

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

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **February 5, 2019**

VIACOM INC.

(Exact name of registrant as specified in its charter)

Delaware

001-32686

20-3515052

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(IRS Employer Identification
Number)

1515 Broadway, New York, NY

10036

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: **(212) 258-6000**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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

Section 2 – Financial Information

Item 2.02 Results of Operations and Financial Condition.

On February 5, 2019, Viacom Inc. issued a press release announcing earnings for the quarter ended December 31, 2018. A copy of the press release is furnished herewith as [Exhibit 99](#) and is incorporated by reference herein in its entirety.

Section 9 – Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits. The following exhibit is furnished as part of this Report on Form 8-K:

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
99	Press release of Viacom Inc. dated February 5, 2019 announcing earnings for the quarter ended December 31, 2018.

SIGNATURE

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 hereunto duly authorized.

VIACOM INC.

By: /s/ Christa A. D'Alimonte

Name: Christa A. D'Alimonte

Title: Executive Vice President, General Counsel and Secretary

Date: February 5, 2019

Exhibit Index

Exhibit No.

Description of Exhibit

99

Press release of Viacom Inc. dated February 5, 2019 announcing earnings for the quarter ended December 31, 2018.

VIACOM



FQ1'19 EARNINGS PRESS RELEASE | FEBRUARY 5, 2019

VIACOM REPORTS STRONG FIRST QUARTER RESULTS

- Delivered Growth Across Key Financial Metrics, with Increase in Consolidated Revenues Driven by Filmed Entertainment and Worldwide Affiliate Gains
- Media Networks Grew Domestic Affiliate Revenues 5%, Marking Second Straight Quarter of Year-over-Year Growth; Advanced Marketing Solutions Drove Sequential Improvement in Domestic Advertising Revenues
- Paramount Produced Double-Digit Growth in Filmed Entertainment Revenues; Improved Year-over-Year Adjusted Operating Results for Eighth Straight Quarter
- Agreed to Acquire Leading U.S. Free Streaming Television Platform Pluto TV to Advance Viacom's Strategic Priorities and Accelerate its Evolution

STATEMENT FROM BOB BAKISH, PRESIDENT & CEO

“Through strong execution of our strategic priorities, we delivered another quarter of solid financial and operational results. Beyond the growth at our flagship networks and the resurgence of Paramount Pictures, we took a major step forward in our evolution with an agreement to acquire Pluto TV. This service will create a scaled direct-to-consumer offering for Viacom, and expand our opportunities in next-generation distribution and advanced advertising. With this momentum, we are progressing toward a return to topline growth in 2019 as Viacom continues to evolve for the future.”

FISCAL YEAR 2019 RESULTS

\$ millions, except per share amounts

	Quarter Ended December 31				
	2018	2017	Bi(W)%	FX IMPACT%	CONSTANT CURRENCY BASIS [†]
GAAP					
Revenues	\$ 3,090	\$ 3,073	1 %	(3) %	4 %
Operating income	602	718	(16)		
Net earnings from continuing operations attributable to Viacom	318	535	(41)		
Diluted EPS from continuing operations	0.79	1.33	(41)		
Non-GAAP[†]					
Adjusted operating income	\$ 750	\$ 718	4 %	(2) %	6 %
Adjusted net earnings from continuing operations attributable to Viacom	453	413	10	(3)	13
Adjusted diluted EPS from continuing operations	1.12	1.03	9	(4)	13

^{*}We calculate constant currency information by converting current-period local currency results using prior-year period average foreign currency exchange rates.

[†]Non-GAAP measures referenced in this release are detailed in the Supplemental Disclosures at the end of this release.



MEDIA NETWORKS

Viacom Media Networks increased worldwide affiliate revenues and accelerated growth in Advanced Marketing Solutions, while continuing to expand global studio production and digital reach.

QUARTERLY FINANCIAL RESULTS

\$ millions

FOQ1'19	TOTAL	Bi(W)%	FX IMPACT%	CONSTANT CURRENCY BASIS ¹	DOMESTIC	Bi(W)%	INTERNATIONAL	Bi(W)%	FX IMPACT%	CONSTANT CURRENCY BASIS ¹
Revenues	\$ 2,498	(2)%	(2)%	- %	\$ 1,933	- %	\$ 565	(10)%	(10)%	- %
Advertising	1,230	(6)	(4)	(2)	907	(3)	323	(13)	(13)	-
Affiliate	1,169	3	(1)	4	969	5	200	(7)	(7)	-
Consumer Products, Recreation & Live Events*	99	(12)	(2)	(10)	57	(15)	42	(9)	(7)	(2)
Adjusted OI	\$ 913	- %	(2)%	2 %						

* Beginning Q1 2019, Media Networks revenue components previously reported as Ancillary were renamed to Consumer Products, Recreation and Live Events. Furthermore, certain components previously reported as Ancillary were reclassified to Affiliate. Prior period amounts have been recast to conform to the current presentation.
¹ Non-GAAP measures referenced in this release are detailed in the Supplemental Disclosures at the end of this release.

- Media Networks' performance largely reflects the unfavorable impact of foreign exchange on international revenues. Excluding a 10-percentage point unfavorable impact from foreign exchange, international revenues were substantially flat.
- Domestic revenues held flat as lower advertising and consumer products, recreation and live events revenues were offset by affiliate growth, marking the fourth straight quarter of sequential improvement and second straight quarter of YOY growth in domestic affiliate revenues.
- Growth in domestic affiliate revenues was driven by contractual rate increases, as well as OTT and studio production revenues. On a constant currency basis, international affiliate revenues were flat in the quarter.
- Higher pricing and accelerated growth in Advanced Marketing Solutions (AMS) revenues, which increased +54% YOY, drove sequential improvement in domestic advertising revenues. On a constant currency basis, international advertising revenues were flat.
- The decrease in revenues from consumer products, recreation and live events reflects the release of the *South Park: The Fractured But Whole* video game in the prior year.
- Adjusted OI held flat, reflecting a decrease in SG&A expenses, primarily driven by lower advertising and promotion expenses, as well as cost transformation savings. On a constant currency basis, adjusted OI grew +2%.

GROWTH IN DOMESTIC AFFILIATE REVENUES

% YOY



ACCELERATING GROWTH IN AMS REVENUES

% YOY



OPERATIONAL HIGHLIGHTS

- Viacom maintained the #1 share of basic cable viewing with key domestic audiences in the quarter, including the 2-49, 2-11, 18-34 and 18-49 demos, among others.
 - In Live+SD viewing, Viacom held six of the Top 10 original cable series with P18-34 and nine of the Top 10 with P2-11.
- MTV accelerated its domestic ratings growth and expanded deeper into live events:
 - Grew audience share +15% YOY among P18-49 and broke a network record with six straight quarters of YOY primetime ratings growth in C3 among P18-34.
 - In November, MTV acquired the SnowGlobe Music Festival, which drew roughly 50,000 fans to its three-day New Year's Eve event in Lake Tahoe.
- Comedy Central achieved its seventh consecutive quarter of Total Day share growth among Adults 18-49, while Paramount Network grew share +5% YOY in this demo.
- Viacom International Media Networks delivered strong viewership, with MTV and Paramount Network increasing YOY share +11% and +7%, respectively. Telefe achieved its highest annual share in 10 years and Channel 5 produced five straight months of YOY share growth.
- Viacom International Studios (VIS) recently announced deals to produce content for Amazon, Claro, Imagen, Mediapro and Mega, building its position as a leading global producer of Spanish language content.
- Viacom Digital Studios (VDS) continued to grow digital consumption while expanding studio production through original content from Awesomeness.
 - VDS increased watch time +129% YOY and grew video views +65% YOY in the quarter.
 - Awesomeness' first quarter releases included *Light As a Feather* on Hulu which was recently renewed for an additional 16 episodes. The company is also producing a sequel to Netflix's hit film *To All the Boys I've Loved Before*.

VIACOM HELD THE MOST TOP 10 ORIGINAL SERIES ON CABLE (P18-34)

AMC	1	The Walking Dead
FX	2	American Horror Story
VH1	3	Love & Hip Hop Hollywood
MTV	4	Jersey Shore: Family Vacation
VH1	5	Love & Hip Hop
MTV	6	Teen Mom
COMEDY CENTRAL	7	South Park
Bravo	8	Real Housewives of Atlanta
MTV	9	The Challenge: Final Reckoning
TLC	10	90 Day Fiancé

Source: Nielsen Media. Live+SD for P18-34; FQ1'19. New episodes only, excludes news/sports/movies; 3 T/C minimum; 15 min minimum duration.



SnowGlobe Music Festival 2018

VDS MORE THAN DOUBLED WATCH TIME YEAR-OVER-YEAR

minutes in billions



Light As a Feather

FILMED ENTERTAINMENT

Paramount Pictures delivered double-digit topline growth and an eighth straight quarter of improved year-over-year adjusted operating results, driven by worldwide theatrical gains, continued momentum at Paramount Television and international theme park revenues.

QUARTERLY FINANCIAL RESULTS

\$ millions

FQ1'19	TOTAL	Bi(W) %	DOMESTIC	Bi(W) %	INTERNATIONAL	Bi(W) %
Revenues	\$ 621	14 %	\$ 366	36 %	\$ 255	(7)%
Theatrical	149	49	89	44	60	58
Home Entertainment	178	(3)	111	12	67	(20)
Licensing	220	3	128	71	92	(33)
Ancillary	74	54	38	12	36	157
Adjusted OI	\$ (90)	31 %				

All figures are presented on a reported segment basis as impact from foreign exchange is not material.

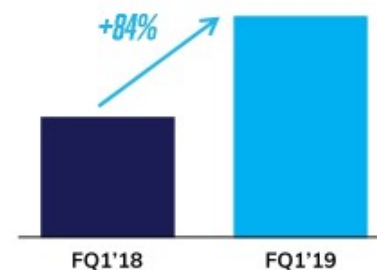
- Paramount Pictures improved YOY adjusted OI by \$40 million – its eighth consecutive quarter of improvement.
- Filmed Entertainment revenue growth was primarily driven by strength in theatrical revenues, as well as increases in licensing revenues from TV production and ancillary revenues.
- Theatrical revenue gains were largely due to the performances of *Bumblebee* and *Instant Family* compared to releases in the prior year quarter.
- Lower home entertainment revenues reflect a decrease in the sales of DVDs and Blu-ray discs, partially offset by digital sales growth.
- Increased production from Paramount Television, including the first quarter release of Netflix's *The Haunting of Hill House*, primarily drove growth in licensing revenues.
 - Paramount Television revenues were up +84% YOY in the quarter.
- Growth in worldwide ancillary revenues was primarily driven by license fees related to the development of two Paramount-branded theme parks in Asia.

CONTINUED YOY IMPROVEMENT IN PARAMOUNT'S ADJUSTED OPERATING RESULTS

\$ millions



GROWTH IN PARAMOUNT TELEVISION REVENUES



VIACOM

OPERATIONAL HIGHLIGHTS

- *Bumblebee* reinvigorated the *Transformers* franchise. The film has grossed over \$450 million at the global box office to date, and is solidly profitable.
- Paramount's expanded fiscal 2019 film slate includes the upcoming premiere of BET-branded film *What Men Want* (Feb. 8).
- Paramount Television continued to expand a fast-growing studio production business for Viacom, delivering two titles that premiered in the first quarter:
 - *The Haunting of Hill House* on Netflix.
 - Season 3 of spy thriller *Berlin Station* on Epix.
- In November 2018, Paramount Pictures entered into an agreement with Netflix to produce original films for the streaming service.
- Paramount Pictures renewed or improved Pay output deals in the UK, Germany, Canada, Italy, India and Australia, and completed library deals with Amazon (global) and Sky (UK).
- Paramount Pictures continued to diversify into adjacent businesses and expand its footprint off-screen:
 - The studio closed two deals in the quarter for the development of Paramount-branded theme parks in China and South Korea.
 - *Mean Girls* on Broadway has grossed over \$67 million to date, breaking venue records.



Bumblebee



What Men Want



Berlin Station



The Haunting of Hill House



Mean Girls

SPOTLIGHT ON PLUTO TV

Viacom continued to advance its evolution with an agreement to acquire Pluto TV, the leading free streaming television platform in the U.S.

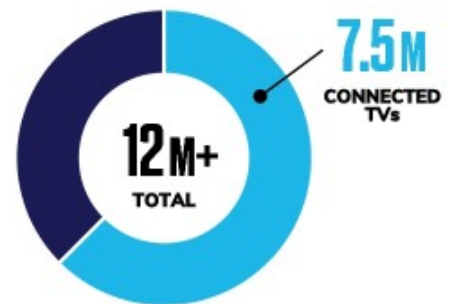
- On January 22, 2019, Viacom announced an agreement to acquire Pluto TV for \$340 million, with an expected close in FQ2'19, pending regulatory approval.
- With more than 12 million monthly active users (as of December 2018) - 7.5 million of whom are on connected TVs - Pluto TV offers over 100 live linear channels and over 5,000 hours of on-demand content, including movies, news, sports, general entertainment and digital series.
 - The service is universally available across mobile devices, desktops, streaming players and game consoles, and is expected to be enabled on 30M+ additional devices over the coming months.
 - It is deeply integrated with a growing number of Smart TV manufacturers, including Samsung and Vizio, which represent about 60% of the market.
- Upon closing, Pluto TV will:
 - Provide Viacom a scaled direct-to-consumer offering with access to millions of consumers, and serve as an important marketing engine to grow our targeted subscription products, including Noggin and Comedy Central Now.
 - Enhance Viacom's Advanced Marketing Solutions business, immediately adding billions of quality addressable ad impressions per month, and bring in an additional audience that is young, gender-balanced and hard to reach.
 - Add an important offering for distribution partners, including mobile operators, by creating a premium free service for broadband-only and other subscribers.
 - Create an opportunity to monetize Viacom library product, benefitting from our strategic decision to curtail the licensing of large library packages to SVOD over the last two years.
 - Leverage Viacom's global reach, infrastructure and capabilities to drive opportunity, including a near-term Spanish language offering, both in the U.S. and Latin America.
 - Accelerate its leadership in free streaming TV with Viacom content offerings across kids, African American, reality and comedy.

PLUTO TV



PLUTO TV MONTHLY ACTIVE USERS

in millions as of December 2018



100+
LIVE LINEAR
CHANNELS

5,000+
HOURS VIDEO
ON-DEMAND

#2
ROKU
FREE APP

130+
CONTENT
PARTNERSHIPS

VIACOM

BALANCE SHEET & LIQUIDITY

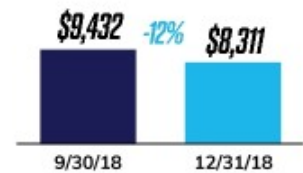
Continued progress in executing de-levering actions further strengthened the balance sheet and delivered improvements across key metrics.

- At December 31, 2018, gross debt outstanding was \$8.96 billion, a reduction of approximately \$1.1 billion from September 30, 2018, and approximately \$4.2 billion since Viacom announced its strategy to de-lever in February 2017. Adjusted gross debt was \$8.31 billion.
 - Viacom executed an upsized tender offer for \$1.1 billion of senior notes and debentures in the quarter.
- Cash and cash equivalents decreased \$1.0 billion to \$534 million.
- Net cash provided by operating activities increased \$216 million to \$228 million.
- Free cash flow increased \$207 million to \$191 million.

GROSS DEBT
\$ millions



ADJUSTED GROSS DEBT*
\$ millions

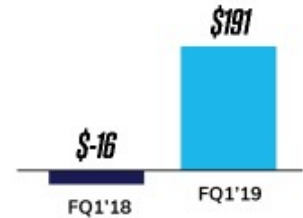


* Adjusted Gross Debt reflects 50% equity credit applied by S&P and Fitch to \$1.3B of hybrid securities, reducing gross debt by \$650M

NET CASH PROVIDED BY OPERATING ACTIVITIES
\$ millions



FREE CASH FLOW
\$ millions



Viacom creates entertainment experiences that drive conversation and culture around the world. Through television, film, digital media, live events, merchandise and solutions, our brands connect with diverse, young and young at heart audiences in more than 180 countries.

For more information about Viacom and its businesses, visit www.viacom.com. Viacom may also use social media channels to communicate with its investors and the public about the company, its brands and other matters, and those communications could be deemed to be material information. Investors and others are encouraged to review posts on Viacom's Twitter feed (twitter.com/viacom), Facebook page (facebook.com/viacom) and LinkedIn profile (linkedin.com/company/viacom).

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This news release 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: technological developments, alternative content offerings and their effects in our markets and on consumer behavior; competition for content, audiences, advertising and distribution in a swiftly consolidating industry; the public acceptance of our brands, programs, films and other entertainment content on the various platforms on which they are distributed; the impact on our advertising revenues of declines in linear television viewing, deficiencies in audience measurement and advertising market conditions; the potential for loss of carriage or other reduction in the distribution of our content; evolving cybersecurity and similar risks; the failure, destruction or breach of our critical satellites or facilities; content theft; increased costs for programming, films and other rights; the loss of key talent; domestic and global political, economic and/or regulatory factors affecting our businesses generally; volatility in capital markets or a decrease in our debt ratings; a potential inability to realize the anticipated goals underlying our ongoing investments in new businesses, products, services and technologies; fluctuations in our results due to the timing, mix, number and availability of our films and other programming; potential conflicts of interest arising from our ownership structure with a controlling stockholder; and other factors described in our news releases and filings with the Securities and Exchange Commission, including but not limited to our 2018 Annual Report on 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. If applicable, reconciliations for any non-GAAP financial information contained in this news release are included in this news release or available on our website at www.viacom.com.

CONTACTS**PRESS**

Justin Dini
Senior Vice President, Corporate Communications
(212) 846-2724
justin.dini@viacom.com

Alex Rindler
Senior Manager, Corporate Communications
(212) 846-4337
alex.rindler@viacom.com

INVESTORS

James Bombassei
Senior Vice President, Investor Relations and Treasurer
(212) 258-6377
james.bombassei@viacom.com

Kareem Chin
Vice President, Investor Relations
(212) 846-6305
kareem.chin@viacom.com

VIACOM INC.
CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	Quarter Ended December 31,	
	2018	2017
<i>(in millions, except per share amounts)</i>		
Revenues	\$ 3,090	\$ 3,073
Expenses:		
Operating	1,683	1,563
Selling, general and administrative	684	739
Depreciation and amortization	50	53
Restructuring and related costs	71	—
Total expenses	<u>2,488</u>	<u>2,355</u>
Operating income	602	718
Interest expense, net	(127)	(147)
Equity in net earnings of investee companies	1	1
Loss on marketable securities	(46)	—
Gain on extinguishment of debt	18	25
Other items, net	(7)	(4)
Earnings from continuing operations before provision for income taxes	<u>441</u>	<u>593</u>
Provision for income taxes	(110)	(42)
Net earnings from continuing operations	<u>331</u>	<u>551</u>
Discontinued operations, net of tax	3	2
Net earnings (Viacom and noncontrolling interests)	<u>334</u>	<u>553</u>
Net earnings attributable to noncontrolling interests	(13)	(16)
Net earnings attributable to Viacom	<u>\$ 321</u>	<u>\$ 537</u>
Amounts attributable to Viacom:		
Net earnings from continuing operations	\$ 318	\$ 535
Discontinued operations, net of tax	3	2
Net earnings attributable to Viacom	<u>\$ 321</u>	<u>\$ 537</u>
Basic earnings per share attributable to Viacom:		
Continuing operations	\$ 0.79	\$ 1.33
Discontinued operations	0.01	—
Net earnings	<u>\$ 0.80</u>	<u>\$ 1.33</u>
Diluted earnings per share attributable to Viacom:		
Continuing operations	\$ 0.79	\$ 1.33
Discontinued operations	0.01	—
Net earnings	<u>\$ 0.80</u>	<u>\$ 1.33</u>
Weighted average number of common shares outstanding:		
Basic	403.1	402.5
Diluted	403.5	402.6

VIACOM INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

10

(in millions, except par value)

	December 31, 2018	September 30, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 534	\$ 1,557
Receivables, net	3,205	3,141
Inventory, net	829	896
Prepaid and other assets	468	482
Total current assets	<u>5,036</u>	<u>6,076</u>
Property and equipment, net	893	919
Inventory, net	3,930	3,848
Goodwill	11,606	11,609
Intangibles, net	305	313
Other assets	974	1,018
Total assets	<u>\$ 22,744</u>	<u>\$ 23,783</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 305	\$ 433
Accrued expenses	732	848
Participants' share and residuals	707	719
Program obligations	729	662
Deferred revenue	424	398
Current portion of debt	326	567
Other liabilities	610	427
Total current liabilities	<u>3,833</u>	<u>4,054</u>
Noncurrent portion of debt	8,635	9,515
Participants' share and residuals	428	523
Program obligations	437	498
Deferred tax liabilities, net	274	296
Other liabilities	1,174	1,186
Redeemable noncontrolling interest	239	246
Commitments and contingencies		
Viacom stockholders' equity:		
Class A common stock, par value \$0.001, 375.0 authorized; 49.4 and 49.4 outstanding, respectively	—	—
Class B common stock, par value \$0.001, 5,000.0 authorized; 353.7 and 353.7 outstanding, respectively	—	—
Additional paid-in capital	10,154	10,145
Treasury stock, 393.1 and 393.1 common shares held in treasury, respectively	(20,561)	(20,562)
Retained earnings	18,916	18,561
Accumulated other comprehensive loss	(839)	(737)
Total Viacom stockholders' equity	<u>7,670</u>	<u>7,407</u>
Noncontrolling interests	54	58
Total equity	<u>7,724</u>	<u>7,465</u>
Total liabilities and equity	<u>\$ 22,744</u>	<u>\$ 23,783</u>

VIACOM

VIACOM INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

11

(in millions)

	Quarter Ended December 31,	
	2018	2017
OPERATING ACTIVITIES		
Net earnings (Viacom and noncontrolling interests)	\$ 334	\$ 553
Discontinued operations, net of tax	(3)	(2)
Net earnings from continuing operations	331	551
Reconciling items:		
Depreciation and amortization	50	53
Feature film and program amortization	1,082	1,047
Equity-based compensation	9	14
Equity in net earnings and distributions from investee companies	2	4
Deferred income taxes	(36)	(91)
Loss on marketable securities	46	—
Operating assets and liabilities, net of acquisitions:		
Receivables	(12)	(93)
Production and programming	(1,125)	(1,191)
Accounts payable and other current liabilities	(78)	(232)
Other, net	(41)	(50)
Net cash provided by operating activities	228	12
INVESTING ACTIVITIES		
Acquisitions and investments, net	(14)	(2)
Capital expenditures	(37)	(28)
Proceeds received from asset sales	5	23
Grantor trust proceeds	2	2
Net cash used in investing activities	(44)	(5)
FINANCING ACTIVITIES		
Debt repayments	(1,100)	(1,000)
Commercial paper	—	100
Dividends paid	(81)	(80)
Other, net	(21)	(22)
Net cash used in financing activities	(1,202)	(1,002)
Effect of exchange rate changes on cash and cash equivalents	(5)	—
Net change in cash and cash equivalents	(1,023)	(995)
Cash and cash equivalents at beginning of period	1,557	1,389
Cash and cash equivalents at end of period	\$ 534	\$ 394

VIACOM

The following tables reconcile our results of operations reported in accordance with accounting principles generally accepted in the United States of America ("GAAP") for the quarter ended December 31, 2018 to adjusted results that exclude the impact of certain items identified as affecting comparability (non-GAAP). Accordingly, when applicable, we use non-GAAP measures such as consolidated adjusted operating income, adjusted earnings from continuing operations before provision for income taxes, adjusted provision for income taxes, 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. In addition, because foreign currency headwinds can be significant and unpredictable and are outside of our control, we are providing certain financial information excluding the impact of currency fluctuations in order to provide a clearer view of our operating performance. We believe that these adjusted measures provide relevant and useful information for investors because they clarify our actual operating performance, make it easier to compare our results with those of other companies and allow investors to review performance in the same way as our management. Since these are not measures of performance calculated in accordance with GAAP, they should not be considered in isolation of, or as a substitute for, operating income, earnings from continuing operations before provision for income taxes, provision for income taxes, net earnings from continuing operations attributable to Viacom and diluted EPS from continuing operations as indicators of operating performance and they may not be comparable to similarly titled measures employed by other companies.

**Quarter Ended
December 31, 2018**

(in millions, except per share amounts)

	Operating Income	Earnings from Continuing Operations Before Provision for Income Taxes	Provision for Income Taxes ⁽¹⁾	Net Earnings from Continuing Operations Attributable to Viacom	Diluted EPS from Continuing Operations
Reported results (GAAP)	\$ 602	\$ 441	\$ 110	\$ 318	\$ 0.79
Factors Affecting Comparability:					
Restructuring, related costs and programming charges ⁽²⁾	148	148	34	114	0.28
Gain on extinguishment of debt ⁽³⁾	—	(18)	(4)	(14)	(0.03)
Loss on marketable securities ⁽⁴⁾	—	46	11	35	0.08
Adjusted results (Non-GAAP)	<u>\$ 750</u>	<u>\$ 617</u>	<u>\$ 151</u>	<u>\$ 453</u>	<u>\$ 1.12</u>

**Quarter Ended
December 31, 2017**

(in millions, except per share amounts)

	Operating Income	Earnings from Continuing Operations Before Provision for Income Taxes	Provision for Income Taxes ⁽¹⁾	Net Earnings from Continuing Operations Attributable to Viacom	Diluted EPS from Continuing Operations
Reported results (GAAP)	\$ 718	\$ 593	\$ 42	\$ 535	\$ 1.33
Factors Affecting Comparability:					
Gain on extinguishment of debt ⁽³⁾	—	(25)	(6)	(19)	(0.05)
Discrete tax benefit ⁽⁵⁾	—	—	103	(103)	(0.25)
Adjusted results (Non-GAAP)	<u>\$ 718</u>	<u>\$ 568</u>	<u>\$ 139</u>	<u>\$ 413</u>	<u>\$ 1.03</u>

(1) The tax impact has been calculated by applying the tax rates applicable to the adjustments presented.

(2) During fiscal 2018, we launched a program of cost transformation initiatives to improve our margins. We recognized pre-tax charges of \$148 million in the quarter ended December 31, 2018 associated with continuing initiatives primarily related to recent management changes and reorganization at *Media Networks*, comprised of \$71 million of restructuring and related costs and \$77 million of programming charges. The programming charges resulted from decisions by management newly in place, as part of our 2018 restructuring activities, to cease the use of certain programming, and are included within *Operating expenses* in the Consolidated Statements of Earnings.

(3) We redeemed senior notes and debentures totaling \$1.128 billion in the quarter ended December 31, 2018. As a result, we recognized a pre-tax extinguishment gain of \$18 million in the Consolidated Statements of Earnings.

We redeemed senior notes and debentures totaling \$1.039 billion in the quarter ended December 31, 2017. As a result of these transactions, we recognized a pre-tax extinguishment gain of \$25 million in the Consolidated Statements of Earnings.

(4) In the quarter ended December 31, 2018, we recorded a non-operating loss on marketable securities of \$46 million in the Consolidated Statements of Earnings pursuant to our adoption of Accounting Standards Update 2016-01 - Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities, which requires the changes in fair value measurement of marketable securities to be recognized in the Consolidated Statement of Earnings.

(5) Discrete tax benefits for the quarter ended December 31, 2017 were principally related to the U.S. enactment of the Tax Cuts and Jobs Act.

The following table reconciles our net cash provided by operating activities (GAAP) for the quarters ended December 31, 2018 and 2017 to free cash flow (non-GAAP). We define free cash flow as net cash provided by operating activities minus capital expenditures. Free cash flow is a non-GAAP measure. Management believes the use of this measure provides investors with an important perspective on our liquidity, including our ability to service debt and make investments in our businesses.

Reconciliation of net cash provided by operating activities to free cash flow (in millions)	Quarter Ended December 31,		Better/ (Worse)
	2018	2017	\$
Net cash provided by operating activities (GAAP)	\$ 228	\$ 12	\$ 216
Capital expenditures	(37)	(28)	(9)
Free cash flow (Non-GAAP)	\$ 191	\$ (16)	\$ 207

