

CBS CORP
Form 10-K
February 17, 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 December 31, 2016

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 001-09553

CBS CORPORATION
(Exact name of registrant as specified in its charter)
DELAWARE 04-2949533
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

51 W. 52nd Street
New York, NY 10019
(212) 975-4321
(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 New York |
| Class A Common Stock, \$0.001 par value | Stock Exchange New York |
| Class B Common Stock, \$0.001 par value | Stock Exchange |

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 of 1933). 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 Securities Exchange Act of 1934. 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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the

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preceding 12 months (or for such shorter period that 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 or a non-accelerated filer, or smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act of 1934.

Non-accelerated filer

Large accelerated filer Accelerated filer (Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes No

As of June 30, 2016, which was the last business day of the registrant's most recently completed second fiscal quarter, the market value of the shares of CBS Corporation Class A Common Stock, \$0.001 par value ("Class A Common Stock"), held by non-affiliates was approximately \$448,914,844 (based upon the closing price of \$58.18 per share as reported by the New York Stock Exchange on that date) and the market value of the shares of CBS Corporation Class B Common Stock, \$0.001 par value ("Class B Common Stock"), held by non-affiliates was approximately \$21,535,553,110 (based upon the closing price of \$54.44 per share as reported by the New York Stock Exchange on that date); and the aggregate market value of the shares of both Class A Common Stock and Class B Common Stock held by non-affiliates was \$21,984,467,954.

As of February 14, 2017, 37,598,604 shares of Class A Common Stock and 371,936,529 shares of Class B Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of CBS Corporation's Notice of 2017 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 (the "Proxy Statement") (Portion of Item 5; Part III).

PART I

Item 1. Business.

CBS Corporation (together with its consolidated subsidiaries unless the context otherwise requires, the “Company” or “CBS Corp.”) is a mass media company with operations in the following segments:

ENTERTAINMENT: The Entertainment segment is composed of the CBS® Television Network; CBS Television Studios®; CBS Studios International™ and CBS Television Distribution™; CBS Interactive™; CBS® and the Company’s digital streaming services, CBS All Access® and CBSN®.

CABLE NETWORKS: The Cable Networks segment is composed of Showtime Networks, which operates the Company’s premium subscription program services, Showtime®, The Movie Channel®, and Flix®, including a digital streaming subscription offering; CBS Sports Network®, the Company’s cable network focused on college athletics and other sports; and Smithsonian Networks™, a venture between Showtime Networks and Smithsonian Institution, which operates Smithsonian Channel™, a basic cable program service, and a digital streaming subscription service.

PUBLISHING: The Publishing segment is composed of Simon & Schuster, which publishes and distributes consumer books under imprints such as Simon & Schuster®, Pocket Books®, Scribner®, Gallery Books®, Touchstone® and Atria Books®.

LOCAL MEDIA: The Local Media segment is composed of CBS Television Stations, the Company’s 30 owned broadcast television stations; and CBS Local Digital Media™, which operates local Websites including content from the Company’s television stations and news and sports radio stations.

For the year ended December 31, 2016, contributions to the Company’s consolidated revenues from its segments were as follows: Entertainment 67%, Cable Networks 16%, Publishing 6% and Local Media 14%. The Company generated approximately 14% of its total revenues from international regions in 2016. For the year ended December 31, 2016, approximately 54% and 14% of total international revenues of approximately \$1.85 billion were generated in Europe and Canada, respectively.

The Company operates businesses which span the media and entertainment industries, including the CBS Television Network, cable networks, content production and distribution, television stations, internet-based businesses, and consumer publishing. The Company’s principal strategy is to create and acquire premium content that is widely accepted by audiences, and to generate both advertising and non advertising revenues from the distribution of this content on multiple media platforms and to various geographic locations. The Company continues to increase its investment in both Company-owned and acquired premium content to enhance its opportunities for revenue growth, which include exhibiting its content on multiple digital platforms, including the Company’s owned digital streaming services, as well as third-party live television streaming offerings; expanding the distribution of its content internationally; and securing compensation from multichannel video programming distributors (“MVPDs”), including cable, direct broadcast satellite (“DBS”), telephone company, and other distributors, for authorizing the MVPDs’ carriage of the Company’s owned television stations (also known as “retransmission fees”) and cable networks, and securing compensation from television stations affiliated with the CBS Television Network (“station affiliation fees” also known as “reverse compensation”). The Company also seeks to grow its advertising revenues by monetizing all content viewership as industry measurements evolve to reflect viewers’ changing habits.

On February 2, 2017, the Company entered into an agreement with Entercom Communications Corp. to combine the Company’s radio business, CBS Radio, with Entercom in a merger to be effected through a Reverse Morris Trust transaction, which is expected to be tax-free to CBS Corp. and its stockholders. In connection with this transaction, the Company intends to split-off CBS Radio through an exchange offer, in which the Company’s stockholders may elect to exchange shares of the Company’s Class B Common Stock for shares of CBS Radio, which will then be

immediately converted into shares of Entercom common stock at the time of the merger. The merger and related transactions are collectively referred to as the “Radio Transaction”. The Radio Transaction is subject to customary approvals and closing conditions. The Company expects to complete the Radio Transaction during the second half of 2017. CBS Radio, which was previously presented in the Company’s former Radio business segment, has been presented as a discontinued operation in the Company’s consolidated financial statements for all periods presented.

On July 16, 2014, the Company completed the disposition of CBS Outdoor Americas Inc. (“Outdoor Americas”), which was previously a subsidiary of the Company and has been renamed OUTFRONT Media Inc. Outdoor Americas has been presented as a discontinued operation in the Company’s consolidated financial statements for all periods presented.

The Company competes with many different entities and media in various markets worldwide. In addition to competition in each of its businesses, the Company competes for opportunities in the entertainment business with other diversified entertainment companies such as The Walt Disney Company, NBCUniversal Media, LLC, Twenty-First Century Fox, Inc. and Time Warner Inc., and with respect to CBS Radio, Cumulus Media Inc. and iHeartMedia, Inc.

As of December 31, 2016, National Amusements, Inc. (“NAI”), a closely held corporation that owns and operates approximately 925 movie screens in the U.S., the United Kingdom (“U.K.”) and South America and manages 3 movie screens in South America, directly or indirectly owned approximately 79.5% of the Company’s voting Class A Common Stock, and approximately 9.5% of the Company’s Class A Common Stock and Class B Common Stock on a combined basis. Owners of the Company’s Class A Common Stock are entitled to one vote per share. The Company’s Class B Common Stock does not have voting rights. NAI is not subject to the reporting requirements of the Securities Exchange Act of 1934, as amended.

The Company was organized in Delaware in 1986. The Company’s principal offices are located at 51 W. 52nd Street, New York, New York 10019. Its telephone number is (212) 975-4321 and its Website address is www.cbcorporation.com.

CBS CORP. BUSINESS SEGMENTS

Entertainment (67%, 67% and 66% of the Company’s consolidated revenues in 2016, 2015 and 2014, respectively, and 53%, 51% and 50% of the Company’s total segment operating income in 2016, 2015 and 2014, respectively)

The Entertainment segment consists of the CBS Television Network; CBS Television Studios, CBS Studios International and CBS Television Distribution, the Company’s television production and syndication operations; CBS Interactive, the Company’s online content networks for information and entertainment; CBS Films, the Company’s producer and distributor of theatrical motion pictures; and the Company’s digital streaming services, CBS All Access and CBSN.

Television Network. The CBS Television Network through CBS Entertainment™, CBS News® and CBS Sports® distributes a comprehensive schedule of news and public affairs broadcasts, sports and entertainment programming to more than 200 domestic affiliates reaching throughout the U.S., including 16 of the Company’s owned and operated television stations, and to affiliated stations in certain U.S. territories.

The CBS Television Network primarily derives revenues from the sale of advertising time for its network broadcasts. A significant portion of the sale of advertising spots for the network’s non-sports programming occurs annually generally during May through July in the industry’s upfront advertising market for the upcoming television broadcast season, which runs for one year generally commencing in mid-September. Advertisers purchase the remaining

advertising spots closer to the broadcast of the related programming in the scatter advertising market. Overall advertising revenue for the network is also impacted by audience ratings for its programming. The Company offers dynamic advertising insertions for the CBS Television Network's on-demand programming which allow the

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Company to change advertisements at any time within such programming and offer advertisers greater audience reach. In addition, the CBS Television Network's revenues include station affiliation fees.

CBS Entertainment is responsible for acquiring or developing and scheduling the entertainment programming presented on the CBS Television Network, which includes primetime comedy and drama series, reality based programming, specials, children's programs, daytime dramas, game shows and late-night programs such as The Late Show with Stephen Colbert. CBS News operates a worldwide news organization, providing the CBS Television Network and CBS Radio News™ with regularly scheduled news and public affairs broadcasts, including 60 Minutes, 48 Hours Mystery, CBS Evening News with Scott Pelley, CBS This Morning, CBS Sunday Morning and Face the Nation as well as special reports. CBS News also provides CBS Newspath®, a television news syndication service that offers daily news coverage, sports highlights and news features to the CBS Television Network affiliates and other subscribers worldwide. CBS Sports broadcasts on the television network include The NFL Today; certain PGA Tour Golf Tournaments, the Masters and the PGA Championship; certain games from the NCAA Division I Men's Basketball Tournament, the rights to which have been extended through 2032 under a March 2016 agreement with the NCAA and Turner Broadcasting System, Inc.; regular-season college basketball games; regular-season college football games, including games from the Southeastern Conference and the NFL's American Football Conference (AFC) regular-season, post-season wild card playoff, divisional playoff and championship games. In 2016, CBS broadcast Super Bowl 50, for which CBS Sports won three Sports Emmy® Awards, and certain AFC games in the 2016 season under its February 2014 agreement with the NFL to broadcast the AFC package from the 2014 through the 2022 seasons, which also includes certain National Football Conference regular season games and the Super Bowls in 2016, 2019 and 2022. The Company produced and broadcast certain NFL Thursday Night Football games for the 2016 season and will also do so for the 2017 season under its January 2016 agreement with the NFL.

CBS Television Network content also is exhibited via the internet, including through CBS.com™; CBSN, the Company's live digital streaming advertiser-supported news network available 24 hours a day, seven days a week; and CBS All Access, the Company's digital streaming subscription service which includes a commercial-free option for on-demand content announced in August 2016. CBS All Access offers both current and library programming as well as original series, such as the upcoming The Good Wife spin-off The Good Fight and Star Trek: Discovery. In December 2016, the Company commenced a multi-year deal with the NFL for the live, local NFL games broadcast by the CBS Television Network to be streamed on certain CBS All Access platforms. Digital streaming services such as CBS All Access and CBSN are also known as "over-the-top" or "OTT" services which provide video content via the internet to users without payment to a traditional MVPD. CBS All Access and CBSN are available at CBS.com and CBSNews.com™, respectively, and through CBS software applications ("apps") on multiple digital platforms, including Android, iOS, Amazon Fire and Windows 8 mobile platforms, and Amazon Fire TV, Android TV, Apple TV, Chromecast, PlayStation, Roku and Xbox connected device platforms, among others. In January 2017, the Company entered into an agreement for the digital streaming of the CBS Television Network's programming on Hulu's upcoming live television streaming service. During 2016, the CBS Television Network broadcast the 70th Annual Tony Awards®, the Kennedy Center Honors and the Grammy Awards®. In June 2016, the Company extended an agreement with The Recording Academy® to broadcast the Grammy Awards on the CBS Television Network through 2026. Furthering the Company's analytic tools regarding television advertising and ratings, in 2016, the Company announced the "NYU Stern / CBS Media Analytics Initiative" to focus on the interactions between television and other media platforms and their influence on consumer exposure and behavior and "Purchase-Driven Planning" with Nielsen Catalina Solutions used to maximize return on investment across television and digital advertising campaigns, all of which supplement the Company's "Campaign Performance Audit™," a data-driven approach for analyzing and buying advertising time on broadcast television which helps advertising customers enhance consumer targeting and measure the effectiveness of their advertising.

The CW, a broadcast network and the Company's 50/50 joint venture with Warner Bros. Entertainment, airs programming, including Jane the Virgin, Crazy Ex-Girlfriend, Supergirl and The Flash. Eight of the Company's owned

television stations are affiliates of The CW. Certain of The CW's series are streamed on Netflix, a subscription video-on-demand service, including pursuant to output license agreements entered into with Netflix, Inc. in July 2016.

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Television Production and Syndication. CBS Television Studios, CBS Studios International and CBS Television Distribution produce, acquire and/or distribute programming worldwide, including series, specials, news and public affairs, and generate revenue principally from the licensing and distribution of such programming. The programming is produced primarily for broadcast on network television, exhibition on basic cable and premium subscription services or distribution via first run syndication. First-run syndication is programming exhibited on television stations without prior exhibition on a network or cable service. The Company subsequently distributes programming after its initial exhibition on a network, basic cable network or premium subscription service for domestic exhibition on television stations, cable networks or video-on-demand services (known as “off-network syndicated programming”). Off-network syndicated programming and first run syndicated programming distributed domestically, as well as programming distributed internationally, can sometimes be sold in successive cycles of sales known as “first cycle,” “second cycle” sales, and so on, which may occur on exclusive or non-exclusive bases. Generally, license fees may decrease with successive sales cycles due to increased program exhibitions.

Programming that was produced or co-produced by the Company’s production group and is broadcast on network television includes, among others, NCIS (CBS), Bull (CBS), Kevin Can Wait (CBS), Madam Secretary (CBS), Scorpion (CBS), Criminal Minds (CBS) and Jane the Virgin (The CW). Generally, a network will license a specified number of episodes for broadcast on the network in the U.S. during a license period. Remaining distribution rights, including international and/or off network syndication rights, are typically retained by the Company or, in the case of co-productions, distribution rights are shared with the co-producer for U.S. or international markets. The network license fee for a series episode is normally lower than the costs of producing the episode; however, the Company’s objective is to recoup its costs and earn a profit through various forms of distribution, including international licensing, domestic syndication and digital streaming of episodes. Generally, international sales of network series are made within one year of the U.S. network run and series must have a network run of at least three or four years to be successfully sold in domestic off-network syndication; however, increasingly, these time frames are being shortened, particularly for sales to digital streaming services. In off-network syndication, the Company distributes series, such as Hawaii Five-O, Criminal Minds, Blue Bloods, The Good Wife, Elementary, NCIS and NCIS: Los Angeles, as well as a library of older television programs. The Company also produces and/or distributes first-run syndicated series such as Wheel of Fortune, Jeopardy!, Entertainment Tonight, Inside Edition, The Insider, Dr. Phil, The Doctors, Rachael Ray, Hot Bench and Judge Judy and produces the upcoming series, The Good Wife spin-off The Good Fight, and Star Trek: Discovery, for streaming on CBS All Access. The Company also distributes syndicated and other programming internationally.

The Company continues to monetize its content through digital media. It enters into and renews numerous multi-year licensing agreements for distribution of certain of its programming to various services, including the digital streaming on subscription video-on-demand services owned by Netflix (in the U.S, Canada and countries in Africa, Asia, Europe and Latin America), Amazon (in the U.S., India, Germany and U.K.), Hulu, Hulu Plus (each, in the U.S.), Bell Media (in Canada), Canal Play (in France), DLA (in countries in Latin America and the Caribbean), Foxtel, Stan Entertainment (each, in Australia), iFlix (in Malaysia, Thailand and Philippines), Nippon TV (in Japan), PlayCo (in the Middle East), MultiChoice Africa (in sub-Saharan Africa), Sky TV NZ, Telecom NZ (each, in New Zealand), Telefonica (in Spain), Watchever (in Germany), among others; digital streaming on advertising supported video-on-demand services, such as PPTV (in China); Sony’s broadband pay television service, PlayStation Vue (in the U.S.); and the digital downloading on various electronic-sell-through services owned by Amazon (in the U.S., Germany and the U.K.), Apple (in the U.S., Canada, Australia and countries in Europe), Google (in the U.S. and U.K.) and Microsoft (in the U.S.), among others. In July 2016, the Company announced that its upcoming Star Trek: Discovery series as well as the existing Star Trek series library were licensed to Netflix in 188 countries (excluding the U.S. and Canada) and to Bell Media in Canada.

Fees for television programming licensed for syndication and digital streaming are recorded as revenues at the beginning of the license period in which the programs are made available for exhibition, which, among other reasons,

may cause substantial fluctuations in the Entertainment segment's operating results. Unrecognized revenues attributable to such license agreements were \$749 million and \$847 million at December 31, 2016 and December 31, 2015, respectively.

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The Company has a global channel presence through domestic and international joint ventures. The Company owns a 50% interest in a joint venture with Lionsgate, which owns and operates the entertainment cable network, Pop™. The Company owns a 49% interest in a joint venture with a subsidiary of AMC Networks Inc., which owns and operates six channels in the U.K. and Ireland, including CBS Action™, CBS Drama™, CBS Reality™ and Horror Channel™. The Company also owns a 30% interest in a joint venture with another subsidiary of AMC Networks, which owns and operates six cable and satellite channels in Europe, the Middle East and Africa broadcasting CBS programming and branded as CBS Action, CBS Drama, CBS Reality and CBS Europa™. In Australia, the Company owns an approximately 33% interest in a joint venture with a subsidiary of Ten Network Holdings Limited to provide content to ELEVEN™, a digital television channel service. The Company owns a 30% interest in a joint venture with RTL Group, which owns and operates two cable channels in Southeast Asia in English and local languages, RTL CBS Entertainment™ and RTL CBS Extreme™.

CBS Interactive. CBS Interactive is one of the leading global publishers of premium content on the internet, delivering this content via Web properties, mobile properties and CBS apps on mobile, as well as internet-connected television and other device platform apps. CBS Interactive is ranked among the top internet properties in the world according to comScore Media Metrix. CBS Interactive's leading brands, including CNET®, CBS.com™, CBS All Access, CBSSports.com™, 247 SportsGameSpot®, MaxPreps®, TVGuide.com™, CBSNews.com™, CBSN, Z19Net Last.fm®, and MetroLyrics.com®, among others, serve targeted audiences with text, video, audio, and mobile content spanning technology, entertainment, sports, news, business, gaming and music categories. In addition to its U.S. based business, which reached approximately 163 million multi-platform unique monthly visitors during December 2016 according to comScore Media Metrix, January 2017, CBS Interactive operates in Asia, Australia and Europe.

CBS Interactive generates revenue principally from the sale of advertising and sponsorships, in addition to fees derived from search and commerce partners, licensing fees, subscriptions, e-commerce activities, and other paid services. Advertising spending on the internet, as in traditional media, fluctuates significantly with economic conditions. In addition, online marketing spending follows seasonal consumer behavior throughout the calendar year to reflect trends during the calendar year.

CBS Interactive owns and operates digital properties, including: CNET, one of the preeminent digital properties for technology and consumer electronics information and featuring news, reviews, downloads and instructional and entertaining video and audio shows about technology; CNET en Espanol™, which delivers CNET.com's information in the U.S. to Spanish speakers; TVGuide Digital™, which provides comprehensive information about television programming; GameSpot, a leading gaming information digital property providing video game reviews and previews, news, eSports, Webcasts, videos, and game downloads; CBSSports Digital™, which provides sports content, fantasy sports, community and e-commerce features, and also owns and operates MaxPreps; Last.fm, which is a music recommendation, discovery and social networking property; MetroLyrics.com, which is one of the most popular databases for song lyrics online; and TV.com, which is a destination for entertainment and community around television where visitors can watch videos and discuss and obtain information about television shows across all networks.

CBS Interactive also operates CBS.com, the online destination for CBS Television Network programming. Further extending the CBS.com experience, the Company offers a CBS app for on-demand streaming of various programs from the Company's current network and library programming to users on multiple digital platforms, including Android, iOS, Amazon Fire and Windows 8 mobile platforms, and Amazon Fire TV, Android TV, Apple TV, Chromecast, PlayStation, Roku and Xbox connected device platforms, among others. CBS Interactive operates CBS All Access, the Company's digital streaming subscription service, which includes a commercial-free option for on-demand content announced in August 2016. CBS All Access offers an on-demand selection of both current and library programming and original series, such as the upcoming The Good Wife spin-off The Good Fight and Star Trek: Discovery, as well as the ability to stream live programming from local CBS Television Stations and certain

CBS television station affiliates. In December 2016, the Company commenced a multi-year deal with the NFL for the live, local NFL games broadcast by the CBS Television Network to be streamed on certain CBS All Access platforms. CBS All Access is available at CBS.com and on the multiple digital platforms described above through the CBS app. CBS Interactive also operates CBSN, a live digital streaming advertiser-supported news network available 24 hours a day, seven days a week. CBSN is available at CBSNews.com and on the multiple digital platforms described above through

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the CBS News app. Through the CBS Audience Network™, the Company delivers video content from its digital properties and television stations and affiliated television stations under an advertiser-supported distribution model to third-party digital properties. The growing slate of the Company's content available online includes full episodes, clips and highlights based on CBS, CBS Sports Network and Showtime Networks programming as well as original made-for-the-Web content.

CBS Films. CBS Films produces, acquires and distributes theatrical motion pictures across all genres. The budget for each picture is intended to be up to \$50 million (or, in certain cases, higher where a co-financing partner is involved) plus advertising and marketing costs at a level consistent with industry custom. The majority of motion pictures produced or acquired by CBS Films is intended for a wide, commercial theatrical release, similar to motion pictures typically produced and released by major studios. CBS Films' theatrical releases in 2016 were *Middle School: The Worst Years of My Life*, *Hell or High Water* and *Patriots Day*. In 2017, CBS Films' expected theatrical releases are *Dean*, *The Sense of An Ending* and *American Assassin*.

In general, motion pictures produced or acquired by CBS Films are exhibited theatrically in the U.S. and internationally, followed by exploitation via home entertainment (including DVDs and Blu-ray Discs and electronic rental and sell-through), video-on-demand, pay-per-view, pay television, free television and basic cable, digital media outlets, including subscription video-on-demand, and, in some cases, other channels such as airlines and hotels. CBS Films exploits its motion pictures (including certain ancillary rights such as licensing and merchandising) and generates revenues in all media in the relevant release windows either directly, through affiliated CBS entities, or via third-party distribution arrangements, including CBS Films' multi-year agreement with Lions Gate Films, which was entered into in November 2014, for Lions Gate Films to distribute CBS Films' new wide-release motion pictures in all media, except U.S. pay television.

Entertainment Competition.

Television Network. The television broadcast environment is highly competitive. The principal methods of competition in broadcast television are the development and acquisition of popular programming and the development of audience interest through programming and promotion, in order to sell advertising at profitable rates. Broadcast networks like CBS compete for audience, advertising revenues and programming with other broadcast networks, such as ABC, FOX, NBC, The CW and MyNetworkTV, independent television stations, cable program services, as well as other media, including DVDs and Blu ray Discs, digital program services, print and the internet. In addition, the CBS Television Network competes with the other broadcast networks to secure affiliations with independently owned television stations in markets across the country which are necessary to ensure the effective distribution of network programming to a nationwide audience.

Television Production and Syndication. As a producer and distributor of programming, the Company competes with studios, television production groups, and independent producers and syndicators, such as Disney, Fox, NBCUniversal, Sony and Warner Bros., to produce and sell programming both domestically and internationally. The Company also competes to obtain creative talent and story properties which are essential to the success of all of the Company's entertainment businesses.

CBS Interactive. CBS Interactive competes with a variety of online properties for users, advertisers, and partners, including the following: general purpose portals, such as AOL, MSN and Yahoo!; search engines such as Google, Yahoo! and Bing; online comparison shopping and retail properties, including Amazon.com; vertical content sites in the categories that CBS Interactive's brands serve such as technology, gaming, music, news, business, food, entertainment and lifestyle focused digital properties; other content sites and apps, such as ESPN.com, HBO GO, Hulu and Netflix, as well as major television broadcast company digital properties, including digital streaming services and apps; and platforms such as blogs, podcasts and video properties. CBS Interactive also competes for users

and advertisers with diversified media companies that provide both online and offline content, including magazines, cable television, network television, radio and newspapers.

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CBS Films. Motion picture production and distribution is a highly competitive business. During the life cycle of the development and production of a motion picture project, CBS Films must compete for the rights to compelling underlying source material and talent such as writers, producers, directors, on-screen performers and other creative personnel. CBS Films must also compete with other buyers for the acquisition of third-party produced motion pictures. Once a motion picture is completed or acquired, CBS Films must compete with numerous other motion pictures produced and/or distributed by various studios and independent producers, including Paramount Pictures Corporation, Walt Disney Studios Motion Pictures, Warner Bros. Entertainment Inc., Lions Gate Entertainment, STX Entertainment, The Weinstein Company, Metro-Goldwyn-Mayer Studios Inc. and Lakeshore Entertainment Group, among others, for audience acceptance as well as limited exhibition outlets across all of the relevant release windows. In addition, the ultimate consumer has many options for entertainment other than motion pictures including video games, sports, travel, outdoor recreation, the internet, and other cultural and computer-related activities.

Cable Networks (16%, 18% and 17% of the Company's consolidated revenues in 2016, 2015 and 2014, respectively, and 33%, 37% and 37% of the Company's total segment operating income in 2016, 2015 and 2014, respectively)

The Cable Networks segment is composed of Showtime Networks, which operates the Company's premium subscription program services, including a digital streaming subscription offering; CBS Sports Network, the Company's cable network focused on college athletics and other sports; and Smithsonian Networks, a venture with Smithsonian Institution, which operates Smithsonian Channel and a digital streaming subscription service.

Showtime Networks. Showtime Networks owns and operates three commercial-free, premium subscription program services in the U.S.: Showtime, offering original series, recently released theatrical feature films, documentaries, boxing and other sports-related programming, and special events; The Movie Channel, offering recently released theatrical feature films and related programming; and Flix, offering theatrical feature films primarily from the last several decades; and a digital streaming subscription offering of the Showtime service which launched in July 2015. At December 31, 2016, Showtime, The Movie Channel and Flix, in the aggregate, had approximately 76 million subscriptions in the U.S., certain U.S. territories and Bermuda.

Showtime Networks makes versions of Showtime, The Movie Channel and Flix available on-demand, enabling television subscribers to watch individual programs at their convenience. Showtime Networks also makes available Showtime Anytime[®], an authenticated version of Showtime, which can be accessed on computers via showtimeanytime.com[™] or via certain internet-connected devices through a Showtime Anytime app free of charge to Showtime subscribers as part of their Showtime subscription through participating Showtime Networks' distributors. Through Showtime Anytime, Showtime subscribers can view on-demand programming as well as the live telecast of the east and west coast feeds of Showtime. Showtime Networks additionally operates the Website SHO.com[™] which promotes Showtime, The Movie Channel and Flix programming, and provides information and entertainment and other services. Showtime Networks also makes available a digital streaming subscription offering of the Showtime service for purchase by consumers without a traditional MVPD video subscription. This offering allows subscribers to view on-demand programming as well as the live east and west coast linear feeds of Showtime, and is available at showtime.com[™], through the Showtime app on multiple digital platforms, and as an add-on subscription to Amazon Prime, Hulu or Sony's PlayStation Vue.

Showtime Networks derives revenue principally from the license of its program services to numerous MVPDs, with a substantial portion of such revenue coming from three of the largest such distributors. The costs of acquiring exhibition rights to programming and producing original series are the principal expenses of Showtime Networks. Showtime Networks enters into commitments to acquire rights, with an emphasis on acquiring exclusive rights for Showtime and The Movie Channel, from motion picture studios and other distributors typically covering the U.S. and Bermuda for varying durations, including exclusive motion picture output agreements with CBS Films, Open Road Films, STX Entertainment, Amblin Partners and, for certain DreamWorks motion pictures, Buena Vista Pay

Television, a subsidiary of The Walt Disney Company. Showtime Networks' original series telecast in 2016 included Ray Donovan, Billions, Masters of Sex, The Affair, The Circus, Penny Dreadful, Shameless and House of Lies, among others. In 2016, Showtime Networks also telecast various sports-related programs, including Inside the NFL, 60 Minutes Sports

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and A Season With Florida State Football, and documentaries such as Weiner, Michael Jackson's Journey from Motown to Off the Wall and Madonna: Rebel Heart Tour.

Showtime Networks has entered into and may from time to time enter into co-financing, co-production and/or distribution arrangements with other parties to reduce the net cost to Showtime Networks for its original programming. In addition, Showtime Networks derives revenue by licensing rights it retains in certain of its original programming. The Company enters into licensing arrangements with television networks, internet content distributors, such as Amazon and Netflix, and/or other media companies for the exhibition of certain Showtime original programming domestically and in various international territories. For example, the Company has output agreements with Bell Media Inc. for Canada, and with Sky-affiliated entities for Austria, Germany, Ireland, Italy and the U.K. The Company entered into an output agreement in January 2016 with Stan Entertainment PTY Limited for Australia, and an output agreement in September 2016 with Moviestar+ for Spain.

Showtime Networks also owns a majority of and manages Smithsonian Networks, a venture with Smithsonian Institution, which operates Smithsonian Channel, a basic cable service in the U.S., featuring programs of a cultural, historical, scientific and educational nature. Smithsonian Networks offers a companion on-demand version, makes Smithsonian Channel content available on an authenticated basis to certain distributors in the U.S. and licenses Smithsonian Channel content outside of the U.S., including to Blue Ant Television Ltd. in connection with Smithsonian Channel in Canada. In September 2016, Smithsonian Networks launched Smithsonian Channel in Singapore. Smithsonian Networks also operates the Website SmithsonianChannel.comTM and various apps, which promote Smithsonian Channel programming and provide information and entertainment services. Smithsonian Networks also operates Smithsonian EarthTM, its digital streaming subscription service featuring original nature and wildlife content in ultra-high definition resolution (4K), which is available to consumers without a traditional MVPD video subscription. Consumers can subscribe to Smithsonian Earth on multiple digital platforms, including Apple TV, Roku and Amazon Fire TV and Prime.

CBS Sports Network. CBS Sports Network is a 24 hours a day, seven days a week cable program service that provides sports and related content, with a strong focus on college sports. The network televises over 600 live professional, amateur, semi-professional and collegiate events annually, highlighted by Division I college football, basketball, hockey and lacrosse, as well as professional bull riding (PBR), professional lacrosse (MLL), arena football (AFL), World's Toughest Mudder, and various styles of motor sports events (including asphalt, dirt, and off road racing). In addition, the network showcases a variety of original programming, including documentaries, features and studio shows, highlighted by That Other Pre-Game Show (TOPS), NFL Monday QB, Inside College Basketball, Inside College Football, Time to Schein and a first of its kind all-female panel talk show, We Need to Talk. CBS Sports Network also provides ancillary coverage for CBS Sports relating to major events, such as the NCAA Division I Men's Basketball Tournament, Masters Tournament and PGA Championship, and for Showtime Networks relating to Showtime Championship Boxing. CBS Sports Network produces weekday simulcasts of the radio shows Boomer and Carton and The Doug Gottlieb Show. Further, CBS Sports Network televises a diverse slate of additional programming under the CBS Sports SpectacularTM brand, including mixed martial arts, skiing, bowling, surfing, boxing, horse racing, volleyball, cheerleading and skate boarding, among other events. CBS Sports Network had approximately 55 million subscribers as of December 31, 2016. The network derives its revenues from subscription fees and the sale of advertising. CBS Sports Network has secured carriage arrangements with the top MVPDs. The Company also has agreements for the digital streaming of CBS Sports Network programming on several digital streaming services, including Hulu's upcoming live television streaming service.

Cable Networks Competition.

Showtime Networks. Showtime Networks primarily competes with other providers of premium subscription program services in the U.S., including Home Box Office, Inc. and Starz, LLC. Competition among these premium

subscription program services in the U.S. is dependent on: (i) the production, acquisition and packaging of original series and other original programming and the acquisition and packaging of an adequate number of recently released theatrical motion pictures; and (ii) the offering of prices, marketing and advertising support and other incentives to distributors for carriage so as to favorably position and package Showtime Networks' premium subscription program

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services to subscribers. In addition, Showtime Networks competes with non-traditional subscription programming services delivered via the internet, such as Amazon, Hulu and Netflix, for original programming, theatrical motion pictures and viewership. Showtime Networks also competes for programming, distribution and/or audiences with basic cable program services, broadcast television and other media, including video games and other internet apps.

Smithsonian Networks competes for programming, distribution and/or audiences with non-fiction and other basic cable program services, including Discovery Channel, National Geographic Channel and History, as well as with broadcast television and other media.

CBS Sports Network. CBS Sports Network principally competes with cable programming services, including other sports-oriented cable programming services, for distribution and license fee revenue among MVPDs, as well as for viewership and advertising revenue. The effects of consolidation among MVPDs and consumer pricing sensitivity have made it more difficult for niche channels to secure broad distribution in mainstream programming packages. In addition, the largest cable providers have created sports tiers for sports programming services which have not, in many cases, achieved significant subscriber penetration or acceptance. CBS Sports Network continues its repositioning to be included in programming packages with more subscribers. Re-alignment of college athletic conferences and their member institutions may adversely impact CBS Sports Network's programming arrangements. CBS Sports Network also competes with cable programming services generally, including other sports programming services, such as ESPN, FOX Sports Networks and NBC Sports Network, in acquiring the television and multimedia rights to sporting events, resulting in increased rights fees and increased production expenses.

The terms and favorable renewal of agreements with distributors for the distribution of the Company's subscription program services are important to the Company. The effects of consolidation among MVPDs and other marketplace factors make it more difficult to reach and maintain favorable terms and positioning and could have an adverse effect on revenues.

Publishing (6% of the Company's consolidated revenues in each of 2016, 2015 and 2014, and 4% of the Company's total segment operating income in each of 2016, 2015 and 2014)

The Publishing segment consists of Simon & Schuster, which publishes and distributes consumer books in the U.S. and internationally.

Simon & Schuster publishes and distributes adult and children's consumer books in printed, digital and audio formats in the U.S. and internationally. Its digital formats include electronic books and audio books. Simon & Schuster's major adult imprints include Simon & Schuster, Pocket Books, Scribner, Atria Books, Gallery Books, Touchstone and Howard Books®. Simon & Schuster's major children's imprints include Simon Pulse®, Aladdin®, Atheneum Books for Young Readers®, Margaret K. McElderry Books™, Saga Press™ and Simon & Schuster Books For Young Readers™. Simon & Schuster also develops special imprints and publishes titles based on the products of certain CBS businesses as well as that of third parties and distributes products for other publishers. Simon & Schuster distributes its products directly and through third parties. Simon & Schuster also delivers content and promotes its products on its own Websites, social media, general internet sites as well as those dedicated to individual titles. Its created assets include online videos showcasing Simon & Schuster authors and new releases on AOL, YouTube, Amazon, Bio.com, MSN.com, Google Newsstand, iTunes, SimonandSchuster.com and other sites. International publishing includes the international distribution of English-language titles through Simon & Schuster UK, Simon & Schuster Canada, Simon & Schuster Australia, Simon & Schuster India and other distributors, as well as the publication of locally originated titles by its international companies.

In 2016, Simon & Schuster had 277 New York Times bestsellers in hardcover, paperback and electronic formats, collectively, including 33 New York Times #1 bestsellers. Best-selling titles in 2016 include *Born to Run* by Bruce

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Springsteen, A Man Called Ove by Fredrik Backman and End of Watch by Stephen King. Best-selling children's titles include Lady Midnight by Cassandra Clare, Dork Diaries 11: Tales from a Not-So-Friendly Frenemy by Rachel Renée Russell and Rush Revere and The Presidency by Rush Limbaugh and Kathryn Adams Limbaugh. Simon &

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Schuster Digital™, through SimonandSchuster.com, publishes original content, builds reader communities and promotes and sells Simon & Schuster's books over the internet.

The consumer publishing marketplace is subject to increased periods of demand in the summer months and during the end of year holiday season. Major new title releases represent a significant portion of Simon & Schuster's sales throughout the year. Simon & Schuster's top two accounts drive a significant portion of its annual revenue. Consumer print books are generally sold on a fully returnable basis, resulting in the return of unsold books. In the domestic and international markets, the Company is subject to global trends and local economic conditions. In 2016, the sale of digital content represented approximately 23% of Simon & Schuster's revenues. The Company expects that electronic books will continue to represent a significant portion of Simon & Schuster revenues in the coming years.

Publishing Competition. The consumer publishing business is highly competitive and has been affected over the years by consolidation trends and electronic distribution methods and models. Mass merchandisers and on line retailers are significant factors in the industry contributing to the general trend toward consolidation in the retail channel. The growth of the electronic book market has impacted print book retailers and wholesalers and could result in a reduction of these channels for the sales and marketing of the Company's books. In addition, unfavorable economic conditions and competition may adversely affect book retailers' operations, including distribution of the Company's books. The Company must compete with other larger publishers, such as Penguin Random House, Hachette and HarperCollins, for the rights to works by authors and sales to retailers and customers. Competition is particularly strong for well known authors and public personalities. In addition, technological changes have made it increasingly possible for authors to self publish and have led to the development of new digital distribution models in which the Company's books must compete with the availability of both a larger volume of books as well as non book content.

Local Media (14%, 12% and 13% of the Company's consolidated revenues in 2016, 2015 and 2014, respectively, and 22%, 19% and 20% of the Company's total segment operating income in 2016, 2015 and 2014, respectively)

The Local Media segment is composed of CBS Television Stations, the Company's 30 owned broadcast television stations, all of which operate under licenses granted by the Federal Communications Commission ("FCC") pursuant to the Communications Act of 1934, as amended (the "Communications Act"). The licenses are renewable every eight years. The Company's television stations are located in the 6 largest, and 15 of the top 20, television markets in the U.S. The Company owns multiple television stations within the same designated market area ("DMA") in 10 major markets. These multiple station markets are: New York (market #1), Los Angeles (market #2), Philadelphia (market #4), Dallas-Fort Worth (market #5), San Francisco-Oakland-San Jose (market #6), Boston (market #9), Detroit (market #13), Miami-Ft. Lauderdale (market #16), Sacramento-Stockton-Modesto (market #20), and Pittsburgh (market #23). This group of television stations enables the Company to reach a wide audience within and across geographically diverse markets in the U.S. The stations produce news and broadcast public affairs, sports and other programming to serve their local markets and offer CBS, The CW or MyNetworkTV programming and syndicated programming. The CBS Television Stations group principally derives its revenues from the sale of advertising time on its television stations. In addition, the CBS Television Stations group receives retransmission fees from MVPDs for authorizing the MVPDs' carriage of the Company's owned television stations. The Company also has agreements for the digital streaming of the Company's owned television stations on several digital streaming services, including Hulu's upcoming live television streaming service. The Company's digital streaming subscription service, CBS All Access, offers an extensive on-demand selection of both current programming and library, original series as well as the ability to stream live programming from local CBS Television Stations and certain CBS television station affiliates. CBS All Access is available at CBS.com and through the CBS app on multiple digital platforms. The Company's television stations have a digital presence on CBS Local Websites which are operated by CBS Local Digital Media. The CBS Local Websites and related apps promote the Company's stations' programming as well as provide live and on-demand news, traffic, weather, entertainment and sports information, among other services for their local communities. CBS Radio's local sports and news radio stations also have a digital presence on CBS Local Websites which is expected to

continue for specified periods after the closing of the Radio Transaction pursuant to a digital services agreement with the Company. The CBS Local Websites principally derive revenues from the sale of advertising. The “Television Stations and CBS Local Digital Media Websites” table below includes information with respect to these properties within U.S. television markets. CBS Television Stations and Weigel Broadcasting own and operate through an

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approximately 50/50 joint venture DECADES™, a national entertainment program service featuring classic television content, movies and original programming for local television stations' digital sub-channels, which utilize a local television station's available broadcast spectrum to provide a companion to that station's primary channel.

Local Media Competition. Television stations compete for programming, on air talent, audiences and advertising revenues with other stations and cable networks in their respective coverage areas and, in some cases, with respect to programming, with other station groups, and, in the case of advertising revenues, with other local and national media. The owned and operated television stations' competitive position is largely influenced by the quality of the syndicated programs and local news programs in time periods not programmed by the network; the strength of the CBS Television Network programming and, in particular, the viewership of the CBS Television Network in the time period immediately prior to the late evening news; and in some cases, by the quality of the broadcast signal. The Company's television stations face increasing competition from technologies such as audio and visual content delivered via the internet, which create new ways for audiences to consume content of their choosing while avoiding traditional commercial advertising. The Company's television stations' Websites face competition for advertisers and visitors from other digital sources of local content.

Television Stations and CBS Local Digital Media Websites

The following table sets forth information with regard to the Company's owned television stations and related CBS Local Digital Media Websites, as of February 10, 2017, within U.S. television markets:

| Television Market and Market Rank ⁽²⁾ | Stations | Type | Network Affiliation | CBS Local Digital Media ⁽¹⁾ Websites | |
|--|--------------|----------|---------------------|---|---------------------------|
| New York, NY (#1) | WCBS WLNY | TV TV | UHF UHF | CBS Independent | newyork.cbslocal.com |
| Los Angeles, CA (#2) | KCAL KCBS | TV TV | VHF UHF | Independent CBS | losangeles.cbslocal.com |
| Chicago, IL (#3) | WBBM | TV | VHF | CBS | chicago.cbslocal.com |
| Philadelphia, PA (#4) | KYW WPSG | TV TV | UHF UHF | CBS The CW | philadelphia.cbslocal.com |
| Dallas Fort Worth, TX (#5) | KTVT KTXA | TV TV | UHF UHF | CBS Independent | dfw.cbslocal.com |
| San Francisco, CA (#6) | KPIX KBCW | TV TV | UHF UHF | CBS The CW | sanfrancisco.cbslocal.com |
| Boston, MA (#9) | WBZ WSBK | TV TV | UHF UHF | CBS MyNetworkTV | boston.cbslocal.com |
| Atlanta, GA (#10) | WUPA | TV | UHF | The CW | atlanta.cbslocal.com |
| Tampa St. Petersburg, FL (#11) | WTOG | TV | UHF | The CW | tampa.cbslocal.com |
| Detroit, MI (#13) | WKBD WWJ | TV TV | UHF UHF | The CW CBS | detroit.cbslocal.com |
| Seattle Tacoma, WA (#14) | KSTW | TV | VHF | The CW | seattle.cbslocal.com |

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| | | |
|--------------------------------|--|-------------------------|
| Minneapolis, MN (#15) | WCCO TV UHFCBS KCCO TV ⁽³⁾ VHFCBS KCCW TV ⁽⁴⁾ VHFCBS | minnesota.cbslocal.com |
| Miami-Ft. Lauderdale, FL (#16) | WFOR TV UHFCBS WBFS TV UHFMyNetworkTV | miami.cbslocal.com |
| Denver, CO (#17) | KCNC TV UHFCBS | denver.cbslocal.com |
| Sacramento, CA (#20) | KOVR-TV UHFCBS | sacramento.cbslocal.com |

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| Television Market and Market Rank ⁽²⁾ | Stations | Type | Network Affiliation | CBS Local Digital Media ⁽¹⁾ Websites |
|--|------------------------|------------|---------------------|---|
| | KMAX-TV | UHF | The CW | |
| Pittsburgh, PA (#23) | KDKA-TV WPCW-TV | UHF VHF | CBS The CW | pittsburgh.cbslocal.com |
| Baltimore, MD (#26) | WJZ TV | VHF | CBS | baltimore.cbslocal.com |
| Indianapolis, IN (#27) | WBXI-CA ⁽⁵⁾ | UHF | Independent | |

The Company's television stations' Websites, which are operated by the CBS Local Digital Media group, promote (1) the stations' programming and provide news, traffic, weather, entertainment and sports information, among other services for their local communities.

(2) Television market (DMA) rankings based on Nielsen Media Research Local Market Universe Estimates, September 2016.

(3) KCCO-TV is operated as a satellite station of WCCO-TV.

(4) KCCW-TV is operated as a satellite station of WCCO-TV.

(5) WBXI-CA is a Class A low power television station. Class A low power television stations do not implicate the FCC's ownership rules.

REGULATION

The Company's businesses are either subject to or affected by regulations of federal, state and local governmental authorities in the U.S. and of national, regional and local authorities in foreign countries. The rules, regulations, policies and procedures affecting these businesses are subject to change. The descriptions which follow are summaries and should be read in conjunction with the texts of the statutes, rules and regulations described herein. The descriptions do not purport to describe all present and proposed statutes, rules and regulations affecting the Company's businesses.

Intellectual Property and Privacy

Laws affecting intellectual property are of significant importance to the Company. (See "Intellectual Property" on page I-16 for more information on the Company's brands).

Unauthorized Distribution of Copyrighted Content and Piracy. Unauthorized distribution, reproduction or display of copyrighted material in digital formats without regard to content owners' copyright rights in television programming, motion pictures, clips and books, such as through pirated DVDs and Blu-ray Discs, unauthorized stored copies and live streaming, internet downloads, file "sharing" and peer-to-peer services, is a threat to copyright owners' ability to protect and exploit their property. The Company's digital delivery services and commercial arrangements with digital content providers help reduce the risks associated with unauthorized access to its content. The Company is also engaged in enforcement and other activities to protect its intellectual property and participates in various litigation, public relations programs and legislative activity. These business strategies and enforcement efforts are dependent upon laws and practices that protect the rights of creators and authorized distributors of content.

Laws and Content. The Company derives revenues from the creation and exploitation of creative content, for which the copyright law grants certain exclusive rights, including to reproduce, publicly perform and distribute. The duration of the protection afforded to the Company's intellectual property depends on the type of property and the laws and

regulations of the relevant jurisdiction. Any changes to copyright laws or related regulations that enable the Company to control the distribution of its content, including through court decisions, which diminish the scope of a copyright owner's exclusive rights, could impact the Company. Proposed legal amendments, such as to the law governing territorial exclusivity of the distribution of content in Europe, could adversely impact the Company's ability to control and distribute its content.

Privacy. The laws and regulations governing the collection, use and transfer of consumer information are complex and rapidly evolving, particularly as they relate to the Company's interactive businesses. The Company monitors and considers these laws and regulations in the design and operation of its Websites, digital content services and legal and regulatory compliance programs.

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Broadcasting

General. Television and radio broadcasting are subject to the jurisdiction of the FCC pursuant to the Communications Act. The Communications Act empowers the FCC, among other actions, to issue, renew, revoke and modify broadcasting licenses; determine stations' frequencies, locations and operating power; regulate some of the equipment used by stations; adopt other regulations to carry out the provisions of the Communications Act and other laws, including requirements affecting the content of broadcasts; and to impose penalties for violation of its regulations, including monetary forfeitures, short-term renewal of licenses and, in egregious cases, license revocation or denial of license renewals.

Under the Communications Act, the FCC also regulates certain aspects of the operation of MVPDs and certain other electronic media that compete with broadcast stations.

Indecency and Profanity Regulation. The FCC's rules prohibit the broadcast of obscene material at any time and indecent or profane material between the hours of 6 a.m. and 10 p.m. Broadcasters risk violating the prohibition against broadcasting indecent or profane material because the vagueness of the FCC's indecency/profanity definition makes it difficult to apply, particularly with respect to spontaneous, live programming. The FCC's maximum forfeiture penalty per station for broadcasting indecent or profane programming is approximately \$383,000 per indecent or profane utterance with a maximum forfeiture exposure of approximately \$3.5 million for any continuing violation arising from a single act or failure to act. The Company has been involved in litigation and, from time to time, has received and may receive in the future letters of inquiry from the FCC prompted by complaints alleging that certain programming on its broadcast stations included indecent or profane material.

License Renewals. Television and radio broadcast licenses are typically granted for standard terms of eight years. The Communications Act requires the FCC to renew a broadcast license if the FCC finds that the station has served the public interest, convenience and necessity and, with respect to the station, there have been no serious violations by the licensee of either the Communications Act or the FCC's rules and regulations and there have been no other violations by the licensee of the Communications Act or the FCC's rules and regulations that, taken together, constitute a pattern of abuse. The Company has no pending renewal applications. A station remains authorized to operate while its license renewal application is pending.

License Assignments. The Communications Act requires prior FCC approval for the assignment of a license or transfer of control of an FCC licensee. Third parties may oppose the Company's applications to assign, transfer or acquire broadcast licenses.

Ownership Regulation. The Communications Act and FCC rules and regulations limit the ability of individuals and entities to have certain official positions or ownership interests, known as "attributable" interests, above specific levels in broadcast stations as well as in other specified mass media entities. In seeking FCC approval for the acquisition of a broadcast television or radio station license, the acquiring person or entity must demonstrate that the acquisition complies with the FCC's ownership rules or that a waiver of the rules is in the public interest.

In August 2016, the FCC issued an Order as part of its quadrennial review of its broadcast ownership rules (the "2016 FCC Order") that largely retained the existing rules, which are briefly summarized below. However, several parties have petitioned the FCC to reconsider this decision and the FCC may relax certain of these rules in 2017, including those related to local television ownership.

Local Television Ownership. Under the FCC's local television ownership rule, one party may own up to two television stations in the same DMA, so long as at least one of the two stations is not among the top-four ranked

stations in the market based on audience share as of the date an application for approval of an acquisition is filed with the FCC, and at least eight independently owned and operating full-power television stations would remain in the market following the acquisition of the second television station. The 2016 FCC Order modified the local television station ownership rule to prohibit transactions involving the sale or swap of

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network affiliations between same-market television station owners that would result in an entity holding an attributable interest in two top-four ranked television stations. Further, without regard to the number of remaining independently owned television stations, the rule permits the ownership of more than one television station within the same DMA so long as certain signal contours of the stations involved do not overlap. “Satellite” television stations that simply rebroadcast the programming of a “parent” television station are exempt from the local television ownership rule if located in the same DMA as the “parent” station.

Television National Audience Reach Limitation. Under the national television ownership rule, one party may not own television stations which reach more than 39% of all U.S. television households. In a separate September 2016 decision, the FCC eliminated the UHF discount, pursuant to which a UHF television station was attributed with reaching only 50% of the television households in its market. This action is under reconsideration by the FCC, which may lead to the reinstatement of the UHF discount in 2017. The Company currently owns and operates television stations that reach approximately 38% of all U.S. television households not taking into account the UHF discount.

Radio-Television Cross-Ownership Rule. The radio-television cross-ownership rule limits the common ownership of radio and television stations in the same market. The cross-ownership rule may in certain circumstances be more restrictive than the rules that separately limit the ownership of local television stations or local radio stations. The numeric limit under the cross-ownership rule varies according to the number of independent media voices in the market. The Company is in compliance with the cross-ownership rule.

Newspaper-Broadcast Cross-Ownership. The newspaper-broadcast cross-ownership rule, which was largely left unchanged by the 2016 FCC Order, prohibits the common ownership of a television or radio station and daily newspaper in the same market absent a waiver by the FCC.

Local Radio Ownership. The FCC’s local radio ownership rule applies in all markets where the Company owns radio stations. Under that rule, one party may own up to eight radio stations in the largest markets, no more than five of which may be either AM or FM. With a few exceptions, the rule permits the common ownership of 8 radio stations in the top 50 markets, where CBS Radio has significant holdings.

Dual Network Rule. The dual network rule prohibits any of the four major networks, ABC, CBS, FOX and NBC, from combining.

Attribution of Ownership. Under the FCC’s attribution rules, a direct or indirect purchaser of various types of securities of an entity which holds FCC licenses, such as the Company, could violate the foregoing FCC ownership regulations or policies if that purchaser owned or acquired an “attributable” interest in other media properties. Under the FCC’s rules, an “attributable” interest for purposes of the FCC’s broadcast ownership rules generally includes: equity and debt interests which combined exceed 33% of a licensee’s total assets, if the interest holder supplies more than 15% of the licensee’s total weekly programming, or has an attributable same-market media interest, whether television, radio, cable or newspaper; a 5% or greater direct or indirect voting stock interest, including certain interests held in trust, unless the holder is a qualified passive investor in which case the threshold is a 20% or greater voting stock interest; any equity interest in a limited liability company or a partnership, including a limited partnership, unless the interest holder is properly “insulated” from management activities; and any position as an officer or director of a licensee or of its direct or indirect parent. The FCC is reviewing its single majority voting stockholder attribution exemption, which renders as non-attributable voting interests up to 49% in a licensee controlled by a single majority voting stockholder. Because NAI holds an attributable interest in both the Company and Viacom Inc., the business of each company is attributable to the other for certain FCC purposes, which may have the effect of limiting and affecting the activities, strategic business alternatives and business terms available to the Company. (See Item 1A. “Risk Factors—The Businesses of the Company and Viacom Inc. Will Be Attributable to the Other Company for Certain Regulatory Purposes, Which May Limit Business Opportunities”).

Alien Ownership. In general, the Communications Act prohibits foreign individuals or entities from owning more than 25% of the voting power or equity of the Company. In September 2016, the FCC clarified

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and expanded certain rules and procedures and adopted and standardized filing and review procedures for broadcasters seeking to obtain FCC consent to exceed the 25% threshold.

Cable and Satellite Carriage of Television Broadcast Stations. The 1992 Cable Act and implementing FCC regulations govern the retransmission of commercial television stations by cable television operators. Every three years, a television station must elect, with respect to cable systems within its DMA, either “must carry” status, pursuant to which the cable system’s carriage of the station is mandatory, or “retransmission consent,” pursuant to which the station gives up its right to mandatory carriage and secures instead the right to negotiate consideration in return for consenting to carriage. The Company’s owned television stations have elected the retransmission consent option in substantially all cases, and, since 2006, the Company has implemented a systematic process of seeking monetary consideration for its retransmission consent.

Similarly, federal legislation and FCC rules govern the retransmission of broadcast television stations by DBS operators. DBS operators are required to carry the signals of all local television broadcast stations requesting carriage in local markets in which the DBS operator carries at least one signal pursuant to the statutory local-to-local compulsory copyright license. Every three years, each television station in such markets must elect “must carry” or “retransmission consent” status, in a manner similar to that described above with respect to cable systems. The Company’s owned and operated television stations are being transmitted into their local markets by the two major DBS operators pursuant to retransmission consent agreements.

Children’s Television Programming. Federal legislation and FCC rules limit the amount and content of commercial matter that may be shown on television stations during programming designed for children 12 years of age and younger, and require stations to broadcast on their main program stream three hours per week of educational and informational programming (“E/I programming”) designed for children 16 years of age and younger. FCC rules also impose E/I programming requirements on each additional digital multicast program stream transmitted by television stations, with the requirement increasing in proportion to the additional hours of free programming offered on multicast channels. These rules also limit the display during children’s programming of internet addresses of Websites that contain or link to commercial material or that use program characters to sell products.

Program Access. Under the Communications Act, vertically integrated cable programmers (more fully described below) are generally prohibited from offering different prices, terms or conditions for programming to competing MVPDs unless the differential is justified by certain permissible factors set forth in the FCC’s regulations. Until 2012, the FCC’s “program access” rules also generally prohibited vertically integrated cable programmers from entering into exclusive distribution arrangements with cable operators. The FCC continues to assess the competitive impact of such individual exclusive contracts. A cable programmer is considered to be vertically integrated under the FCC’s program access attribution rules if it owns or is owned in whole or in part by either a cable operator or a telephone company that provides video programming directly to subscribers.

The Company’s wholly owned program services are not currently subject to the program access rules. The Company’s flexibility to negotiate the most favorable terms available for carriage of these services and its ability to offer cable operators exclusive programming could be adversely affected if it were to become subject to the program access rules. Because the Company and Viacom Inc. are under common control by NAI, Viacom Inc.’s businesses could be attributable to the Company for purposes of the FCC’s program access rules. (See Item 1A. “Risk Factors—The Businesses of the Company and Viacom Inc. Will Be Attributable to the Other Company for Certain Regulatory Purposes, Which May Limit Business Opportunities”).

National Broadband Plan. In response to the FCC’s March 2010 National Broadband Plan, which seeks to provide affordable broadband access throughout the U.S., Congress passed legislation in February 2012 authorizing the FCC to conduct voluntary auctions to reclaim spectrum utilized by broadcast television stations to provide additional

spectrum for wireless broadband services. The television stations that continue their operations may have to change channels once the FCC “repacks” the remaining spectrum dedicated to broadcast television use after the auctions. The legislation provides that the FCC will assist television stations in retaining their current coverage areas, no UHF band stations will be forced into the VHF band and a fund will be established to reimburse broadcasters for reasonable

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relocation expenses relating to the spectrum repacking. These spectrum auctions commenced in May 2016 and are expected to conclude in 2017.

INTELLECTUAL PROPERTY

The Company creates, owns, distributes and exploits under licenses intellectual property worldwide. It is the Company's practice to protect its products, including its television, radio and motion picture products, characters, publications and other original and acquired works and audiovisual works made for digital exploitation. The following logos, trade names, trademarks and related trademark families are among those strongly identified with the product lines they represent and are significant assets of the Company: CBS[®], CBS Entertainment[™], CBS News[®], CBS Sports[®], CBSSports.com[®], CBS All Access[®], CBSN[®], CNET[®], Showtime[®], Showtime Anytime[®], The Movie Channel[®], Flix[®], CBS Films[®], CBS Audience Network[®], TV.com[™], Last.fm[™], MetroLyrics[®], CSI[®], NCIS[®], Entertainment Tonight[®], Star Trek[®], Simon & Schuster[®], CBS Sports Network[®], CBS Interactive[™], CBS Local Digital Media[™], CBS Radio[®] and all the call letters for the Company's stations. As a result, domestic and foreign laws protecting intellectual property rights are important to the Company and the Company actively enforces its intellectual property rights against infringements.

EMPLOYEES

At December 31, 2016, the Company employed approximately 15,550 full-time and part-time salaried employees and had approximately 5,720 additional project-based staff, including employees and project-based staff of CBS Radio, which has been presented as a discontinued operation in the Company's consolidated financial statements.

FINANCIAL INFORMATION ABOUT SEGMENTS AND FOREIGN AND DOMESTIC OPERATIONS

Financial and other information by segment and relating to foreign and domestic operations for each of the last three years ending December 31 is set forth in Note 17 to the Consolidated Financial Statements.

AVAILABLE INFORMATION

CBS Corp. makes available free of charge on its Website, www.cbscorporation.com (Investors section), its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. Such material is made available through the Company's Website as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission. These documents are also available on the SEC's Website at www.sec.gov.

Item 1A. Risk Factors.

CAUTIONARY STATEMENT CONCERNING FORWARD LOOKING STATEMENTS

This document, including "Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition," and the documents incorporated by reference into this Annual Report on Form 10-K, contain both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements within the meaning of section 27A of the Securities Act of 1933 and section 21E of the Securities Exchange Act of 1934. These forward-looking statements are not based on historical facts, but rather reflect the Company's current expectations concerning future results and events. These forward-looking statements generally can be identified by the use of statements that include phrases such as "believe," "expect," "anticipate," "intend," "plan," "foresee," "likely," "will," "may," "could" or other similar words or phrases. Similarly

statements that describe the Company's objectives, plans or goals are or may be forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that are difficult to predict and which may cause the actual results, performance or achievements of the Company to be different from any future results, performance and achievements expressed or implied by these statements. More information about these risks, uncertainties and

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other factors is set forth below. Additional risks, uncertainties and other factors may be described in the Company's filings made under the securities laws. There may be additional risks, uncertainties and factors that the Company does not currently view as material or that are not necessarily known. The forward-looking statements included in this document are only made as of the date of this document and the Company does not have any obligation to publicly update any forward-looking statements to reflect subsequent events or circumstances.

RISK FACTORS

For an enterprise as large and complex as the Company, a wide range of factors could affect our business and financial results. The factors described below are considered to be the most significant. There may be other currently unknown or unpredictable economic, business, competitive, regulatory or other factors that could have material adverse effects on the Company's future results. Past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods. The following discussion of risk factors should be read in conjunction with "Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition" and the consolidated financial statements and related notes in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K.

A Decline in Advertising Expenditures Could Cause the Company's Revenues and Operating Results to Decline Significantly in Any Given Period or in Specific Markets

The Company derives substantial revenues from the sale of advertising on its broadcast and basic cable networks, television stations, radio stations, syndicated programming, and digital properties. A decline in the economic prospects of advertisers, the economy in general or the economy of any individual geographic market, particularly a major market, such as Los Angeles, New York or Chicago, in which the Company owns and operates sizeable businesses, could alter current or prospective advertisers' spending priorities. Natural and other disasters, acts of terrorism, political uncertainty or hostilities could lead to a reduction in advertising expenditures as a result of disrupted programming and services, uninterrupted news coverage and economic uncertainty. Advertising expenditures may also be affected by increasing competition for the leisure time of audiences. In addition, advertising expenditures by companies in certain sectors of the economy, including the automotive, financial and pharmaceutical segments, represent a significant portion of the Company's advertising revenues. Any political, economic, social or technological change resulting in a reduction in these sectors' advertising expenditures may adversely affect the Company's revenue. Advertisers' willingness to purchase advertising from the Company may also be affected by a decline in audience ratings for the Company's programming, the inability of the Company to retain the rights to popular programming, increasing audience fragmentation caused by new program channels and the proliferation of media formats, including the internet and video on demand and the deployment of portable digital video devices and new technologies, which allow consumers to live stream and time shift programming, make and store digital copies and skip or fast forward through advertisements. In addition, the pricing and volume of advertising may be affected by shifts in spending toward digital and mobile offerings from more traditional media, or toward new ways of purchasing advertising, such as through automated purchasing, dynamic advertising insertion, third parties selling local advertising spots and advertising exchanges, some or all of which may not be as beneficial to the Company as traditional advertising methods. Any reduction in advertising expenditures could have an adverse effect on the Company's revenues and results of operations.

The Company's Success and Profitability Are Dependent Upon Audience Acceptance of Its Content, Including Its Television Programs and Motion Pictures, Which Is Difficult to Predict

Television, radio, motion picture and other content production and distribution are inherently risky businesses because the revenues derived from the production and distribution of such content, and the licensing of rights to the associated intellectual property, depend primarily upon their acceptance by the public, which is difficult to predict. The

commercial success of a program or motion picture also depends upon the quality and acceptance of other competing programs and motion pictures released into the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions and other tangible and intangible factors, all of which are difficult to predict. Rating points are also factors that are weighed when determining

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the advertising rates that the Company receives. The use of evolving ratings technologies and measurements, and viewership on platforms or devices, such as tablets, smart phones and other mobile devices, that is not being measured, could have an impact on the Company's program ratings and advertising revenues. For example, while C-3, a current television industry ratings system, measures live commercial viewing plus three days of DVR and video-on-demand playback, the growing viewership occurring on subsequent days of DVR and video on demand playback is excluded from C-3 and other subsequent ratings. Poor ratings can lead to a reduction in pricing and advertising spending. For example, there can be no assurance that any replacement programming on the Company's television or radio stations will generate the same level of revenues or profitability of previous programming. In addition, the success of the Company's cable networks and Simon & Schuster is similarly dependent on audience acceptance of its programming and publications, respectively. The theatrical success of a motion picture, based in large part upon audience acceptance, is a significant factor in determining the revenues it is likely to generate in home entertainment sales, licensing fees and other exploitation during the various other distribution windows. Consequently, low public acceptance of the Company's content, including its television and radio programs, motion pictures and publications, will have an adverse effect on the Company's results of operations. In addition, any decreased popularity of programming for which the Company has incurred significant commitments could have an adverse effect on its profitability. Programming and talent commitments of the Company, estimated to aggregate approximately \$11.08 billion as of December 31, 2016, primarily included \$8.06 billion for sports programming rights, \$2.26 billion relating to the production and licensing of television and film programming, and \$758 million for talent contracts with \$2.30 billion of these amounts payable in and after 2022. A shortfall, now or in the future, in the expected popularity of the sports events for which the Company has acquired rights, or in the television and radio programming the Company expects to distribute, could lead to decreased profitability or losses for a significant period of time.

Failure by the Company to Obtain, Create and Retain the Rights Related to Popular Programming Could Adversely Affect the Company's Revenues

The Company's revenue from its television, cable networks, radio and motion picture business is partially dependent on the Company's continued ability to anticipate and adapt to changes in consumer tastes and behavior on a timely basis. Moreover, the Company derives a portion of its revenues from the exploitation of its extensive library of television programming. Generally, a television series must have a network run of at least three or four years to be successfully sold in domestic syndication, however, increasingly, these time frames are being shortened. If the content of its television programming library ceases to be widely accepted by audiences or is not continuously replenished with popular content, the Company's revenues could be adversely affected. The Company obtains a significant portion of its popular programming from third parties. For example, some of CBS Television Network's most widely viewed broadcasts, including golf's Masters Tournament, the PGA Championship, NFL games, NCAA Division I Men's Basketball Tournament games, and series such as The Big Bang Theory, are made available based upon programming rights of varying duration that the Company has negotiated with third parties. In addition, Showtime Networks enters into commitments to acquire rights to certain programming for Showtime, The Movie Channel and Flix from motion picture producers and other suppliers for varying durations, and CBS Radio acquires the broadcast rights to syndicated shows and to various programs such as sports events from third parties. CBS Films competes for compelling source material for and the talent necessary to produce motion pictures, as well as with other buyers for the acquisition of third party produced motion pictures. Competition for popular programming that is licensed from third parties is intense, and the Company may be outbid by its competitors for the rights to new, popular programming or in connection with the renewal of popular programming currently licensed by the Company. The Company's failure to obtain or retain rights to popular content could adversely affect the Company's revenues.

The Company Must Respond to Rapid Changes in Technology, Content Creation, Services and Standards in Order to Remain Competitive

Video, telecommunications, radio and data services technologies used in the entertainment industry are changing rapidly as are the digital publishing and distribution models for books. Advances in technologies or alternative

methods of product delivery or storage, including “cloud-based” DVR storage, or certain changes in consumer behavior driven by these or other technologies and methods of delivery and storage, could have a negative effect on the Company’s businesses. Examples of the foregoing include the convergence of television broadcasts and online delivery of programming to televisions and other devices, video-on-demand platforms, tablets, satellite radio, new video and

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electronic book formats, user-generated content sites, internet and mobile distribution of video content via streaming and downloading, simultaneous live streaming of broadcast content, and place-shifting of content from the home to portable devices on which content is viewable outside the home. For example, devices that allow users to view or listen to television or radio programs on a time-delayed basis; technologies, such as DVRs, that enable users to fast-forward or skip advertisements or increase the sharing of subscription content; systems that allow users to access copyrighted product of the Company over the internet or other media; and portable digital devices and systems that enable users to view programming or store or make portable copies of programming, may cause changes in consumer behavior that could affect the attractiveness of the Company's offerings to advertisers and adversely affect its revenues. Also, the growing uses of antennas to access broadcast signals to avoid subscriptions, user-generated content sites and live and stored video streaming sites, which deliver unauthorized copies of copyrighted content, including those emanating from other countries in various languages, may adversely impact the Company's businesses. In addition, further increases in the use of internet-connected television or other digital devices, which allow users to consume content on-demand and in remote locations while avoiding traditional commercial advertisements or subscription payments, could adversely affect the Company's television and radio broadcasting advertising and subscription revenues. Users who reduce, cancel or never had cable television subscription services are also known as "cord-shavers," "cord-cutters" or "cord-nevers," respectively. Cable providers and DBS operators are developing new techniques that allow them to transmit more channels on their existing equipment to highly targeted audiences, reducing the cost of creating channels and potentially leading to the division of the television marketplace into more specialized niche audiences. More television and video programming options increase competition for viewers and competitors targeting programming to narrowly defined audiences may gain an advantage over the Company for television advertising and subscription revenues. Television manufacturers, cable providers and others are developing and offering technology to enable viewers to locate digital copies of programming from the internet to view on television monitors or other devices, which could diminish viewership of the Company's programming. Generally, changing consumer behavior may impact the Company's traditional distribution methods, for example, by reducing viewership of its programming (including motion pictures), the demand for DVD and Blu-ray Disc product and/or the desire to see motion pictures in theaters, which could have an adverse impact on the Company's revenues and profitability. Also, the impact of technological changes on traditional distributors of video programming may adversely affect the Company's cable networks' ability to grow revenue. Anticipating and adapting to changes in technology on a timely basis and exploiting new sources of revenue from these changes will affect the Company's ability to continue to increase its revenue.

Piracy of the Company's Programming and Other Content, Including Digital Piracy, May Decrease Revenue Received from the Exploitation of the Company's Programming and Other Content and Adversely Affect Its Businesses and Profitability

Piracy of programming (including motion pictures), books and other copyrighted material is prevalent in many parts of the world and is made easier by the availability of digital copies of content, which facilitates the creation, transmission and sharing of high quality unauthorized copies of the Company's content. Technological advances, which facilitate the streaming of programming via the internet to television screens and other devices, may increase piracy. The proliferation of unauthorized access to content, including through unauthorized live streaming, streaming boxes programmed to seek pirated copies of content, the unauthorized premature release of content and unauthorized account sharing of subscription program services, has an adverse effect on the Company's businesses and profitability because these unauthorized actions reduce the revenue that the Company potentially could receive from the legitimate sale and distribution of its products and services. In addition, if piracy were to increase, it would have an adverse effect on the Company's businesses and profitability. Also, while legal protections exist, piracy and technological tools with which to carry it out continue to escalate, evolve and present challenges for enforcement. The Company vigorously defends itself against entities that illegally secure and exhibit its content, including streaming the Company's content without obtaining the consent of or paying compensation to the Company. Failure of legal protections to evolve and enable enhanced enforcement efforts to combat piracy could make it more difficult for the

Company to adequately protect its intellectual property, which could negatively impact its value and further increase the Company's enforcement costs.

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The Company's Businesses Operate in Highly Competitive and Consolidating Industries

The Company competes with other media companies for high quality content to achieve large audiences and to generate advertising revenue. The Company also competes for distribution on various MVPD and other third-party digital platforms. The Company's ability to attract audiences and advertisers and obtain favorable distribution depends in part on its ability to provide popular television programming and radio programming, motion pictures and books and adapt to new technologies and distribution platforms. The consolidation of advertising agencies, distributors and television service providers also has increased their negotiating leverage and made competition for audiences, advertising revenue, and distribution more intense. In addition, consolidation among book retailers and the growth of online sales and electronic books sales have resulted in increased competition for limited physical shelf space for the Company's publications and for the attention of consumers online. Competition for audiences and advertising comes from: broadcast television stations and networks; cable television systems and networks; motion picture studios; the internet; non-traditional programming services; technological innovations in content distribution; terrestrial and satellite radio and portable devices; local, regional and national newspapers; direct mail; and other communications and advertising media that operate in these markets. Other television and radio stations or cable networks may change their formats or programming, a new station or new network may adopt a format to compete directly with the Company's stations or networks, or stations or networks might engage in aggressive promotional campaigns. In book publishing, competition among electronic and print book retailers could decrease the prices for new releases and the outlets available for book sales. Moreover, the growing use of self-publishing technologies by authors increases competition and could result in decreased use of traditional publishing services. This competition could result in lower ratings and advertising and subscription and other revenues or increased content costs and promotional and other expenses and, consequently, lower earnings and cash flow for the Company. The Company cannot be assured that it will be able to compete successfully in the future against existing, new or potential competitors, or that competition and consolidation in the marketplace will not have a material adverse effect on its business, financial condition or results of operations.

The Loss of Affiliation Agreements or Retransmission Agreements or Renewals on Less Favorable Terms Could Materially Adversely Affect the Company's Results of Operations

The CBS Television Network provides its affiliates with up to approximately 98 hours of regularly scheduled programming per week. In return, the CBS Television Network's affiliated stations broadcast network-inserted commercials during that programming and pay the Company station affiliation fees. Loss of station affiliation agreements of the CBS Television Network could adversely affect the Company's results of operations by reducing the reach of the Company's programming and therefore its attractiveness to advertisers, and renewal of these affiliation agreements on less favorable terms may also adversely affect the Company's results of operations. The non-renewal or termination of retransmission agreements with MVPDs or continued distribution on less favorable terms, could also adversely affect the Company's revenues and its ability to distribute its network programming to a nationwide audience and affect the Company's ability to sell advertising, which could have a material adverse effect on the Company's results of operations. Showtime Networks, CBS Sports Network and Smithsonian Networks are also dependent upon the maintenance of distribution agreements with MVPDs and other third-party digital platforms and there can be no assurance that these agreements will be renewed in the future on terms acceptable to such programmers. The loss of one or more of these arrangements could reduce the distribution of Showtime Networks', CBS Sports Network's and Smithsonian Networks' program services and reduce revenues from subscriber fees and advertising, as applicable. Further, the loss of favorable packaging, positioning, pricing or other marketing opportunities with any distributor could reduce revenues from subscriber fees. Also, consolidation among MVPDs and increased vertical integration of such distributors into the cable or broadcast network business have provided more leverage to these distributors and could adversely affect the Company's ability to maintain or obtain distribution for its network programming or distribution and/or marketing of its subscription program services on favorable or commercially reasonable terms, or at all. In addition, MVPDs continue to develop alternative offerings for consumers

which are generally smaller than the traditional program package or may allow the consumer to customize its package of program services. To the extent these packages do not include the Company's programming and become widely accepted in lieu of traditional program packages, the Company could experience a decline in affiliate and subscription revenues.

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The Company's Operating Results Are Subject to Seasonal Variations and Other Factors

The Company's business has experienced and is expected to continue to experience seasonality due to, among other things, seasonal advertising patterns and seasonal influences, on people's viewing, reading, attendance and listening habits. Typically, the Company's revenue from advertising increases in the fourth quarter, Simon & Schuster generates a substantial portion of its revenues in the fourth quarter, and license fees for television programming and CBS Films' revenue from motion pictures are dependent on the timing, mix, number and availability of the Company's television programming and motion pictures, as applicable, which may cause operating results to increase or decrease during a period and create non-comparable results relative to the corresponding period in the prior year. In addition, advertising revenues in even-numbered years benefit from advertising placed by candidates for political offices. The effects of such seasonality make it difficult to estimate future operating results based on the previous results of any specific quarter and may adversely affect operating results.

Economic Conditions May Adversely Affect the Company's Businesses and Customers

The U.S. and other countries where the Company operates have experienced slowdowns and volatilities in their economies. A downturn could lead to lower consumer and business spending for the Company's products and services, particularly if customers, including advertisers, subscribers, licensees, retailers, theater operators and other consumers of the Company's content offerings and services, reduce demands for the Company's products and services. In addition, in unfavorable economic environments, the Company's customers may have difficulties obtaining capital at adequate or historical levels to finance their ongoing business and operations and may face insolvency, all of which could impair their ability to make timely payments and continue operations, including distribution of the Company's content. The Company is unable to predict the duration and severity of weakened economic conditions and such conditions and resultant effects could adversely impact the Company's businesses, operating results, and financial condition.

Volatility and Weakness in Capital Markets May Adversely Affect Credit Availability and Related Financing Costs for the Company

Bank and capital markets can experience periods of volatility and disruption. If the disruption in these markets is prolonged, the Company's ability to refinance, and the related cost of refinancing, some or all of its debt could be adversely affected. Although the Company can currently access the bank and capital markets, there is no assurance that such markets will continue to be a reliable source of financing for the Company. In addition, the Company's access to and cost of borrowing can be affected by the Company's short- and long-term debt ratings assigned by ratings agencies. These factors, including the tightening of credit markets, or a decrease in the Company's debt ratings, could adversely affect the Company's ability to obtain cost effective financing.

Increased Programming and Content Costs May Adversely Affect the Company's Profits

The Company produces and acquires programming (including motion pictures) and other content and incurs costs with respect to its content, including for all types of creative talent, including actors, authors, writers and producers, composers and publishers of music, as well as for marketing and distribution. An increase in any of these costs and increased competition from consolidated entities and new entrants into the market for the production and acquisition of new content may lead to decreased profitability.

Changes in Communications Laws or Other Regulations May Have an Adverse Effect on the Company's Business

The television and radio broadcasting and distribution industries in the U.S. are highly regulated by U.S. federal laws and regulations issued and administered by various federal agencies, including the FCC. The television and radio broadcasting industry is subject to extensive regulation by the FCC under the Communications Act. For example, the

Company is required to obtain licenses from the FCC to operate its television and radio stations. The Company cannot be assured that the FCC will approve its future renewal applications or that the renewals will be for full terms or will not include conditions or qualifications. The non-renewal, or renewal with substantial conditions or modifications,

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of one or more of the Company's licenses could have a material adverse effect on the Company's revenues. The Company must also comply with extensive FCC regulations and policies in the ownership and operation of its television and radio stations and its television networks. FCC regulations prohibit the common ownership of more than one of the top four networks, ABC, CBS, FOX and NBC, and limit the number of television and radio stations that a licensee can own in a market and the number of television stations that can be owned nationwide, which could restrict the Company's ability to consummate future transactions and in certain circumstances could require it to divest some television or radio stations. The U.S. Congress and the FCC currently have under consideration, and may in the future adopt, new laws, regulations, and policies regarding a wide variety of matters that could, directly or indirectly, affect the operation and ownership of the Company's television and radio properties. For example, from time to time, proposals have been advanced in the U.S. Congress and at the FCC to require television and radio broadcast stations to provide advertising time to political candidates for free or at a reduced charge. Any restrictions on political or other advertising may adversely affect the Company's advertising revenues. Changes to the media ownership and other FCC rules may affect the competitive landscape in ways that could increase the competition faced by the Company. Proposals have also been advanced from time to time before the U.S. Congress and the FCC to extend the program access rules (currently applicable only to those cable program services which also own or are owned in whole or in part by cable distribution or telephone company systems) to all cable program services. The Company's ability to obtain the most favorable terms available for its content could be adversely affected should such an extension be enacted into law. In response to the FCC's March 2010 National Broadband Plan, which seeks to provide affordable broadband access throughout the U.S., Congress passed legislation in February 2012 authorizing the FCC to conduct voluntary auctions to reclaim spectrum utilized by broadcast television stations to provide additional spectrum for wireless broadband services. The television stations that continue their operations may have to change channels once the FCC "repacks" the remaining spectrum dedicated to broadcast television use after the auctions. These spectrum auctions commenced in May 2016 and are expected to conclude in 2017 followed by repacking, which could adversely impact the Company's broadcast coverage and related revenues. It is difficult to predict the timing or outcome of the FCC's actions or their effect, if any, on the Company's broadcasting properties. Legislation could be enacted which could remove over-the-air broadcasters' existing exemption from payment of a performance royalty to record companies and performers of music which is broadcast on radio stations and could have an adverse impact on the cost of music programming for the Company. In addition, changes in or new interpretations of international laws and regulations governing competition and the internet, including those affecting data privacy, as well as proposed amendments to the law governing territorial exclusivity of the distribution of content in Europe, may have an adverse impact on the Company's international businesses and internet properties. The Company is unable to predict the effect that any such laws, regulations or policies may have on its operations.

Vigorous Enforcement or Enhancement of FCC Indecency and Other Program Content Rules Against the Broadcast and Cable Industries Could Have an Adverse Effect on the Company's Businesses and Results of Operations

The FCC's rules prohibit the broadcast of obscene material at any time and indecent or profane material on television or radio broadcast stations between the hours of 6 a.m. and 10 p.m. Broadcasters risk violating the prohibition against broadcasting indecent material because of the vagueness of the FCC's indecency/profanity definition, coupled with the spontaneity of live programming. The FCC enforces its indecency rules against the broadcasting industry. The FCC has found on a number of occasions that the content of television and radio broadcasts has contained indecent material. In such instances, the FCC issued fines or advisory warnings to the offending licensees. Moreover, the FCC has in some instances imposed separate fines for each allegedly indecent "utterance," in contrast with its previous policy, which generally considered all indecent words or phrases within a given program as constituting a single violation. The fines for broadcasting indecent material per station are a maximum of approximately \$383,000 per utterance. If the FCC denied a license renewal or revoked the license for one of the Company's broadcast television or radio stations, the Company would lose its authority to operate the station. The determination of whether content is indecent is inherently subjective and, as such, it can be difficult to predict whether particular content could violate indecency standards. The difficulty in predicting whether individual programs, words or phrases may violate the FCC's

indecenty rules adds significant uncertainty to the Company's ability to comply with the rules. Violation of the indecenty rules could lead to sanctions which may adversely affect the Company's businesses and results of operations. Some policymakers support the extension of the indecenty rules that are applicable to over-the-air

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broadcasters to cover cable and satellite programming and/or attempts to increase enforcement of or otherwise expand existing laws and rules. If such an extension, attempt to increase enforcement or other expansion took place and were found to be constitutional, some of the Company's cable content could be subject to additional regulation and might not be able to attract the same subscription and viewership levels.

The Failure or Destruction of Satellites and Transmitter Facilities that the Company Depends Upon to Distribute Its Programming Could Materially Adversely Affect the Company's Businesses and Results of Operations

The Company uses satellite systems to transmit its broadcast and cable networks to affiliates. The distribution facilities include uplinks, communications satellites and downlinks. Transmissions may be disrupted as a result of local disasters including extreme weather that impair on-ground uplinks or downlinks, or as a result of an impairment of a satellite. Currently, there are a limited number of communications satellites available for the transmission of programming. If a disruption occurs, failure to secure alternate distribution facilities in a timely manner could have a material adverse effect on the Company's businesses and results of operations. Each of the Company's television and radio stations and cable networks uses studio and transmitter facilities that are subject to damage or destruction. Failure to restore such facilities in a timely manner could have a material adverse effect on the Company's businesses and results of operations.

Breach of Security Measures Regarding Information Systems Could Disrupt Operations and Damage the Company's Reputation and Could Materially Adversely Affect the Company's Businesses and Results of Operations

Network and information systems and other technologies are important to the Company's business activities. Despite the Company's security measures and disaster recovery planning, network and information systems related events, such as computer compromises, cyber threats, security breaches, viruses, or other destructive or disruptive software, process breakdowns, employee or partner error or malicious or other activities, and power outages, terrorism, natural or other disasters could result in a disruption of the Company's services and operations. These events could also result in the improper disclosure of personal data or confidential or proprietary information, including through third parties which receive any of such information on a confidential basis for business purposes and could be subject to any of these events, and damage the Company's reputation and require the Company to expend resources to remedy any such breaches. The occurrence of any of these events could have a material adverse effect on the Company's business and results of operations.

The Company Could Suffer Losses Due to Asset Impairment Charges for Goodwill, Intangible Assets, FCC Licenses and Programming

The Company will test goodwill and indefinite-lived intangible assets, including FCC licenses, for impairment during the fourth quarter of each year and between annual tests if events or circumstances require an interim impairment assessment. A downward revision in the estimated fair value of a reporting unit or intangible assets, including FCC licenses, could result in a non-cash impairment charge. Also, any significant shortfall, now or in the future, in the expected popularity of the programming for which the Company has acquired rights could lead to a downward revision in the fair value of such assets. Any such impairment charge for goodwill, intangible assets and/or programming could have a material adverse effect on the Company's reported net earnings.

Dividends and Dividend Rates Cannot Be Guaranteed

The Company's Board of Directors assesses relevant factors when considering the declaration of a dividend on the Company's common stock. The Company cannot guarantee that it will continue to declare dividends, including at the same or similar rates.

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The Loss of Key Personnel, Including Talent, Could Disrupt the Management or Operations of the Company's Business and Adversely Affect Its Revenues

The Company's business depends upon the continued efforts, abilities and expertise of its chief executive officer and other key employees and entertainment personalities. The Company believes that the unique combination of skills and experience possessed by its executive officers would be difficult to replace, and that the loss of its executive officers could have a material adverse effect on the Company, including the impairment of the Company's ability to execute its business strategy. While the Company does not maintain a written succession plan with respect to Chairman of the Board, in accordance with the Company's Corporate Governance Guidelines, designated independent committees of the CBS Board together periodically review succession planning for the position of Chairman and report to the non-management directors of the CBS Board. Because approximately 79.5% of the voting shares are controlled by Sumner Redstone there can be no assurance now or in the future that he or the successors to the voting control may not seek to effect succession of the Chairman; however, and in all cases, the Board will elect the next Chairman by a majority vote of the Board. Additionally, the Company employs or independently contracts with several entertainment personalities and authors with significant loyal audiences or readership. Entertainment personalities are sometimes significantly responsible for the ranking of a television or radio station and, therefore, the ability of the station to sell advertising, and an author's popularity can be significantly responsible for the success of a particular book. The Company's cable networks, CBS Television Studios and CBS Television Distribution produce programming and CBS Films produces motion pictures with highly regarded directors, actors and other talent who are important to attracting and retaining audiences for their content. There can be no assurance that these entertainment personalities, authors and talent will remain with or be drawn to the Company or will retain their current audiences or readership. If the Company fails to retain or attract these entertainment personalities, authors and talent or they lose their current audiences or readership, the Company's revenues could be adversely affected.

The Company's Proposed Separation of its Radio Business Is Subject to Approvals and Closing Conditions

During 2016, the Company announced its intention to explore strategic options to separate its radio business. On February 2, 2017, the Company entered into an agreement with Entercom Communications Corp. to combine the Company's radio business with Entercom in a merger following a split-off of the Company's radio business, which is expected to occur through an exchange offer. These transactions are subject to customary approvals and closing conditions and other risks and uncertainties, including the ability to complete the transactions on the anticipated terms and schedule; the ability to obtain regulatory and stockholder approvals; changes in U.S. federal tax laws and interpretations and the ability to obtain the anticipated tax treatment of the transactions; the ability to obtain financing related to the transactions upon acceptable terms or at all; and changes in economic, political and market conditions. These risks could adversely impact the Company's timing and the ability to consummate or achieve the benefits of the transactions.

The Company's Liabilities Related to Discontinued Operations and Former Businesses Could Adversely Impact Its Financial Condition

The Company has both recognized and potential liabilities and costs related to discontinued operations and former businesses, certain of which are unrelated to the media business, including leases, guarantees, environmental liabilities, liabilities related to the pensions and medical expenses of retirees, asbestos liabilities, contractual disputes and other pending and threatened litigation. The Company cannot be assured that its reserves are sufficient to cover these liabilities in their entirety or any one of these liabilities when it becomes due or at what point any of these liabilities may come due. Therefore, there can be no assurances that these liabilities will not have a material adverse effect on the Company's financial position, operating performance or cash flow.

The Company Could Be Adversely Affected by Strikes and Other Union Activity

The Company and its suppliers engage the services of writers, directors, actors and other talent, trade employees and others who are subject to collective bargaining agreements. If the Company or its suppliers are unable to renew expiring collective bargaining agreements, it is possible that the affected unions or others could take action in the

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form of strikes or work stoppages. Such actions, higher costs in connection with these agreements or a significant labor dispute could adversely affect the Company's television, radio, cable networks, interactive and motion picture businesses by disrupting the Company's ability to provide scheduled services and programming or by causing delays in the production of the Company's television or radio programming or motion pictures. Depending on its duration, any lockout, strike or work stoppage could have an adverse effect on the Company's revenues, cash flows and/or operating income and/or the timing thereof.

Fluctuations in Foreign Exchange Rates and Political and Economic Risks Associated with the Company's International Businesses Could Harm the Company's Financial Condition or Results of Operations

The Company's businesses operate and have customers worldwide. Certain of the Company's revenues are earned and expenses are incurred in foreign currencies. The value of these currencies fluctuates relative to the U.S. dollar. As a result, the Company is exposed to exchange rate fluctuations, which could have an adverse effect on its results of operations. Other inherent risks of doing business in international markets include changes in the economic environment, potentially adverse tax developments, export restrictions, exchange controls, tariffs and other trade and sanctions barriers and longer payment cycles. The Company may incur substantial expense as a result of the imposition of new restrictions or changes in the existing economic environment in the regions where it does business. For example, the June 2016 non-binding "Brexit" referendum to withdraw the U.K. from the European Union may adversely affect economic and market conditions in the U.K. and other regions where the Company conducts business and could contribute to instability in global financial and foreign exchange markets, including volatility in the value of the Euro and British Pound. In addition, acts of terrorism or other hostilities, or other future financial, political, economic or other uncertainties, could lead to a reduction in advertising expenditures, which could materially adversely affect the Company's business, financial condition or results of operations.

NAI, Through Its Voting Control of the Company, Is in a Position to Control Actions that Require Stockholder Approval

NAI, through its direct and indirect ownership of the Company's Class A Common Stock, has voting control of the Company. At December 31, 2016, NAI directly or indirectly owned approximately 79.5% of the Company's voting Class A Common Stock, and approximately 9.5% of the Company's Class A Common Stock and non-voting Class B Common Stock on a combined basis. Mr. Sumner M. Redstone is the beneficial owner of the controlling interest in NAI and, accordingly, beneficially owns all such shares. Mr. Redstone, the controlling stockholder, chairman of the board of directors and chief executive officer of NAI, serves as Chairman Emeritus of the Company's Board of Directors, and Ms. Shari Redstone, the president and a director of NAI, serves as Vice Chair of the Company's Board of Directors. In addition, Mr. David R. Andelman is a director of NAI and serves as a director of the Company. NAI is controlled by Mr. Redstone through the Sumner M. Redstone National Amusements Trust (the "SMR Trust"), which owns 80% of the voting interest of NAI, and such voting interest of NAI held by the SMR Trust is voted solely by Mr. Redstone until his incapacity or death. The SMR Trust provides that in the event of Mr. Redstone's death or incapacity, voting control of the NAI voting interest held by the SMR Trust will pass to seven trustees, who will include CBS Corporation directors Ms. Shari Redstone and Mr. David R. Andelman. No member of the Company's management is a trustee of the SMR Trust. NAI is in a position to control the outcome of corporate actions that require stockholder approval, including the election of directors and transactions involving a change of control. Other stockholders who may have different interests are unable to affect the outcome of the corporate actions of the Company for so long as NAI retains voting control.

Sales of Shares of Common Stock by NAI Could Adversely Affect the Stock Price

NAI, through its direct and indirect ownership of the Company's Class A Common Stock, has voting control of the Company. Based on information received from NAI, shares of the Company's voting Class A Common Stock and

non-voting Class B Common Stock owned by certain wholly owned subsidiaries of NAI are pledged to such subsidiaries' lenders. NAI holds more than 50% of the Company's voting Class A shares directly and these shares are not pledged. If any of such subsidiaries defaults on its obligations and the lenders foreclose on the collateral, the lenders or anyone to whom the lenders transfer the Company's shares could sell such shares or convert those shares

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of voting Class A Common Stock into shares of non-voting Class B Common Stock and sell such shares, which could adversely affect the Company's share price. Additionally, if the lenders foreclose on the pledged shares of voting Class A Common Stock, NAI will no longer directly or indirectly own those shares and such lenders or other transferees would have voting rights in the Company. In addition, there can be no assurance that NAI or its subsidiaries at some future time will not sell or pledge additional shares of the Company's stock, which could adversely affect the Company's share price.

Many Factors May Cause the Stock Price of the Company's Class A Common Stock and Class B Common Stock to Fluctuate

The stock price of Class A Common Stock and Class B Common Stock may fluctuate significantly as a result of many factors. These factors, some or all of which are beyond the Company's control, include: actual or anticipated fluctuations in the Company's operating results; changes in expectations as to the Company's future financial performance or changes in financial estimates of securities analysts; success of the Company's operating and growth strategies; investor anticipation of strategic, technological or regulatory threats, whether or not warranted by actual events; operating and stock price performance of other comparable companies; and realization of any of the risks described in these risk factors. In addition, the stock market has experienced volatility that often has been unrelated or disproportionate to the operating performance of particular companies. These broad market and industry fluctuations may adversely affect the trading prices of the Company's common stock, regardless of the Company's actual operating performance.

The Businesses of the Company and Viacom Inc. Will Be Attributable to the Other Company for Certain Regulatory Purposes, Which May Limit Business Opportunities

So long as the Company and Viacom Inc. are under common control, each company's businesses, as well as the businesses of any other commonly controlled company, will be attributable to the other company for purposes of certain rules and regulations of the FCC, U.S. and non-U.S. antitrust rules and regulations and certain rules regarding political campaign contributions in the U.S., among others potentially. The businesses of one company will continue to be attributable to the other company for certain FCC and other purposes even after the two companies cease to be commonly controlled, if the two companies share common officers, directors, or attributable stockholders. As a result, the businesses and conduct of Viacom Inc. may have the effect of limiting and affecting the activities, strategic business alternatives and business terms available to the Company, including limitations to which the Company contractually agreed in connection with the Company's separation of former Viacom Inc. ("Former Viacom") into two publicly traded entities, CBS Corporation and new Viacom Inc., which was completed on December 31, 2005 (the "Separation").

In Connection with the Separation, Each Company Will Rely on the Other Company's Performance Under Various Agreements Between the Companies

In connection with the Separation, the Company and Viacom Inc. entered into various agreements, including a Separation Agreement dated December 19, 2005, a Tax Matters Agreement dated December 30, 2005, which are filed as exhibits to this report, and certain related party arrangements pursuant to which the Company and Viacom Inc. will provide services and products to each other from and after the Separation. The Separation Agreement sets forth the allocation of assets, liabilities, rights and obligations of the Company and Viacom Inc. following the Separation, and includes indemnification obligations for such liabilities and obligations. In addition, pursuant to the Tax Matters Agreement, certain income tax liabilities and related responsibilities are allocated between, and indemnification obligations are assumed by, each of the Company and Viacom Inc. Each company will rely on the other to satisfy its performance and payment obligations under these agreements. Certain of the liabilities to be assumed or indemnified by the Company or Viacom Inc. under these agreements are legal or contractual liabilities of the other company. If

Viacom Inc. were to breach or be unable to satisfy its material obligations under these agreements, including a failure to satisfy its indemnification obligations, the Company could suffer operational difficulties or significant losses.

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NAI, Certain Directors and Members of Management May Face Actual or Potential Conflicts of Interest

NAI has voting control of each of the Company and Viacom Inc. Mr. Redstone, the controlling stockholder through the SMR Trust, chairman of the board of directors and chief executive officer of NAI, serves as Chairman Emeritus of the Company and Chairman Emeritus of Viacom Inc. Ms. Redstone, the president and a director of NAI, serves as Vice Chair of the Board of Directors of each of the Company and Viacom Inc. Mr. David R. Andelman is a director of NAI and serves as a director of the Company. This ownership overlap and these common directors could create, or appear to create, potential conflicts of interest when the Company's and Viacom Inc.'s directors and controlling stockholder face decisions that could have different implications for the Company and Viacom Inc. For example, potential conflicts of interest could arise in connection with the resolution of any dispute between the Company and Viacom Inc. regarding the terms of the agreements governing the Separation and the relationship between the Company and Viacom Inc. thereafter. These agreements include the Separation Agreement, the Tax Matters Agreement and any commercial agreements between the parties or their affiliates. On occasion, the Company and Viacom Inc. may compete with each other in various commercial enterprises. Potential conflicts of interest could also arise if the Company and Viacom Inc. enter into any commercial arrangements with each other in the future. CBS Corp.'s certificate of incorporation contains provisions related to corporate opportunities that may be of interest to both the Company and Viacom Inc. CBS Corp.'s certificate of incorporation provides that in the event that a director, officer or controlling stockholder of the Company who is also a director, officer or controlling stockholder of Viacom Inc. acquires knowledge of a potential corporate opportunity for both the Company and Viacom Inc., such director, officer or controlling stockholder may present such opportunity to the Company or Viacom Inc. or both, as such director, officer or controlling stockholder deems appropriate in his or her sole discretion, and that by doing so such person will have satisfied his or her fiduciary duties to the Company and its stockholders. In addition, CBS Corp.'s certificate of incorporation provides that the Company renounces any interest in any such opportunity presented to Viacom Inc. These provisions create the possibility that a corporate opportunity of one of such companies may be used for the benefit of the other company.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

The Company maintains its world headquarters at 51 West 52nd Street, New York, New York, where it owns a building containing approximately 900,000 square feet of space, 831,000 square feet of which is office space. The Company occupies approximately 275,000 square feet of the office space and leases the balance to third parties. The Company owns the CBS Broadcast Center complex located on approximately 3.7 acres at 524 West 57th Street, New York, New York, which consists of approximately 860,000 square feet of office and studio space. The Company also owns two studio facilities in California: (a) the CBS Studio Center at 4024 Radford Avenue, Studio City, California, located on approximately 40 acres, and (b) CBS Television City at 7800 Beverly Boulevard, Los Angeles, California, located on approximately 25 acres. Showtime Networks leases approximately 230,000 square feet at 1633 Broadway, New York, New York under a lease which expires in 2026. Simon & Schuster leases approximately 292,000 square feet of office space at 1230 Avenue of the Americas, New York, New York, which lease runs to 2019. CBS Interactive leases approximately 283,000 square feet of space at 235 Second Street, San Francisco, California under a lease which expires in 2022. CBS Interactive subleases approximately 77,000 square feet of this space to third parties. The Company and its subsidiaries also own and lease office, studio and warehouse space and broadcast, antenna and satellite transmission facilities throughout the U.S., Canada and several other foreign countries for its businesses. The Company considers its properties adequate for its present needs.

Item 3. Legal Proceedings.

General. On an ongoing basis, the Company vigorously defends itself in numerous lawsuits and proceedings and responds to various investigations and inquiries from federal, state, local and international authorities (collectively, “litigation”). Litigation may be brought against the Company without merit, is inherently uncertain and always

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difficult to predict. However, based on its understanding and evaluation of the relevant facts and circumstances, the Company believes that the below-described legal matters and other litigation to which it is a party are not likely, in the aggregate, to have a material adverse effect on its results of operations, financial position or cash flows. Under the Separation Agreement between the Company and Viacom Inc., the Company and Viacom Inc. have agreed to defend and indemnify the other in certain litigation in which the Company and/or Viacom Inc. is named.

Claims Related to Former Businesses: Asbestos. The Company is a defendant in lawsuits claiming various personal injuries related to asbestos and other materials, which allegedly occurred principally as a result of exposure caused by various products manufactured by Westinghouse, a predecessor, generally prior to the early 1970s. Westinghouse was neither a producer nor a manufacturer of asbestos. The Company is typically named as one of a large number of defendants in both state and federal cases. In the majority of asbestos lawsuits, the plaintiffs have not identified which of the Company's products is the basis of a claim. Claims against the Company in which a product has been identified principally relate to exposures allegedly caused by asbestos-containing insulating material in turbines sold for power-generation, industrial and marine use.

Claims are frequently filed and/or settled in groups, which may make the amount and timing of settlements, and the number of pending claims, subject to significant fluctuation from period to period. The Company does not report as pending those claims on inactive, stayed, deferred or similar dockets which some jurisdictions have established for claimants who allege minimal or no impairment. As of December 31, 2016, the Company had pending approximately 33,610 asbestos claims, as compared with approximately 36,030 as of December 31, 2015 and 41,100 as of December 31, 2014. During 2016, the Company received approximately 4,160 new claims and closed or moved to an inactive docket approximately 6,580 claims. The Company reports claims as closed when it becomes aware that a dismissal order has been entered by a court or when the Company has reached agreement with the claimants on the material terms of a settlement. Settlement costs depend on the seriousness of the injuries that form the basis of the claims, the quality of evidence supporting the claims and other factors. In 2016, the Company's costs for settlement and defense of asbestos claims after insurance and taxes were approximately \$48 million. In 2015, as the result of an insurance settlement, insurance recoveries exceeded the Company's after tax costs for settlement and defense of asbestos claims by approximately \$5 million. The Company's costs for settlement and defense of asbestos claims may vary year to year and insurance proceeds are not always recovered in the same period as the insured portion of the expenses.

Filings include claims for individuals suffering from mesothelioma, a rare cancer, the risk of which is allegedly increased by exposure to asbestos; lung cancer, a cancer which may be caused by various factors, one of which is alleged to be asbestos exposure; other cancers, and conditions that are substantially less serious, including claims brought on behalf of individuals who are asymptomatic as to an allegedly asbestos-related disease. The predominant number of claims against the Company are non-cancer claims. The Company believes that its reserves and insurance are adequate to cover its asbestos liabilities. This belief is based upon many factors and assumptions, including the number of outstanding claims, estimated average cost per claim, the breakdown of claims by disease type, historic claim filings, costs per claim of resolution and the filing of new claims. While the number of asbestos claims filed against the Company has remained generally flat in recent years, it is difficult to predict future asbestos liabilities, as events and circumstances may occur including, among others, the number and types of claims and average cost to resolve such claims, which could affect the Company's estimate of its asbestos liabilities.

Other. The Company from time to time receives claims from federal and state environmental regulatory agencies and other entities asserting that it is or may be liable for environmental cleanup costs and related damages principally relating to historical and predecessor operations of the Company. In addition, the Company from time to time receives personal injury claims including toxic tort and product liability claims (other than asbestos) arising from historical operations of the Company and its predecessors.

Item 4. Mine Safety Disclosures.

Not applicable.

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EXECUTIVE OFFICERS OF THE COMPANY

Set forth below is certain information concerning the executive officers of the Company as of February 10, 2017.

| Name | Age | Title |
|---------------------|-----|---|
| Leslie Moonves | 67 | Chairman of the Board, President and Chief Executive Officer |
| Anthony G. Ambrosio | 56 | Senior Executive Vice President, Chief Administrative Officer and Chief Human Resources Officer |
| Jonathan H. Anshell | 48 | Executive Vice President, Deputy General Counsel and Secretary |
| Joseph R. Ianniello | 49 | Chief Operating Officer |
| Richard M. Jones | 51 | Executive Vice President and General Tax Counsel |
| Lawrence Liding | 48 | Executive Vice President, Controller and Chief Accounting Officer |
| Gil Schwartz | 65 | Senior Executive Vice President and Chief Communications Officer |
| Lawrence P. Tu | 62 | Senior Executive Vice President and Chief Legal Officer |

None of the executive officers of the Company is related to any other executive officer or director by blood, marriage or adoption.

Mr. Moonves has been Chairman of the Board, President and Chief Executive Officer of the Company since February 3, 2016. Prior to that, Mr. Moonves served as President and Chief Executive Officer and a Director of the Company since January 1, 2006. Previously, Mr. Moonves served as Co-President and Co-Chief Operating Officer of Former Viacom since June 2004, Chairman and Chief Executive Officer of CBS since 2003 and as its President and Chief Executive Officer since 1998. Mr. Moonves joined former CBS Corporation in 1995 as President, CBS Entertainment. Prior to that, Mr. Moonves was President of Warner Bros. Television since July 1993.

Mr. Ambrosio has been Senior Executive Vice President, Chief Administrative Officer and Chief Human Resources Officer of the Company since June 2013. Prior to that, Mr. Ambrosio served as Executive Vice President, Human Resources and Administration of the Company since January 1, 2006. Previously, he served as Co Executive Vice President, Human Resources of Former Viacom since September 2005 and as Senior Vice President, Human Resources and Administration of the CBS, Infinity and Viacom Outdoor businesses since 2000. Prior to that, Mr. Ambrosio served as Vice President, Corporate Human Resources of the former CBS Corporation from 1999 to 2000, as Vice President, Benefits of the former CBS Corporation from 1995 to November 1999 and as Director, Personnel of the former CBS Corporation in 1995. He joined the former CBS Corporation in 1985 and held various positions in the human resources area since that time.

Mr. Anshell has been Executive Vice President, Deputy General Counsel and Secretary of the Company since January 1, 2016. Mr. Anshell also serves as Executive Vice President and General Counsel of CBS Broadcasting Inc., a position he has held since joining the Company in 2004. Mr. Anshell previously was a partner with the law firm, White O'Connor Curry in Los Angeles, California.

Mr. Ianniello has been Chief Operating Officer of the Company since June 2013. Prior to that, Mr. Ianniello served as Executive Vice President and Chief Financial Officer of the Company since August 2009. Previously, he served as Deputy Chief Financial Officer of the Company since November 2008, as Senior Vice President, Chief Development Officer and Treasurer of the Company since September 2007, as Senior Vice President, Finance and Treasurer of the Company since January 1, 2006, as Senior Vice President and Treasurer of Former Viacom since July 2005 and as Vice President, Corporate Development of Former Viacom from 2000 to 2005.

Mr. Jones has been Executive Vice President and General Tax Counsel since August 2014. Previously, he served as Senior Vice President and General Tax Counsel of the Company since January 1, 2006 and for Former Viacom in December 2005. Prior to that, he served as Vice President of Tax, Assistant Treasurer and Tax Counsel for NBC

Universal, Inc. since 2003 and he spent 13 years with Ernst & Young in their media & entertainment and transaction advisory services practices. Mr. Jones also serves as the Company's Chief Veteran Officer and served honorably as a non-commissioned officer in the U.S. Army's 75th Ranger Regiment and 10th Mountain Division.

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Mr. Liding has been Executive Vice President, Controller and Chief Accounting Officer of the Company since August 2014. Previously, he served as Senior Vice President, Controller and Chief Accounting Officer of the Company since October 2011, Vice President, Deputy Controller of the Company since March 2010 and Vice President, Assistant Controller since January 1, 2006. Prior to that, Mr. Liding joined Former Viacom in 1995 and served as Vice President of Financial Reporting from 2002 through 2005.

Mr. Schwartz has been Senior Executive Vice President and Chief Communications Officer of the Company since June 2013. Prior to that, he served as Executive Vice President and Chief Communications Officer of the Company since January 1, 2006. Previously, he served as Executive Vice President of CBS Communications Group from 2004 until January 1, 2006, as Senior Vice President, Communications of CBS from 2000 to 2004 and as Senior Vice President, Communications of the former CBS Corporation from 1996 to 2000. Prior to that, Mr. Schwartz served as Vice President, Corporate Communications of Westinghouse Broadcasting from 1995 to 1996 and as Vice President, Communications for Westinghouse Broadcasting's Group W Television Stations from 1989 to 1995. Mr. Schwartz joined Westinghouse Broadcasting in 1981.

Mr. Tu has been Senior Executive Vice President and Chief Legal Officer of the Company since January 1, 2014. Previously, Mr. Tu served as Senior Vice President, General Counsel and Secretary of Dell Inc. since July 2004. Prior to that, Mr. Tu served as Executive Vice President and General Counsel of NBC Universal since 2001. He previously was a partner with the law firm, O'Melveny & Myers LLP, and also served five years as managing partner of the firm's Hong Kong office. Mr. Tu's prior experience also includes serving as General Counsel Asia-Pacific for Goldman Sachs, attorney for the U.S. State Department, and law clerk for U.S. Supreme Court Justice Thurgood Marshall.

Part II

Item 5. Market for CBS Corporation's Common Equity, Related Stockholder Matters and Purchases of Equity Securities.

CBS Corporation (the "Company" or "CBS Corp.") voting Class A Common Stock and CBS Corporation non-voting Class B Common Stock are listed and traded on the New York Stock Exchange ("NYSE") under the symbols "CBS.A" and "CBS", respectively.

The following table sets forth, for the calendar periods indicated, the per share range of high and low sales prices for CBS Corporation's Class A and Class B Common Stock, as reported on the NYSE.

| | Voting Class A Common Stock | | Non-Voting Class B Common Stock | |
|-------------|-----------------------------------|---------|--|---------|
| | High | Low | High | Low |
| 2016 | | | | |
| 1st quarter | \$59.99 | \$46.86 | \$55.38 | \$41.36 |
| 2nd quarter | \$61.77 | \$53.13 | \$57.89 | \$50.53 |
| 3rd quarter | \$61.51 | \$49.92 | \$58.22 | \$48.88 |
| 4th quarter | \$66.99 | \$55.27 | \$65.09 | \$54.35 |
| 2015 | | | | |
| 1st quarter | \$64.63 | \$53.93 | \$63.71 | \$52.94 |
| 2nd quarter | \$72.50 | \$57.02 | \$63.95 | \$55.21 |
| 3rd quarter | \$58.44 | \$42.54 | \$56.39 | \$38.51 |
| 4th quarter | \$57.90 | \$43.28 | \$52.18 | \$38.76 |

On January 26, 2017, the Company announced a quarterly cash dividend of \$.18 per share on its Class A and Class B Common Stock, payable on April 1, 2017. The Company declared a quarterly cash dividend on its Class A and Class B Common Stock during each of the four quarters of 2016 and 2015, resulting in total annual dividends of \$294 million, or \$.66 per share for 2016 and \$293 million, or \$.60 per share for 2015. CBS Corp. currently expects to continue to pay a regular cash dividend to its stockholders.

In November 2010, the Company announced that its Board of Directors approved a program to repurchase \$1.5 billion of the Company's common stock in open market purchases or other types of transactions (including accelerated stock repurchases or privately negotiated transactions). Since then, various increases totaling \$16.4 billion have been approved and announced, including most recently, an increase to the share repurchase program to a total availability of \$6.0 billion on July 28, 2016. Below is a summary of CBS Corp.'s purchases of its Class B Common Stock during the three months ended December 31, 2016 under this publicly announced share repurchase program.

| (in millions, except per share amounts) | Total Number of Shares Purchased | Average Price Per Share | Total Number of Shares Purchased as Part of Publicly Announced Programs | Remaining Authorization |
|---|--|----------------------------------|--|----------------------------|
| October 1, 2016 - October 31, 2016 | 7.3 | \$ 56.18 | 7.3 | \$ 5,193 |
| November 1, 2016 - November 30, 2016 | 11.4 | \$ 58.68 | 11.4 | \$ 4,527 |
| December 1, 2016 - December 31, 2016 | 6.7 | \$ 62.72 | 6.7 | \$ 4,107 |
| Total | 25.4 | | 25.4 | \$ 4,107 |

As of February 14, 2017, there were approximately 1,525 record holders of CBS Corp. Class A Common Stock and approximately 21,255 record holders of CBS Corp. Class B Common Stock.

Additional information required by this item is contained in the CBS Corp. Proxy Statement for the Company's 2017 Annual Meeting of Stockholders under the heading "Equity Compensation Plan Information," which information is incorporated herein by reference.

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Performance Graph

The following graph compares the cumulative total stockholder return on CBS Corp. Class A and Class B Common Stock with the cumulative total return on the companies listed in the Standard & Poor's 500 Stock Index ("S&P 500") and a Peer Group of companies identified below.

The performance graph assumes \$100 invested on December 31, 2011 in each of the Class A and Class B Common Stock of CBS Corp., the S&P 500 and the Peer Group identified below including reinvestment of dividends, through the calendar year ended December 31, 2016.

Total Cumulative Stockholder Return

For Five-Year Period Ending December 31, 2016

| December 31, | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--------------------------------|-------|-------|-------|-------|-------|-------|
| CBS Corp. Class A Common Stock | \$100 | \$139 | \$235 | \$210 | \$196 | \$247 |
| CBS Corp. Class B Common Stock | \$100 | \$142 | \$240 | \$210 | \$181 | \$248 |
| S&P 500 | \$100 | \$116 | \$154 | \$175 | \$177 | \$198 |
| Peer Group ^(a) | \$100 | \$138 | \$210 | \$251 | \$237 | \$263 |

(a) The Peer Group consists of the following companies: The Walt Disney Company, Twenty-First Century Fox, Inc. and Time Warner Inc. CBS Radio is presented as a discontinued operation as of December 31, 2016 and as a result, Cumulus Media Inc., which was previously included in the peer group, has been excluded.

Item 6. Selected Financial Data.

CBS CORPORATION AND SUBSIDIARIES

(In millions, except per share amounts)

| | Year Ended December 31, ^(a) | | | | |
|---|--|----------------------------|-----------------|----------|----------|
| | 2016 ^(b) (c) | 2015 ^(b) (d) | 2014 (b) (e) | 2013 | 2012 |
| Revenues | \$13,166 | \$12,671 | \$12,519 | \$12,713 | \$11,514 |
| Operating income | \$2,621 | \$2,658 | \$2,590 | \$2,663 | \$2,415 |
| Net earnings from continuing operations | \$1,552 | \$1,554 | \$1,151 | \$1,520 | \$1,288 |
| Net earnings (loss) from discontinued operations, net of tax | \$(291) | \$(141) | \$1,808 | \$359 | \$286 |
| Net earnings | \$1,261 | \$1,413 | \$2,959 | \$1,879 | \$1,574 |
| Basic net earnings (loss) per common share: | | | | | |
| Net earnings from continuing operations | \$3.50 | \$3.21 | \$2.09 | \$2.50 | \$2.01 |
| Net earnings (loss) from discontinued operations, net of tax | \$(.66) | \$(.29) | \$3.29 | \$.59 | \$.45 |
| Net earnings | \$2.84 | \$2.92 | \$5.38 | \$3.09 | \$2.45 |
| Diluted net earnings (loss) per common share: | | | | | |
| Net earnings from continuing operations | \$3.46 | \$3.18 | \$2.05 | \$2.44 | \$1.95 |
| Net earnings (loss) from discontinued operations, net of tax | \$(.65) | \$(.29) | \$3.22 | \$.58 | \$.43 |
| Net earnings | \$2.81 | \$2.89 | \$5.27 | \$3.01 | \$2.39 |
| Dividends per common share | \$.66 | \$.60 | \$.54 | \$.48 | \$.44 |
| At Year End: | | | | | |
| Total assets: | | | | | |
| Continuing operations | \$19,642 | \$18,695 | \$18,372 | \$17,191 | \$17,072 |
| Discontinued operations | 4,596 | 5,070 | 5,563 | 9,014 | 9,121 |
| Total assets | \$24,238 | \$23,765 | \$23,935 | \$26,205 | \$26,193 |
| Total debt: | | | | | |
| Continuing operations | \$9,375 | \$8,448 | \$7,112 | \$6,403 | \$5,886 |
| Discontinued operations | 1,345 | — | — | 14 | 14 |
| Total debt | \$10,720 | \$8,448 | \$7,112 | \$6,417 | \$5,900 |
| Total Stockholders' Equity | \$3,689 | \$5,563 | \$6,970 | \$9,966 | \$10,213 |

(a) During the fourth quarter of 2016, CBS Corporation (the "Company" or "CBS Corp.") classified CBS Radio as held for sale and as a result, CBS Radio has been presented as a discontinued operation in the Company's consolidated financial statements for all periods presented. Also included in discontinued operations is CBS Outdoor Americas Inc., which was disposed of in 2014, and Outdoor Europe, which was sold in 2013.

(b) Included in net earnings (loss) from discontinued operations, net of tax, are noncash impairment charges of \$444 million (\$427 million, net of tax), or \$.95 per diluted share, in 2016, and \$484 million (\$297 million, net of tax), or \$.61 per diluted share, in 2015, in each case to reduce the carrying value of CBS Radio's intangible assets. For 2014, net earnings from discontinued operations, net of tax, included a gain on the disposal of Outdoor Americas of \$1.56 billion, or \$2.78 per diluted share.

(c) In 2016, the Company recorded a one-time pension settlement charge of \$211 million in operating income (\$130 million, net of tax), or \$.29 per diluted share, for the settlement of pension obligations resulting from the completion of the Company's offer to eligible former employees to receive lump-sum distributions of their pension benefits.

(d) In 2015, the Company recorded gains from the sales of internet businesses in China of \$139 million in operating income (\$131 million, net of tax), or \$.27 per diluted share.

(e) In 2014, in connection with the early redemption of \$1.07 billion of its debt, the Company recorded a pretax loss on early extinguishment of debt of \$352 million (\$219 million, net of tax), or \$.39 per diluted share.

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Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition.
(Tabular dollars in millions, except per share amounts)

Management's discussion and analysis of the results of operations and financial condition of CBS Corporation (together with its consolidated subsidiaries, unless the context otherwise requires, the "Company" or "CBS Corp.") should be read in conjunction with the consolidated financial statements and related notes.

Overview

Business overview and strategy

The Company operates businesses which span the media and entertainment industries, including the CBS Television Network, cable networks, content production and distribution, television stations, internet-based businesses, and consumer publishing. The Company's principal strategy is to create and acquire premium content that is widely accepted by audiences and generate both advertising and non-advertising revenues from the distribution of this content on multiple media platforms and to various geographic locations. The Company continues to increase its investment in both Company-owned and acquired premium content to enhance its opportunities for revenue growth, which include exhibiting the Company's content on multiple digital platforms, including the Company's owned digital streaming services as well as third-party live television streaming offerings; expanding the distribution of its content internationally; and securing compensation from multichannel video programming distributors ("MVPDs") and television stations affiliated with the CBS Television Network. The Company also seeks to grow its advertising revenues by monetizing all content viewership as industry measurements evolve to reflect viewers' changing habits. The Company's continued ability to capitalize on these and other emerging opportunities will provide it with incremental advertising and non-advertising revenues.

CBS Radio Separation

On February 2, 2017, the Company entered into an agreement with Entercom Communications Corp. to combine the Company's radio business, CBS Radio, with Entercom in a merger to be effected through a Reverse Morris Trust transaction, which is expected to be tax-free to CBS Corp. and its stockholders. In connection with this transaction, the Company intends to split-off CBS Radio through an exchange offer, in which the Company's stockholders may elect to exchange shares of the Company's Class B Common Stock for shares of CBS Radio, which will then be immediately converted into shares of Entercom common stock at the time of the merger. This transaction is subject to customary approvals and closing conditions. The Company expects to complete the transaction during the second half of 2017. CBS Radio has been presented as a discontinued operation in the consolidated financial statements for all periods presented.

Management's Discussion and Analysis of
Results of Operations and Financial Condition (Continued)
(Tabular dollars in millions, except per share amounts)

Operational highlights 2016 vs. 2015

| Consolidated results of operations | | Increase/(Decrease) | | |
|---|----------|---------------------|-----------|--------|
| Year Ended December 31, | 2016 | 2015 | \$ | % |
| GAAP: | | | | |
| Revenues | \$13,166 | \$12,671 | \$ 495 | 4 % |
| Operating income | \$2,621 | \$2,658 | \$ (37) | (1)% |
| Net earnings from continuing operations | \$1,552 | \$1,554 | \$ (2) | — % |
| Net earnings | \$1,261 | \$1,413 | \$ (152) | (11)% |
| Diluted EPS from continuing operations | \$3.46 | \$3.18 | \$.28 | 9 % |
| Diluted EPS | \$2.81 | \$2.89 | \$ (.08) | (3)% |
| Non-GAAP: ^(a) | | | | |
| Adjusted operating income | \$2,861 | \$2,564 | \$ 297 | 12 % |
| Adjusted net earnings | \$1,840 | \$1,618 | \$ 222 | 14 % |
| Adjusted diluted EPS | \$4.11 | \$3.31 | \$.80 | 24 % |

(a) See pages II-6 and II-7 for reconciliations of adjusted results to the most directly comparable financial measures in accordance with accounting principles generally accepted in the United States ("GAAP").

For 2016, revenues increased 4% to \$13.17 billion, led by the broadcast of Super Bowl 50 on CBS, growth in affiliate and subscription fees and higher political advertising sales. These increases were partially offset by the benefit to 2015 from Showtime Networks' distribution of the Floyd Mayweather/Manny Pacquiao boxing event, and lower content licensing and distribution revenues compared with 2015, which included significant licensing sales of NCIS and Elementary.

Operating income decreased 1% from 2015. Comparability of operating income was impacted by discrete items, which for 2016 included charges for a pension settlement and restructuring activities, and for 2015 included gains from the sales of internet businesses in China and restructuring charges. On an adjusted basis, operating income was up 12% driven by the increase in revenues. Diluted earnings per share ("EPS"), which included the previously mentioned discrete items as well as impairment charges at CBS Radio, which have been presented in discontinued operations, was \$2.81 for 2016 compared with \$2.89 for 2015. On an adjusted basis, EPS was \$4.11, up 24% from \$3.31 for 2015, driven by the higher adjusted operating income and lower weighted average shares outstanding as a result of the Company's \$3.0 billion of share repurchases during 2016. The Company believes that presenting its financial results adjusted for the impact of discrete items is relevant and useful for investors because it allows investors to view performance in a manner similar to the method used by the Company's management and provides a clearer perspective on the underlying performance of the Company. These adjusted results are non-GAAP financial measures. See pages II-6 and II-7 for details of the discrete items excluded from adjusted results, along with reconciliations of adjusted results to the most directly comparable financial measures in accordance with GAAP.

The Company generated operating cash flow from continuing operations of \$1.45 billion in 2016 and \$1.19 billion in 2015. Free cash flow for 2016 was \$1.26 billion compared with \$1.02 billion for 2015. These increases were driven by growth in affiliate and subscription fees and higher advertising revenues, including from the broadcast of Super Bowl 50 on CBS, partially offset by increased investment in content. The Company generated operating cash flow from discontinued operations of \$231 million in 2016 and \$205 million in 2015. Free cash flow is a non-GAAP financial

measure. See “Free Cash Flow” on pages II-30 and II-31 for a reconciliation of net cash flow provided by (used for) operating activities, the most directly comparable financial measure in accordance with GAAP, to free cash flow.

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Management's Discussion and Analysis of
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(Tabular dollars in millions, except per share amounts)

Pension Settlement

In September 2016, the Company offered eligible former employees who had not yet initiated pension benefit payments the option to make a one-time election to receive the present value of their pension benefits as a lump-sum distribution or to commence an immediate monthly annuity benefit. As a result, the Company recorded a one-time pension settlement charge of \$211 million in 2016.

Share repurchases

Following is a summary of the Company's purchases of its Class B Common Stock during the year ended December 31, 2016:

| Total Number of Shares Purchased (in millions) | Average Price Per Share | Dollar Value of Shares Repurchased | Remaining Authorization |
|--|----------------------------------|--|----------------------------|
| 54.3 | \$55.15 | \$ 3,000 | \$ 4,107 |

Dividends

| | Increase/(Decrease) | | | |
|------------------------------|---------------------|-------|-------|------|
| Year Ended December 31, 2016 | 2015 | \$ | % | |
| Dividends per share | \$.66 | \$.60 | \$.06 | 10 % |
| Total dividends | \$294 | \$293 | \$ 1 | — % |

On July 28, 2016, the Company announced that its Board of Directors approved a 20% increase to the quarterly cash dividend on its Class A Common Stock and Class B Common Stock to \$.18 from \$.15 per share.

Reconciliation of Non-GAAP Measures

The following tables present adjusted operating income, adjusted net earnings, and adjusted diluted EPS, which exclude the impact of discrete items. These adjusted results are non-GAAP financial measures, which are reconciled below to the most directly comparable financial measures in accordance with GAAP.

| Year Ended December 31, | 2016 | 2015 | Increase/(Decrease) | |
|--|---------|---------|---------------------|-------|
| | \$ | \$ | \$ | % |
| Operating income | \$2,621 | \$2,658 | \$ (37) | (1)% |
| Discrete items: | | | | |
| Pension settlement charge | 211 | — | | |
| Restructuring and merger and acquisition-related costs | 38 | 45 | | |
| Other operating items, net ^(a) | (9) | (139) | | |
| Adjusted operating income | \$2,861 | \$2,564 | \$ 297 | 12 % |

Management's Discussion and Analysis of
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(Tabular dollars in millions, except per share amounts)

| Year Ended December 31, | 2016 | 2015 | Increase/(Decrease) | |
|--|---------|---------|---------------------|--------|
| | | | \$ | % |
| Net earnings | \$1,261 | \$1,413 | \$ (152) | (11)% |
| Discrete items: | | | | |
| Pension settlement charge (net of tax benefit of \$81 million) | 130 | — | | |
| Restructuring and merger and acquisition-related costs (net of tax benefit of \$18 million in 2016 and \$32 million in 2015) ^(b) | 28 | 49 | | |
| Other operating items, net (net of tax benefit of \$4 million in 2016 and \$8 million in 2015) ^(a) | (5) | (131) | | |
| Write-down of equity investment | 10 | — | | |
| Discrete tax items ^(c) | (11) | — | | |
| CBS Radio impairment charges (net of tax benefit of \$17 million in 2016 and \$187 million in 2015) | 427 | 297 | | |
| Other adjustments for discontinued operations ^(d) | — | (10) | | |
| Adjusted net earnings | \$1,840 | \$1,618 | \$ 222 | 14 % |

| Year Ended December 31, | 2016 | 2015 | Increase/(Decrease) | |
|---|--------|--------|---------------------|-------|
| | | | \$ | % |
| Diluted EPS | \$2.81 | \$2.89 | \$ (.08) | (3)% |
| Discrete items: | | | | |
| Pension settlement charge | .29 | — | | |
| Restructuring and merger and acquisition-related costs ^(b) | .06 | .10 | | |
| Other operating items, net ^(a) | (.01) | (.27) | | |
| Write-down of equity investment | .02 | — | | |
| Discrete tax items ^(c) | (.02) | — | | |
| CBS Radio impairment charges | .95 | .61 | | |
| Other adjustments for discontinued operations ^(d) | — | (.02) | | |
| Adjusted diluted EPS ^(e) | \$4.11 | \$3.31 | \$.80 | 24 % |

(a) Other operating items, net for 2016 and 2015 includes gains from the sales of internet businesses in China, and for 2016, also includes a multiyear, retroactive impact of a new operating tax.

(b) Adjustments to net earnings and diluted EPS include CBS Radio restructuring charges of \$8 million (\$5 million, net of tax) in 2016 and \$36 million (\$21 million, net of tax) in 2015, which are included in net loss from discontinued operations.

(c) Reflects a one-time tax benefit of \$47 million associated with a multiyear adjustment to a tax deduction, which was approved by the IRS during the third quarter of 2016, and a charge of \$36 million from the resolution of a tax matter in a foreign jurisdiction relating to a previously disposed business, which is included in net loss from discontinued operations.

(d) Primarily reflects a decrease to the guarantee liability associated with the 2013 disposition of Outdoor Europe.

(e) Amounts may not sum as a result of rounding.

Management's Discussion and Analysis of
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(Tabular dollars in millions, except per share amounts)

Segments

CBS Corp. operates in the following four segments:

ENTERTAINMENT: The Entertainment segment consists of the CBS Television Network, CBS Television Studios, CBS Studios International, CBS Television Distribution, CBS Interactive and CBS Films as well as the Company's digital streaming services, CBS All Access and CBSN. Entertainment's revenues are generated primarily from advertising sales, the licensing and distribution of its content, and affiliate and subscription fees. The Entertainment segment contributed 67% to consolidated revenues in each of the years 2016 and 2015, and 66% in 2014, and 53%, 51% and 50% to total segment operating income in 2016, 2015 and 2014, respectively.

CABLE NETWORKS: The Cable Networks segment consists of Showtime Networks, CBS Sports Network and Smithsonian Networks. Cable Networks' revenues are generated primarily from affiliate and subscription fees and the licensing and distribution of its content. The Cable Networks segment contributed 16%, 18% and 17% to consolidated revenues in 2016, 2015, and 2014, respectively, and 33% to total segment operating income in 2016 and 37% in each of the years 2015 and 2014.

PUBLISHING: The Publishing segment consists of Simon & Schuster's consumer book publishing business with imprints such as Simon & Schuster, Pocket Books, Scribner and Atria Books. Publishing generates revenues from the distribution of consumer books in print, digital and audio formats. The Publishing segment contributed 6% to consolidated revenues in each of the years 2016, 2015, and 2014, and 4% to total segment operating income in each of the years 2016, 2015, and 2014.

LOCAL MEDIA: The Local Media segment consists of CBS Television Stations and CBS Local Digital Media, with revenues generated primarily from advertising sales and retransmission fees. The Local Media segment contributed 14%, 12% and 13% to consolidated revenues in 2016, 2015, and 2014, respectively, and 22%, 19%, and 20% to total segment operating income in 2016, 2015, and 2014, respectively.

Consolidated Results of Operations—2016 vs. 2015

Revenues

| Revenues by Type | % of Total Revenues | | % of Total Revenues | | Increase/(Decrease) | |
|------------------------------------|---------------------|-----------------|---------------------|--------------|---------------------|------------|
| Year Ended December 31, | 2016 | 2015 | 2016 | 2015 | \$ | % |
| Advertising | \$6,288 | \$5,824 | 48 % | 46 % | \$ 464 | 8 % |
| Content licensing and distribution | 3,673 | 3,903 | 28 | 31 | (230) | (6) |
| Affiliate and subscription fees | 2,978 | 2,724 | 22 | 21 | 254 | 9 |
| Other | 227 | 220 | 2 | 2 | 7 | 3 |
| Total Revenues | \$13,166 | \$12,671 | 100 % | 100 % | \$ 495 | 4 % |

Advertising

For 2016, the 8% increase in advertising revenues was driven by CBS's broadcast of the Super Bowl, which is broadcast on the CBS Television Network once every three years through 2022 under the current contract; higher political advertising sales; and 3% growth in underlying network advertising. The increase in network advertising reflects higher pricing, including from increased demand, partially offset by lower ratings, including from the

broadcast of NFL games.

In 2017, the advertising revenue comparison will be negatively affected by the benefit in 2016 from the broadcast of the Super Bowl on CBS and strong political advertising spending. However, advertising revenues in 2017 will benefit from the CBS Television Network's broadcast of the National Semifinals and National Championship games

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Management's Discussion and Analysis of
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(Tabular dollars in millions, except per share amounts)

of the NCAA Division I Men's Basketball Championship ("NCAA Tournament"), which are broadcast on the CBS Television Network every other year through 2032 under the current agreements with the NCAA and Turner Broadcasting System, Inc. ("Turner"). The CBS Television Network's upfront advertising sales ("Upfront") for the 2016/2017 television broadcast season, which runs from the middle of September 2016 through the middle of September 2017, resulted in pricing increases compared with the prior broadcast season, which is expected to benefit advertising revenues during the 2016/2017 broadcast season (See page I-2 for a description of the Upfront market). However, overall advertising revenues for the Company will be dependent on ratings for its programming and market conditions, including demand in the scatter advertising market, which is when advertisers purchase the remaining advertising spots closer to the broadcast of the related programming.

Content licensing and distribution

Content licensing and distribution revenues are principally comprised of fees from the licensing of internally produced television programming; fees from the distribution of third party programming; and revenues from the publishing and distribution of consumer books. For 2016, the 6% decrease in content licensing and distribution revenues primarily reflected lower domestic television licensing revenues compared with 2015, which included the sales of NCIS, Elementary and CSI. A significant contributor to television licensing revenues in 2016 was the international licensing of five Star Trek series.

Content licensing and distribution revenue comparisons are impacted by fluctuations resulting from the timing of the availability of Company-owned television series for multiyear licensing agreements. Television license fee revenues are recognized at the beginning of the license period in which programs are made available to the licensee for exhibition. Unrecognized revenues attributable to license agreements for produced programming that is not yet available for exhibition were \$749 million and \$847 million at December 31, 2016 and 2015, respectively. As of the end of 2016, the Company had approximately 500 episodes of scripted original programming that had not yet been made available in the secondary domestic marketplace (See page II-51 for a description of the secondary marketplace).

Total outstanding receivables attributable to revenues recognized under licensing agreements at December 31, 2016 and 2015 were \$3.82 billion and \$3.83 billion, respectively. At December 31, 2016, the total amount due from these receivables was \$1.63 billion in 2017, \$1.03 billion in 2018, \$595 million in 2019, \$349 million in 2020, and \$216 million in 2021 and thereafter.

Affiliate and subscription fees

Affiliate and subscription fees are principally comprised of revenues received from MVPDs for carriage of the Company's cable networks ("cable affiliate fees"), as well as for authorizing the MVPDs' carriage of the Company's owned television stations ("retransmission fees"); fees received from television stations affiliated with the CBS Television Network ("station affiliation fees"); subscription fees for digital streaming services; and revenues received for the distribution of pay-per-view boxing events. For 2016, the 9% increase in affiliate and subscription fees reflects 35% growth in station affiliation fees and retransmission fees, and revenues from the Company's streaming subscription services, including CBS All Access and the Showtime digital streaming subscription offering. These increases were partially offset by the benefit to 2015 from Showtime Networks' distribution of the Floyd Mayweather/Manny Pacquiao boxing event, which was the highest grossing pay-per-view event of all time.

Over the next few years, the Company expects to benefit from the renewal of several of its agreements with station affiliates and MVPDs as well as from agreements with new distributors of live television streaming offerings. In addition, the Company's existing agreements with station affiliates and MVPDs include annual contractual increases. Together, these factors are expected to result in continued growth in affiliate and subscription fees over the next several years.

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Management's Discussion and Analysis of
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(Tabular dollars in millions, except per share amounts)

International Revenues

International revenues primarily consist of television licensing revenues. The Company generated approximately 14% and 16% of its total revenues from international regions in 2016 and 2015, respectively.

| Year Ended December 31, | 2016 | % of International | 2015 | % of International |
|------------------------------|---------|-----------------------|---------|-----------------------|
| United Kingdom | \$279 | 15 % | \$345 | 17 % |
| Other Europe | 717 | 39 | 691 | 35 |
| Canada | 256 | 14 | 286 | 14 |
| Asia | 190 | 10 | 236 | 12 |
| Other | 407 | 22 | 446 | 22 |
| Total International Revenues | \$1,849 | 100 % | \$2,004 | 100 % |

Operating Expenses

| Operating Expenses by Type Year Ended December 31, | 2016 | % of Operating Expenses | 2015 | % of Operating Expenses | Increase/(Decrease) \$ | % |
|---|---------|-------------------------------|---------|-------------------------------|---------------------------|------|
| Programming | \$2,941 | 37 % | \$2,892 | 37 % | \$ 49 | 2 % |
| Production | 2,658 | 34 | 2,604 | 33 | 54 | 2 |
| Participation, distribution and royalty | 1,058 | 13 | 1,109 | 14 | (51) | (5) |
| Other | 1,299 | 16 | 1,306 | 16 | (7) | (1) |
| Total Operating Expenses | \$7,956 | 100 % | \$7,911 | 100 % | \$ 45 | 1 % |

Programming expenses reflect the amortization of acquired rights of programs exhibited on the television broadcast and cable networks, and television stations. For 2016, the 2% increase in programming expenses was primarily driven by increased sports programming costs associated with the broadcast of NFL games, including Super Bowl 50, which was broadcast by CBS in 2016, partially offset by three fewer Thursday Night Football games than 2015. This increase was partially offset by costs in 2015 associated with Showtime Networks' distribution of the Floyd Mayweather/Manny Pacquiao pay-per-view boxing event and lower costs for acquired television series as a result of a shift to a higher mix of internally developed television series.

Production expenses reflect the amortization of direct costs of internally developed television and theatrical film content as well as other television production costs, including on-air talent. For 2016, the 2% increase in production expenses reflected increased investment in internally developed television series, partially offset by lower expenses associated with the decrease in television licensing revenues.

Participation, distribution and royalty costs primarily include participation and residual expenses for television programming, royalty costs for Publishing content and other distribution expenses incurred with respect to television content, such as print and advertising. For 2016, the 5% decrease in participation, distribution and royalty costs primarily reflected lower participations associated with lower licensing sales of the CSI franchise.

Other operating expenses primarily include compensation and costs associated with book sales, including printing and warehousing.

Management's Discussion and Analysis of
Results of Operations and Financial Condition (Continued)
(Tabular dollars in millions, except per share amounts)

Selling, General and Administrative Expenses

| Year Ended December 31, | 2016 | % of Revenues | 2015 | % of Revenues | Increase/(Decrease) | \$ | % |
|--|---------|---------------|---------|---------------|---------------------|----|-----|
| Selling, general and administrative expenses | \$2,124 | 16 % | \$1,961 | 15 % | \$ 163 | | 8 % |

Selling, general and administrative ("SG&A") expenses include expenses incurred for selling and marketing costs, occupancy and back office support. The 8% increase in SG&A primarily reflects incremental advertising, marketing and employee-related costs to support the Company's growth initiatives, and higher pension and incentive compensation costs.

Depreciation and Amortization

| Year Ended December 31, | 2016 | 2015 | Increase/(Decrease) |
|-------------------------------|-------|-------|---------------------|
| | \$ | \$ | % |
| Depreciation and amortization | \$225 | \$235 | (\$10) (4)% |

For 2016, the 4% decrease in depreciation and amortization was the result of intangibles and property and equipment that became fully amortized, and the sales of internet businesses in China.

Pension Settlement Charge

In September 2016, the Company offered eligible former employees who had not yet initiated pension benefit payments the option to make a one-time election to receive the present value of their pension benefits as a lump-sum distribution or to commence an immediate monthly annuity benefit. As a result, the Company paid a total of \$518 million of lump-sum distributions in 2016 using its pension plan assets, representing 12% of the total obligations of its qualified pension plans. Accordingly, the Company recorded a one-time settlement charge of \$211 million, reflecting the accelerated recognition of a portion of unamortized actuarial losses in the plan.

Restructuring and Merger and Acquisition-Related Costs

During the year ended December 31, 2016, in a continued effort to reduce its cost structure, the Company initiated restructuring plans across several of its businesses, primarily for the reorganization of certain business operations. As a result, the Company recorded restructuring charges of \$30 million, reflecting \$19 million of severance costs and \$11 million of costs associated with exiting contractual obligations and other related costs. These restructuring activities are expected to reduce the Company's annual cost structure by approximately \$30 million.

During the year ended December 31, 2015, the Company recorded restructuring charges of \$45 million, reflecting \$24 million of severance costs and \$21 million of costs associated with exiting contractual obligations and other related costs. During the year ended December 31, 2014, the Company recorded restructuring charges of \$19 million, reflecting \$11 million of severance costs and \$8 million of costs associated with exiting contractual obligations.

As of December 31, 2016, the cumulative settlements for the 2016, 2015, and 2014 restructuring charges were \$55 million, of which \$33 million was for severance costs and \$22 million related to costs associated with exiting contractual obligations. The Company expects to substantially utilize its restructuring reserves by the end of 2018.

Management's Discussion and Analysis of
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| | Balance at December 31, 2015 | 2016 Charges | 2016 Settlements | Balance at December 31, 2016 |
|----------------|------------------------------------|-----------------|---------------------|------------------------------------|
| Entertainment | \$ 19 | \$ 16 | \$ (15) | \$ 20 |
| Cable Networks | — | 4 | — | 4 |
| Publishing | — | 1 | — | 1 |
| Local Media | 11 | 6 | (5) | 12 |
| Corporate | 1 | 3 | (2) | 2 |
| Total | \$ 31 | \$ 30 | \$ (22) | \$ 39 |
| | Balance at December 31, 2014 | 2015 Charges | 2015 Settlements | Balance at December 31, 2015 |
| Entertainment | \$ 6 | \$ 26 | \$ (13) | \$ 19 |
| Local Media | 5 | 19 | (13) | 11 |
| Corporate | 2 | — | (1) | 1 |
| Total | \$ 13 | \$ 45 | \$ (27) | \$ 31 |

During the fourth quarter of 2016, the Company incurred professional fees of \$8 million associated with merger and acquisition-related activities.

Other Operating Items, Net

For 2016 and 2015, other operating items, net included gains from the disposition of businesses in China, and for 2016, also included a multiyear, retroactive impact of a new operating tax.

Interest Expense/Income

| Year Ended December 31, | 2016 | 2015 | Increase/(Decrease) | |
|-------------------------|---------|---------|---------------------|------|
| | | | \$ | % |
| Interest expense | \$(411) | \$(392) | \$ 19 | 5 % |
| Interest income | \$32 | \$24 | \$ 8 | 33 % |

The following table presents the Company's outstanding debt balances, excluding capital leases and discontinued operations debt, and the weighted average interest rate as of December 31, 2016 and 2015:

| At December 31, | 2016 | Weighted Average Interest Rate | 2015 | Weighted Average Interest Rate |
|----------------------|---------|---|---------|---|
| Total long-term debt | \$8,850 | 4.47 % | \$8,365 | 4.68 % |
| Commercial paper | \$450 | 0.98 % | \$— | n/a |

n/a - not applicable

Other Items, Net

| Year Ended December 31, | 2016 | 2015 | Increase/(Decrease) | |
|-------------------------|--------|--------|---------------------|------|
| | | | \$ | % |
| Other items, net | \$(12) | \$(26) | \$ 14 | 54 % |

Other items, net for 2016 and 2015 primarily consisted of foreign exchange losses.

Management's Discussion and Analysis of
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(Tabular dollars in millions, except per share amounts)

Provision for Income Taxes

| Year Ended December 31, 2016 | 2015 | Increase/(Decrease) | |
|------------------------------|---------|---------------------|----------------|
| | | \$ | % |
| Tax provision | \$(628) | \$(676) | \$ (48) (7)% |
| Effective tax rate | 28.2 % | 29.9 % | |

The provision for income taxes represents federal, state and local, and foreign income taxes on earnings from continuing operations before income taxes and equity in loss of investee companies. The Company's income tax provision for 2016 included a one-time benefit of \$47 million associated with a multiyear adjustment to a tax deduction, which was approved by the IRS during the third quarter of 2016, and a tax benefit of \$81 million related to the pension settlement charge of \$211 million. In 2015, the Company's income tax provision included a tax provision of \$8 million related to gains from the sales of internet businesses in China of \$139 million.

Equity in Loss of Investee Companies, Net of Tax

The following table presents equity in earnings (loss) of investee companies for the Company's domestic and international equity investments:

| Year Ended December 31, | 2016 | 2015 | Increase/(Decrease) | |
|--|--------|--------|---------------------|--------|
| | | | \$ | % |
| Domestic | \$(67) | \$(60) | \$ (7) (12)% | |
| International | (8) | 4 | (12) | n/m |
| Tax benefit | 25 | 22 | 3 | 14 |
| Equity in loss of investee companies, net of tax | \$(50) | \$(34) | \$ (16) | (47)% |

n/m - not meaningful

For 2016, equity in loss of investee companies, net of tax included \$10 million for the write-down of an international television joint venture to its fair value.

Net Earnings from Continuing Operations and Diluted EPS from Continuing Operations

| Year Ended December 31, | 2016 | 2015 | Increase/(Decrease) | |
|---|---------|---------|---------------------|-----|
| | | | \$ | % |
| Net earnings from continuing operations | \$1,552 | \$1,554 | \$ (2) | —% |
| Diluted EPS from continuing operations | \$3.46 | \$3.18 | \$.28 | 9 % |

Net earnings from continuing operations for 2016 was comparable with 2015, as the increase in revenues was offset by the 2016 pension settlement charge of \$211 million (\$130 million, net of tax), and 2015 gains on the sales of internet businesses in China of \$139 million (\$131 million, net of tax). The 9% increase in diluted EPS from continuing operations was driven by lower weighted average shares outstanding as a result of the Company's share repurchases during 2016, which totaled \$3.0 billion.

Management's Discussion and Analysis of
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(Tabular dollars in millions, except per share amounts)

Discontinued Operations

The following tables set forth details of net earnings (loss) from discontinued operations for the years ended December 31, 2016 and 2015.

| Year Ended December 31, 2016 | CBS Radio | Other | Total |
|--|--------------|---------|----------|
| Revenues from discontinued operations | \$1,220 | \$— | \$1,220 |
| Costs and expenses: | | | |
| Operating | 397 | — | 397 |
| Selling, general and administrative | 497 | — | 497 |
| Depreciation and amortization | 26 | — | 26 |
| Restructuring charges | 8 | — | 8 |
| Impairment charge | 444 | — | 444 |
| Total costs and expenses | 1,372 | — | 1,372 |
| Operating loss | (152) | — | (152) |
| Interest expense | (17) | — | (17) |
| Other income | 2 | — | 2 |
| Loss from discontinued operations | (167) | — | (167) |
| Income tax provision | (88) | (36) | (124) |
| Net loss from discontinued operations, net of tax | \$(255) | \$(36) | \$(291) |
| Year Ended December 31, 2015 | CBS Radio | Other | Total |
| Revenues from discontinued operations | \$1,223 | \$— | \$1,223 |
| Costs and expenses: | | | |
| Operating | 415 | — | 415 |
| Selling, general and administrative | 500 | (17) | 483 |
| Depreciation and amortization | 29 | — | 29 |
| Restructuring charges | 36 | — | 36 |
| Impairment charge | 484 | — | 484 |
| Total costs and expenses | 1,464 | (17) | 1,447 |
| Operating income (loss) | (241) | 17 | (224) |
| Other income | 1 | — | 1 |
| Earnings (loss) from discontinued operations | (240) | 17 | (223) |
| Income tax benefit (provision) | 89 | (7) | 82 |
| Net earnings (loss) from discontinued operations, net of tax | \$(151) | \$10 | \$(141) |

The results of CBS Radio for 2016 included a pretax noncash impairment charge of \$444 million (\$427 million, net of tax) to reduce the carrying value of CBS Radio's goodwill and FCC licenses in 11 markets to their fair value and for 2015, included a pretax noncash impairment charge of \$484 million (\$297 million, net of tax) to reduce the carrying value of radio FCC licenses in 18 markets to their fair value.

For 2016, net loss from discontinued operations also included a charge of \$36 million from the resolution of a tax matter in a foreign jurisdiction relating to a previously disposed business that was accounted for as a discontinued operation. For 2015, net loss from discontinued operations also included a decrease to the guarantee liability

associated with the 2013 disposition of the Company's outdoor advertising business in Europe ("Outdoor Europe") as a result of a reduction to the risk associated with the guarantee.

CBS Radio Indebtedness

In October 2016, in connection with the Company's previously announced plans to separate its radio business, CBS Radio borrowed \$1.46 billion through a \$1.06 billion senior secured term loan due 2023 ("Term Loan") and the

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issuance of \$400 million of 7.25% senior unsecured notes due 2024 through a private placement. During the fourth quarter of 2016, CBS Radio prepaid \$100 million of the Term Loan, leaving \$960 million outstanding at December 31, 2016. The Term Loan is part of a credit agreement which also includes a \$250 million senior secured revolving credit facility (the "Radio Revolving Credit Facility") which expires in 2021. At December 31, 2016, the total outstanding borrowing under the Radio Revolving Credit Facility was \$10 million. This debt is guaranteed by certain subsidiaries of CBS Radio. The Company does not guarantee, or otherwise provide credit support for, the senior notes, Term Loan, or Radio Revolving Credit Facility.

Net Earnings and Diluted EPS

| | | Increase/(Decrease) | |
|------------------------------|---------|---------------------|---------------|
| Year Ended December 31, 2016 | 2015 | \$ | % |
| Net earnings | \$1,261 | \$1,413 | \$(152) (11)% |
| Diluted EPS | \$2.81 | \$2.89 | \$(.08) (3)% |

Consolidated Results of Operations— 2015 vs. 2014

Revenues

| Revenues by Type | | % of Total Revenues | | Increase/(Decrease) | |
|------------------------------------|----------|---------------------|------|---------------------|--------------|
| Year Ended December 31, | 2015 | 2014 | 2014 | 2015 | % |
| Advertising | \$5,824 | \$5,934 | 46% | 47% | \$(110) (2)% |
| Content licensing and distribution | 3,903 | 3,990 | 31 | 32 | (87) (2) |
| Affiliate and subscription fees | 2,724 | 2,362 | 21 | 19 | 362 15 |
| Other | 220 | 233 | 2 | 2 | (13) (6) |
| Total Revenues | \$12,671 | \$12,519 | 100% | 100% | \$152 1% |

Advertising

For 2015, the 2% decrease in advertising revenues was principally driven by lower local advertising revenues, mainly from the benefit to 2014 from midterm elections. These declines were partially offset by growth in network advertising revenues, which increased 1% despite the broadcast of fewer sporting events on the CBS Television Network in 2015. The increase in network advertising reflects higher scatter pricing in the second half of the year, primarily as a result of increased demand. The increase is also driven by more inventory available to be sold at higher prices in the scatter market as a result of fewer units sold in the Upfront for the 2015/2016 season compared with the 2014/2015 season.

Content licensing and distribution

For 2015, the 2% decrease in content licensing and distribution revenues reflects lower domestic television licensing revenues, partially offset by higher international television licensing revenues. Significant contributors to domestic licensing revenues in 2015 included Elementary and NCIS, while 2014 included Blue Bloods, Hawaii Five-0, and Dexter.

Affiliate and subscription fees

For 2015, the 15% increase in affiliate and subscription fees reflects 43% growth in station affiliation fees and retransmission fees; higher cable affiliate fees from growth in rates; higher revenues from pay-per-view boxing events as 2015 included the Floyd Mayweather/Manny Pacquiao boxing event, which was the highest grossing pay-per-view event of all time; and revenues from new streaming subscription services.

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International Revenues

International revenues primarily consist of television licensing revenues. The Company generated approximately 16% and 14% of its total revenues from international regions in 2015 and 2014, respectively.

| Year Ended December 31, | 2015 | % of International | 2014 | % of International |
|------------------------------|---------|-----------------------|---------|-----------------------|
| United Kingdom | \$345 | 17 % | \$270 | 15 % |
| Other Europe | 691 | 35 | 657 | 37 |
| Canada | 286 | 14 | 241 | 13 |
| Asia | 236 | 12 | 262 | 15 |
| Other | 446 | 22 | 363 | 20 |
| Total International Revenues | \$2,004 | 100 % | \$1,793 | 100 % |

Operating Expenses

| Operating Expenses by Type | 2015 | % of Total Operating | 2014 | % of Total Operating | Increase/(Decrease) \$ | % |
|--|---------|----------------------------|---------|----------------------------|---------------------------|-------|
| Year Ended December 31, | | | | | | |
| Programming | \$2,892 | 37 % | \$2,918 | 38 % | \$ (26) | (1)% |
| Production | 2,604 | 33 | 2,287 | 30 | 317 | 14 |
| Participation, distribution and royalty | 1,109 | 14 | 1,185 | 15 | (76) | (6) |
| Other | 1,306 | 16 | 1,299 | 17 | 7 | 1 |
| Total Operating Expenses | \$7,911 | 100 % | \$7,689 | 100 % | \$ 222 | 3 % |

For 2015, the 1% decrease in programming expenses reflected lower costs for acquired television series as a result of a shift to a higher mix of internally developed television, partially offset by increased sports programming costs associated with higher revenues from NFL broadcasts and pay-per-view boxing events.

For 2015, the 14% increase in production expenses reflects an increased investment in internally developed television series as well as higher costs associated with the mix of titles sold under television licensing agreements in 2015 compared with 2014. The Company produced approximately 20% more hours of original scripted programming in 2015 compared with 2014.

For 2015, the 6% decrease in participation, distribution and royalty costs primarily reflects lower participations and residuals associated with the decrease in licensing revenues.

Selling, General and Administrative Expenses

| Year Ended December 31, | 2015 | % of Revenues | 2014 | % of Revenues | Increase/(Decrease) \$ | % |
|---|---------|------------------|---------|------------------|---------------------------|-------|
| Selling, general and administrative expenses | \$1,961 | 15 % | \$1,971 | 16 % | \$ (10) | (1)% |

Depreciation and Amortization

| Year Ended December 31, | 2015 | 2014 | Increase/(Decrease) \$ | % |
|-------------------------------|-------|-------|---------------------------|-------|
| Depreciation and amortization | \$235 | \$250 | \$ (15) | (6)% |

For 2015, the 6% decrease in depreciation and amortization was the result of intangibles and property and equipment that became fully amortized.

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Management's Discussion and Analysis of
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(Tabular dollars in millions, except per share amounts)

Restructuring Charges

During the year ended December 31, 2014, the Company recorded restructuring charges of \$19 million, reflecting \$11 million of severance costs and \$8 million of costs associated with exiting contractual obligations. The 2014 restructuring reserve was substantially utilized by December 31, 2015.

Interest Expense/Income

| Year Ended December 31, | 2015 | 2014 | Increase/(Decrease) | | |
|-------------------------|---------|---------|---------------------|----|---|
| | | | \$ | | % |
| Interest expense | \$(392) | \$(363) | \$ 29 | 8 | % |
| Interest income | \$24 | \$13 | \$ 11 | 85 | % |

The following table presents the Company's outstanding debt balances, excluding capital leases, and the weighted average interest rate as of December 31, 2015 and 2014:

| At December 31, | 2015 | Weighted | | 2014 | Weighted | |
|----------------------|---------|----------|----------|---------|----------|----------------------|
| | | Average | Interest | | Average | Interest |
| | | Rate | Rate | | | |
| Total long-term debt | \$8,365 | 4.68 % | | \$6,399 | 4.88 % | |
| Commercial paper | \$— | n/a | | \$616 | 0.46 % | |
| | | | | | | n/a - not applicable |

Net Loss on Early Extinguishment of Debt

For 2014, the loss on early extinguishment of debt of \$352 million reflected a pretax loss associated with the Company's redemption of \$1.07 billion of its long-term debt.

Other Items, Net

| Year Ended December 31, | 2015 | 2014 | Increase/(Decrease) | | |
|-----------------------------|--------|--------|---------------------|--------|---|
| | | | \$ | | % |
| Gain on sale of investments | \$— | \$4 | \$ (4) | (100) | % |
| Foreign exchange losses | (26) | (34) | 8 | 24 | |
| Other items, net | \$(26) | \$(30) | \$ 4 | 13 | % |

Provision for Income Taxes

| Year Ended December 31, | 2015 | 2014 | Increase/(Decrease) | | |
|-------------------------|---------|---------|---------------------|---|---|
| | | | \$ | | % |
| Tax provision | \$(676) | \$(659) | \$ 17 | 3 | % |
| Effective tax rate | 29.9 % | 35.5 % | | | |

The Company's income tax provision for 2015 included a tax provision of \$8 million related to gains from the sales of internet businesses in China of \$139 million. In 2014, the Company's income tax provision included a tax benefit of \$133 million associated with the loss on early extinguishment of debt of \$352 million.

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Equity in Loss of Investee Companies, Net of Tax

The following table presents equity in earnings (loss) of investee companies for the Company's domestic and international equity investments:

| Year Ended December 31, | 2015 | 2014 | Increase/(Decrease) | |
|--|--------|--------|---------------------|-------|
| | | | \$ | % |
| Domestic | \$(60) | \$(68) | \$ 8 | 12 % |
| International | 4 | (11) | 15 | 136 |
| Tax benefit | 22 | 31 | (9) | (29) |
| Equity in loss of investee companies, net of tax | \$(34) | \$(48) | \$ 14 | 29 % |

Net Earnings from Continuing Operations and Diluted EPS from Continuing Operations

| Year Ended December 31, | 2015 | 2014 | Increase/(Decrease) | |
|---|---------|---------|---------------------|------|
| | | | \$ | % |
| Net earnings from continuing operations | \$1,554 | \$1,151 | \$ 403 | 35 % |
| Diluted EPS from continuing operations | \$3.18 | \$2.05 | \$ 1.13 | 55 % |

For 2015, the 35% increase in net earnings from continuing operations and the 55% increase in diluted EPS from continuing operations was driven by a 2014 loss on early extinguishment of debt of \$352 million (\$219 million, net of tax) and 2015 gains from the sales of internet businesses in China of \$139 million (\$131 million, net of tax). The diluted EPS comparison also benefited from lower weighted average shares outstanding as a result of the Company's ongoing share repurchase program and the split-off of Outdoor Americas during 2014.

Discontinued Operations

The following table sets forth details of net earnings from discontinued operations for the year ended December 31, 2014:

| Year Ended December 31, 2014 | CBS Radio | Outdoor Americas | Other | Total |
|---|--------------|---------------------|-------|---------|
| Revenues from discontinued operations | \$1,295 | \$ 677 | \$— | \$1,972 |
| Costs and expenses: | | | | |
| Operating | 401 | 366 | — | 767 |
| Selling, general and administrative | 498 | 131 | (21) | 608 |
| Depreciation and amortization | 31 | 88 | — | 119 |
| Restructuring charges | 7 | — | — | 7 |
| Impairment charge | 52 | — | — | 52 |
| Total costs and expenses | 989 | 585 | (21) | 1,553 |
| Operating income | 306 | 92 | 21 | 419 |
| Interest expense | — | (34) | — | (34) |
| Earnings from discontinued operations | 306 | 58 | 21 | 385 |
| Income tax provision | (103) | (18) | (8) | (129) |
| Net earnings from discontinued operations, net of tax | 203 | 40 | 13 | 256 |
| Gain on disposal | — | 1,557 | — | 1,557 |
| Less: Net earnings from discontinued operations attributable to noncontrolling interest, net of tax | — | 5 | — | 5 |
| Net earnings from discontinued operations attributable to CBS Corp. | \$203 | \$ 1,592 | \$ 13 | \$1,808 |

During 2014, the Company completed the disposition of Outdoor Americas, which was previously a subsidiary of the Company and has been renamed OUTFRONT Media Inc. The disposition resulted in a gain of \$1.56 billion, which is included in net earnings from discontinued operations for 2014.

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Management's Discussion and Analysis of
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In December 2014, the Company completed a radio station swap with Beasley Broadcast Group, Inc. through which the Company exchanged 13 of its radio stations in Tampa and Charlotte as well as one radio station in Philadelphia, for two radio stations in Philadelphia and three radio stations in Miami. In connection with the radio station swap, the Company recorded a pretax noncash impairment charge of \$52 million to reduce the carrying value of the allocated goodwill.

Net Earnings and Diluted EPS

| Year Ended December 31, 2015 | 2014 | Increase/(Decrease) | |
|------------------------------|---------|---------------------|-----------------|
| | | \$ | % |
| Net earnings | \$1,413 | \$2,959 | \$(1,546) (52)% |
| Diluted EPS | \$2.89 | \$5.27 | \$(2.38) (45)% |

For 2014, included in net earnings is the gain of \$1.56 billion, or \$2.78 per diluted share, on the disposal of Outdoor Americas.

Segment Results of Operations - 2016 vs. 2015

In preparation for the planned separation of its radio business, the Company changed the manner in which it manages its television and radio operations during the third quarter of 2016. Accordingly, the Company began presenting Local Media, which was previously combined with CBS Radio in the Local Broadcasting segment, as a separate operating segment. In connection with the new segment presentation, the presentation of intercompany revenues was revised, including station affiliation fees paid by Local Media to the CBS Television Network. In addition, CBS Radio has been presented as a discontinued operation of the Company. Results for all periods presented have been reclassified to conform to this presentation.

The Company presents operating income (loss) excluding a pension settlement charge, restructuring and merger and acquisition-related costs, and other operating items, net, each where applicable, ("Segment Operating Income") as the primary measure of profit and loss for its operating segments ("segment profit measure") in accordance with FASB guidance for segment reporting. The Company believes the presentation of Segment Operating Income is relevant and useful for investors because it allows investors to view segment performance in a manner similar to the primary method used by the Company's management and enhances their ability to understand the Company's operating performance. The reconciliation of Segment Operating Income to the Company's consolidated Net earnings is presented in Note 17 (Reportable Segments) to the consolidated financial statements.

| Year Ended December 31, 2016 | % of | | % of | | Increase/(Decrease) | |
|------------------------------|----------|-------|----------|-------|---------------------|-----|
| | Total | 2015 | Total | 2015 | \$ | % |
| Entertainment | \$8,877 | 67 % | \$8,438 | 67 % | \$ 439 | 5 % |
| Cable Networks | 2,160 | 16 | 2,242 | 18 | (82) | (4) |
| Publishing | 767 | 6 | 780 | 6 | (13) | (2) |
| Local Media | 1,779 | 14 | 1,592 | 12 | 187 | 12 |
| Corporate/Eliminations | (417) | (3) | (381) | (3) | (36) | (9) |
| Total Revenues | \$13,166 | 100 % | \$12,671 | 100 % | \$ 495 | 4 % |

Management's Discussion and Analysis of
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| Year Ended December 31, Segment Operating Income (Loss): | 2016 | % of Total Segment Operating Income | | 2015 | % of Total Segment Operating Income | | Increase/(Decrease) | | |
|---|---------|---|---|---------|---|---|---------------------|-------|---|
| | | | | | | | \$ | % | |
| Entertainment | \$1,519 | 53 | % | \$1,294 | 51 | % | \$ 225 | 17 | % |
| Cable Networks | 959 | 33 | | 945 | 37 | | 14 | 1 | |
| Publishing | 119 | 4 | | 114 | 4 | | 5 | 4 | |
| Local Media | 618 | 22 | | 487 | 19 | | 131 | 27 | |
| Corporate | (354) | (12) | | (276) | (11) | | (78) | (28) | |
| Total Segment Operating Income | 2,861 | 100 | % | 2,564 | 100 | % | 297 | 12 | |
| Pension settlement charge | (211) | | | — | | | (211) | n/m | |
| Restructuring and merger and acquisition-related costs | (38) | | | (45) | | | 7 | 16 | |
| Other operating items, net | 9 | | | 139 | | | (130) | (94) | |
| Total Operating Income | \$2,621 | | | \$2,658 | | | \$ (37) | (1) | % |
| n/m - not meaningful | | | | | | | | | |

| Year Ended December 31, Depreciation and Amortization: | 2016 | 2015 | Increase/(Decrease) | |
|---|-------|-------|---------------------|-------|
| | | | \$ | % |
| Entertainment | \$117 | \$126 | \$ (9) | (7)% |
| Cable Networks | 23 | 23 | — | — |
| Publishing | 6 | 6 | — | — |
| Local Media | 44 | 48 | (4) | (8) |
| Corporate | 35 | 32 | 3 | 9 |
| Total Depreciation and Amortization | \$225 | \$235 | \$ (10) | (4)% |

Entertainment (CBS Television Network, CBS Television Studios, CBS Studios International, CBS Television Distribution, CBS Interactive and CBS Films)

| Year Ended December 31, Revenues | 2016 | 2015 | Increase/(Decrease) | | |
|---|---------|---------|---------------------|-------|-----|
| | | | \$ | % | |
| Revenues | \$8,877 | \$8,438 | \$ 439 | 5 | % |
| Segment Operating Income | \$1,519 | \$1,294 | \$ 225 | 17 | % |
| Segment Operating Income as a % of revenues | 17 | % | 15 | % | n/m |
| Restructuring charges | \$16 | \$26 | \$ (10) | (38) | % |
| Depreciation and amortization | \$117 | \$126 | \$ (9) | (7) | % |
| Capital expenditures | \$98 | \$99 | \$ (1) | (1) | % |
| n/m - not meaningful | | | | | |

2016 vs. 2015

For 2016, the 5% increase in revenues was primarily driven by 10% growth in network advertising revenues, mainly from the broadcast of Super Bowl 50 on CBS in 2016 and 3% growth in underlying network advertising revenues. Affiliate and subscription fees grew 45% as a result of higher station affiliation fees and subscription growth for CBS All Access. These increases were partially offset by 7% lower content licensing and distribution revenues compared to

2015, which included significant licensing sales of NCIS, Elementary and CSI, while 2016 benefited from the international licensing of five Star Trek series. The revenue comparison was also impacted by the sales of internet businesses in China.

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Management's Discussion and Analysis of
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The increase in operating income of 17% primarily reflects the increase in revenues. For 2016 and 2015, restructuring charges primarily reflected severance costs and costs associated with exiting contractual obligations and other related costs.

In 2017, the revenue comparison will be negatively affected by the benefit to 2016 from the broadcast of the Super Bowl, which will also air on the CBS Television Network in 2019 and 2022 under the current contract. Revenues in 2017 will benefit from the CBS Television Network's broadcast of the National Semifinals and National Championship games of the NCAA Tournament, which are broadcast on the CBS Television Network every other year through 2032 under the current agreements with the NCAA and Turner. In addition, results in 2017 are expected to benefit from continued growth in affiliate and subscription fee revenues, driven by the renewal of several of the Company's agreements with its television station affiliates and annual contractual increases on multiyear agreements with television station affiliates. Revenue comparisons will also be impacted by fluctuations resulting from the timing of availability of television series for multiyear licensing agreements. Television license fee revenues are recognized at the beginning of the license period in which programs are made available to the licensee for exhibition.

Cable Networks (Showtime Networks, CBS Sports Network and Smithsonian Networks)

| Year Ended December 31, | 2016 | 2015 | Increase/(Decrease) | |
|---|---------|---------|---------------------|-------|
| | | | \$ | % |
| Revenues | \$2,160 | \$2,242 | \$ (82) | (4)% |
| Segment Operating Income | \$959 | \$945 | \$ 14 | 1 % |
| Segment Operating Income as a % of revenues | 44 | % 42 | % n/m | n/m |
| Restructuring charges | \$4 | \$— | \$ 4 | n/m |
| Depreciation and amortization | \$23 | \$23 | \$ — | — % |
| Capital expenditures | \$19 | \$18 | \$ 1 | 6 % |

n/m - not meaningful

2016 vs. 2015

For 2016, the 4% decrease in revenues was a result of the benefit in 2015 from Showtime Networks' distribution of the Floyd Mayweather/Manny Pacquiao boxing event, which was the highest grossing pay-per-view event of all time. The decrease in pay-per-view revenues negatively impacted the revenue comparison by seven percentage points. In addition, content licensing and distribution revenues decreased 8% from 2015, reflecting the timing of multiyear agreements for the international licensing of Showtime original series, partially offset by the domestic licensing sale of Penny Dreadful in 2016. Higher revenues from the Showtime digital streaming subscription offering partially offset these declines. As of December 31, 2016, subscriptions totaled approximately 76 million for Showtime Networks (including Showtime, The Movie Channel and Flix), 55 million for CBS Sports Network and 32 million for Smithsonian Networks.

Operating income increased 1% driven by contributions from the Showtime digital streaming subscription offering, partially offset by lower television licensing revenues. Restructuring charges in 2016 primarily reflected severance costs.

Revenue comparisons in 2017 may be impacted by fluctuations resulting from the timing of availability of television series for multiyear licensing agreements. Television license fee revenues are recognized at the beginning of the license period in which programs are made available to the licensee for exhibition.

Management's Discussion and Analysis of
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(Tabular dollars in millions, except per share amounts)

Publishing (Simon & Schuster)

| Year Ended December 31, | 2016 | 2015 | Increase/(Decrease) | | |
|---|-------|-------|---------------------|-------|---|
| | | | \$ | % | |
| Revenues | \$767 | \$780 | \$ (13) | (2) | % |
| Segment Operating Income | \$119 | \$114 | \$ 5 | 4 | % |
| Segment Operating Income as a % of revenues | 16 % | 15 % | n/m | n/m | |
| Restructuring charges | \$1 | \$— | \$ 1 | n/m | |
| Depreciation and amortization | \$6 | \$6 | \$ — | — | % |
| Capital expenditures | \$9 | \$10 | \$ (1) | (10) | % |

n/m - not meaningful
2016 vs. 2015

For 2016, the 2% decrease in revenues reflects lower digital book sales, partially offset by growth in digital audio sales. Digital sales represented 23% of Publishing's total revenues for 2016. Best-selling titles for 2016 included Born to Run by Bruce Springsteen, End of Watch by Stephen King and A Man Called Ove by Fredrik Backman.

The 4% increase in operating income mainly resulted from lower production, inventory and selling costs. For 2016, restructuring charges primarily reflected severance costs.

Local Media (CBS Television Stations and CBS Local Digital Media)

| Year Ended December 31, | 2016 | 2015 | Increase/(Decrease) | | |
|---|---------|---------|---------------------|-------|---|
| | | | \$ | % | |
| Revenues | \$1,779 | \$1,592 | \$ 187 | 12 | % |
| Segment Operating Income | \$618 | \$487 | \$ 131 | 27 | % |
| Segment Operating Income as a % of revenues | 35 % | 31 % | n/m | n/m | |
| Restructuring charges | \$6 | \$19 | \$ (13) | (68) | % |
| Depreciation and amortization | \$44 | \$48 | \$ (4) | (8) | % |
| Capital expenditures | \$37 | \$28 | \$ 9 | 32 | % |

n/m - not meaningful
2016 vs. 2015

For 2016, the 12% increase in revenues was led by higher political advertising sales in 2016 as a result of U.S. federal and state elections, 14% growth in retransmission and subscription revenues, and the broadcast of Super Bowl 50 on CBS during the first quarter of 2016.

The increase in operating income of 27% primarily reflects the revenue growth. For 2016 and 2015, restructuring charges reflected severance costs and costs associated with exiting contractual obligations and other related costs.

In 2017, the revenue comparison will be negatively affected by the benefit in 2016 from strong political advertising associated with U.S. federal and state elections and the broadcast of the Super Bowl, which will also air on the CBS Television Network in 2019 and 2022 under the current contract. Results in 2017 are expected to benefit from continued growth in retransmission revenues, driven by the renewal of several of the Company's agreements with MVPDs and annual contractual increases on multiyear agreements with MVPDs.

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(Tabular dollars in millions, except per share amounts)

Corporate

| Year Ended December 31, | 2016 | 2015 | Increase/(Decrease) | |
|-------------------------------------|---------|---------|---------------------|--------|
| | | | \$ | % |
| Segment Operating Loss | \$(354) | \$(276) | \$ (78) | (28)% |
| Restructuring charges | \$3 | \$— | \$ 3 | n/m |
| Depreciation and amortization | \$35 | \$32 | \$ 3 | 9 % |
| Capital expenditures ^(a) | \$33 | \$16 | \$ 17 | 106 % |

n/m - not meaningful

(a) Primarily reflects the timing of capital projects.

2016 vs. 2015

Corporate expenses include general corporate overhead, unallocated shared company expenses, pension and postretirement benefit costs for plans retained by the Company for previously divested businesses, and intercompany eliminations. The 28% increase in corporate expenses primarily reflects higher incentive compensation, pension costs and expenses associated with an increase in the Company's stock price. Restructuring charges in 2016 primarily reflected severance costs.

Segment Results of Operations - 2015 vs. 2014

| Year Ended December 31, 2015 | % of Total | | % of Total | | Increase/(Decrease) | |
|------------------------------|------------|-------|------------|-------|---------------------|------|
| | Revenues | 2014 | Revenues | 2014 | \$ | % |
| Entertainment | \$8,438 | 67 % | \$8,309 | 66 % | \$ 129 | 2 % |
| Cable Networks | 2,242 | 18 | 2,176 | 17 | 66 | 3 |
| Publishing | 780 | 6 | 778 | 6 | 2 | — |
| Local Media | 1,592 | 12 | 1,624 | 13 | (32) | (2) |
| Corporate/Eliminations | (381) | (3) | (368) | (2) | (13) | (4) |
| Total Revenues | \$12,671 | 100 % | \$12,519 | 100 % | \$ 152 | 1 % |

| Year Ended December 31, | 2015 | % of Total | | % of Total | | Increase/(Decrease) | |
|----------------------------------|---------|--------------------------|---------|--------------------------|----------|---------------------|---|
| | | Segment Operating Income | 2014 | Segment Operating Income | 2014 | \$ | % |
| Segment Operating Income (Loss): | | | | | | | |
| Entertainment | \$1,294 | 51 % | \$1,316 | 50 % | \$ (22) | (2)% | |
| Cable Networks | 945 | 37 | 974 | 37 | (29) | (3) | |
| Publishing | 114 | 4 | 101 | 4 | 13 | 13 | |
| Local Media | 487 | 19 | 515 | 20 | (28) | (5) | |
| Corporate | (276) | (11) | (297) | (11) | 21 | 7 | |
| Total Segment Operating Income | 2,564 | 100 % | 2,609 | 100 % | (45) | (2) | |
| Restructuring charges | (45) | | (19) | | (26) | (137) | |
| Other operating items, net | 139 | | — | | 139 | n/m | |
| Total Operating Income | \$2,658 | | \$2,590 | | \$ 68 | 3 % | |

n/m - not meaningful

Management's Discussion and Analysis of
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| Year Ended December 31, | 2015 | 2014 | Increase/(Decrease) | |
|-------------------------------------|-------|-------|---------------------|-------|
| | | | \$ | % |
| Depreciation and Amortization: | | | | |
| Entertainment | \$126 | \$139 | \$ (13) | (9)% |
| Cable Networks | 23 | 23 | — | — |
| Publishing | 6 | 6 | — | — |
| Local Media | 48 | 54 | (6) | (11) |
| Corporate | 32 | 28 | 4 | 14 |
| Total Depreciation and Amortization | \$235 | \$250 | \$ (15) | (6)% |

Entertainment (CBS Television Network, CBS Television Studios, CBS Studios International, CBS Television Distribution, CBS Interactive and CBS Films)

| Year Ended December 31, | 2015 | 2014 | Increase/(Decrease) | | |
|---|---------|---------|---------------------|-----|-----|
| | | | \$ | % | |
| Revenues | \$8,438 | \$8,309 | \$ 129 | 2 | % |
| Segment Operating Income | \$1,294 | \$1,316 | \$ (22) | (2) | % |
| Segment Operating Income as a % of revenues | 15 | % 16 | % | n/m | n/m |
| Restructuring charges | \$26 | \$8 | \$ 18 | n/m | |
| Depreciation and amortization | \$126 | \$139 | \$ (13) | (9) | % |
| Capital expenditures | \$99 | \$94 | \$ 5 | 5 | % |

n/m - not meaningful

2015 vs. 2014

For 2015, the 2% increase in revenues was primarily driven by 47% growth in affiliate and subscription fees. Network advertising revenues increased 1%, despite the broadcast of fewer sporting events on the CBS Television Network in 2015, reflecting higher scatter pricing in the second half of the year, primarily as a result of increased demand. The increase is also driven by more inventory available to be sold at higher prices in the scatter market as a result of fewer units sold in the Upfront for the 2015/2016 broadcast season, compared with the 2014/2015 season. Overall advertising revenues for the Entertainment segment remained flat as the increase in network advertising revenues was offset by the impact from the sale of an internet business in China during the first quarter of 2015. Content licensing and distribution revenues decreased 3% reflecting lower domestic television licensing revenues, which were partially offset by higher international television licensing revenues. Significant contributors to domestic television licensing revenues in 2015 included Elementary and NCIS, while 2014 included Blue Bloods, Hawaii Five-0 and Criminal Minds.

The decrease in operating income of 2% was primarily driven by increased investment in programming and digital distribution initiatives. For 2015 and 2014, restructuring charges primarily reflected severance costs and costs associated with exiting operating facilities.

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(Tabular dollars in millions, except per share amounts)

Cable Networks (Showtime Networks, CBS Sports Network and Smithsonian Networks)

| Year Ended December 31, | 2015 | 2014 | Increase/(Decrease) | | |
|---|---------|---------|---------------------|------|---|
| | | | \$ | % | |
| Revenues | \$2,242 | \$2,176 | \$ 66 | 3 | % |
| Segment Operating Income | \$945 | \$974 | \$ (29) | (3) | % |
| Segment Operating Income as a % of revenues | 42 % | 45 % | n/m | n/m | |
| Depreciation and amortization | \$23 | \$23 | \$ — | — | % |
| Capital expenditures | \$18 | \$16 | \$ 2 | 13 | % |

n/m - not meaningful

2015 vs. 2014

For 2015, the 3% increase in revenues was primarily driven by higher revenues from new long-term agreements for the international licensing of Showtime original series; pay-per-view boxing events; and affiliates, as well as revenues from new digital distribution initiatives. These increases were offset by lower domestic licensing revenues as 2014 benefited from significant domestic streaming sales of Dexter. As of December 31, 2015, subscriptions totaled approximately 77 million for Showtime Networks (including Showtime, The Movie Channel and Flix), 55 million for CBS Sports Network and 33 million for Smithsonian Networks.

Operating income decreased 3% as the revenue growth was more than offset by higher costs associated with the increased pay-per-view boxing revenues and the mix of titles sold under television licensing arrangements.

During 2015, the Company launched its digital streaming subscription offering of Showtime that is available on showtime.com and through the Showtime app on multiple platforms. Subscribers to this offering have on-demand access to Showtime original series, theatrical feature films, documentaries and sports-related programming, as well as the live east and west coast linear feeds of Showtime.

Publishing (Simon & Schuster)

| Year Ended December 31, | 2015 | 2014 | Increase/(Decrease) | | |
|---|-------|-------|---------------------|-----|---|
| | | | \$ | % | |
| Revenues | \$780 | \$778 | \$ 2 | — | % |
| Segment Operating Income | \$114 | \$101 | \$ 13 | 13 | % |
| Segment Operating Income as a % of revenues | 15 % | 13 % | n/m | n/m | |
| Restructuring charges | \$— | \$1 | \$ (1) | n/m | |
| Depreciation and amortization | \$6 | \$6 | \$ — | — | % |
| Capital expenditures | \$10 | \$4 | \$ 6 | 150 | % |

n/m - not meaningful

2015 vs. 2014

For 2015, revenues increased slightly from 2014 with digital book sales representing 25% of Publishing's total revenues. Best-selling titles for 2015 included the Pulitzer Prize-winning 2014 release *All the Light We Cannot See* by Anthony Doerr, *The Wright Brothers* by David McCullough and *Finders Keepers* by Stephen King.

The increase in operating income of 13% primarily reflected a favorable product mix, including strong backlist and digital audio sales, and lower production and distribution costs.

Management's Discussion and Analysis of
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(Tabular dollars in millions, except per share amounts)

Local Media (CBS Television Stations and CBS Local Digital Media)

| | | | Increase/(Decrease) | |
|---|---------|---------|---------------------|--------|
| Year Ended December 31, | 2015 | 2014 | \$ | % |
| Revenues | \$1,592 | \$1,624 | \$ (32) | (2)% |
| Segment Operating Income | \$487 | \$515 | \$ (28) | (5)% |
| Segment Operating Income as a % of revenues | 31 % | 32 % | n/m | n/m |
| Restructuring charges | \$19 | \$5 | \$ 14 | n/m |
| Depreciation and amortization | \$48 | \$54 | \$ (6) | (11)% |
| Capital expenditures | \$28 | \$37 | \$ (9) | (24)% |

n/m - not meaningful

2015 vs. 2014

For 2015, the 2% decrease in revenues primarily reflected lower political advertising revenues as 2014 benefited from midterm elections. This decrease was partially offset by growth of 21% in retransmission and subscription revenues.

The 5% decrease in operating income was driven by the revenue decline, partially offset by lower programming and employee-related costs as a result of cost-cutting measures. Restructuring charges in 2015 and 2014 principally reflected severance costs.

Corporate

| | | | Increase/(Decrease) | |
|-------------------------------|---------|---------|---------------------|--------|
| Year Ended December 31, | 2015 | 2014 | \$ | % |
| Segment Operating Loss | \$(276) | \$(297) | \$ 21 | 7 % |
| Restructuring charges | \$— | \$5 | \$ (5) | n/m |
| Depreciation and amortization | \$32 | \$28 | \$ 4 | 14 % |
| Capital expenditures | \$16 | \$27 | \$ (11) | (41)% |

n/m - not meaningful

2015 vs. 2014

Corporate expenses include general corporate overhead, unallocated shared company expenses, pension and postretirement benefit costs for plans retained by the Company for previously divested businesses, and intercompany eliminations. The decrease in corporate expenses of 7% primarily reflected lower employee-related costs and lower pension and postretirement benefit costs.

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Financial Position

| At December 31, | 2016 | 2015 | Increase/(Decrease) | | |
|--|---------|---------|---------------------|-------|---|
| | | | \$ | | % |
| Current assets: | | | | | |
| Cash and cash equivalents | \$598 | \$317 | \$ 281 | 89 | % |
| Receivables, net ^(a) | 3,314 | 3,375 | (61) | (2) | |
| Programming and other inventory ^(b) | 1,427 | 1,270 | 157 | 12 | |
| Prepaid income taxes ^(c) | 30 | 101 | (71) | (70) | |
| Current assets of discontinued operations | 305 | 323 | (18) | (6) | |
| All other current assets, net | 389 | 361 | 28 | 8 | |
| Total current assets | \$6,063 | \$5,747 | \$ 316 | 5 | % |

(a) The allowance for doubtful accounts as a percentage of receivables was 1.8% at December 31, 2016 compared with 1.7% at December 31, 2015.

(b) The increase mainly reflects the timing of payments for sports programming.

(c) The decrease is primarily due to the timing of income tax payments.

| At December 31, | 2016 | 2015 | Increase/(Decrease) | | |
|--|---------|---------|---------------------|----|---|
| | | | \$ | | % |
| Programming and other inventory ^(a) | \$2,439 | \$1,957 | \$ 482 | 25 | % |

(a) The increase is primarily due to increased investment in programming.

| At December 31, | 2016 | 2015 | Increase/(Decrease) | | |
|-----------------------------|---------|---------|---------------------|---|---|
| | | | \$ | | % |
| Other assets ^(a) | \$2,707 | \$2,633 | \$ 74 | 3 | % |

(a) Included in other assets are receivables associated with long-term television licensing arrangements. As of December 31, 2016, total outstanding receivables from licensing arrangements, including both current and noncurrent, were \$3.82 billion versus \$3.83 billion at December 31, 2015. At December 31, 2016, the total amount due from these receivables was \$1.63 billion in 2017, \$1.03 billion in 2018, \$595 million in 2019, \$349 million in 2020, and \$216 million in 2021 and thereafter.

| At December 31, | 2016 | 2015 | Increase/(Decrease) | | |
|--|---------|---------|---------------------|-------|---|
| | | | \$ | | % |
| Assets of discontinued operations ^(a) | \$4,291 | \$4,747 | \$ (456) | (10) | % |

(a) The decrease primarily reflects an impairment charge of \$444 million (\$427 million, net of tax) to reduce the carrying value of CBS Radio's goodwill and FCC licenses to their fair value. (See Note 4 to the consolidated financial statements).

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| At December 31, | 2016 | 2015 | Increase/(Decrease) | |
|--|----------|----------|---------------------|-------|
| | | | \$ | % |
| Current liabilities: | | | | |
| Accounts payable | \$ 148 | \$ 159 | \$ (11) | (7)% |
| Accrued compensation ^(a) | 369 | 306 | 63 | 21 |
| Program rights ^(b) | 290 | 372 | (82) | (22) |
| Deferred revenues ^(c) | 152 | 294 | (142) | (48) |
| Commercial paper | 450 | — | 450 | n/m |
| Current portion of long-term debt ^(d) | 23 | 222 | (199) | (90) |
| Current liabilities of discontinued operations | 155 | 143 | 12 | 8 |
| All other current liabilities, net | 2,121 | 2,064 | 57 | 3 |
| Current liabilities | \$ 3,708 | \$ 3,560 | \$ 148 | 4 % |

n/m - not meaningful

(a) The increase is due to higher employee-related costs and the timing of payments.

(b) The decrease primarily reflects the timing of payments for sports programming.

(c) The decrease primarily reflects the timing of advertising revenues.

(d) The decrease is the result of the repayment of \$200 million of outstanding senior debentures upon maturity in January 2016.

| At December 31, | 2016 | 2015 | Increase/(Decrease) | |
|-------------------------------|----------|----------|---------------------|-----|
| | | | \$ | % |
| Long-term debt ^(a) | \$ 8,902 | \$ 8,226 | \$ 676 | 8 % |

(a) The increase is primarily the result of the Company's issuance of \$700 million of senior notes in July 2016. (See Note 9 to the consolidated financial statements).

| At December 31, | 2016 | 2015 | Increase/(Decrease) | |
|---|----------|----------|---------------------|------|
| | | | \$ | % |
| Pension and postretirement benefit obligations ^(a) | \$ 1,769 | \$ 1,575 | \$ 194 | 12 % |

(a) The increase was driven by changes in actuarial assumptions, primarily a decrease in the discount rate.

| At December 31, | 2016 | 2015 | Increase/(Decrease) | |
|---|----------|----------|---------------------|-------|
| | | | \$ | % |
| Liabilities of discontinued operations ^(a) | \$ 2,451 | \$ 1,139 | \$ 1,312 | 115 % |

(a) The increase is primarily the result of the incurrence of CBS Radio indebtedness. (See Note 4 to the consolidated financial statements).

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Cash Flows

The changes in cash and cash equivalents were as follows:

| Year Ended December 31, | 2016 | 2015 | Increase/ (Decrease) 2016 vs. 2015 | 2014 | Increase/ (Decrease) 2015 vs. 2014 |
|--|----------|----------|---|--------|---|
| Cash provided by operating activities from: | | | | | |
| Continuing operations | \$1,454 | \$1,189 | \$ 265 | \$916 | \$ 273 |
| Discontinued operations | 231 | 205 | 26 | 359 | (154) |
| Cash provided by operating activities | 1,685 | 1,394 | 291 | 1,275 | 119 |
| Cash (used for) provided by investing activities from: | | | | | |
| Continuing operations | (334) | 179 | (513) | (266) | 445 |
| Discontinued operations | (6) | (25) | 19 | (335) | 310 |
| Cash (used for) provided by investing activities | (340) | 154 | (494) | (601) | 755 |
| Cash used for financing activities | (1,046) | (1,653) | 607 | (643) | (1,010) |
| Net increase (decrease) in cash and cash equivalents | \$299 | \$(105) | \$ 404 | \$31 | \$(136) |

Operating Activities. In 2016, the increase in cash provided by operating activities from continuing operations was primarily driven by growth in affiliate and subscription fees and higher advertising revenues, including from the broadcast of Super Bowl 50, partially offset by increased investment in programming and higher payments for income taxes.

In 2015, the increase in cash provided by operating activities from continuing operations resulted from early-redemption premiums paid in 2014 in connection with the Company's debt refinancing, with no comparable amount in 2015, and lower payments for income taxes, mainly resulting from federal tax refunds received in 2015. These increases were partially offset by increased investment in programming.

Cash provided by operating activities from discontinued operations primarily reflected the operating activities of CBS Radio. For 2016 and 2015, operating activities from discontinued operations also included payments for tax matters in foreign jurisdictions related to previously disposed businesses that are accounted for as discontinued operations. For 2014, cash provided by operating activities from discontinued operations also reflected cash flows relating to Outdoor Americas and Outdoor Europe.

Cash paid for income taxes for the years ended December 31, 2016, 2015 and 2014 was as follows:

| Year Ended December 31, | 2016 | 2015 | 2014 |
|--|-------|-------|-------|
| Cash taxes included in operating activities from continuing operations | \$390 | \$287 | \$365 |
| Less: Excess tax benefits from the exercise of stock options and vesting of restricted stock units, included in financing activities | 17 | 88 | 243 |
| Cash paid for income taxes from continuing operations | \$373 | \$199 | \$122 |

The increase in cash paid for income taxes for 2016 was driven by higher taxable income and a higher tax benefit in 2015 from the exercise of stock options and the vesting of restricted stock units. Cash taxes from continuing operations benefited from federal income tax refunds of \$90 million in 2016, \$169 million in 2015 and \$25 million in 2014. Cash taxes for 2016 also included a one-time benefit of \$47 million associated with a multiyear adjustment to a tax deduction, which was approved by the IRS during the third quarter of 2016.

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Investing Activities

| Year Ended December 31, | 2016 | 2015 | 2014 |
|---|---------|---------|---------|
| Capital expenditures ^(a) | \$(196) | \$(171) | \$(178) |
| Acquisitions ^(b) | (92) | (12) | (2) |
| Investments in and advances to investee companies ^(c) | (81) | (98) | (98) |
| Proceeds from dispositions ^(d) | 20 | 383 | 4 |
| All other investing activities from continuing operations, net | 15 | 77 | 8 |
| Cash flow (used for) provided by investing activities from continuing operations | (334) | 179 | (266) |
| Cash flow used for investing activities from discontinued operations ^(e) | (6) | (25) | (335) |
| Cash flow (used for) provided by investing activities | \$(340) | \$154 | \$(601) |

(a) The increase for 2016 primarily reflects the timing of capital projects. Capital expenditures for 2017 are anticipated to be at a similar level as 2016.

(b) 2016 primarily reflects the acquisitions of a sports-focused digital media business and a publishing business.

(c) Mainly includes the Company's investment in The CW as well as its other domestic and international television joint ventures.

(d) Primarily reflects sales of internet businesses in China.

(e) 2014 principally reflects the disposition of Outdoor Americas' cash.

Financing Activities

| Year Ended December 31, | 2016 | 2015 | 2014 |
|---|-----------|-----------|-----------|
| Repurchase of CBS Corp. Class B Common Stock | \$(2,997) | \$(2,813) | \$(3,595) |
| Proceeds from (repayments of) short-term debt borrowings, net | 450 | (616) | 141 |
| Proceeds from issuance of senior notes | 684 | 1,959 | 1,728 |
| Repayment of notes and debentures | (199) | — | (1,152) |
| Proceeds from debt borrowings of CBS Radio (2016) and Outdoor Americas (2014) | 1,452 | — | 1,569 |
| Repayment of debt borrowings of CBS Radio | (110) | — | — |
| Proceeds from IPO of Outdoor Americas | — | — | 613 |
| Dividends | (288) | (300) | (292) |
| Proceeds from exercise of stock options | 21 | 142 | 283 |
| All other financing activities, net | (59) | (25) | 62 |
| Cash flow used for financing activities | \$(1,046) | \$(1,653) | \$(643) |

Free Cash Flow

Free cash flow is a non-GAAP financial measure. Free cash flow reflects the Company's net cash flow provided by (used for) operating activities before operating cash flow from discontinued operations and including capital expenditures. The Company's calculation of free cash flow includes capital expenditures because investment in capital expenditures is a use of cash that is directly related to the Company's operations. The Company's net cash flow provided by (used for) operating activities is the most directly comparable GAAP financial measure.

Management believes free cash flow provides investors with an important perspective on the cash available to the Company to service debt, make strategic acquisitions and investments, maintain its capital assets, satisfy its tax

obligations, and fund ongoing operations and working capital needs. As a result, free cash flow is a significant measure of the Company's ability to generate long-term value. It is useful for investors to know whether this ability is being enhanced or degraded as a result of the Company's operating performance. The Company believes the presentation

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of free cash flow is relevant and useful for investors because it allows investors to evaluate the cash generated from the Company's underlying operations in a manner similar to the method used by management. Free cash flow is one of several components of incentive compensation targets for certain management personnel. In addition, free cash flow is a primary measure used externally by the Company's investors, analysts and industry peers for purposes of valuation and comparison of the Company's operating performance to other companies in its industry.

As free cash flow is not a measure calculated in accordance with GAAP, free cash flow should not be considered in isolation of, or as a substitute for, either net cash flow provided by (used for) operating activities as a measure of liquidity or net earnings as a measure of operating performance. Free cash flow, as the Company calculates it, may not be comparable to similarly titled measures employed by other companies. In addition, free cash flow as a measure of liquidity has certain limitations, does not necessarily represent funds available for discretionary use and is not necessarily a measure of the Company's ability to fund its cash needs. When comparing free cash flow to net cash flow provided by (used for) operating activities, the most directly comparable GAAP financial measure, users of this financial information should consider the types of events and transactions that are not reflected in free cash flow.

The following table presents a reconciliation of the Company's net cash flow provided by operating activities to free cash flow.

| Year Ended December 31, | 2016 | 2015 | 2014 |
|--|---------|---------|---------|
| Net cash flow provided by operating activities | \$1,685 | \$1,394 | \$1,275 |
| Capital expenditures | (196) | (171) | (178) |
| Exclude operating cash flow from discontinued operations | 231 | 205 | 359 |
| Free cash flow | \$1,258 | \$1,018 | \$738 |

Dividends

On July 28, 2016, the Company announced that its Board of Directors approved a 20% increase to the quarterly cash dividend on its Class A and Class B Common Stock to \$.18 from \$.15 per share.

For the years ended December 31, 2016, 2015 and 2014, the Company declared total per share dividends of \$.66, \$.60, and \$.54, respectively, which resulted in total annual dividends of \$294 million, \$293 million and \$296 million, respectively.

On January 26, 2017, the Company announced a quarterly cash dividend of \$.18 per share on its Class A and Class B Common Stock, payable on April 1, 2017.

Share Repurchase Program

On July 28, 2016, the Company announced that its Board of Directors approved an increase to the Company's share repurchase program to a total availability of \$6.0 billion. During 2016, the Company repurchased 54.3 million shares of CBS Corp. Class B Common Stock for \$3.0 billion.

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Capital Structure

| | | |
|--|---------|---------|
| At December 31, | 2016 | 2015 |
| Commercial paper | \$450 | \$— |
| Senior debt (1.95%-7.875% due 2016-2045) | 8,850 | 8,365 |
| Obligations under capital leases | 75 | 83 |
| Total debt ^(a) | 9,375 | 8,448 |
| Less commercial paper | 450 | — |
| Less current portion of long-term debt | 23 | 222 |
| Total long-term debt, net of current portion | \$8,902 | \$8,226 |

At December 31, 2016 and 2015, the senior debt balances included (i) a net unamortized discount of \$52 million and \$45 million, respectively, (ii) unamortized deferred financing costs of \$43 million and \$44 million, (a) respectively, and (iii) an increase in the carrying value of the debt relating to previously settled fair value hedges of \$5 million and \$14 million, respectively. The face value of the Company's total debt was \$9.47 billion at December 31, 2016 and \$8.52 billion at December 31, 2015.

Long-term debt of \$1.35 billion at December 31, 2016 is included in discontinued operations on the Consolidated Balance Sheets. (See Note 4 to the consolidated financial statements).

During July 2016, the Company issued \$700 million of 2.90% senior notes due 2027.

During January 2016, the Company repaid its \$200 million of outstanding 7.625% senior debentures upon maturity.

For the year ended December 31, 2015, debt issuances were as follows:

January 2015, \$600 million 3.50% senior notes due 2025

January 2015, \$600 million 4.60% senior notes due 2045

July 2015, \$800 million 4.00% senior notes due 2026

The Company used the net proceeds from the 2016 and 2015 issuances for general corporate purposes, including the repurchase of CBS Corp. Class B Common Stock and repayment of short-term borrowings, including commercial paper.

At December 31, 2016, the Company classified \$399 million of debt maturing in July 2017 as long-term debt on the Consolidated Balance Sheet, reflecting its intent and ability to refinance this debt on a long-term basis.

At December 31, 2016, the Company's scheduled maturities of long-term debt at face value, excluding capital leases, were as follows:

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 and Thereafter |
|----------------|-------|-------|-------|-------|-------|------------------------|
| Long-term debt | \$400 | \$300 | \$600 | \$500 | \$300 | \$6,840 |

Commercial Paper

At December 31, 2016 the Company had \$450 million of outstanding commercial paper borrowings under its \$2.5 billion commercial paper program, at a weighted average interest rate of 0.98% and with remaining maturities of less than 45 days. There were no outstanding commercial paper borrowings at December 31, 2015.

Credit Facility

During June 2016, the Company amended and restated its \$2.5 billion revolving credit facility (the “Credit Facility”). The amended Credit Facility expires in June 2021 and contains provisions that are substantially similar to

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the previous credit facility, which was due to expire in December 2019. The Company, at its option, may also borrow in certain foreign currencies up to specified limits under the Credit Facility. Borrowing rates under the Credit Facility are determined at the Company's option at the time of each borrowing and are based generally on the prime rate in the U.S. or LIBOR plus a margin based on the Company's senior unsecured debt rating. The Company pays a facility fee based on the total amount of the commitments.

The Credit Facility requires the Company to maintain a maximum Consolidated Leverage Ratio of 4.5x at the end of each quarter as further described in the Credit Facility. At December 31, 2016, the Company's Consolidated Leverage Ratio was approximately 2.9x.

The Consolidated Leverage Ratio reflects the ratio of the Company's indebtedness from continuing operations, adjusted to exclude certain capital lease obligations, at the end of a quarter, to the Company's Consolidated EBITDA for the trailing four consecutive quarters. Consolidated EBITDA is defined in the Credit Facility as operating income plus interest income and before depreciation, amortization and certain other noncash items.

The Credit Facility is used for general corporate purposes. At December 31, 2016, the Company had no borrowings outstanding under the Credit Facility and the remaining availability under the Credit Facility, net of outstanding letters of credit, was \$2.49 billion.

Liquidity and Capital Resources

The Company continually projects anticipated cash requirements for its operating, investing and financing needs as well as cash flows generated from operating activities available to meet these needs. The Company's operating needs include, among other items, commitments for sports programming rights, television and film programming, talent contracts, operating leases, interest payments, and pension funding obligations. The Company's investing and financing spending includes capital expenditures, share repurchases, dividends and principal payments on its outstanding indebtedness. The Company believes that its operating cash flows, cash and cash equivalents, borrowing capacity under its Credit Facility, which had \$2.49 billion of remaining availability at December 31, 2016, and access to capital markets are sufficient to fund its operating, investing and financing requirements for the next twelve months.

The Company's funding for short-term and long-term obligations will come primarily from cash flows from operating activities. Any additional cash funding requirements are financed with short-term borrowings, including commercial paper, and long-term debt. To the extent that commercial paper is not available to the Company, the existing Credit Facility provides sufficient capacity to satisfy short-term borrowing needs. The Company routinely assesses its capital structure and opportunistically enters into transactions to lower its interest expense, which could result in a charge from the early extinguishment of debt.

Funding for the Company's long-term debt obligations due over the next five years of \$2.10 billion is expected to come from the Company's ability to refinance its debt and cash generated from operating activities.

At December 31, 2016, the Company had \$4.11 billion of remaining availability under its share repurchase program. Share repurchases under the program are expected to be funded by cash flows from operations and, as appropriate, with short-term borrowings, including commercial paper, and/or the issuance of long-term debt.

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Contractual Obligations

As of December 31, 2016 payments due by period under the Company's significant contractual obligations, excluding obligations of discontinued operations, with remaining terms in excess of one year were as follows:

| | Payments Due by Period | | | | 2022 and thereafter |
|---|------------------------|---------|-----------|-----------|---------------------|
| | Total | 2017 | 2018-2019 | 2020-2021 | |
| Programming and talent commitments ^(a) | \$11,078 | \$1,987 | \$ 3,794 | \$ 3,000 | \$ 2,297 |
| Purchase obligations ^(b) | 835 | 222 | 379 | 176 | 58 |
| Operating leases ^(c) | 763 | 134 | 211 | 142 | 276 |
| Long-term debt obligations ^(d) | 8,940 | 400 | 900 | 800 | 6,840 |
| Interest commitments on long-term debt ^(e) | 5,112 | 396 | 756 | 668 | 3,292 |
| Capital lease obligations (including interest) ^(f) | 83 | 19 | 33 | 26 | 5 |
| Other long-term contractual obligations ^(g) | 1,373 | — | 1,028 | 282 | 63 |
| Total | \$28,184 | \$3,158 | \$ 7,101 | \$ 5,094 | \$ 12,831 |

(a) Programming and talent commitments of the Company primarily include \$8.06 billion for sports programming rights, \$2.26 billion relating to the production and licensing of television and film programming, and \$758 million for talent contracts.

(b) Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms, including open purchase orders.

(c) Consists of long-term noncancellable operating lease commitments for office space, equipment, transponders and studio facilities.

(d) Long-term debt obligations are presented at face value, excluding capital leases.

(e) Future interest based on scheduled debt maturities, excluding capital leases.

(f) Includes capital leases for satellite transponders.

(g) Reflects long-term contractual obligations recorded on the Company's Consolidated Balance Sheet, including program liabilities, participations due to producers and residuals.

The table above excludes \$102 million of reserves for uncertain tax positions and the related accrued interest and penalties, as the Company cannot reasonably predict the amount of and timing of cash payments relating to this obligation.

In January 2017, the Company made discretionary contributions of \$100 million to pre-fund its qualified pension plans. In 2017, the Company expects to make contributions of approximately \$54 million to its non-qualified pension plans to satisfy the benefit payments due under these plans. Also in 2017, the Company expects to contribute approximately \$50 million to its other postretirement benefit plans to satisfy the Company's portion of benefit payments due under these plans.

Guarantees

The Company has indemnification obligations with respect to letters of credit and surety bonds primarily used as security against non-performance in the normal course of business. At December 31, 2016, the outstanding letters of credit and surety bonds approximated \$103 million and were not recorded on the Consolidated Balance Sheet.

In the course of its business, the Company both provides and receives indemnities which are intended to allocate certain risks associated with business transactions. Similarly, the Company may remain contingently liable for various obligations of a business that has been divested in the event that a third party does not live up to its obligations under an indemnification obligation. The Company records a liability for its indemnification obligations and other contingent liabilities when probable and reasonably estimable.

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Critical Accounting Policies

The preparation of the Company's financial statements in conformity with generally accepted accounting principles requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. On an ongoing basis, the Company evaluates its estimates, which are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The result of these evaluations forms the basis for making judgments about the carrying values of assets and liabilities and the reported amount of revenues and expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions.

The Company considers the following accounting policies to be the most critical as they are important to the Company's financial condition and results of operations, and require significant judgment and estimates on the part of management in its application. For a summary of the Company's significant accounting policies see the accompanying notes to the consolidated financial statements.

Programming and Production Costs

Accounting for the Company's television production costs requires management's judgment as it relates to total estimated revenues to be earned ("Ultimate Revenues") and costs to be incurred throughout the life of each television program. These estimates are used to determine the amortization of capitalized production costs, expensing of participation costs, and any necessary net realizable value adjustments to capitalized production costs. For each television program, management bases these estimates on the performance in the initial markets, the existence of future firm commitments to sell and the past performance of similar television programs.

The costs incurred in acquiring television series and feature film programming are capitalized when the program is accepted and available for airing and the costs of programming rights licensed under multi-year sports programming agreements are capitalized if the rights payments are made before the related economic benefit has been received. These costs are expensed over the period in which an economic benefit is expected to be derived. The economic benefit is determined based on management's estimates of revenues to be derived from the programming. Management's judgment is required in determining the value of the future economic benefit and timing of the expensing of these costs.

Ultimate revenue estimates for internally produced television programming, and the estimated economic benefit for acquired programming, which includes television series, feature films and sports, are updated regularly based on information available as the television program or film progresses through its life cycle or contractual term. Overestimating Ultimate Revenues for internally produced programming or a failure to adjust for a downward revision in the estimated economic benefit to be generated from acquired programming could result in the understatement of the amortization of capitalized production or programming costs, future net realizable value adjustments and/or estimated accruals for participation expense.

Impairment of Goodwill and Intangible Assets

The Company performs a fair value-based impairment test of goodwill and intangible assets with indefinite lives, comprised of FCC licenses, annually during the fourth quarter and also between annual tests if an event occurs or if circumstances change that would more likely than not reduce the fair value of a reporting unit or an indefinite-lived

intangible asset below its carrying value. Goodwill is tested for impairment at the reporting unit level. The Company's reporting units are one level below its operating segments, except for the Publishing reporting unit, which is the same as its operating segment because this operating segment has only one component. FCC licenses are tested for impairment at the geographic market level. The Company considers each geographic market, which is comprised of

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all of the Company's radio or television stations within that geographic market, to be a single unit of accounting because the FCC licenses at this level represent their highest and best use. At December 31, 2016 the Company had 11 reporting units and FCC license book values for stations in 14 television markets and 25 radio markets.

In preparation for the planned separation of its radio business, the Company changed the manner in which it manages its television and radio operations during the third quarter of 2016. Accordingly, the Company's previously reported operating segment, Local Broadcasting, which had been comprised of two reporting units, was separated into two operating segments, Local Media and Radio, each with three reporting units. The Company allocated goodwill to each of the new reporting units based on their relative fair values. Beginning in the fourth quarter of 2016, the former Radio operating segment has been presented as a discontinued operation. See Note 4 for discussion of impairment tests for the three reporting units and FCC licenses under the former Radio operating segment.

Television FCC Licenses— For its annual impairment test, the Company performs qualitative assessments for each market that management estimates has an aggregate fair value of FCC licenses that significantly exceed their respective carrying values. In selecting markets for a qualitative assessment the Company also considers the duration of time since a quantitative test was performed. For the 2016 annual impairment test, the Company performed qualitative assessments for 3 television markets. For each of these markets, the Company weighed the relative impact of market-specific and macroeconomic factors. The market-specific factors considered include recent projections by geographic market from both independent and internal sources for advertising revenue and operating costs, as well as market share and capital expenditures. The Company also considered the macroeconomic impact on discount rates and growth rates. Based on the qualitative assessments, considering the aggregation of the relevant factors, the Company concluded that it is not more likely than not that the fair values of the FCC licenses in each of these television markets are less than their respective carrying values. Therefore, performing the quantitative impairment test was unnecessary.

For FCC licenses in the remaining television markets, the Company performed a quantitative impairment test that compares the estimated fair value of the FCC licenses by geographic market with their respective carrying values. The estimated fair value of each FCC license is computed using the Greenfield Discounted Cash Flow Method ("Greenfield Method"), which attempts to isolate the income that is attributable to the license alone. The Greenfield Method is based upon modeling a hypothetical start-up station and building it up to a normalized operation that, by design, lacks inherent goodwill and whose other assets have essentially been added as part of the build-up process. The Greenfield Method adds the present value of the estimated annual cash flows of the start-up station over a projection period to the residual value at the end of the projection period. The annual cash flows over the projection period include assumptions for overall advertising revenues in the relevant geographic market, the start-up station's operating costs and capital expenditures, and a three-year build-up period for the start-up station to reach a normalized state of operations, which reflects the point at which it achieves an average market share. The overall market advertising revenue in the subject market is estimated based on recent industry projections. Operating costs and capital expenditures are estimated based on both industry and internal data. The residual value is calculated using a perpetual nominal growth rate, which is based on projected long-range inflation in the U.S. and long-term industry projections. The discount rate is determined based on the average of the weighted average cost of capital of comparable entities in the broadcast industry. The discount rates and perpetual nominal growth rates used for each television station for 2016 were 8.0% and 2.5%, respectively.

For the 11 television markets for which a quantitative test was performed in 2016, the Company concluded that the estimated fair values of FCC licenses in each market exceeded their respective carrying values and therefore no impairment charge was necessary. The estimated fair value of one television market, which had a carrying value of FCC licenses of \$74 million, exceeded its carrying value by 9%. In each of the remaining television markets, the estimated fair value of FCC licenses was in excess of the respective carrying values by more than 10%.

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Results of Operations and Financial Condition (Continued)
(Tabular dollars in millions, except per share amounts)

The estimated fair values of the FCC licenses are highly dependent on the assumptions of future economic conditions in the individual geographic markets in which the Company owns and operates television stations. Certain future events and circumstances, including deterioration of market conditions, higher cost of capital, or a decline in the local television advertising marketplace could result in a downward revision to the Company's current assumptions and judgments. Various factors may contribute to a future decline in any local television advertising marketplace including declines in economic conditions; an other-than-temporary decrease in spending by advertisers in certain industries that have historically represented a significant portion of the local television advertising revenues; a shift by advertisers to competing advertising platforms; changes in consumer behavior; and/or a change in population size. A downward revision to the present value of future cash flows could result in impairment and a noncash charge would be required. Such a charge could have a material effect on the Company's Consolidated Statement of Operations and Consolidated Balance Sheet.

Goodwill—For its annual impairment test, the Company performs qualitative assessments for each reporting unit that management estimates have fair values that significantly exceed their respective carrying values. For the 2016 annual impairment test, the Company performed qualitative assessments for seven reporting units. For each of these reporting units, the Company weighed the relative impact of factors that are specific to the reporting unit as well as industry and macroeconomic factors. The reporting unit specific factors that were considered included financial performance and changes to the reporting units' carrying amounts since the most recent impairment tests. For each industry in which the reporting units operate, the Company considered growth projections from independent sources and significant developments or transactions within the industry. The Company also determined that the impact of macroeconomic factors on the discount rates and growth rates used for the most recent impairment tests would not significantly affect the fair value of the reporting units. Based on the qualitative assessments, considering the aggregation of the relevant factors, the Company concluded that for these seven reporting units, it is not more likely than not that the fair value of each reporting unit is less than its respective carrying amount and therefore performing the quantitative impairment test was unnecessary.

For 2016, the Company performed the quantitative goodwill impairment test for the CBS Sports Network reporting unit. The first step of the goodwill impairment test examines whether the carrying value of a reporting unit exceeds its fair value. The estimated fair value of each reporting unit is computed based upon the present value of future cash flows ("Discounted Cash Flow Method") and the traded or transaction values of comparable businesses ("Market Comparable Method"). The Discounted Cash Flow Method and Market Comparable Method resulted in similar estimated fair values. The Discounted Cash Flow Method adds the present value of the estimated annual cash flows over a discrete projection period to the residual value of the business at the end of the projection period. This technique requires the use of significant estimates and assumptions such as growth rates, operating margins, capital expenditures and discount rates. The estimated growth rates, operating margins and capital expenditures for the projection period are based on the Company's internal forecasts of future performance as well as historical trends. The residual value is estimated based on a perpetual nominal growth rate, which is based on projected long-range inflation and long-term industry projections and for 2016 was 2.0%. The discount rate was determined based on the average of the weighted average cost of capital of comparable entities and for 2016 was 9.0%.

For the 2016 annual impairment test the Company concluded that the estimated fair value of the CBS Sports Network reporting unit exceeded its carrying value and therefore the second step of the impairment test was unnecessary. The estimated fair value of the CBS Sports Network reporting unit exceeded its carrying value by more than 10%.

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Management's Discussion and Analysis of
Results of Operations and Financial Condition (Continued)
(Tabular dollars in millions, except per share amounts)

Certain future events and circumstances, including deterioration of market conditions, higher cost of capital, a decline in the advertising market, a decrease in audience acceptance of programming, a shift by advertisers to competing advertising platforms; and/or changes in consumer behavior could result in changes to the Company's assumptions and judgments used in its goodwill impairment tests. A downward revision of these assumptions could cause the fair values of the reporting units to fall below their respective carrying values and noncash impairment charge would be required. Such a charge could have a material effect on the Company's Consolidated Statement of Operations and Consolidated Balance Sheet.

Reserves and Legal Matters

Estimates of reserves and liabilities related to legal issues and discontinued businesses, including asbestos and environmental matters, require significant judgments by management. The Company continually evaluates these estimates based on changes in the relevant facts and circumstances and events that may impact estimates. While management believes that the current reserves for matters related to predecessor operations of the Company, including environmental and asbestos, are adequate, there can be no assurance that circumstances will not change in future periods. This belief is based upon many factors and assumptions, including the number of outstanding claims, estimated average cost per claim, the breakdown of claims by disease type, historic claim filings, costs per claim of resolution and the filing of new claims.

Pensions

Pension benefit obligations and net periodic pension costs are calculated using many actuarial assumptions. Two key assumptions used in accounting for pension liabilities and expenses are the discount rate and expected rate of return on plan assets. The discount rate is determined based on the yield on a portfolio of high quality bonds, constructed to provide cash flows necessary to meet the Company's pension plans' expected future benefit payments, as determined for the projected benefit obligation. The expected return on plan assets assumption is derived using the current and expected asset allocation of the pension plan assets and considering historical as well as expected returns on various classes of plan assets. As of December 31, 2016, the unrecognized actuarial losses included in accumulated other comprehensive income decreased from the prior year end due primarily to a lump-sum distribution offered to plan participants which accelerated recognition of unamortized losses in the plan, as well as the favorable performance of pension plan assets. These events were offset by a decrease in the discount rate. A decrease in the discount rate would increase the projected benefit obligation. A 25 basis point change in the discount rate will result in an estimated change to the projected benefit obligation of approximately \$113 million and would not have a material impact on 2017 pension expense. A decrease in the expected rate of return on plan assets would increase pension expense. The estimated impact of a 25 basis point change in the expected rate of return on plan assets is a change of approximately \$8 million to 2017 pension expense.

Income Taxes

The Company is subject to income taxes in both the U.S. and numerous foreign jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. When recording the worldwide provision for income taxes, an estimated effective tax rate for the year is applied to interim operating results. In the event there is a significant or unusual item recognized in the quarterly operating results, the tax attributable to that item is separately calculated and recorded in the same quarter. A number of years may elapse before a tax return containing tax matters for which a reserve has been established is audited and finally resolved. For positions taken in a previously filed tax return or expected to be taken in a future tax return, the Company evaluates each position to determine whether it is

more likely than not that the tax position will be sustained upon examination, based on the technical merits of the position. A tax position that meets the more-likely-than-not recognition threshold is subject to a measurement assessment to determine the amount of benefit to recognize in the Consolidated Statement of Operations and the appropriate reserve to establish, if any. If a tax position does not meet the more-likely-than-not recognition threshold

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Management's Discussion and Analysis of
Results of Operations and Financial Condition (Continued)
(Tabular dollars in millions, except per share amounts)

a tax reserve is established and no benefit is recognized. The Company is continually audited by U.S. federal and state as well as foreign tax authorities. While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, the Company believes that its reserve for uncertain tax positions of \$102 million at December 31, 2016 is properly recorded pursuant to the recognition and measurement provisions of FASB guidance for uncertainty in income taxes.

Legal Matters

General. On an ongoing basis, the Company vigorously defends itself in numerous lawsuits and proceedings and responds to various investigations and inquiries from federal, state, local and international authorities (collectively, "litigation"). Litigation may be brought against the Company without merit, is inherently uncertain and always difficult to predict. However, based on its understanding and evaluation of the relevant facts and circumstances, the Company believes that the below-described legal matters and other litigation to which it is a party are not likely, in the aggregate, to have a material adverse effect on its results of operations, financial position or cash flows. Under the Separation Agreement between the Company and Viacom Inc., the Company and Viacom Inc. have agreed to defend and indemnify the other in certain litigation in which the Company and/or Viacom Inc. is named.

Claims Related to Former Businesses: Asbestos. The Company is a defendant in lawsuits claiming various personal injuries related to asbestos and other materials, which allegedly occurred principally as a result of exposure caused by various products manufactured by Westinghouse, a predecessor, generally prior to the early 1970s. Westinghouse was neither a producer nor a manufacturer of asbestos. The Company is typically named as one of a large number of defendants in both state and federal cases. In the majority of asbestos lawsuits, the plaintiffs have not identified which of the Company's products is the basis of a claim. Claims against the Company in which a product has been identified principally relate to exposures allegedly caused by asbestos-containing insulating material in turbines sold for power-generation, industrial and marine use.

Claims are frequently filed and/or settled in groups, which may make the amount and timing of settlements, and the number of pending claims, subject to significant fluctuation from period to period. The Company does not report as pending those claims on inactive, stayed, deferred or similar dockets which some jurisdictions have established for claimants who allege minimal or no impairment. As of December 31, 2016, the Company had pending approximately 33,610 asbestos claims, as compared with approximately 36,030 as of December 31, 2015 and 41,100 as of December 31, 2014. During 2016, the Company received approximately 4,160 new claims and closed or moved to an inactive docket approximately 6,580 claims. The Company reports claims as closed when it becomes aware that a dismissal order has been entered by a court or when the Company has reached agreement with the claimants on the material terms of a settlement. Settlement costs depend on the seriousness of the injuries that form the basis of the claims, the quality of evidence supporting the claims and other factors. In 2016, the Company's costs for settlement and defense of asbestos claims after insurance and taxes were approximately \$48 million. In 2015, as the result of an insurance settlement, insurance recoveries exceeded the Company's after tax costs for settlement and defense of asbestos claims by approximately \$5 million. The Company's costs for settlement and defense of asbestos claims may vary year to year and insurance proceeds are not always recovered in the same period as the insured portion of the expenses.

Filings include claims for individuals suffering from mesothelioma, a rare cancer, the risk of which is allegedly increased by exposure to asbestos; lung cancer, a cancer which may be caused by various factors, one of which is

alleged to be asbestos exposure; other cancers, and conditions that are substantially less serious, including claims brought on behalf of individuals who are asymptomatic as to an allegedly asbestos-related disease. The predominant number of claims against the Company are non-cancer claims. The Company believes that its reserves and insurance are adequate to cover its asbestos liabilities. This belief is based upon many factors and assumptions, including the number of outstanding claims, estimated average cost per claim, the breakdown of claims by disease type, historic

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Management's Discussion and Analysis of
Results of Operations and Financial Condition (Continued)
(Tabular dollars in millions, except per share amounts)

claim filings, costs per claim of resolution and the filing of new claims. While the number of asbestos claims filed against the Company has remained generally flat in recent years, it is difficult to predict future asbestos liabilities, as events and circumstances may occur including, among others, the number and types of claims and average cost to resolve such claims, which could affect the Company's estimate of its asbestos liabilities.

Other. The Company from time to time receives claims from federal and state environmental regulatory agencies and other entities asserting that it is or may be liable for environmental cleanup costs and related damages principally relating to historical and predecessor operations of the Company. In addition, the Company from time to time receives personal injury claims including toxic tort and product liability claims (other than asbestos) arising from historical operations of the Company and its predecessors.

Market Risk

The Company is exposed to fluctuations in foreign currency exchange rates and interest rates and uses derivative financial instruments to modify this exposure. In accordance with its policy, the Company does not use derivative instruments unless there is an underlying exposure and, therefore, the Company does not hold or enter into derivative financial instruments for speculative trading purposes.

Foreign Exchange Risk

The Company conducts business in various countries outside the U.S., resulting in exposure to movements in foreign exchange rates when translating from the foreign local currency to the U.S. dollar. In order to hedge anticipated cash flows in currencies such as the British Pound, the Euro, the Canadian Dollar and the Australian Dollar, foreign currency forward contracts, for periods generally up to 24 months, are used. Additionally, the Company designates forward contracts used to hedge committed and forecasted foreign currency transactions as cash flow hedges. Gains or losses on the effective portion of designated cash flow hedges are initially recorded in other comprehensive income (loss) and reclassified to the statement of operations when the hedged item is recognized. Additionally, the Company enters into non-designated forward contracts to hedge non-U.S. dollar denominated cash flows. The change in fair value of the non-designated contracts is included in "Other items, net" in the Consolidated Statements of Operations. The Company manages the use of foreign exchange derivatives centrally.

At December 31, 2016 and 2015, the notional amount of all foreign currency contracts was \$433 million and \$291 million, respectively, which represents hedges of expected foreign currency cash flows.

Interest Risk

All of the Company's long-term debt has been issued under fixed interest rate agreements. During 2014, in connection with the issuance of its \$600 million of 2.30% senior notes due 2019, the Company entered into \$600 million notional amount of fixed-to-floating rate swap agreements to hedge this debt. During 2015, prior to maturity, the Company settled these interest rate swaps and received \$12 million in cash, plus accrued interest. The resulting increase in the carrying value of the previously hedged debt is being amortized as a reduction to interest expense over the remaining term of the debt. The Company did not have any interest rate swaps outstanding at December 31, 2016 or December 31, 2015 but in the future may use derivatives to modify its exposure to interest rates.

Management's Discussion and Analysis of
Results of Operations and Financial Condition (Continued)
(Tabular dollars in millions, except per share amounts)

Credit Risk

The Company continually monitors its positions with, and credit quality of, the financial institutions that are counterparties to its financial instruments. The Company is exposed to credit loss in the event of nonperformance by the counterparties to the agreements. However, the Company does not anticipate nonperformance by the counterparties.

The Company's receivables do not represent significant concentrations of credit risk at December 31, 2016 or 2015, due to the wide variety of customers, markets and geographic areas to which the Company's products and services are sold.

Related Parties

For a discussion of related parties, see Note 7 to the consolidated financial statements.

Recent Pronouncements and Adoption of New Accounting Standards

See Note 1 to the consolidated financial statements.

Item 8. Financial Statements and Supplementary Data.

INDEX TO FINANCIAL STATEMENTS AND SCHEDULE

The following Consolidated Financial Statements and schedule of the registrant and its subsidiaries are submitted herewith as part of this report:

| | Reference (Page/s) |
|--|-----------------------|
| Item 15(a)(1) Financial Statements: | |
| 1. Management's Report on Internal Control Over Financial Reporting | II- <u>43</u> |
| 2. Report of Independent Registered Public Accounting Firm | II- <u>44</u> |
| 3. Consolidated Statements of Operations for the years ended December 31, 2016, 2015 and 2014 | II- <u>45</u> |
| 4. Consolidated Statements of Comprehensive Income for the years ended December 31, 2016, 2015 and 2014 | II- <u>46</u> |
| 5. Consolidated Balance Sheets at December 31, 2016 and 2015 | II- <u>47</u> |
| 6. Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014 | II- <u>48</u> |
| 7. Consolidated Statements of Stockholders' Equity for the years ended December 31, 2016, 2015 and 2014 | II- <u>49</u> |
| 8. Notes to Consolidated Financial Statements | II- <u>50</u> |
| Item 15(a)(2) Financial Statement Schedule: | |
| II. Valuation and Qualifying Accounts | F- <u>1</u> |

All other Schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule.

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MANAGEMENT' S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting and for the effectiveness of internal control over financial reporting, as such term is defined in Rule 13a-15(f) or Rule 15d-15(f) of the Exchange Act. Our internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposition of assets; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements prepared for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2016 based on the framework set forth in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2016. The effectiveness of our internal control over financial reporting as of December 31, 2016 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

CBS CORPORATION

By: /s/ Leslie Moonves

Leslie Moonves

Chairman of the Board, President and
Chief Executive Officer

By: /s/ Joseph R. Ianniello

Joseph R. Ianniello

Chief Operating Officer

By: /s/ Lawrence Liding

Lawrence Liding

Executive Vice President, Controller and
Chief Accounting Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of CBS Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income, cash flows, and stockholders' equity present fairly, in all material respects, the financial position of CBS Corporation and its subsidiaries at December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PRICEWATERHOUSECOOPERS LLP
PricewaterhouseCoopers LLP
New York, New York
February 17, 2017

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CBS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share amounts)

| | Year Ended December 31, | | |
|--|-------------------------|----------|----------|
| | 2016 | 2015 | 2014 |
| Revenues | \$13,166 | \$12,671 | \$12,519 |
| Costs and expenses: | | | |
| Operating | 7,956 | 7,911 | 7,689 |
| Selling, general and administrative | 2,124 | 1,961 | 1,971 |
| Depreciation and amortization | 225 | 235 | 250 |
| Pension settlement charge (Note 15) | 211 | — | — |
| Restructuring and merger and acquisition-related costs (Note 5) | 38 | 45 | 19 |
| Other operating items, net | (9) | (139) | — |
| Total costs and expenses | 10,545 | 10,013 | 9,929 |
| Operating income | 2,621 | 2,658 | 2,590 |
| Interest expense | (411) | (392) | (363) |
| Interest income | 32 | 24 | 13 |
| Loss on early extinguishment of debt | — | — | (352) |
| Other items, net | (12) | (26) | (30) |
| Earnings from continuing operations before income taxes and equity in loss of investee companies | 2,230 | 2,264 | 1,858 |
| Provision for income taxes | (628) | (676) | (659) |
| Equity in loss of investee companies, net of tax | (50) | (34) | (48) |
| Net earnings from continuing operations | 1,552 | 1,554 | 1,151 |
| Net earnings (loss) from discontinued operations, net of tax (Note 4) | (291) | (141) | 1,808 |
| Net earnings | \$1,261 | \$1,413 | \$2,959 |
| Basic net earnings (loss) per common share: | | | |
| Net earnings from continuing operations | \$3.50 | \$3.21 | \$2.09 |
| Net earnings (loss) from discontinued operations | \$(.66) | \$(.29) | \$3.29 |
| Net earnings | \$2.84 | \$2.92 | \$5.38 |
| Diluted net earnings (loss) per common share: | | | |
| Net earnings from continuing operations | \$3.46 | \$3.18 | \$2.05 |
| Net earnings (loss) from discontinued operations | \$(.65) | \$(.29) | \$3.22 |
| Net earnings | \$2.81 | \$2.89 | \$5.27 |
| Weighted average number of common shares outstanding: | | | |
| Basic | 444 | 484 | 550 |
| Diluted | 448 | 489 | 561 |
| Dividends per common share | \$.66 | \$.60 | \$.54 |

See notes to consolidated financial statements.

CBS CORPORATION AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

| | Year Ended December 31, | | |
|--|-------------------------|---------|---------|
| | 2016 | 2015 | 2014 |
| Net earnings | \$1,261 | \$1,413 | \$2,959 |
| Other comprehensive income (loss) from continuing operations, net of tax: | | | |
| Cumulative translation adjustments | (1) | (5) | (9) |
| Net actuarial gain (loss) and prior service costs (Note 15) | 4 | (30) | (163) |
| Unrealized loss on securities | — | — | (3) |
| Other comprehensive income (loss) from continuing operations, net of tax | 3 | (35) | (175) |
| Other comprehensive income from discontinued operations, before reclassifications | — | — | 15 |
| Reclassification from accumulated other comprehensive income (loss) from discontinued operations to net earnings | — | — | (30) |
| Total other comprehensive income (loss), net of tax | 3 | (35) | (190) |
| Total comprehensive income | \$1,264 | \$1,378 | \$2,769 |

See notes to consolidated financial statements.

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CBS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions, except per share amounts)

| | At December 31, | |
|--|-----------------|----------|
| | 2016 | 2015 |
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$598 | \$317 |
| Receivables, less allowances of \$60 (2016) and \$59 (2015) | 3,314 | 3,375 |
| Programming and other inventory (Note 6) | 1,427 | 1,270 |
| Prepaid income taxes | 30 | 101 |
| Prepaid expenses | 185 | 133 |
| Other current assets | 204 | 228 |
| Current assets of discontinued operations (Note 4) | 305 | 323 |
| Total current assets | 6,063 | 5,747 |
| Property and equipment | 2,935 | 2,880 |
| Less accumulated depreciation and amortization | 1,694 | 1,627 |
| Net property and equipment (Note 2) | 1,241 | 1,253 |
| Programming and other inventory (Note 6) | 2,439 | 1,957 |
| Goodwill (Note 3) | 4,864 | 4,789 |
| Intangible assets (Note 3) | 2,633 | 2,639 |
| Other assets (Note 1) | 2,707 | 2,633 |
| Assets of discontinued operations (Note 4) | 4,291 | 4,747 |
| Total Assets | \$24,238 | \$23,765 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable | \$148 | \$159 |
| Accrued expenses | 632 | 561 |
| Accrued compensation | 369 | 306 |
| Participants' share and royalties payable | 1,024 | 1,013 |
| Program rights | 290 | 372 |
| Deferred revenues | 152 | 294 |
| Commercial paper (Note 9) | 450 | — |
| Current portion of long-term debt (Note 9) | 23 | 222 |
| Other current liabilities | 465 | 490 |
| Current liabilities of discontinued operations (Note 4) | 155 | 143 |
| Total current liabilities | 3,708 | 3,560 |
| Long-term debt (Note 9) | 8,902 | 8,226 |
| Participants' share and royalties payable | 1,322 | 1,318 |
| Pension and postretirement benefit obligations (Note 15) | 1,769 | 1,575 |
| Deferred income tax liabilities, net (Note 14) | 590 | 495 |
| Other liabilities | 1,807 | 1,889 |
| Liabilities of discontinued operations (Note 4) | 2,451 | 1,139 |
| Commitments and contingencies (Note 16) | | |
| Stockholders' Equity: | | |
| Class A Common Stock, par value \$.001 per share; 375 shares authorized; 38 (2016 and 2015) shares issued | — | — |

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| | | |
|---|-----------|-----------|
| Class B Common Stock, par value \$.001 per share; 5,000 shares authorized; 829 (2016) and 826 (2015) shares issued | 1 | 1 |
| Additional paid-in capital | 43,913 | 44,055 |
| Accumulated deficit | (19,257) | (20,518) |
| Accumulated other comprehensive loss (Note 12) | (767) | (770) |
| | 23,890 | 22,768 |
| Less treasury stock, at cost; 455 (2016) and 401 (2015) Class B Shares | 20,201 | 17,205 |
| Total Stockholders' Equity | 3,689 | 5,563 |
| Total Liabilities and Stockholders' Equity | \$24,238 | \$23,765 |
| See notes to consolidated financial statements. | | |

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CBS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

| | Year Ended December 31, | | |
|--|-------------------------|----------|----------|
| | 2016 | 2015 | 2014 |
| Operating Activities: | | | |
| Net earnings | \$ 1,261 | \$ 1,413 | \$ 2,959 |
| Less: Net earnings (loss) from discontinued operations | (291) | (141) | 1,808 |
| Net earnings from continuing operations | 1,552 | 1,554 | 1,151 |
| Adjustments to reconcile net earnings from continuing operations to net cash flow provided by operating activities from continuing operations: | | | |
| Depreciation and amortization | 225 | 235 | 250 |
| Deferred tax provision | 144 | 445 | 592 |
| Stock-based compensation | 165 | 157 | 137 |
| Net gain on disposition and write-down of assets | (18) | (139) | (11) |
| Equity in loss of investee companies, net of tax and distributions | 53 | 37 | 57 |
| Change in assets and liabilities, net of investing and financing activities | | | |
| Decrease (increase) in receivables | 36 | (376) | (599) |
| Increase in inventory and related program and participation liabilities, net | (804) | (498) | (214) |

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| | | | | |
|--|-------|---|-------|--------|
| (Increase) decrease in other assets | (85 |) | 23 | 53 |
| Increase (decrease) in accounts payable and accrued expenses | 23 | | (220 |) (152 |
| Increase (decrease) in pension and postretirement benefit obligations | 205 | | (46 |) (34 |
| Increase (decrease) in income taxes | 94 | | (56 |) (298 |
| (Decrease) increase in deferred revenue | (137 |) | 66 | (47 |
| Other, net | 1 | | 7 | 31 |
| Net cash flow provided by operating activities from continuing operations | 1,454 | | 1,189 | 916 |
| Net cash flow provided by operating activities from discontinued operations | 231 | | 205 | 359 |
| Net cash flow provided by operating activities | 1,685 | | 1,394 | 1,275 |
| Investing Activities: | | | | |
| Acquisitions | (92 |) | (12 |) (2 |
| Capital expenditures | (196 |) | (171 |) (178 |
| Investments in and advances to investee companies | (81 |) | (98 |) (98 |
| Proceeds from sale of investments | — | | 80 | 12 |
| Proceeds from dispositions | 20 | | 383 | 4 |
| Other investing activities | 15 | | (3 |) (4 |
| Net cash flow (used for) provided by investing activities from continuing operations | (334 |) | 179 | (266 |
| Net cash flow used for investing activities from discontinued operations | (6 |) | (25 |) (335 |
| | (340 |) | 154 | (601 |

| | | | | |
|---|--------|-------|--------|--------|
| Net cash flow (used for) provided by investing activities | | | | |
| Financing Activities: | | | | |
| Proceeds from (repayments of) short-term debt borrowings, net | 450 | (616 |) | 141 |
| Proceeds from issuance of senior notes | 684 | 1,959 | | 1,728 |
| Repayment of notes and debentures | (199 |) | — | (1,152 |
| Proceeds from debt borrowings of CBS Radio (2016) and Outdoor Americas (2014) | 1,452 | — | | 1,569 |
| Repayment of debt borrowings of CBS Radio | (110 |) | — | — |
| Proceeds from IPO of Outdoor Americas | — | — | | 613 |
| Payment of capital lease obligations | (18 |) | (17 |) |
| Dividends | (288 |) | (300 |) |
| Purchase of Company common stock | (2,997 |) | (2,813 |) |
| Payment of payroll taxes in lieu of issuing shares for stock-based compensation | (58 |) | (96 |) |
| Proceeds from exercise of stock options | 21 | 142 | | 283 |
| Excess tax benefit from stock-based compensation | 17 | 88 | | 243 |
| Other financing activities | — | — | | (18 |
| Net cash flow used for financing activities | (1,046 |) | (1,653 |) |
| Net increase (decrease) in cash and cash equivalents | 299 | (105 |) | 31 |
| | 323 | 428 | | 397 |

Cash and cash equivalents at beginning of year (includes \$6 (2016 and 2015) and \$33 (2014) of discontinued operations cash)

Cash and cash equivalents at end of year

| | | | | | | |
|--|----|-----|----|-----|----|-----|
| (includes \$24 (2016) and \$6 (2015 and 2014) of discontinued operations cash) | \$ | 622 | \$ | 323 | \$ | 428 |
|--|----|-----|----|-----|----|-----|

See notes to consolidated financial statements.

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CBS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In millions)

| | Year Ended December 31, | | | | | |
|--|-------------------------|----------|--------|----------|--------|----------|
| | 2016 | | 2015 | | 2014 | |
| | Shares | Amount | Shares | Amount | Shares | Amount |
| Class A Common Stock: | | | | | | |
| Balance, beginning of year | 38 | \$— | 38 | \$— | 39 | \$— |
| Conversion of A shares into B shares | — | — | — | — | (1) | — |
| Balance, end of year | 38 | — | 38 | — | 38 | — |
| Class B Common Stock: | | | | | | |
| Balance, beginning of year | 826 | 1 | 818 | 1 | 801 | 1 |
| Conversion of A shares into B shares | — | — | — | — | 1 | — |
| Restricted stock unit vests | 3 | — | 4 | — | 5 | — |
| Exercise of stock options | 1 | — | 6 | — | 14 | — |
| Retirement of treasury stock | (1) | — | (2) | — | (3) | — |
| Balance, end of year | 829 | 1 | 826 | 1 | 818 | 1 |
| Additional Paid-In Capital: | | | | | | |
| Balance, beginning of year | | 44,055 | | 44,041 | | 43,474 |
| Stock-based compensation | | 177 | | 174 | | 168 |
| Tax benefit related to employee stock-based transactions | | 12 | | 87 | | 246 |
| Exercise of stock options | | 21 | | 142 | | 282 |
| Retirement of treasury stock | | (58) | | (96) | | (146) |
| Dividends | | (294) | | (293) | | (296) |
| Gain on Outdoor Americas IPO | | — | | — | | 313 |
| Balance, end of year | | 43,913 | | 44,055 | | 44,041 |
| Accumulated Deficit: | | | | | | |
| Balance, beginning of year | | (20,518) | | (21,931) | | (24,890) |
| Net earnings | | 1,261 | | 1,413 | | 2,959 |
| Balance, end of year | | (19,257) | | (20,518) | | (21,931) |
| Accumulated Other Comprehensive Loss: | | | | | | |
| Balance, beginning of year | | (770) | | (735) | | (545) |
| Other comprehensive income (loss) | | 3 | | (35) | | (190) |
| Balance, end of year | | (767) | | (770) | | (735) |
| Treasury Stock, at cost: | | | | | | |
| Balance beginning of year | 401 | (17,205) | 349 | (14,406) | 244 | (8,074) |
| Class B Common Stock purchased | 54 | (2,997) | 52 | (2,800) | 60 | (3,612) |
| Outdoor Americas Split-Off | — | — | — | — | 45 | (2,721) |
| Shares paid for tax withholding for stock-based compensation | 1 | (58) | 2 | (96) | 3 | (146) |
| Issuance of stock for deferred compensation | — | 1 | — | 1 | — | 1 |
| Retirement of treasury stock | (1) | 58 | (2) | 96 | (3) | 146 |
| Balance, end of year | 455 | (20,201) | 401 | (17,205) | 349 | (14,406) |
| Total Stockholders' Equity | | \$3,689 | | \$5,563 | | \$6,970 |

See notes to consolidated financial statements.

CBS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular dollars in millions, except per share amounts)

1) BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business—CBS Corporation (together with its consolidated subsidiaries unless the context otherwise requires, the “Company” or “CBS Corp.”) is comprised of the following segments: Entertainment (CBS Television, comprised of the CBS Television Network, CBS Television Studios, CBS Studios International, and CBS Television Distribution; CBS Interactive; and CBS Films), Cable Networks (Showtime Networks, CBS Sports Network and Smithsonian Networks), Publishing (Simon & Schuster) and Local Media (CBS Television Stations and CBS Local Digital Media).

Discontinued Operations—On February 2, 2017, the Company entered into an agreement with Entercom Communications Corp. to combine the Company’s radio business, CBS Radio, with Entercom in a merger to be effected through a Reverse Morris Trust transaction, which is expected to be tax-free to CBS Corp. and its stockholders. In connection with this transaction, the Company intends to split-off CBS Radio through an exchange offer, in which the Company’s stockholders may elect to exchange shares of the Company’s Class B Common Stock for shares of CBS Radio, which will then be immediately converted into shares of Entercom common stock at the time of the merger. Beginning in the fourth quarter of 2016, CBS Radio was classified as held for sale and has been presented as a discontinued operation in the Company’s consolidated financial statements for all periods presented (See Note 4). During 2014, the Company completed the disposition of CBS Outdoor Americas Inc., which was previously a subsidiary of the Company and has been renamed OUTFRONT Media, Inc. (“Outdoor Americas”). Outdoor Americas has been presented as a discontinued operation in the Company’s consolidated financial statements. In addition, certain businesses that were previously disposed of by the Company prior to January 1, 2002, were accounted for as discontinued operations in accordance with accounting rules in effect prior to 2002.

Principles of Consolidation—The consolidated financial statements include the accounts of CBS Corp. and all of its subsidiaries in which a controlling interest is maintained. Controlling interest is determined by majority ownership interest and the absence of substantive third party participating rights. Investments over which the Company has a significant influence or ownership of more than 20% but less than or equal to 50%, without a controlling interest, are accounted for under the equity method. Investments of 20% or less, over which the Company has no significant influence, are accounted for under the cost method if the fair value is not readily determinable and are accounted for as available for sale securities if the fair value is readily determinable. All significant intercompany transactions have been eliminated.

Reclassifications—Certain amounts reported for prior years have been reclassified to conform to the current year’s presentation.

Use of Estimates—The preparation of the Company’s financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Cash and Cash Equivalents—Cash and cash equivalents consist of cash on hand and short-term (maturities of three months or less at the date of purchase) highly liquid investments, including money market funds, commercial paper and bank time deposits.

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CBS CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Tabular dollars in millions, except per share amounts)

Programming Inventory—The Company acquires rights to programming and produces programming to exhibit on its broadcast and cable networks, broadcast television stations, direct to consumers through its digital streaming services and the internet, and in theaters. The costs incurred in acquiring and producing programs are capitalized and amortized over the license period or projected useful life of the programming. Program rights and the related liabilities are recorded at the gross amount of the liabilities when the license period has begun, the cost of the program is determinable, and the program is accepted and available for airing.

Television production costs (which include direct production costs, production overhead and acquisition costs) are stated at the lower of unamortized cost or net realizable value. The Company then estimates total revenues to be earned and costs to be incurred throughout the life of each television program. For television programming, estimates for remaining total lifetime revenues are limited to the amount of revenue contracted for each episode in the initial market. Accordingly, television programming costs and participation costs incurred in excess of the amount of revenue contracted for each episode in the initial market are expensed as incurred on an episode by episode basis. Estimates for all secondary market revenues such as domestic and foreign syndication, basic cable, digital streaming, home entertainment and merchandising are included in the estimated lifetime revenues of such television programming once it can be demonstrated that a program can be successfully licensed in such secondary market. Television programming costs incurred subsequent to the establishment of the secondary market are initially capitalized and amortized, and estimated liabilities for participations are accrued, based on the proportion that current period revenues bear to the estimated remaining total lifetime revenues.

The costs incurred in acquiring television series and feature film programming are capitalized when the program is accepted and available for airing. These costs are amortized over the period in which an economic benefit is expected to be derived based on the timing of the Company's usage of and benefit from such programming. The costs of programming rights licensed under multi-year sports programming agreements are capitalized if the rights payments are made before the related economic benefit has been received. These costs are expensed over the period in which an economic benefit is expected to be derived based on the relative value of the events broadcast by the Company during a period. The relative value for an event is determined based on the revenues generated for that event in relation to the estimated total revenues over the remaining term of the sports programming agreement.

Lifetime revenue estimates for internally produced television programming, and the estimated economic benefit for the acquired programming, including revenue projections for multi-year sports programming, are periodically reviewed. Adjustments, if any, will result in changes to amortization rates, future net realizable value adjustments and/or estimated accruals for participation expense.

Property and Equipment—Property and equipment is stated at cost. Depreciation is computed by the straight-line method over estimated useful lives as follows:

| | |
|--|--------------------------------------|
| Buildings and building improvements | 10 to 40 years |
| Leasehold Improvements | Shorter of lease term or useful life |
| Equipment and other (including capital leases) | 3 to 20 years |

Impairment of Long-Lived Assets—The Company assesses long-lived assets and intangible assets, other than goodwill and intangible assets with indefinite lives, for impairment whenever there is an indication that the carrying amount of the asset may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted cash flows expected to be generated by these assets, which is the estimated fair value, to their net carrying value. The amount of impairment loss, if any, will generally be measured by the difference between the net carrying value and the estimated fair value of the asset.

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CBS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular dollars in millions, except per share amounts)

Impairment of Investments—Investments are reviewed for impairment on a quarterly basis by comparing their fair value to their respective carrying amounts. The Company determines the fair value of its public company investments by reference to their publicly traded stock price. With respect to private company investments, the Company makes its estimate of fair value by considering recent investee equity transactions, discounted cash flow analyses, recent operating results, estimates based on comparable public company operating cash flow multiples and, in certain situations, balance sheet liquidation values. If the fair value of the investment has dropped below the carrying amount, management considers several factors when determining whether an other-than-temporary decline has occurred. These factors include the length of time and the extent to which the estimated fair value or market value has been below the carrying value, the financial condition and the near-term prospects of the investee, the intent and ability of the Company to retain its investment in the investee for a period of time sufficient to allow for any anticipated recovery in market value, and other factors influencing the fair market value, such as general market conditions.

Goodwill and Intangible Assets—Goodwill is allocated to various reporting units, which are generally one level below the Company's operating segments. Intangible assets with finite lives, which primarily consist of trade names, are generally amortized using the straight-line method over their estimated useful lives, which range from 4 to 40 years. Goodwill and other intangible assets with indefinite lives, which consist of FCC licenses, are not amortized but are tested for impairment on an annual basis and between annual tests if events occur or circumstances change that would more likely than not reduce the fair value below its carrying amount. If the carrying value of goodwill or the intangible asset exceeds its fair value, an impairment loss is recognized as a noncash charge (See Note 3).

Other Assets—Other assets include noncurrent receivables of \$2.11 billion at December 31, 2016 and \$2.09 billion at December 31, 2015, which are primarily related to revenues recognized under long-term television licensing arrangements. Television license fee revenues are recognized at the beginning of the license period in which programs are made available to the licensee for exhibition, while the related cash is collected over the term of the license period.

Other Liabilities—Other liabilities consist primarily of the noncurrent portion of residual liabilities of previously disposed businesses, program rights obligations, deferred compensation and other employee benefit accruals.

Revenue Recognition—Advertising revenues, net of agency commissions, are recognized in the period during which advertising spots are aired or displayed. If there is a guarantee to deliver a targeted audience rating, revenues are recognized for the actual audience rating delivered, based on the ratings data published by independent audience ratings measurement companies. Revenues are deferred for any shortfall in the audience rating with respect to an advertising spot until such time as the required audience rating is delivered.

Revenues from the licensing of television programming are recognized in the period that the television series is made available to the licensee, which may cause fluctuations in operating results. Television series initially produced for networks and first-run syndication are generally licensed to domestic and international markets concurrently ("initial market"). Network series are also licensed to digital streaming providers, television stations, and cable networks ("secondary market"). Licensing in the secondary market typically occurs at a later date but can also be concurrent with sales in the initial market. The length of the revenue cycle for television series will vary depending on the number of seasons a series remains in active production.

Affiliate and subscription fees for cable and broadcast networks, television stations and online content, including digital streaming services, are recognized in the period the service is provided. Costs for advertising and marketing

services provided to the Company by cable, satellite and other distributors are recorded in selling, general and administrative expenses.

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CBS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular dollars in millions, except per share amounts)

Publishing revenues are recognized when merchandise is shipped or electronically delivered to the consumer. The Company records a provision for sales returns and allowances at the time of sale based upon historical trends which allow for a percentage of revenue recognized.

Deferred revenues primarily consist of revenues related to advertising arrangements and the licensing of television programming for which the revenues have not yet been earned. The amounts classified as current are expected to be earned within the next twelve months.

Sales of Multiple Products or Services—Revenues derived from a single sales contract that contains multiple products and services are allocated based on the relative fair value of each delivered item and recognized in accordance with the applicable revenue recognition criteria for the specific unit of accounting.

Collaborative Arrangements—Collaborative arrangements primarily consist of joint efforts with third parties to produce and distribute programming such as television series and live sporting events, including the agreement between the Company and Turner Broadcasting System, Inc. to telecast the NCAA Division I Men’s Basketball Championship (“NCAA Tournament”), which runs through 2032. In connection with this agreement for the NCAA Tournament, advertisements aired on the CBS Television Network are recorded as revenues and the Company’s share of the program rights fees and other operating costs are recorded as operating expenses.

For episodic television programming, co-production costs are initially capitalized as programming inventory and amortized over the television series’ estimated economic life. In such arrangements where the Company has distribution rights, all proceeds generated from such distribution are recorded as revenues and any participation profits due to third party collaborators are recorded as operating expenses. In co-production arrangements where third party collaborators have distribution rights, the Company’s net participating profits are recorded as revenues.

Amounts attributable to transactions arising from collaborative arrangements between participants were not material to the Company’s consolidated financial statements for all periods presented.

Advertising—Advertising costs are expensed as incurred. The Company incurred total advertising expenses of \$373 million in 2016, \$338 million in 2015 and \$377 million in 2014.

Other Operating Items, Net—Other operating items, net for 2016 and 2015 includes gains from the sales of businesses, and for 2016, also includes a multiyear, retroactive impact of a new operating tax.

Interest—Costs associated with the refinancing or issuance of debt, as well as debt discounts or premiums, are recorded as interest over the term of its related debt. The Company may enter into interest rate exchange agreements; the amount to be paid or received under such agreements is accrued and recognized over the life of the agreements as an adjustment to interest expense.

Income Taxes—The provision for income taxes includes federal, state, local, and foreign taxes. Deferred tax assets and liabilities are recognized for the estimated future tax effects of temporary differences between the financial statement carrying amounts and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which the temporary differences are expected to be reversed. The Company evaluates the realizability of deferred tax assets and establishes a valuation allowance when it is more likely than not that all or a portion of deferred tax assets will not be realized. For tax positions taken in a previously filed tax

return or expected to be taken in a future tax return, the Company evaluates each position to determine whether it is more likely than not that the tax position will be sustained upon examination, based on the technical merits of the position. A tax position that meets the more-likely-than-not recognition threshold is subject to a measurement assessment to determine the amount of benefit to be recognized in the Consolidated Statement of

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CBS CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Tabular dollars in millions, except per share amounts)

Operations and the appropriate reserve to establish, if any. If a tax position does not meet the more-likely-than-not recognition threshold a tax reserve is established and no benefit is recognized. A number of years may elapse before a tax return containing tax matters for which a reserve has been established is audited and finally resolved.

Foreign Currency Translation and Transactions—The Company’s assets and liabilities denominated in foreign currencies are translated at foreign exchange rates in effect at the balance sheet date, while results of operations are translated at average foreign exchange rates for the respective periods. The resulting translation gains or losses are included as a separate component of stockholders’ equity in accumulated other comprehensive income (loss). Foreign currency transaction gains and losses have been included in “Other items, net” in the Consolidated Statements of Operations.

Other Items, net—For all periods presented, “Other items, net” primarily consists of foreign exchange gains and losses.

Provision for Doubtful Accounts—The provision for doubtful accounts is estimated based on historical bad debt experience, the aging of accounts receivable, industry trends and economic indicators, as well as recent payment history for specific customers. The provision for doubtful accounts charged to expense was \$12 million in 2016 and \$9 million in each of the years 2015 and 2014.

Net Earnings (Loss) per Common Share—Basic earnings (loss) per share (“EPS”) is based upon net earnings (loss) divided by the weighted average number of common shares outstanding during the period. Diluted EPS reflects the effect of the assumed exercise of stock options and vesting of restricted stock units (“RSUs”) only in the periods in which such effect would have been dilutive. Excluded from the calculation of diluted EPS because their inclusion would have been anti-dilutive, were 4 million stock options for each of the years ended December 31, 2016 and 2015 and 2 million stock options for the year ended December 31, 2014.

The table below presents a reconciliation of weighted average shares used in the calculation of basic and diluted EPS.

| Year Ended December 31, (in millions) | 2016 | 2015 | 2014 |
|---|------|------|------|
| Weighted average shares for basic EPS | 444 | 484 | 550 |
| Dilutive effect of shares issuable under stock-based compensation plans | 4 | 5 | 11 |
| Weighted average shares for diluted EPS | 448 | 489 | 561 |

Stock-based Compensation—The Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The cost is recognized over the vesting period during which an employee is required to provide service in exchange for the award.

Adoption of New Accounting Standards

Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern

During the fourth quarter of 2016, the Company adopted Financial Accounting Standards Board (“FASB”) guidance which requires management to evaluate, for each interim and annual reporting period, whether there are conditions or events that raise substantial doubt about an entity’s ability to continue as a going concern within one year after the date the financial statements are issued. If management identifies conditions or events that raise substantial doubt, disclosures are required in the financial statements, including any plans that will alleviate the substantial doubt

CBS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular dollars in millions, except per share amounts)

about the entity's ability to continue as a going concern. The adoption of this guidance did not have an effect on the Company's consolidated financial statements.

Simplifying the Accounting for Measurement Period Adjustments

During the first quarter of 2016, the Company adopted amended FASB guidance which eliminates the requirement to retrospectively account for adjustments to provisional amounts recognized in a business combination when new information is obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Under the amended guidance, the acquirer is required to recognize such adjustments in the reporting period in which the adjustment amounts are identified. Such adjustments also include the effect on earnings from any changes in depreciation, amortization, or other income effects resulting from the change to provisional amounts, as if the change occurred at the acquisition date. The amendment also requires disclosure or separate presentation on the face of the income statement of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The adoption of this guidance did not have an effect on the Company's consolidated financial statements.

Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items

During the first quarter of 2016, the Company adopted amended FASB guidance which eliminates the concept of extraordinary items. This guidance removes the requirement to assess whether an event or transaction is both unusual in nature and infrequent in occurrence and to separately present any such items on the statement of operations after income from continuing operations. Rather, such items are required to be presented as a separate component of income from continuing operations or disclosed in the notes to the financial statements. The adoption of this guidance did not have an effect on the Company's consolidated financial statements.

Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period

During the first quarter of 2016, the Company adopted FASB guidance on the accounting for stock-based compensation when the terms of an award provide that a performance target that affects vesting could be achieved after the requisite service period. Under this guidance, such performance target should not be reflected in estimating the grant-date fair value of the award. The Company should begin recognizing compensation cost in the period in which it becomes probable that the performance target will be achieved, for the cumulative amount of compensation cost attributable to the period(s) for which the requisite service has already been rendered. The adoption of this guidance did not have an effect on the Company's consolidated financial statements.

Disclosures for Investments in Certain Entities That Calculate Net Asset Value Per Share (or Its Equivalent)

During the first quarter of 2016, the Company adopted amended FASB guidance which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value ("NAV") per share practical expedient. The amended guidance also limits disclosures about investments that are eligible to be measured at fair value using the NAV per share practical expedient to those investments for which the entity has elected to measure the fair value using this practical expedient. The Company applied this guidance retrospectively to all comparative periods presented (See Note 15).

Recent Pronouncements

Simplifying the Accounting for Goodwill Impairment

In January 2017, the FASB issued amended guidance to simplify the accounting for goodwill impairment. This guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation.

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CBS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular dollars in millions, except per share amounts)

Under the amended guidance, a goodwill impairment charge will now be recognized for the amount by which the carrying value of a reporting unit exceeds its fair value, not to exceed the carrying amount of goodwill. This guidance is effective for interim and annual period beginning after December 15, 2019, with early adoption permitted for any impairment tests performed after January 1, 2017.

Clarifying the Definition of a Business

In January 2017, the FASB issued amended guidance on the accounting for business combinations which clarifies the definition of a business and assists entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. Under this guidance, when substantially all of the fair value of gross assets acquired is concentrated in a single asset (or group of similar assets), the assets acquired would not represent a business. In addition, in order to be considered a business, an acquisition would have to include at a minimum an input and a substantive process that together significantly contribute to the ability to create an output. The amended guidance also narrows the definition of outputs by more closely aligning it with how outputs are described in FASB guidance for revenue recognition. This guidance is effective for interim and annual periods beginning after December 15, 2017, with early adoption permitted.

Intra-Entity Transfers of Assets Other than Inventory

In October 2016, the FASB issued amended guidance on the accounting for income taxes, which eliminates the exception in existing guidance which defers the recognition of the tax effects of intra-entity asset transfers other than inventory until the transferred asset is sold to a third party. Rather, the amended guidance requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. This guidance is effective for interim and annual periods beginning after December 15, 2017, with early adoption permitted as of the beginning of an annual reporting period. The Company is currently assessing the impact of this guidance on its consolidated financial statements.

Statement of Cash Flows: Classification of Cash Receipts and Cash Payments

In August 2016, the FASB issued amended guidance which clarifies how certain cash receipts and cash payments should be presented and classified in the statement of cash flows. The new guidance is intended to reduce the existing diversity in practice in how certain transactions are classified in the statement of cash flows. This guidance is effective for interim and annual periods beginning after December 15, 2017, with early adoption permitted.

Improvements to Employee Share-Based Payment Accounting

In March 2016, the FASB issued amended guidance which simplifies several aspects of the accounting for employee share-based payment transactions. Under this amended guidance, all excess tax benefits and tax deficiencies will be recognized as income tax expense or benefit in the income statement in the period in which the awards vest or are exercised. In the statement of cash flows, excess tax benefits will be classified with other income tax cash flows in operating activities. The amended guidance also gives the option to make a policy election to account for forfeitures as they occur and increases the threshold for awards that are partially settled in cash to qualify for equity classification. The Company expects that the adoption of this guidance will introduce volatility into the Company's income tax provision, which will be impacted by the timing of employee exercises and changes in the Company's stock price. This guidance is effective for interim and annual reporting periods beginning after December 15, 2016, with early adoption permitted.

Leases

In February 2016, the FASB issued new guidance on the accounting for leases, which supersedes previous lease guidance. Under this guidance, for all leases with terms in excess of one year, including operating leases, the Company

CBS CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Tabular dollars in millions, except per share amounts)

will be required to recognize on its balance sheet a lease liability and a right-of-use asset representing its right to use the underlying asset for the lease term. The new guidance retains a distinction between finance leases and operating leases and the classification criteria is substantially similar to previous guidance. Additionally, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed. The Company is currently evaluating the impact of this guidance on its consolidated balance sheets. This guidance is effective for interim and annual reporting periods beginning after December 15, 2018, with early adoption permitted.

Revenue from Contracts with Customers

In May 2014, the FASB issued guidance on the recognition of revenues which provides a single, comprehensive revenue recognition model for all contracts with customers and supersedes most existing revenue recognition guidance. The main principle under this guidance is that an entity should recognize revenue at the amount it expects to be entitled to in exchange for the transfer of goods or services to customers. The Company has identified the predominant changes to its accounting policies resulting from the application of this guidance and is in the process of quantifying the impact on its consolidated financial statements. The cumulative effect of the initial adoption will be reflected as an adjustment to the opening balance of retained earnings as of the date of application of the guidance; however, the Company does not expect this guidance to have a significant impact on the Company's consolidated financial statements on an annual basis. This guidance is effective for interim and annual reporting periods beginning after December 15, 2017, with early adoption permitted for interim and annual reporting periods beginning after December 15, 2016.

2) PROPERTY AND EQUIPMENT

| | | |
|--|----------|----------|
| At December 31, | 2016 | 2015 |
| Land | \$ 195 | \$ 195 |
| Buildings | 733 | 696 |
| Capital leases ^(a) | 164 | 162 |
| Equipment and other | 1,843 | 1,827 |
| | 2,935 | 2,880 |
| Less accumulated depreciation and amortization | 1,694 | 1,627 |
| Net property and equipment | \$ 1,241 | \$ 1,253 |

(a) Accumulated amortization of capital leases was \$98 million and \$89 million at December 31, 2016 and 2015, respectively.

| | | | |
|---|--------|--------|--------|
| Year Ended December 31, | 2016 | 2015 | 2014 |
| Depreciation expense, including capitalized lease amortization ^(a) | \$ 205 | \$ 212 | \$ 218 |

(a) Amortization expense related to capital leases was \$17 million in 2016 and \$16 million in each of the years 2015 and 2014.

CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

3) GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and Intangible Assets Impairment Test

The Company performs a fair value-based impairment test of goodwill and intangible assets with indefinite lives, comprised of FCC licenses, annually during the fourth quarter and also between annual tests if an event occurs or if circumstances change that would more likely than not reduce the fair value of a reporting unit or an indefinite-lived intangible asset below its carrying value. Goodwill is tested for impairment at the reporting unit level. The Company's reporting units are one level below its operating segments, except for the Publishing reporting unit, which is the same as its operating segment because this operating segment has only one component. FCC licenses are tested for impairment at the geographic market level. The Company considers each geographic market, which is comprised of all of the Company's radio or television stations within that geographic market, to be a single unit of accounting because the FCC licenses at this level represent their highest and best use. At December 31, 2016, the Company had 11 reporting units, and FCC license book values for stations in 14 television markets and 25 radio markets.

In preparation for the planned separation of its radio business, the Company changed the manner in which it manages its television and radio operations during the third quarter of 2016. Accordingly, the Company's previously reported operating segment, Local Broadcasting, which had been comprised of two reporting units, was separated into two operating segments, Local Media and Radio, each with three reporting units. The Company allocated goodwill to each of the new reporting units based on their relative fair values. Beginning in the fourth quarter of 2016, the former Radio operating segment has been presented as a discontinued operation. See Note 4 for discussion of impairment tests for the three reporting units and FCC licenses under the former Radio operating segment.

For its annual impairment test, the Company performs qualitative assessments for each reporting unit and market with FCC licenses that management estimates have fair values that significantly exceed their respective carrying values. In selecting markets and reporting units for a qualitative assessment, the Company also considers the duration of time since a quantitative test was performed. For the 2016 annual impairment test, the Company performed qualitative assessments for seven reporting units and three television markets. For each reporting unit, the Company weighed the relative impact of factors that are specific to the reporting unit as well as industry and macroeconomic factors. For each television market, the Company weighed the relative impact of market-specific and macroeconomic factors. Based on the qualitative assessments, considering the aggregation of the relevant factors, the Company concluded that it is not more likely than not that the fair values of these reporting units and the fair value of FCC licenses within each market are less than their respective carrying values. Therefore, performing the quantitative impairment test was unnecessary.

For FCC licenses in the remaining television markets, the Company performed the quantitative impairment test that compares the estimated fair value of the FCC licenses by geographic market with their respective carrying values. The estimated fair value of each FCC license is computed using the Greenfield Discounted Cash Flow Method ("Greenfield Method"), which attempts to isolate the income that is attributable to the license alone. The Greenfield Method is based upon modeling a hypothetical start-up station and building it up to a normalized operation that, by design, lacks inherent goodwill and whose other assets have essentially been added as part of the build-up process. The Greenfield Method adds the present value of the estimated annual cash flows of the start-up station over a projection period to the residual value at the end of the projection period. The annual cash flows over the projection period include assumptions for overall advertising revenues in the relevant geographic market, the start-up station's operating costs and capital expenditures, and a three-year build-up period for the start-up station to reach a normalized state of operations, which reflects the point at which it achieves an average market share. The overall market advertising revenue in the subject market is estimated based on recent industry projections. Operating costs and capital

expenditures are estimated based on both industry and internal data. The residual value is calculated using a perpetual nominal growth rate, which is based on projected long-range inflation in the U.S. and long-term industry projections. The

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CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

discount rate is determined based on the average of the weighted average cost of capital of comparable entities in the broadcast industry. For each television station, the discount rate used for 2016 was 8.0% and the perpetual nominal growth rate was 2.5%. For the 2016 quantitative impairment test, the Company concluded that the estimated fair values of FCC licenses in each of the 11 television markets for which the quantitative test was performed exceeded their respective carrying values.

For 2016, the Company performed the quantitative goodwill impairment test for the CBS Sports Network reporting unit. The first step of the goodwill impairment test examines whether the carrying value of a reporting unit exceeds its fair value. If the carrying value exceeds the fair value, the second step of the test compares the implied fair value of a reporting unit's goodwill with the carrying value of its goodwill to determine the amount of impairment charge, if any. The estimated fair value of each reporting unit is computed based upon the present value of future cash flows ("Discounted Cash Flow Method") and the traded or transaction values of comparable businesses ("Market Comparable Method"). The Discounted Cash Flow Method and Market Comparable Method resulted in similar estimated fair values. The Discounted Cash Flow Method includes the Company's assumptions for growth rates, operating margins and capital expenditures for the projection period plus the residual value of the business at the end of the projection period. The estimated growth rates, operating margins and capital expenditures for the projection period are based on the Company's internal forecasts of future performance as well as historical trends. The residual value is estimated based on a perpetual nominal growth rate, which is based on projected long-range inflation and long-term industry projections and for 2016 was 2.0%. The discount rate is determined based on the average of the weighted average cost of capital of comparable entities and for 2016 was 9.0%

For the 2016 annual impairment test, the Company concluded that the estimated fair value of the CBS Sports Network reporting unit exceeded its carrying value and therefore the second step of the impairment test was unnecessary.

Transactions

In 2015, the Company disposed of internet businesses in China for \$383 million, which resulted in gains of \$139 million. The assets associated with the disposed businesses primarily consisted of goodwill of \$217 million.

CBS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular dollars in millions, except per share amounts)

For the years ended December 31, 2016 and 2015, the changes in the book value of goodwill by segment were as follows:

| | Balance at December 31, 2015 | Acquisitions | Dispositions | Balance at December 31, 2016 |
|-------------------------------|------------------------------------|--------------|------------------------------------|------------------------------------|
| Entertainment: | | | | |
| Goodwill | \$ 9,250 | \$ 52 | (a) \$ (2) | (b) \$ 9,300 |
| Accumulated impairment losses | (6,294) | — | — | (6,294) |
| Goodwill, net of impairment | 2,956 | 52 | (2) | 3,006 |
| Cable Networks: | | | | |
| Goodwill | 480 | — | — | 480 |
| Accumulated impairment losses | — | — | — | — |
| Goodwill, net of impairment | 480 | — | — | 480 |
| Publishing: | | | | |
| Goodwill | 406 | 25 | (c) — | 431 |
| Accumulated impairment losses | — | — | — | — |
| Goodwill, net of impairment | 406 | 25 | — | 431 |
| Local Media: | | | | |
| Goodwill | 8,007 | — | — | 8,007 |
| Accumulated impairment losses | (7,060) | — | — | (7,060) |
| Goodwill, net of impairment | 947 | — | — | 947 |
| Total: | | | | |
| Goodwill | 18,143 | 77 | (2) | 18,218 |
| Accumulated impairment losses | (13,354) | — | — | (13,354) |
| Goodwill, net of impairment | \$ 4,789 | \$ 77 | \$ (2) | \$ 4,864 |
| | Balance at December 31, 2014 | Dispositions | Balance at December 31, 2015 | |
| Entertainment: | | | | |
| Goodwill | \$9,467 | \$ (217) | (b) \$9,250 | |
| Accumulated impairment losses | (6,294) | — | (6,294) | |
| Goodwill, net of impairment | 3,173 | (217) | 2,956 | |
| Cable Networks: | | | | |
| Goodwill | 480 | — | 480 | |
| Accumulated impairment losses | — | — | — | |
| Goodwill, net of impairment | 480 | — | 480 | |
| Publishing: | | | | |
| Goodwill | 406 | — | 406 | |
| Accumulated impairment losses | — | — | — | |
| Goodwill, net of impairment | 406 | — | 406 | |
| Local Media: | | | | |
| Goodwill | 8,007 | — | 8,007 | |
| Accumulated impairment losses | (7,060) | — | (7,060) | |
| Goodwill, net of impairment | 947 | — | 947 | |
| Total: | | | | |

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| | | | | |
|-------------------------------|----------|---------|---|----------|
| Goodwill | 18,360 | (217 |) | 18,143 |
| Accumulated impairment losses | (13,354) | — | | (13,354) |
| Goodwill, net of impairment | \$5,006 | \$ (217 |) | \$4,789 |

(a) Amount reflects the acquisition of a sports-focused digital media business.

(b) Amount reflects the disposition of internet businesses in China.

(c) Amount reflects the acquisition of a publishing business.

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CBS CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Tabular dollars in millions, except per share amounts)

The Company's intangible assets were as follows:

| | | Accumulated | | |
|---|----------|--------------|----------|--|
| At December 31, 2016 | Gross | Amortization | Net | |
| Intangible assets subject to amortization: | | | | |
| Trade names | \$ 188 | \$ (41) | \$ 147 | |
| Other intangible assets | 147 | (107) | 40 | |
| Total intangible assets subject to amortization | 335 | (148) | 187 | |
| FCC licenses | 2,446 | — | 2,446 | |
| Total intangible assets | \$ 2,781 | \$ (148) | \$ 2,633 | |
| | | Accumulated | | |
| At December 31, 2015 | Gross | Amortization | Net | |
| Intangible assets subject to amortization: | | | | |
| Trade names | \$ 211 | \$ (59) | \$ 152 | |
| Other intangible assets | 161 | (120) | 41 | |
| Total intangible assets subject to amortization | 372 | (179) | 193 | |
| FCC licenses | 2,446 | — | 2,446 | |
| Total intangible assets | \$ 2,818 | \$ (179) | \$ 2,639 | |

Amortization expense was as follows:

| Year Ended December 31, | 2016 | 2015 | 2014 |
|-------------------------|-------|-------|-------|
| Amortization expense | \$ 20 | \$ 23 | \$ 32 |

The Company expects its aggregate annual amortization expense for existing intangible assets subject to amortization for each of the years, 2017 through 2021, to be as follows:

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|-----------------------------|-------|-------|-------|-------|-------|
| Future amortization expense | \$ 19 | \$ 18 | \$ 18 | \$ 15 | \$ 13 |

4) DISCONTINUED OPERATIONS

On February 2, 2017, the Company entered into an agreement with Entercom Communications Corp. to combine the Company's radio business, CBS Radio, with Entercom in a merger to be effected through a Reverse Morris Trust transaction, which is expected to be tax-free to CBS Corp. and its stockholders. In connection with this transaction, the Company intends to split-off CBS Radio through an exchange offer, in which the Company's stockholders may elect to exchange shares of the Company's Class B Common Stock for shares of CBS Radio, which will then be immediately converted into shares of Entercom common stock at the time of the merger. This transaction is subject to customary approvals and closing conditions. The Company expects to complete the transaction during the second half of 2017. CBS Radio has been presented as a discontinued operation in the Company's consolidated financial statements for all periods presented.

During 2014, the Company completed the disposition of Outdoor Americas. Outdoor Americas has been presented as a discontinued operation in the Company's consolidated financial statements. On April 2, 2014, Outdoor Americas completed an initial public offering ("Outdoor IPO") through which it sold approximately 19% of its common stock. On July 16, 2014, the Company completed the disposition of its 81% ownership of Outdoor Americas common stock through a tax-free split-off (the "Split-Off") through which the Company accepted 44.7 million shares of CBS Corp. Class B Common Stock from its stockholders in exchange for the 97.0 million shares of Outdoor Americas common stock that it owned. In aggregate, the Company received \$4.76 billion from the disposition of Outdoor Americas, including cash from the Outdoor IPO and proceeds from Outdoor Americas' debt issuance, which totaled \$2.04 billion, and the fair value of the shares of CBS Corp. Class B Common Stock that were accepted in the Split-Off of \$2.72

CBS CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Tabular dollars in millions, except per share amounts)

billion. The Split-Off resulted in a gain of \$1.56 billion for the year ended December 31, 2014 which is included in net earnings from discontinued operations and is calculated as follows:

| | |
|--|----------|
| Fair value of CBS Corp. Class B Common Stock accepted (44,723,131 shares at \$60.85 per share on July 16, 2014) | \$2,721 |
| Carrying value of Outdoor Americas | (1,162) |
| Accumulated other comprehensive income | 30 |
| Transaction costs | (32) |
| Net gain on Split-Off of Outdoor Americas | \$1,557 |

The Split-Off was a tax-free transaction and therefore, there is no tax impact on the gain.

The following tables set forth details of net earnings (loss) from discontinued operations for the years ended December 31, 2016, 2015 and 2014. Net earnings (loss) from discontinued operations included the operating results of CBS Radio for all periods presented. For 2016, net loss from discontinued operations also included a charge of \$36 million from the resolution of a tax matter in a foreign jurisdiction relating to a previously disposed business that was accounted for as a discontinued operation. For 2015 and 2014, net earnings (loss) from discontinued operations also included decreases to the guarantee liability associated with the 2013 disposition of the Company's outdoor advertising business in Europe ("Outdoor Europe") as a result of a reduction to the risk associated with the guarantee. For 2014, net earnings from discontinued operations also included the operating results and the gain on the Split-Off of Outdoor Americas.

| Year Ended December 31, 2016 | CBS Radio | Other | Total |
|---|--------------|---------|----------|
| Revenues from discontinued operations | \$1,220 | \$— | \$1,220 |
| Costs and expenses: | | | |
| Operating | 397 | — | 397 |
| Selling, general and administrative | 497 | — | 497 |
| Depreciation and amortization | 26 | — | 26 |
| Restructuring charges | 8 | — | 8 |
| Impairment charge | 444 | — | 444 |
| Total costs and expenses | 1,372 | — | 1,372 |
| Operating loss | (152) | — | (152) |
| Interest expense | (17) | — | (17) |
| Other income | 2 | — | 2 |
| Loss from discontinued operations | (167) | — | (167) |
| Income tax provision | (88) | (36) | (124) |
| Net loss from discontinued operations, net of tax | \$(255) | \$(36) | \$(291) |

CBS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular dollars in millions, except per share amounts)

| Year Ended December 31, 2015 | CBS Radio | Other | Total | |
|---|--------------|---------------------|----------|----------|
| Revenues from discontinued operations | \$ 1,223 | \$ — | \$ 1,223 | |
| Costs and expenses: | | | | |
| Operating | 415 | — | 415 | |
| Selling, general and administrative | 500 | (17) | 483 | |
| Depreciation and amortization | 29 | — | 29 | |
| Restructuring charges | 36 | — | 36 | |
| Impairment charge | 484 | — | 484 | |
| Total costs and expenses | 1,464 | (17) | 1,447 | |
| Operating income (loss) | (241) | 17 | (224) | |
| Other income | 1 | — | 1 | |
| Earnings (loss) from discontinued operations | (240) | 17 | (223) | |
| Income tax benefit (provision) | 89 | (7) | 82 | |
| Net earnings (loss) from discontinued operations, net of tax | \$(151) | \$ 10 | \$(141) | |
| Year Ended December 31, 2014 | CBS Radio | Outdoor Americas | Other | Total |
| Revenues from discontinued operations | \$ 1,295 | \$ 677 | \$ — | \$ 1,972 |
| Cost and expenses: | | | | |
| Operating | 401 | 366 | — | 767 |
| Selling, general and administrative | 498 | 131 | (21) | 608 |
| Depreciation and amortization | 31 | 88 | — | 119 |
| Restructuring charges | 7 | — | — | 7 |
| Impairment charge | 52 | — | — | 52 |
| Total costs and expenses | 989 | 585 | (21) | 1,553 |
| Operating income | 306 | 92 | 21 | 419 |
| Interest expense | — | (34) | — | (34) |
| Earnings from discontinued operations | 306 | 58 | 21 | 385 |
| Income tax provision | (103) | (18) | (8) | (129) |
| Net earnings from discontinued operations, net of tax | 203 | 40 | 13 | 256 |
| Gain on disposal | — | 1,557 | — | 1,557 |
| Less: Net earnings from discontinued operations attributable to noncontrolling interest, net of tax | — | 5 | — | 5 |
| Net earnings from discontinued operations attributable to CBS Corp. | \$ 203 | \$ 1,592 | \$ 13 | \$ 1,808 |

During the year ended December 31, 2016, the Company recorded a pretax noncash impairment charge of \$444 million (\$427 million, net of tax) to reduce the carrying value of CBS Radio's goodwill by \$408 million (\$405 million, net of tax) and FCC licenses in 11 radio markets by \$36 million (\$22 million, net of tax). The estimated fair value of FCC licenses was determined in connection with the Company's annual impairment test, using the Greenfield Method (See Note 3). The goodwill impairment charge was determined based on the Company's annual impairment test, which was performed at the reporting unit level (See Note 3). The carrying value of CBS Radio after the impairment charge of approximately \$1.9 billion reflects the Company's estimate of the value of the planned merger with Entercom. This estimated transaction value was derived by multiplying the historical trading multiples of Entercom and other similar companies by the total estimated earnings of the combined entity. The Company believes that this estimated transaction value is currently a better indicator of the transaction value than Entercom's current stock price. However,

the ultimate transaction value will be dependent on Entercom's trading price at the time of the closing of the transaction. Entercom's opening stock price on the day the transaction was announced indicates an estimated fair value of CBS Radio's equity of approximately \$1.7 billion. A 10% increase or decrease in the stock price would result in a change in the fair value of approximately \$175 million.

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CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

During the year ended December 31, 2015, the Company recorded a pretax noncash impairment charge of \$484 million (\$297 million, net of tax) to reduce the carrying value of radio FCC licenses in 18 markets to their fair value. In December 31, 2014, the Company completed a radio station swap with Beasley Broadcast Group, Inc. through which the Company exchanged 13 of its radio stations in Tampa and Charlotte as well as one radio station in Philadelphia, for two radio stations in Philadelphia and three radio stations in Miami. In connection with the radio station swap, the Company recorded a pretax noncash impairment charge of \$52 million (\$74 million, including a tax provision) to reduce the carrying value of the allocated goodwill.

During the years ended December 31, 2016, 2015 and 2014, in a continued effort to reduce the cost structure of its radio business, the Company initiated restructuring plans at CBS Radio, primarily for the reorganization of certain business operations. As a result, the Company recorded restructuring charges of \$8 million, \$36 million and \$7 million in 2016, 2015 and 2014, respectively, reflecting severance costs and costs associated with exiting contractual obligations.

The following table presents the major classes of assets and liabilities of the Company's discontinued operations.

| At December 31, | 2016 | 2015 |
|-----------------------------------|---------|---------|
| Receivables, net | \$244 | \$253 |
| Other current assets | 61 | 70 |
| Goodwill | 1,285 | 1,692 |
| Intangible assets | 2,832 | 2,875 |
| Net property and equipment | 145 | 152 |
| Other assets | 29 | 28 |
| Total Assets | \$4,596 | \$5,070 |
| Current portion of long-term debt | \$10 | \$— |
| Other current liabilities | 145 | 143 |
| Long-term debt | 1,335 | — |
| Deferred income tax liabilities | 998 | 1,014 |
| Other liabilities | 118 | 125 |
| Total Liabilities | \$2,606 | \$1,282 |

CBS Radio Indebtedness

In connection with the Company's previously announced plans to separate its radio business, in October 2016, CBS Radio borrowed \$1.46 billion through a \$1.06 billion senior secured term loan due 2023 ("Term Loan") and the issuance of \$400 million of 7.25% senior unsecured notes due 2024 through a private placement. The Term Loan bears interest at a rate equal to 3.50% plus the greater of the London Interbank Offered Rate ("LIBOR") and 1.00%. During the fourth quarter of 2016, CBS Radio prepaid \$100 million of the Term Loan, leaving \$960 million outstanding at December 31, 2016.

The Term Loan is part of a credit agreement which also includes a \$250 million senior secured revolving credit facility (the "Radio Revolving Credit Facility") which expires in 2021. Interest on the Radio Revolving Credit Facility is based on either LIBOR or a base rate plus a margin based on CBS Radio's Consolidated Net Secured Leverage Ratio. The Consolidated Net Secured Leverage Ratio reflects the ratio of CBS Radio's secured debt (less up to \$150 million of cash and cash equivalents) to CBS Radio's consolidated EBITDA (as defined in the credit agreement). The Radio Revolving Credit Facility requires CBS Radio to maintain a maximum Consolidated Net Secured Leverage Ratio of 4.00 to 1.00. At December 31, 2016, the total outstanding borrowing under the Radio Revolving Credit Facility was \$10 million.

This debt is guaranteed by certain subsidiaries of CBS Radio. The Company does not guarantee, or otherwise provide credit support for, the senior notes, Term Loan, or Radio Revolving Credit Facility.

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CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

5) RESTRUCTURING AND MERGER AND ACQUISITION-RELATED COSTS

During the year ended December 31, 2016, in a continued effort to reduce its cost structure, the Company initiated restructuring plans across several of its businesses, primarily for the reorganization of certain business operations. As a result, the Company recorded restructuring charges of \$30 million, reflecting \$19 million of severance costs and \$11 million of costs associated with exiting contractual obligations and other related costs. During the year ended December 31, 2015, the Company recorded restructuring charges of \$45 million, reflecting \$24 million of severance costs and \$21 million of costs associated with exiting contractual obligations and other related costs. During the year ended December 31, 2014, the Company recorded restructuring charges of \$19 million, reflecting \$11 million of severance costs and \$8 million of costs associated with exiting contractual obligations. As of December 31, 2016, the cumulative settlements for the 2016, 2015, and 2014 restructuring charges were \$55 million, of which \$33 million was for the severance costs and \$22 million related to costs associated with exiting contractual obligations. The Company expects to substantially utilize its restructuring reserves by the end of 2018.

| | Balance at December 31, 2015 | 2016 Charges | 2016 Settlements | Balance at December 31, 2016 |
|----------------|------------------------------------|-----------------|---------------------|------------------------------------|
| Entertainment | \$ 19 | \$ 16 | \$ (15) | \$ 20 |
| Cable Networks | — | 4 | — | 4 |
| Publishing | — | 1 | — | 1 |
| Local Media | 11 | 6 | (5) | 12 |
| Corporate | 1 | 3 | (2) | 2 |
| Total | \$ 31 | \$ 30 | \$ (22) | \$ 39 |
| | Balance at December 31, 2014 | 2015 Charges | 2015 Settlements | Balance at December 31, 2015 |
| Entertainment | \$ 6 | \$ 26 | \$ (13) | \$ 19 |
| Local Media | 5 | 19 | (13) | 11 |
| Corporate | 2 | — | (1) | 1 |
| Total | \$ 13 | \$ 45 | \$ (27) | \$ 31 |

In 2016, the Company incurred professional fees of \$8 million associated with merger and acquisition-related activities.

6) PROGRAMMING AND OTHER INVENTORY

| At December 31, | 2016 | 2015 |
|--|---------|---------|
| Acquired program rights | \$1,773 | \$1,532 |
| Internally produced programming: | | |
| Released | 1,746 | 1,261 |
| In process and other | 298 | 392 |
| Publishing, primarily finished goods | 49 | 42 |
| Total programming and other inventory | 3,866 | 3,227 |
| Less current portion | 1,427 | 1,270 |
| Total noncurrent programming and other inventory | \$2,439 | \$1,957 |

The Company expects to amortize approximately \$775 million of its released internally produced programming during the year ended December 31, 2017. In addition, while it is difficult to determine the precise timing of the amortization of the remaining released internally produced programming, the Company estimates that substantially all of the December 31, 2016 balance will be amortized over the next three years.

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CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

7) RELATED PARTIES

National Amusements, Inc. National Amusements, Inc. (“NAI”) is the controlling stockholder of CBS Corp. and Viacom Inc. Mr. Sumner M. Redstone, the controlling stockholder, chairman of the board of directors and chief executive officer of NAI, is the Chairman Emeritus of CBS Corp. and the Chairman Emeritus of Viacom Inc. In addition, Ms. Shari Redstone, Mr. Sumner M. Redstone’s daughter, is the president and a director of NAI and the vice chair of the Board of Directors of each of CBS Corp. and Viacom Inc. Mr. David R. Andelman is a director of CBS Corp. and serves as a director of NAI. At December 31, 2016, NAI directly or indirectly owned approximately 79.5% of CBS Corp.’s voting Class A Common Stock and owned approximately 9.5% of CBS Corp.’s Class A Common Stock and non-voting Class B Common Stock on a combined basis. NAI is controlled by Mr. Redstone through the Sumner M. Redstone National Amusements Trust (the “SMR Trust”), which owns 80% of the voting interest of NAI, and such voting interest of NAI held by the SMR Trust is voted solely by Mr. Redstone until his incapacity or death. The SMR Trust provides that in the event of Mr. Redstone’s death or incapacity, voting control of the NAI voting interest held by the SMR Trust will pass to seven trustees, who will include CBS Corporation directors Ms. Shari Redstone and Mr. David R. Andelman. No member of the Company’s management is a trustee of the SMR Trust.

In December 2016, the Company’s Board of Directors received a letter from NAI withdrawing NAI’s September 2016 request that the Company consider a potential combination of the Company and Viacom Inc. The Company has discontinued evaluating such potential transaction.

Viacom Inc. As part of its normal course of business, the Company licenses its television content, leases production facilities and sells advertising spots to various subsidiaries of Viacom Inc. Viacom Inc. also distributes certain of the Company’s television programs in the home entertainment market. The Company’s total revenues from these transactions were \$120 million, \$176 million and \$180 million for the years ended December 31, 2016, 2015 and 2014, respectively.

The Company places advertisements with and leases production facilities from various subsidiaries of Viacom Inc. The total amounts for these transactions were \$24 million, \$25 million and \$19 million for the years ended December 31, 2016, 2015 and 2014, respectively.

The following table presents the amounts due from Viacom Inc. in the normal course of business as reflected on the Company’s Consolidated Balance Sheets. Amounts due to Viacom Inc. were minimal at December 31, 2016 and 2015.

| At December 31, | 2016 | 2015 |
|--|-------|-------|
| Receivables | \$113 | \$114 |
| Other assets (Receivables, noncurrent) | 35 | 38 |
| Total amounts due from Viacom Inc. | \$148 | \$152 |

Other Related Parties The Company has equity interests in two domestic television networks and several international joint ventures for television channels, from which the Company earns revenues primarily by selling its television programming. Total revenues earned from sales to these joint ventures were \$112 million, \$160 million and \$122 million for the years ended December 31, 2016, 2015 and 2014, respectively. Total amounts due from these joint ventures were \$47 million and \$48 million at December 31, 2016 and 2015, respectively.

The Company, through the normal course of business, is involved in transactions with other related parties that have not been material in any of the periods presented.

CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

8) INVESTMENTS

The Company accounts for investments over which it has significant influence or ownership of more than 20% but less than or equal to 50%, without a controlling interest, under the equity method. Such investments include the Company's 50% interests in the broadcast network, The CW, and the entertainment cable network, Pop. In addition, the Company has interests in several international television joint ventures including a 49% interest in a joint venture with a subsidiary of AMC Networks Inc., which owns and operates six channels in the United Kingdom and Ireland, including CBS branded channels; a 30% interest in a joint venture with another subsidiary of AMC Networks Inc., which owns and operates six cable and satellite channels in Europe, the Middle East and Africa; a 33% interest in a joint venture with a subsidiary of Ten Network Holdings Limited to provide content to ELEVEN, a digital television channel service in Australia; and a 30% interest in a joint venture with RTL Group which owns and operates two cable channels in Southeast Asia.

At December 31, 2016 and 2015, respectively, the Company had \$227 million and \$224 million of equity investments that are included in "Other assets" on the Consolidated Balance Sheets.

Investments of 20% or less, over which the Company has no significant influence, that do not have a readily determinable fair value are accounted for under the cost method. At December 31, 2016 and 2015, respectively, the Company had \$34 million and \$32 million of cost investments that are included in "Other assets" on the Consolidated Balance Sheets.

The Company invested \$81 million during the year ended December 31, 2016 and \$98 million during each of the years ended December 31, 2015 and 2014 into its equity and cost investments.

For 2016, equity in loss of investee companies, net of tax on the statement of operations included \$10 million for the write-down of an international television joint venture to its fair value.

CBS CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Tabular dollars in millions, except per share amounts)

9) BANK FINANCING AND DEBT

The Company's debt consists of the following^(a):

| At December 31, | 2016 | 2015 |
|--|---------|---------|
| Commercial paper | \$450 | \$— |
| 7.625% Senior Debentures due 2016 | — | 200 |
| 1.95% Senior Notes due 2017 | 399 | 398 |
| 4.625% Senior Notes due 2018 | 305 | 309 |
| 2.30% Senior Notes due 2019 | 606 | 609 |
| 5.75% Senior Notes due 2020 | 499 | 498 |
| 4.30% Senior Notes due 2021 | 299 | 299 |
| 3.375% Senior Notes due 2022 | 695 | 694 |
| 7.875% Debentures due 2023 | 187 | 186 |
| 7.125% Senior Notes due 2023 ^(b) | 46 | 46 |
| 3.70% Senior Notes due 2024 | 596 | 596 |
| 3.50% Senior Notes due 2025 | 587 | 585 |
| 4.00% Senior Notes due 2026 | 783 | 781 |
| 2.90% Senior Notes due 2027 | 683 | — |
| 7.875% Senior Debentures due 2030 | 833 | 833 |
| 5.50% Senior Debentures due 2033 | 425 | 425 |
| 5.90% Senior Notes due 2040 | 297 | 297 |
| 4.85% Senior Notes due 2042 | 485 | 484 |
| 4.90% Senior Notes due 2044 | 538 | 538 |
| 4.60% Senior Notes due 2045 | 587 | 587 |
| Obligations under capital leases | 75 | 83 |
| Total debt ^(c) | 9,375 | 8,448 |
| Less commercial paper | 450 | — |
| Less current portion | 23 | 222 |
| Total long-term debt, net of current portion | \$8,902 | \$8,226 |

(a) Unless otherwise noted, the long-term debt instruments are issuances of CBS Corp. and are guaranteed by CBS Operations Inc.

(b) Debt instrument is an issuance of CBS Broadcasting Inc., a wholly owned subsidiary of CBS Corp., and has no guarantor.

(c) At December 31, 2016 and 2015, the senior debt balances included (i) a net unamortized discount of \$52 million and \$45 million, respectively, (ii) unamortized deferred financing costs of \$43 million and \$44 million, respectively, and (iii) an increase in the carrying value of the debt relating to previously settled fair value hedges of \$5 million and \$14 million, respectively. The face value of the Company's total debt was \$9.47 billion at December 31, 2016 and \$8.52 billion at December 31, 2015.

Long-term debt of \$1.35 billion at December 31, 2016 is included in discontinued operations on the Consolidated Balance Sheets (See Note 4).

During July 2016, the Company issued \$700 million of 2.90% senior notes due 2027.

During January 2016, the Company repaid its \$200 million of outstanding 7.625% senior debentures upon maturity.

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For the year ended December 31, 2015, debt issuances were as follows:

January 2015, \$600 million 3.50% senior notes due 2025

January 2015, \$600 million 4.60% senior notes due 2045

July 2015, \$800 million 4.00% senior notes due 2026

The Company used the net proceeds from the 2016 and 2015 issuances for general corporate purposes, including the repurchase of CBS Corp. Class B Common Stock and repayment of short-term borrowings, including commercial paper.

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CBS CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Tabular dollars in millions, except per share amounts)

At December 31, 2016, the Company classified \$399 million of debt maturing in July 2017 as long-term debt on the Consolidated Balance Sheet, reflecting its intent and ability to refinance this debt on a long-term basis.

At December 31, 2016, the Company's scheduled maturities of long-term debt at face value, excluding capital leases, were as follows:

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 and Thereafter |
|----------------|-------|-------|-------|-------|-------|------------------------|
| Long-term debt | \$400 | \$300 | \$600 | \$500 | \$300 | \$ 6,840 |

Commercial Paper

At December 31, 2016 the Company had \$450 million of outstanding commercial paper borrowings under its \$2.5 billion commercial paper program, at a weighted average interest rate of 0.98% and with remaining maturities of less than 45 days. There were no outstanding commercial paper borrowings at December 31, 2015.

Credit Facility

During June 2016, the Company amended and restated its \$2.5 billion revolving credit facility (the "Credit Facility"). The amended Credit Facility expires in June 2021 and contains provisions that are substantially similar to the previous credit facility, which was due to expire in December 2019. The Company, at its option, may also borrow in certain foreign currencies up to specified limits under the Credit Facility. Borrowing rates under the Credit Facility are determined at the Company's option at the time of each borrowing and are based generally on the prime rate in the U.S. or LIBOR plus a margin based on the Company's senior unsecured debt rating. The Company pays a facility fee based on the total amount of the commitments.

The Credit Facility requires the Company to maintain a maximum Consolidated Leverage Ratio of 4.5x at the end of each quarter as further described in the Credit Facility. At December 31, 2016, the Company's Consolidated Leverage Ratio was approximately 2.9x.

The Consolidated Leverage Ratio reflects the ratio of the Company's indebtedness from continuing operations, adjusted to exclude certain capital lease obligations, at the end of a quarter, to the Company's Consolidated EBITDA for the trailing four consecutive quarters. Consolidated EBITDA is defined in the Credit Facility as operating income plus interest income and before depreciation, amortization and certain other noncash items.

The Credit Facility is used for general corporate purposes. At December 31, 2016, the Company had no borrowings outstanding under the Credit Facility and the remaining availability under the Credit Facility, net of outstanding letters of credit, was \$2.49 billion.

10) FINANCIAL INSTRUMENTS

The carrying value of financial instruments approximates fair value, except for notes and debentures, which are not recorded at fair value. At December 31, 2016 and 2015, the carrying value of the Company's senior debt was \$8.85 billion and \$8.37 billion, respectively, and the fair value, which is estimated based on quoted market prices for similar liabilities (Level 2) and includes accrued interest, was \$9.51 billion and \$8.78 billion, respectively.

The Company uses derivative financial instruments primarily to modify its exposure to market risks from fluctuations in foreign currency exchange rates. The Company does not use derivative instruments unless there is an underlying exposure and, therefore, the Company does not hold or enter into derivative financial instruments for speculative trading purposes.

CBS CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Tabular dollars in millions, except per share amounts)

Foreign Exchange Contracts

Foreign exchange forward contracts have principally been used to hedge projected cash flows, in currencies such as the British Pound, the Euro, the Canadian Dollar and the Australian Dollar, generally for periods up to 24 months. The Company designates foreign exchange forward contracts used to hedge committed and forecasted foreign currency transactions as cash flow hedges. Gains or losses on the effective portion of designated cash flow hedges are initially recorded in other comprehensive income (loss) and reclassified to the statement of operations when the hedged item is recognized. Additionally, the Company enters into non-designated forward contracts to hedge non-U.S. dollar denominated cash flows.

At December 31, 2016 and 2015, the notional amount of all foreign currency contracts was \$433 million and \$291 million, respectively.

Interest Rate Swaps

All of the Company's long-term debt has been issued under fixed interest rate agreements. During 2014, in connection with the issuance of its \$600 million of 2.30% senior notes due 2019, the Company entered into \$600 million notional amount of fixed-to-floating rate swap agreements to hedge this debt. During 2015, prior to maturity, the Company settled these interest rate swaps and received \$12 million in cash, plus accrued interest. The resulting increase in the carrying value of the previously hedged debt is being amortized as a reduction to interest expense over the remaining term of the debt. The Company did not have any interest rate swaps outstanding at December 31, 2016 or December 31, 2015.

Gains recognized on derivative financial instruments were as follows:

| Year Ended December 31, | 2016 | 2015 | Financial Statement Account |
|---|-------|-------|--------------------------------|
| Non-designated foreign exchange contracts | \$ 33 | \$ 22 | Other items, net |
| Designated interest rate swaps | \$ — | \$ 7 | Interest expense |

The fair value of the Company's derivative instruments was not material to the Consolidated Balance Sheets for any of the periods presented.

The Company continually monitors its positions with, and credit quality of, the financial institutions that are counterparties to its financial instruments. The Company is exposed to credit loss in the event of nonperformance by the counterparties to the agreements. However, the Company does not anticipate nonperformance by the counterparties.

The Company's receivables do not represent significant concentrations of credit risk at December 31, 2016 and 2015, due to the wide variety of customers, markets and geographic areas to which the Company's products and services are sold.

CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

11) FAIR VALUE MEASUREMENTS

The following tables set forth the Company's assets and liabilities measured at fair value on a recurring basis at December 31, 2016 and 2015. These assets and liabilities have been categorized according to the three-level fair value hierarchy established by the FASB, which prioritizes the inputs used in measuring fair value. Level 1 is based on publicly quoted prices for the asset or liability in active markets. Level 2 is based on inputs that are observable other than quoted market prices in active markets, such as quoted prices for the asset or liability in inactive markets or quoted prices for similar assets or liabilities. Level 3 is based on unobservable inputs reflecting the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

At December 31, 2016

Level 1 Level 2 Level 3 Total

Assets:

Foreign currency hedges \$ —\$ 34 \$ —\$34

Total Assets \$ —\$ 34 \$ —\$34

Liabilities:

Deferred compensation \$ —\$ 347 \$ —\$347

Foreign currency hedges — 1 — \$1

Total Liabilities \$ —\$ 348 \$ —\$348

At December 31, 2015

Level 1 Level 2 Level 3 Total

Assets:

Foreign currency hedges \$ —\$ 13 \$ —\$13

Total Assets \$ —\$ 13 \$ —\$13

Liabilities:

Deferred compensation \$ —\$ 312 \$ —\$312

Total Liabilities \$ —\$ 312 \$ —\$312

The fair value of foreign currency hedges is determined based on the present value of future cash flows using observable inputs including foreign currency exchange rates. The fair value of deferred compensation liabilities is determined based on the fair value of the investments elected by employees.

12) STOCKHOLDERS' EQUITY

In general, CBS Corp. Class A Common Stock and CBS Corp. Class B Common Stock have the same economic rights; however, holders of CBS Corp. Class B Common Stock do not have any voting rights, except as required by law. Holders of CBS Corp. Class A Common Stock are entitled to one vote per share with respect to all matters on which the holders of CBS Corp. Common Stock are entitled to vote.

Dividends—On July 28, 2016, the Company announced that its Board of Directors approved a 20% increase to the quarterly cash dividend on its Class A and Class B Common Stock to \$.18 from \$.15 per share. The Company declared a quarterly cash dividend on its Class A and Class B Common Stock during each of the four quarters of 2016, 2015, and 2014. For the years ended December 31, 2016, 2015 and 2014, the Company declared total per share dividends of \$.66, \$.60, and \$.54, respectively, resulting in total annual dividends of \$294 million, \$293 million and \$296 million, respectively. Dividends have been recorded as a reduction to additional paid-in capital as the Company has an accumulated deficit balance.

Purchase of Company Stock—On July 28, 2016, the Company announced that its Board of Directors approved an increase to the Company's share repurchase program to a total availability of \$6.0 billion. During 2016, the Company repurchased 54.3 million shares of CBS Corp. Class B Common Stock under its share repurchase program for \$3.0 billion, at an average cost of \$55.15 per share. At December 31, 2016, \$4.11 billion of authorization remained under the share repurchase program.

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CBS CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Tabular dollars in millions, except per share amounts)

Conversion Rights—Holders of Class A Common Stock have the right to convert their shares to Class B Common Stock as long as there are at least 5,000 shares of Class A Common Stock outstanding. Conversions of CBS Corp. Class A Common Stock into Class B Common Stock were 0.1 million for both 2016 and 2015 and 1.3 million for 2014.

Accumulated Other Comprehensive Income —The following table presents the changes in the components of accumulated other comprehensive income (loss).

| | Continuing Operations | | | Discontinued Operations | | Accumulated Other Comprehensive Loss |
|--|---------------------------|-------------------------------|--|--------------------------|---------------------|--------------------------------------|
| | Net Actuarial Gain (Loss) | Unrealized Gain on Securities | Other Comprehensive Income (Loss) ^(a) | Other Comprehensive Loss | | |
| At December 31, 2013 | \$ 166 | \$ (729) | \$ 3 | \$ 15 | | \$ (545) |
| Other comprehensive income (loss) before reclassifications | (9) | (189) | — | 15 | | (183) |
| Reclassifications to net earnings | — | 26 | ^(b) (3) | (30) | ^(c) (7) | (7) |
| Other comprehensive loss | (9) | (163) | (3) | (15) | | (190) |
| At December 31, 2014 | 157 | (892) | — | — | | (735) |
| Other comprehensive income (loss) before reclassifications | (5) | (66) | — | — | | (71) |
| Reclassifications to net earnings | — | 36 | ^(b) — | — | | 36 |
| Other comprehensive loss | (5) | (30) | — | — | | (35) |
| At December 31, 2015 | 152 | (922) | — | — | | (770) |
| Other comprehensive income (loss) before reclassifications | (1) | (165) | — | — | | (166) |
| Reclassifications to net earnings | — | 169 | ^(b) — | — | | 169 |
| Other comprehensive income (loss) | (1) | 4 | — | — | | 3 |
| At December 31, 2016 | \$ 151 | \$ (918) | \$ — | \$ — | | \$ (767) |

(a) Primarily reflects cumulative translation adjustments.

(b) Reflects amortization of net actuarial losses (See Note 15).

(c) Reclassified in connection with the disposal of Outdoor Americas in 2014 and Outdoor Europe in 2013 (See Note 4).

The net actuarial gain (loss) and prior service cost related to pension and other postretirement benefit plans included in other comprehensive income (loss) is net of a tax (provision) benefit for the years ended December 31, 2016, 2015 and 2014 of \$(3) million, \$19 million and \$105 million, respectively. The tax provision related to the other comprehensive loss from discontinued operations and the tax provision related to the unrealized gain on securities were minimal for all periods presented.

13) STOCK-BASED COMPENSATION

The Company has equity incentive plans (the “Plans”) under which stock options, RSUs and market-based performance share units (“PSUs”) were issued. The purpose of the Plans is to benefit and advance the interests of the Company by

attracting, retaining and motivating participants and to compensate participants for their contributions to the financial success of the Company. The Plans provide for awards of stock options, stock appreciation rights, restricted and unrestricted shares, RSUs, dividend equivalents, performance awards and other equity-related awards. Upon exercise of stock options or vesting of RSUs and PSUs, the Company issues new shares from its existing authorization. At December 31, 2016, there were 48 million shares available for future grant under the Plans.

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CBS CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Tabular dollars in millions, except per share amounts)

The following table summarizes the Company's stock-based compensation expense for the years ended December 31, 2016, 2015 and 2014.

| Year Ended December 31, | 2016 | 2015 | 2014 |
|---|-------|-------|-------|
| RSUs and PSUs | \$137 | \$129 | \$116 |
| Stock options | 28 | 28 | 21 |
| Stock-based compensation expense, before income taxes | 165 | 157 | 137 |
| Related tax benefit | (63) | (61) | (55) |
| Stock-based compensation expense, net of tax benefit | \$102 | \$96 | \$82 |

Included in net earnings (loss) from discontinued operations was stock-based compensation expense of \$12 million for 2016 and \$17 million for each of the years 2015 and 2014.

RSUs and PSUs

Compensation expense for RSUs is determined based upon the market price of the shares underlying the awards on the date of grant and expensed over the vesting period, which is generally a one- to four-year service period. Certain RSU awards are also subject to satisfying performance conditions. Compensation expense is recorded based on the probable outcome of the performance conditions. Forfeitures for RSUs are estimated on the date of grant based on historical forfeiture rates. On an annual basis, the Company adjusts the compensation expense based on actual forfeitures and revises the forfeiture rate as necessary.

During 2016, the Company also granted a PSU award. The number of shares that will be issued upon vesting of the PSU is based on the Company's stock price performance over a designated measurement period, as well as the achievement of established operating goals. The fair value of the PSU award is determined using a Monte Carlo simulation model. Compensation expense for the PSU is expensed over the required employee service period.

The weighted average grant date fair value of RSUs was \$47.30, \$59.11 and \$62.70 in 2016, 2015, and 2014, respectively. The total market value of RSUs that vested during 2016, 2015, and 2014 was \$129 million, \$212 million and \$319 million, respectively. Total unrecognized compensation cost related to non-vested RSUs at December 31, 2016 was \$181 million which is expected to be recognized over a weighted average period of 2.3 years.

The following table summarizes the Company's RSU activity.

| | RSUs | Weighted Average Grant Date Fair Value |
|---------------------------------|-------------|---|
| Non-vested at December 31, 2015 | 5,745,080 | \$ 54.88 |
| Granted | 3,702,313 | \$ 47.30 |
| Vested | (2,731,513) | \$ 50.04 |
| Forfeited | (258,260) | \$ 55.19 |
| Non-vested at December 31, 2016 | 6,457,620 | \$ 52.57 |

Stock Options

Compensation expense for stock options is determined based on the grant date fair value of the award calculated using the Black-Scholes options-pricing model. Stock options generally vest over a three- to four-year service period and expire eight years from the date of grant. Forfeitures are estimated on the date of grant based on historical forfeiture rates. On an annual basis, the Company adjusts the compensation expense based on actual forfeitures and revises the forfeiture rate as necessary.

CBS CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Tabular dollars in millions, except per share amounts)

The weighted average fair value of stock options as of the grant date was \$12.30, \$15.73 and \$18.23 in 2016, 2015, and 2014, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

| | 2016 | 2015 | 2014 |
|----------------------------------|---------|---------|---------|
| Expected dividend yield | 1.31 % | 1.25 % | 1.25 % |
| Expected stock price volatility | 32.55 % | 31.45 % | 33.06 % |
| Risk-free interest rate | 1.35 % | 1.63 % | 1.60 % |
| Expected term of options (years) | 5.00 | 5.00 | 5.00 |

The expected stock price volatility is determined using a weighted average of historical volatility for CBS Corp. Class B Common Stock and implied volatility of publicly traded options to purchase CBS Corp. Class B Common Stock. Given the existence of an actively traded market for CBS Corp. options, the Company was able to derive implied volatility using publicly traded options to purchase CBS Corp. Class B Common Stock that were trading near the grant date of the employee stock options at a similar exercise price and a remaining term of greater than one year.

The risk-free interest rate is based on a U.S. Treasury rate in effect on the date of grant with a term equal to the expected term. The expected term is determined based on historical employee exercise and post-vesting termination behavior. The expected dividend yield represents the Company's future expectation of the dividend yield based on current rates and historical patterns of dividend changes.

Total unrecognized compensation cost related to non-vested stock option awards at December 31, 2016 was \$42 million, which is expected to be recognized over a weighted average period of 2.2 years.

The following table summarizes the Company's stock option activity under the Plans.

| | Stock Options | Weighted Average Exercise Price |
|----------------------------------|---------------|------------------------------------|
| Outstanding at December 31, 2015 | 11,305,035 | \$ 41.75 |
| Granted | 1,750,577 | \$ 46.12 |
| Exercised | (1,042,839) | \$ 20.16 |
| Forfeited or expired | (101,126) | \$ 57.52 |
| Outstanding at December 31, 2016 | 11,911,647 | \$ 44.14 |
| Exercisable at December 31, 2016 | 7,352,349 | \$ 38.16 |

The following table summarizes other information relating to stock option exercises during the years ended December 31, 2016, 2015 and 2014.

| Year Ended December 31, | 2016 | 2015 | 2014 |
|---|-------|-------|-------|
| Cash received from stock option exercises | \$ 21 | \$142 | \$283 |
| Tax benefit of stock option exercises | \$ 14 | \$74 | \$200 |
| Intrinsic value of stock option exercises | \$ 37 | \$192 | \$517 |

CBS CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Tabular dollars in millions, except per share amounts)

The following table summarizes information concerning outstanding and exercisable stock options to purchase CBS Corp. Class B Common Stock under the Plans at December 31, 2016.

| Range of Exercise Price of Options | Outstanding | | Exercisable | | |
|------------------------------------|-------------|------------------------------------|---------------------------------|-------------------|---------------------------------|
| | Number | Remaining Contractual Life (Years) | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| \$5 to 9.99 | 301,305 | 0.35 | \$ 5.28 | 301,305 | \$ 5.28 |
| \$10 to 19.99 | 320,447 | 1.66 | \$ 14.12 | 320,447 | \$ 14.12 |
| \$20 to 29.99 | 2,415,271 | 2.85 | \$ 27.72 | 2,415,271 | \$ 27.72 |
| \$30 to 39.99 | 1,314,623 | 3.75 | \$ 34.13 | 1,314,623 | \$ 34.13 |
| \$40 to 49.99 | 3,767,119 | 5.54 | \$ 45.01 | 1,487,149 | \$ 44.41 |
| \$50 to 59.99 | 1,785,593 | 6.03 | \$ 59.54 | 490,242 | \$ 59.54 |
| \$60 to 69.99 | 2,007,289 | 5.14 | \$ 65.77 | 1,023,312 | \$ 65.89 |
| | 11,911,647 | | | 7,352,349 | |

At December 31, 2016 stock options outstanding have a weighted average remaining contractual life of 4.57 years and the total intrinsic value for “in-the-money” options, based on the Company’s closing stock price of \$63.62, was \$236 million. At December 31, 2016 stock options exercisable have a weighted average remaining contractual life of 3.64 years and the total intrinsic value for “in-the-money” exercisable options was \$189 million.

14) INCOME TAXES

The U.S. and foreign components of earnings from continuing operations before income taxes and equity in loss of investee companies were as follows:

| Year Ended December 31, 2016 | 2015 | 2014 | |
|------------------------------|---------|---------|---------|
| United States | \$1,803 | \$1,840 | \$1,484 |
| Foreign | 427 | 424 | 374 |
| Total | \$2,230 | \$2,264 | \$1,858 |

The components of the provision for income taxes were as follows:

| Year Ended December 31, 2016 | 2015 | 2014 | |
|------------------------------|-------|-------|--------|
| Current: | | | |
| Federal | \$359 | \$110 | \$(17) |
| State and local | 64 | 30 | 15 |
| Foreign | 61 | 91 | 69 |
| | 484 | 231 | 67 |
| Deferred | 144 | 445 | 592 |
| Provision for income taxes | \$628 | \$676 | \$659 |

In addition, included in net earnings (loss) from discontinued operations was an income tax (provision) benefit of \$(124) million, \$82 million and \$(129) million in 2016, 2015, and 2014, respectively.

The equity in loss of investee companies is shown net of tax on the Company’s Consolidated Statements of Operations. The tax benefits relating to losses from equity investments in 2016, 2015, and 2014 were \$25 million, \$22 million, and \$31 million, respectively, which represented an effective tax rate of 33.5% for 2016 and 38.7% for each of the years 2015 and 2014.

In 2016 and 2015, the Company realized tax benefits from the exercise of stock options and vesting of RSUs of \$57 million and \$148 million, respectively.

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CBS CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Tabular dollars in millions, except per share amounts)

The difference between income taxes expected at the U.S. federal statutory income tax rate of 35% and the provision for income taxes is summarized as follows:

| Year Ended December 31, | 2016 | 2015 | 2014 |
|---|--------|--------|-------|
| Taxes on income at U.S. federal statutory rate | \$780 | \$792 | \$650 |
| State and local taxes, net of federal tax benefit | 59 | 55 | 104 |
| Effect of foreign operations | (112) | (100) | (90) |
| Domestic production deduction | (42) | (25) | — |
| Sales of businesses | — | (42) | — |
| Audit settlements, net | — | (9) | (4) |
| Other, net ^(a) | (57) | 5 | (1) |
| Provision for income taxes | \$628 | \$676 | \$659 |

(a) 2016 includes a one-time tax benefit of \$47 million associated with a multiyear adjustment to a tax deduction, which was approved by the IRS during the third quarter of 2016.

The following table summarizes the components of deferred income tax assets and liabilities.

| At December 31, | 2016 | 2015 |
|---|---------|---------|
| Deferred income tax assets: | | |
| Reserves and other accrued liabilities | \$671 | \$682 |
| Pension, postretirement and other employee benefits | 843 | 791 |
| Tax credit and loss carryforwards | 966 | 934 |
| Other | 113 | 102 |
| Total deferred income tax assets | 2,593 | 2,509 |
| Valuation allowance | (928) | (914) |
| Deferred income tax assets, net | 1,665 | 1,595 |
| Deferred income tax liabilities: | | |
| Intangible assets | (1,469) | (1,333) |
| Unbilled licensing receivables | (636) | (599) |
| Property, equipment and other assets | (140) | (155) |
| Total deferred income tax liabilities | (2,245) | (2,087) |
| Deferred income tax liabilities, net | \$(580) | \$(492) |

In addition to the deferred income taxes reflected in the table above, included in the liabilities of discontinued operations on the Consolidated Balance Sheets are net deferred income tax liabilities of \$975 million and \$990 million at December 31, 2016 and 2015, respectively.

At December 31, 2016, the Company had net operating loss carryforwards for federal, state and local, and foreign jurisdictions of approximately \$980 million, the majority of which expire in various years from 2017 through 2036.

The 2016 and 2015 deferred income tax assets were reduced by a valuation allowance of \$928 million and \$914 million, respectively, principally relating to income tax benefits from capital losses and net operating losses in foreign jurisdictions which are not expected to be realized.

The Company's share of the undistributed earnings of certain foreign subsidiaries not included in its consolidated federal income tax return that could be subject to additional income taxes if remitted was approximately \$4.55 billion at December 31, 2016 and \$4.15 billion at December 31, 2015. For certain foreign subsidiaries, no provision has been recorded for the U.S. or foreign taxes that could result from the remittance of such undistributed earnings since the

Company intends to distribute only the portion of such earnings which would be offset by U.S. foreign tax credits or remitted in tax-free transactions, and intends to reinvest the remainder outside the U.S. indefinitely. The determination of the unrecognized U.S. federal deferred income tax liability for such undistributed earnings is not practicable.

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CBS CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Tabular dollars in millions, except per share amounts)

The following table sets forth the change in the reserve for uncertain tax positions, excluding related accrued interest and penalties.

| | |
|--|--------|
| At January 1, 2014 | \$ 139 |
| Additions for current year tax positions | 14 |
| Additions for prior year tax positions | 31 |
| Reductions for prior year tax positions | (26) |
| Cash settlements | (16) |
| Statute of limitations lapses | (2) |
| At December 31, 2014 | 140 |
| Additions for current year tax positions | 14 |
| Additions for prior year tax positions | 6 |
| Reductions for prior year tax positions | (32) |
| Cash settlements | (23) |
| Statute of limitations lapses | (1) |
| At December 31, 2015 | 104 |
| Additions for current year tax positions | 9 |
| Additions for prior year tax positions | 4 |
| Reductions for prior year tax positions | (8) |
| Cash settlements | (6) |
| Statute of limitations lapses | (1) |
| At December 31, 2016 | \$ 102 |

At December 31, 2016 and 2015, \$20 million and \$25 million, respectively, of the reserve for uncertain tax positions were included in “Liabilities of discontinued operations” on the Consolidated Balance Sheets.

The reserve for uncertain tax positions of \$102 million at December 31, 2016 includes \$76 million which would affect the Company’s effective income tax rate, including discontinued operations, if and when recognized in future years.

The Company recognizes interest and penalty charges related to the reserve for uncertain tax positions as income tax expense. The Company recognized interest and penalties of \$7 million for each of the years ended December 31, 2016 and 2015, and \$14 million for the year ended December 31, 2014, in the Consolidated Statements of Operations. As of December 31, 2016 and 2015, the Company has recorded liabilities for accrued interest and penalties of \$35 million and \$33 million, respectively, on the Consolidated Balance Sheets.

During 2015, the Company and the IRS settled the Company’s income tax audit for the years 2011 and 2012, which did not have a material effect on the Company’s consolidated financial statements. The IRS is expected to commence its examination of the years 2013, 2014 and 2015 during 2017. In addition, various tax years are currently under examination by state and local and other foreign tax authorities. With respect to open tax years in all jurisdictions, the Company does not currently believe that it is reasonably possible that the reserve for uncertain tax positions will significantly change within the next twelve months; however, it is difficult to predict the final outcome or timing of resolution of any particular tax matter and accordingly, unforeseen events could cause the Company’s expectation to change in the future.

15) PENSION AND OTHER POSTRETIREMENT BENEFITS

The Company and certain of its subsidiaries sponsor qualified and non-qualified defined benefit pension plans, principally non-contributory, covering eligible employees. The majority of participants in these plans are retired employees or former employees of previously divested businesses. Most of the Company’s pension plans are closed to

new entrants. The benefits for some plans are based primarily on an employee's years of service and average pay near retirement. Benefits under other plans are based primarily on an employee's pay for each year that the employee

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participated in the plan. Participating employees are vested in the plans after five years of service. The Company funds its pension plans in accordance with the Employee Retirement Income Security Act of 1974 (“ERISA”), the Pension Protection Act of 2006, the Internal Revenue Code of 1986 and the applicable rules and regulations. Plan assets consist principally of corporate bonds, equity securities and U.S. government securities. The Company’s common stock represents approximately 2.8% and 1.8% of the plan assets’ fair values at December 31, 2016 and 2015, respectively.

In September 2016, the Company offered eligible former employees who had not yet initiated pension benefit payments the option to make a one-time election to receive the present value of their pension benefits as a lump-sum distribution or to commence an immediate monthly annuity benefit. As a result, the Company paid a total of \$518 million of lump-sum distributions in 2016 using its pension plan assets, representing 12% of the total obligations of its qualified pension plans. Accordingly, the Company recorded a one-time settlement charge of \$211 million, reflecting the accelerated recognition of a portion of unamortized actuarial losses in the plan.

In addition, the Company sponsors health and welfare plans that provide postretirement health care and life insurance benefits to eligible retired employees and their covered dependents. Eligibility is based in part on certain age and service requirements at the time of their retirement. Most of the plans are contributory and contain cost-sharing features such as deductibles and coinsurance which are adjusted annually. Claims are paid primarily with the Company’s funds.

The Company uses a December 31 measurement date for all pension and other postretirement benefit plans.

The following table sets forth the change in benefit obligation for the Company’s pension and postretirement benefit plans.

| | Pension Benefits | | Postretirement Benefits | |
|---------------------------------------|------------------|---------|-------------------------|-------|
| | 2016 | 2015 | 2016 | 2015 |
| Change in benefit obligation: | | | | |
| Benefit obligation, beginning of year | \$4,911 | \$5,323 | \$486 | \$562 |
| Service cost | 29 | 31 | — | — |
| Interest cost | 215 | 209 | 20 | 20 |
| Actuarial loss (gain) | 353 | (210) | (5) | (45) |
| Benefits paid | (328) | (416) | (69) | (66) |
| Participants’ contributions | — | — | 11 | 11 |
| Retiree Medicare drug subsidy | — | — | 4 | 4 |
| Settlements | (518) | — | — | — |
| Cumulative translation adjustments | (2) | (26) | — | — |
| Benefit obligation, end of year | \$4,660 | \$4,911 | \$447 | \$486 |

CBS CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Tabular dollars in millions, except per share amounts)

The following table sets forth the change in plan assets for the Company's pension and postretirement benefit plans.

| | Pension Benefits | | Postretirement Benefits | |
|--|------------------|---------|-------------------------|-------|
| | 2016 | 2015 | 2016 | 2015 |
| Change in plan assets: | | | | |
| Fair value of plan assets, beginning of year | \$3,734 | \$4,224 | \$ 4 | \$ 5 |
| Actual return (loss) on plan assets | 305 | (99) | — | — |
| Employer contributions | 52 | 52 | 54 | 50 |
| Benefits paid | (328) | (416) | (69) | (66) |
| Participants' contributions | — | — | 11 | 11 |
| Retiree Medicare drug subsidy | — | — | 4 | 4 |
| Settlements | (518) | — | — | — |
| Cumulative translation adjustments | (1) | (27) | — | — |
| Fair value of plan assets, end of year | \$3,244 | \$3,734 | \$ 4 | \$ 4 |

The funded status of pension and postretirement benefit obligations and the related amounts recognized on the Company's Consolidated Balance Sheets were as follows:

| | Pension Benefits | | Postretirement Benefits | |
|--|------------------|-----------|-------------------------|---------|
| | 2016 | 2015 | 2016 | 2015 |
| At December 31, | | | | |
| Funded status at end of year | \$(1,416) | \$(1,177) | \$(443) | \$(482) |
| Amounts recognized on the Consolidated Balance Sheets: | | | | |
| Other assets | \$13 | \$17 | \$— | \$— |
| Current liabilities | (53) | (51) | (50) | (50) |
| Noncurrent liabilities | (1,376) | (1,143) | (393) | (432) |
| Net amounts recognized | \$(1,416) | \$(1,177) | \$(443) | \$(482) |

The Company's qualified pension plans were underfunded by \$742 million and \$533 million at December 31, 2016 and 2015, respectively.

The following amounts were recognized in accumulated other comprehensive income (loss) on the Consolidated Balance Sheets.

| | Pension Benefits | | Postretirement Benefits | |
|--|------------------|-----------|-------------------------|-------|
| | 2016 | 2015 | 2016 | 2015 |
| At December 31, | | | | |
| Net actuarial (loss) gain | \$(1,827) | \$(1,848) | \$230 | \$246 |
| Net prior service cost | (7) | (9) | — | — |
| Share of equity investee | (1) | (1) | — | — |
| | (1,835) | (1,858) | 230 | 246 |
| Deferred income taxes | 725 | 734 | (38) | (44) |
| Net amount recognized in accumulated other comprehensive income (loss) | \$(1,110) | \$(1,124) | \$192 | \$202 |

The accumulated benefit obligation for all defined benefit pension plans was \$4.59 billion and \$4.83 billion at December 31, 2016 and 2015, respectively.

Information for the pension plans with an accumulated benefit obligation in excess of plan assets is set forth below.

At December 31, 2016 2015

| | | |
|--------------------------------|---------|---------|
| Projected benefit obligation | \$4,558 | \$4,795 |
| Accumulated benefit obligation | \$4,485 | \$4,717 |
| Fair value of plan assets | \$3,129 | \$3,602 |

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CBS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular dollars in millions, except per share amounts)

The following tables present the components of net periodic benefit cost and amounts recognized in other comprehensive income (loss).

| Year Ended December 31, | Pension Benefits | | | Postretirement Benefits | | |
|---|------------------|-------|-------|-------------------------|----------------|-------|
| | 2016 | 2015 | 2014 | 2016 | 2015 | 2014 |
| Components of net periodic cost: | | | | | | |
| Service cost | \$29 | \$31 | \$31 | \$— | \$— | \$— |
| Interest cost | 215 | 209 | 237 | 20 | 20 | 25 |
| Expected return on plan assets | (227) | (261) | (262) | — | — | — |
| Amortization of actuarial losses (gains) | 84 | 79 | 63 | (21) | (21) | (21) |
| Amortization of prior service cost (credit) | 1 | 1 | 1 | — | — | (1) |
| Settlements | 211 | — | — | — | — | — |
| Net periodic cost | \$313 | \$59 | \$70 | \$(1) | \$(1) | \$3 |
| | | | | Pension | Postretirement | |
| Year Ended December 31, 2016 | | | | Benefits | Benefits | |
| Other comprehensive income (loss): | | | | | 45 | |
| Actuarial (loss) gain | | | | \$(275) | \$5 | |
| Amortization of actuarial losses (gains) ^(a) | | | | 84 | (21) | |
| Amortization of prior service cost ^(a) | | | | 1 | — | |
| Settlements ^(a) | | | | 211 | — | |
| Cumulative translation adjustments | | | | 2 | — | |
| | | | | 23 | (16) | |
| Deferred income taxes | | | | (9) | 6 | |
| Recognized in other comprehensive income (loss), net of tax | | | | \$14 | \$ (10) | |

(a) Reflects amounts reclassified from accumulated other comprehensive income (loss) to net earnings.

Estimated net actuarial losses and prior service costs related to the defined benefit pension plans of approximately \$101 million and \$1 million, respectively, will be amortized from accumulated other comprehensive income (loss) into net periodic benefit costs in 2017.

Estimated net actuarial gains related to the other postretirement benefit plans of approximately \$22 million will be amortized from accumulated other comprehensive income (loss) into net periodic benefit costs in 2017.

| | Pension Benefits | | Postretirement Benefits | |
|---|------------------|------|-------------------------|-------|
| | 2016 | 2015 | 2016 | 2015 |
| Weighted average assumptions used to determine benefit obligations at December 31: | | | | |
| Discount rate | 4.3% | 4.6% | 4.1 % | 4.2 % |
| Rate of compensation increase | 3.0% | 3.0% | N/A | N/A |
| Weighted average assumptions used to determine net periodic costs for the year ended December 31: | | | | |
| Discount rate | 4.6% | 4.1% | 4.2 % | 3.8 % |
| Expected long-term return on plan assets | 6.4% | 6.5% | 2.0 % | 2.0 % |
| Rate of compensation increase | 3.0% | 3.0% | N/A | N/A |
| N/A - not applicable | | | | |

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The discount rates are determined primarily based on the yield on a portfolio of high quality bonds, constructed to provide cash flows necessary to meet the Company's pension plans' expected future benefit payments, as determined for the projected benefit obligations. The expected return on plan assets assumption is derived using the current and expected asset allocation of the pension plan assets and considering historical as well as expected returns on various classes of plan assets.

The following additional assumptions were used in accounting for postretirement benefits.

| | 2016 | 2015 |
|---------------------------------------|-------|-------|
| Projected health care cost trend rate | 6.6 % | 7.0 % |
| Ultimate trend rate | 5.0 % | 5.0 % |
| Year ultimate trend rate is achieved | 2021 | 2021 |

A one percentage point change in assumed health care cost trend rates would have the following effects:

| | One Percentage Point Increase | One Percentage Point Decrease |
|---|----------------------------------|----------------------------------|
| Effect on total service and interest cost components | \$ — | \$ — |
| Effect on the accumulated postretirement benefit obligation | \$ 5 | \$ (5) |

Plan Assets

The asset allocations for the Company's U.S. qualified defined benefit pension plan trust and international pension plan trusts are based upon an analysis of the timing and amount of projected benefit payments, projected company contributions, the expected returns and risk of the asset classes and the correlation of those returns. The target asset allocation for the Company's U.S. pension plan trust, which accounted for 95% of total plan assets at December 31, 2016, is to invest between 70% - 80% in long duration fixed income investments, 16% - 28% in equity securities and the remainder in cash and other investments. At December 31, 2016, this trust was invested approximately 74% in long duration fixed income portfolios, 24% in equity investments, and the remainder in cash, cash equivalents and other investments. Other trusts, which fund the Company's international pension plans, accounted for 5% of total plan assets at December 31, 2016 and are invested approximately 70% in fixed income investments, 21% in equity investments, and the remainder in cash, cash equivalents and other investments. Long duration fixed income investments primarily consist of a diversified portfolio of investment grade fixed income instruments with a duration that approximates the duration of the liabilities covered by the trust. All equity portfolios are diversified between U.S. and non-U.S. equities and include large and small capitalization equities. The asset allocations are reviewed regularly.

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 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Tabular dollars in millions, except per share amounts)

The following tables set forth the Company's pension plan assets measured at fair value on a recurring basis at December 31, 2016 and 2015. These assets have been categorized according to the three-level fair value hierarchy established by the FASB which prioritizes the inputs used in measuring fair value. Level 1 is based on quoted prices for the asset in active markets. Level 2 is based on inputs that are observable other than quoted market prices in active markets, such as quoted prices for the asset in inactive markets or quoted prices for similar assets. Level 3 is based on unobservable inputs that market participants would use in pricing the asset.

| At December 31, 2016 | Level 1 | Level 2 | Level 3 | Total |
|--|---------|----------|---------|----------|
| Cash and cash equivalents ^(a) | \$ 11 | \$ 53 | \$ — | \$ 64 |
| Fixed income securities: | | | | |
| U.S. treasury securities | 132 | — | — | 132 |
| Government-related securities | 18 | 207 | — | 225 |
| Corporate bonds ^(b) | — | 1,895 | — | 1,895 |
| Mortgage-backed and asset-backed securities | — | 135 | 2 | 137 |
| Equity securities: | | | | |
| U.S. large capitalization | 187 | 3 | — | 190 |
| U.S. small capitalization | 64 | — | — | 64 |
| International equity | — | 3 | — | 3 |
| Other | — | (18) | — | (18) |
| Total assets in fair value hierarchy | \$ 412 | \$ 2,278 | \$ 2 | \$ 2,692 |
| Common collective funds measured at net asset value ^{(c) (d)} | | | | 521 |
| Limited partnerships measured at net asset value ^(c) | | | | 31 |
| Investments, at fair value | | | | \$ 3,244 |
| At December 31, 2015 | Level 1 | Level 2 | Level 3 | Total |
| Cash and cash equivalents ^(a) | \$ 3 | \$ 72 | \$ — | \$ 75 |
| Fixed income securities: | | | | |
| U.S. treasury securities | 118 | — | — | 118 |
| Government-related securities | 29 | 260 | — | 289 |
| Corporate bonds ^(b) | — | 2,196 | — | 2,196 |
| Mortgage-backed and asset-backed securities | — | 114 | 2 | 116 |
| Equity securities: | | | | |
| U.S. large capitalization | 233 | 3 | — | 236 |
| U.S. small capitalization | 70 | — | — | 70 |
| International equity | — | 4 | — | 4 |
| Other | — | 22 | — | 22 |
| Total assets in fair value hierarchy | \$ 453 | \$ 2,671 | \$ 2 | \$ 3,126 |
| Common collective funds measured at net asset value ^{(c) (d)} | | | | 565 |
| Limited partnerships measured at net asset value ^(c) | | | | 43 |
| Investments, at fair value | | | | \$ 3,734 |

(a) Assets categorized as Level 2 reflect investments in money market funds.

(b) Securities of diverse sectors and industries, substantially all investment grade.

(c) In accordance with FASB guidance investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy.

(d) Underlying investments consist mainly of U.S. large capitalization and international equity securities.

Money market investments are carried at amortized cost which approximates fair value due to the short-term maturity of these investments. Investments in equity securities are reported at fair value based on quoted market prices on national security exchanges. The fair value of investments in common collective funds are determined using the net asset value (“NAV”) provided by the administrator of the fund as a practical expedient. The NAV is determined by each fund’s trustee based upon the fair value of the underlying assets owned by the fund, less liabilities, divided by the number of outstanding units. The fair value of U.S. treasury securities is determined based on quoted market

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 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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prices in active markets. The fair value of government related securities and corporate bonds is determined based on quoted market prices on national security exchanges, when available, or using valuation models which incorporate certain other observable inputs including recent trading activity for comparable securities and broker quoted prices. The fair value of mortgage-backed and asset-backed securities is based upon valuation models which incorporate available dealer quotes, projected cash flows and market information. The fair value of limited partnerships has been estimated using the NAV of the ownership interest. The NAV is determined using quarterly financial statements issued by the partnership which determine the value based on the fair value of the underlying investments.

The table below sets forth a summary of changes in the fair value of investments reflected as Level 3 at December 31, 2016.

| | Mortgage-backed Securities |
|--------------------------------------|-------------------------------|
| At January 1, 2015 | \$ 3 |
| Contributions and distributions, net | (1) |
| At December 31, 2015 | 2 |
| Contributions and distributions, net | — |
| At December 31, 2016 | \$ 2 |

The Company's other postretirement benefits plan assets of \$4 million at both December 31, 2016 and 2015, were invested in U.S. fixed income index funds, which are categorized as Level 1 assets.

Future Benefit Payments

Estimated future benefit payments are as follows:

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022-2026 |
|-------------------------------|--------|--------|--------|--------|--------|-----------|
| Pension | \$419 | \$356 | \$347 | \$336 | \$328 | \$ 1,491 |
| Postretirement | \$58 | \$56 | \$53 | \$51 | \$47 | \$ 192 |
| Retiree Medicare drug subsidy | \$(8) | \$(8) | \$(7) | \$(7) | \$(7) | \$(32) |

In January 2017, the Company made discretionary contributions of \$100 million to pre-fund its qualified pension plans. In 2017, the Company expects to make contributions of approximately \$54 million to its non-qualified pension plans to satisfy the benefit payments due under these plans. Also in 2017, the Company expects to contribute approximately \$50 million to its other postretirement benefit plans to satisfy the Company's portion of benefit payments due under these plans.

Multiemployer Pension and Postretirement Benefit Plans

The Company contributes to a number of multiemployer defined benefit pension plans under the terms of collective bargaining agreements that cover its union-represented employees including talent, writers, directors, producers and other employees, primarily in the entertainment industry. The other employers participating in these multiemployer plans are primarily in the entertainment and other related industries. The risks of participating in multiemployer plans are different from single-employer plans as assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers and if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. In addition, if the Company chooses to stop participating in some of its multiemployer plans it may be required to pay those plans a withdrawal liability based on the underfunded status of the plan.

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The financial health of a multiemployer plan is indicated by the zone status, as defined by the Pension Protection Act of 2006, which represents the funded status of the plan as certified by the plan's actuary. Plans in the red zone are less than 65% funded, the yellow zone are between 65% and 80% funded, and green zone are at least 80% funded.

The table below presents information concerning the Company's participation in multiemployer defined benefit pension plans.

| Pension Plan | Employer Identification | Pension Protection Act | | Company Contributions | | | Expiration Date of Collective Bargaining Agreement |
|---------------------------------------|-------------------------|------------------------|-------|-----------------------|-------|-------|--|
| | | Zone Status (a) | 2016 | 2015 | 2016 | 2015 | 2014 |
| AFTRA Retirement Plan (b) | 13-6414972-001 | Green | Green | \$ 6 | \$ 5 | \$ 5 | (c) |
| Directors Guild of America - Producer | 95-2892780-001 | Green | Green | 6 | 6 | 5 | 6/30/2020 |
| Producer-Writers Guild of America | 95-2216351-001 | Green | Green | 12 | 11 | 10 | 5/1/2017 |
| Screen Actors Guild - Producers | 95-2110997-001 | Green | Green | 11 | 9 | 7 | 6/30/2017 |
| Motion Picture Industry | 95-1810805-001 | Green | Green | 11 | 10 | 8 | (d) |
| Other Plans | | | | 14 | 9 | 10 | |
| | Total contributions | | | \$ 60 | \$ 50 | \$ 45 | |

(a) The Zone status for each individual plan listed was certified by each plan's actuary as of the beginning of the plan years for 2016 and 2015. The plan year is the twelve months ending December 31 for each plan listed above except AFTRA Retirement Plan which has a plan year ending November 30.

(b) The Company was listed in AFTRA Retirement Plan's Form 5500 as providing more than 5% of total contributions for the plan year ended November 30, 2014.

(c) The expiration dates range from June 30, 2017 through August 31, 2018.

(d) The expiration dates range from July 31, 2018 through September 30, 2018.

As a result of the above noted zone status there were no funding improvements or rehabilitation plans implemented, as defined by ERISA, nor any surcharges imposed for any of the individual plans listed.

The Company also contributes to multiemployer plans that provide postretirement healthcare, defined contribution and other benefits to certain employees under collective bargaining agreements. The contributions to these plans were \$28 million, \$26 million and \$20 million for the years ended December 31, 2016, 2015 and 2014, respectively.

The Company recognizes the net periodic cost for multiemployer pension and postretirement benefit plans based on the required contributions to the plans.

Defined Contribution Plans

The Company sponsors defined contribution plans for the benefit of substantially all employees meeting eligibility requirements. Employer contributions to such plans were \$35 million, \$39 million and \$38 million for the years ended December 31, 2016, 2015 and 2014, respectively.

16) COMMITMENTS AND CONTINGENCIES

The Company's commitments not recorded on the balance sheet primarily consist of programming and talent commitments, operating lease arrangements and purchase obligations for goods and services resulting from the Company's normal course of business.

Programming and talent commitments of the Company, estimated to aggregate \$11.08 billion as of December 31, 2016, primarily include \$8.06 billion for sports programming rights, \$2.26 billion relating to the production and

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licensing of television and film programming, and \$758 million for talent contracts. The Company also has committed purchase obligations which include agreements to purchase goods or services in the future that totaled \$835 million as of December 31, 2016.

Other long-term contractual obligations recorded on the Company's Consolidated Balance Sheet include program liabilities, participations due to producers and residuals.

At December 31, 2016, commitments for programming and talent and purchase obligations not recorded on the balance sheet, and other long-term contractual obligations recorded on the balance sheet were payable as follows:

| | Programming and Talent | Purchase Obligations | Other Long-Term Contractual Obligations |
|---------------------|------------------------|----------------------|---|
| 2017 | \$ 1,987 | \$ 222 | \$ — |
| 2018 | 2,036 | 216 | 635 |
| 2019 | 1,758 | 163 | 393 |
| 2020 | 1,485 | 156 | 196 |
| 2021 | 1,515 | 20 | 86 |
| 2022 and thereafter | 2,297 | 58 | 63 |
| Total | \$ 11,078 | \$ 835 | \$ 1,373 |

The Company has long-term noncancellable operating lease commitments for office space, equipment, transponders and studio facilities. The Company also enters into capital leases for satellite transponders.

At December 31, 2016, future minimum rental payments under noncancellable operating leases with terms in excess of one year and payments under capital leases are as follows:

| | Capital Leases | Operating Leases |
|------------------------------------|----------------|------------------|
| 2017 | \$19 | \$ 134 |
| 2018 | 18 | 113 |
| 2019 | 15 | 98 |
| 2020 | 14 | 74 |
| 2021 | 12 | 68 |
| 2022 and thereafter | 5 | 276 |
| Total minimum payments | \$83 | \$ 763 |
| Less amounts representing interest | 8 | |
| Present value of minimum payments | \$75 | |

Future minimum operating lease payments have been reduced by future minimum sublease income of \$64 million. Rent expense was \$167 million in 2016, \$174 million in 2015 and \$170 million in 2014. Included in net earnings (loss) from discontinued operations was rent expense of \$36 million in 2016, \$37 million in 2015 and \$194 million in 2014.

Guarantees

The Company has indemnification obligations with respect to letters of credit and surety bonds primarily used as security against non-performance in the normal course of business. At December 31, 2016, the outstanding letters of

credit and surety bonds approximated \$103 million and were not recorded on the Consolidated Balance Sheet.

In the course of its business, the Company both provides and receives indemnities which are intended to allocate certain risks associated with business transactions. Similarly, the Company may remain contingently liable for various obligations of a business that has been divested in the event that a third party does not live up to its obligations under

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an indemnification obligation. The Company records a liability for its indemnification obligations and other contingent liabilities when probable and reasonably estimable.

Legal Matters

General. On an ongoing basis, the Company vigorously defends itself in numerous lawsuits and proceedings and responds to various investigations and inquiries from federal, state, local and international authorities (collectively, "litigation"). Litigation may be brought against the Company without merit, is inherently uncertain and always difficult to predict. However, based on its understanding and evaluation of the relevant facts and circumstances, the Company believes that the below-described legal matters and other litigation to which it is a party are not likely, in the aggregate, to have a material adverse effect on its results of operations, financial position or cash flows. Under the Separation Agreement between the Company and Viacom Inc., the Company and Viacom Inc. have agreed to defend and indemnify the other in certain litigation in which the Company and/or Viacom Inc. is named.

Claims Related to Former Businesses: Asbestos. The Company is a defendant in lawsuits claiming various personal injuries related to asbestos and other materials, which allegedly occurred principally as a result of exposure caused by various products manufactured by Westinghouse, a predecessor, generally prior to the early 1970s. Westinghouse was neither a producer nor a manufacturer of asbestos. The Company is typically named as one of a large number of defendants in both state and federal cases. In the majority of asbestos lawsuits, the plaintiffs have not identified which of the Company's products is the basis of a claim. Claims against the Company in which a product has been identified principally relate to exposures allegedly caused by asbestos-containing insulating material in turbines sold for power-generation, industrial and marine use.

Claims are frequently filed and/or settled in groups, which may make the amount and timing of settlements, and the number of pending claims, subject to significant fluctuation from period to period. The Company does not report as pending those claims on inactive, stayed, deferred or similar dockets which some jurisdictions have established for claimants who allege minimal or no impairment. As of December 31, 2016, the Company had pending approximately 33,610 asbestos claims, as compared with approximately 36,030 as of December 31, 2015 and 41,100 as of December 31, 2014. During 2016, the Company received approximately 4,160 new claims and closed or moved to an inactive docket approximately 6,580 claims. The Company reports claims as closed when it becomes aware that a dismissal order has been entered by a court or when the Company has reached agreement with the claimants on the material terms of a settlement. Settlement costs depend on the seriousness of the injuries that form the basis of the claims, the quality of evidence supporting the claims and other factors. In 2016, the Company's costs for settlement and defense of asbestos claims after insurance and taxes were approximately \$48 million. In 2015, as the result of an insurance settlement, insurance recoveries exceeded the Company's after tax costs for settlement and defense of asbestos claims by approximately \$5 million. The Company's costs for settlement and defense of asbestos claims may vary year to year and insurance proceeds are not always recovered in the same period as the insured portion of the expenses.

The Company believes that its reserves and insurance are adequate to cover its asbestos liabilities. This belief is based upon many factors and assumptions, including the number of outstanding claims, estimated average cost per claim, the breakdown of claims by disease type, historic claim filings, costs per claim of resolution and the filing of new claims. While the number of asbestos claims filed against the Company has remained generally flat in recent years, it is difficult to predict future asbestos liabilities, as events and circumstances may occur including, among others, the number and types of claims and average cost to resolve such claims, which could affect the Company's estimate of its asbestos liabilities.

Other. The Company from time to time receives claims from federal and state environmental regulatory agencies and other entities asserting that it is or may be liable for environmental cleanup costs and related damages principally relating to historical and predecessor operations of the Company. In addition, the Company from time to time receives

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personal injury claims including toxic tort and product liability claims (other than asbestos) arising from historical operations of the Company and its predecessors.

17) REPORTABLE SEGMENTS

The following tables set forth the Company's financial performance by reportable segment. The Company's operating segments, which are the same as its reportable segments, have been determined in accordance with the Company's internal management structure, which is organized based upon products and services.

In preparation for the planned separation of its radio business, the Company changed the manner in which it manages its television and radio operations during the third quarter of 2016. Accordingly, the Company began presenting Local Media, which was previously combined with CBS Radio in the Local Broadcasting segment, as a separate operating segment. In connection with this segment presentation, the presentation of intercompany revenues was revised, including station affiliation fees paid by Local Media to the CBS Television Network. In addition, CBS Radio has been presented as a discontinued operation of the Company. Results for all periods presented have been reclassified to conform to this presentation.

| Year Ended December 31, 2016 | 2015 | 2014 | |
|------------------------------|----------|----------|----------|
| Revenues: | | | |
| Entertainment | \$8,877 | \$8,438 | \$8,309 |
| Cable Networks | 2,160 | 2,242 | 2,176 |
| Publishing | 767 | 780 | 778 |
| Local Media | 1,779 | 1,592 | 1,624 |
| Corporate/Eliminations | (417) | (381) | (368) |
| Total Revenues | \$13,166 | \$12,671 | \$12,519 |

Revenues generated between segments primarily reflect advertising sales, television and feature film license fees and station affiliation fees. These transactions are recorded at market value as if the sales were to third parties and are eliminated in consolidation.

| Year Ended December 31, | 2016 | 2015 | 2014 |
|-----------------------------|-------|-------|-------|
| Intercompany Revenues: | | | |
| Entertainment | \$434 | \$384 | \$368 |
| Cable Networks | 1 | — | 1 |
| Local Media | 8 | 9 | 11 |
| Total Intercompany Revenues | \$443 | \$393 | \$380 |

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(Tabular dollars in millions, except per share amounts)

The Company presents operating income (loss) excluding a pension settlement charge, restructuring and merger and acquisition-related costs, and other operating items, net, each where applicable, (“Segment Operating Income”) as the primary measure of profit and loss for its operating segments (“segment profit measure”) in accordance with FASB guidance for segment reporting. The Company believes the presentation of Segment Operating Income is relevant and useful for investors because it allows investors to view segment performance in a manner similar to the primary method used by the Company’s management and enhances their ability to understand the Company’s operating performance.

| Year Ended December 31, | 2016 | 2015 | 2014 |
|--|---------|---------|---------|
| Segment Operating Income (Loss): | | | |
| Entertainment | \$1,519 | \$1,294 | \$1,316 |
| Cable Networks | 959 | 945 | 974 |
| Publishing | 119 | 114 | 101 |
| Local Media | 618 | 487 | 515 |
| Corporate | (354) | (276) | (297) |
| Total Segment Operating Income | 2,861 | 2,564 | 2,609 |
| Pension settlement charge | (211) | — | — |
| Restructuring and merger and acquisition-related costs | (38) | (45) | (19) |
| Other operating items, net | 9 | 139 | — |
| Operating income | 2,621 | 2,658 | 2,590 |
| Interest expense | (411) | (392) | (363) |
| Interest income | 32 | 24 | 13 |
| Loss on early extinguishment of debt | — | — | (352) |
| Other items, net | (12) | (26) | (30) |
| Earnings from continuing operations before income taxes and equity in loss of investee companies | 2,230 | 2,264 | 1,858 |
| Provision for income taxes | (628) | (676) | (659) |
| Equity in loss of investee companies, net of tax | (50) | (34) | (48) |
| Net earnings from continuing operations | 1,552 | 1,554 | 1,151 |
| Net earnings (loss) from discontinued operations, net of tax | (291) | (141) | 1,808 |
| Net earnings | \$1,261 | \$1,413 | \$2,959 |

| Year Ended December 31, | 2016 | 2015 | 2014 |
|-------------------------------------|-------|-------|-------|
| Depreciation and Amortization: | | | |
| Entertainment | \$117 | \$126 | \$139 |
| Cable Networks | 23 | 23 | 23 |
| Publishing | 6 | 6 | 6 |
| Local Media | 44 | 48 | 54 |
| Corporate | 35 | 32 | 28 |
| Total Depreciation and Amortization | \$225 | \$235 | \$250 |

| Year Ended December 31, | 2016 | 2015 | 2014 |
|---------------------------|------|------|------|
| Stock-based Compensation: | | | |
| Entertainment | \$61 | \$61 | \$56 |
| Cable Networks | 12 | 11 | 9 |
| Publishing | 4 | 4 | 4 |
| Local Media | 12 | 11 | 11 |
| Corporate | 76 | 70 | 57 |

Total Stock-based Compensation \$165 \$157 \$137

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CBS CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Tabular dollars in millions, except per share amounts)

| Year Ended December 31, | 2016 | 2015 | 2014 |
|------------------------------------|----------|----------|----------|
| Capital Expenditures: | | | |
| Entertainment | \$98 | \$99 | \$94 |
| Cable Networks | 19 | 18 | 16 |
| Publishing | 9 | 10 | 4 |
| Local Media | 37 | 28 | 37 |
| Corporate | 33 | 16 | 27 |
| Total Capital Expenditures | \$196 | \$171 | \$178 |
| At December 31, | 2016 | 2015 | |
| Assets: | | | |
| Entertainment | \$11,262 | \$10,910 | |
| Cable Networks | 2,618 | 2,369 | |
| Publishing | 880 | 880 | |
| Local Media | 4,065 | 4,051 | |
| Corporate/Eliminations | 817 | 485 | |
| Discontinued operations | 4,596 | 5,070 | |
| Total Assets | \$24,238 | \$23,765 | |
| Year Ended December 31, | 2016 | 2015 | 2014 |
| Revenues by Type: | | | |
| Advertising | \$6,288 | \$5,824 | \$5,934 |
| Content licensing and distribution | 3,673 | 3,903 | 3,990 |
| Affiliate and subscription fees | 2,978 | 2,724 | 2,362 |
| Other | 227 | 220 | 233 |
| Total Revenues | \$13,166 | \$12,671 | \$12,519 |
| Year Ended December 31, | 2016 | 2015 | 2014 |
| Revenues: ^(a) | | | |
| United States | \$11,317 | \$10,667 | \$10,726 |
| International | 1,849 | 2,004 | 1,793 |
| Total Revenues | \$13,166 | \$12,671 | \$12,519 |

(a) Revenue classifications are based on customers' locations.

At December 31, 2016 2015

Long-lived Assets: ^(a)

United States \$17,476 \$17,378

International 407 357

Total Long-lived Assets \$17,883 \$17,735

(a) Reflects total assets from both continuing and discontinued operations less current assets, investments and noncurrent deferred tax assets.

Transactions within the Company between the United States and international regions were not significant.

CBS CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Tabular dollars in millions, except per share amounts)

18) SUPPLEMENTAL CASH FLOW INFORMATION

Year Ended December 31, 2016 2015 2014

Cash paid for interest:

| | | | |
|--------------------------------------|-------|-------|-------|
| Continuing operations ^(a) | \$407 | \$349 | \$707 |
| Discontinued operations | 8 | — | — |
| Total | \$415 | \$349 | \$707 |

(a) Included in 2014 are payments of \$360 million associated with the early extinguishment of debt, mainly for early redemption premiums.

Year Ended December 31, 2016 2015 2014

Cash paid for income taxes:

| | | | |
|-------------------------|-------|-------|-------|
| Continuing operations | \$373 | \$199 | \$122 |
| Discontinued operations | 119 | 84 | 137 |
| Total | \$492 | \$283 | \$259 |

Year Ended December 31, 2016 2015 2014

Noncash investing and financing activities:

| | | | |
|---|-------|------|---------|
| Shares received in Split-Off (Note 4) | \$ — | \$ — | \$2,721 |
| Equipment acquired under capitalized leases | \$ 10 | \$ 3 | \$ 1 |
| Radio station swap (Note 4) | \$ — | \$ — | \$262 |

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CBS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular dollars in millions, except per share amounts)

19) QUARTERLY FINANCIAL DATA (unaudited):

| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter (b) (c) | Total Year |
|---|------------------|-------------------|------------------|------------------------------|---------------|
| 2016 (a) | | | | | |
| Revenues: | | | | | |
| Entertainment | \$2,587 | \$1,947 | \$1,949 | \$2,394 | \$8,877 |
| Cable Networks | 525 | 536 | 598 | 501 | 2,160 |
| Publishing | 145 | 187 | 226 | 209 | 767 |
| Local Media | 448 | 396 | 409 | 526 | 1,779 |
| Corporate/Eliminations | (117) | (90) | (98) | (112) | (417) |
| Total Revenues | \$3,588 | \$2,976 | \$3,084 | \$3,518 | \$13,166 |
| Segment Operating Income (Loss): | | | | | |
| Entertainment | \$449 | \$351 | \$348 | \$371 | \$1,519 |
| Cable Networks | 228 | 227 | 285 | 219 | 959 |
| Publishing | 13 | 26 | 44 | 36 | 119 |
| Local Media | 150 | 130 | 122 | 216 | 618 |
| Corporate | (84) | (83) | (78) | (109) | (354) |
| Total Segment Operating Income | 756 | 651 | 721 | 733 | 2,861 |
| Pension settlement charge | — | — | — | (211) | (211) |
| Restructuring and merger and acquisition-related costs | — | — | — | (38) | (38) |
| Other operating items, net | 9 | — | — | — | 9 |
| Total Operating Income | \$765 | \$651 | \$721 | \$484 | \$2,621 |
| Net earnings from continuing operations | \$442 | \$373 | \$466 | \$271 | \$1,552 |
| Net earnings (loss) | \$473 | \$423 | \$478 | \$(113) | \$1,261 |
| Basic net earnings per common share: | | | | | |
| Net earnings from continuing operations | \$.96 | \$.83 | \$1.05 | \$.64 | \$3.50 |
| Net earnings (loss) | \$1.03 | \$.94 | \$1.08 | \$(.27) | \$2.84 |
| Diluted net earnings per common share: | | | | | |
| Net earnings from continuing operations | \$.95 | \$.82 | \$1.04 | \$.63 | \$3.46 |
| Net earnings (loss) | \$1.02 | \$.93 | \$1.07 | \$(.26) | \$2.81 |
| Weighted average number of common shares outstanding: | | | | | |
| Basic | 459 | 451 | 442 | 424 | 444 |
| Diluted | 464 | 455 | 446 | 429 | 448 |
| Dividends per common share | \$.15 | \$.15 | \$.18 | \$.18 | \$.66 |

(a) CBS Radio has been presented as a discontinued operation for all periods presented.

(b) In the fourth quarter of 2016, the Company recorded a noncash impairment charge of \$444 million to reduce the carrying value of CBS Radio's goodwill and FCC licenses to their fair value. This charge has been presented in discontinued operations (See Note 4).

(c) In the fourth quarter of 2016, the Company recorded a one-time pension settlement charge of \$211 million for the settlement of pension obligations resulting from the completion of the Company's offer to eligible former employees to

receive lump-sum distributions of their pension benefits (See Note 15).

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CBS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular dollars in millions, except per share amounts)

| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | (b) Total Year |
|---|------------------|-------------------|------------------|-------------------|-------------------|
| 2015 (a) | | | | | (c) |
| Revenues: | | | | | |
| Entertainment | \$2,261 | \$1,785 | \$1,932 | \$2,460 | \$8,438 |
| Cable Networks | 539 | 615 | 526 | 562 | 2,242 |
| Publishing | 145 | 199 | 203 | 233 | 780 |
| Local Media | 375 | 387 | 376 | 454 | 1,592 |
| Corporate/Eliminations | (87) | (82) | (94) | (118) | (381) |
| Total Revenues | \$3,233 | \$2,904 | \$2,943 | \$3,591 | \$12,671 |
| Segment Operating Income (Loss): | | | | | |
| Entertainment | \$346 | \$262 | \$339 | \$347 | \$1,294 |
| Cable Networks | 251 | 220 | 246 | 228 | 945 |
| Publishing | 12 | 25 | 43 | 34 | 114 |
| Local Media | 109 | 128 | 101 | 149 | 487 |
| Corporate | (68) | (65) | (49) | (94) | (276) |
| Total Segment Operating Income | 650 | 570 | 680 | 664 | 2,564 |
| Restructuring charges | — | (31) | — | (14) | (45) |
| Other operating items, net | 19 | — | — | 120 | 139 |
| Total Operating Income | \$669 | \$539 | \$680 | \$770 | \$2,658 |
| Net earnings from continuing operations | \$364 | \$306 | \$377 | \$507 | \$1,554 |
| Net earnings | \$394 | \$332 | \$426 | \$261 | \$1,413 |
| Basic net earnings per common share: | | | | | |
| Net earnings from continuing operations | \$.73 | \$.62 | \$.79 | \$1.08 | \$3.21 |
| Net earnings | \$.79 | \$.68 | \$.89 | \$.56 | \$2.92 |
| Diluted net earnings per common share: | | | | | |
| Net earnings from continuing operations | \$.72 | \$.62 | \$.78 | \$1.07 | \$3.18 |
| Net earnings | \$.78 | \$.67 | \$.88 | \$.55 | \$2.89 |
| Weighted average number of common shares outstanding: | | | | | |
| Basic | 498 | 490 | 480 | 469 | 484 |
| Diluted | 506 | 495 | 484 | 474 | 489 |
| Dividends per common share | \$.15 | \$.15 | \$.15 | \$.15 | \$.60 |

(a) CBS Radio has been presented as a discontinued operation for all periods presented.

(b) In the fourth quarter of 2015, the Company recorded a noncash impairment charge of \$484 million to reduce the carrying value of radio FCC licenses to their fair value. This charge has been presented in discontinued operations (See Note 4).

(c) During 2015, the Company recorded gains on the sales of internet businesses in China (See Note 3).

CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

20) CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

CBS Operations Inc. is a wholly owned subsidiary of the Company. CBS Operations Inc. has fully and unconditionally guaranteed CBS Corp.'s senior debt securities (See Note 9). The following condensed consolidating financial statements present the results of operations, financial position and cash flows of CBS Corp., CBS Operations Inc., the direct and indirect Non-Guarantor Affiliates of CBS Corp. and CBS Operations Inc., and the eliminations necessary to arrive at the information for the Company on a consolidated basis.

| | Statement of Operations | | | | |
|--|--------------------------------------|---------------------|--------------------------|--------------|------------------------|
| | For the Year Ended December 31, 2016 | | | | |
| | CBS Corp. | CBS Operations Inc. | Non-Guarantor Affiliates | Eliminations | CBS Corp. Consolidated |
| Revenues | \$ 181 | \$ 12 | \$ 12,973 | \$ — | \$ 13,166 |
| Costs and expenses: | | | | | |
| Operating | 67 | 6 | 7,883 | — | 7,956 |
| Selling, general and administrative | 80 | 297 | 1,747 | — | 2,124 |
| Depreciation and amortization | 5 | 23 | 197 | — | 225 |
| Pension settlement charge | 211 | — | — | — | 211 |
| Restructuring and merger and acquisition-related costs | — | 2 | 36 | — | 38 |
| Other operating items, net | — | — | (9 |) — | (9) |
| Total costs and expenses | 363 | 328 | 9,854 | — | 10,545 |
| Operating income (loss) | (182 |) (316 |) 3,119 | — | 2,621 |
| Interest (expense) income, net | (502 |) (433 |) 556 | — | (379) |
| Other items, net | (3 |) 19 | (28 |) — | (12) |
| Earnings (loss) from continuing operations before income taxes and equity in earnings (loss) of investee companies | (687 |) (730 |) 3,647 | — | 2,230 |
| Benefit (provision) for income taxes | 212 | 224 | (1,064 |) — | (628) |
| Equity in earnings (loss) of investee companies, net of tax | 1,736 | 1,077 | (50 |) (2,813 |) (50) |
| Net earnings from continuing operations | 1,261 | 571 | 2,533 | (2,813 |) 1,552 |
| Net loss from discontinued operations, net of tax | — | (1 |) (290 |) — | (291) |
| Net earnings | \$ 1,261 | \$ 570 | \$ 2,243 | \$ (2,813 |) \$ 1,261 |
| Total comprehensive income | \$ 1,264 | \$ 595 | \$ 2,212 | \$ (2,807 |) \$ 1,264 |

CBS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular dollars in millions, except per share amounts)

| | Statement of Operations For the Year Ended December 31, 2015 | | | | |
|--|---|---------------------|--------------------------|--------------|------------------------|
| | CBS Corp. | CBS Operations Inc. | Non-Guarantor Affiliates | Eliminations | CBS Corp. Consolidated |
| Revenues | \$ 148 | \$ 11 | \$ 12,512 | \$ — | \$ 12,671 |
| Costs and expenses: | | | | | |
| Operating | 65 | 5 | 7,841 | — | 7,911 |
| Selling, general and administrative | 46 | 243 | 1,672 | — | 1,961 |
| Depreciation and amortization | 6 | 20 | 209 | — | 235 |
| Restructuring charges | — | — | 45 | — | 45 |
| Other operating items, net | (117) | — | (22) | — | (139) |
| Total costs and expenses | — | 268 | 9,745 | — | 10,013 |
| Operating income (loss) | 148 | (257) | 2,767 | — | 2,658 |
| Interest (expense) income, net | (486) | (403) | 521 | — | (368) |
| Other items, net | (3) | 9 | (32) | — | (26) |
| Earnings (loss) from continuing operations before income taxes and equity in earnings (loss) of investee companies | (341) | (651) | 3,256 | — | 2,264 |
| Benefit (provision) for income taxes | 160 | 215 | (1,051) | — | (676) |
| Equity in earnings (loss) of investee companies, net of tax | 1,593 | 1,090 | (34) | (2,683) | (34) |
| Net earnings from continuing operations | 1,412 | 654 | 2,171 | (2,683) | 1,554 |
| Net earnings (loss) from discontinued operations, net of tax | 1 | (1) | (141) | — | (141) |
| Net earnings | \$ 1,413 | \$ 653 | \$ 2,030 | \$ (2,683) | \$ 1,413 |
| Total comprehensive income | \$ 1,378 | \$ 660 | \$ 2,030 | \$ (2,690) | \$ 1,378 |

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CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

| | Statement of Operations | | | | |
|--|--------------------------------------|---------------------|--------------------------|--------------|------------------------|
| | For the Year Ended December 31, 2014 | | | | |
| | CBS Corp. | CBS Operations Inc. | Non-Guarantor Affiliates | Eliminations | CBS Corp. Consolidated |
| Revenues | \$ 159 | \$ 11 | \$ 12,349 | \$ — | \$ 12,519 |
| Costs and expenses: | | | | | |
| Operating | 68 | 6 | 7,615 | — | 7,689 |
| Selling, general and administrative | 61 | 254 | 1,656 | — | 1,971 |
| Depreciation and amortization | 6 | 16 | 228 | — | 250 |
| Restructuring charges | — | 3 | 16 | — | 19 |
| Total costs and expenses | 135 | 279 | 9,515 | — | 9,929 |
| Operating income (loss) | 24 | (268) | 2,834 | — | 2,590 |
| Interest (expense) income, net | (443) | (383) | 476 | — | (350) |
| Loss on early extinguishment of debt | (351) | — | (1) | — | (352) |
| Other items, net | (1) | 4 | (33) | — | (30) |
| Earnings (loss) from continuing operations before income taxes and equity in earnings (loss) of investee companies | (771) | (647) | 3,276 | — | 1,858 |
| Benefit (provision) for income taxes | 280 | 229 | (1,168) | — | (659) |
| Equity in earnings (loss) of investee companies, net of tax | 3,444 | 1,270 | (48) | (4,714) | (48) |
| Net earnings from continuing operations | 2,953 | 852 | 2,060 | (4,714) | 1,151 |
| Net earnings (loss) from discontinued operations, net of tax | 6 | (2) | 1,804 | — | 1,808 |
| Net earnings | \$ 2,959 | \$ 850 | \$ 3,864 | \$ (4,714) | \$ 2,959 |
| Total comprehensive income | \$ 2,769 | \$ 857 | \$ 3,819 | \$ (4,676) | \$ 2,769 |

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CBS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular dollars in millions, except per share amounts)

| | Balance Sheet At December 31, 2016 | | | | |
|--|---------------------------------------|---------------------|--------------------------|--------------|------------------------|
| | CBS Corp. | CBS Operations Inc. | Non-Guarantor Affiliates | Eliminations | CBS Corp. Consolidated |
| Assets | | | | | |
| Cash and cash equivalents | \$ 321 | \$ — | \$ 277 | \$ — | \$ 598 |
| Receivables, net | 27 | 2 | 3,285 | — | 3,314 |
| Programming and other inventory | 3 | 3 | 1,421 | — | 1,427 |
| Prepaid expenses and other current assets | 102 | 55 | 297 | (35) | 419 |
| Current assets of discontinued operations | — | — | 305 | — | 305 |
| Total current assets | 453 | 60 | 5,585 | (35) | 6,063 |
| Property and equipment | 47 | 201 | 2,687 | — | 2,935 |
| Less accumulated depreciation and amortization | 25 | 140 | 1,529 | — | 1,694 |
| Net property and equipment | 22 | 61 | 1,158 | — | 1,241 |
| Programming and other inventory | 5 | 7 | 2,427 | — | 2,439 |
| Goodwill | 98 | 62 | 4,704 | — | 4,864 |
| Intangible assets | — | — | 2,633 | — | 2,633 |
| Investments in consolidated subsidiaries | 44,473 | 13,853 | — | (58,326) | — |
| Other assets | 150 | 8 | 2,549 | — | 2,707 |
| Intercompany | — | 1,785 | 26,976 | (28,761) | — |
| Assets of discontinued operations | — | 3 | 4,288 | — | 4,291 |
| Total Assets | \$ 45,201 | \$ 15,839 | \$ 50,320 | \$ (87,122) | \$ 24,238 |
| Liabilities and Stockholders' Equity | | | | | |
| Accounts payable | \$ 1 | \$ 3 | \$ 144 | \$ — | \$ 148 |
| Participants' share and royalties payable | — | — | 1,024 | — | 1,024 |
| Program rights | 4 | 4 | 282 | — | 290 |
| Commercial paper | 450 | — | — | — | 450 |
| Current portion of long-term debt | 6 | — | 17 | — | 23 |
| Accrued expenses and other current liabilities | 421 | 284 | 948 | (35) | 1,618 |
| Current liabilities of discontinued operations | — | — | 155 | — | 155 |
| Total current liabilities | 882 | 291 | 2,570 | (35) | 3,708 |
| Long-term debt | 8,798 | — | 104 | — | 8,902 |
| Other liabilities | 3,071 | 244 | 2,173 | — | 5,488 |
| Liabilities of discontinued operations | — | — | 2,451 | — | 2,451 |
| Intercompany | 28,761 | — | — | (28,761) | — |
| Stockholders' Equity: | | | | | |
| Preferred stock | — | — | 126 | (126) | — |
| Common stock | 1 | 123 | 590 | (713) | 1 |
| Additional paid-in capital | 43,913 | — | 60,894 | (60,894) | 43,913 |
| Retained earnings (deficit) | (19,257) | 15,483 | (13,838) | (1,645) | (19,257) |
| Accumulated other comprehensive income (loss) | (767) | 29 | 50 | (79) | (767) |
| | 23,890 | 15,635 | 47,822 | (63,457) | 23,890 |
| Less treasury stock, at cost | 20,201 | 331 | 4,800 | (5,131) | 20,201 |
| Total Stockholders' Equity | 3,689 | 15,304 | 43,022 | (58,326) | 3,689 |

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Total Liabilities and Stockholders' Equity \$45,201 \$ 15,839 \$ 50,320 \$ (87,122) \$ 24,238

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CBS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular dollars in millions, except per share amounts)

| | Balance Sheet At December 31, 2015 | | | | |
|--|---------------------------------------|---------------------|--------------------------|--------------|------------------------|
| | CBS Corp. | CBS Operations Inc. | Non-Guarantor Affiliates | Eliminations | CBS Corp. Consolidated |
| Assets | | | | | |
| Cash and cash equivalents | \$267 | \$ 1 | \$49 | \$ — | \$ 317 |
| Receivables, net | 28 | 2 | 3,345 | — | 3,375 |
| Programming and other inventory | 3 | 3 | 1,264 | — | 1,270 |
| Prepaid expenses and other current assets | 192 | 26 | 274 | (30) | 462 |
| Current assets of discontinued operations | — | — | 323 | — | 323 |
| Total current assets | 490 | 32 | 5,255 | (30) | 5,747 |
| Property and equipment | 46 | 180 | 2,654 | — | 2,880 |
| Less accumulated depreciation and amortization | 20 | 118 | 1,489 | — | 1,627 |
| Net property and equipment | 26 | 62 | 1,165 | — | 1,253 |
| Programming and other inventory | 6 | 9 | 1,942 | — | 1,957 |
| Goodwill | 98 | 62 | 4,629 | — | 4,789 |
| Intangible assets | — | — | 2,639 | — | 2,639 |
| Investments in consolidated subsidiaries | 42,744 | 12,775 | — | (55,519) | — |
| Other assets | 163 | 11 | 2,459 | — | 2,633 |
| Intercompany | — | 2,248 | 23,988 | (26,236) | — |
| Assets of discontinued operations | — | — | 4,747 | — | 4,747 |
| Total Assets | \$43,527 | \$ 15,199 | \$46,824 | \$ (81,785) | \$ 23,765 |
| Liabilities and Stockholders' Equity | | | | | |
| Accounts payable | \$1 | \$ 4 | \$ 154 | \$ — | \$ 159 |
| Participants' share and royalties payable | — | — | 1,013 | — | 1,013 |
| Program rights | 4 | 4 | 364 | — | 372 |
| Current portion of long-term debt | 206 | — | 16 | — | 222 |
| Accrued expenses and other current liabilities | 418 | 229 | 1,034 | (30) | 1,651 |
| Current liabilities of discontinued operations | — | 1 | 142 | — | 143 |
| Total current liabilities | 629 | 238 | 2,723 | (30) | 3,560 |
| Long-term debt | 8,113 | — | 113 | — | 8,226 |
| Other liabilities | 2,961 | 252 | 2,064 | — | 5,277 |
| Liabilities of discontinued operations | 25 | — | 1,114 | — | 1,139 |
| Intercompany | 26,236 | — | — | (26,236) | — |
| Stockholders' Equity: | | | | | |
| Preferred stock | — | — | 126 | (126) | — |
| Common stock | 1 | 123 | 590 | (713) | 1 |
| Additional paid-in capital | 44,055 | — | 60,894 | (60,894) | 44,055 |
| Retained earnings (deficit) | (20,518) | 14,913 | (16,081) | 1,168 | (20,518) |
| Accumulated other comprehensive income (loss) | (770) | 4 | 81 | (85) | (770) |
| | 22,768 | 15,040 | 45,610 | (60,650) | 22,768 |
| Less treasury stock, at cost | 17,205 | 331 | 4,800 | (5,131) | 17,205 |
| Total Stockholders' Equity | 5,563 | 14,709 | 40,810 | (55,519) | 5,563 |
| Total Liabilities and Stockholders' Equity | \$43,527 | \$ 15,199 | \$46,824 | \$ (81,785) | \$ 23,765 |

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CBS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular dollars in millions, except per share amounts)

| | Statement of Cash Flows For the Year Ended December 31, 2016 | | | | |
|---|---|---------------------|--------------------------|--------------|------------------------|
| | CBS Corp. | CBS Operations Inc. | Non-Guarantor Affiliates | Eliminations | CBS Corp. Consolidated |
| Net cash flow (used for) provided by operating activities | \$(846) | \$ (157) | \$ 2,688 | \$ — | —\$ 1,685 |
| Investing Activities: | | | | | |
| Acquisitions | — | — | (92) | — | (92) |
| Capital expenditures | — | (33) | (163) | — | (196) |
| Investments in and advances to investee companies | — | — | (81) | — | (81) |
| Proceeds from dispositions | (4) | — | 24 | — | 20 |
| Other investing activities | 15 | — | — | — | 15 |
| Net cash flow provided by (used for) investing activities from continuing operations | 11 | (33) | (312) | — | (334) |
| Net cash flow used for investing activities from discontinued operations | — | (1) | (5) | — | (6) |
| Net cash flow provided by (used for) investing activities | 11 | (34) | (317) | — | (340) |
| Financing Activities: | | | | | |
| Proceeds from short-term debt borrowings, net | 450 | — | — | — | 450 |
| Proceeds from issuance of senior notes | 684 | — | — | — | 684 |
| Repayment of senior debentures | (199) | — | — | — | (199) |
| Proceeds from debt borrowings of CBS Radio | — | — | 1,452 | — | 1,452 |
| Repayment of debt borrowings of CBS Radio | — | — | (110) | — | (110) |
| Payment of capital lease obligations | — | — | (18) | — | (18) |
| Dividends | (288) | — | — | — | (288) |
| Purchase of Company common stock | (2,997) | — | — | — | (2,997) |
| Payment of payroll taxes in lieu of issuing shares for stock-based compensation | (58) | — | — | — | (58) |
| Proceeds from exercise of stock options | 21 | — | — | — | 21 |
| Excess tax benefit from stock-based compensation | 17 | — | — | — | 17 |
| Increase (decrease) in intercompany payables | 3,259 | 190 | (3,449) | — | — |
| Net cash flow provided by (used for) financing activities | 889 | 190 | (2,125) | — | (1,046) |
| Net increase (decrease) in cash and cash equivalents | 54 | (1) | 246 | — | 299 |
| Cash and cash equivalents at beginning of year (includes \$6 of discontinued operations cash) | 267 | 1 | 55 | — | 323 |
| Cash and cash equivalents at end of year (includes \$24 of discontinued operations cash) | \$321 | \$ — | \$ 301 | \$ — | —\$ 622 |

CBS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular dollars in millions, except per share amounts)

| | Statement of Cash Flows For the Year Ended December 31, 2015 | | | | |
|---|---|---------------------|--------------------------|--------------|------------------------|
| | CBS Corp. | CBS Operations Inc. | Non-Guarantor Affiliates | Eliminations | CBS Corp. Consolidated |
| Net cash flow (used for) provided by operating activities | \$(634) | \$ (201) | \$ 2,229 | \$ — | —\$ 1,394 |
| Investing Activities: | | | | | |
| Acquisitions | — | — | (12) | — | (12) |
| Capital expenditures | — | (16) | (155) | — | (171) |
| Investments in and advances to investee companies | — | — | (98) | — | (98) |
| Proceeds from sale of investments | 79 | — | 1 | — | 80 |
| Proceeds from dispositions | 318 | — | 65 | — | 383 |
| Other investing activities | (3) | — | — | — | (3) |
| Net cash flow provided by (used for) investing activities from continuing operations | 394 | (16) | (199) | — | 179 |
| Net cash flow used for investing activities from discontinued operations | (3) | — | (22) | — | (25) |
| Net cash flow provided by (used for) investing activities | 391 | (16) | (221) | — | 154 |
| Financing Activities: | | | | | |
| Repayments of short-term debt borrowings, net | (616) | — | — | — | (616) |
| Proceeds from issuance of senior notes | 1,959 | — | — | — | 1,959 |
| Payment of capital lease obligations | — | — | (17) | — | (17) |
| Dividends | (300) | — | — | — | (300) |
| Purchase of Company common stock | (2,813) | — | — | — | (2,813) |
| Payment of payroll taxes in lieu of issuing shares for stock-based compensation | (96) | — | — | — | (96) |
| Proceeds from exercise of stock options | 142 | — | — | — | 142 |
| Excess tax benefit from stock-based compensation | 88 | — | — | — | 88 |
| Increase (decrease) in intercompany payables | 2,083 | 217 | (2,300) | — | — |
| Net cash flow provided by (used for) financing activities | 447 | 217 | (2,317) | — | (1,653) |
| Net increase (decrease) in cash and cash equivalents | 204 | — | (309) | — | (105) |
| Cash and cash equivalents at beginning of year (includes \$6 of discontinued operations cash) | 63 | 1 | 364 | — | 428 |
| Cash and cash equivalents at end of year (includes \$6 of discontinued operations cash) | \$267 | \$ 1 | \$ 55 | \$ — | —\$ 323 |

CBS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular dollars in millions, except per share amounts)

| | Statement of Cash Flows For the Year Ended December 31, 2014 | | | | |
|--|---|---------------------------|---------------------------------|--------------|---------------------------|
| | CBS Corp. | CBS Operations Inc. | Non- Guarantor Affiliates | Eliminations | CBS Corp. Consolidated |
| Net cash flow (used for) provided by operating activities | \$(1,107) | \$ (194) | \$ 2,576 | \$ — | —\$ 1,275 |
| Investing Activities: | | | | | |
| Acquisitions | — | — | (2) | — | (2) |
| Capital expenditures | — | (27) | (151) | — | (178) |
| Investments in and advances to investee companies | — | — | (98) | — | (98) |
| Proceeds from sale of investments | — | — | 12 | — | 12 |
| Proceeds from dispositions | — | — | 4 | — | 4 |
| Other investing activities | (4) | — | — | — | (4) |
| Net cash flow used for investing activities from continuing operations | (4) | (27) | (235) | — | (266) |
| Net cash flow used for investing activities from discontinued operations | (29) | — | (306) | — | (335) |
| Net cash flow used for investing activities | (33) | (27) | (541) | — | (601) |
| Financing Activities: | | | | | |
| Proceeds from short-term debt borrowings, net | 141 | — | — | — | 141 |
| Proceeds from issuance of senior notes | 1,728 | — | — | — | 1,728 |
| Repayment of notes and debentures | (1,146) | — | (6) | — | (1,152) |
| Proceeds from debt borrowings of Outdoor Americas | (5) | — | 1,574 | — | 1,569 |
| Proceeds from IPO of Outdoor Americas | — | — | 613 | — | 613 |
| Payment of capital lease obligations | — | — | (17) | — | (17) |
| Dividends | (292) | — | — | — | (292) |
| Purchase of Company common stock | (3,595) | — | — | — | (3,595) |
| Payment of payroll taxes in lieu of issuing shares for stock-based compensation | (146) | — | — | — | (146) |
| Proceeds from exercise of stock options | 283 | — | — | — | 283 |
| Excess tax benefit from stock-based compensation | 243 | — | — | — | 243 |
| Other financing activities | (9) | — | (9) | — | (18) |
| Increase (decrease) in intercompany payables | 3,921 | 221 | (4,142) | — | — |
| Net cash flow provided by (used for) financing activities | 1,123 | 221 | (1,987) | — | (643) |
| Net (decrease) increase in cash and cash equivalents | (17) | — | 48 | — | 31 |
| Cash and cash equivalents at beginning of year (includes \$33 of discontinued operations cash) | 80 | 1 | 316 | — | 397 |
| Cash and cash equivalents at end of year (includes \$6 of discontinued operations cash) | \$63 | \$ 1 | \$ 364 | \$ — | —\$ 428 |

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

The Company's chief executive officer and chief financial officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act")) were effective, based on the evaluation of these controls and procedures required by Rule 13a-15(b) or 15d-15(b) of the Exchange Act. No change in the Company's internal control over financial reporting occurred during the Company's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's report on internal control over financial reporting and the report of the Company's independent registered public accounting firm thereon are set forth in Item 8, on pages II- 43 and II - 44, of this report.

Item 9B. Other Information.

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this item with respect to the Company's directors is contained in the CBS Corporation Proxy Statement for the Company's 2017 Annual Meeting of Stockholders (the "Proxy Statement") under the headings "CBS Corporation's Board of Directors," "Item 1—Election of Directors," and "Section 16(a) Beneficial Ownership Reporting Compliance," which information is incorporated herein by reference.

The information required by this item with respect to the Company's executive officers is (i) contained in the Proxy Statement under the headings "Corporate Governance" and "Section 16(a) Beneficial Ownership Reporting Compliance" and (ii) included in Part I of this Form 10-K under the caption "Executive Officers of the Company," which information is incorporated herein by reference.

Item 11. Executive Compensation.

The information required by this item is contained in the Proxy Statement under the headings "CBS Corporation's Board of Directors," "Director Compensation," "Executive Compensation," "Compensation Discussion and Analysis" and "Compensation Committee Report," which information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this item is contained in the Proxy Statement under the headings "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information," which information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions and Director Independence.

The information required by this item is contained in the Proxy Statement under the headings "Related Person Transactions" and "CBS Corporation's Board of Directors," which information is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The information required by this item is contained in the Proxy Statement under the heading "Fees for Services Provided by the Independent Registered Public Accounting Firm," which information is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a)

1. Financial Statements.

The financial statements of the Company filed as part of this report on Form 10-K are listed on the Index on page II-42.

2. Financial Statement Schedules.

The financial statement schedule required to be filed by Item 8 of this Form 10-K is listed on the Index on page II-42.

3. Exhibits.

The exhibits listed in Item 15(b) of this Part IV are filed or incorporated by reference as part of this Form 10-K. The Index to Exhibits is on page E-1.

(b) Exhibits.

The exhibits listed in Item 15(b) of this Part IV are filed or incorporated by reference as part of this Form 10-K. The Index to Exhibits is on page E-1.

Item 16. Form 10-K Summary.

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, CBS Corporation has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

CBS CORPORATION

By: /s/ Leslie Moonves
 Leslie Moonves
 Chairman of the Board, President and
 Chief Executive Officer

Date: February 17, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of CBS Corporation and in the capacities and on the dates indicated:

| Signature | Date |
|--|-------------------|
| /s/ Leslie Moonves Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer) (Chairman of the Board of Directors) Leslie Moonves | February 17, 2017 |
| /s/ Joseph R. Ianniello Chief Operating Officer (Principal Financial Officer) Joseph R. Ianniello | February 17, 2017 |
| /s/ Lawrence Liding Executive Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer) Lawrence Liding | February 17, 2017 |
| * David R. Andelman Director | February 17, 2017 |
| * Joseph A. Califano, Jr. Director | February 17, 2017 |
| * William S. Cohen Director | February 17, 2017 |

*

Gary
L. Director
Countryman

February 17, 2017

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| Signature | Title | Date |
|--|--------------------------------|-------------------|
| * Charles K. Gifford | Director | February 17, 2017 |
| * Leonard Goldberg | Director | February 17, 2017 |
| * Bruce S. Gordon | Director | February 17, 2017 |
| * Linda M. Griego | Director | February 17, 2017 |
| * Arnold Kopelson | Director | February 17, 2017 |
| * Doug Morris | Director | February 17, 2017 |
| * Shari Redstone | Director | February 17, 2017 |
| * Sumner M. Redstone | Director, Chairman Emeritus | February 17, 2017 |
| *By: /s/ Lawrence P. Tu Lawrence P. Tu Attorney-in-Fact for Directors | | February 17, 2017 |

INDEX TO EXHIBITS

ITEM 15(b)

Effective December 31, 2005, Former Viacom was renamed CBS Corporation.

| Exhibit No. | Description of Document |
|-------------|---|
| (2) | Plan of acquisition, reorganization, arrangement, liquidation or succession Agreement and Plan of Merger, dated as of February 2, 2017, among CBS Corporation, CBS Radio Inc., |
| (a) | Entercom Communications Corp. and Constitution Merger Sub Corp. (incorporated by reference to Exhibit 2.2 to the Current Report on Form 8 K of CBS Corporation filed February 2, 2017) (File No. 001 09553). Master Separation Agreement, dated February 2, 2017, between CBS Corporation and CBS Radio Inc. |
| (b) | (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8 K of CBS Corporation filed February 2, 2017) (File No. 001 09553). |
| (3) | Articles of Incorporation and Bylaws Amended and Restated Certificate of Incorporation of CBS Corporation effective December 31, 2005 |
| (a) | (incorporated by reference to Exhibit 3(a) to the Annual Report on Form 10 K of CBS Corporation for the fiscal year ended December 31, 2005) (File No. 001 09553). Amended and Restated Bylaws of CBS Corporation effective December 11, 2014 (incorporated by reference |
| (b) | to Exhibit 3(b) to the Current Report on Form 8 K of CBS Corporation filed December 17, 2014) (File No. 001 09553). |
| (4) | Instruments defining the rights of security holders, including indentures Amended and Restated Senior Indenture dated as of November 3, 2008 (“2008 Indenture”) among CBS |
| (a) | Corporation, CBS Operations Inc., and The Bank of New York Mellon, as senior trustee (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S 3 of CBS Corporation filed November 3, 2008 (Registration No. 333 154962) (File No. 001 09553). First Supplemental Indenture to 2008 Indenture dated as of April 5, 2010 among CBS Corporation, CBS |
| (b) | Operations Inc., and Deutsche Bank Trust Company Americas, as senior trustee (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8 K of CBS Corporation filed April 5, 2010 (File No. 001 09553). The other instruments defining the rights of holders of the long term debt securities of CBS Corporation and its subsidiaries are omitted pursuant to section (b)(4)(iii)(A) of Item 601 of Regulation S K. CBS Corporation hereby agrees to furnish copies of these instruments to the Securities and Exchange Commission upon request. |
| (10) | Material Contracts CBS Corporation 2009 Long Term Incentive Plan (as amended and restated May 23, 2013) (incorporated by |
| (a) | reference to Exhibit 10(c) to the Quarterly Report on Form 10 Q of CBS Corporation for the quarter ended June 30, 2013) (File No. 001 09553).* |
| (b) | Forms of Certificate and Terms and Conditions for equity awards for: |
| (i) | Stock Options (incorporated by reference to Exhibit 10(c)(ii) to the Annual Report on Form 10 K of CBS Corporation for the fiscal year ended December 31, 2011) (File No. 001 09553).* |

*Management contract or compensatory plan required to be filed as an exhibit to this form pursuant to Item 15(b).

| Exhibit No. | Description of Document |
|-------------|---|
| (ii) | Performance Based Restricted Share Units with Time Vesting and Performance Vesting (incorporated by reference to Exhibit 10(c)(v) to the Annual Report on Form 10 K of CBS Corporation for the fiscal year ended December 31, 2011) (File No. 001 09553).* |
| (iii) | Restricted Share Units with Time Vesting (incorporated by reference to Exhibit 10(c)(vii) to the Annual Report on Form 10 K of CBS Corporation for the fiscal year ended December 31, 2011) (File No. 001 09553).* |
| (c) | CBS Corporation Senior Executive Short Term Incentive Plan (as amended and restated as of December 31, 2005) (incorporated by reference to Exhibit 10(f) to the Annual Report on Form 10 K of CBS Corporation for the fiscal year ended December 31, 2005) (File No. 001 09553) (as amended by the First Amendment to the CBS Corporation Senior Executive Short Term Incentive Plan effective January 1, 2009) (incorporated by reference to Exhibit 10(d) to the Annual Report on Form 10 K of CBS Corporation for the fiscal year ended December 31, 2008) (File No. 001 09553).* |
| (d) | CBS Retirement Excess Pension Plan (as amended and restated as of December 31, 2005) (incorporated by reference to Exhibit 10(o) to the Annual Report on Form 10 K of CBS Corporation for the fiscal year ended December 31, 2005) (File No. 001 09553) (as Part A was amended by Amendment No. 1 as of January 1, 2009) (incorporated by reference to Exhibit 10(g) to the Annual Report on Form 10 K of CBS Corporation for the fiscal year ended December 31, 2010) (File No. 001 09553) (as amended by Part B, effective as of January 1, 2009, as amended and restated as of January 1, 2012) (incorporated by reference to Exhibit 10(e) to the Annual Report on Form 10 K of CBS Corporation for the fiscal year ended December 31, 2012) (File No. 001 09553).* |
| (e) | CBS Excess 401(k) Plan for Designated Senior Executives (as amended and restated as of December 31, 2005) (incorporated by reference to Exhibit 10(p) to the Annual Report on Form 10 K of CBS Corporation for the fiscal year ended December 31, 2005) (File No. 001 09553) (as amended by Part B effective January 1, 2009) (incorporated by reference to Exhibit 10(f) to the Annual Report on Form 10 K of CBS Corporation for the fiscal year ended December 31, 2008) (File No. 001 09553) (as Part B was amended by Amendment No. 1 as of January 1, 2009) (incorporated by reference to Exhibit 10(b) to the Quarterly Report on Form 10 Q of CBS Corporation for the quarter ended March 31, 2010) (File No. 001 09553) (as Part B was amended by Amendment No. 2 as of January 1, 2009) (incorporated by reference to Exhibit 10(h) to the Annual Report on Form 10 K of CBS Corporation for the fiscal year ended December 31, 2010) (File No. 001 09553) (as Part A was amended by Amendment No. 1 as of January 1, 2014) (incorporated by reference to Exhibit 10(f) to the Annual Report on Form 10 K of CBS Corporation for the fiscal year ended December 31, 2013) (File No. 001 09553) (as Part B was amended by Amendment No. 3 as of January 1, 2014) (incorporated by reference to Exhibit 10(f) to the Annual Report on Form 10 K of CBS Corporation for the fiscal year ended December 31, 2013) (File No. 001 09553) (as Part A was amended by Amendment No. 2 as of February 1, 2015) (incorporated by reference to Exhibit 10(f) to the Annual Report on Form 10-K of CBS Corporation for the year ended December 31, 2014) (File No. 001-09553), (as Part B was amended by Amendment No. 4 as of February 1, 2015) (incorporated by reference to Exhibit 10(f) to the Annual Report on Form 10-K of CBS Corporation for the year ended December 31, 2014) (File No. 001-09553), (as Part A was amended by Amendment No. 3 as of January 1, 2015) (incorporated by reference to Exhibit 10(f) to the Annual Report on Form 10-K of CBS Corporation for the year ended December 31, 2014) (File No. 001-09553), (as Part B was amended by Amendment No. 5 as of January 1, 2015) (incorporated by reference to Exhibit 10(f) to the Annual Report on Form 10-K of CBS Corporation for the year ended December 31, 2014) (File No. 001-09553).* |

*Management contract or compensatory plan required to be filed as an exhibit to this form pursuant to Item 15(b).

| Exhibit No. | Description of Document |
|-------------|---|
| (f) | <p>CBS Bonus Deferral Plan for Designated Senior Executives (as amended and restated as of December 31, 2005) (incorporated by reference to Exhibit 10(q) to the Annual Report on Form 10 K of CBS Corporation for the fiscal year ended December 31, 2005) (File No. 001 09553) (as amended by Part B effective January 1, 2009) (incorporated by reference to Exhibit 10(g) to the Annual Report on Form 10 K of CBS Corporation for the fiscal year ended December 31, 2008) (File No. 001 09553) (as Part B was amended by Amendment No. 1 as of January 1, 2009) (incorporated by reference to Exhibit 10(c) to the Quarterly Report on Form 10 Q of</p> |

CBS Corporation
for the quarter
ended March 31,
2010) (File
No. 001 09553)
(as Part B was
amended by
Amendment
No. 2 as of
January 1, 2009)
(incorporated by
reference to
Exhibit 10(i) to
the Annual
Report on
Form 10 K of
CBS Corporation
for the fiscal year
ended
December 31,
2010) (File
No. 001 09553)
(as Part A was
amended by
Amendment
No. 1 as of
January 1, 2014)
(incorporated by
reference to
Exhibit 10(g) to
the Annual
Report on
Form 10 K of
CBS Corporation
for the fiscal year
ended
December 31,
2013) (File
No. 001 09553)
(as Part B was
amended by
Amendment
No. 3 as of
January 1, 2014)
(incorporated by
reference to
Exhibit 10(g) to
the Annual
Report on
Form 10 K of
CBS Corporation

for the fiscal year
ended

December 31,
2013) (File
No. 001-09553)

(as Part A was
amended by
Amendment

No. 2 as of
January 1, 2015)

(incorporated by
reference to

Exhibit 10(g) to
the Annual

Report on Form
10-K of CBS

Corporation for
the fiscal year

ended December
31, 2014) (File

No. 001-09553),

(as Part B was
amended by

Amendment No.
4 as of January 1,
2015)

(incorporated by
reference to

Exhibit 10(g) to
the Annual

Report on Form
10-K of CBS

Corporation for
the fiscal year

ended December
31, 2014) (File

No. 001-09553).*

(g) Summary of CBS

Corporation

Compensation

for Outside

Directors (as of

January 28,
2016)

(incorporated by
reference to

Exhibit 10(h) to
the Annual

Report on Form
10-K of CBS

Corporation for

- the fiscal year ended December 31, 2015) (File No. 001-09553).*
- Form of Director Indemnification Agreement (incorporated by reference to Exhibit 10 to the
- (h) Current Report on Form 8 K of CBS Corporation filed September 18, 2009) (File No. 001 09553).*
- Former Viacom Deferred Compensation Plan for Non Employee Directors (as amended and restated as of October 14, 2003)
- (i) (incorporated by reference to Exhibit 10(e) to the Annual Report on Form 10 K of Former Viacom for the fiscal year ended December 31, 2003) (File No. 001 09553).*
- (j) CBS Corporation Deferred Compensation Plan for Outside Directors (as amended and restated as of January 29, 2015) (incorporated by reference to Exhibit 10(k) to

- the Annual Report on Form 10-K of CBS Corporation for the fiscal year ended December 31, 2014) (File No. 001-09553).*
- CBS Corporation 2000 Stock Option Plan for Outside Directors
- (k) (as amended and restated through December 14, 2016) (filed herewith).*
- CBS Corporation 2005 RSU Plan for Outside Directors (as amended and restated through January 29, 2015)
- (l) (incorporated by reference to Exhibit 10(m) to the Annual Report on Form 10-K of CBS Corporation for the fiscal year ended December 31, 2014) (File No. 001-09553).*
- (m) CBS Corporation 2015 Equity Plan for Outside Directors (effective May 21, 2015) (incorporated by reference to Exhibit 10(a) to the Quarterly Report on Form 10-Q of CBS Corporation for the quarter ended June 30, 2015)

- (File No. 001-09553).*
- (n) Summary of Compensation for Sumner M. Redstone, Chairman Emeritus (incorporated by reference to Exhibit 10(b) to the Quarterly Report on Form 10-Q of CBS Corporation for the quarter ended March 31, 2016) (File No. 001-09553). Employment Agreement dated December 29, 2005 between CBS Corporation and Sumner M. Redstone (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8 K of Former Viacom filed December 30, 2005) (File No. 001 09553), as amended by a Letter Agreement dated March 13, 2007 (incorporated by reference to Exhibit 10 to the Current Report on Form 8 K of CBS Corporation filed March 16, 2007) (File No. 001 09553), as amended by a

409A Letter
Agreement dated
December 10,
2008
(incorporated by
reference to
Exhibit 10(m) to
the Annual
Report on
Form 10 K of
CBS Corporation
for the fiscal year
ended
December 31,
2008) (File
No. 001 09553).*

*Management contract or compensatory plan required to be filed as an exhibit to this form pursuant to Item 15(b).

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| Exhibit No. | Description of Document |
|-------------|--|
| | Employment Agreement dated December 11, 2014 between CBS Corporation and Leslie Moonves (incorporated by reference to Exhibit 10(o) to the Annual Report on Form 10-K of CBS Corporation for the fiscal year ended December 31, 2014) (File No. 001-09553), as amended by a Letter Agreement dated February 24, 2015 |
| (o) | (incorporated by reference to Exhibit 10(a) to the Quarterly Report on Form 10-Q of CBS Corporation for the quarter ended March 31, 2015) (File No. 001-09553), as amended by a Letter Agreement dated February 26, 2016 (incorporated by reference to Exhibit 10(a) to the Quarterly Report on Form 10-Q of CBS Corporation for the quarter ended March 31, 2016) (File No. 001-09553).* |
| (p) | Letter Agreement dated December 11, 2014 between CBS Corporation and Leslie Moonves amending and restating the Letter Agreement dated May 2, 2012 between CBS Corporation and Leslie Moonves (incorporated by reference to Exhibit 10(p) to the Annual Report on Form 10-K of CBS Corporation for the fiscal year ended December 31, 2014) (File No. 001-09553).* |
| | Certain portions of this exhibit have been omitted pursuant to a confidential treatment order granted by the Securities and Exchange Commission. |
| (q) | Employment Agreement dated as of June 4, 2013 between CBS Corporation and Joseph R. Ianniello (incorporated by reference to Exhibit 10(a) to the Quarterly Report on Form 10 Q of CBS Corporation for the quarter ended June 30, 2013) (File No. 001 09553).* |
| (r) | Employment Agreement dated as of September 29, 2016 between CBS Corporation and Anthony G. Ambrosio (incorporated by reference to Exhibit 10(a) to the Quarterly Report on Form 10-Q of CBS Corporation for the quarter ended September 30, 2016) (File No. 001-09553).* |
| (s) | Employment Agreement dated December 17, 2015 (effective as of July 1, 2016) between CBS Corporation and Gil Schwartz (incorporated by reference to Exhibit 10(u) to the Annual Report on Form 10-K of CBS Corporation for the fiscal year ended December 31, 2015) (File No. 001-09553).* |
| (t) | Employment Agreement dated as of November 11, 2013 between CBS Corporation and Lawrence Tu (incorporated by reference to Exhibit 10(s) to the Annual Report on Form 10-K of CBS Corporation for the fiscal year ended December 31, 2014) (File No. 001-09553).* |
| (u) | CBS Corporation plans assumed by Former Viacom after the merger with former CBS Corporation, consisting of the following: |
| (i) | CBS Supplemental Executive Retirement Plan (as amended as of April 1, 1999) (incorporated by reference to Exhibit 10(h) to the Quarterly Report on Form 10 Q of CBS for the quarter ended September 30, 1999) (File No. 001 00977) (as amended by Part B, effective as of January 1, 2009, as amended and restated as of January 1, 2012) (incorporated by reference to Exhibit 10(t)(i) to the Annual Report on Form 10 K of CBS Corporation for the fiscal year ended December 31, 2012) (File No. 001 09553).* |
| (ii) | CBS Bonus Supplemental Executive Retirement Plan (as amended as of April 1, 1999) (incorporated by reference to Exhibit 10(i) to the Quarterly Report on Form 10 Q of CBS for the quarter ended September 30, 1999) (File No. 001 00977) (as amended by Part B, effective as of January 1, 2009, as amended and restated as of January 1, 2012) (incorporated by reference to Exhibit 10(t)(ii) to the Annual Report on Form 10 K of CBS Corporation for the fiscal year ended December 31, 2012) (File No. 001 09553).* |
| (iii) | CBS Supplemental Employee Investment Fund (as amended as of January 1, 1998) (incorporated by reference to Exhibit 10(j) to the Quarterly Report on Form 10 Q of CBS for the quarter ended September 30, 1999) (File No. 001 00977).* |
| (v) | CBS Corporation Matching Gifts Program for Directors (incorporated by reference to Exhibit 10(t) to the Annual Report on Form 10 K of CBS Corporation for the fiscal year ended December 31, 2008) (File No. 001 09553).* |

*Management contract or compensatory plan required to be filed as an exhibit to this form pursuant to Item 15(b).

| Exhibit No. | Description of Document |
|----------------|---|
| | <p>Amended and Restated \$2.5 Billion Credit Agreement, dated as of June 9, 2016, among CBS Corporation; CBS Operations Inc.; the Subsidiary Borrowers Parties thereto; the Lenders named therein; JPMorgan Chase Bank, N.A., as Administrative Agent; Citibank, N.A., as Syndication Agent; and Bank (w) of America, N.A., Deutsche Bank Securities Inc., Goldman Sachs Bank USA, Mizuho Bank, Ltd., Morgan Stanley MUFG Loan Partners, LLC, and Wells Fargo Bank, N.A., as Co Documentation Agents (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of CBS Corporation filed June 10, 2016) (File No. 001-09553).</p> |
| (x) | <p>CBS Radio Inc. \$1.06 Billion Credit Agreement, dated as of October 17, 2016, among CBS Radio Inc., the guarantors party thereto, the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Collateral Agent, Swing Line Lender and an L/C Issuer; and J.P. Morgan Securities LLC, Deutsche Bank Securities Inc., Citigroup Global Markets Inc., Goldman Sachs Bank USA, Wells Fargo Securities, LLC, Credit Suisse Securities (USA) LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Joint Lead Arrangers and as Joint Book Runners; Deutsche Bank Securities Inc. and Citigroup Global Markets</p> |

Inc., as Co-Syndication Agents; and J.P. Morgan Securities LLC, Goldman Sachs Bank USA, Wells Fargo Bank, N.A., Credit Suisse Securities (USA) LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Co-Documentation Agents (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of CBS Corporation filed October 18, 2016) (File No. 001-09553). Separation Agreement dated as of December 19, 2005 by and between Former Viacom and New Viacom Corp.

(y) (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8 K of Former Viacom filed December 21, 2005) (File No. 001 09553). Tax Matters Agreement dated as of December 30, 2005 by and between Former Viacom and New Viacom Corp.

(z) (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8 K of CBS Corporation filed January 5, 2006) (File No. 001 09553).

(12) Statement re Computations of Ratios (filed herewith).

(21) Subsidiaries of CBS Corporation (filed herewith).

(23) Consents of Experts and Counsel

Consent of

(a) PricewaterhouseCoopers LLP (filed herewith).

(24) Powers of Attorney (filed herewith).

(31) Rule 13a 14(a)/15d 14(a) Certifications

(a) Certification of the Chief Executive Officer of CBS Corporation pursuant to Rule 13a 14(a) or 15d 14(a), as adopted pursuant to Section 302 of the

- Sarbanes Oxley Act of 2002
(filed herewith).
Certification of the Chief
Financial Officer of CBS
Corporation pursuant to
(b) Rule 13a 14(a) or 15d 14(a), as
adopted pursuant to
Section 302 of the
Sarbanes Oxley Act of 2002
(filed herewith).
- (32) Section 1350 Certifications
Certification of the Chief
Executive Officer of CBS
Corporation furnished
pursuant to 18 U.S.C.
(a) Section 1350, as adopted
pursuant to Section 906 of the
Sarbanes Oxley Act of 2002
(furnished herewith).
Certification of the Chief
Financial Officer of CBS
Corporation furnished
pursuant to 18 U.S.C.
(b) Section 1350, as adopted
pursuant to Section 906 of the
Sarbanes Oxley Act of 2002
(furnished herewith).
- (101) Interactive Data File
101. INS XBRL Instance
Document.
101. SCH XBRL Taxonomy
Extension Schema.
101. CAL XBRL Taxonomy
Extension Calculation
Linkbase.
101. DEF XBRL Taxonomy
Extension Definition
Linkbase.
101. LAB XBRL Taxonomy
Extension Label Linkbase.
101. PRE XBRL Taxonomy
Extension Presentation
Linkbase.

*Management contract or compensatory plan required to be filed as an exhibit to this form pursuant to Item 15(b).

CBS CORPORATION AND SUBSIDIARIES
 SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
 (Tabular dollars in millions)

| Col. A Description | Col. B Balance at Beginning of Period | Col. C Balance Acquired through Acquisitions | Col. C Charged Costs and Expenses | Col. D Charged to Other Accounts | Col. D Deductions | Col. E Balance at End of Period |
|---|--|--|---|---|----------------------|---|
| Allowance for doubtful accounts: | | | | | | |
| Year ended December 31, 2016 | \$ 59 | \$ 1 | \$ 12 | \$ — | \$ 12 | \$ 60 |
| Year ended December 31, 2015 | \$ 47 | \$ — | \$ 9 | \$ 15 ^(a) | \$ 12 | \$ 59 |
| Year ended December 31, 2014 | \$ 51 | \$ — | \$ 9 | \$ — | \$ 13 | \$ 47 |
| Valuation allowance on deferred tax assets: | | | | | | |
| Year ended December 31, 2016 | \$ 914 | \$ — | \$ 41 | \$ — | \$ 27 | \$ 928 |
| Year ended December 31, 2015 | \$ 574 | \$ — | \$ 394 ^(b) | \$ — | \$ 54 | \$ 914 |
| Year ended December 31, 2014 | \$ 634 | \$ — | \$ 36 | \$ — | \$ 96 | \$ 574 |
| Reserves for inventory obsolescence: | | | | | | |
| Year ended December 31, 2016 | \$ 23 | \$ 1 | \$ 2 | \$ — | \$ 7 | \$ 19 |
| Year ended December 31, 2015 | \$ 30 | \$ — | \$ 10 | \$ — | \$ 17 | \$ 23 |
| Year ended December 31, 2014 | \$ 35 | \$ — | \$ 8 | \$ — | \$ 13 | \$ 30 |

(a) Reclassification from long-term to current.

(b) Primarily relates to a valuation allowance for a U.S. capital loss carryforward deferred tax asset that arose from the sale of internet businesses in China.