	**$ 7,473**

(in millions)	Common Stock Outstanding (shares)	Common Stock/APIC	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Viacom Stockholders' Equity	Noncontrolling Interests	Total Equity
March 31, 2011	588.1	$ 8,435	$ (6,625)	$ 7,579	$ (36)	$ 9,353	$ (20)	$ 9,333
Net earnings				574		574	15	589
Translation adjustments					12	12	1	13
Defined benefit pension plans					2	2	-	2
Other					(7)	(7)	-	(7)
Comprehensive income						581	16	597
Noncontrolling interests				(21)		(21)	(5)	(26)
Dividends declared				(147)		(147)	-	(147)
Purchase of treasury stock	(14.2)		(700)			(700)	-	(700)
Equity-based compensation and other	2.8	97				97	-	97
June 30, 2011	576.7	$ 8,532	$ (7,325)	$ 7,985	$ (29)	$ 9,163	$ (9)	$ 9,154

See accompanying notes to Consolidated Financial Statements

Table of Contents

VIACOM INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(Unaudited)

(in millions)	Common Stock Outstanding (shares)	Common Stock/APIC	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Viacom Stockholders' Equity	Noncontrolling Interests	Total Equity
September 30, 2011	558.3	$ 8,615	$ (8,225)	$ 8,418	$ (164)	$ 8,644	$ (11)	$ 8,633
Net earnings				**1,331**		**1,331**	**34**	**1,365**
Translation adjustments					**(82)**	**(82)**	**-**	**(82)**
Defined benefit pension plans					**8**	**8**	**-**	**8**
Other					**6**	**6**	**-**	**6**
Comprehensive income						**1,263**	**34**	**1,297**
Noncontrolling interests				**5**		**5**	**(28)**	**(23)**
Dividends declared				**(418)**		**(418)**	**-**	**(418)**
Purchase of treasury stock	**(45.7)**		**(2,100)**			**(2,100)**	**-**	**(2,100)**
Equity-based compensation and other	**4.4**	**84**				**84**	**-**	**84**
June 30, 2012	**517.0**	**$ 8,699**	**$ (10,325)**	**$ 9,336**	**$ (232)**	**$ 7,478**	**$ (5)**	**$ 7,473**

(in millions)	Common Stock Outstanding (shares)	Common Stock/APIC	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Viacom Stockholders' Equity	Noncontrolling Interests	Total Equity
September 30, 2010	608.5	$ 8,347	$ (5,725)	$ 6,775	$ (114)	$ 9,283	$ (24)	$ 9,259
Net earnings				1,560		1,560	30	1,590
Translation adjustments					93	93	3	96
Defined benefit pension plans					5	5	-	5
Other					(13)	(13)	-	(13)
Comprehensive income						1,645	33	1,678
Noncontrolling interests				(21)		(21)	(18)	(39)
Dividends declared				(329)		(329)	-	(329)
Purchase of treasury stock	(36.0)		(1,600)			(1,600)	-	(1,600)
Equity-based compensation and other	4.2	185				185	-	185
June 30, 2011	576.7	$ 8,532	$ (7,325)	$ 7,985	$ (29)	$ 9,163	$ (9)	$ 9,154

See accompanying notes to Consolidated Financial Statements

VIACOM INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Description of Business

Viacom Inc. including its consolidated subsidiaries ("Viacom" or the "Company") is a leading global entertainment content company that connects with audiences through compelling content across television, motion picture, online and mobile platforms in over 160 countries and territories. Viacom operates through two reporting segments: *Media Networks*, which includes Music and Logo, Nickelodeon, Entertainment and BET Networks; and *Filmed Entertainment*. The *Media Networks* segment provides entertainment content and related branded products for consumers in targeted demographics attractive to advertisers, content distributors and retailers. The *Filmed Entertainment* segment produces, finances and distributes motion pictures and other entertainment content under the Paramount Pictures, Paramount Vantage, Paramount Classics, Insurge Pictures, MTV Films and Nickelodeon Movies brands. It also acquires films for distribution and has distribution relationships with third parties.

Basis of Presentation

Unaudited Interim Financial Statements
The accompanying unaudited consolidated quarterly financial statements have been prepared on a basis consistent with generally accepted accounting principles in the United States ("GAAP") for interim financial information and pursuant to the rules of the Securities and Exchange Commission ("SEC"). In the opinion of management, the accompanying unaudited financial statements reflect all adjustments, consisting of only normal and recurring adjustments, necessary for a fair statement of the 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, 2012 ("fiscal 2012") or any future period. These statements should be read in conjunction with the Company's Form 10-K for the year ended September 30, 2011, as filed with the SEC on November 10, 2011 (the "2011 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 reporting periods presented. Significant estimates inherent in the preparation of the accompanying Consolidated Financial Statements include estimates of film ultimate revenues, product returns, allowance for doubtful accounts, 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.

Reclassification
Certain amounts have been reclassified to conform to the fiscal 2012 presentation.

NOTE 2. EARNINGS PER SHARE

Basic earnings per common share excludes potentially dilutive securities and 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 potential dilutive effect of equity-based compensation 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.

VIACOM INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

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

Common Shares Outstanding and Anti-Dilutive Common Shares (in millions)	Quarter Ended June 30, 2012	Quarter Ended June 30, 2011	Nine Months Ended June 30, 2012	Nine Months Ended June 30, 2011
Weighted average common shares outstanding, basic	**523.7**	582.7	**537.3**	593.5
Dilutive effect of equity-based compensation awards	**6.7**	8.9	**6.8**	6.7
Weighted average common shares outstanding, diluted	**530.4**	591.6	**544.1**	600.2
Anti-dilutive common shares	**12.8**	11.8	**13.3**	19.0

NOTE 3. INVENTORY

Inventory (in millions)	June 30, 2012	September 30, 2011
Film inventory:		
Released, net of amortization	**$ 702**	$ 812
Completed, not yet released	**30**	139
In process and other	**719**	529
Total film inventory, net of amortization	**1,451**	1,480
Original programming:		
Released, net of amortization	**1,396**	1,183
In process and other	**517**	513
Total original programming, net of amortization	**1,913**	1,696
Acquired program rights, net of amortization	**1,576**	1,760
Merchandise and other inventory, net of allowance of $75 and $73	**124**	131
Total inventory, net	**5,064**	5,067
Less current portion	**(817)**	(828)
Total inventory-noncurrent, net	**$ 4,247**	$ 4,239

NOTE 4. DEBT

Debt (in millions)	June 30, 2012	September 30, 2011
Senior Notes and Debentures:		
Senior notes due September 2014, 4.375%	**$ 598**	$ 597
Senior notes due February 2015, 1.250%	**599**	-
Senior notes due September 2015, 4.250%	**250**	250
Senior notes due April 2016, 6.250%	**916**	916
Senior notes due December 2016, 2.500%	**398**	-
Senior notes due April 2017, 3.500%	**496**	496
Senior notes due October 2017, 6.125%	**498**	498
Senior notes due September 2019, 5.625%	**553**	553
Senior notes due March 2021, 4.500%	**492**	492
Senior notes due December 2021, 3.875%	**591**	-
Senior notes due June 2022, 3.125%	**296**	-
Senior debentures due April 2036, 6.875%	**1,736**	1,736
Senior debentures due October 2037, 6.750%	**248**	248
Senior debentures due February 2042, 4.500%	**245**	-
Senior notes due December 2055, 6.850%	**-**	750
Commercial paper	**-**	423
Capital lease and other obligations	**248**	406
Total debt	**8,164**	7,365
Less current portion	**(17)**	(23)
Total noncurrent portion	**$ 8,147**	$ 7,342

VIACOM INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

Senior Notes and Debentures

During the nine months ended June 30, 2012, we issued a total of $2.150 billion of senior notes and debentures. In December 2011, we issued $400 million aggregate principal amount of 2.500% Senior Notes due 2016 at a price equal to 99.366% of the principal amount and $600 million aggregate principal amount of 3.875% Senior Notes due 2021 at a price equal to 98.361% of the principal amount. In February 2012, we issued $500 million aggregate principal amount of 1.250% Senior Notes due 2015 at a price equal to 99.789% of the principal amount and $250 million aggregate principal amount of 4.500% Senior Debentures due 2042 at a price equal to 98.063% of the principal amount. In June 2012, we issued $300 million aggregate principal amount of 3.125% Senior Notes due 2022 at a price equal to 98.553% of the principal amount and an additional $100 million aggregate principal amount of our 1.250% Senior Notes due 2015 at a price equal to 100.026% of the principal amount.

On January 9, 2012, we redeemed all $750 million of our outstanding 6.850% Senior Notes due December 2055 (the "2055 Notes") at a redemption price equal to 100% of the principal amount of each 2055 Note, plus accrued interest thereon. As a result of the redemption, we expensed the unamortized issuance costs associated with the 2055 Notes, which resulted in a pre-tax extinguishment loss of $21 million.

At June 30, 2012, the total unamortized net discount related to the senior notes and debentures was $52 million. The fair value of the Company's senior notes and debentures exceeded the carrying value by approximately $1.2 billion at June 30, 2012. The valuation of the Company's publicly traded debt is based on quoted prices in active markets.

Credit Facilities

In December 2011, we entered into an amendment to our $2.0 billion three-year revolving credit agreement, dated as of October 8, 2010, which modifies certain provisions of the original agreement to, among other things, (i) increase the amount of the credit facility from $2.0 billion to $2.1 billion, (ii) extend the maturity date of the credit facility from October 2013 to December 2015 and (iii) reduce the LIBOR-based borrowing rates under the credit facility to LIBOR plus a margin ranging from 0.5% to 1.5% based on our current public debt rating. The facility has one principal financial covenant that requires the Company's interest coverage for the most recent four consecutive fiscal quarters to be at least 3.0x, which the Company met at June 30, 2012.

In November 2011, we entered into two 364-day bank credit facilities for an aggregate amount of $600 million. The facilities will be used for general corporate purposes. The facilities contain covenants that are substantially the same as those contained in our $2.1 billion revolving credit facility. Borrowing rates under the facilities are determined at the time of each borrowing and are generally based on LIBOR plus a margin.

At June 30, 2012, there were no amounts outstanding under our credit facilities.

NOTE 5. FINANCIAL INSTRUMENTS

At June 30, 2012, the Company's financial assets and liabilities reflected in the Consolidated Financial Statements at fair value consist of marketable securities and derivatives. Fair value for marketable securities is determined utilizing a market approach based on quoted market prices in active markets at period end. Fair value for derivatives is determined utilizing a market-based approach.

VIACOM INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

The following table summarizes the valuation of the Company's financial assets and liabilities as of June 30, 2012 and September 30, 2011:

Financial Asset (Liability) (in millions)	Total	Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
June 30, 2012				
Marketable securities	**$ 84**	**$ 84**	**$ -**	**$ -**
Derivatives	**(1)**	**-**	**(1)**	**-**
Total	**$ 83**	**$ 84**	**$ (1)**	**$ -**
September 30, 2011				
Marketable securities	$ 68	$ 68	$ -	$ -
Derivatives	(4)	-	(4)	-
Total	$ 64	$ 68	$ (4)	$ -

NOTE 6. PENSION BENEFITS

Net periodic benefit costs for the Company under its defined benefit pension plans consist of the following:

Net Periodic Benefit Costs (in millions)	Quarter Ended June 30, 2012	Quarter Ended June 30, 2011	Nine Months Ended June 30, 2012	Nine Months Ended June 30, 2011
Service cost	**$ 8**	$ 7	**$ 24**	$ 21
Interest cost	**12**	11	**36**	33
Expected return on plan assets	**(10)**	(9)	**(28)**	(27)
Recognized actuarial loss	**5**	3	**14**	9
Net periodic benefit costs	**$ 15**	$ 12	**$ 46**	$ 36

NOTE 7. EQUITY-BASED COMPENSATION

During the quarter ended June 30, 2012, the Company granted 3.1 million stock options and 1.2 million restricted stock units with a grant date fair value of $10.12 and $47.21 per share, respectively.

NOTE 8. RESTRUCTURING

As of September 30, 2011, the Company had recorded $124 million of restructuring liabilities related to the restructuring plan undertaken and other employee separation costs incurred in 2011, as further described in Note 11 of the 2011 Form 10-K. There have been no significant changes to the plan. We expect that the restructuring plan will be substantially completed by September 30, 2012.

The Company's restructuring liabilities as of June 30, 2012 by reporting segment are as follows:

Restructuring Liabilities (in millions)	Media Networks	Filmed Entertainment	Total
September 30, 2011	$ 80	$ 44	$ 124
Severance payments	**(35)**	**(30)**	**(65)**
Lease payments	**(2)**	**(4)**	**(6)**
June 30, 2012	**$ 43**	**$ 10**	**$ 53**

VIACOM INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

NOTE 9. RELATED PARTY TRANSACTIONS

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

Viacom and NAI Related Party Transactions

NAI licenses films in the ordinary course of business for its motion picture theaters from all major studios, including Paramount. During the nine months ended June 30, 2012 and 2011, Paramount earned revenues from NAI in connection with these licenses in the aggregate amounts of approximately $16 million and $20 million, respectively.

Viacom and CBS Corporation Related Party Transactions

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

Paramount earns revenues and recognizes expenses associated with the distribution of certain television products into the home entertainment market on behalf of CBS. 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 prior to any participation payments to CBS. Paramount also earns revenues from CBS through leasing of studio space and licensing of certain film products. Additionally, the *Media Networks* segment recognizes advertising revenues from CBS.

The *Media Networks* segment purchases television programming from CBS. The cost of such purchases is initially recorded as acquired program rights inventory and amortized over the estimated period that revenues will be generated. Both of the Company's segments recognize advertising expenses related to the placement of advertisements with CBS.

Table of Contents

VIACOM INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

The following table summarizes the transactions with CBS as included in the Company's Consolidated Financial Statements:

CBS Related Party Transactions (in millions)	Quarter Ended June 30, 2012	Quarter Ended June 30, 2011	Nine Months Ended June 30, 2012	Nine Months Ended June 30, 2011
Consolidated Statements of Earnings				
Revenues	**$ 52**	$ 54	**$ 196**	$ 241
Operating expenses	**$ 71**	$ 87	**$ 252**	$ 313

	June 30, 2012	September 30, 2011
Consolidated Balance Sheets		
Accounts receivable	**$ 6**	$ 6
Other assets	**1**	1
Total due from CBS	**$ 7**	$ 7
Accounts payable	**$ 2**	$ 1
Participants' share and residuals, current	**124**	162
Program rights obligations, current	**110**	73
Program rights obligations, noncurrent	**164**	243
Other liabilities	**29**	37
Total due to CBS	**$ 429**	$ 516

Other Related Party Transactions

In the ordinary course of business, the Company is involved in related party transactions with equity investees, principally related to investments in unconsolidated variable interest entities ("VIEs"). 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 the Company's Consolidated Financial Statements is as follows:

Other Related Party Transactions (in millions)	Quarter Ended June 30, 2012	Quarter Ended June 30, 2011	Nine Months Ended June 30, 2012	Nine Months Ended June 30, 2011
Consolidated Statements of Earnings				
Revenues	**$ 60**	$ 49	**$ 177**	$ 135
Operating expenses	**$ 22**	$ 17	**$ 75**	$ 48
Selling, general and administrative	**$ (4)**	$ (4)	**$ (12)**	$ (12)

	June 30, 2012	September 30, 2011
Consolidated Balance Sheets		
Accounts receivable	**$ 111**	$ 88
Other assets	**2**	2
Total due from other related parties	**$ 113**	$ 90
Accounts payable	**$ 13**	$ 32
Other liabilities	**13**	10
Total due to other related parties	**$ 26**	$ 42

VIACOM INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

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

NOTE 10. COMMITMENTS AND CONTINGENCIES

Commitments

As more fully described in Notes 3 and 15 of the 2011 Form 10-K, the Company's commitments primarily consist of programming and talent commitments, operating and capital lease arrangements, and purchase obligations for goods and services. These arrangements result from the Company's normal course of business and represent obligations that may be payable over several years. Additionally, the Company is subject to a redeemable put option, payable in a foreign currency, with respect to an international subsidiary. The put option expires in January 2016, and is classified as *Redeemable noncontrolling interest* in the Consolidated Balance Sheets. Our minimum rental payments under noncancelable leases have increased by approximately $900 million principally due to the April 2012 extension of our world headquarters office lease through June 2031.

Contingencies

The Company has certain indemnification obligations with respect to leases associated with the previously discontinued operations of Famous Players and Blockbuster Inc. In addition, Viacom has certain indemnities provided by the acquirer of Famous Players. At June 30, 2012, these lease commitments, substantially all of which relate to Famous Players, amounted to approximately $575 million. 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. The Company may also have exposure for certain other expenses related to the leases, such as property taxes and common area maintenance. The Company has recorded a liability of approximately $200 million with respect to such obligations. Based on the Company's consideration of financial information available to it, the lessees' historical performance in meeting their lease obligations and the underlying economic factors impacting the lessees' business models, the Company believes its accrual is sufficient to meet any future obligations.

Legal Matters

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

In March 2007, the Company filed a complaint in the United States District Court for the Southern District of New York against Google Inc. ("Google") and its wholly-owned subsidiary YouTube, alleging that Google and YouTube violated and continue to violate the Company's copyrights. The Company is seeking both damages and injunctive relief. In March 2010, the Company and Google filed motions for summary judgment, and in June 2010, Google's motion was granted. In April 2012, the U.S. Court of Appeals for the Second Circuit vacated the District Court's decision and remanded the case to the District Court.

In September 2007, Brantley, et al. v. NBC Universal, Inc., et al., was filed in the United States District Court for the Central District of California against the Company and several other program content providers on behalf of a purported nationwide class of cable and satellite subscribers. The plaintiffs also sued several major cable and satellite program distributors. Plaintiffs allege that separate contracts between the program providers and the cable and satellite operator defendants providing for the sale of programming in specific tiers each unreasonably restrain trade in a variety of markets in violation of the Sherman Act. In June 2011, the Court of Appeals for the Ninth Circuit affirmed the District Court's decision dismissing, with prejudice, the plaintiffs' third amended complaint. The plaintiffs filed a petition for a rehearing of the case by the full Court of Appeals and oral argument was heard in October 2011. On October 31, 2011, the Court of Appeals withdrew its decision in light of the subsequent death of one of the judges on the panel. In March 2012, a new panel of the Court of Appeals affirmed the District Court's decision dismissing with prejudice, the plaintiffs' third amended complaint, and in May 2012, the Court of Appeals denied plaintiffs' motion for a rehearing of the Court's March 2012 decision.

Our 2006 acquisition agreement with Harmonix Music Systems, Inc. ("Harmonix"), a developer of music-based games, including the *Rock Band* franchise, provided that to the extent financial results exceeded specific contractual targets against a defined gross profit metric for the calendar years 2007 and 2008, former Harmonix shareholders would be eligible for incremental earn-out payments. In 2008, we paid $150 million, subject to adjustment, under this earn-out agreement. A private dispute resolution process was commenced as provided in the acquisition agreement to determine the final amount of the earn-out. On December 19, 2011, the resolution accountants in the private dispute resolution process issued their determination, finding that we owe an additional $383 million under the agreement, as compared to the additional $700 million sought by the former shareholders. We recorded a reserve of $383 million in the quarter ended December 31, 2011, which is reflected in *Other liabilities—current* on the Consolidated Balance Sheets, and paid $84 million of this amount in the quarter ended June 30, 2012, plus accrued interest of $3 million.

On December 27, 2011, we commenced a lawsuit in the Delaware Court of Chancery to vacate the determination of the resolution accountants on the grounds that they improperly failed to consider arguments and evidence put before them. In responsive pleadings and motions, the shareholder representative has sought confirmation of the determination of the resolution accountants and has opposed our efforts to vacate that determination.

Approximately $13 million is being held in escrow to secure the former shareholders' indemnification obligations to us under the acquisition agreement. We believe we are entitled to all the funds being held in escrow and that we are also entitled to reduce the earn-out payment to the extent the amount the Company is entitled to recover under the former shareholders' indemnification obligations exceeds the amount held in escrow. In December 2010, the shareholder representative filed a lawsuit in the Court of Chancery for the State of Delaware seeking the release of the funds being held in escrow. The lawsuit also asserted certain other claims. In May 2011, we filed a motion to dismiss the portion of the shareholder representative's amended complaint that related to the other claims as meritless, and in November 2011, the court dismissed those claims. We continue to vigorously oppose the remaining claims in the lawsuit regarding the funds held in escrow and to seek full indemnification under the acquisition agreement.

NOTE 11. DISCONTINUED OPERATIONS

Discontinued operations activity for the nine months ended June 30, 2012 principally reflects the $383 million charge related to the earn-out dispute with the former shareholders of Harmonix, which we sold in December 2010. To the extent paid, the charge will generate a tax benefit of up to $135 million, which will be available to offset qualifying future cash taxes.

The pre-tax loss from discontinued operations for the nine months ended June 30, 2011 includes a $12 million loss from operations for the period through the date of the sale of Harmonix and a $14 million loss on disposal. For tax purposes, the disposal generated a tax benefit of approximately $115 million, of which approximately $75 million has been recognized as of June 30, 2012 and $40 million will be available to offset qualifying future cash taxes.

Table of Contents

VIACOM INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

Discontinued Operations (in millions)	Nine Months Ended June 30, 2012	2011
Revenues from discontinued operations	$ -	$ 49
Pre-tax loss from discontinued operations	$ (389)	$ (24)
Income tax provision	18	14
Net loss from discontinued operations	$ (371)	$ (10)

NOTE 12. SUPPLEMENTAL CASH FLOW AND OTHER INFORMATION

Supplemental Cash Flow Information (in millions)	Quarter Ended June 30, 2012	2011	Nine Months Ended June 30, 2012	2011
Cash paid for interest	$ 144	$ 136	$ 345	$ 355
Cash paid for income taxes*	$ 520	$ 379	$ 593	$ 612

*The nine months ended June 30, 2012 includes approximately $100 million related to a federal tax refund resulting from the carryback of capital losses against taxes previously paid on capital gains.

Redeemable Noncontrolling Interest (in millions)	Quarter Ended June 30, 2012	2011	Nine Months Ended June 30, 2012	2011
Beginning balance	$ 151	$ 132	$ 152	$ 131
Net earnings	2	2	13	9
Distributions	(6)	(1)	(15)	(11)
Translation adjustment	(2)	(2)	-	2
Redemption value adjustment	-	21	(5)	21
Ending balance	$ 145	$ 152	$ 145	$ 152

Accounts Receivable

At June 30, 2012, there were $311 million of noncurrent trade receivables in the *Filmed Entertainment* segment included within *Other assets* in the Company's Consolidated Balance Sheets principally related to long-term television license arrangements. Such amounts are due in accordance with the underlying terms of the respective agreements and are principally from investment grade companies with which the Company has historically done business under similar terms, for which credit loss allowances are generally not considered necessary.

Investments in Variable Interest Entities

Unconsolidated Variable Interest Entities
At June 30, 2012 and September 30, 2011, the Company's aggregate investment carrying value in unconsolidated VIEs was $156 million and $137 million, respectively. The impact of the Company's unconsolidated VIEs on its Consolidated Financial Statements, including related party transactions, is further described in Note 9.

Consolidated Variable Interest Entities
As of June 30, 2012 and September 30, 2011, there are $24 million and $25 million of assets and $87 million and $86 million of liabilities, respectively, included within the Company's Consolidated Balance Sheets in respect of Tr3s' investment interest in a Hispanic-oriented television broadcaster. The entity's revenues, expenses and operating income for the quarter and nine months ended June 30, 2012 and 2011 were not significant to the Company.

Table of Contents

VIACOM INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

Income Taxes

During the quarter and nine months ended June 30, 2012, we recognized $11 million and $77 million of discrete tax benefits, respectively. The benefits recognized in the quarter principally reflect the release of tax reserves with respect to certain effectively settled tax positions. The benefits earlier in the year were recognized upon determining that certain operating and capital loss carryforward benefits are now more likely than not to be realized.

NOTE 13. REPORTING SEGMENTS

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

The Company's measure of segment performance is adjusted operating income (loss). Adjusted operating income (loss) is defined as operating income (loss), less equity-based compensation and certain other items identified as affecting comparability, including restructuring and asset impairment, when applicable.

Revenues by Segment	Quarter Ended June 30,		Nine Months Ended June 30,	
(in millions)	**2012**	**2011**	**2012**	**2011**
Media Networks	**$ 2,266**	$ 2,391	**$ 6,904**	$ 6,853
Filmed Entertainment	**1,006**	1,407	**3,733**	4,130
Eliminations	**(31)**	(32)	**(113)**	(122)
Total revenues	**$ 3,241**	$ 3,766	**$ 10,524**	$ 10,861

Adjusted Operating Income (Loss)	Quarter Ended June 30,		Nine Months Ended June 30,	
(in millions)	**2012**	**2011**	**2012**	**2011**
Media Networks	**$ 934**	$ 1,033	**$ 2,956**	$ 2,890
Filmed Entertainment	**46**	49	**130**	156
Corporate expenses	**(43)**	(58)	**(144)**	(160)
Equity-based compensation	**(35)**	(30)	**(92)**	(93)
Eliminations	**1**	1	**1**	2
Restructuring	**-**	(14)	**-**	(14)
Operating income	**903**	981	**2,851**	2,781
Interest expense, net	**(104)**	(104)	**(312)**	(310)
Equity in net earnings of investee companies	**10**	12	**25**	51
Loss on extinguishment of debt	**-**	-	**(21)**	(87)
Other items, net	**(7)**	10	**(12)**	3
Earnings from continuing operations before provision for income taxes	**$ 802**	$ 899	**$ 2,531**	$ 2,438

Table of Contents

VIACOM INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

Total Assets (in millions)	June 30, 2012	September 30, 2011
Media Networks	$ 16,448	$ 16,404
Filmed Entertainment	5,244	5,593
Corporate/Eliminations	266	804
Total assets	$ 21,958	$ 22,801

Revenues by Component (in millions)	Quarter Ended June 30, 2012	Quarter Ended June 30, 2011	Nine Months Ended June 30, 2012	Nine Months Ended June 30, 2011
Advertising	$ 1,166	$ 1,275	$ 3,593	$ 3,744
Feature film	902	1,335	3,426	3,810
Affiliate fees	976	971	2,911	2,636
Ancillary	228	217	707	793
Eliminations	(31)	(32)	(113)	(122)
Total revenues	$ 3,241	$ 3,766	$ 10,524	$ 10,861

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, 2011, as filed with the Securities and Exchange Commission ("SEC") on November 10, 2011 (the "2011 Form 10-K"). References in this document to "Viacom," "Company," "we," "us" and "our" mean Viacom Inc. and our consolidated subsidiaries through which our various businesses are conducted, 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 Viacom's business.

Consolidated Results of Operations. The consolidated results of operations section provides an analysis of our results on a consolidated basis for the quarter and nine months ended June 30, 2012 compared to the quarter and nine months ended June 30, 2011.

Segment Results of Operations. The segment results of operations section provides an analysis of our results on a reportable segment basis for the quarter and nine months ended June 30, 2012 compared to the quarter and nine months ended June 30, 2011.

Liquidity and Capital Resources. The liquidity and capital resources section provides a discussion of our cash flows for the nine months ended June 30, 2012 compared to the nine months ended June 30, 2011 and an update on our indebtedness.

Table of Contents

OVERVIEW

We are a leading global entertainment content company that connects with audiences through compelling content across television, motion picture, online and mobile platforms in over 160 countries and territories. With media networks reaching approximately 700 million global subscribers, Viacom's leading brands include MTV®, VH1®, CMT®, Logo®, BET®, CENTRIC®, Nickelodeon®, Nick Jr.®, TeenNick®, Nicktoons®, Nick at Nite™, COMEDY CENTRAL®, TV Land®, SPIKE®, Tr3s®, Paramount Channel™ and VIVA™. Paramount Pictures®, celebrating its 100th year in 2012, is a major global producer and distributor of filmed entertainment. Viacom operates a large portfolio of branded digital media experiences, including many of the world's most popular properties for entertainment, community and casual online gaming.

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

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

CONSOLIDATED RESULTS OF OPERATIONS

Our consolidated results of operations are presented below for the quarter and nine months ended June 30, 2012 and 2011.

(in millions, except per share amounts)	Quarter Ended June 30, 2012	Quarter Ended June 30, 2011	Better/(Worse) $	Better/(Worse) %	Nine Months Ended June 30, 2012	Nine Months Ended June 30, 2011	Better/(Worse) $	Better/(Worse) %
Revenues	**$ 3,241**	$ 3,766	$ (525)	(14)%	**$ 10,524**	$ 10,861	$(337)	(3)%
Operating income	**903**	981	(78)	(8)	**2,851**	2,781	70	3
Adjusted operating income	**903**	995	(92)	(9)	**2,851**	2,795	56	2
Net earnings from continuing operations attributable to Viacom	**523**	574	(51)	(9)	**1,702**	1,570	132	8
Adjusted net earnings from continuing operations attributable to Viacom	**512**	583	(71)	(12)	**1,638**	1,633	5	-
Diluted EPS from continuing operations	**0.99**	0.97	0.02	2	**3.13**	2.62	0.51	19
Adjusted diluted EPS from continuing operations	**$ 0.97**	$ 0.99	$(0.02)	(2)%	**$ 3.01**	$ 2.72	$0.29	11%

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

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

Revenues

Worldwide revenues decreased $525 million, or 14%, to $3.241 billion in the quarter, and $337 million, or 3%, to $10.524 billion in the nine months ended June 30, 2012. The decreases of $401 million and $397 million in *Filmed Entertainment* revenues in the quarter and nine months, respectively, reflect lower theatrical, television license fee and home entertainment revenues. The decrease of $125 million in *Media Networks* revenues in the quarter reflects lower advertising and ancillary revenues. The increase of $51 million in *Media Networks* revenues in the nine months reflects higher affiliate fee revenues, partially offset by lower advertising and ancillary revenues.

Operating Income

Adjusted operating income decreased $92 million, or 9%, to $903 million in the quarter ended June 30, 2012. *Media Networks* adjusted operating income decreased $99 million, reflecting the overall decrease in revenues, partially offset by a decrease in expenses. *Filmed Entertainment* adjusted operating income decreased $3 million, reflecting the revenue decline, substantially offset by lower expenses. Corporate expenses decreased $15 million, principally reflecting a decrease in variable compensation costs. Adjusted results for the quarter ended June 30, 2011 exclude the impact of a restructuring charge. Including the impact of the restructuring charge, operating income decreased $78 million, or 8%, in the quarter ended June 30, 2012.

Adjusted operating income increased $56 million, or 2%, to $2.851 billion in the nine months ended June 30, 2012. *Media Networks* adjusted operating income increased $66 million, principally reflecting the overall increase in revenues. *Filmed Entertainment* adjusted operating income decreased $26 million, principally reflecting the difficult comparison against the benefit from the sale of the distribution rights to *The Avengers* and *Iron Man 3* to Marvel in the prior year, partially offset by this year's increased digital revenues. Adjusted results for the nine months ended June 30, 2011 exclude the impact of the prior year restructuring charge. Including the impact of the restructuring charge, operating income increased $70 million, or 3%, in the nine months ended June 30, 2012.

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

Net Earnings from Continuing Operations Attributable to Viacom

Adjusted net earnings from continuing operations attributable to Viacom decreased $71 million, or 12%, in the quarter ended June 30, 2012, principally due to the decrease in tax-effected adjusted operating income described above and foreign exchange losses, included within *Other items, net,* reflecting the strengthening of the U.S. Dollar. Our effective income tax rate was 34.5% in the quarters ended June 30, 2012 and 2011, excluding the impact of discrete items. Adjusted diluted EPS from continuing operations decreased $0.02 per diluted share to $0.97 for the quarter ended June 30, 2012, reflecting the decrease in adjusted net earnings from continuing operations, partially offset by fewer outstanding shares due to our ongoing stock repurchase program. Including the impact of the current year discrete tax benefits and prior year restructuring charge, net earnings from continuing operations attributable to Viacom decreased $51 million, or 9%, in the quarter ended June 30, 2012, and diluted EPS from continuing operations increased $0.02 per diluted share to $0.99.

Adjusted net earnings from continuing operations attributable to Viacom increased $5 million in the nine months ended June 30, 2012, principally due to the increase in tax-effected adjusted operating income described above, partially offset by lower equity income due to a Viacom 18 equity loss and foreign exchange losses. Our effective income tax rate was 34.5% in the nine months ended June 30, 2012 and 2011, excluding the impact of discrete items. Adjusted diluted EPS from continuing operations increased $0.29 per diluted share to $3.01 for the nine months ended June 30, 2012, principally reflecting fewer outstanding shares. Including the impact of the current year discrete tax benefits, prior year restructuring charge, and losses on extinguishment of debt in both years, net earnings from continuing operations attributable to Viacom increased $132 million, or 8%, in the nine months ended June 30, 2012, and diluted EPS from continuing operations increased $0.51 per diluted share to $3.13.

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

Discontinued Operations, Net of Tax

The $371 million loss from discontinued operations for the nine months ended June 30, 2012 principally reflects a $383 million charge related to the earn-out dispute with the former shareholders of Harmonix, which we sold in December 2010. The $10 million loss from discontinued operations for the nine months ended June 30, 2011 includes a $12 million loss from operations for the period through the date of the sale of Harmonix and a $14 million loss on disposal, partially offset by the related tax benefit.

SEGMENT RESULTS OF OPERATIONS

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

Media Networks

	Quarter Ended June 30,		Better/(Worse)		Nine Months Ended June 30,		Better/(Worse)	
(in millions)	2012	2011	$	%	2012	2011	$	%
Revenues by Component								
Advertising	**$ 1,166**	$ 1,275	$ (109)	(9)	**$ 3,593**	$ 3,744	$ (151)	(4)%
Affiliate fees	**976**	971	5	1%	**2,911**	2,636	275	10
Ancillary	**124**	145	(21)	(14)	**400**	473	(73)	(15)
Total revenues by component	**$ 2,266**	$ 2,391	$ (125)	(5)%	**$ 6,904**	$ 6,853	$ 51	1%
Expenses								
Operating	**$ 798**	$ 765	$ (33)	(4)%	**$ 2,348**	$ 2,258	$ (90)	(4)%
Selling, general and administrative	**499**	551	52	9	**1,490**	1,571	81	5
Depreciation and amortization	**35**	42	7	17	**110**	134	24	18
Total expenses	**$ 1,332**	$ 1,358	$ 26	2%	**$ 3,948**	$ 3,963	$ 15	-
Adjusted Operating Income	**$ 934**	$ 1,033	$ (99)	(10)%	**$ 2,956**	$ 2,890	$ 66	2%

Revenues

Our *Media Networks* segment generates revenues principally in three categories: (i) the sale of advertising time related to our content and associated marketing services, (ii) affiliate fees from cable television operators, direct-to-home satellite television operators, digital distributors and mobile networks and (iii) ancillary revenues, which include consumer products licensing, brand licensing, home entertainment sales of our programming, television syndication and casual gaming. Our advertising revenues may be affected by the strength of advertising markets and general economic conditions and may fluctuate depending on the success of our programming, as measured by viewership, at any given time. Audience measurement ratings may vary due to the timing of availability of new episodes of popular programming, success of our programming, performance of competing programs and methods used by third parties to measure ratings.

Worldwide revenues decreased $125 million, or 5%, to $2.266 billion in the quarter ended June 30, 2012, driven by lower advertising and ancillary revenues. Domestic revenues were $1.935 billion, a decrease of $101 million, or 5%. International revenues were $331 million, a decrease of $24 million, or 7%, with a 4-percentage point unfavorable impact from foreign exchange.

Worldwide revenues increased $51 million, or 1%, to $6.904 billion in the nine months ended June 30, 2012, driven by higher affiliate fee revenues, partially offset by lower advertising and ancillary revenues. Domestic

Table of Contents

revenues were $5.837 billion, an increase of $50 million, or 1%. International revenues were substantially flat at $1.067 billion, including a 2-percentage point unfavorable impact from foreign exchange.

Advertising
Worldwide advertising revenues decreased $109 million, or 9%, to $1.166 billion in the quarter ended June 30, 2012. Domestic advertising revenues decreased 7%. Approximately half of the decline was due to the timing of event-driven programming, with the remainder principally reflecting an increase in our audience deficiency unit liability. Lower ratings at certain networks required us to increase the liability associated with the under-delivery of ratings guarantees. The average unit pricing in the prior year quarter benefited from both the Nickelodeon Kids' Choice Awards, which aired in our fiscal second quarter this year, and BET Awards, which aired in our fiscal fourth quarter this year. International advertising revenues decreased 18% in the quarter, including lower revenues from certain production and promotional events. Foreign exchange also had a 6-percentage point unfavorable impact on international advertising revenues.

Worldwide advertising revenues decreased $151 million, or 4%, to $3.593 billion in the nine months ended June 30, 2012. Domestic advertising revenues decreased 3%, primarily driven by lower commercial units sold. During the period, lower commercial units sold reduced domestic revenues by 4%, reflecting a combination of lower ratings and market demand. Lower ratings resulted in fewer commercial units being available for sale as units were used in the first half of the year to achieve ratings guarantees. The impact of the decline in units sold was partially offset by a modest increase in average unit pricing. International advertising revenues decreased 10% in the nine months, including lower revenues from certain production and promotional events. Foreign exchange also had a 3-percentage point unfavorable impact on international advertising revenues.

Affiliate Fees
Worldwide affiliate fees increased $5 million, or 1%, to $976 million in the quarter ended June 30, 2012. Domestic affiliate revenues decreased 1%, reflecting a difficult comparison against the prior year quarter, which benefited from the availability of a significant amount of programming under our digital distribution arrangements, partially offset by rate increases. Excluding the impact of digital distribution arrangements, the domestic affiliate revenue growth rate was in the high-single digits. International affiliate revenues increased 10%, including availabilities under digital distribution arrangements. Foreign exchange had a 4-percentage point unfavorable impact on international affiliate revenues.

Worldwide affiliate fees increased $275 million, or 10%, to $2.911 billion in the nine months ended June 30, 2012, principally reflecting rate increases, as well as a benefit from the availability of certain programming related to digital distribution arrangements. Domestic affiliate revenues increased 9% and international revenues increased 17%, including a 2-percentage point unfavorable impact from foreign exchange. Excluding the impact of digital distribution arrangements, the domestic affiliate revenue growth rate was in the high-single digits.

Ancillary
Worldwide ancillary revenues decreased $21 million, or 14%, to $124 million in the quarter and $73 million, or 15%, to $400 million in the nine months ended June 30, 2012, principally reflecting lower consumer products licensing and home entertainment revenues.

Expenses

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 manufacturing and distribution of home entertainment products and consumer products licensing, participation fees and other costs of sales. SG&A expenses consist primarily of employee compensation, marketing, research and professional

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

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.

Total expenses decreased $26 million, or 2%, to $1.332 billion in the quarter and $15 million to $3.948 billion in the nine months ended June 30, 2012, reflecting decreases in SG&A expenses and depreciation and amortization, partially offset by increases in operating expenses.

Operating
Operating expenses increased $33 million, or 4%, to $798 million in the quarter and $90 million, or 4%, to $2.348 billion in the nine months ended June 30, 2012. Programming expenses increased $41 million, or 6%, in the quarter and $80 million, or 4%, in the nine months, principally reflecting expenses associated with our continuing investment in programming. Distribution and other expenses, including participations related to digital distribution arrangements, decreased $8 million, or 9%, in the quarter and increased $10 million, or 4%, in the nine months ended June 30, 2012.

Selling, General and Administrative
SG&A expenses decreased $52 million, or 9%, to $499 million in the quarter and $81 million, or 5%, to $1.490 billion in the nine months ended June 30, 2012, principally due to lower incentive-based compensation accruals, as well as savings from our 2011 restructuring actions. The quarter also reflects lower advertising and promotional expenses principally due to the timing of event-driven programming.

Depreciation and Amortization
Depreciation and amortization decreased $7 million, or 17%, to $35 million in the quarter and $24 million, or 18%, to $110 million in the nine months ended June 30, 2012, principally resulting from lower intangible asset and capital lease amortization.

Adjusted Operating Income

Adjusted operating income decreased $99 million, or 10%, to $934 million in the quarter, reflecting the overall decrease in revenues, partially offset by a decrease in expenses. Adjusted operating income increased $66 million, or 2%, to $2.956 billion in the nine months ended June 30, 2012, principally reflecting the overall increase in revenues.

Filmed Entertainment

(in millions)	Quarter Ended June 30, 2012	Quarter Ended June 30, 2011	Better/(Worse) $	Better/(Worse) %	Nine Months Ended June 30, 2012	Nine Months Ended June 30, 2011	Better/(Worse) $	Better/(Worse) %
Revenues by Component								
Theatrical	**$ 283**	$ 588	$ (305)	(52)%	**$ 1,179**	$ 1,405	$ (226)	(16)%
Home entertainment	**304**	331	(27)	(8)	**1,317**	1,379	(62)	(4)
Television license fees	**315**	416	(101)	(24)	**930**	1,026	(96)	(9)
Ancillary	**104**	72	32	44	**307**	320	(13)	(4)
Total revenues by component	**$ 1,006**	$ 1,407	$ (401)	(29)%	**$ 3,733**	$ 4,130	$ (397)	(10)%
Expenses								
Operating	**$ 833**	$ 1,214	$ 381	31%	**$ 3,195**	$ 3,549	$ 354	10%
Selling, general & administrative	**106**	122	16	13	**343**	359	16	4
Depreciation & amortization	**21**	22	1	5	**65**	66	1	2
Total expenses	**$ 960**	$ 1,358	$ 398	29%	**$ 3,603**	$ 3,974	$ 371	9%
Adjusted Operating Income	**$ 46**	$ 49	$ (3)	(6)%	**$ 130**	$ 156	$ (26)	(17)%

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

Revenues

Our *Filmed Entertainment* segment generates revenues worldwide principally from: (i) the theatrical release and/or distribution of motion pictures, (ii) home entertainment, which includes sales of DVD, Blu-ray and other products relating to the motion pictures we release theatrically and direct-to-DVD, as well as certain other programming, including content we distribute on behalf of third parties, (iii) television and digital license fees paid worldwide by third parties for film exhibition rights during the various other distribution windows and through digital distributors and (iv) ancillary revenues from providing production services to third parties, primarily at Paramount's studio lot, licensing of its brands for consumer products and theme parks, distribution of content specifically developed for digital platforms and game distribution.

Worldwide revenues decreased $401 million, or 29%, to $1.006 billion in the quarter and $397 million, or 10%, to $3.733 billion in the nine months ended June 30, 2012, driven by lower theatrical, television license fee and home entertainment revenues. The decrease in the quarter was partially offset by higher ancillary revenues. Domestic revenues were $451 million in the quarter, a decrease of $213 million, or 32%, and $1.685 billion in the nine months ended June 30, 2012, a decrease of $435 million, or 21%. International revenues were $555 million in the quarter, a decrease of $188 million, or 25%, and $2.048 billion in the nine months ended June 30, 2012, an increase of $38 million, or 2%. Foreign exchange had a 4-percentage point and 2-percentage point unfavorable impact on international revenues in the quarter and nine months, respectively. Worldwide revenues for our fiscal fourth quarter are expected to reflect a difficult comparison to the theatrical and domestic home entertainment performance of *Transformers: Dark of the Moon* in the prior year.

Theatrical
Worldwide theatrical revenues decreased $305 million, or 52%, to $283 million in the quarter ended June 30, 2012, reflecting the number and mix of our current quarter releases. During the quarter, we released three films, DreamWorks Animation's *Madagascar 3: Europe's Most Wanted*, *The Dictator* and *Titanic 3D*. In the comparable period of 2011, we released four films. Revenues from our current quarter releases were $282 million lower than the prior year quarter, principally due to the difficult comparison against last year's release of Marvel's *Thor*. The decline in revenues also reflects lower carryover revenues from our prior quarter releases of $23 million. Domestic and international theatrical revenues decreased 47% and 56%, respectively. Foreign exchange had a 5-percentage point unfavorable impact on international theatrical revenues.

Worldwide theatrical revenues decreased $226 million, or 16%, to $1.179 billion in the nine months ended June 30, 2012, principally reflecting the lower revenues from our current quarter releases. During each of the nine months ended June 30, 2012 and 2011, we released fourteen films. This year's films included *Mission: Impossible – Ghost Protocol*, DreamWorks Animation's *Puss in Boots* and *Madagascar 3: Europe's Most Wanted*, and *Paranormal Activity 3.* Domestic and international theatrical revenues decreased 28% and 4%, respectively. Foreign exchange had a 3-percentage point unfavorable impact on international theatrical revenues.

Home Entertainment
Worldwide home entertainment revenues decreased $27 million, or 8%, to $304 million in the quarter ended June 30, 2012, principally reflecting the mix of titles released in the current quarter. During the quarter, we released *Mission: Impossible – Ghost Protocol*, as well as three titles that were less widely distributed than those in the prior year quarter, *The Devil Inside*, *A Thousand Words* and *Jeff, Who Lives at Home.* In the comparable period of 2011, we also released four titles, including *True Grit*, *Justin Bieber: Never Say Never* and *No Strings Attached*. Domestic home entertainment revenues decreased 26%, while international revenues increased 13%, principally reflecting the timing of our international releases. Foreign exchange had a 6-percentage point unfavorable impact on international home entertainment revenues.

Worldwide home entertainment revenues decreased $62 million, or 4%, to $1.317 billion in the nine months ended June 30, 2012. Current year releases included Marvel's *Captain America: The First Avenger*, DreamWorks Animation's *Kung Fu Panda 2* and *Puss in Boots*, *Mission: Impossible – Ghost Protocol* and *Super 8*. The decrease in revenues was principally driven by lower revenues from our third-party distribution arrangements, partially offset by the strength of the international release of *Transformers: Dark of the Moon*. Domestic home entertainment revenues decreased 9%, while international revenues increased 1%, including a 2-percentage point unfavorable impact from foreign exchange.

Television License Fees
Worldwide television license fees decreased $101 million, or 24%, to $315 million in the quarter and $96 million, or 9%, to $930 million in the nine months ended June 30, 2012, driven by the number and mix of available titles.

Ancillary
Worldwide ancillary revenues increased $32 million, or 44%, to $104 million in the quarter ended June 30, 2012, driven by higher digital revenues.

Worldwide ancillary revenues decreased $13 million, or 4%, to $307 million in the nine months ended June 30, 2012, reflecting the comparison against the sale of the distribution rights to *The Avengers* and *Iron Man 3* to Marvel in the prior year for approximately $115 million, partially offset by higher digital and merchandising revenues.

Expenses

Filmed Entertainment segment expenses consist of operating expenses, SG&A expenses and depreciation and amortization. Operating expenses principally include the amortization of film costs of our released feature films (including participations accrued under our third-party distribution arrangements), print and advertising expenses and other distribution costs. SG&A expenses include employee compensation, facility and occupancy costs, professional service fees and other overhead costs. Depreciation and amortization expense includes depreciation of fixed assets and amortization of finite-lived intangible assets.

Total expenses decreased $398 million, or 29%, to $960 million in the quarter and $371 million, or 9%, to $3.603 billion in the nine months ended June 30, 2012, principally driven by a decrease in operating expenses.

Operating
Operating expenses decreased $381 million, or 31%, to $833 million in the quarter and $354 million, or 10%, to $3.195 billion in the nine months ended June 30, 2012, principally due to the mix of theatrical releases. Distribution and other costs, principally print and advertising expenses, decreased $194 million, or 33%, and $201 million, or 11%, in the quarter and nine months, respectively. Film costs decreased $187 million, or 30%, and $153 million, or 9%, in the quarter and nine months, respectively.

Selling, General and Administrative
SG&A expenses decreased $16 million, or 13%, to $106 million in the quarter and $16 million, or 4%, to $343 million in the nine months ended June 30, 2012, principally driven by savings from our 2011 restructuring actions.

Adjusted Operating Income

Adjusted operating income decreased $3 million, or 6%, to $46 million in the quarter ended June 30, 2012, reflecting the revenue decline, substantially offset by lower expenses. Adjusted operating income decreased $26 million, or 17%, to $130 million in the nine months ended June 30, 2012, principally reflecting the difficult comparison against the benefit from the sale of the distribution rights to *The Avengers* and *Iron Man 3* to Marvel in the prior year, partially offset by this year's increased digital revenues.

FACTORS AFFECTING COMPARABILITY

The consolidated financial statements as of and for the quarter and nine months ended June 30, 2012 and 2011 reflect our results of operations, financial position and cash flows reported in accordance with U.S. GAAP. Results for the aforementioned periods, as discussed in the section entitled "*Overview*", have been affected by certain items identified as affecting comparability.

Table of Contents

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

The following tables reconcile our adjusted measures to our reported results for the quarter and nine months ended June 30, 2012 and 2011.

	Quarter Ended June 30, 2012			
(in millions, except per share amounts)	Operating Income	Pre-tax Earnings from Continuing Operations(1)	Net Earnings from Continuing Operations Attributable to Viacom(2)	Diluted EPS from Continuing Operations
Reported results	$ 903	$ 802	$ 523	$ 0.99
Factors Affecting Comparability:				
Discrete tax benefits	-	-	(11)	(0.02)
Adjusted results	$ 903	$ 802	$ 512	$ 0.97

	Nine Months Ended June 30, 2012			
(in millions, except per share amounts)	Operating Income	Pre-tax Earnings from Continuing Operations(1)	Net Earnings from Continuing Operations Attributable to Viacom(2)	Diluted EPS from Continuing Operations
Reported results	$ 2,851	$ 2,531	$ 1,702	$ 3.13
Factors Affecting Comparability:				
Extinguishment of debt	-	21	13	0.02
Discrete tax benefits	-	-	(77)	(0.14)
Adjusted results	$ 2,851	$ 2,552	$ 1,638	$ 3.01

	Quarter Ended June 30, 2011			
(in millions, except per share amounts)	Operating Income	Pre-tax Earnings from Continuing Operations(1)	Net Earnings from Continuing Operations Attributable to Viacom(2)	Diluted EPS from Continuing Operations
Reported results	$ 981	$ 899	$ 574	$ 0.97
Factors Affecting Comparability:				
Restructuring	14	14	9	0.02
Adjusted results	$ 995	$ 913	$ 583	$ 0.99

	Nine Months Ended June 30, 2011			
(in millions, except per share amounts)	Operating Income	Pre-tax Earnings from Continuing Operations(1)	Net Earnings from Continuing Operations Attributable to Viacom(2)	Diluted EPS from Continuing Operations
Reported results	$ 2,781	$ 2,438	$ 1,570	$ 2.62
Factors Affecting Comparability:				
Restructuring	14	14	9	0.01
Extinguishment of debt	-	87	54	0.09
Adjusted results	$ 2,795	$ 2,539	$ 1,633	$ 2.72

(1) Pre-tax earnings from continuing operations represent earnings before provision for income taxes.
(2) The tax impact has been calculated using the rates applicable to the adjustments presented.

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

Discrete Tax Items

In the quarter and nine months ended June 30, 2012, our effective income tax rate was 34.5%, excluding the impact of discrete items. Discrete tax benefits of $11 million contributed 1.3 percentage points of tax benefit in the quarter, which reconciles to the reported effective rate of 33.2%. Discrete tax benefits of $77 million, taken together with the effective income tax rate impact of the loss on extinguishment of debt, contributed 3.1 percentage points of tax benefit in the nine months, which reconciles to the reported effective rate of 31.4%. The benefits recognized in the quarter principally reflect the release of tax reserves with respect to certain effectively settled tax positions. The benefits earlier in the year were recognized upon determining that certain operating and capital loss carryforward benefits are now more likely than not to be realized.

In the nine months ended June 30, 2011, our effective income tax rate was 34.5%, excluding the effective income tax rate impact of the loss on extinguishment of debt. The discrete effective income tax rate impact of the loss was 0.1 incremental percentage points of tax benefit, which reconciles to the reported effective rate of 34.4%.

Extinguishment of Debt

During the nine months ended June 30, 2012, we redeemed all $750 million of our outstanding 6.850% Senior Notes due December 2055 (the "2055 Notes") at a redemption price equal to 100% of the principal amount of each 2055 Note, plus accrued interest thereon. As a result of the redemption, we expensed the unamortized issuance costs associated with the 2055 Notes, which resulted in a pre-tax extinguishment loss of $21 million.

During the nine months ended June 30, 2011, we repurchased $582 million of the $1.5 billion aggregate principal of our 6.250% Senior Notes due 2016 at a purchase price of $1,153.50 per $1,000, which resulted in a pre-tax extinguishment loss of $87 million.

Restructuring

During the quarter ended June 30, 2011, the *Media Networks* segment incurred employee separation costs, including accelerated vesting of certain equity-based compensation awards, of $14 million, which is included within *Restructuring* in our Consolidated Statement of Earnings.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Sources and Uses of Cash

Our primary source of liquidity is cash provided through the operations of our businesses. Our principal uses of cash in operations include the creation of new programming and film content, acquisitions of third-party content, and interest and tax payments. We also use cash for capital expenditures, acquisitions of businesses, quarterly cash dividends and discretionary share repurchases under our stock repurchase program, as deemed appropriate. Our cash flows from operations, together with our credit facilities, provide us with adequate resources to fund our anticipated ongoing cash requirements.

We have and 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 facilities 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.

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

Cash Flows

Cash and cash equivalents decreased by $247 million in the nine months ended June 30, 2012.

Operating Activities
Cash provided by operations was $1.736 billion for the nine months ended June 30, 2012, a decrease of $100 million compared with the same period in 2011. The decrease principally reflects higher programming spending and film participation payments, the timing of annual incentive compensation payments as a result of our prior year fiscal year end change and payments related to our 2011 restructuring actions, partially offset by a favorable working capital position and the comparison against the payment of a premium on our debt extinguishment in the prior year.

Investing Activities
Cash used in investing activities was $212 million for the nine months ended June 30, 2012, compared with $135 million in the nine months ended June 30, 2011. The increase reflects a payment related to the earn-out dispute with the former shareholders of Harmonix. In addition, lower spending on acquisitions and investments was substantially offset by an increase in capital expenditures. In 2011, cash used in investing activities included $58 million related to acquisitions and investments principally reflecting an investment in a European television programmer.

Financing Activities
Cash used in financing activities was $1.750 billion for the nine months ended June 30, 2012, compared with $1.598 billion in the same period in 2011. The net outflow was primarily driven by the settlement of share repurchases and dividends. During the nine months ended June 30, 2012, we repurchased 45.7 million shares for an aggregate price of $2.100 billion and paid $411 million in dividends. From July 1, 2012 through August 2, 2012, we repurchased an additional 4.6 million shares for an aggregate purchase price of $216 million. The net impact of our issuance of $2.150 billion of senior notes and debentures and debt repayments of $1.315 billion contributed a partially offsetting inflow. In the prior year, cash used in financing activities was driven by share repurchases of $1.600 billion and dividends of $272 million, partially offset by the net impact of our senior notes issuances and debt repayments.

As of August 2, 2012, we had $5.184 billion remaining in our $10.0 billion stock repurchase program. The remaining share repurchases under the program are expected to be funded through a combination of cash generated by operations, borrowings under our credit facilities and external financing, as deemed appropriate.

In May 2012, we increased our quarterly dividend to $0.275 per share of Class A and B common stock from $0.25 per share, beginning with the dividend payable on July 2, 2012.

Capital Resources

Capital Structure and Debt

At June 30, 2012, total debt was $8.164 billion, an increase of $799 million from $7.365 billion at September 30, 2011. The increase in debt reflects the impact of new issuances of senior notes and debentures, partially offset by repayments. Together, these transactions result in a reduction of the weighted-average borrowing cost of our public debt.

During the nine months ended June 30, 2012, we took advantage of favorable market conditions and issued a total of $2.150 billion of senior notes and debentures. In December 2011, we issued $400 million aggregate principal amount of 2.500% Senior Notes due 2016 at a price equal to 99.366% of the principal amount and $600 million aggregate principal amount of 3.875% Senior Notes due 2021 at a price equal to 98.361% of the principal

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

amount. In February 2012, we issued $500 million aggregate principal amount of 1.250% Senior Notes due 2015 at a price equal to 99.789% of the principal amount and $250 million aggregate principal amount of 4.500% Senior Debentures due 2042 at a price equal to 98.063% of the principal amount. In June 2012, we issued $300 million aggregate principal amount of 3.125% Senior Notes due 2022 at a price equal to 98.553% of the principal amount and an additional $100 million aggregate principal amount of our 1.250% Senior Notes due 2015 at a price equal to 100.026% of the principal amount. We used the net proceeds from these offerings for general corporate purposes, including the repayment of outstanding indebtedness and the repurchase of shares under our stock repurchase program.

On January 9, 2012, we redeemed all $750 million of our outstanding 6.850% Senior Notes due December 2055 at a redemption price equal to 100% of the principal amount of each 2055 Note, plus accrued interest thereon.

Credit Facilities

In December 2011, we entered into an amendment to our $2.0 billion three-year revolving credit agreement, dated as of October 8, 2010, which modifies certain provisions of the original agreement to, among other things, (i) increase the amount of the credit facility from $2.0 billion to $2.1 billion, (ii) extend the maturity date of the credit facility from October 2013 to December 2015 and (iii) reduce the LIBOR-based borrowing rates under the credit facility to LIBOR plus a margin ranging from 0.5% to 1.5% based on our current public debt rating. The facility has one principal financial covenant that requires the Company's interest coverage for the most recent four consecutive fiscal quarters to be at least 3.0x, which the Company met at June 30, 2012.

In November 2011, we entered into two 364-day bank credit facilities for an aggregate amount of $600 million. The facilities will be used for general corporate purposes. The facilities contain covenants that are substantially the same as those contained in our $2.1 billion revolving credit facility. Borrowing rates under the facilities are determined at the time of each borrowing and are generally based on LIBOR plus a margin.

At June 30, 2012, there were no amounts outstanding under our credit facilities.

Commitments and Contingencies

Legal Matters

Our 2006 acquisition agreement with Harmonix provided that to the extent financial results exceeded specific contractual targets against a defined gross profit metric for the calendar years 2007 and 2008, former Harmonix shareholders would be eligible for incremental earn-out payments. In 2008, we paid $150 million, subject to adjustment, under this earn-out agreement. A private dispute resolution process was commenced as provided in the acquisition agreement to determine the final amount of the earn-out. On December 19, 2011, the resolution accountants in the private dispute resolution process issued their determination, finding that we owe an additional $383 million under the agreement, as compared to the additional $700 million sought by the former shareholders. We recorded a reserve of $383 million in the quarter ended December 31, 2011, which is reflected in *Other liabilities – current* on the Consolidated Balance Sheets, and paid $84 million of this amount in the quarter ended June 30, 2012, plus accrued interest of $3 million.

On December 27, 2011, we commenced a lawsuit in the Delaware Court of Chancery to vacate the determination of the resolution accountants on the grounds that they improperly failed to consider arguments and evidence put before them. In responsive pleadings and motions, the shareholder representative has sought confirmation of the determination of the resolution accountants and has opposed our efforts to vacate that determination.

Approximately $13 million is being held in escrow to secure the former shareholders' indemnification obligations to us under the acquisition agreement. We believe we are entitled to all the funds being held in escrow and that we are also entitled to reduce the earn-out payment to the extent the amount the Company is entitled to recover under the former shareholders' indemnification obligations exceeds the amount held in escrow. In December 2010, the shareholder representative filed a lawsuit in the Court of Chancery for the State of Delaware seeking the release of the funds being held in escrow. The lawsuit also asserted certain other claims. In May 2011, we filed a motion to dismiss the portion of the shareholder representative's amended complaint that related to the other claims as meritless, and in November 2011, the court dismissed those claims. We continue to vigorously oppose the remaining claims in the lawsuit regarding the funds held in escrow and to seek full indemnification under the acquisition agreement.

Contractual Obligations

Our minimum rental payments under noncancelable leases have increased by approximately $900 million principally due to the April 2012 extension of our world headquarters office lease through June 2031.

OTHER MATTERS

Related Parties

In the ordinary course of business we enter into transactions with related parties, including NAI, CBS Corporation, their respective subsidiaries and affiliates, and companies that we account for under the equity method of accounting. For additional information, see Note 9 to the Consolidated Financial Statements.

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 actual results, performance or achievements to differ. These risks, uncertainties and other factors include, among others: the public acceptance of our programs, motion pictures and other entertainment content on the various platforms on which they are distributed; technological developments and their effect in our markets and on consumer behavior; competition for audiences and distribution; the impact of piracy; economic conditions generally, and in advertising and retail markets in particular; fluctuations in our results due to the timing, mix and availability of our motion pictures; changes in the Federal communications laws and regulations; other domestic and global economic, business, competitive and/or regulatory factors affecting our businesses generally; and other factors described in our news releases and filings with the Securities and Exchange Commission, including our 2011 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 enter into financial instrument transactions for speculative purposes.

Item 4. ***Controls and Procedures.***

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

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2012 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 2011 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 10 to the Consolidated Financial Statements included elsewhere in this report.

Item 1A. ***Risk Factors.***

A wide range of risks may affect our business and financial results, now and in the future. We consider the risks described in our 2011 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.***

The following table provides information about our purchases of Viacom Class B common stock during the quarter ended June 30, 2012 under our stock repurchase program. On November 9, 2011, we increased the aggregate amount of the program from $4.0 billion to $10.0 billion.

Open Market Purchases	Total Number of Shares Purchased *(thousands)*	Average Price Paid per Share *(dollars)*	Approximate Dollar Value of Shares that May Yet Be Purchased Under Program *(millions)*
Month ended April 30, 2012	4,354	$ 46.85	$ 5,896
Month ended May 31, 2012	5,038	$ 47.64	$ 5,656
Month ended June 30, 2012	5,439	$ 47.07	$ 5,400

Table of Contents

Item 6. ***Exhibits.***

Exhibit No.	Description of Exhibit
4.1	Eleventh Supplemental Indenture, dated as of June 14, 2012, between Viacom Inc. and The Bank of New York Mellon, as Trustee (including forms of the Senior Notes) (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Viacom Inc. filed June 14, 2012) (File No. 001-32686).
31.1*	Certification of the Chief Executive Officer of Viacom Inc. pursuant to Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer of Viacom Inc. pursuant to Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of the Chief Executive Officer of Viacom Inc. furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of the Chief Financial Officer of Viacom Inc. furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase.
101.LAB*	XBRL Taxonomy Extension Label Linkbase.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase.

* Filed herewith

Table of Contents

SIGNATURES

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

VIACOM INC.

Date: August 3, 2012	By:	/S/ JAMES W. BARGE
		James W. Barge *Executive Vice President, Chief Financial Officer*
Date: August 3, 2012	By:	/S/ KATHERINE GILL-CHAREST
		Katherine Gill-Charest *Senior Vice President, Controller* *(Chief Accounting Officer)*

Exhibit 31.1

CERTIFICATION

I, Philippe P. Dauman, 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: August 3, 2012

/S/ PHILIPPE P. DAUMAN
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, James W. Barge, 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: August 3, 2012

/S/ JAMES W. BARGE
Executive Vice President, Chief Financial Officer

Exhibit 32.1

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 June 30, 2012 as filed with the Securities and Exchange Commission (the "Report"), I, Philippe P. Dauman, 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/ PHILIPPE P. DAUMAN
Philippe P. Dauman
August 3, 2012

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.

Exhibit 32.2

**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 June 30, 2012 as filed with the Securities and Exchange Commission (the "Report"), I, James W. Barge, 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/ JAMES W. BARGE

James W. Barge
August 3, 2012

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.