

Viacom Inc.
Form 10-K
November 16, 2017

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

FORM
10-K

✓ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 2017

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

For the transition period from _____ to _____

Commission File Number 001-32686

VIACOM INC.

(Exact name of registrant as specified in its charter)

DELAWARE 20-3515052

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

1515 Broadway
New York, NY 10036
(212) 258-6000

(Address, including zip code, and telephone number,
including area code, of registrant’s principal executive offices)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Class A Common Stock, \$0.001 par value	NASDAQ Global Select Market
Class B Common Stock, \$0.001 par value	NASDAQ Global Select Market

Securities Registered Pursuant to Section 12(g) of the Act:

None

(Title Of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

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

As of the close of business on March 31, 2017, the last business day of the registrant's most recently completed second fiscal quarter, there were 49,431,379 shares of the registrant's Class A common stock, par value \$0.001 per share, and 351,557,942 shares of its Class B common stock, par value \$0.001 per share, outstanding. The aggregate market value of Class A common stock held by non-affiliates as of March 31, 2017 was approximately \$487.0 million (based upon the closing price of \$48.75 per share as reported by the NASDAQ Global Select Market on March 31, 2017, the last trading day of the quarter). The aggregate market value of Class B common stock held by non-affiliates as of March 31, 2017 was approximately \$16.4 billion (based upon the closing price of \$46.62 per share as reported by the NASDAQ Global Select Market on March 31, 2017, the last trading day of the quarter).

As of October 31, 2017, 49,431,181 shares of our Class A common stock and 352,826,905 shares of our Class B common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Viacom Inc.'s Notice of 2018 Annual Meeting of Stockholders and Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, are incorporated by reference into this Annual Report on Form 10-K (Portion of Item 5; Part III).

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PART I

Item 1. Business.

OVERVIEW

Viacom is home to premier global media brands that create compelling entertainment content - including television programs, motion pictures, short-form content, games, consumer products, podcasts, live events and social media experiences - for audiences in more than 180 countries on various platforms and devices. We operate through two reportable segments: Media Networks and Filmed Entertainment, each of which is described below.

In fiscal year 2017, following a comprehensive review of our operations and performance, we began to execute against a new business strategy that is built on the following key pillars:

We have designated key brands - Nickelodeon, Nick Jr., MTV, BET, Comedy Central and Paramount - as our highest priority, “flagship” brands. Our flagship brands are unique from our other brands, in that they have compelling, valuable and distinct brand propositions; serve diverse, substantial audiences with content largely owned by us; and have global reach and distribution potential across linear, digital, film, consumer products, and live events and experiences. We have also focused on opportunities to bring the best of Paramount Pictures to our Media Networks business, and the best of our Media Networks business to Paramount Pictures.

We are elevating our approach to content and talent, by building our content pipeline and embracing new formats. We are working to transform our approach to talent development by creating new opportunities for our key talent across our networks and film studio.

We are deepening our partnerships to drive new distribution and advertising revenue, including through advanced advertising, data, marketing and co-production agreements.

We are extending the reach of our brands in both the physical world (through live events, recreation and similar experiences) and the digital world.

We are optimizing and energizing our organization, by focusing on our culture and shared vision and values.

We were organized as a Delaware corporation in 2005 in connection with our separation from CBS Corporation (“CBS”), which was effective January 1, 2006. Our principal offices are located at 1515 Broadway, New York, New York 10036. Our telephone number is (212) 258-6000 and our website is www.viacom.com. Information included on or accessible through our website is not intended to be incorporated into this report. References in this document to “Viacom,” “Company,” “we,” “us” and “our” mean Viacom Inc. and our consolidated subsidiaries, unless the context requires otherwise.

MEDIA NETWORKS

Overview

Our Media Networks segment provides high-quality entertainment content, services and related branded products for consumers in targeted demographics attractive to advertisers, content distributors and retailers. We create, acquire and distribute programming and other content for our audiences worldwide, distributed through cable, satellite and broadband services, on linear, streaming and on-demand bases, via a variety of owned and third party platforms including televisions, branded apps and sites, for viewing on a wide range of devices such as connected televisions, PCs, tablets, smartphones and other connected devices. The Media Networks segment also licenses its brands for consumer products and recreational opportunities, and produces live events.

Our Media Networks segment operates globally as Viacom Media Networks, through three brand groups based on target audience, similarity of programming and other factors:

• our Global Entertainment Group offers content that reaches a diverse group of adults and young adults who love comedy, music, pop culture and general entertainment;

• the Nickelodeon Group offers content designed for kids ages 2 to 17 and their families; and

• BET Networks offers content targeted to African-American audiences and consumers of Black culture.

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Globally, our program services reach approximately 4.3 billion cumulative television subscribers in 183 countries and 43 languages, via 300 locally programmed and operated television channels, including Nickelodeon®, Nick Jr.®, MTV®, BET®, Comedy Central®, SPIKE® (which will be rebranded as Paramount Network™ in the United States (“U.S.”) in January 2018), VH1 TV Land®, CMT®, Logo® and our program services created specifically for international audiences, such as British public service broadcaster (“PSB”) Channel 5 (in the United Kingdom (“UK”)), Telefe® (in Argentina), Colors® (in India) and Paramount Channel™ (in a variety of territories). In fiscal year 2017, our Media Networks segment launched 16 new channels, including in East Asia, Russia and various parts of Europe. Cumulative television subscribers aggregate total subscribers to each Viacom owned and operated, joint venture and licensee channel.

Our Media Networks brands develop and operate an extensive portfolio of online, mobile and app experiences, including “TV Everywhere” apps, that provide their target audiences with video streaming of long-form and short-form programming content, games and interactive features, across shows, events, news, music, community, culture and, for our younger audiences, educational and learning activities. During the quarter ended September 30, 2017, our Media Networks online properties, in the aggregate, averaged approximately 44.5 million unique visitors per month domestically, and according to internal data, 454 million content streams each month. Our brands also provide branded experiences across several streaming services and social media platforms, as well as live events and branded consumer products.

Media Networks Properties

Our most significant Media Networks properties are discussed below. Unless otherwise indicated, the domestic television household numbers are according to Nielsen, the Internet monthly unique user and video stream data is according to comScore Media/Video Metrix (U.S. data only unless otherwise indicated), and the average app usage data and the international reach statistics are derived from internal data coupled with external sources when available. Nickelodeon, now in its 38th year, is a diverse, global business and a recognized leader in kids and family entertainment. Nickelodeon has been the number-one-rated advertising-supported basic cable network for 22 consecutive years, featuring leading original and licensed series for kids across animation, live action and preschool formats. Nickelodeon produces and distributes television programming worldwide, has a global consumer products licensing business and licenses its brands for recreation experiences such as hotels, theme parks and live entertainment.

Programming highlights in fiscal year 2017 included the series premieres of Dude Perfect, I am Frankie and Hunter Street; returning hits The Loud House, School of Rock, Alvin!!! and the Chipmunks, Game Shakers, Henry Danger, Nicky, Ricky, Dicky & Dawn, The Thundermans, Teenage Mutant Ninja Turtles and SpongeBob SquarePants; and tentpole events such as Kids’ Choice Awards, Kids’ Choice Sports, The HALO Awards and Worldwide Day of Play.

During the evening and overnight hours, Nick at Nite airs on the same linear cable channel on which Nickelodeon airs during the daytime, and features licensed contemporary family comedies, such as Friends, George Lopez, The Goldbergs, Fresh Prince of Bel-Air and Full House.

In September 2017, Nickelodeon and Nick at Nite reached approximately 602 million cumulative television subscribers in 177 countries worldwide, excluding branded programming blocks.

In the quarter ended September 30, 2017, our Nick online properties in the aggregate averaged 2.6 million monthly unique visitors domestically and, according to internal data, 56 million content video streams each month.

Nickelodeon has garnered 249 million cumulative followers across social media platforms.

With 28 films to date, Nickelodeon has deepened its partnership with Paramount Films, working together to develop a slate of branded films based on some of Nick’s most iconic franchises and characters.

Nickelodeon has taken steps to expand its footprint in the physical world, with the 2016 opening of the Nickelodeon Resort in Punta Cana, multiple PAW Patrol live tours around the world and licensing our intellectual property in theme parks.

Nickelodeon developed SpongeBob SquarePants, a live musical stage production, in conjunction with an award-winning, premier Broadway team. The musical is now in previews and scheduled to formally open on Broadway in December 2017.

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Nick Jr. seeks to educate and entertain preschoolers, providing kids an opportunity to engage with characters they love while building their imaginations, gaining key cognitive and social-emotional skills and learning about the world around them. Nick Jr. offers parents and their kids entertaining and enriching activities geared toward their interests, ages and developmental levels.

Programming highlights in fiscal year 2017 included hits such as PAW Patrol, Blaze and The Monster Machines, Shimmer and Shine and Rusty Rivets and licensed originals such as Peppa Pig, Teletubbies and Max & Ruby.

In September 2017, Nick Jr. reached approximately 217 million cumulative television subscribers in 148 countries worldwide.

In the quarter ended September 30, 2017, our Nick Jr. online properties in the aggregate averaged 2.3 million monthly unique visitors domestically and, according to internal data, 278 million content video streams each month. Nick Jr. has garnered 10 million cumulative followers across social media platforms.

NOGGIN is Nickelodeon's advertising-free, direct-to-consumer, over-the-top ("OTT") preschool video subscription service, featuring over 1,000 full-length library episodes, plus short-form and educational content. In fiscal year 2017, we launched a slate of play-along videos that allow preschoolers to engage with their favorite characters and navigate through enhanced educational experiences that promote science, technology, engineering, math and social-emotional skills.

MTV is a global youth culture brand that creates original music and pop culture content. MTV Play, a multiplatform video streaming offering for adults available in approximately 27 countries and territories, provides on demand access to fans' favorite shows and live streaming of the MTV linear channel in support of our TV Everywhere partnerships.

Programming highlights in fiscal year 2017 included the long-running Teen Mom, Teen Mom II, Catfish: The TV Show, Ridiculousness, Are You The One? and The Challenge franchise. New series launches in fiscal year 2017 included Teen Mum, SafeWord, Siesta Key and Fear Factor. In October 2017, MTV relaunched its signature hit, Total Request Live, airing live from the MTV Studio in Times Square.

MTV's signature programming event is the MTV Video Music Awards, which in 2017 drew 5.4 million viewers across its live linear simulcast. On Twitter, the VMAs trended globally for 13 hours, was the number-one trending topic in the U.S. from 7:00 p.m. to 11:00 p.m. (ET) on the night it aired, and at the show's peak accounted for eight of the top 12 U.S. trending topics. MTV's additional annual tentpole programming events included the MTV European Music Awards, MTV Movie and TV Awards and MTV Fandom Awards.

In September 2017, MTV reached approximately 945 million cumulative television subscribers in 179 countries worldwide.

In the quarter ended September 30, 2017, our MTV online properties in the aggregate averaged approximately 11.5 million monthly unique visitors domestically and approximately 48 million content video streams each month. MTV has garnered 245 million cumulative followers across social media platforms.

BET is a leading consumer brand in the urban marketplace, and the nation's leading provider of entertainment, music, news and public affairs programming to African-American audiences. BET Play, a direct-to-consumer OTT offering for adults available in approximately 100 countries and territories, provides hundreds of hours of content, including BET original series, awards shows, stand-up comedy, reality shows and documentaries.

In fiscal year 2017, we entered into a comprehensive, multi-year content partnership with award-winning writer, director, producer, actor and playwright Tyler Perry, encompassing television, film and short-form video. Beginning in 2019, Tyler Perry will produce approximately 90 episodes annually of original drama and comedy series for BET and other Viacom networks, and we will have exclusive licensing rights on this programming, as well as exclusive distribution rights to Tyler Perry's short-form video content. The partnership extends through 2024.

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Programming highlights in fiscal year 2017 included the premieres of *Tales*, *Face Value* and *50 Central*; returning favorites such as *Being Mary Jane*, *Real Husbands of Hollywood*, *The Game* and *Sunday Best All Stars*; and acquisitions such as *House of Payne* and *Martin*. BET's tentpoles and live events in 2017 included the fifth annual BET Experience, BET's weekend-long celebration of music, entertainment and Black culture, which was attended by 165,000 people and featured the 2017 BET Awards; BET Honors Awards; Black Girls Rock; BET Hip Hop Awards; Soul Train Awards and Celebration of Gospel. BET's programming received 5 NAACP Image Awards nominations and 2 wins in 2017.

In September 2017, BET reached approximately 226 million cumulative television subscribers in 73 countries worldwide.

In the quarter ended September 30, 2017, our BET online properties in the aggregate averaged approximately 14.2 million monthly unique visitors domestically and, according to internal data, 8 million content video streams each month. BET has garnered 42 million cumulative followers across social media platforms.

Comedy Central is a leading destination for comedic talent and all things comedy, featuring award-winning late night, sketch, scripted and animated series and stand-up specials and series, as well as a Global Podcast network. In June 2017, Comedy Central hosted its first Colossal Clusterfest, a three-day festival in San Francisco that featured an unprecedented mix of world-class standup comedy, live music and interactive reproductions of sets of iconic television shows.

Programming highlights in fiscal year 2017 included *The Daily Show with Trevor Noah*, series premieres of *The Jim Jefferies Show*, *The President Show* and *The Opposition with Jordan Klepper*, new seasons of returning favorites including *South Park*, *Broad City* and *Tosh.0*, local versions of *Drunk History* and acquisitions such as *The Big Bang Theory*, *Friends*, *Impractical Jokers* and *Family Guy*.

In September 2017, Comedy Central reached approximately 372 million cumulative television subscribers in 146 countries worldwide.

In the quarter ended September 30, 2017, our Comedy Central online properties in the aggregate averaged approximately 5.6 million monthly unique visitors domestically and, according to internal data, approximately 23 million content video streams each month. Comedy Central has garnered 168 million cumulative followers across social media platforms.

In January 2018, we will rebrand Spike in the U.S. as the Paramount Network - a premier general entertainment brand that we expect will enhance our offerings for adults 18 to 49. We anticipate that Paramount Network will leverage the best in our original scripted and non-scripted programming, and feature high-quality original and third party programming, movies and documentaries, and combat sports.

Paramount Network programming will feature a six-part event series *Waco*, a drama focused on the Branch Davidians; *Yellowstone*, a drama starring Kevin Costner and written and directed by critically-acclaimed screenwriter Taylor Sheridan; *American Woman*, a period piece starring Alicia Silverstone from award-winning producer John Wells; and *Heathers*, a 10-episode anthology based on the 1988 cult classic film of the same name. Paramount Network will also feature the culturally-relevant documentary *Rest in Power: The Trayvon Martin Story*, and new episodes of the multiplatform global hit *Lip Sync Battle*, *Ink Master*, *Ink Angels*, *Bar Rescue* and *Bellator MMA*. Spike programming highlights in fiscal year 2017 included returning franchises *Lip Sync Battle*, *Ink Master* and *Bar Rescue*, and tentpoles such as Spike's *One Night Only* tribute to Alec Baldwin. The *Lip Sync Battle* multiplatform franchise continues to expand with *Lip Sync Battle Shorties*, which will premiere in early 2018 on Nickelodeon, hosted by Nick Cannon and JoJo Siwa, and featuring younger, non-celebrity competitors lip-syncing to their favorite pop songs.

In September 2017, Spike reached approximately 146 million cumulative television subscribers in 11 countries worldwide.

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In the quarter ended September 30, 2017, our Spike online properties in the aggregate averaged approximately 990,000 monthly unique visitors domestically and, according to internal data, 5 million content video streams each month. Spike has garnered 21 million cumulative followers across social media platforms.

VH1 is a leading lifestyle brand for millennials, with pop culture, celebrities and lifestyle topics, including original series, exclusive events and entertainment news.

Programming highlights in fiscal year 2017 included the critically acclaimed original program RuPaul's Drag Race, which won three Emmy Awards in 2017, Basketball Wives, the Love and Hip Hop franchise, Black Ink Crew, Hip Hop Squares, Martha and Snoop's Potluck Dinner Party, Signed and Baller Wives and VH1's premier tentpole event Hip Hop Honors.

In September 2017, VH1 reached approximately 274 million cumulative television subscribers in 117 countries worldwide.

In the quarter ended September 30, 2017, our VH1 online properties in the aggregate averaged approximately 3.9 million monthly unique visitors domestically and 23 million content video streams each month. VH1 has garnered 42 million cumulative followers across social media platforms.

TV Land features a mix of original programming, classic and contemporary television shows, specials and iconic movies that appeal to adults aged 25 to 54. The channel is split into two dayparts - TV Land Classic airs during weekdays with beloved series like M*A*S*H*, and TV Land airs in the evening hours and on weekends, focusing on our original series and more modern acquisitions that appeal to adults aged 40 and older. In September 2017, TV Land experienced its highest ratings since 2014.

Programming highlights in fiscal year 2017 included returning original favorites Younger (which experienced its highest-rated and most-watched season to date) and Teachers (which also experienced its highest-rated season to date), and licensed favorites such as Everybody Loves Raymond, The King of Queens and new acquisition Mom.

In September 2017, TV Land reached approximately 87 million cumulative television subscribers, airing only in the U.S.

In the quarter ended September 30, 2017, our TV Land online properties in the aggregate averaged approximately 501,000 monthly unique visitors domestically and, according to internal data, 4 million content video streams each month. TV Land has garnered 7 million cumulative followers across social media platforms.

CMT is a leading country music and lifestyle destination, offering a mix of original series, music events and specials. CMT also has a 24-hour linear music channel, CMT Music, and online radio station, CMT Radio.

Programming highlights in fiscal year 2017 included returning favorites Nashville, I Love Kellie Pickler, Still the King, Steve Austin's Broken Skull Challenge and Dallas Cowboys Cheerleaders; and tentpole events and music programming such as the annual CMT Music Awards, CMT Artists of the Year and CMT Crossroads.

In September 2017, CMT reached approximately 109 million cumulative television subscribers in 9 countries worldwide.

In the quarter ended September 30, 2017, our CMT online properties in the aggregate averaged approximately 1.1 million monthly unique visitors domestically and, according to internal data, 1.5 million content video streams each month. CMT has garnered 13 million cumulative followers across social media platforms.

Logo is a leading entertainment brand inspired by the LGBTQ community. Logo features one-of-a-kind personalities, shows, specials and unique stories.

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Programming highlights in fiscal year 2017 included the Emmy Award-winning Logo Documentary Films, as well as Trailblazer Honors, Logo's signature tentpole event.

In September 2017, Logo reached approximately 48 million cumulative television subscribers, airing only in the U.S. In the quarter ended September 30, 2017, our Logo online properties in the aggregate averaged approximately 2.2 million monthly unique visitors domestically and, according to internal data, 1.5 million content video streams each month. Logo has garnered 8 million cumulative followers across social media platforms.

Channel 5, a PSB in the UK, and its affiliated channels air a broad mix of popular content, including factual programming, entertainment, reality, sports, acquired and original drama, and preschool programming through its award-winning Milkshake brand.

Programming highlights in fiscal year 2017 included Blind Date, Cruising with Jane McDonald, Paddington Station 24/7, and popular returning series such as Celebrity Big Brother, The Yorkshire Vet and Caught on Camera.

In September 2017, Channel 5 reached approximately 179 million cumulative television subscribers in the United Kingdom.

In November 2016, we acquired Televisión Federal S.A. ("Telefe"), one of the main free-to-air channels and biggest content producers in Argentina. Our acquisition of Telefe added 10 channels to our portfolio of international television networks.

Programming highlights in fiscal year 2017 included national telenovelas such as Educando a Nina, Amar Después de Amar and Golpe al Corazón, international telenovelas including Moisés y Los 10 Mandamientos, El Sultán and Josué y La Tierra Prometida, original reality series such as Dueños de la Cocina and the 30th season of the popular program Susana Giménez.

In September 2017, Telefe reached approximately 23 cumulative television subscribers in 19 countries worldwide.

Paramount Channel is a 24-hour movie channel featuring classic and contemporary films from the Paramount library and other Hollywood studios as well as domestic and international television series. Paramount Channel is available free-to-air in Spain and Italy, and on basic cable television in France, Hungary, Russia, Romania, Poland, South East Asia and various Latin American countries, including Brazil, Mexico, Chile and Argentina. Paramount Channel is expected to continue to expand internationally.

Programming highlights for fiscal year 2017 included The Indiana Jones Trilogy, Transformers, Forrest Gump, Shrek, the Godfather trilogy and acquisitions such as Gotham and NCIS.

In September 2017, Paramount Channel reached approximately 119 million cumulative television subscribers in 116 countries worldwide.

Colors is a highly-rated Hindi-language general entertainment pay television channel operated by our Viacom 18 joint venture in India. Colors is available in India and over 100 additional countries, including the U.S., Canada, the UK, parts of Europe, the Middle East and North Africa (e.g., United Arab Emirates, Tanzania, Uganda, Kenya and Rwanda), Asia Pacific (e.g., Australia, New Zealand, Singapore and Indonesia) and South-East Asia (e.g., Nepal, Bangladesh, Sri Lanka and The Maldives).

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The Colors brand is also extended to the English language through Colors Infinity, an English general entertainment channel, and to other Indian regional languages through the regional general entertainment channels COLORS Marathi, COLORS Kannada, COLORS Super, COLORS Bangla, COLORS Oriya and COLORS Gujarati, all of which feature fiction shows, reality programming and feature films.

In addition, our Viacom 18 joint venture operates two Hindi language channels under its brand Rishtey, which is a free-to-air Hindi general entertainment channel, and a pay television Hindi movie channel, Rishtey Cineplex.

In September 2017, Colors and Rishtey reached approximately 593 million cumulative television subscribers in 104 countries worldwide.

In addition, our Media Networks properties include:

• TeenNick appeals to kids ages 6 to 11 and features Nickelodeon original live action hits, signature originals and The Splat, a programming block targeting millennials with iconic Nick library content from the 1990s.

• Nicktoons is a leading cartoon destination for kids featuring signature franchises and fan favorites, as well as the Nick Sports block.

• Nick Music is a 24-hour music video destination featuring a Nickelodeon-curated lineup which gives kids their favorite Top 40 hits from breakout artists and ever-popular hit-makers.

• MTV2 is a music and lifestyle destination with content targeting male millennials aged 12 to 34 and featuring original music, live-action sports and irreverent lifestyle programming.

• MTV Classic features a mix of fan-favorite series and music programming from MTV's history, with a special focus on the 1990s and early 2000s.

• mtvU is an on-air, online and on-campus network created by and for the college audience.

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MTV Live is a music-centric high-definition television channel.

BET Her, formerly Centric, is the first network designed for black women, reflecting the lifestyle of today's African-American and multicultural adult viewer and delivering a variety of culturally relevant movies, series, music, live performances, specials and reality programming. Centric was rebranded to BET Her in October 2017.

BET Gospel features gospel music and spiritual programming.

BET Hip Hop spotlights hip hop music programming and performances.

Media Networks Revenues

Our Media Networks segment generates revenues in three categories: (i) the sale of advertising and marketing services, (ii) affiliate fees from distributors of our programming and program services and (iii) ancillary activities such as consumer products. In fiscal year 2017, advertising revenues, affiliate revenues and ancillary revenues were approximately 48%, 46% and 6%, respectively, of total revenues for the Media Networks segment.

Revenues from the Media Networks segment accounted for 76%, 79% and 78% of our revenues for the fiscal years 2017, 2016 and 2015, respectively, after the elimination of intercompany revenues.

Advertising Revenues

Our Media Networks segment generates revenues from the sale of advertising and from marketing services. Our advertising revenues generally depend on the number of viewers and viewership demographics. Demand and pricing for our advertising depend on the attractiveness of our offerings to advertisers, viewership and overall market conditions.

Ratings and demographic information for advertising purposes are determined by third-party research companies such as The Nielsen Company (US), LLC ("Nielsen") and comScore, Inc. ("comScore"), sometimes also including third- and first-party data.

Our Media Networks properties appeal to various key audiences attractive to advertisers. For example, MTV appeals to teens and young adults, Nickelodeon appeals to kids and their families and BET appeals to African-American audiences. We also drive additional demand through integrated sales of multi-platform advertising and marketing opportunities and through our integrated marketing services, providing unique branded entertainment and custom sponsorship opportunities to our advertisers.

Domestically, we sell a certain amount of our advertising inventory in advance each year in the upfront market, and other inventory in the scatter market closer to the time a program airs. Upfront sales and pricing for each new cable broadcast year are largely established in our third fiscal quarter and reflected in advertising revenue principally beginning in the first quarter of our subsequent fiscal year as marketing plans are finalized and orders are fulfilled to deliver advertising across various programs and dayparts. Pricing for advertising within our programming is generally established based on projected impression delivery, which may be guaranteed on a fixed price per impression unit basis. For advertising sold based on impression guarantees, audience deficiency may result in an obligation to deliver subsequent additional units, reducing inventory available

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for scatter sales. Scatter advertising is sold throughout the year at pricing reflecting market conditions at the time of sale and customization of services delivered. Most scatter advertising is also sold based on impression guarantees. To the extent we do not satisfy contracted audience ratings, we record deferred revenue until such time that the impression guarantee has been satisfied.

Internationally, advertising markets vary from jurisdiction to jurisdiction; however, we do not typically sell our inventory in advance in an upfront market. The majority of our international inventory is sold in the equivalent of the U.S. scatter market, and in a number of markets we are represented by third-party sales houses. The terms of these relationships vary. For example, in the UK, which is our largest market outside the U.S., we are represented by a third party to whom we sell the inventory on our television channels in the form of commercial impacts at a price calculated in accordance with a pre-agreed pricing metric, and the third party then resells those impacts to UK agencies and advertisers. In Argentina, our inventory is sold to advertisers either directly or through advertising agencies.

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. Measured viewership may vary due to the success of our programming (due to, among other things, the timing of availability of new episodes of popular programming and the performance of competing programs and other entertainment alternatives for viewers), the platforms on which our programming is available, as well as variations related to the methods used by third parties to measure viewership. Advertising revenues may also fluctuate due to seasonal variations, the timing of holidays and significant programming events such as awards shows and premieres. Typically, advertising revenues are highest in the first quarter of our fiscal year.

We continue to invest in proprietary data platforms and advanced analytics that enable our customers to better target and measure the impact of their advertising. Our Viacom Vantage™ platform combines data from multiple sources, which may include both first- and third-party data, in a predictive environment to deliver enhanced consumer targeting and campaign measurement. Viacom Velocity™ is our branded content agency offering full-service marketing that seamlessly integrates clients' brands into custom content across our platforms. Customized programs and proprietary analytics provide a strategic perspective on engagement across multiple social platforms including Facebook, Twitter, YouTube, Instagram, Snapchat and Tumblr.

In fiscal year 2017, Viacom created a consortium with Fox Networks Group and Turner to form OpenAP, the television industry's first open platform for cross-publisher audience targeting, enabling advertisers and agencies to define and customize the audiences they want to reach across member networks, with consistent standards of measurement and independent third party posting for advertising campaigns.

We are also working with distributors of our programming to evolve our multi-platform advertising offerings to include targeting and customization through Vantage, Velocity and OpenAP.

Affiliate Revenues

Our affiliate revenues are generated through fees from distributors of our programming and program services, such as cable television operators, direct-to-home satellite television operators, mobile networks and subscription video-on-demand and other OTT services.

Our agreements with multichannel television service providers are generally multi-year carriage agreements with set rate increases. The amount of fees we receive is generally a function of the number of subscribers and the rates we receive per subscriber. Expirations of these affiliate agreements are staggered. We are also working with these distributors to create new and improved pay television revenue opportunities.

Under subscription video-on-demand and other similar OTT agreements, we make certain programs available for distribution on one or more dates, and our revenue under these OTT agreements is recognized upon the availability of the programs licensed; therefore, revenue will fluctuate depending on the timing of when programming is made available throughout the license period.

Ancillary Revenues

Our Media Networks ancillary revenues are principally derived from (i) our consumer products activities, which include licensing our brands and intellectual property, as well as creation and publishing of interactive games across various platforms (including mobile, PC and console), (ii) recreational experiences and live events, (iii) viewing of our programming through electronic sell-through and download-to-rent services and the sale of DVDs and Blu-ray discs

and (iv) television syndication of our content.

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Our ancillary revenues vary based on consumer spending, the popularity of our programming, the volume of content available during a particular period and acceptance of our and our partners' products.

Media Networks Competition

Our media networks generally compete with other widely distributed cable networks, the broadcast television networks and digital programming services and platforms. Our media networks compete for advertising revenue with other cable and broadcast television networks, social media platforms, other connected outlets such as websites, apps and other online experiences, radio programming and print media. Each programming service competes for audience share with competitors' programming services that target or include the same audience. For example, Nickelodeon's programming and services compete for younger viewers, and BET's programming and services compete for consumers of African-American culture, with other entertainment services, including cable and broadcast networks, digital distribution outlets and other content platforms. We also compete with other cable networks for affiliate fees and distribution. Our networks compete with other content creators for directors, actors, writers, producers and other creative talent and for new program ideas and the acquisition of popular programming. Competition from these sources may affect our revenues and costs.

FILMED ENTERTAINMENT

Overview

Our Filmed Entertainment segment develops, produces, finances, acquires and distributes motion pictures, television programming and other entertainment content under the Paramount Pictures[®], Paramount Players[™], Paramount Animation[®] and Paramount Television[™] divisions, in various markets and media worldwide, for itself and for third parties. It partners on various projects with key Viacom franchises, including Nickelodeon Movies and MTV Films. Paramount Pictures is a major global producer and distributor of filmed entertainment and has an extensive library consisting of approximately 1,200 motion picture titles produced by Paramount, acquired rights to approximately 2,300 additional motion pictures and a number of television programs. Paramount's library includes many Academy Award[®] winners, including Titanic, Braveheart, Forrest Gump, The Godfather, There Will Be Blood and Wings, which won the first Academy Award[®] ever awarded for Best Picture in 1929, and recent Academy Award best picture nominees such as Arrival, Fences, The Big Short, Selma and The Wolf of Wall Street. The Paramount library also includes classics such as The Ten Commandments, Breakfast at Tiffany's and Sunset Boulevard and a number of successful franchises such as Transformers, Star Trek, Mission: Impossible and Paranormal Activity.

In June 2017, we announced the establishment of Paramount Players, a new production division that aims to expand Paramount's slate of films by partnering with our Media Networks flagship brands to develop, produce and market distinctive feature films in order to bring more of our leading brands to movie audiences around the world. These co-branded films will be distributed by Paramount with a unique emphasis on marketing campaigns and integrations benefiting from the global reach of our flagship networks. Paramount Players will also focus on smaller budget films reflecting specific genres and target audiences.

Paramount Animation is focused on creating high-quality animated films and has various projects in production and development, including upcoming releases Sherlock Gnomes and Amusement Park. Amusement Park is a feature film expected to be released in 2019, to be followed by an Amusement Park television series on Nickelodeon. Going forward, we anticipate that Paramount Animation will release one to two animated films per year.

Motion pictures produced, acquired and/or distributed by the Filmed Entertainment segment are generally first exhibited theatrically in domestic and/or international markets and then released in various markets through electronic sell-through, DVDs and Blu-ray discs, transactional video-on-demand, subscription video-on-demand, pay television, cable television and free television, free video-on-demand and by airlines and hotels. In fiscal year 2017, the Filmed Entertainment segment released 14 films in the domestic and international theatrical markets, including Transformers: The Last Knight, xXx: The Return of Xandar Cage, Baywatch, Ghost In The Shell, Jack Reacher: Never Go Back, Arrival and Fences. Paramount expects its total film slate to include approximately 10 theatrical releases in fiscal year 2018 as it continues to rebuild its film slate under its new divisions.

Paramount Television draws on Paramount's extensive library of film properties and develops original programming for television and digital platforms. In fiscal year 2017, Paramount Television produced Shooter, 13 Reasons Why and Berlin Station. Paramount Television also has various other programs in production, including The Alienist for TNT,

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Jack Ryan for Amazon, and Maniac and The Haunting for Netflix, as well as School of Rock (produced by Nickelodeon), 3 Days of the Condor (produced by DirecTV) and Lemony Snicket's A Series of Unfortunate Events (produced by Netflix). In addition, it has

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numerous projects in development. Paramount Television's first project, 2016's live television event Grease Live, received 10 Emmy nominations, winning five.

Motion Picture Production, Distribution and Financing

Paramount produces many of the motion pictures it releases and also acquires films for distribution from third parties. In some cases, Paramount co-finances and/or co-distributes films with third parties, including other studios.

Paramount also enters into film-specific financing and slate financing arrangements from time to time under which third parties participate in the financing of the costs of a film or group of films, typically in exchange for a partial copyright interest. Paramount distributes motion pictures worldwide or in select territories or media, and may engage third-party distributors for certain pictures in certain territories.

Paramount has recently extended and expanded its relationship with Skydance, a producer and co-financier of many Paramount motion pictures. The new agreement extends to 2022 and includes a Paramount "first look" for projects initiated by Skydance, including smaller budget and animated projects.

In November 2017, Paramount Pictures and Hasbro, Inc. ("Hasbro") announced a new exclusive agreement to produce and distribute content based on Hasbro's expansive list of brands, as well as original stories. Paramount and Hasbro will partner on live action and animated films, with Hasbro's Allspark Pictures and Allspark Animation having a role in development and production. The agreement expands the companies' existing relationship, under which Paramount and Hasbro have partnered on five Transformers films, two G.I. Joe films and the first Transformers spinoff - Bumblebee - which is scheduled for theatrical release in December 2018.

Domestically, Paramount generally performs its own marketing and distribution services for theatrical releases and its own sales and marketing services for home entertainment releases. Paramount has an agreement with Universal Studios for certain back-office and distribution services for all physical DVD and Blu-ray discs released by Paramount in the U.S. and Canada. Paramount also distributes CBS's library of television and other library content on DVD and Blu-ray disc on a worldwide basis under an agreement that runs through 2020.

Internationally, Paramount, through its international affiliates, generally distributes its theatrical releases through its own distribution operations or, in some territories, through United International Pictures, a company that Paramount and Universal Studios own jointly. For home entertainment releases, Paramount's physical DVD and Blu-ray discs are distributed in certain international territories by Universal Pictures Home Entertainment and in certain other territories by Paramount licensees.

Paramount also distributes films domestically and internationally on electronic sell-through, transactional video-on-demand, subscription video-on-demand and television platforms. In the first domestic pay television distribution window, Paramount's feature films initially theatrically released in the U.S. are generally exhibited on EPIX, a multi-platform premium entertainment service that offers Paramount, MGM, Lions Gate Films and certain third-party films, as well as original content, through a premium pay television channel and television and digital subscription video-on-demand services.

Producing, marketing and distributing motion pictures and television programming can involve significant costs. The timing of a motion picture's release can also cause our financial results to vary. For example, marketing costs are generally incurred before and throughout the theatrical release of a film and, to a lesser extent, other distribution windows, and are expensed as incurred. As a result, we typically incur losses with respect to a particular film prior to and during the film's theatrical exhibition, and recoupment of investment as well as profitability for the film may not be realized until well after its theatrical release. Therefore, the results of the Filmed Entertainment segment can be volatile as films work their way through the various distribution windows.

Filmed Entertainment Revenues

Our Filmed Entertainment segment generates revenues in four categories: (i) the release and/or distribution of motion pictures theatrically, (ii) the release and/or distribution of film and television product through home entertainment, (iii) the licensing of film and television product to television and digital platforms and (iv) other ancillary activities. In fiscal year 2017, theatrical

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revenues, home entertainment revenues, licensing revenues and ancillary revenues were approximately 25%, 26%, 40% and 9%, respectively, of total revenues for the Filmed Entertainment segment.

Revenues from the Filmed Entertainment segment accounted for 24%, 21% and 22% of our revenues for the fiscal years 2017, 2016 and 2015, respectively, after the elimination of intercompany revenues.

Theatrical Revenues

Paramount generates revenues worldwide from the theatrical release and/or distribution of motion pictures, primarily from audience ticket sales. In addition to the traditional 2D format, certain of Paramount's theatrical releases are made available in 3D and/or IMAX format, tickets that are generally sold at premium pricing.

Each motion picture is a separate and distinct product with its revenues, and ultimate profitability, dependent upon many factors, among which audience response, domestically and internationally, is of fundamental importance.

Theatrical revenues may also be affected by the number, timing and mix of releases and competitive offerings in any given period, consumer tastes and consumption habits, and overall economic conditions, including trends in discretionary spending. The theatrical success of a motion picture is a significant factor in determining the revenues it is likely to generate in home entertainment markets and licensing arrangements for television and other platforms. Revenues from motion picture theatrical releases tend to be cyclical with increases around the holidays that fall during the first quarter of our fiscal year, and in the summer months during our fourth quarter.

In fiscal year 2017, Paramount theatrically released in domestic and/or international markets Transformers: The Last Knight, Arrival, Jack Reacher: Never Go Back, Baywatch, Fences, Office Christmas Party, xXx: The Return of Xander Cage, Ghost in the Shell, Allied, Monster Trucks, Rings, mother!, Silence and An Inconvenient Sequel: Truth to Power. In addition to Daddy's Home 2, which was released in November 2017, Paramount's fiscal year 2018 slate is expected to include Downsizing, Sherlock Gnomes and Mission: Impossible 6.

Home Entertainment Revenues

Home entertainment revenues are derived from the worldwide sales and distribution of DVDs and Blu-ray discs relating to the motion pictures released theatrically by Paramount and programming of other Viacom brands such as Nickelodeon, MTV, Comedy Central and BET, as well as certain acquired films and content distributed on behalf of third parties such as CBS. Home entertainment revenues are also derived from the viewing of our films on a "transactional" basis through transactional video-on-demand and electronic sell-through services around the world, for a fee and/or on a revenue-sharing basis.

Our home entertainment revenues may be affected by the number, timing and mix of releases and competitive offerings in any given period, consumer tastes and consumption habits, the prominence given by distributors and retailers to our releases compared to those of our competitors, and overall economic conditions, including trends in discretionary spending.

Key home entertainment releases in fiscal year 2017 included Star Trek Beyond, Jack Reacher: Never Go Back, Arrival, xXx: The Return of Xander Cage, Ghost In The Shell, Transformers: The Last Knight, Fences, Allied, Baywatch, Monster Trucks and Office Christmas Party.

Licensing Revenues

Paramount generates fees by licensing, around the world on a territory by territory basis, films and television programs produced, acquired or distributed by Paramount, for a fee or on a revenue-sharing basis, to subscription video-on-demand, pay and basic cable television, free television and free video-on-demand services.

Revenue from the licensing of film and television exhibition rights is recognized upon availability for airing by the licensee and will fluctuate depending on the number and mix of available titles in any given territory.

Licensing revenues in fiscal year 2017 were generated from films that were licensed to various platforms, including Star Trek Beyond, Jack Reacher: Never Go Back, Teenage Mutant Ninja Turtles: Out of the Shadows, xXx: The Return of Xander Cage, Allied and Arrival, and from distribution of Paramount Television titles including Shooter, 13 Reasons Why and Berlin Station.

Ancillary Revenues

Paramount generates ancillary revenues by providing production and facilities services to third parties, primarily at Paramount's studio lot. Paramount also generates ancillary revenues by licensing its brands for consumer products, themed restaurants, hotels and resorts, live stage plays, film clips and theme parks and other location-based

entertainment projects.

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Filmed Entertainment Competition

Our Filmed Entertainment segment competes for audiences for its motion pictures, television programming and other entertainment content with the motion pictures and content released by other major motion picture studios, independent film producers and television producers, as well as with other forms of entertainment and consumer spending outlets. Our competitive position primarily depends on the amount and quality of the content produced, its distribution and marketing success and public response. We also compete for creative talent, including producers, actors, directors and writers, and scripts for motion pictures, all of which are essential to our success. Our motion picture brands also compete with studios and other producers of entertainment content for distribution of motion pictures through the various distribution windows (such as television and home entertainment) and on digital platforms. Competition from these sources may affect our revenues and costs.

SOCIAL RESPONSIBILITY

Viacommunity is the umbrella effort representing all of Viacom's social impact programs.

Through the power of entertainment, Viacommunity works to inspire social change hand-in-hand with the people we serve, the employees with whom we work, and the communities in which we operate. Some of Viacommunity's key areas of focus include building diverse and inclusive societies, promoting healthy living, inspiring future generations through education and empowering our employees with the tools, resources and freedom to truly make a difference. Following are just a few examples of our efforts:

Get Schooled

Get Schooled

In partnership with Viacom, Get Schooled leverages the power of pop culture to inspire and empower students to graduate from high school and succeed in college. The organization has been recognized by Fast Company as a Most Innovative company, partners with over 2,000 middle and high schools around the country and engages close to two million students.

MTV Staying Alive Foundation

Our international media networks' multi-award-winning MTV Staying Alive Foundation engages in fighting the stigma, spread and threat of the HIV and AIDS epidemic globally by creating engaging media content such as MTV Shuga and funding youth-led, grassroots prevention projects.

MTV Look Different

MTV's Emmy Award-winning "Look Different" campaign helps America's youth better recognize and challenge hidden racial, gender and anti-LGBT biases, empowering them to create a more equal future.

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VH1 Save The Music Foundation

The VH1 Save The Music Foundation is a nonprofit organization dedicated to restoring instrumental music education programs in America's public schools, and raising awareness about the importance of music as part of each child's complete education. Founded in 1997, VH1 Save The Music was the first organization in existence dedicated to restoring music programs in America's schools. Over 20 years, the foundation has donated more than \$53 million worth of new musical instruments to 2,030 public schools in 251 school districts around the country, impacting the lives of more than three million public school students.

Nickelodeon's Worldwide Day of Play

Nickelodeon encourages kids to get up and get active on its annual Worldwide Day of Play by suspending programming for three hours in the afternoon across its platforms while thousands of local partners nationwide host activities focused on "just" playing. The Road to Worldwide Day of Play, underway throughout the summer, travels to communities where kids are hometown heroes making play happen.

Logo Global Ally

Global Ally is an international storytelling project from Logo that provides an inside look into the lives of LGBTQ people from all corners of the world, and provides ways for an American audience to learn more, take action, and support LGBTQ people around the world.

Paramount's Kindergarten to Cap & Gown

Paramount has a long and proud tradition of giving back with a corporate social responsibility program focused on four key initiatives: supporting public education; protecting the environment; combating HIV/AIDS; and promoting volunteerism. By offering employee engagement opportunities, coupled with financial and in-kind contributions, Paramount supports numerous local, national, and global non-profit organizations. Kindergarten to Cap & Gown - Paramount's signature education program - mentors students through their educational experience, targeting four partner schools in Paramount's Los Angeles neighborhood.

Viacommunity's Talent for Good

At Viacommunity, one of the best ways to leverage the power of the Viacom brands and give back to the communities we serve is through the unique expertise of our creative and talented employees. Through this skills-based volunteering program, employees can strengthen their skills and build new ones, while giving back to the causes they care about most.

REGULATION AND PROTECTION OF OUR INTELLECTUAL PROPERTY

We are, fundamentally, a media content company, so the trademark, copyright, patent and other intellectual property laws that protect our brands and entertainment content are of paramount importance to us. Our businesses and the intellectual property

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they create or acquire are subject to and affected by laws and regulations of U.S. federal, state and local governmental authorities, as well as laws and regulations of countries other than the U.S. and pan-national bodies such as the European Union (“EU”). The laws and regulations affecting our businesses are constantly subject to change as are the protections that those laws and regulations afford us. The discussion below describes certain, but not all, present and proposed laws and regulations affecting our businesses.

Certain Regulations Affecting Our Business

Children’s Programming

Our business is subject to various regulations, both in the U.S. and abroad, applicable to children’s programming. For example, since 1990, federal legislation and rules of the U.S. Federal Communications Commission (the “FCC”) have limited the amount and content of commercial matter that may be shown on cable channels during programming designed for children 12 years of age and younger, and since 2006 the FCC has limited the display of certain commercial website addresses during children’s programming. In early 2017, the FCC initiated a review of its media rules with the objective of eliminating or modifying those that are outdated, unnecessary or unduly burdensome. We are participating in the FCC’s review process. In addition, some policymakers have sought limitations on food and beverage marketing in media popular with children and teens. Restrictions on the television advertising of foods high in fat, salt and sugar to children aged 15 and under have been in place in the UK since 2007 and were enacted in Ireland in 2013. Various laws with similar objectives have also been enacted in France, Mexico, Chile, Peru, Taiwan and South Korea, and significant pressure for similar restrictions continues to be felt globally, most acutely in Australia, Brazil, Canada, Colombia, India, Slovenia, South Africa and Turkey. The implementation of these or similar limitations and restrictions could have a negative impact on our Media Networks advertising revenues, particularly for our networks with programming for children and teens.

Children’s Privacy

Other laws and regulations intended to protect the interests of children include measures designed to protect the privacy of minors online. The U.S. Children’s Online Privacy Protection Act limits the collection of personal information online from children under 13 years of age by operators of websites or online services. We have been required to limit some functionality on our websites and apps as a result of these regulations. Such regulations also limit the types of advertising we are able to sell on these sites and apps and impose strict liability on us for certain actions of Viacom, advertisers and other third parties, which could affect advertising demand and pricing. State and federal policymakers are also considering regulatory and legislative methods to protect consumer privacy on the Internet, and these efforts have focused particular attention on children and teens.

UK Regulations Affecting Channel 5 Business

As a PSB in the UK, Channel 5 is subject to certain OFCOM broadcasting regulations that impose detailed obligations including mandating the proportion of total programming and programming during peak hours that must be original productions; the hours devoted to news and current affairs; and the proportion of commissioned programming that must be made by independent producers. Channel 5 has also undertaken to air a certain amount of UK-originated children’s programming. Like all UK broadcasters, Channel 5 must abide by the OFCOM Broadcasting Code, which contains content and scheduling regulations relating to harm and offense, protection of individuals under the age of 18, privacy, fairness and product placement, and by OFCOM’s Code on the Scheduling of Television Advertising, which contains regulations on the amount and scheduling of advertising.

Argentine Regulations Affecting Telefe Business

Telefe is governed by Argentina’s Media Law 26522, as amended by Decree 267/1515. A legislative drafting committee is currently drafting a new media and communications law that will govern both the media and telecommunications businesses in Argentina, and the proposed legislation is expected to be released for public consultation in 2018. We will assess the impact of the proposal on our businesses at that time.

EU Commission’s Digital Single Market Strategy

The European Commission (the “EC”) continues to pursue its Digital Single Market (“DSM”) Strategy, which contains a broad range of proposals designed to create a more complete EU-wide market for digital goods and services, several of which are likely to impact Viacom’s businesses. The territorial nature of copyright has been identified by the EC as one of the main barriers to a single European market, and there has been strong pressure from politicians to undermine

content owners' commercial freedom to distribute exclusively on a territorial basis.

The EC published DSM-related legislative proposals in each of May 2016 and September 2016. Several of these proposals are of particular relevance to Viacom's business practices in Europe given their impact on content owners' exclusive control over distribution decisions for film and television productions. On June 8, 2017, the Portability Regulation came into force, requiring online content providers to ensure that their subscribers can access content while temporarily in another EU country. Another regulation currently under consideration by the EU Parliament and Council seeks to extend the EU Satellite and Cable Directive

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to permit EU-wide licenses for rights included in broadcasters' online ancillary services, with the aim of making it easier for platforms to respond to passive sales requests for those services from other EU countries without contravening copyright law. A further proposal would entitle talent to seek additional non-contractual compensation through the courts for highly-successful works, which would raise our operating expenses.

The EC will be making a number of reforms to the Audio-Visual Media Services Directive, which sets content and advertising rules for European broadcasters. A liberalization of advertising minutage restrictions on linear channels could cause shifts of advertising spending between broadcasters with an adverse impact on some international channels in certain EU countries. In addition, changes to the operation of the 'country of origin' rule, which allows pan-EU broadcasters to be regulated in a single EU jurisdiction, could increase scrutiny of our licensing location decisions, and allow countries to impose levies on services licensed outside of their jurisdiction. The reforms are currently the subject of EU Parliamentary and Council scrutiny, with final agreement expected in the first half of 2018.

Restrictions on Film Distribution

In addition to the regulations regarding territorial licensing in the EU discussed above, numerous countries around the world impose restrictions on the number and nature of films that may be distributed in that country. Such regulations in China have the greatest impact, as only 34 foreign films can be distributed annually on a revenue share basis based on box office performance. Those films are selected by relevant authorities in China.

Personal Data Transfers from the EU to the U.S and EU Data Protection Laws

Viacom's operations rely upon the ability to access or transfer personal data internationally, including between the EU and the U.S. The EU-U.S. Privacy Shield ("Privacy Shield") is a framework that became effective in July 2016 for the permitted transfer of personal data from the EU to the U.S. Viacom self-certified to the Privacy Shield effective October 28, 2016. Nevertheless, some of the mechanisms permitting transfer of personal data from the EU to the U.S. have been subject to legal challenges, the outcomes of which remain uncertain. Moreover, the Privacy Shield framework is subject to annual review by the relevant EU and U.S. authorities and the outcome of such future reviews is uncertain. In addition, the new EU General Data Protection Regulation, which becomes enforceable on May 25, 2018, will continue to regulate international data transfers while expanding other data protection compliance obligations and authorizing significantly increased fines for noncompliance, requiring additional compliance resources and efforts on our part.

Program Access

Under the U.S. Communications Act of 1934, as amended, vertically integrated cable programmers are generally prohibited from entering into exclusive distribution arrangements or offering different prices, terms or conditions to competing MVPDs unless the differential is justified by certain permissible factors set forth in the regulations promulgated by the FCC. Our wholly-owned program services are not currently subject to these program access rules. Because we and CBS are under common control, each company's businesses, as well as the businesses of any other commonly controlled company, may be attributable to the other companies for purposes of the program access rules, and therefore the businesses and conduct of CBS could have the effect of making us subject to the rules. In September 2016, the FCC proposed to expand the scope of its rules implementing the program access provisions of the Communications Act. If Viacom or its programming agreements were to become subject to the program access rules, our flexibility to negotiate the most favorable terms available for our content and our ability to offer cable television operators exclusive programming could be adversely affected.

Protecting our Content from Copyright Theft

The unauthorized reproduction, distribution, exhibition or other exploitation of copyrighted material interferes with the market for copyrighted works and disrupts our ability to distribute and monetize our content. The theft of motion pictures, television and other entertainment content presents a significant challenge to our industry, and we take a number of steps to address this concern. Where possible, we make use of technological protection tools, such as encryption, to protect our content. We are actively engaged in enforcement and other activities to protect our intellectual property, including: monitoring online destinations that distribute or otherwise infringe our content and sending takedown or cease and desist notices in appropriate circumstances; using filtering technologies employed by some user-generated content sites; and pursuing litigation and referrals to law enforcement with respect to websites

and other online platforms that distribute or facilitate the distribution and exploitation of our content without authorization. We also are actively engaged in educational outreach to the creative community, labor unions, state and federal government officials and other stake holders in an effort to marshal greater resources to combat copyright theft. Additionally, we participate in various industry-wide enforcement initiatives, public relations programs and legislative activities on a worldwide basis. We have had notable success with site-blocking efforts in Europe and Asia, which can be effective in diverting consumers from piracy platforms to legitimate platforms.

Notwithstanding these efforts and the many legal protections that exist to combat piracy, the proliferation of content theft and technological tools with which to carry it out continue to be a challenge. The failure to maintain enhanced legal protections and

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enforcement tools and to update those tools as threats evolve could make it more difficult for us to adequately protect our intellectual property, which could negatively impact its value and further increase the costs of enforcing our rights as we continue to expend substantial resources to protect our content.

INTELLECTUAL PROPERTY

We create, own and distribute intellectual property worldwide. It is our practice to protect our motion pictures, programs, content, brands, formats, characters, games, publications and other original and acquired works, and ancillary goods and services. The following brands, logos, trade names, trademarks and related trademark families are a few of those strongly identified with the product lines they represent and are significant assets of the Company: Viacom®, Nickelodeon®, Nick Jr.®, MTV®, BET®, Comedy Central®, Paramount Network™, SPIKE®, Nick at Nite®, Nicktoons®, TeenNick®, MTV2®, MTV Classic®, VH1®, CMT®, TV Land®, Logo®, Channel 5® (UK), Telefe® (Argentina), Colors®, Paramount Channel™, mtvU®, Palladia®, BET Networks®, BET Her™, BET Gospel®, BET Hip Hop®, BET.com®, BET Mobile®, Tr3s®, Paramount Pictures®, Paramount Vantage®, Paramount Classics®, Paramount Animation®, Paramount Players™, Insurge Pictures®, MTV Films®, Nickelodeon Movies™, Paramount Television™ and other domestic and international program services and digital properties.

EMPLOYEES AND LABOR MATTERS

As of September 30, 2017, we employed approximately 10,750 full-time and part-time employees worldwide, and had approximately 900 additional project-based staff on our payroll. We also use many other temporary employees in the ordinary course of our business.

Our Filmed Entertainment segment, through in-house, affiliated and third-party production service companies, engages the services of writers, directors, performers, musicians and various crew members who are subject to certain industry-wide and/or specially negotiated collective bargaining agreements. The Alliance of Motion Picture and Television Producers (“AMPTP”) is a multi-employer trade association, which, along with and on behalf of hundreds of member companies including Paramount Pictures, negotiates the industry-wide collective bargaining agreements with these parties. The AMPTP agreements with the crew (U.S. and British Columbia), musicians and Canadian performers and directors expire in fiscal year 2018. Certain collective bargaining agreements that apply to specific companies have been negotiated in the past, and we expect will be negotiated as the need arises in the future.

Our Media Networks segment, through in-house and third-party production service companies, engages for certain of our productions the services of writers, directors, performers, musicians and various crew members who are subject to certain specially negotiated collective bargaining agreements or one-off agreements. Since these agreements are entered into on a per-channel or per-project basis, negotiations occur on various agreements throughout the year. Any dispute with the labor organizations that represent any of these parties could disrupt our operations and reduce our revenues.

FINANCIAL INFORMATION ABOUT SEGMENTS AND FOREIGN AND DOMESTIC OPERATIONS

For a description of risks attendant to our foreign operations, see “Item 1A. Risk Factors.” Financial and other information by reportable segment and revenues by geographic area for fiscal years 2017, 2016 and 2015 are set forth in Note 19 to our Consolidated Financial Statements.

AVAILABLE INFORMATION

We file annual, quarterly and current reports, proxy and information statements and other information with the Securities and Exchange Commission (the “SEC”). Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to such reports filed with or furnished to the SEC pursuant to the Securities Exchange Act of 1934, as amended, will be available free of charge on our website at www.viacom.com (under “Investor Relations”) as soon as reasonably practicable after the reports are filed with the SEC. These documents are also available on the SEC’s website at www.sec.gov.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, including “Item 7. 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 are discussed in “Item 1A. Risk Factors” below. Other risks, or updates to the risks discussed

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below, may be described in our news releases and filings with the SEC, including but not limited to our 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.

OUR EXECUTIVE OFFICERS

The following table sets forth the name, age and position of each person who serves as a Viacom executive officer.

Name	Age	Position
Robert M. Bakish	53	President and Chief Executive Officer; Director
Christa A. D'Alimonte		