

Viacom Inc.  
Form 10-K  
November 15, 2012  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended September 30, 2012

OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-32686

VIACOM INC.

(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

20-3515052  
(I.R.S. Employer  
Identification Number)

1515 Broadway  
New York, NY 10036

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(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, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

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

As of the close of business on March 31, 2012, the last business day of the registrant's most recently completed second fiscal quarter, there were 51,410,737 shares of the registrant's Class A common stock, par value \$0.001 per share, and 478,630,502 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, 2012 was approximately \$547.9 million (based upon the closing price of \$51.97 per share as reported by the NASDAQ Global Select Market on March 30, 2012). The aggregate market value of Class B common stock held by non-affiliates as of March 31, 2012 was approximately \$22.6 billion (based upon the closing price of \$47.46 per share as reported by the NASDAQ Global Select Market on March 30, 2012).

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As of November 7, 2012, 51,151,238 shares of our Class A common stock and 451,025,969 shares of our Class B common stock were outstanding.

### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of Viacom Inc.'s Notice of 2013 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 a leading global entertainment content company that connects with audiences through compelling content across television, motion picture, online and mobile platforms in over 160 countries and territories. We manage our operations through two reporting segments: *Media Networks* and *Filmed Entertainment*. References in this document to Viacom, Company, we, us and our mean Viacom Inc. and our consolidated subsidiaries, unless the context requires otherwise.

In 2010, we changed our fiscal year end to September 30 from December 31 to better align our financial reporting period, as well as our annual planning and budgeting process, with our business cycle, particularly the cable broadcast year. This Annual Report on Form 10-K reports our financial results for the twelve months ended September 30, 2012, which we refer to as fiscal year 2012. Our fiscal year 2011 results reflect our results for the twelve-months ended September 30, 2011 and our fiscal year 2010 results reflect our results for the nine-month transition period ended September 30, 2010.

**Media Networks**

Our *Media Networks* segment provides entertainment content 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 to our audiences across multiple platforms, which allows them to engage with our content how and where they want to view and interact with it: on television, online and on mobile devices and through a variety of consumer products.

Viacom Media Networks operates our media networks businesses through four channel groups: Music & Logo, Nickelodeon, Entertainment and BET Networks. Viacom Media Networks and its international operations reach approximately 700 million households in over 160 countries and territories worldwide via more than 200 locally programmed and operated TV channels and hundreds of digital and mobile TV properties, which include MTV<sup>®</sup>, VH1<sup>®</sup>, CMT<sup>®</sup>, Logo<sup>®</sup>, BET<sup>®</sup>, CENTRIC<sup>®</sup>, Nickelodeon<sup>®</sup>, Nick Jr.<sup>®</sup>, TeenNick<sup>®</sup>, Nicktoons<sup>®</sup>, Nick at Nite<sup>®</sup>, COMEDY CENTRAL<sup>®</sup>, TV Land<sup>®</sup>, SPIKE<sup>®</sup>, Tr3s<sup>®</sup>, Paramount Channel and VIVA, among others. Viacom Media Networks also has a casual games business that includes websites such as AddictingGames.com and Shockwave.com.

Our *Media Networks* segment generates revenues from advertising sales, affiliate fees and ancillary revenues. Revenues from the *Media Networks* segment accounted for 66%, 61% and 65% of our revenues for the fiscal years 2012, 2011 and 2010, respectively.

**Filmed Entertainment**

Our *Filmed Entertainment* segment produces, finances and distributes motion pictures and other entertainment content under the Paramount Pictures<sup>®</sup>, Paramount Vantage<sup>®</sup>, Paramount Classics<sup>®</sup>, Insurge Pictures<sup>®</sup>, MTV Films<sup>®</sup> and Nickelodeon Movies brands. Paramount Pictures, celebrating its 100<sup>th</sup> year in 2012, is a major global producer and distributor of filmed entertainment and has a library consisting of over 3,300 motion pictures and a small number of television programs. It also acquires films for distribution and has distribution relationships with third parties. In fiscal year 2012, Paramount distributed two theatrical titles under its distribution arrangement with DreamWorks Animation SKG, Inc. ( DreamWorks Animation ) and expects to distribute the final film under such distribution arrangement in theaters in November 2012. In fiscal year 2011, Paramount distributed the final two theatrical titles under its distribution arrangement with MVL Productions LLC ( Marvel ), now a subsidiary of The Walt Disney Company ( Disney ). Paramount also distributes motion pictures and other entertainment content on DVDs and Blu-ray discs, television, digital and other platforms in the United States and internationally.

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Revenues from the *Filmed Entertainment* segment are generated primarily from the theatrical release and/or distribution of motion pictures, sale of home entertainment products such as DVDs and Blu-ray discs, and the licensing of motion pictures and other content to pay and basic cable television, broadcast television, syndicated television and digital media outlets. Revenues from the *Filmed Entertainment* segment accounted for 35%, 40% and 36% of our revenues for fiscal years 2012, 2011 and 2010, respectively, with elimination of intercompany revenues of (1%) for each period.

## **Business Strategy**

We develop and distribute television programming, motion pictures, digital offerings and other creative entertainment content to serve diverse audiences worldwide. We manage our global portfolio of brands with creativity, expertise and discipline to produce and distribute entertainment experiences across all media platforms and engage consumers in all areas of their lives. With a strategic focus on content, we aim to:

expand, enhance and evolve our brands worldwide by creating and acquiring popular content and other interactive experiences, building new networks and innovating in other forms of entertainment;

foster a creative, dynamic and diverse corporate culture that reflects the diverse audiences we serve and strengthens our position as a leader in entertainment for consumers around the world;

invest wisely in content that fits our core businesses and brand portfolios, most significantly increasing the level of original programming inspired by our proprietary audience research, that will build our content library and drive multi-platform engagement across our brands;

continue to innovate and refine the distribution of our content, capitalizing on and optimizing opportunities for Internet based content delivery through authenticated, pay, and advertiser supported models using traditional and Internet protocol based delivery;

expand our relationships with our advertising, cable, satellite, digital, mobile and licensing partners to develop new ways to deepen our connection with audiences through insightful research and the development of content that resonates with targeted audiences;

fuel organic growth and expansion of our *Media Networks* and *Filmed Entertainment* businesses internationally by developing new brands and properties and launching new channels and consumer products with local, regional and multinational appeal;

develop a streamlined film slate that is focused on key branded and franchise films, including animated movies, complemented by smaller productions and acquisitions, and that is guided by financial discipline and driven by innovative promotion and marketing;

protect our vast collection of intellectual property from theft through technology solutions, communications, legal enforcement and other activities;

drive efficiencies, execute strategies and maintain a strong financial position through operational discipline; and

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generate significant long-term value for our stockholders.

### **Corporate Information**

We were organized as a Delaware corporation in 2005 in connection with our separation from CBS Corporation, 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](http://www.viacom.com). Information included on or accessible through our website is not intended to be incorporated into this report.

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### **MEDIA NETWORKS**

Viacom Media Networks operates our media networks program services, websites and other digital media services in the United States and internationally. The *Media Networks* segment is comprised of four channel groups – Music & Logo, Nickelodeon, Entertainment and BET Networks – that operate as Viacom Media Networks.

#### **Media Networks Revenues**

Our *Media Networks* segment generates revenues in three categories: (i) the sale of advertising related to our content and marketing services, (ii) affiliate fees from cable television operators, direct-to-home satellite television operators, digital distributors, telecommunications operators and mobile networks and (iii) ancillary revenues, which include consumer products licensing, brand licensing, home entertainment sales of our programming, television syndication and casual gaming. In fiscal year 2012, advertising revenues, affiliate fees and ancillary revenues were approximately 52%, 42% and 6%, respectively, of total revenues for the *Media Networks* segment.

#### ***Advertising Revenues***

The advertising revenues generated by our program services depend on the number of households subscribing to the service, household and viewership demographics and ratings as determined by third party research companies such as The Nielsen Company (US), LLC (Nielsen). Our media networks properties target key audiences. For example, MTV targets teen and young adult demographics, Nickelodeon targets kids and their families and BET targets African-American audiences. We sell a certain amount of our advertising inventory on our program services 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 beginning in the first quarter of our subsequent fiscal year as marketing plans are finalized and orders fulfilled to deliver advertising across various programs and dayparts. Scatter advertising is sold throughout the year at pricing reflecting market conditions at the time of sale. The volume of scatter advertising sold depends on market conditions and on availability of units. Units available primarily depends on our upfront unit obligations, as well as our ratings performance, which can either generate additional capacity and unit availability for the scatter marketplace, or result in additional audience deficiency unit obligations to make good on contracted audience ratings.

Our advertising revenues may be affected by the strength of advertising markets and general economic conditions and may fluctuate depending on the success of our programming, as measured by viewership, at any given time. Audience measurement ratings may vary due to the timing of availability of new episodes of popular programming, success of our programming, performance of competing programs and other entertainment alternatives for viewers, as well as variations related to the methods used by third parties to measure ratings. Advertising revenues may also fluctuate due to seasonal variations, typically being highest in the first quarter of our fiscal year. In addition, advertising revenues may fluctuate due to the timing of significant programming events, such as awards shows or premieres.

Where ratings do not deliver as planned, we sometimes are required to offer our advertisers make-goods in the form of audience deficiency units, which are units of inventory made available to advertisers as fulfillment for the inventory the advertisers purchased which ran in programs that underdelivered on contracted audience ratings. To the extent we do not satisfy contracted audience ratings, we record a liability until such time that the audience rating has been satisfied.

Our digital businesses generate revenue primarily from a combination of advertising and sponsorships. Our on-air programming drives traffic to our digital properties and vice versa, facilitating convergent, or cross-platform, advertising sales and related services. We also receive advertising revenue from sales of advertising inventory associated with third party content and websites. In addition, we syndicate ad-supported long-form and short-form video content to select online destinations, which ultimately drives viewership back to our core program services and digital properties.



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***Affiliate Revenues***

Revenues from affiliate fees are received from cable and satellite television operators, digital distributors, telecommunications operators and mobile networks. Our agreements with cable and satellite operators are generally multi-year carriage agreements with set rate increases that provide us with a reasonably stable source of revenues. The amount of the fees we receive is generally a function of the number of subscribers and the rates we receive per subscriber. Expirations of our affiliate agreements are staggered. Digital distribution agreements typically cover a large amount of programming and provide for various dates upon which each program becomes available for distribution on the digital platform. Revenue from these arrangements is recognized upon program availability and fluctuates quarterly depending on the availability of the programs licensed. Digital distribution agreements are generally for a shorter term than carriage agreements with traditional cable and satellite television operators, reflecting the relatively less mature nature of the digital distribution business. We continue to create ways to build stronger and more expansive multi-media partnerships with the various distributors of our content that maximize the value of our content for us, our audience and our affiliate and digital partners, such as customized content offerings for video-on-demand and digital distribution with our cable and satellite partners.

***Ancillary Revenues***

Our ancillary revenues are principally derived from (i) consumer products and brand licensing, including the licensing of popular characters from our programs and digital properties for consumer products, video games and publishing, (ii) distribution of our programming in the home entertainment market through the sale and rental of DVDs and Blu-ray discs, video-on-demand, download-to-own and download-to-rent services, (iii) television syndication and (iv) casual gaming. Our ancillary revenues vary based on consumer spending, the popularity of our programming, volume of content available for sale during a particular period and acceptance of our or our partners' products.

**Media Networks Properties**

Viacom Media Networks is principally comprised of four channel groups based on target audience, similarity of programming and other factors: Music & Logo, Nickelodeon, Entertainment and BET Networks. Worldwide, Viacom Media Networks' program services reached approximately 700 million households in over 160 countries and territories via more than 200 locally programmed and operated TV channels and hundreds of digital and mobile TV properties in September 2012. Viacom Media Networks' online properties collectively averaged approximately 69 million unique visitors per month domestically during the quarter ended September 30, 2012. Viacom Media Networks operates the international extensions of our brands, as well as certain program services created specifically for international and/or non-English speaking audiences, through its international operations, Viacom International Media Networks. Viacom International Media Networks owns and operates, participates in through joint ventures, and/or licenses to third parties to operate more than 200 locally programmed and operated TV channels, including extensions of our multimedia brands MTV, VH1, Nickelodeon, COMEDY CENTRAL and BET, as well as program services regionally customized for particular viewers with local language, music, programming and on-air personalities. For example, Paramount Channel is a free-to-air, 24-hour movie channel available in Spain; Colors is a highly-rated Hindi-language general entertainment channel operated by our Viacom 18 joint venture, which is available in India, the UK and Ireland, as well as in Canada and the U.S. as Aapka Colors; Game One is a general entertainment and lifestyle channel available in France, featuring Japanese anime programming; Tr3s is a bilingual network for U.S.-based Latinos; Viva is a music and entertainment channel in the UK, Germany, Austria, Switzerland and parts of Eastern Europe; and several extensions of Comedy Central channels were launched in Latin America, Africa, Russia and the Adriatic region, as 24-hour, fully-localized comedy channels in these regions. Viacom International Media Networks continues to manage the ongoing international expansion of the Paramount television brand, as well as a number of digital extensions of our brands, including MTV Dance, MTV Hits and MTV Rocks.

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Our most important media networks properties are discussed below. Unless otherwise indicated, the domestic television household numbers are according to Nielsen, the Internet user data is according to comScore Media Metrix (U.S. data only unless otherwise indicated) and the video stream data is based on internal tracking. International reach statistics are derived from internal data coupled with external sources when available.

### ***Music & Logo***

The Music & Logo group includes our music, youth and young adult-oriented program services and digital properties, which generally target the 12-24, 18-24 and 18-34 demographics, and Logo, our properties for gays, lesbians and their families and friends. Some of our key properties in this group include:

#### **MTV**

A leading global brand and multimedia destination targeting the millennial generation, music fans and artists, and offering content built around compelling storytelling, music discovery and activism across television, online and mobile platforms.

Programming highlights in fiscal year 2012 included hits such as *Jersey Shore*, *Teen Mom*, *Snoobi & JWOWW*, *Teen Wolf*, *Pauly D Project*, *Punk'd*, *Awkward* and *Ridiculousness*; tentpole events such as the *2012 MTV Video Music Awards*, which were watched by approximately 15 million viewers on MTV, MTV2, VH1 and Logo according to Nielsen, and the *2012 MTV Movie Awards*; and long-time favorites *Randy Jackson Presents America's Best Dance Crew* and *The Real World*.

MTV reached approximately 98 million domestic television households in September 2012 and approximately 600 million households in more than 160 countries and territories worldwide via its 41 MTV branded channels. It reaches many more households through branded programming blocks on third party broadcasters.

#### **MTV2**

Part of the MTV family of channels, a music and lifestyle network targeting male millennials aged 15 to 25 and featuring original music, live-action sports and irreverent lifestyle programming.

Programming highlights included music-based programs such as *Sucker Free Countdown*, *The Dub Magazine Project*, *Funk Flex Full Throttle* and *120 Minutes with Matt Pinfield*; action sports and lifestyle programming such as *Bellator Fighting Championships*, *The Dudesons*, *Nitro Circus Live* and *Lingerie Football League*; and the premiere of original series *Guy Code* and *Hip Hop Squares*.

MTV2 reached approximately 79 million domestic television households in September 2012.

#### **MTV.com**

Digital and mobile destinations featuring a diverse array of music, entertainment and pop culture content, including exclusive music performances, news, interviews, digital only tentpoles such as the *O Music Awards*, blogs such as *MTV Buzzworthy* and *MTV Style*, and other leading franchises such as *MTV News*, *Unplugged*, *Posted*, *MTV Movies* and *MTV Geek*. Each digital and mobile platform complements MTV's television programming and enhances audience engagement, including through social media interactions with cast members and access to exclusive content. As of September 30, 2012, MTV had approximately 125 million Facebook fans across all MTV Facebook pages and approximately 8 million followers across all MTV accounts on Twitter.

In the quarter ended September 30, 2012, MTV.com averaged approximately 11 million monthly unique visitors and 134 million video streams each month.

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**VH1**

Music and pop culture-driven network targeting adults aged 18-49 who want to remain connected to pop culture and featuring a variety of original programming primarily focused on music artists, real life stories and celebrities, as well as online and mobile platforms.

Programming highlights included *Mob Wives*, *Single Ladies*, *Basketball Wives*, *Love & Hip Hop*, *T.I & Tiny: The Family Hustle* and *La La's Full Court Life*; tentpoles such as the *Critics Choice Movie Awards* and the *Do Something! Awards*; and core music offerings such as *VH1 Divas*, *Behind the Music*, *Storytellers*, *Pop Up Video* and *VH1's Rock Docs*.

VH1 reached approximately 97 million domestic television households in September 2012.

**VH1 Classic**

Classic-themed network featuring music videos, documentaries, movies and concert footage from the 1960s, 1970s, 1980s and 1990s, as well as other music-themed programs.

Programming highlights included *That Metal Show*, *Behind the Music: Remastered*, *Totally 80s*, *Classic Pop-Up Video*, *VH1 Classic 120 Minutes* and *Metal Evolution*.

VH1 Classic reached approximately 60 million domestic television households in September 2012.

**VH1 Digital**

Digital and mobile destinations, including VH1.com, VH1Classic.com, m.VH1.com and various apps, featuring a diverse array of content centered on VH1 shows, music, pop culture and celebrity content, including original series, exclusive events, music videos, live performances and news. These properties extend and support leading franchises, such as *You Oughta Know*, *VH1 Celebrity*, *Unplugged*, *Pop Up Video*, *VH1 Divas*, *Love & Hip Hop*, *Basketball Wives* and *Mob Wives*. Destinations also include multiple blogs, such as *Celebrity*, *Tuner* and *VH1Blog*, digital only franchises, such as *Posted*, and a second screen app called *Co-Star*.

In the quarter ended September 30, 2012, VH1.com averaged approximately 3 million monthly unique visitors and 37 million video streams each month.

**CMT and CMT Digital**

CMT is the leading television and digital authority on country music and entertainment. CMT and its website, CMT.com, offer an unparalleled mix of music, news, live concerts and series and is the top resource for country music on demand. The network's digital platforms include the 24-hour music channel, CMT Pure Country, CMT Mobile and CMT VOD.

Programming highlights included *Bayou Billionaires*, *My Big Redneck Vacation*, *Redneck Island* and *Dallas Cowboys Cheerleaders: Making the Team*; tentpoles such as the annual *CMT Music Awards*, *CMT Crossroads* and *CMT Artists of the Year*; and CMT's highly-rated weekly franchises *CMT Insider* and *CMT Top 20 Countdown*.

CMT reached approximately 91 million domestic television households in September 2012. In the quarter ended September 30, 2012, CMT.com averaged approximately 1 million monthly unique visitors and 4 million video streams each month.

**Logo and Logo Digital**

A leading network for gays, lesbians and their families and friends, featuring a mix of original and acquired content, news, social networking and community building. Logo's programming is complemented by a number of online properties, including LogoTV.com, AfterEllen.com, AfterElton.com, DowneLink.com and NewNowNext.com.

Programming highlights included original programs such as *The A-List: Dallas*, *Bad Sex*, *RuPaul's Drag Race*, *RuPaul's Drag Race: Untucked*, *RuPaul's Drag U* and *The NewNowNext Awards*, as well as acquired programs such as *1 girl 5 gays*, *Buffy the Vampire Slayer*, *Absolutely Fabulous* and *Nip/Tuck*.

Logo reached approximately 50 million domestic television households in September 2012.

In the quarter ended September 30, 2012, LogoTV.com averaged approximately 1 million monthly unique visitors and 4 million video streams each month.

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Other key Music & Logo properties include mtvU, our on-air, online and on-campus network created by and for the college audience broadcasting to more than 750 college campuses and nearly 9 million students across the country; MTV Films, MTV's motion picture brand; and PalladiaHD, a music-centric high definition television channel.

### ***Nickelodeon***

The Nickelodeon group provides high-quality entertainment and educational programs, websites and online services targeted to kids ages 2-17 and their families. Some of our key properties in this group include:

#### **Nickelodeon and Nick at Nite**

Nickelodeon, now in its 33<sup>rd</sup> year, has built a diverse, global business by putting kids first. Nickelodeon features original and licensed programming for kids during the daytime hours. Nick at Nite airs during the evening and overnight hours and primarily features licensed contemporary family comedies. Nickelodeon produces and distributes television programming worldwide and has a global consumer products business.

Nickelodeon programming highlights in fiscal year 2012 included hits such as *iCarly*, *Victorious*, *Big Time Rush*, *SpongeBob SquarePants*, *Kung Fu Panda: Legends of Awesomeness*, *Legend of Korra*, *House of Anubis* and *T.U.F.F. Puppy*; tentpoles such as *The Kids Choice Awards*, *Worldwide Day of Play* and *The HALO Awards*; specials such as *Rags*, *Big Time Movie* and *Super Spongy Square Games*; and game shows such as *Figure It Out*. Nick at Nite programming highlights included the launch of *Friends*, as well as *George Lopez* and *My Wife and Kids*.

Nickelodeon brought a number of kids' franchises to its programming slate and consumer product offerings, including a revamped *Teenage Mutant Ninja Turtles* and *The Winx Club*.

Nickelodeon and Nick at Nite reached approximately 99 million domestic television households in September 2012. Nickelodeon reached approximately 300 million households in more than 130 countries and territories in September 2012 via its 79 Nickelodeon branded channels, and many more households through branded programming blocks on third party broadcasters.

#### **Nick.com**

The online destination for all things Nickelodeon, featuring video streaming of Nick content and games.

In the quarter ended September 30, 2012, Nick.com sites averaged 7.2 million monthly unique visitors. Nick.com had an average of 83.4 million video streams each month.

#### **Nick Jr., NickJr.com and NickMom**

Nick Jr. is a channel for preschoolers that educates and entertains, where kids can engage with characters they love while building their imaginations, gaining key cognitive and social-emotional skills and learning about the world around them. NickJr.com offers parents and their kids entertaining and enriching online activities geared toward their interests, ages and developmental levels.

NickMom, a primetime comedy block for moms on NickJr. featuring a mix of original long- and short-form programming, including talk shows, stand-up and sketch comedy, docu-series and more, launched in the first quarter of our fiscal year 2013. In conjunction with NickMom, NickMom.com, a comedy and entertainment site featuring short-form video, photos, editorial pieces and games just for moms, launched in the first quarter of our fiscal year 2012.

Nick Jr. programming highlights included *Team Umizoomi*, *Bubble Guppies*, *Dora the Explorer*, *Go, Diego, Go!*, *Blue's Clues*, *The Backyardigans*, *Franklin and Friends*, *Yo Gabba Gabba!*, *The Fresh Beat Band* and *Max and Ruby*; and specials such as *Dora Rescue in Mermaid Kingdom* and *Team Umizoomi: The Umi Games*.

Nick Jr. reached approximately 75 million domestic television households in September 2012. In the quarter ended September 30, 2012, NickJr.com averaged 3.9 million monthly unique visitors and NickMom.com averaged 0.9 million monthly unique visitors. NickJr.com had an average of 66.7 million video streams each month.

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**TeenNick and TeenNick.com**

TeenNick is Nickelodeon's 24-hour network exclusively for and about teens and tweens, featuring original programming and award-winning series, with a focus on presenting an authentic teen experience. TeenNick.com features the best episodes and clips of TeenNick shows, as well as games, quizzes and a vibrant user community. Programming highlights included series and events such as *Degrassi*, *H2O* and *The HALO Awards*, as well as Nickelodeon original hits like *Hollywood Heights*, *Zoey 101* and *Drake and Josh*. TeenNick reached approximately 72 million domestic television households in September 2012. In the quarter ended September 30, 2012, TeenNick.com averaged 1.6 million monthly unique visitors.

**Nicktoons**

Leading cartoon destination targeting boys and featuring signature franchises such as *Dragon Ball Z Kai* and *Avatar: The Last Airbender*, as well as fan favorites such as *The Fairly OddParents*, and the *Power Rangers*. Programming highlights included series premieres of *Dragon Ball GT*, *Planet Sheen*, *Wild Grinders* and *Monsumo* and returning hits like *Voltron Force*, *Speed Racer: The Next Generation*, *Iron Man: Armored Adventures* and the *Hero Factory* franchise. Nicktoons reached approximately 61 million domestic television households in September 2012.

**ParentsConnect.com**

ParentsConnect.com is a social networking destination for parents, featuring message boards, expert advice, news, user generated content, games and contests, local events and activities and personal profile pages. In the quarter ended September 30, 2012, ParentsConnect.com averaged 2.8 million monthly unique visitors.

**Nickelodeon Games Group**

Gaming services offering classic arcade games and puzzles, social games, sports, strategy and other games, as well as our dedicated casual games sites Shockwave.com and AddictingGames.com and several iPhone and Android apps featuring Nick, Nick Jr. and AddictingGames content, including Team Umizoomi: Zoom Into Numbers and Nick Jr. Draw and Play education apps. Nickelodeon's portfolio of gaming sites averaged 7.5 million monthly unique visitors in the quarter ended September 30, 2012. In addition to gaming, Nickelodeon Games offers virtual worlds, including Monkey Quest, Neopets and Petpet Park, that target online youths and allow members to create a virtual identity and participate in a variety of customized gameplay. Monkey Quest has approximately 14 million registered users and, in the quarter ended September 30, 2012, averaged approximately 2 million monthly unique visitors. Neopets has approximately 70 million registered users and averaged approximately 1 million monthly unique visitors in the quarter. Petpet Park has approximately 12 million registered users and averaged approximately 0.4 million monthly unique visitors in the quarter.

Other Nickelodeon properties include Nick Jr. Video, which is the broadband video service of Nick Jr.; Nickelodeon Movies, Nickelodeon's motion picture brand, under which Paramount released *The Adventures of Tintin* in fiscal year 2012 and *Fun Size* in fiscal year 2013; and the Nickelodeon Animation Studio. In addition, Nickelodeon licenses its brands for hotels, cruises, live tours and other themed entertainment outlets and recreation experiences.

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***Entertainment***

The Entertainment group produces and distributes programming, online content and games that generally target adult and male audiences. Some of our key properties in this group include:

**COMEDY CENTRAL and Comedycentral.com**

Comedy Central is the destination for all things comedy, featuring award-winning fake news programs, stand-up and sketch comedy, sitcoms and animated programming. Comedy Central also operates a live comedy touring business. Comedycentral.com is a leading online video platform featuring exclusive Comedy Central content. Other Comedy Central online properties include thedailyshow.com and Colbertnation.com, the official fan sites of *The Daily Show with Jon Stewart* and *The Colbert Report*, Jokes.com, and our interest in the official *South Park* website southparkstudios.com, which features the latest in *South Park* news and content.

Programming highlights in fiscal year 2012 included the Emmy® and Peabody® Award-winning series *The Daily Show with Jon Stewart*, *The Colbert Report* and *South Park*; *The Comedy Awards*, the annual multi-network, multi-platform event dedicated to honoring and celebrating the art of comedy; new original programming such as *Key & Peele* and *The Burn with Jeff Ross*; favorites such as *Tosh.0*, *Futurama*, *Workaholics* and *Ugly Americans*; and specials such as *The COMEDY CENTRAL Roast of Roseanne Barr*.

Comedy Central reached approximately 98 million domestic television households in September 2012. In the quarter ended September 30, 2012, Comedy Central's online properties averaged 6.9 million monthly unique visitors and Comedycentral.com averaged approximately 65 million video streams each month.

**SPIKE and SPIKE.com**

SPIKE is a male-oriented network featuring a mix of original and acquired programming, sports series, specials, live events and movies. Spike.com is a leading online video entertainment destination for men 18-34, featuring SPIKE's shows, movie and video game trailers, sports clips, celebrity galleries and original digital content.

SPIKE programming highlights included new programming such as *American Digger*, *Flip Men*, *Ink Master* and *World's Worst Tenants*; favorites such as *Auction Hunters*, *Impact Wrestling*, *Bar Rescue*, *Repo Games* and *1000 Ways to Die*; original documentary *I am Bruce Lee*; and tentpoles such as Spike's *Guys Choice Awards*, *Video Game Awards* and *Scream Awards*. SPIKE aired its final episodes of *UFC: The Ultimate Fighter* in fiscal year 2012 and is set to debut Bellator events and other content in 2013.

SPIKE reached approximately 98 million domestic television households in September 2012. In the quarter ended September 30, 2012, Spike.com averaged approximately 2 million monthly unique visitors and 7 million video streams each month.

**TV Land**

Airs a mix of original programming, classic and contemporary TV shows, specials and iconic movies designed to appeal to the entertainment needs and attitudes of adults in their 40s and 50s.

Programming highlights included the new hit original sitcoms *The Exes* and *The Soul Man*; returning favorites such as Emmy-nominated *Hot in Cleveland* and *Retired at 35*, *Happily Divorced*, *The King of Queens* and *Everybody Loves Raymond*; and tentpoles such as *The TV Land Awards* and the *AFI Lifetime Achievement Awards*.

TV Land reached approximately 96 million domestic television households in September 2012.

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Other Entertainment properties include a variety of online services such as GameTrailers.com, which delivers timely, high-resolution broadband video content for gamers that includes original programming, video reviews, trailers, news and comprehensive video coverage of gaming events from around the world.

### ***BET Networks***

BET Networks is a leading provider of entertainment content targeted to African-American audiences and consumers of Black culture worldwide. BET Networks' program services include its flagship BET channel, CENTRIC, BET Gospel and BET Hip Hop.

#### **BET**

BET is the nation's leading television network providing entertainment, music, news and public affairs programming to African-American audiences. BET is a leading consumer brand in the urban marketplace with a diverse group of branded businesses, including BET, its core channel which focuses on young Black adults; BET Gospel, which focuses on gospel music and spiritual programming; and BET Hip Hop, which features hip hop music programming and performances.

BET programming highlights in fiscal year 2012 included the new hit original sitcom *Reed Between the Lines*; returning favorites such as *Let's Stay Together*, *The Game*, *106 & Park* and *Sunday Best*; tentpoles such as the *BET Awards '12*, *BET Honors*, *Black Girls Rock*, *BET Hip Hop Awards*, the *Soul Train Awards* and the *Celebration of Gospel*; and newly acquired series *My Wife and Kids*.

BET reached approximately 91 million domestic television households in September 2012. According to internal data, BET Gospel and BET Hip Hop reached approximately 9 million and 380,000 domestic television households, respectively.

#### **CENTRIC**

CENTRIC reflects the lifestyle of today's African-American and multicultural adult viewer, delivering a variety of music artists, along with culturally relevant movies, series, live performances, specials and reality programming.

CENTRIC programming highlights included the new docu-series *The Amateur Millionaires Club* and *Being*; and *The Hot 10*, *Model City*, *As Written*, *Keeping Up with the Joneses* and the *Soul Train Awards*, as well as acquisitions *The Cosby Show* and *In Living Color*.

CENTRIC reached approximately 46 million domestic television households in September 2012.

#### **BET.com**

BET.com is a leading online destination for African-American audiences and offers users content and interactive features for news, music, community, culture and other areas tailored to the unique interests and issues of African-Americans. BET.com also provides interactive entertainment content for BET Networks' program services.

In the quarter ended September 30, 2012, BET.com averaged approximately 3 million monthly unique visitors.

Other BET Networks properties include BET Home Entertainment, a collection of BET-branded offerings including DVDs and video-on-demand; and BET Mobile, which delivers music, gaming and video content to its target audiences on mobile devices and digital services across all major service providers.

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### **Media Networks Competition**

Our media networks generally compete with other widely distributed cable networks, the broadcast television networks and digital content distributors. Our media networks compete for advertising revenue with other cable and broadcast television networks, online and mobile outlets, radio programming and print media. Each programming service also competes for audience share with competitors' programming services that target the same audience. For example, Nickelodeon and its related properties compete with other entertainment companies for younger viewers and BET competes with African-American oriented shows on cable and broadcast networks. We also compete with other cable networks for affiliate fees. 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, other entertainment offerings and/or audience leisure time may affect our revenues.

### **FILMED ENTERTAINMENT**

Our *Filmed Entertainment* segment produces, finances and distributes motion pictures under the Paramount Pictures, Paramount Vantage, Paramount Classics, Insurge Pictures, MTV Films and Nickelodeon Movies brands. Paramount also acquires films for distribution. In general, motion pictures produced, acquired and/or distributed by the *Filmed Entertainment* segment are exhibited theatrically domestically and internationally, followed by their release in various windows on DVDs and Blu-ray discs, electronic sell-through (e.g., download-to-own), video-on-demand, subscription video-on-demand, pay and basic cable television, broadcast television and syndicated television and, in some cases, by other exhibitors such as airlines and hotels (the distribution windows).

In fiscal year 2012, the *Filmed Entertainment* segment released 15 films in the domestic theatrical market, including two films distributed on behalf of DreamWorks Animation. Paramount's film strategy focuses on a limited number of releases, concentrating on a mix of key branded and franchise films, including animated movies, and complementing its slate with smaller productions and acquisitions. Paramount releases certain of its films, including library product, in 3D format. Paramount's film slate is designed to represent a variety of genres, styles and levels of investment and risk with the goal of creating entertainment for both worldwide appeal and niche audiences. Paramount has created a new, in-house animation division that is expected to produce high quality CGI-animated films. The animation division initially aims to release one film per year, with the first film planned for 2014. Paramount also continues to focus on developing innovative promotion and marketing approaches for its releases.

### **Filmed Entertainment Revenues**

Our *Filmed Entertainment* segment generates revenues worldwide principally from: (i) the theatrical release and/or distribution of motion pictures, (ii) home entertainment, which includes sales of DVDs, Blu-ray discs and other products relating to the motion pictures we release theatrically and direct-to-DVD, as well as certain other programming, including content we distribute on behalf of third parties, (iii) television and digital license fees paid worldwide by third parties for film exhibition rights during the various other distribution windows and (iv) ancillary revenues from digital license fees paid worldwide by third parties for film exhibition rights through digital distributors, providing production services to third parties, primarily at Paramount's studio lot, licensing of its brands for consumer products and theme parks and distribution of content specifically developed for digital platforms and game distribution. In fiscal year 2012, theatrical revenues, home entertainment revenues, television license fees and ancillary revenues were approximately 27%, 35%, 29% and 9%, respectively, of total revenues for the *Filmed Entertainment* segment.



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### ***Theatrical***

Paramount releases films theatrically in domestic and international markets and generates revenues from audience ticket sales. In addition to the traditional 2D format, certain of Paramount's theatrical releases are made available in 3D and/or formatted for viewing on IMAX screens, tickets for which 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 is of fundamental importance. The theatrical success of a motion picture is a significant factor in determining the revenues it is likely to generate in home entertainment sales and licensing fees during the various other distribution windows. Revenues from motion picture theatrical releases tend to be cyclical with increases during the summer months and around holidays, particularly in the first quarter of our fiscal year.

### ***Home Entertainment***

Home entertainment revenues are derived from the worldwide sales, marketing and distribution of DVDs and Blu-ray discs for filmed entertainment produced by Paramount and other Viacom brands, as well as content we distribute on behalf of third parties. Our home entertainment revenues may be affected by the number, timing and mix of home entertainment releases 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 by overall economic conditions, including consumer preference for rental or purchase and trends in discretionary spending. While the DVD category continues to decline, this has been partially offset by increases in revenues from digital sources.

### ***Television License Fees***

Films produced, owned or distributed by Paramount or our subsidiary DW Studios L.L.C. ( DW Studios ) are licensed around the world on a territory by territory basis, for a fee or on a revenue-sharing basis, to video-on-demand, subscription video-on-demand, pay and basic cable television, broadcast television and syndicated television. Revenue from television and digital license fees is recognized upon program availability and will fluctuate depending on the number and mix of available titles in any given territory.

Our EPIX joint venture with Metro-Goldwyn-Mayer Studios Inc. ( MGM Studios ) and Lions Gate Films, Inc. ( Lionsgate ) provides a multiplatform premium entertainment service offering Paramount, Lionsgate, MGM Studios and certain third party films to cable, satellite and other subscribers through a premium pay television channel and television and digital video-on-demand services. EPIX delivers films from Paramount, Paramount Vantage, MTV Films and Nickelodeon Movies released theatrically on or after January 1, 2008 and MGM Studios, United Artists and Lionsgate titles released theatrically on or after January 1, 2009. In August 2010, EPIX and Netflix entered into a multi-year agreement under which EPIX licenses a substantial number of its partner studios' new releases and library titles to Netflix for use on its subscription service, allowing Netflix members to s