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

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**FORM 10-Q**

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

**For the quarterly period ended December 31, 2013**

**OR**

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

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

**Commission File Number 001-32686**

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**VIACOM INC.**

(Exact name of registrant as specified in its charter)

**DELAWARE**

(State or other jurisdiction of  
incorporation or organization)

**20-3515052**

(I.R.S. Employer  
Identification Number)

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**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)

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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 January 15, 2014
Class A common stock, par value \$0.001 per share	51,042,384
Class B common stock, par value \$0.001 per share	387,010,782

**VIACOM INC.**  
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# PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements.

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

(in millions, except per share amounts)	Quarter Ended December 31,	
	2013	2012
Revenues	\$ 3,197	\$ 3,314
Expenses:		
Operating	1,474	1,763
Selling, general and administrative	704	697
Depreciation and amortization	59	57
Total expenses	2,237	2,517
Operating income	960	797
Interest expense, net	(149)	(110)
Equity in net earnings of investee companies	26	24
Other items, net	—	7
Earnings from continuing operations before provision for income taxes	837	718
Provision for income taxes	(280)	(236)
Net earnings from continuing operations	557	482
Discontinued operations, net of tax	—	(3)
Net earnings (Viacom and noncontrolling interests)	557	479
Net earnings attributable to noncontrolling interests	(10)	(9)
Net earnings attributable to Viacom	\$ 547	\$ 470
Amounts attributable to Viacom:		
Net earnings from continuing operations	\$ 547	\$ 473
Discontinued operations, net of tax	—	(3)
Net earnings attributable to Viacom	\$ 547	\$ 470
Basic earnings per share attributable to Viacom:		
Continuing operations	\$ 1.23	\$ 0.94
Discontinued operations	—	—
Net earnings	\$ 1.23	\$ 0.94
Diluted earnings per share attributable to Viacom:		
Continuing operations	\$ 1.20	\$ 0.93
Discontinued operations	—	(0.01)
Net earnings	\$ 1.20	\$ 0.92
Weighted average number of common shares outstanding:		
Basic	444.9	501.5
Diluted	454.0	509.1
Dividends declared per share of Class A and Class B common stock	\$ 0.30	\$ 0.275

See accompanying notes to Consolidated Financial Statements

**VIACOM INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(Unaudited)**

(in millions)	Quarter Ended December 31,	
	2013	2012
Net earnings (Viacom and noncontrolling interests)	\$ 557	\$ 479
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	26	(18)
Defined benefit pension plans, net of income tax expense of \$0 and \$11, respectively	—	14
Cash flow hedges, net of income tax (benefit) of \$0 and \$(6), respectively	—	7
Available for sale securities, net of income tax expense of \$0 and \$1, respectively	—	3
Other comprehensive income (Viacom and noncontrolling interests)	26	6
Comprehensive income	583	485
Less: Comprehensive income attributable to noncontrolling interests	11	7
Comprehensive income attributable to Viacom	\$ 572	\$ 478

*See accompanying notes to Consolidated Financial Statements*

**VIACOM INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**

(in millions, except par value)	December 31, 2013	September 30, 2013
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,417	\$ 2,403
Receivables, net	2,916	2,987
Inventory, net	728	770
Deferred tax assets, net	60	58
Prepaid and other assets	326	508
Total current assets	5,447	6,726
Property and equipment, net	1,025	1,040
Inventory, net	4,156	3,945
Goodwill	11,092	11,079
Intangibles, net	266	279
Other assets	792	760
Total assets	\$ 22,778	\$ 23,829
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 242	\$ 316
Accrued expenses	789	1,074
Participants' share and residuals	1,090	1,110
Program rights obligations	556	576
Deferred revenue	218	230
Current portion of debt	18	18
Other liabilities	310	466
Total current liabilities	3,223	3,790
Noncurrent portion of debt	11,868	11,867
Participants' share and residuals	376	437
Program rights obligations	500	527
Deferred tax liabilities, net	621	649
Other liabilities	1,185	1,169
Redeemable noncontrolling interest	206	200
Commitments and contingencies (Note 7)		
Viacom stockholders' equity:		
Class A common stock, par value \$0.001, 375.0 authorized; 51.0 and 51.1 outstanding, respectively	—	—
Class B common stock, par value \$0.001, 5,000.0 authorized; 388.5 and 398.2 outstanding, respectively	—	—
Additional paid-in capital	9,513	9,490
Treasury stock, 346.6 and 336.3 common shares held in treasury, respectively	(16,675)	(15,825)
Retained earnings	12,040	11,629
Accumulated other comprehensive loss	(76)	(101)
Total Viacom stockholders' equity	4,802	5,193
Noncontrolling interests	(3)	(3)
Total equity	4,799	5,190
Total liabilities and equity	\$ 22,778	\$ 23,829

*See accompanying notes to Consolidated Financial Statements*

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

(in millions)	Quarter Ended December 31,	
	2013	2012
<b>OPERATING ACTIVITIES</b>		
Net earnings (Viacom and noncontrolling interests)	\$ 557	\$ 479
Discontinued operations, net of tax	—	3
Net earnings from continuing operations	557	482
Reconciling items:		
Depreciation and amortization	59	57
Feature film and program amortization	907	1,022
Equity-based compensation	32	31
Equity in net earnings and distributions from investee companies	(22)	(15)
Deferred income taxes	(30)	61
Operating assets and liabilities, net of acquisitions:		
Receivables	90	(45)
Inventory, program rights and participations	(1,185)	(912)
Accounts payable and other current liabilities	(121)	(75)
Other, net	6	(37)
Cash provided by operations	293	569
<b>INVESTING ACTIVITIES</b>		
Acquisitions and investments, net of cash acquired	6	(10)
Capital expenditures	(20)	(36)
Net cash flow used in investing activities	(14)	(46)
<b>FINANCING ACTIVITIES</b>		
Borrowings	—	242
Stock repurchases	(970)	(700)
Dividends paid	(271)	(277)
Excess tax benefits on equity-based compensation awards	5	16
Exercise of stock options	11	73
Other, net	(42)	(49)
Net cash flow used in financing activities	(1,267)	(695)
Effect of exchange rate changes on cash and cash equivalents	2	(5)
Net change in cash and cash equivalents	(986)	(177)
Cash and cash equivalents at beginning of period	2,403	848
Cash and cash equivalents at end of period	\$ 1,417	\$ 671

*See accompanying notes to Consolidated Financial Statements*

**VIACOM INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1. BASIS OF PRESENTATION**
**Description of Business**

Viacom Inc. is a leading global entertainment content company that connects with audiences in over 160 countries and territories and creates compelling television programs, motion pictures, short-form video, applications ("apps"), games, consumer products, social media and other entertainment content. 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, acquires and distributes motion pictures and other entertainment content under the Paramount Pictures, Paramount Vantage, Paramount Classics, Insurge Pictures, MTV Films and Nickelodeon Movies brands. References in this document to "Viacom", "Company", "we", "us" and "our" mean Viacom Inc. and our consolidated subsidiaries, unless the context requires otherwise.

**Unaudited Interim Financial Statements**

The accompanying unaudited consolidated quarterly financial statements have been prepared on a basis consistent with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and pursuant to the rules of the Securities and Exchange Commission ("SEC"). In the opinion of management, the accompanying unaudited financial statements reflect all adjustments, consisting of only normal and recurring adjustments, necessary for a fair presentation of our results of operations, financial position and cash flows for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results expected for the fiscal year ending September 30, 2014 ("fiscal 2014") or any future period. These financial statements should be read in conjunction with our Form 10-K for the year ended September 30, 2013, as filed with the SEC on November 14, 2013 (the "2013 Form 10-K").

**Use of Estimates**

Preparing financial statements in conformity with GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities as of the dates presented and the reported amounts of revenues and expenses during the periods presented. Significant estimates inherent in the preparation of the accompanying Consolidated Financial Statements include estimates of film ultimate revenues, product returns, 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 prior year amounts have been reclassified to conform to the fiscal 2014 presentation.

**NOTE 2. EARNINGS PER SHARE**

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

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

Weighted Average Number of Common Shares Outstanding and Anti-dilutive Common Shares (in millions)	Quarter Ended December 31,	
	2013	2012
Weighted average number of common shares outstanding, basic	444.9	501.5
Dilutive effect of equity awards	9.1	7.6
Weighted average number of common shares outstanding, diluted	454.0	509.1
Anti-dilutive common shares	—	7.3

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

**NOTE 3. INVENTORY**

Our total inventory consists of the following:

<b>Inventory</b> (in millions)	<b>December 31,</b> <b>2013</b>	<b>September 30,</b> <b>2013</b>
Film inventory:		
Released, net of amortization	\$ 651	\$ 570
Completed, not yet released	12	40
In process and other	777	653
Total film inventory, net of amortization	1,440	1,263
Original programming:		
Released, net of amortization	1,416	1,343
In process and other	561	590
Total original programming, net of amortization	1,977	1,933
Acquired program rights, net of amortization	1,335	1,391
Home entertainment inventory, net of allowance of \$79 and \$75, respectively	132	128
Total inventory, net	4,884	4,715
Less current portion	(728)	(770)
Total inventory-noncurrent, net	\$ 4,156	\$ 3,945

**NOTE 4. DEBT**

Our total debt consists of the following:

<b>Debt</b> (in millions)	<b>December 31,</b> <b>2013</b>	<b>September 30,</b> <b>2013</b>
Senior Notes and Debentures:		
Senior notes due September 2014, 4.375%	\$ 599	\$ 599
Senior notes due February 2015, 1.250%	600	600
Senior notes due September 2015, 4.250%	250	250
Senior notes due April 2016, 6.250%	917	917
Senior notes due December 2016, 2.500%	398	398
Senior notes due April 2017, 3.500%	498	497
Senior notes due October 2017, 6.125%	499	499
Senior notes due September 2018, 2.500%	497	497
Senior notes due September 2019, 5.625%	552	552
Senior notes due March 2021, 4.500%	494	494
Senior notes due December 2021, 3.875%	592	592
Senior notes due June 2022, 3.125%	296	296
Senior notes due March 2023, 3.250%	298	298
Senior notes due September 2023, 4.250%	1,238	1,237
Senior debentures due April 2036, 6.875%	1,072	1,072
Senior debentures due October 2037, 6.750%	76	76
Senior debentures due February 2042, 4.500%	245	245
Senior debentures due March 2043, 4.375%	1,086	1,085
Senior debentures due June 2043, 4.875%	249	249
Senior debentures due September 2043, 5.850%	1,242	1,242
Capital lease and other obligations	188	190
Total debt	11,886	11,885
Less current portion	(18)	(18)
Total noncurrent portion of debt	\$ 11,868	\$ 11,867

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

The total unamortized net discount related to the senior notes and debentures was \$422 million as of December 31, 2013. The fair value of our senior notes and debentures was approximately \$12.4 billion as of December 31, 2013. The valuation of our publicly traded debt is based on quoted prices in active markets.

At December 31, 2013, there were no amounts outstanding under our \$2.5 billion revolving credit facility due November 2017. The credit facility has one principal financial covenant that requires our interest coverage for the most recent four consecutive fiscal quarters to be at least 3.0x, which we met as of December 31, 2013.

The Senior Notes due in September 2014 are classified as long-term debt as we have the intent as well as the ability, through utilization of our \$2.5 billion revolving credit facility, to refinance this debt.

#### **NOTE 5. PENSION BENEFITS**

The components of net periodic benefit (income) cost for our defined benefit pension plans are as follows:

Net Periodic Benefit (Income) Costs (in millions)	Quarter Ended December 31,	
	2013	2012
Service cost	\$ —	\$ 8
Interest cost	12	11
Expected return on plan assets	(13)	(11)
Recognized actuarial loss	—	3
Prior service cost	—	1
Net periodic benefit (income) costs	<u>\$ (1)</u>	<u>\$ 12</u>

#### **NOTE 6. FAIR VALUE MEASUREMENTS**

The following table summarizes our financial assets and liabilities measured and recorded at fair value on a recurring basis as of December 31, 2013 and September 30, 2013:

Financial Asset (Liability) (in millions)	Total	Quoted Prices In Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		Level 1	Level 2	Level 3
<b>December 31, 2013</b>				
Marketable securities	\$ 97	\$ 97	\$ —	\$ —
Derivatives	—	—	—	—
Total	<u>\$ 97</u>	<u>\$ 97</u>	<u>\$ —</u>	<u>\$ —</u>
<b>September 30, 2013</b>				
Marketable securities	\$ 89	\$ 89	\$ —	\$ —
Derivatives	(2)	—	(2)	—
Total	<u>\$ 87</u>	<u>\$ 89</u>	<u>\$ (2)</u>	<u>\$ —</u>

The fair value for marketable securities is determined utilizing a market approach based on quoted market prices in active markets at period end and the fair value for derivatives is determined utilizing a market-based approach.

The notional value of all foreign exchange contracts was \$316 million and \$196 million as of December 31, 2013 and September 30, 2013, respectively. At December 31, 2013, \$156 million related to our foreign currency balances, \$143 million related to anticipated investing cash flows and \$17 million related to future production costs and programming obligations. At September 30, 2013, \$178 million related to our foreign currency balances and \$18 million related to future production costs and programming obligations.

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

**NOTE 7. COMMITMENTS AND CONTINGENCIES****Commitments**

As more fully described in Notes 3 and 11 of the 2013 Form 10-K, our commitments primarily consist of programming and talent commitments, operating and capital lease arrangements, and purchase obligations for goods and services. These arrangements result from our normal course of business and represent obligations that may be payable over several years. Additionally, we are 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.

**Contingencies**

We have certain indemnification obligations with respect to leases primarily associated with the previously discontinued operations of Famous Players Inc. ("Famous Players"). In addition, we have certain indemnities provided by the acquirer of Famous Players. These lease commitments amounted to approximately \$460 million as of December 31, 2013. The amount of lease commitments varies over time depending on expiration or termination of individual underlying leases, or of the related indemnification obligation, and foreign exchange rates, among other things. We may also have exposure for certain other expenses related to the leases, such as property taxes and common area maintenance. We have recorded a liability of \$195 million with respect to such obligations as of December 31, 2013. We believe our accrual is sufficient to meet any future obligations based on our consideration of available financial information, the lessees' historical performance in meeting their lease obligations and the underlying economic factors impacting the lessees' business models.

**Legal Matters**

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

In March 2007, we 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 our copyrights. We are seeking both damages and injunctive relief. In March 2010, we 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 for further proceedings. In December 2012, Google renewed its motion for summary judgment. In April 2013, the District Court granted Google's renewed motion for summary judgment. We appealed the District Court's decision back to the Second Circuit, and briefing on the appeal is now complete.

In February 2013, Cablevision Systems Corporation filed a lawsuit in the United States District Court for the Southern District of New York alleging that Viacom's industry standard practice of offering discounts for additional network distribution constituted a "tying" arrangement in violation of federal and New York state antitrust laws. Similar arrangements have been upheld by numerous federal and state courts, including in a federal case in which Cablevision itself advocated for the legality of such arrangements. We believe the lawsuit is without merit and filed a motion to dismiss on May 8, 2013. On July 12, 2013, Cablevision filed an amended complaint, and on August 23, Viacom once again moved to dismiss the action. Briefing on the motion is now complete, and discovery in the action has been stayed.

In August 2012, a complaint was filed in the United States District Court for the District of Delaware by a Viacom Class B stockholder against us and each member of our Board of Directors. The complaint purported to be a derivative action alleging that, between 2008 and 2011, we violated the terms of our 2007 Senior Executive Short-Term Incentive Plan (the "2007 Plan") by allegedly using improper subjective criteria to determine the bonuses paid to Messrs. Redstone, Dauman and Dooley in each of those years, which according to the complaint, constituted a breach of fiduciary duty by the members of the Board of Directors. The plaintiff alleged that during this period Messrs. Redstone, Dauman and Dooley were paid more than the 2007 Plan permitted and the plaintiff sought to recover the amount of the claimed overpayment, plus interest, for the Company. The plaintiff also alleged that adoption of the Viacom 2012 Senior Executive Short-Term Incentive Plan (the "2012 Plan") required the vote of all Viacom stockholders and not simply holders of our voting Class A common stock. Accordingly, the plaintiff sought to enjoin any overpayment under the 2012 Plan until a new vote on that plan that included Class B stockholders occurred. The District Court granted our motion to dismiss the complaint on July 16, 2013. The plaintiff appealed to the United States Court of Appeals for the Third Circuit, and briefing on the appeal is now complete.

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

**NOTE 8. STOCKHOLDERS' EQUITY**

The components of stockholders' equity are as follows:

Stockholders' Equity (in millions)	As of December 31, 2013			As of December 31, 2012		
	Total Viacom Stockholders' Equity	Noncontrolling Interests	Total Equity	Total Viacom Stockholders' Equity	Noncontrolling Interests	Total Equity
<b>Balance at beginning of period</b>	\$ 5,193	\$ (3)	\$ 5,190	\$ 7,448	\$ (9)	\$ 7,439
Net earnings	547	10	557	470	9	479
Other comprehensive income (loss)	25	1	26	8	(2)	6
Noncontrolling interests	(2)	(11)	(13)	(1)	(7)	(8)
Dividends declared	(134)	—	(134)	(140)	—	(140)
Purchase of treasury stock	(850)	—	(850)	(700)	—	(700)
Equity-based compensation and other	23	—	23	80	—	80
<b>Balance at end of period</b>	<b>\$ 4,802</b>	<b>\$ (3)</b>	<b>\$ 4,799</b>	<b>\$ 7,165</b>	<b>\$ (9)</b>	<b>\$ 7,156</b>

**NOTE 9. RESTRUCTURING**

The Company's restructuring liability as of December 31, 2013 by reporting segment is as follows:

Restructuring Liability (in millions)	Media Networks	Filmed Entertainment	Total
<b>September 30, 2013</b>	\$ 76	\$ 27	\$ 103
Severance payments	(8)	(6)	(14)
<b>December 31, 2013</b>	<b>\$ 68</b>	<b>\$ 21</b>	<b>\$ 89</b>

The liability as of December 31, 2013 is primarily related to future severance payments in connection with the restructuring plan undertaken in fiscal 2013, as further described in Note 13 of the 2013 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, 2014 and the majority of the severance will be paid in fiscal 2014.

**NOTE 10. SUPPLEMENTAL CASH FLOW AND OTHER INFORMATION**

Our supplemental cash flow information is as follows:

Supplemental Cash Flow Information (in millions)	Quarter Ended December 31,	
	2013	2012
Cash paid for interest	\$ 122	\$ 155
Cash paid for income taxes	\$ 124	\$ 59

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

Our redeemable noncontrolling interest is as follows:

Redeemable Noncontrolling Interest (in millions)	Quarter Ended December 31,	
	2013	2012
<b>Beginning balance</b>	\$ 200	\$ 179
Net earnings	6	5
Distributions	(8)	(8)
Translation adjustment	6	(2)
Redemption value adjustment	2	1
<b>Ending Balance</b>	<b>\$ 206</b>	<b>\$ 175</b>

### Accounts Receivable

We had \$377 million of noncurrent trade receivables as of December 31, 2013. The accounts receivable were primarily in the *Filmed Entertainment* segment, included within *Other assets* in our Consolidated Balance Sheets, and principally related to long-term television license arrangements. Such amounts are due in accordance with the underlying terms of the respective agreements and are principally from investment grade companies with which we have historically done business under similar terms, for which credit loss allowances are generally not considered necessary.

### Variable Interest Entities

In the normal course of business, we enter into joint ventures or make investments with business partners that support our underlying business strategy and provide us the ability to enter new markets to expand the reach of our brands, develop new programming and/or distribute our existing content. In certain instances, an entity in which we make an investment may qualify as a variable interest entity ("VIE"). In determining whether we are the primary beneficiary of a VIE, we assess whether we have the power to direct matters that most significantly impact the activities of the VIE and have the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

#### Unconsolidated Variable Interest Entities

We have an unconsolidated investment in Viacom 18, a 50% owned joint venture in India with Network 18 Fincap Limited that qualifies as a VIE. Our aggregate investment carrying value in Viacom 18 was \$59 million and \$54 million as of December 31, 2013 and September 30, 2013, respectively.

#### Consolidated Variable Interest Entities

Our Consolidated Balance Sheets include amounts related to consolidated VIEs totaling \$77 million in assets and \$61 million in liabilities as of December 31, 2013, and \$77 million in assets and \$56 million of liabilities as of September 30, 2013. The consolidated VIEs' revenues, expenses and operating income were not significant for all periods presented.

### Income Taxes

We recognized discrete tax benefits of \$12 million in the quarter ended December 31, 2012, principally reflecting the release of tax reserves with respect to certain effectively settled tax positions.

### NOTE 11. REPORTING SEGMENTS

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

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

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

Revenues by Segment (in millions)	Quarter Ended December 31,	
	2013	2012
Media Networks	\$ 2,541	\$ 2,394
Filmed Entertainment	681	975
Eliminations	(25)	(55)
Total revenues	<u>\$ 3,197</u>	<u>\$ 3,314</u>

Adjusted Operating Income (Loss) (in millions)	Quarter Ended December 31,	
	2013	2012
Media Networks	\$ 1,114	\$ 1,030
Filmed Entertainment	(74)	(139)
Corporate expenses	(51)	(60)
Equity-based compensation	(32)	(31)
Eliminations	3	(3)
Operating income	960	797
Interest expense, net	(149)	(110)
Equity in net earnings of investee companies	26	24
Other items, net	—	7
Earnings from continuing operations before provision for income taxes	<u>\$ 837</u>	<u>\$ 718</u>

Total Assets (in millions)	December 31, 2013	September 30, 2013
Media Networks	\$ 16,778	\$ 16,653
Filmed Entertainment	5,381	5,647
Corporate/Eliminations	619	1,529
Total assets	<u>\$ 22,778</u>	<u>\$ 23,829</u>

Revenues by Component (in millions)	Quarter Ended December 31,	
	2013	2012
Advertising	\$ 1,325	\$ 1,269
Feature film	595	896
Affiliate fees	1,066	972
Ancillary	236	232
Eliminations	(25)	(55)
Total revenues	<u>\$ 3,197</u>	<u>\$ 3,314</u>

**NOTE 12. RELATED PARTY TRANSACTIONS**

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 our directors, serves on the boards of both NAI and Viacom, and Frederic Salerno, another of our directors, serves on the boards of both Viacom and CBS. Philippe Dauman, our President and Chief

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

Executive Officer, also serves on the boards of both NAI and Viacom. Transactions between Viacom and related parties are overseen by our Governance and Nominating Committee.

**Viacom and NAI Related Party Transactions**

NAI licenses films in the ordinary course of business for its motion picture theaters from all major studios, including Paramount. During the quarters ended December 31, 2013 and 2012, Paramount earned revenues from NAI in connection with these licenses in the aggregate amounts of approximately \$2 million and \$4 million, respectively.

**Viacom and CBS Corporation Related Party Transactions**

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

Our *Filmed Entertainment* segment earns revenues and recognizes expenses associated with its distribution of certain television products into the home entertainment market on behalf of CBS. Pursuant to its agreement with CBS, Paramount distributes CBS's library of television and other content on DVD and Blu-ray disc on a worldwide basis. Under the terms of the agreement, Paramount is entitled to retain a fee based on a percentage of gross receipts and is generally responsible for all out-of-pocket costs, which are recoupable together with any advance amounts paid. Paramount made advance payments of \$75 million to CBS in the quarter ended December 31, 2013. Paramount also earns revenues from CBS through leasing of studio space and licensing of certain film products.

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

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

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

CBS Related Party Transactions (in millions)	Quarter Ended December 31,	
	2013	2012
<b>Consolidated Statement of Earnings</b>		
Revenue	\$ 73	\$ 81
Operating expenses	\$ 96	\$ 98
Consolidated Balance Sheets	December 31, 2013	September 30, 2013
Accounts receivable	\$ 5	\$ 5
Other assets	—	—
Total due from CBS	\$ 5	\$ 5
Accounts payable	\$ 5	\$ 3
Participants' share and residuals, current	101	115
Program rights obligations, current	87	99
Program rights obligations, noncurrent	126	139
Other liabilities	15	15
Total due to CBS	\$ 334	\$ 371

**Other Related Party Transactions**

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

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

Other Related Party Transactions (in millions)	Quarter Ended December 31,	
	2013	2012
<b>Consolidated Statement of Earnings</b>		
Revenue	\$ 13	\$ 36
Operating expenses	\$ 2	4
Selling, general and administrative	\$ (2)	(4)
<b>Consolidated Balance Sheets</b>		
	December 31, 2013	September 30, 2013
Account receivable	\$ 64	\$ 84
Other assets	1	1
Total due from other related parties	\$ 65	\$ 85
Accounts payable	\$ 6	\$ 4
Other liabilities	28	26
Total due to other related parties	\$ 34	\$ 30

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

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

Management's discussion and analysis of results of operations and financial condition is provided as a supplement to and should be read in conjunction with the unaudited consolidated financial statements and related notes to enhance the understanding of our results of operations, financial condition and cash flows. Additional context can also be found in our Form 10-K for the fiscal year ended September 30, 2013, as filed with the Securities and Exchange Commission ("SEC") on November 14, 2013 (the "2013 Form 10-K"). References in this document to "Viacom," "Company," "we," "us" and "our" mean Viacom Inc. and our consolidated subsidiaries, unless the context requires otherwise.

Significant components of management's discussion and analysis of results of operations and financial condition include:

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

*Results of Operations.* The results of operations section provides an analysis of our results on a consolidated and reportable segment basis for the quarter ended December 31, 2013, compared to the quarter ended December 31, 2012. In addition, we provide a discussion of items that affect the comparability of our results of operations.

*Liquidity and Capital Resources.* The liquidity and capital resources section provides a discussion of our cash flows for the quarter ended December 31, 2013, and of our outstanding debt, commitments and contingencies existing as of December 31, 2013.

## OVERVIEW

### Summary

We are a leading global entertainment content company that connects with audiences in over 160 countries and territories and creates compelling television programs, motion pictures, short-form video, apps, games, consumer products, social media and other entertainment content. With media networks reaching approximately 700 million households worldwide, 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™, among others. Paramount Pictures®, America's oldest film studio, is a major global producer and distributor of filmed entertainment.

We operate through two reporting segments: *Media Networks* and *Filmed Entertainment*. Our measure of segment performance is adjusted operating income (loss). We define adjusted operating income (loss) for our segments as operating income (loss), before equity-based compensation and certain other items identified as affecting comparability, including restructuring and other charges, when applicable. Equity-based compensation is excluded from our segment measure of performance since it is

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

set and approved by the Compensation Committee of Viacom's Board of Directors in consultation with corporate executive management, and is included as a component of consolidated adjusted operating income.

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

### **Media Networks**

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

Demand and pricing for our advertising depends on our ratings and overall market conditions. We also drive additional demand through integrated sales of digital advertising inventory and through our integrated marketing services, providing unique branded entertainment and custom sponsorship opportunities to our advertisers. 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 other entertainment alternatives for viewers, as well as variations related to the methods used by third parties to measure ratings.

Advertising revenues are principally generated from the sale of advertising time comprised of multiple commercial units. Each advertising spot comprises a deliverable for accounting purposes. Consideration for these arrangements is allocated among the individual advertising spots based on relative fair value using Viacom-specific prices, and revenue is recognized when the advertisement is aired and the contracted audience rating is met.

Affiliate revenue arrangements with certain digital distributors include multiple programs made available for distribution on one or more dates for a fixed fee. Consideration for such arrangements is allocated among the programs based on relative fair value using management's best estimate considering viewing performance and other factors, and revenue is recognized upon initial availability of the respective programs.

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

### **Filmed Entertainment**

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

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

consumer products and theme parks, and distribution of content specifically developed for digital platforms and game distribution.

*Filmed Entertainment* segment expenses consist of operating expenses, SG&A expenses and depreciation and amortization. Operating expenses principally include the amortization of film costs of our released feature films (including participations and residuals), print and advertising expenses and other distribution costs. 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.

## RESULTS OF OPERATIONS

### Consolidated Results of Operations

Our summary consolidated results of operations are presented below for the quarters ended December 31, 2013 and 2012.

(in millions, except per share amounts)	Quarter Ended December 31,		Better/ (Worse)	
	2013	2012	\$	%
Revenues	\$ 3,197	\$ 3,314	\$ (117)	(4)%
Operating income	960	797	163	20
Net earnings from continuing operations attributable to Viacom	547	473	74	16
Adjusted net earnings from continuing operations attributable to Viacom	547	461	86	19
Diluted EPS from continuing operations	1.20	0.93	0.27	29
Adjusted diluted EPS from continuing operations	\$ 1.20	\$ 0.91	\$ 0.29	32 %

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

### Revenues

Worldwide revenues decreased \$117 million, or 4%, to \$3.197 billion in the quarter ended December 31, 2013. The *Media Networks* revenues increase of \$147 million, which reflected higher affiliate fees and advertising revenues, was more than offset by a decline in *Filmed Entertainment* revenues of \$294 million, primarily driven by lower theatrical and home entertainment revenues.

### Operating Income

Operating income increased \$163 million, or 20%, to \$960 million in the quarter ended December 31, 2013. *Media Networks* adjusted operating income increased \$84 million, reflecting higher revenues partially offset by an increase in expenses. *Filmed Entertainment* generated an adjusted operating loss of \$74 million, representing a \$65 million improvement over the prior year quarter. The improvement in adjusted operating loss primarily reflects lower print and advertising costs related to the number and mix of theatrical releases in the current quarter as compared with the prior year.

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 increased \$86 million, or 19%, to \$547 million in the quarter ended December 31, 2013, principally due to the increase in tax-effected operating income described above and a lower effective income tax rate, partially offset by an increase in interest expense driven by higher levels of debt outstanding. Our effective income tax rate was 33.5% and 34.5% in the quarters ended December 31, 2013 and 2012, respectively, excluding the impact of discrete tax items in the prior year quarter. The decrease in the effective income tax rate is principally due to a change in the mix of international income. Adjusted diluted EPS from continuing operations increased \$0.29 per diluted share to \$1.20 in the quarter, reflecting the increase in net earnings from continuing operations and fewer outstanding shares. Including the impact of discrete taxes in the prior year, net earnings from continuing operations attributable to Viacom increased \$74 million, or 16%, in the quarter, and diluted EPS from continuing operations increased \$0.27 per diluted share.

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

### **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 December 31,		Better/ (Worse)	
(in millions)	2013	2012	\$	%
<b>Revenues by Component</b>				
Advertising	\$ 1,325	\$ 1,269	\$ 56	4 %
Affiliate fees	1,066	972	94	10
Ancillary	150	153	(3)	(2)
Total revenues by component	\$ 2,541	\$ 2,394	\$ 147	6 %
<b>Expenses</b>				
Operating	\$ 868	\$ 833	\$ (35)	(4)%
Selling, general and administrative	523	497	(26)	(5)
Depreciation and amortization	36	34	(2)	(6)
Total expenses	\$ 1,427	\$ 1,364	\$ (63)	(5)%
<b>Adjusted Operating Income</b>	<b>\$ 1,114</b>	<b>\$ 1,030</b>	<b>\$ 84</b>	<b>8 %</b>

#### **Revenues**

Worldwide revenues increased \$147 million, or 6%, to \$2.541 billion in the quarter ended December 31, 2013, driven by higher affiliate fees and advertising revenues. Domestic and international revenues were \$2.118 billion and \$423 million, reflecting increases of 5% and 10%, respectively, in the quarter. Foreign exchange had a 1-percentage point favorable impact on international revenues in the quarter.

#### ***Advertising***

Worldwide advertising revenues increased \$56 million, or 4%, to \$1.325 billion in the quarter ended December 31, 2013. Domestic advertising revenues increased 3% as ratings trends drove an increase in the volume of commercial units sold. International advertising revenues increased 16% reflecting new channels and European market improvements. Foreign exchange had a 2-percentage point favorable impact on international revenues.

#### ***Affiliate Fees***

Worldwide affiliate fee revenues increased \$94 million, or 10%, to \$1.066 billion in the quarter ended December 31, 2013, primarily driven by rate increases. Excluding the impact from the timing of product available under certain distribution agreements, domestic affiliate revenues grew high-single digits in the quarter. Domestic affiliate revenues increased 10% and international affiliate revenues increased 8% in the quarter. Foreign exchange had a 1-percentage point unfavorable impact on international revenues in the quarter.

#### **Expenses**

Total expenses increased \$63 million, or 5%, to \$1.427 billion in the quarter ended December 31, 2013.

#### ***Operating***

Operating expenses increased \$35 million, or 4%, to \$868 million in the quarter ended December 31, 2013. Due to our continuing investment in original content, programming costs increased \$18 million, or 2%, in the quarter. Distribution and other expenses increased \$17 million, or 19%, primarily driven by new channels in international markets.

#### ***Selling, General and Administrative***

SG&A expenses increased \$26 million, or 5%, to \$523 million in the quarter, primarily driven by higher employee costs, as well as increased expenses resulting from new channels in international markets.

**Management's Discussion and Analysis  
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### Adjusted Operating Income

Adjusted operating income increased \$84 million, or 8%, to \$1.114 billion in the quarter ended December 31, 2013 reflecting higher revenues partially offset by an increase in expenses as discussed above.

### Filmed Entertainment

(in millions)	Quarter Ended December 31,		Better/(Worse)	
	2013	2012	\$	%
<b>Revenues by Component</b>				
Theatrical	\$ 159	\$ 328	\$ (169)	(52)%
Home entertainment	216	341	(125)	(37)
Television license fees	220	227	(7)	(3)
Ancillary	86	79	7	9
Total revenues by component	\$ 681	\$ 975	\$ (294)	(30)%
<b>Expenses</b>				
Operating	\$ 634	\$ 982	\$ 348	35 %
Selling, general & administrative	100	110	10	9
Depreciation & amortization	21	22	1	5
Total expenses	\$ 755	\$ 1,114	\$ 359	32 %
<b>Adjusted Operating Income/(Loss)</b>	<b>\$ (74)</b>	<b>\$ (139)</b>	<b>\$ 65</b>	<b>47 %</b>

### Revenues

Worldwide revenues decreased \$294 million, or 30%, to \$681 million in the quarter ended December 31, 2013 driven by lower theatrical and home entertainment revenues. Domestic and international revenues were \$304 million and \$377 million, reflecting decreases of 31% and 29%, respectively, in the quarter. Foreign exchange had a 2-percentage point unfavorable impact on international revenues in the quarter.

#### Theatrical

Worldwide theatrical revenues decreased \$169 million, or 52%, to \$159 million in the quarter ended December 31, 2013. Revenues from our current quarter releases were \$130 million lower than the prior year, driven by the number and mix of titles released. During the quarter we released five titles including, *Jackass Presents: Bad Grandpa*, *Anchorman 2: The Legend Continues* and *The Wolf of Wall Street*, compared to eight titles in the prior year. Carryover revenues from prior period releases were \$39 million lower. Domestic and international theatrical revenues decreased 25% and 76%, respectively. Foreign exchange had a 2-percentage point unfavorable impact on international revenues.

#### Home Entertainment

Worldwide home entertainment revenues decreased \$125 million, or 37%, to \$216 million in the quarter ended December 31, 2013, primarily driven by a \$94 million decrease in revenues from current quarter releases and a \$31 million decrease in carryover revenues from prior period releases. We did not have any home entertainment releases in the current quarter and released one title, *Madagascar 3: Europe's Most Wanted*, in the prior year. Domestic home entertainment revenues decreased 68%, and international home entertainment revenues decreased 5%. Foreign exchange had a 2-percentage point unfavorable impact on international revenues.

#### Television License Fees

Television license fees decreased \$7 million, or 3%, to \$220 million in the quarter ended December 31, 2013 driven by the number and mix of available titles.

#### Ancillary

Ancillary revenues increased \$7 million, or 9%, to \$86 million in the quarter ended December 31, 2013 principally driven by higher digital revenues.

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

## Expenses

Total expenses decreased \$359 million, or 32%, to \$755 million in the quarter, principally driven by lower operating expenses.

### Operating

Operating expenses decreased \$348 million, or 35%, to \$634 million in the quarter ended December 31, 2013. Distribution and other costs, principally print and advertising expenses, decreased \$241 million, or 42%, as a result of the number and mix of current quarter theatrical releases. Film costs decreased \$107 million, or 26%, primarily reflecting lower participation costs on our third-party distribution arrangements.

### Selling, General and Administrative

SG&A expenses decreased \$10 million, or 9%, to \$100 million in the quarter, primarily driven by lower employee costs and professional fees.

## Adjusted Operating Loss

Adjusted operating loss for the quarter ended December 31, 2013 was \$74 million. This represents a \$65 million, or 47%, improvement over the prior year quarter. The generation of an operating loss reflects the recognition of print and advertising expenses incurred in the period, generally before and throughout the theatrical release of a film, while revenues for the respective films are recognized as earned through its theatrical exhibition and subsequent distribution windows. The improvement in adjusted operating loss primarily reflects lower print and advertising costs related to number and mix of theatrical releases in the current quarter as compared with the prior year.

## Factors Affecting Comparability

The Consolidated Financial Statements as of and for the quarters ended December 31, 2013 and 2012 reflect our results of operations, financial position and cash flows reported in accordance with GAAP. Results for certain of the aforementioned periods, as discussed in the section entitled "Overview", have been affected by certain items identified as affecting comparability. Accordingly, when applicable, we use adjusted measures to evaluate our actual operating performance.

The following table reconciles our adjusted measures to our reported results for the quarter ended December 31, 2012. There were no adjustments to our results for the quarter ended December 31, 2013.

(in millions, except per share amounts)

	Quarter Ended December 31, 2012			
	Operating Income	Pre-tax Earnings from Continuing Operations	Net Earnings from Continuing Operations Attributable to Viacom	Diluted EPS from Continuing Operations
Reported results	\$ 797	\$ 718	\$ 473	\$ 0.93
Factors Affecting Comparability:				
Discrete tax benefits	—	—	(12)	(0.02)
Adjusted results	<u>\$ 797</u>	<u>\$ 718</u>	<u>\$ 461</u>	<u>\$ 0.91</u>

## Discrete Tax Items

Our effective income tax rate was 34.5% in the quarter ended December 31, 2012, excluding the impact of discrete tax items. Discrete tax benefits of \$12 million contributed 1.6 percentage points of tax benefit, which reconciles to our reported effective tax rate of 32.9%. The discrete tax benefits principally reflected the release of tax reserves with respect to certain effectively settled tax positions.

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

## **LIQUIDITY AND CAPITAL RESOURCES**

### ***Liquidity***

#### **Sources and Uses of Cash**

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

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

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

#### **Cash Flows**

Cash and cash equivalents decreased by \$986 million in the quarter ended December 31, 2013.

##### ***Operating Activities***

Cash provided by operations was \$293 million for the quarter ended December 31, 2013, a decrease of \$276 million compared with the quarter ended December 31, 2012. The decrease is primarily driven by working capital requirements reflecting increased production spending at the *Filmed Entertainment* segment and higher income taxes paid.

##### ***Investing Activities***

Cash used in investing activities was \$14 million and \$46 million for the quarters ended December 31, 2013 and 2012, respectively, reflecting lower capital expenditures in the quarter ended December 31, 2013.

##### ***Financing Activities***

Cash used in financing activities was \$1.267 billion for the quarter ended December 31, 2013, compared with \$695 million in the quarter ended December 31, 2012. Net cash used in the period was primarily driven by the settlement of share repurchases of \$970 million and two dividend payments totaling \$271 million.

Net cash used in the prior year was primarily driven by the settlement of share repurchases of \$700 million and two dividend payments of \$277 million, partially offset by net proceeds of \$242 million from the issuance of senior debentures with an aggregate face value of \$250 million.

#### ***Capital Resources***

##### **Capital Structure and Debt**

At December 31, 2013, total debt was \$11.886 billion, an increase of \$1 million from \$11.885 billion at September 30, 2013.

##### **Credit Facility**

At December 31, 2013, there were no amounts outstanding under our credit facility.

##### **Stock Repurchase Program**

During the quarter ended December 31, 2013, we repurchased 10.3 million shares of Class B common stock for an aggregate purchase price of \$850 million. From January 1, 2014 through January 29, 2014, we repurchased an additional 2.2 million shares for an aggregate purchase price of \$183 million, leaving \$8.867 billion of remaining capacity under our program. Share repurchases under the program are expected to be funded through a combination of debt and cash generated by operations, as deemed appropriate.

**Management's Discussion and Analysis  
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**Commitments and Contingencies****Legal Matters**

Litigation is inherently uncertain and difficult to predict. However, based on our understanding and evaluation of the relevant facts and circumstances, we believe that the legal matters described herein and other litigation to which we are a party are not likely, in the aggregate, to have a material adverse effect on our results of continuing operations, financial position or operating cash flows. For additional information, see Note 7 to the Consolidated Financial Statements.

**OTHER MATTERS*****Related Parties***

In the ordinary course of business we enter into transactions with related parties, including National Amusements, Inc., CBS Corporation, their respective subsidiaries and affiliates, and companies that we account for under the equity method of accounting. For additional information, see Note 12 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 future results, performance or achievements to differ. These risks, uncertainties and other factors include, among others: the public acceptance of our programs, motion pictures and other entertainment content on the various platforms on which they are distributed; technological developments and their effect in our markets and on consumer behavior; competition for 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 and other programming; 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 but not limited to our 2013 Form 10-K and reports on Form 10-Q and Form 8-K. The forward-looking statements included in this document are made only as of the date of this document, and we do not have any obligation to publicly update any forward-looking statements to reflect subsequent events or circumstances.

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

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

**Item 4. Controls and Procedures.**

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

As disclosed in the 2013 Form 10-K, we continued our global business transformation initiative to integrate and upgrade our systems and processes, which in turn resulted in changes in internal controls over financial reporting.

## PART II – OTHER INFORMATION

### Item 1. *Legal Proceedings.*

Since our 2013 Form 10-K, there have been no material developments in the material legal proceedings in which we are involved, except as set forth in Note 7 to the Consolidated Financial Statements 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 2013 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 December 31, 2013 under our publicly announced stock repurchase program.

	Total Number of Shares Purchased		Average Price Paid per Share		Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup>		Approximate Dollar Value of Shares that May Yet Be Purchased Under Program
<b>Open Market Purchases</b>	<i>(thousands)</i>		<i>(dollars)</i>		<i>(thousands)</i>		<i>(millions)</i>
Month ended October 31, 2013	2,766	\$	83.15		2,766	\$	9,670
Month ended November 30, 2013	3,095	\$	80.77		3,095	\$	9,420
Month ended December 31, 2013	4,442	\$	83.30		4,442	\$	9,050
<b>Total</b>	<b>10,303</b>				<b>10,303</b>		

(1) There is no expiration date for the program.

### Item 3. *Defaults Upon Senior Securities.*

None.

### Item 4. *Mine Safety Disclosures.*

Not Applicable.

### Item 5. *Other Information.*

None.

**Item 6. Exhibits.**

<b><u>Exhibit No.</u></b>	<b><u>Description of Exhibit</u></b>
10.1*	Summary of Viacom Inc. Compensation for Outside Directors.
10.2*	Viacom Inc. Deferred Compensation Plan for Outside Directors, as amended and restated as of November 13, 2013.
10.3*	Viacom Inc. 2011 RSU Plan for Outside Directors, as amended and restated as of November 13, 2013.
10.4*	Amendment No. 1, dated January 16, 2014, to the Viacom Inc. 2011 RSU Plan for Outside Directors, as amended and restated as of November 13, 2013.
31.1*	Certification of the Chief Executive Officer of Viacom Inc. pursuant to Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer of Viacom Inc. pursuant to Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of the Chief Executive Officer of Viacom Inc. furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of the Chief Financial Officer of Viacom Inc. furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

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\* Filed herewith

## SIGNATURES

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

**VIACOM INC.**

Date: January 30, 2014

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

Date: January 30, 2014

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

**Summary of Viacom Inc. Compensation for Outside Directors**  
(Effective as of January 16, 2014)

***Cash Compensation***

- An annual Board retainer of \$100,000, payable in equal installments quarterly in advance. The Vice Chair of the Board receives an annual retainer of \$200,000.
- The Chairs of the Audit and Compensation Committees each receive an annual retainer of \$20,000, payable in equal installments quarterly in advance, and the members of those Committees receive a per meeting attendance fee of \$2,000.
- The Chair of the Governance and Nominating Committee receives an annual retainer of \$15,000, payable in equal installments quarterly in advance, and the members of that Committee receive a per meeting attendance fee of \$1,500.

Outside directors may elect to defer their cash compensation under the Viacom Inc. Deferred Compensation Plan for Outside Directors.

***Equity Compensation***

- An annual grant on January 31st of each year of Restricted Share Units (RSUs) of Class B Common Stock, the number of which is determined by dividing (i) \$175,000 by (ii) the fair market value of one share of Class B Common Stock on The NASDAQ Stock Market on the date of grant. The RSUs vest one year from the date of grant and are payable to outside directors in shares of Class B Common Stock upon vesting unless the outside director elects to defer settlement of the RSUs to a future date. Outside directors are entitled to receive dividend equivalents on the RSUs in the event the Company pays a regular cash dividend on its Class B Common Stock.

**VIACOM INC.  
DEFERRED COMPENSATION PLAN FOR OUTSIDE DIRECTORS**

(Effective as of December 6, 2006; as Amended and Restated as of November 13, 2013)

1. Establishment of Plan

The Viacom Inc. Deferred Compensation Plan for Outside Directors (the “Plan”) has been established by Viacom Inc. (the “Company”) for eligible members of the Board of Directors (as described below).

2. Plan Participation

(a) Each person who is a member of the Board of Directors of the Company and who is not an employee of the Company (an “Outside Director” or “Director”) may elect to become a participant in this Plan (a “Participant”), and as such defer all, or a specified percentage of, the cash fees (which shall include retainer, meeting and committee attendance fees and any other amounts that the Board so determines) to which the Director may thereafter be entitled. Such election shall be in writing, in a form prescribed by the Company that includes the alternatives for the amount deferred, investment election and payment election, and, except as otherwise provided below, shall remain in effect as long as the Participant shall continue to receive compensation as a Director. In the event a Director elects to defer a portion of his or her fees, the amount that is not deferred shall, unless otherwise requested by a Director, be paid to the Director in cash in accordance with the Company’s then current practices for such payments.

(b) A Participant may elect to participate in the Plan within 30 days of the beginning of his or her term in office as a Director, for the fees payable thereafter. A Participant may also elect to participate in the Plan before December 31 of each year, for the fees payable for the subsequent calendar year and thereafter. A Participant may discontinue participation in the Plan and/or change or modify his or her amount deferred and investment election annually by filing a written notice with the Company prior to December 31 of a particular year, which notice shall be effective for fees payable for the subsequent calendar year and thereafter, subject to the following restrictions:

(i) *Investment Election.* Changes to the investment election will be applicable to subsequent fees only and no existing account may be converted into another type of account; and

(ii) *Payment Election.* A Participant may not change his or her payment election from that selected at the time he or she initially elects to participate in the Plan. The payment election will be applicable to the entire balance of the Participant’s Deferred Compensation Account(s) and to any restricted stock units granted to the Participant under the Viacom Inc. RSU Plan for Outside Directors, as may be amended from time to time (together with any successor plan, the “RSU Plan”), as contemplated by this Plan.

3. Deferred Compensation Accounts

There shall be available two accounts, an "Income Account" and a "Stock Unit Account" to which the fees deferred by the Participant pursuant to this Plan may be credited. At the time of electing to participate in this Plan, the Participant shall also select one of the two accounts into which his or her deferred fees shall be credited.

(a) Income Account. Fees deferred by a Participant shall be credited as a dollar amount to this account at the time payment would otherwise have been due. At the end of each calendar quarter, the Participant's Income Account will be credited for such quarter with interest at the prime rate in effect at the beginning of such calendar quarter at Citibank, N.A., which interest shall be applied on the basis of the average closing monthly credit balance in the Participant's Income Account during such quarter.

(b) Stock Unit Account. Fees deferred by a Participant shall be credited as a dollar amount to this account at the time payment would otherwise have been due. Each Participant's Stock Unit Account shall be adjusted as follows:

- (i) First, on the first day of each calendar quarter, any dollar amount remaining in such account from the preceding calendar quarter, plus all dollar amounts for fees and any cash dividends credited to such account during the preceding calendar quarter and (without duplication) meeting fees earned during the preceding calendar quarter, shall be credited with interest computed in the manner described in Paragraph 3(a) above.
- (ii) Next, beginning on January 1, 2014 and the first day of each subsequent calendar quarter, the Participant shall receive an automatic grant of restricted stock units under the RSU Plan based on the dollar amount in such account after the adjustments pursuant to Section 3(b)(i) above, plus the dollar amount of deferred quarterly retainer fees credited on such day to this account. Upon the making of such grant (which, under the terms of the RSU Plan, may include fractional restricted stock units), the dollar amount in the Participant's Stock Unit Account shall be reset to zero.
- (iii) Subject to Section 3(c) below, Class A Common Stock Unit Shares and Class B Common Stock Unit Shares (collectively "Stock Unit Shares") and any other stock unit shares held in the Stock Unit Account ("Other Stock Unit Shares") credited to a Participant's Stock Unit Account prior to January 1, 2014 shall continue to be held in the Stock Unit Account, but no additional Class A Common Stock Unit Shares or Class B Common Stock Unit Shares or Other Stock Unit Shares shall be credited to a Participant's Stock Unit Account on or after January 1, 2014.

In the event that cash dividends are declared on the Viacom Inc. Class A Common Stock or Class B Common Stock or any other stock for which stock unit shares are held in the Stock Unit Account, on each dividend payment date an amount equivalent to the dividend paid per share of such stock shall be credited in cash to such account for each Class A Common Stock Unit Share or Class B Common Stock Unit Share or other stock unit shares, as appropriate. Stock unit shares shall be appropriately adjusted in the event of any stock dividends, stock splits or any other similar changes in the Viacom Inc. Class A Common Stock or Class B Common Stock or other stock for which stock unit shares are held in the Stock Unit Account.

(c) One-Time Elections for Share Settlement.

- (i) Participants whose Stock Unit Account is credited with Stock Unit Shares as of October 1, 2013 will be given a one-time opportunity to irrevocably elect to have their Stock Unit Shares settled by delivery of shares of Viacom Inc. Class B Common Stock delivered under the RSU Plan rather than by cash payment under this Plan. The number of shares of Viacom Inc. Class B Common Stock to which a Participant making such election shall be entitled shall equal (A) the number of Class B Common Stock Unit Shares credited to the Participant's Stock Unit Account as of December 31, 2013 plus (B) the number obtained by multiplying (1) a fraction the numerator of which is the closing market price for Viacom Inc. Class A Common Stock on the NASDAQ Global Select Market on December 31, 2013 and the denominator of which is the closing market price for Viacom Inc. Class B Common Stock on such market on such date times (2) the number of Class A Common Stock Unit Shares credited to the Participant's Stock Unit Account as of such date.
- (ii) Participants whose Stock Unit Account is credited with Other Stock Unit Shares as of October 1, 2013 will be given a one-time opportunity to irrevocably elect to have their Other Stock Unit Shares settled by delivery of Viacom Inc. Class B Common Stock delivered under the RSU Plan rather than by cash payment under this Plan. The number of shares of Viacom Inc. Class B Common Stock to which a Participant making such election shall be entitled shall equal the number obtained by multiplying (A) a fraction the numerator of which is the closing market price for the stock for which Stock Unit Shares are held on December 31, 2013 and the denominator of which is the closing market price for Viacom Inc. Class B Common Stock on such date, times (B) the number of such Other Stock Unit Shares credited to the Participant's Stock Unit Account as of such date.
- (iii) Any fractional shares resulting from such calculations shall be held as a cash credit to the Participant's Stock Unit Account and shall be governed by Section 3(b). A Participant's elections under this Section 3(c) shall not alter in any manner the payment schedule for the settlement of the Participant's Stock Unit Account, the timing of which shall be governed by the payment election previously made by the Participant under this Plan.

4. Payments

(a) Upon termination of a Participant's service as a Director, payment of his or her Deferred Compensation Account(s) shall be made in cash in a lump sum, three (3) annual installments or five (5) annual installments in accordance with the Participant's payment election. Such payment election shall also govern the settlement of any restricted stock units granted to the Participant under the RSU Plan as contemplated by this Plan. The lump sum payment or the initial annual installment shall be made on the later of six months after the Director leaves the Board or January 15th of the year following the year the Director leaves the Board. Each subsequent installment payment shall be made on the anniversary of the initial installment payment.

(b) The Class A Common Stock Unit Shares and Class B Common Stock Unit Shares in a Participant's Stock Unit Account shall be valued on the basis of the average of the closing market prices of the Viacom Inc. Class A Common Stock or Class B Common Stock, as appropriate, on the NASDAQ Global Select Market or such other stock exchange on which the Class A Common Stock

or Class B Common Stock may be listed, on each trading date during the four (4) week period ending five (5) business days prior to the payment date.

(c) In the case of installment payments, the Deferred Compensation Account(s) shall be credited with interest calculated in accordance with Paragraph 3(a) above, which interest shall accrue beginning on the date the first installment is paid and the appropriate portion of which shall be paid to the Participant on the date of each annual installment following the date of credit until all installments are paid.

(d) In the event of a Participant's death, payment of all or the remaining portion of the Deferred Compensation Account(s) will be made to his or her beneficiary or beneficiaries in accordance with the Participant's payment election. The amount of such payment will be calculated as set forth herein.

#### 5. Beneficiaries

Each Participant entitled to payment of the deferred fees hereunder may name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any such deferred fees are to be paid in case of his or her death, before he or she receives all of such fees. Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Company, and will be effective only when filed by the Participant in writing with the Company during his or her lifetime. In the absence of any such designation or if all persons so designated die prior to the payment of the entire amount of deferred fees to which he or she is entitled, any deferred fees remaining unpaid at a Participant's death shall be paid to the estate of the last to die of the Participant and all persons so designated.

#### 6. Participant's Rights Unsecured

The right of any Participant to receive a distribution hereunder in cash shall be an unsecured claim against the general assets of the Company. The Company's obligation with respect to the payment of amounts deferred hereunder may not be assigned.

#### 7. Amendments and Adjustments to the Plan

The Board of Directors of the Company may amend the Plan at any time, without the consent of the Participants or their beneficiaries; provided, however, that no amendment shall divest any Participant of rights to which he or she would have been entitled if the Plan had been terminated on the effective date of such amendment.

In the event of any merger, consolidation, stock-split, dividend (other than a regular cash dividend), distribution, combination, recapitalization or reclassification that changes the character or amount of the Viacom Inc. Class A Common Stock or Class B Common Stock or any other changes in the corporate structure, equity securities or capital structure of the Company, the Board shall make such proportionate adjustments to the stock unit shares held in the Plan and any other affected provision of the Plan in each case, as it deems appropriate. The Board's determination as to what, if any, adjustments shall be made shall be final and binding on the Company and all Participants.

#### 8. Termination of Plan

The Board of Directors of the Company may terminate the Plan at any time, without the consent of the Participants or their beneficiaries. Termination of the Plan shall not affect the timing of

distributions from a Participant's Deferred Compensation Account(s) or the calculation of the amount of the payment.

9. Expenses

The cost of administration of the Plan will be paid by the Company.

**VIACOM INC.  
2011 RSU PLAN FOR OUTSIDE DIRECTORS**

**(Effective as of January 1, 2011; as Amended and Restated as of November 13, 2013)**

**ARTICLE I**

**GENERAL**

**Section 1.1 Purpose.**

The purpose of the Viacom Inc. 2011 RSU Plan for Outside Directors (the “**Plan**”) is to benefit and advance the interests of Viacom Inc., a Delaware corporation (the “**Company**”), and its subsidiaries by obtaining and retaining the services of qualified persons who are not employees of the Company or its subsidiaries to serve as directors and to induce them to make a maximum contribution to the success of the Company and its subsidiaries.

**Section 1.2 Definitions.**

As used in the Plan, the following terms shall have the following meanings:

- (a) “Annual RSU Grant” shall have the meaning set forth in Section 2.1(a).
- (b) “Award” shall mean any Director RSU or Dividend Equivalent.
- (c) “Board” shall mean the Board of Directors of the Company.
- (d) “Class B Common Stock” shall mean the shares of Class B Common Stock, par value \$0.001 per share, of the Company.
- (e) “Code” shall mean the Internal Revenue Code of 1986, as amended, including any successor law thereto, and the rules and regulations promulgated thereunder from time to time.
- (f) “Company” shall have the meaning set forth in Section 1.1.
- (g) “Deferred Compensation Plan” means the Viacom Inc. Deferred Compensation Plan for Outside Directors, as may be amended from time to time.
- (h) “Director RSUs” shall mean a contractual right granted to a Participant pursuant to Article II to receive shares of Class B Common Stock, subject to the terms and conditions set forth in the Plan. Director RSUs shall be settled exclusively in Class B Common Stock, with fractional shares payable in cash.
- (i) “Dividend Equivalent” shall mean a right to receive a payment based upon the value of the regular cash dividend paid on a specified number of shares of Class B Common Stock as set forth in Article III below. Payment in respect of Dividend Equivalents upon settlement shall be in shares of Class B Common Stock except as set forth in Article III below.
- (j) “Effective Date” shall mean the effective date of the Plan provided for in Article VIII below.

(k) "Elective RSU Grant" shall have the meaning set forth in Section 2.1(c).

(l) "Fair Market Value" of a share of Class B Common Stock on a given date shall be the closing price on such date on the NASDAQ Global Select Market or other principal stock exchange on which the Class B Common Stock is then listed, as reported by The Wall Street Journal (Northeast edition) as the 4:00 p.m. (New York time) closing price or as reported by any other authoritative source selected by the Company. If such date is not a business day on which the Fair Market Value can be determined, then the Fair Market Value shall be determined as of the last preceding business day on which the Fair Market Value can be determined.

(m) "Outside Director" shall mean any member of the Board who is not an employee of the Company or any of its Subsidiaries.

(n) "Participant" shall mean any Outside Director to whom Awards have been granted under the Plan.

(o) "Plan" shall have the meaning set forth in Section 1.1.

(p) "Stock Option Plan" shall mean the Viacom Inc. 2011 Stock Option Plan for Outside Directors.

(q) "Stock Unit Account" shall have the meaning assigned to such term in the Deferred Compensation Plan.

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

(s) "Substitute Awards" means Awards granted upon assumption of, or in substitution for, outstanding awards previously granted by a company or other entity all or a portion of the assets or equity of which is acquired by the Company, with which the Company merges or otherwise combines or from which the Company is spun-off or otherwise separated.

### **Section 1.3 Administration of the Plan.**

The Plan shall be administered by the members of the Board who are not Outside Directors and such Board members shall determine all questions of interpretation, administration and application of the Plan. References in the Plan to actions or determinations by the Board will be understood to mean actions or determinations by those members of the Board responsible for administering the Plan. Such Board members' determinations shall be final and binding in all matters relating to the Plan.

### **Section 1.4 Eligible Persons.**

Awards shall be granted only to Outside Directors.

### **Section 1.5 Class B Common Stock Subject to the Plan.**

Subject to adjustment in accordance with the provisions of Article IV hereof, the maximum number of shares of Class B Common Stock that may be issued under the Plan, when aggregated with the number of shares of Class B Common Stock that may be issued under the Stock Option Plan, shall be

500,000 shares. Any shares of Class B Common Stock underlying Substitute Awards shall not be counted against this limit. The shares of Class B Common Stock shall be made available from authorized but unissued shares of Class B Common Stock or from shares of Class B Common Stock issued and held in the treasury of the Company. The settlement of any Awards under the Plan in any manner shall result in a decrease in the number of shares of Class B Common Stock which thereafter may be issued for purposes of this Section 1.5 by the number of shares issued upon such settlement. Shares of Class B Common Stock with respect to which Awards lapse, expire or are cancelled without being settled or are otherwise terminated may be regranted under the Plan.

## ARTICLE II

### RESTRICTED SHARE UNITS

#### Section 2.1 Grants of Restricted Share Units; One-Time Settlement Election.

(a) Beginning on January 31<sup>st</sup> of 2014 and on January 31<sup>st</sup> of each subsequent year until the Plan terminates in accordance with the terms hereof, each Outside Director shall automatically be granted a number of Director RSUs determined by dividing (i) \$150,000 by (ii) the Fair Market Value of one share of Class B Common Stock on the date of grant (an “**Annual RSU Grant**”).

(b) The Annual RSU Grants shall not be prorated and persons who become Outside Directors after the date of a particular Award shall first become eligible to receive an Award under the Plan as of the date of the next Annual RSU Grant.

(c) On the first day of each calendar quarter, each Outside Director who has made an election under the Deferred Compensation Plan to defer fees in the form of Director RSUs shall automatically be granted a number of Director RSUs determined by dividing (i) the dollar amount of the balance in such Outside Director’s Stock Unit Account as of the first day of such calendar quarter, as determined under Section 3(b) of the Deferred Compensation Plan by (ii) the Fair Market Value of one share of Class B Common Stock on the first day of such calendar quarter (an “**Elective RSU Grant**”).

(d) In addition to shares delivered in settlement of Annual RSU Grants and Elective RSU Grants, shares subject to the Plan shall be available to satisfy the Company’s obligations pursuant to Section 3(c) of the Deferred Compensation Plan and pursuant to Article III hereof.

(e) The Company shall periodically issue (or arrange for the issuance of) statements or other communications to Participants advising them of grants and vesting of Director RSUs.

#### Section 2.2 Vesting.

Director RSUs shall be settled only to the extent the Participant is vested therein. Subject to Section 2.3(b), each Annual RSU Grant shall vest on the first anniversary of the relevant date of grant. Each Elective RSU Grant shall be vested in full upon grant.

#### Section 2.3 Settlement of Restricted Share Units.

(a) *Settlement.* All restrictions contained in the Plan or any supplemental documentation relating to Director RSUs shall lapse as follows: (i) in the case of Annual RSU Grants, on the date on which Director RSUs included in the relevant Annual RSU Grant vest; and (ii) in the case of Elective RSU Grants, on the applicable payment date determined in accordance with the Outside Director’s payment election made pursuant to the Deferred Compensation Plan. Upon the lapse of such restrictions,

Director RSUs shall be payable in shares of Class B Common Stock, with any fractional shares payable in cash, and shall be evidenced in such manner as the Board in its discretion shall deem appropriate, including, without limitation, book-entry registration. Any fractional shares of Class B Common Stock to which a Participant becomes entitled shall not be settled by delivery of shares but instead shall be paid in cash, based on the Fair Market Value of the Class B Common Stock on the date of payment.

(b) *Settlement in the Event of Termination of Services.* If the services of a Participant as a director of the Company terminate for any reason, the Participant shall forfeit all unvested Director RSUs as of the date of such event.

(c) *Deferral of Settlement.* Notwithstanding Section 2.3(a), a Participant may elect to defer settlement of any or all Director RSUs included in an Annual RSU Grant to a date subsequent to the vesting date of such Director RSUs, *provided* that such election to defer is made no later than December 31 of the taxable year prior to the year in which the Outside Director performs the services for which such Director RSUs are granted. Settlement of any such deferred Director RSUs shall be made in a single distribution or three or five annual installments in accordance with the Participant's deferral election. The single distribution or first annual installment, as applicable, will be payable on the later of (i) six months following the date of the Participant's termination of services as a director of the Company for any reason or (ii) January 31 of the calendar year following the calendar year in which the Participant's services as a director of the Company terminate for any reason.

## ARTICLE III

### DIVIDEND EQUIVALENTS

#### Section 3. Dividend Equivalents.

(a) *General.* The Participant shall be entitled to receive Dividend Equivalents on the Director RSUs in the event the Company pays a regular cash dividend with respect to the Class B Common Stock. The Company shall maintain a bookkeeping record that credits the dollar amount of the Dividend Equivalents to a Participant's account on the date that it pays such regular cash dividend on the shares of Class B Common Stock.

(b) *Dividend Equivalents on Annual RSU Grants.* Dividend Equivalents shall accrue on the Director RSUs included in Annual RSU Grants until the Director RSUs vest. Except to the extent that the Participant has made a deferral election pursuant to Section 2.3(c) above, upon vesting the Dividend Equivalents shall be paid in shares of Class B Common Stock determined by dividing (i) the aggregate amount credited in respect of such Dividend Equivalents by (ii) the Fair Market Value on the vesting date, with any fractional shares resulting from this calculation paid in cash. If, however, the Participant has made an election to defer settlement of Director RSUs, then the Dividend Equivalents related to such Director RSUs will not be paid when the Director RSUs vest but instead will be credited to the Participant's account as additional whole and/or fractional Director RSUs based on the Fair Market Value of the Class B Common Stock on the vesting date and will be settled when the related Director RSUs are settled. Payment of Dividend Equivalents that have been credited to the Participant's account will not be made with respect to any Director RSUs that do not vest and are cancelled. If the Participant elects to defer settlement of the Director RSUs included in an Annual RSU Grant pursuant to Section 2.3(c) above, the Participant will continue to earn Dividend Equivalents on the deferred Director RSUs (including any deferred Director RSUs that resulted from crediting Dividend Equivalents on the vesting date, or any subsequent date, pursuant to this Section 3(b)) through the settlement date. All such Dividend Equivalents credited to the Participant's account with respect to deferred Director RSUs shall be converted, on the first day of the first calendar quarter commencing after the dividend payment date (or if the dividend payment

date is the first day of a calendar quarter, on the dividend payment date), into additional whole and/or fractional Director RSUs, based on the Fair Market Value of the Class B Common Stock on such first day of the relevant calendar quarter. Such additional Director RSUs shall be deferred subject to the same terms and conditions (including payment schedule) as the Director RSUs to which the Dividend Equivalents originally related.

(c) *Dividend Equivalents on Elective RSU Grants.* Dividend Equivalents shall accrue on Director RSUs included in Elective RSU Grants through the relevant settlement date. All such Dividend Equivalents credited to the Participant's account shall be converted, as of the first day of the first calendar quarter commencing after the dividend payment date (or if the dividend payment date is the first day of a calendar quarter, on the dividend payment date), into additional whole and/or fractional Director RSUs, based on the Fair Market Value of the Class B Common Stock on such first day of the relevant calendar quarter. Such additional Director RSUs shall be subject to the same terms and conditions (including payment schedule) as the Director RSUs to which the Dividend Equivalents originally related.

(d) *Settlement of Cash Balance.* The aggregate dollar amount of Dividend Equivalents on deferred Director RSUs and Director RSUs included in Elective RSU Grants that have not yet converted to additional Director RSUs at the time any such Director RSUs are settled shall be paid in shares of Class B Common stock determined by dividing (i) the aggregate amount of such unconverted Dividend Equivalents credited on the Director RSUs that are being settled by (ii) the Fair Market Value on the settlement date, with any fractional shares resulting from this calculation paid in cash.

## **ARTICLE IV**

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

In the event of any merger, consolidation, stock-split, dividend (other than a regular cash dividend), distribution, combination, recapitalization, reclassification, reorganization, split-off or spin-off that changes the character or amount of the shares of Class B Common Stock or any other changes in the corporate structure, equity securities or capital structure of the Company, the Board shall make such proportionate adjustments to (i) the number and kind of securities subject to any outstanding Awards, (ii) the number and kind of securities subject to the Annual RSU Grants and Elective RSU Grants, and (iii) the maximum number and kind of securities available for issuance under the Plan referred to in Section 1.5, in each case, as it deems appropriate. The Board may, in its sole discretion, also make such other adjustments as it deems appropriate in order to preserve, but not increase, the benefits or potential benefits intended to be made available hereunder upon the occurrence of any of the foregoing events. The Board's determination as to what, if any, adjustments shall be made shall be final and binding on the Company and all Participants. Adjustments under this Article shall be conducted in a manner consistent with any adjustments under the Stock Option Plan.

## **ARTICLE V**

### **SUBSTITUTE AWARDS**

Notwithstanding any terms or conditions of the Plan to the contrary, the Board may provide for Substitute Awards under the Plan upon assumption of, or in substitution for, outstanding awards previously granted to a director by a company or other entity all or a portion of the assets or equity of which is acquired by the Company, with which the Company merges or otherwise combines or from which the Company is spun-off or otherwise separated. Notwithstanding any terms or conditions of the Plan to the contrary, Substitute Awards may have substantially the same terms and conditions, including

without limitation provisions relating to vesting, expiration, payment, forfeiture, and the consequences of termination of employment and changes in control, as the awards that they replace.

## **ARTICLE VI**

### **MISCELLANEOUS**

#### **Section 6.1 No Right to Re-election.**

Nothing in the Plan shall be deemed to create any obligation on the part of the Board to nominate any of its members for re-election by the Company's stockholders, nor confer upon any Participant the right to remain a member of the Board for any period of time, or at any particular rate of compensation.

#### **Section 6.2 Restriction on Transfer.**

The rights of a Participant with respect to any Awards under the Plan shall not be transferable by the Participant to whom such Awards are granted, except (i) by will or the laws of descent and distribution, (ii) upon prior notice to the Company, for transfers to members of the Participant's immediate family or trusts whose beneficiaries are members of the Participant's immediate family, *provided, however*, that such transfer is being made for estate and/or tax planning purposes without consideration being received therefor, (iii) upon prior notice to the Company, for transfers to a former spouse incident to a divorce or (iv) for such other transfers as the Board may approve, subject to any conditions and limitations that it may, in its sole discretion, impose.

#### **Section 6.3 Stockholder Rights.**

No grant of an Award under the Plan shall entitle a Participant, a Participant's estate or a permitted transferee to any rights of a holder of shares of Class B Common Stock, except upon the delivery of shares through book-entry registration upon settlement of an Award and as provided in Section 2.3.

#### **Section 6.4 No Restriction on Right of Company to Effect Corporate Changes.**

The Plan shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the shares of Class B Common Stock or the rights thereof or which are convertible into or exchangeable for shares of Class B Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

#### **Section 6.5 Headings.**

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

#### **Section 6.6 Governing Law.**

The Plan and all rights hereunder shall be construed in accordance with and governed by the laws of the State of Delaware.

## **ARTICLE VII**

### **AMENDMENT AND TERMINATION**

The Board may at any time and from time to time alter, amend, suspend or terminate the Plan in whole or in part, including, without limitation, amend the provisions for determining the amount of Director RSUs to be issued to an Outside Director, *provided, however*, that any amendment which under the requirements of applicable law or under the rules of the NASDAQ Global Select Market or other principal stock exchange on which the shares of Class B Common Stock are then listed must be approved by the stockholders of the Company shall not be effective unless and until such stockholder approval has been obtained in compliance with such law or rule; and no alteration, amendment, suspension or termination of the Plan that would adversely affect a Participant's rights under the Plan with respect to any Award made prior to such action shall be effective as to such Participant unless he or she consents thereto, *provided, however*, that no such consent shall be required if the Board determines in its sole discretion that any such alteration, amendment, suspension or termination is necessary or advisable to comply with any law, regulation, ruling, judicial decision or accounting standards or to ensure that Director RSUs or Dividend Equivalents are not subject to federal, state or local income tax prior to settlement.

## **ARTICLE VIII**

### **EFFECTIVE DATE**

The Effective Date of the Plan is January 1, 2011 and stockholder approval of the Plan will be sought prior to that date. Unless earlier terminated in accordance with Article VII above, the Plan shall terminate on the fifth anniversary of the Effective Date, and no further Awards may be granted hereunder after such date.

**AMENDMENT NO. 1  
TO THE VIACOM INC. 2011 RSU PLAN FOR OUTSIDE DIRECTORS,  
AS AMENDED AND RESTATED AS OF NOVEMBER 13, 2013**

Effective as of January 16, 2014, the Viacom Inc. RSU Plan for Outside Directors, as amended and restated as of November 13, 2013, shall be amended as follows:

1. Section 2.1(a) is amended and restated in its entirety as follows:

**Section 2.1 Grants of Restricted Share Units; One-Time Settlement Election.**

(a) Beginning on January 31<sup>st</sup> of 2014 and on January 31<sup>st</sup> of each subsequent year until the Plan terminates in accordance with the terms hereof, each Outside Director shall automatically be granted a number of Director RSUs determined by dividing (i) \$175,000 by (ii) the Fair Market Value of one share of Class B Common Stock on the date of grant (an “**Annual RSU Grant**”).

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: January 30, 2014

/s/ PHILIPPE P. DAUMAN

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President and Chief Executive Officer

CERTIFICATION

I, Wade Davis, certify that:

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

Date: January 30, 2014

/s/ WADE DAVIS

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Executive Vice President, Chief Financial Officer

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

In connection with the Quarterly Report of Viacom Inc. (the "Company") on Form 10-Q for the period ended December 31, 2013 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

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Philippe P. Dauman

January 30, 2014

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

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

In connection with the Quarterly Report of Viacom Inc. (the "Company") on Form 10-Q for the period ended December 31, 2013 as filed with the Securities and Exchange Commission (the "Report"), I, Wade Davis, Executive Vice President, Chief Financial Officer of the Company, certify that to my knowledge:

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

/s/ WADE DAVIS

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Wade Davis

January 30, 2014

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.