CBS CORP
Form 10-Q
November 05, 2014

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

FORM 10-Q

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

For the quarterly period ended September 30, 2014

OR

o 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 (State or other jurisdiction of incorporation or organization)	04-2949533 (I.R.S. Employer Identification No.)
51 W. 52nd Street, New York, New York (Address of principal executive offices)	10019 (Zip Code)

(212) 975-4321
Registrant's telephone number, including area code

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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

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

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

Number of shares of common stock outstanding at October 31, 2014:
Class A Common Stock, par value $.001 per share—37,849,903
Class B Common Stock, par value $.001 per share—480,424,203

CBS CORPORATION
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PART I – FINANCIAL INFORMATION
Item 1. Financial Statements.
CBS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited; in millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues	$3,367	$3,302	$10,125	$10,434
Expenses:				
Operating	1,936	1,801	5,855	6,002
Selling, general and administrative	617	667	1,793	1,905
Restructuring charges (Note 12)	26	—	26	—
Impairment charge (Note 5)	52	—	52	—
Depreciation and amortization	68	70	210	217
Total expenses	2,699	2,538	7,936	8,124
Operating income	668	764	2,189	2,310
Interest expense	(89)	(93)	(276)	(281)
Interest income	4	2	10	6
Loss on early extinguishment of debt (Note 7)	(352)	—	(352)	—
Other items, net	(21)	6	(10)	(2)
Earnings from continuing operations before income taxes and equity in loss of investee companies	210	679	1,561	2,033
Provision for income taxes	(110)	(226)	(561)	(678)
Equity in loss of investee companies, net of tax	(28)	(22)	(48)	(39)
Net earnings from continuing operations	72	431	952	1,316
Net earnings from discontinued operations, net of tax (Note 3)	1,567	63	1,594	93
Net earnings	$1,639	$494	$2,546	$1,409
Basic net earnings per common share:				
Net earnings from continuing operations	$.14	$.71	$1.69	$2.15
Net earnings from discontinued operations	$2.95	$.10	$2.84	$.15
Net earnings	$3.08	$.82	$4.53	$2.31
Diluted net earnings per common share:				
Net earnings from continuing operations	$.13	$.70	$1.66	$2.10
Net earnings from discontinued operations	$2.90	$.10	$2.78	$.15
Net earnings	$3.03	$.80	$4.44	$2.25
Weighted average number of common shares outstanding:				
Basic	532	603	562	611
Diluted	541	618	574	627
Dividends per common share	$.15	$.12	$.39	$.36

See notes to consolidated financial statements.

CBS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited; in millions)

	Three Months Ended, September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net earnings	$1,639	$494	$2,546	$1,409
Other comprehensive income from continuing operations, net of tax:				
Cumulative translation adjustments	—	5	(7)	5
Amortization of net actuarial loss	6	10	20	32
Changes in fair value of cash flow hedges	—	1	—	—
Unrealized gains on securities	—	—	—	1
Other comprehensive income from continuing operations, net of tax	6	16	13	38
Other comprehensive income (loss) from discontinued operations, net of tax	—	4	15	(14)
Reclassification from accumulated other comprehensive income (loss) from discontinued operations to net earnings	(30)	(178)	(30)	(178)
Total other comprehensive loss, net of tax	(24)	(158)	(2)	(154)
Total comprehensive income	$1,615	$336	$2,544	$1,255

See notes to consolidated financial statements.

CBS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited; in millions, except per share amounts)

	At September 30, 2014	At December 31, 2013
ASSETS		
Current Assets:		
Cash and cash equivalents	$178	$368
Receivables, less allowances of $54 (2014) and $60 (2013)	3,378	3,234
Programming and other inventory (Note 4)	1,136	772
Deferred income tax assets, net	155	152
Prepaid income taxes	83	—
Prepaid expenses	146	109
Other current assets	328	384
Current assets of discontinued operations (Note 3)	—	351
Total current assets	5,404	5,370
Property and equipment	3,125	3,060
Less accumulated depreciation and amortization	1,731	1,599
Net property and equipment	1,394	1,461
Programming and other inventory (Note 4)	1,621	1,697
Goodwill (Note 5)	6,609	6,588
Intangible assets	5,848	5,870
Other assets	2,262	1,963
Assets held for sale (Note 5)	262	314
Assets of discontinued operations (Note 3)	55	3,124
Total Assets	$23,455	$26,387
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$196	$286
Accrued compensation	263	376
Participants' share and royalties payable	914	1,008
Program rights	317	398
Deferred revenues	161	269
Income taxes payable	—	54
Commercial paper (Note 7)	431	475
Current portion of long-term debt (Note 7)	20	20
Accrued expenses and other current liabilities	1,058	1,067
Current liabilities of discontinued operations (Note 3)	37	254
Total current liabilities	3,397	4,207
Long-term debt (Note 7)	6,508	5,940
Pension and postretirement benefit obligations	1,272	1,327
Deferred income tax liabilities, net	1,489	1,314
Other liabilities	3,125	3,156
Liabilities of discontinued operations (Note 3)	138	477
Commitments and contingencies (Note 11)		

Stockholders' Equity:		
Class A Common stock, par value $.001 per share; 375 shares authorized; 38 (2014) and 39 (2013) shares issued	—	—
Class B Common stock, par value $.001 per share; 5,000 shares authorized; 816 (2014) and 801 (2013) shares issued	1	1
Additional paid-in capital	44,022	43,474
Accumulated deficit	(22,344)	(24,890)
Accumulated other comprehensive loss (Note 9)	(547)	(545)
	21,132	18,040
Less treasury stock, at cost; 334 (2014) and 244 (2013) Class B shares	13,606	8,074
Total Stockholders' Equity	7,526	9,966
Total Liabilities and Stockholders' Equity	$23,455	$26,387

See notes to consolidated financial statements.

CBS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; in millions)

	Nine Months Ended September 30,	
	2014	2013
Operating Activities:		
Net earnings	$2,546	$1,409
Less: Net earnings from discontinued operations	1,594	93
Net earnings from continuing operations	952	1,316
Adjustments to reconcile net earnings from continuing operations to net cash flow provided by operating activities from continuing operations:		
Depreciation and amortization	210	217
Impairment charge	52	—
Stock-based compensation	117	163
Equity in loss of investee companies, net of tax and distributions	56	44
Change in assets and liabilities, net of investing and financing activities	(1,151)	(341)
Net cash flow provided by operating activities from continuing operations	236	1,399
Net cash flow provided by (used for) operating activities from discontinued operations	52	(79)
Net cash flow provided by operating activities	288	1,320
Investing Activities:		
Acquisitions, net of cash acquired	(27)	(20)
Capital expenditures	(112)	(112)
Investments in and advances to investee companies	(68)	(144)
Proceeds from sale of investments	3	20
Proceeds from dispositions	7	185
Net cash flow used for investing activities from continuing operations	(197)	(71)
Net cash flow used for investing activities from discontinued operations	(271)	(45)
Net cash flow used for investing activities	(468)	(116)
Financing Activities:		
(Repayments of) proceeds from short-term debt borrowings, net	(44)	341
Proceeds from issuance of notes	1,729	—
Repayment of notes and debentures	(1,152)	—
Payment of capital lease obligations	(13)	(13)
Payment of contingent consideration	—	(30)
Dividends	(214)	(228)
Purchase of Company common stock	(2,830)	(1,864)
Payment of payroll taxes in lieu of issuing shares for stock-based compensation	(146)	(142)
Proceeds from exercise of stock options	237	121
Excess tax benefit from stock-based compensation	227	128
Other financing activities	—	(4)
Net cash flow used for financing activities from continuing operations	(2,206)	(1,691)
Net cash flow provided by financing activities from discontinued operations	2,167	5
Net cash flow used for financing activities	(39)	(1,686)
Net decrease in cash and cash equivalents	(219)	(482)
Cash and cash equivalents at beginning of period (includes $29 (2014) and $21(2013) of discontinued operations cash)	397	708
Cash and cash equivalents at end of period (includes $24 (2013) of discontinued operations cash)	$178	$226
Supplemental disclosure of cash flow information		

Cash paid for interest from continuing operations, including early redemption premiums	$661	$283
Cash paid for income taxes from continuing operations	$227	$196
Noncash proceeds from split-off (Note 3)	$2,721	$—
Equipment acquired under capital leases	$1	$58

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 and CBS Global Distribution Group; CBS Interactive and CBS Films), Cable Networks (Showtime Networks, CBS Sports Network and Smithsonian Networks), Publishing (Simon & Schuster) and Local Broadcasting (CBS Television Stations and CBS Radio). On April 2, 2014, CBS Outdoor Americas Inc. (“Outdoor Americas”), which had been a subsidiary of the Company, completed an initial public offering (“IPO”) through which it sold 23.0 million shares, or approximately 19%, of its common stock. On July 16, 2014, the Company completed the split-off of Outdoor Americas 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, or approximately 81%, of Outdoor Americas common stock that it owned (the "Split-Off"). During 2013, the Company completed the sale of its outdoor advertising business in Europe (“Outdoor Europe”). Outdoor Americas and Outdoor Europe have been presented as discontinued operations in the Company’s consolidated financial statements.

Basis of Presentation-The accompanying unaudited consolidated financial statements of the Company have been prepared pursuant to the rules of the Securities and Exchange Commission. These financial statements should be read in conjunction with the more detailed financial statements and notes thereto included in the Company’s Form 8-K filed on August 8, 2014, which recasts the financial information in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 to present Outdoor Americas as a discontinued operation.

In the opinion of management, the accompanying unaudited financial statements reflect all adjustments, consisting of normal and recurring adjustments, necessary for a fair statement of the financial position, results of operations and cash flows of the Company for the periods presented. Certain previously reported amounts have been reclassified to conform to the current presentation.

Use of Estimates-The preparation of the Company’s financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) 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.

Net Earnings per Common Share-Basic net earnings per share (“EPS”) is based upon net earnings 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”) and market-based performance share units (“PSUs”) only in the periods in which such effect would have been dilutive. For each of the three and nine months ended September 30, 2014 and 2013, stock options to purchase 2 million shares of Class B Common Stock were outstanding but excluded from the calculation of diluted EPS because their inclusion would have been anti-dilutive.

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2014	2013	2014	2013
Weighted average shares for basic EPS	532	603	562	611
Dilutive effect of shares issuable under stock-based compensation plans	9	15	12	16
Weighted average shares for diluted EPS	541	618	574	627

Other Liabilities-Other liabilities consist primarily of the noncurrent portion of residual liabilities of previously disposed businesses, participants' share and royalties payable, program rights obligations, deferred compensation and other employee benefit accruals.

Additional Paid-In Capital-For the nine months ended September 30, 2014 and 2013, the Company recorded dividends of $218 million and $222 million, respectively, as a reduction to additional paid-in capital as the Company had an accumulated deficit balance.

Adoption of New Accounting Standards

Presentation of Reserves for Uncertain Tax Positions when a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists

During the first quarter of 2014, the Company adopted Financial Accounting Standards Board (''FASB'') guidance on the presentation of the reserve for uncertain tax positions when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This guidance requires the reserve for uncertain tax positions to be presented in the financial statements as a reduction to the deferred tax asset for a tax loss or other tax carryforward that would be applied in the settlement of the uncertain tax position. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

Obligations Resulting from Joint and Several Liability Arrangements

During the first quarter of 2014, the Company adopted FASB guidance on the recognition, measurement and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date. Under this guidance, the Company is required to measure its obligations under such arrangements as the sum of the amount it agreed to pay in the arrangement among its co-obligors and any additional amount the Company expects to pay on behalf of its co-obligors. The Company is also required to disclose the nature and amount of the obligation. The adoption of this guidance did not have an effect on the Company's consolidated financial statements.

Recent Pronouncements

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

In August 2014, the FASB issued 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 about the entity's ability to continue as a going concern.

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

This guidance, which is effective for the first annual period ending after December 15, 2016, is not expected to have an impact 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
In June 2014, the FASB issued 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. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. This guidance, which is effective for interim and annual periods beginning after December 15, 2015, is not expected to have a material impact on the Company's consolidated financial statements.

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 is currently evaluating the impact of this guidance, which is effective for interim and annual reporting periods beginning after December 15, 2016 with early adoption not permitted.

Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity
In April 2014, the FASB issued amended guidance which changes the requirements for reporting discontinued operations and requires additional disclosures about discontinued operations and disposals of components of an entity that do not qualify for discontinued operations reporting. Under this guidance, only a disposal of a component of an entity or a group of components of an entity that represent a strategic shift that has (or will have) a major effect on the company's operations and financial results should be reported in discontinued operations. The guidance also expands the definition of a discontinued operation to include a business or nonprofit activity that, on acquisition, meets the criteria to be classified as held for sale and disposals of equity method investments that meet the definition of discontinued operations. This guidance is effective prospectively for interim and annual periods beginning after December 15, 2014. Early adoption is permitted for disposals that have not been reported in financial statements previously issued or available for issuance.

2) STOCK-BASED COMPENSATION
The following table summarizes the Company's stock-based compensation expense for the three and nine months ended September 30, 2014 and 2013.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
RSUs and PSUs	$33	$34	$102	$97
Stock options and equivalents	—	23	15	66
Stock-based compensation expense, before income taxes	33	57	117	163
Related tax benefit	(12)	(22)	(45)	(63)
Stock-based compensation expense, net of tax benefit	$21	$35	$72	$100

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

Included in net earnings from discontinued operations is stock-based compensation expense of $5 million for the nine months ended September 30, 2014, and $10 million and $14 million for the three and nine months ended September 30, 2013, respectively.

During the nine months ended September 30, 2014, the Company granted 2 million RSUs for CBS Corp. Class B common stock with a weighted average per unit grant date fair value of $65.13. RSU grants during the first nine months of 2014 generally vest over a one- to four-year service period. Compensation expense for RSUs is determined based upon the market price of the shares underlying the awards on the date of grant. For certain RSU awards the number of shares an employee earns ranges from 0% to 120% of the target award, based on the outcome of established performance goals. Compensation expense is recorded based on the probable outcome of the performance conditions. During the nine months ended September 30, 2014, the Company also granted 2 million stock options with a weighted average exercise price of $65.91. Stock option grants during the first nine months of 2014 generally vest over a four-year service period and expire eight years from the date of grant. 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.

Total unrecognized compensation cost related to unvested RSUs at September 30, 2014 was $221 million, which is expected to be recognized over a weighted average period of 2.4 years. Total unrecognized compensation cost related to unvested stock option awards at September 30, 2014 was $64 million, which is expected to be recognized over a weighted average period of 2.5 years.

3) DISCONTINUED OPERATIONS

In connection with the Company's plan to dispose of Outdoor Americas, in January 2014 Outdoor Americas borrowed $1.60 billion. On April 2, 2014, Outdoor Americas completed an IPO through which it sold 23.0 million shares, or approximately 19%, of its common stock for $28.00 per share. Proceeds from the IPO aggregated $615 million, net of underwriting discounts and commissions. The Company received $2.04 billion of the combined IPO and debt proceeds from Outdoor Americas.

Upon completion of the IPO, the Company owned 97.0 million shares, or approximately 81% of Outdoor Americas. On July 16, 2014, the Company completed the disposition of its 81% ownership of Outdoor Americas common stock through the tax-free Split-Off. In connection with the Split-Off, 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. As a result, Outdoor Americas has been presented as a discontinued operation in the Company’s consolidated financial statements for all periods presented. This transaction resulted in a gain of $1.56 billion for the three and nine months ended September 30, 2014 which 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	

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

The Split-Off is accounted for as a tax-free transaction and therefore, there is no tax impact on the gain. In aggregate, the Company received $4.76 billion from the disposition of Outdoor Americas, including proceeds from Outdoor Americas' IPO and debt borrowings and shares received in the Split-Off.

The following table sets forth details of the net earnings from discontinued operations. For 2013, net earnings from discontinued operations also included the operating results and gain on the disposal of Outdoor Europe during September 2013. Included in the loss from discontinued operations for the three and nine months ended September 30, 2013 is an after-tax charge of $110 million related to Outdoor Europe. This charge was associated with exiting an unprofitable contractual arrangement and the estimated fair value of guarantees, which historically were intercompany but upon the closing of the transaction became third-party guarantees (See Note 11).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues from discontinued operations	$55	$477	$677	$1,351
Earnings (loss) from discontinued operations	$5	$(128)	$59	$(83)
Income tax benefit (provision)	5	44	(17)	29
Earnings (loss) from discontinued operations, net of tax	10	(84)	42	(54)
Gain on disposal	1,557	149	1,557	149
Income tax provision	—	(2)	—	(2)
Gain on disposal, net of tax	1,557	147	1,557	147
Less: Net earnings from discontinued operations attributable to noncontrolling interest, net of tax	—	—	5	—
Net earnings from discontinued operations attributable to CBS Corp.	$1,567	$63	$1,594	$93

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

	At September 30, 2014	At December 31, 2013
Current assets	$—	$351
Goodwill	—	1,866
Intangible assets	—	366
Net property and equipment	—	763
Other assets	55	129
Total Assets	$55	$3,475
Current liabilities	$37	$254
Other liabilities	138	477
Total Liabilities	$175	$731

Other liabilities of discontinued operations of $138 million and $477 million at September 30, 2014 and December 31, 2013, respectively, primarily include tax reserves related to previously disposed businesses and the estimated fair value of guarantee liabilities of approximately $40 million associated with the disposition of Outdoor Europe. At December 31, 2013, other liabilities of discontinued operations also included deferred tax liabilities related to Outdoor Americas.

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

4) PROGRAMMING AND OTHER INVENTORY

	At September 30, 2014	At December 31, 2013
Program rights	$1,648	$1,331
Television programming:		
Released (including acquired libraries)	700	878
In process and other	293	139
Theatrical programming:		
Released	27	38
In process and other	31	32
Publishing, primarily finished goods	58	51
Total programming and other inventory	2,757	2,469
Less current portion	1,136	772
Total noncurrent programming and other inventory	$1,621	$1,697

5) IMPAIRMENT CHARGE
On October 2, 2014, the Company announced that it entered into an agreement with Beasley Broadcast Group, Inc. to swap 13 of the Company's mid-size market 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. This transaction is subject to customary closing conditions. The assets associated with these radio stations, primarily consisting of goodwill and other intangible assets, have been classified as held for sale on the Company's Consolidated Balance Sheets. During the third quarter of 2014, in connection with the swap, the Company recorded a pre-tax noncash impairment charge of $52 million to reduce the carrying value of the allocated goodwill.

6) 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 Executive Chairman of the Board of Directors and founder of both CBS Corp. and 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 both CBS Corp. and Viacom Inc. Mr. David R. Andelman is a director of CBS Corp. and serves as a director of NAI. Mr. Frederic V. Salerno is a director of CBS Corp. and serves as a director of Viacom Inc. At September 30, 2014, NAI directly or indirectly owned approximately 79.6% of CBS Corp.’s voting Class A Common Stock, and owned approximately 7.6% of CBS Corp.’s Class A Common Stock and non-voting Class B Common Stock on a combined basis.

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 $54 million and $42 million for the three months ended September 30, 2014 and 2013, respectively, and $150 million and $168 million for the nine months ended September 30, 2014 and 2013, respectively.

The Company places advertisements with and leases production facilities from various subsidiaries of Viacom Inc. The total amounts for these transactions were $6 million and $7 million for the three months ended September 30, 2014 and 2013, and $14 million and $17 million for the nine months ended September 30, 2014 and 2013, respectively.

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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 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 September 30, 2014 and December 31, 2013.

	At September 30, 2014	At December 31, 2013
Receivables	$95	$84
Other assets (Receivables, noncurrent)	88	115
Total amounts due from Viacom Inc.	$183	$199

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 $18 million for each of the three months ended September 30, 2014 and 2013 and $81 million and $79 million for the nine months ended September 30, 2014 and 2013, 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.

7) BANK FINANCING AND DEBT

The following table sets forth the Company's debt.

	At September 30, 2014	At December 31, 2013
Commercial paper	$431	$475
Senior debt (1.95% - 8.875% due 2014 - 2044) [(a)]	6,427	5,848
Obligations under capital leases	101	112
Total debt	6,959	6,435
Less commercial paper	431	475
Less current portion of long-term debt	20	20
Total long-term debt, net of current portion	$6,508	$5,940

(a) At September 30, 2014 and December 31, 2013, the senior debt balances included (i) a net unamortized discount of $22 million and $13 million, respectively, and (ii) an increase in the carrying value of the debt relating to previously settled fair value hedges of $15 million and $18 million, respectively. The balance at September 30, 2014, also included a decrease in the carrying value of the debt relating to outstanding fair value hedges of $6 million. The face value of the Company's senior debt was $6.44 billion and $5.84 billion at September 30, 2014 and December 31, 2013, respectively.

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For the nine months ended September 30, 2014, debt issuances, redemptions and repurchases were as follows:
Debt Issuances

August 2014, $600 million 2.30% senior notes due 2019
August 2014, $600 million 3.70% senior notes due 2024
August 2014, $550 million 4.90% senior notes due 2044

Debt Redemptions

$99 million 8.875% notes due 2014
$264 million 8.875% senior notes due 2019

Debt Repurchases

$336 million 8.875% senior notes due 2019, through a tender offer
$37 million 7.875% debentures due 2023, through a tender offer
$6 million 7.125% senior notes due 2023, through a tender offer
$423 million 7.875% senior debentures due 2030, through a tender offer

The debt repurchases and early debt redemption resulted in a pre-tax loss on early extinguishment of debt of $352 million ($219 million, net of tax) for the three and nine months ended September 30, 2014.

All of the Company's long-term debt has been issued under fixed interest rate agreements. During the third quarter of 2014, the Company entered into $600 million notional amount of fixed-to-floating rate swap agreements to hedge the Company's 2.30% senior notes that were issued in the third quarter of 2014. These interest rate swaps are designated as fair value hedges (See Note 13).

Commercial Paper
The Company had outstanding commercial paper borrowings under its $2.0 billion commercial paper program of $431 million at September 30, 2014 and $475 million at December 31, 2013, each at a weighted average interest rate of 0.3% and with maturities of less than thirty days.

Credit Facility
At September 30, 2014, the Company had a $2.0 billion revolving credit facility (the “Credit Facility”) which expires in March 2018. 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 September 30, 2014, the Company’s Consolidated Leverage Ratio was approximately 2.0x.

The Consolidated Leverage Ratio is 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 September 30, 2014, 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 $1.99 billion.

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8) PENSION AND OTHER POSTRETIREMENT BENEFITS

The components of net periodic cost for the Company's pension and postretirement benefit plans were as follows:

	Pension Benefits		Postretirement Benefits	
Three Months Ended September 30,	2014	2013	2014	2013
Components of net periodic cost:				
Service cost	$8	$8	$—	$—
Interest cost	60	54	6	6
Expected return on plan assets	(65)	(69)	—	—
Amortization of actuarial loss (gain) [(a)]	16	21	(6)	(4)
Net periodic cost	$19	$14	$—	$2

	Pension Benefits		Postretirement Benefits	
Nine Months Ended September 30,	2014	2013	2014	2013
Components of net periodic cost:				
Service cost	$24	$28	$—	$—
Interest cost	178	158	18	18
Expected return on plan assets	(197)	(203)	—	—
Amortization of actuarial loss (gain) [(a)]	48	65	(16)	(12)
Net periodic cost	$53	$48	$2	$6

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

9) STOCKHOLDERS' EQUITY

During the third quarter of 2014, the Company repurchased 6.9 million shares of its Class B Common Stock for $400 million, at an average cost of $57.91 per share. During the nine months ended September 30, 2014, the Company repurchased 45.4 million shares of its Class B Common Stock for $2.81 billion, at an average cost of $61.94 per share, leaving $5.60 billion of authorization remaining under its share repurchase program at September 30, 2014. Share repurchases during 2014 were partly funded by proceeds of $2.04 billion received from Outdoor Americas' IPO and debt borrowings (See Note 3).

On July 16, 2014, the Company completed the Split-Off through which it received 44.7 million shares of CBS Corp. Class B Common Stock in exchange for the 97.0 million shares of Outdoor Americas common stock that it owned (See Note 3).

On August 7, 2014, the Company announced a 25% increase in the quarterly cash dividend on its Class A and Class B Common Stock to $.15 per share from $.12 per share. The total third quarter dividend was $79 million of which $78 million was paid on October 1, 2014 and $1 million was accrued to be paid upon vesting of RSUs. Total dividends for the nine months ended September 30, 2014 were $218 million.

During the second quarter of 2014, in connection with the IPO of Outdoor Americas (See Note 3), the Company recorded an increase to additional paid-in capital of $313 million for the excess of the proceeds received from the IPO over the carrying value of the 19% noncontrolling interest.

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Accumulated Other Comprehensive Income (Loss)
The following tables summarize the changes in the components of accumulated other comprehensive income (loss).

	Continuing Operations			Discontinued Operations	
	Cumulative Translation Adjustments	Net Actuarial Gain (Loss) and Prior Service Cost	Unrealized Gains on Securities	Other Comprehensive Income (Loss)	Accumulated Other Comprehensive Loss
At December 31, 2013	$166	$(729)	$3	$15	$(545)
Other comprehensive income (loss) before reclassifications	(7)	—	—	15	8
Reclassifications to net earnings	—	20 (a)	—	(30) (b)	(10)
Net other comprehensive income (loss)	(7)	20	—	(15)	(2)
At September 30, 2014	$159	$(709)	$3	$—	$(547)

	Continuing Operations			Discontinued Operations	
	Cumulative Translation Adjustments	Net Actuarial Gain (Loss) and Prior Service Cost	Unrealized Gains on Securities	Other Comprehensive Income (Loss)	Accumulated Other Comprehensive Loss
At December 31, 2012	$168	$(936)	$2	$197	$(569)
Other comprehensive income (loss) before reclassifications	5	—	1	(14)	(8)
Reclassifications to net earnings	—	32 (a)	—	(178) (b)	(146)
Net other comprehensive income (loss)	5	32	1	(192)	(154)
At September 30, 2013	$173	$(904)	$3	$5	$(723)

(a) Reflects amortization of net actuarial losses. See Note 8.
(b) Reclassified in connection with the disposal of Outdoor Americas in 2014 and Outdoor Europe in 2013. See Note 3.

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 of $12 million and $21 million for the nine months ended September 30, 2014 and 2013, respectively.

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10) INCOME TAXES
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 provision for income taxes was $110 million for the three months ended September 30, 2014 and $226 million for the three months ended September 30, 2013, reflecting an effective income tax rate of 52.4% and 33.3%, respectively. For the nine months ended September 30, 2014, the provision for income taxes was $561 million compared to $678 million for the nine months ended September 30, 2013, reflecting an effective income tax rate of 35.9% and 33.3%, respectively. The Company's income tax provision for the three and nine months ended September 30, 2014 included a tax benefit of $133 million associated with the loss on early extinguishment of debt of $352 million; a tax provision of $22 million associated with the noncash impairment charge of $52 million to reduce the carrying value of the allocated goodwill in connection with a radio station swap; and the establishment of a tax reserve of $19 million for the retroactive impact of an uncertain tax position in a foreign jurisdiction.

The Company is currently under examination by the IRS for the years 2011 and 2012 and expects to settle the audit in the first quarter of 2015. In addition, during the next six months, the Company expects a decrease to its reserve for uncertain tax positions related to an audit in a foreign jurisdiction of a previously disposed business that is accounted for as a discontinued operation. Various tax years are also currently under examination by state and local and other foreign tax authorities. With respect to open tax years in all jurisdictions, the Company currently believes that it is reasonably possible that the reserve for uncertain tax positions will decrease within the next twelve months; however, as it is difficult to predict the final outcome of any particular tax matter, an estimate of any related impact to the reserve for uncertain tax positions cannot currently be determined.
11) COMMITMENTS AND CONTINGENCIES
Guarantees
During 2013, the Company completed the sale of Outdoor Europe to an affiliate of Platinum Equity. The Company continues to be the guarantor of Outdoor Europe’s franchise payment obligations under certain transit franchise agreements. Generally, the Company would be required to perform under the guarantees in the event of non-performance by the buyer. These agreements have varying terms, with the majority of the obligations guaranteed under these agreements expiring by September 2016. At September 30, 2014, the total franchise payment obligations under these agreements are estimated to be approximately $200 million, which will decrease on a monthly basis thereafter. The estimated fair value of the guarantee liability of approximately $40 million is included in ‘‘Liabilities of discontinued operations’’ on the Consolidated Balance Sheet at September 30, 2014.

The Company also 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 September 30, 2014, the outstanding letters of credit and surety bonds approximated $252 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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Legal Matters

E-books Matters. Commencing in 2012, as previously disclosed, a number of antitrust suits were filed and/or consolidated in the United States District Court for the Southern District of New York against Simon & Schuster, other book publishers and Apple Inc. (‘‘Apple’’) in connection with these book publishers’ agency arrangements regarding the distribution of e-books to e-book retailers. Simon & Schuster has settled all of these actions without any admission of wrongdoing or liability and has adopted certain business and compliance practices as part of certain settlements. On April 10, 2012, Simon & Schuster and two other book publisher parties entered into a settlement stipulation and proposed final judgment (the ‘‘Stipulation’’) with the United States Department of Justice (the ‘‘DOJ’’) in connection with an antitrust action filed by the DOJ, which was approved by the court on September 7, 2012. The Stipulation requires the adoption of certain business practices for a 24 month period (the ‘‘24 Month Period’’) and certain compliance practices for a five year period. In addition, as previously disclosed, in connection with Simon & Schuster’s settlement of an antitrust suit filed with the court on April 11, 2012 by the U.S. states and territories and the District of Columbia (the ‘‘States Settlement’’), Simon & Schuster adopted certain business and compliance practices substantially similar to those described in the Stipulation. The Company believes that continuing to comply with these business and compliance practices pursuant to the Stipulation and States Settlement, which are the only outstanding obligations under these settlements, will not have a material adverse effect on its results of operations, financial position or cash flows.

Following a ruling in favor of the DOJ and a judgment against Apple that was entered by the court on September 6, 2013 in one of the antitrust suits described above, Apple filed an appeal, which will be heard by the United States Court of Appeals for the Second Circuit. On October 4, 2013, Simon & Schuster filed an appeal with the court relating to an aspect of the Apple judgment involving the 24 Month Period.

Similar antitrust suits have been filed against the Publishing parties by private litigants in Canada, purportedly as class actions, under Canadian law, commencing on February 24, 2012 (“Canada Actions”); and by an Australian e-book retailer on September 16, 2013, and two former U.S. e-book retailers in March 2014, each in the United States Court for the Southern District of New York (“U.S. Actions”). Simon & Schuster executed an agreement settling the Canada Actions as of May 8, 2014, which is subject to Canadian court approval. Simon & Schuster intends to defend itself in the U.S. Actions.

In addition, the European Commission (the ‘‘EC’’) and Canadian Competition Bureau (the ‘‘CCB’’) conducted separate competition investigations of agency distribution arrangements of e-books in this industry. On December 12, 2012, following the close of a comment period, the EC entered into settlement agreements with Simon & Schuster and certain Publishing parties. The CCB also entered into a settlement agreement with Simon & Schuster and certain Publishing parties, which was effective on February 7, 2014 but was subsequently stayed by the Canadian Competition Tribunal on March 18, 2014 pending the resolution of an application to rescind or vary the settlement agreement filed by a large Canadian e-book retailer. These settlements require the adoption of certain business and compliance practices similar to those described in the Stipulation with the DOJ.

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

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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, or by asbestos-containing grades of decorative micarta, a laminate used in commercial ships.
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 September 30, 2014, the Company had pending approximately 42,560 asbestos claims, as compared with approximately 45,150 as of December 31, 2013 and 45,480 as of September 30, 2013. During the third quarter of 2014, the Company received approximately 1,030 new claims and closed or moved to an inactive docket approximately 2,200 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 claim, the quality of evidence supporting the claims and other factors. The Company's total costs for the years 2013 and 2012 for settlement and defense of asbestos claims after insurance recoveries and net of tax benefits were approximately $29 million and $21 million, respectively. 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 trended down in the past five to ten years and has remained 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.

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 and local 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 above-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.

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12) RESTRUCTURING CHARGES
During the third quarter of 2014, 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 $26 million, reflecting $17 million of severance costs and $9 million of costs associated with exiting contractual obligations. During the year ended December 31, 2013, the Company recorded restructuring charges of $20 million, reflecting $14 million of severance costs and $6 million of costs associated with exiting contractual obligations. As of September 30, 2014, the cumulative amount paid for the restructuring charges was $18 million, of which $13 million was for the severance costs and $5 million was related to costs associated with contractual obligations. The Company expects to substantially utilize its restructuring reserves by the end of 2015.

	Balance at December 31, 2013	2014 Charges	2014 Payments	Balance at September 30, 2014
Entertainment	$8	$8	$(7)	$9
Cable Networks	1	—	(1)	—
Publishing	1	1	(1)	1
Local Broadcasting	4	14	(3)	15
Corporate	1	3	(1)	3
Total	$15	$26	$(13)	$28

13) FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS
The Company uses derivative financial instruments primarily to modify its exposure to market risks from fluctuations in interest rates and 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.

All of the Company's long-term debt has been issued under fixed interest rate agreements. During the third quarter of 2014, the Company entered into $600 million notional amount of fixed-to-floating rate swap agreements to hedge the Company's 2.30% senior notes that were issued in the third quarter of 2014. These interest rate swaps are designated as fair value hedges. The fair value of interest rate swaps is recorded in other liabilities on the Consolidated Balance Sheet with an offsetting change in the carrying value of the debt attributable to the risk being hedged. Gains or losses on interest rate swaps are recognized within interest expense. The fair value of the Company’s derivative instruments and the related activity was not material to the Consolidated Balance Sheets and Consolidated Statements of Operations for any of the periods presented.

The following tables set forth the Company’s assets and liabilities measured at fair value on a recurring basis at September 30, 2014 and December 31, 2013. 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.

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At September 30, 2014	Level 1	Level 2	Level 3	Total
Assets:				
Investments	$78	$—	$—	$78
Foreign currency hedges	—	3	—	3
Total Assets	$78	$3	$—	$81
Liabilities:				
Deferred compensation	$—	$278	$—	$278
Guarantees	—	—	40	40
Interest rate swaps	—	6	—	6
Foreign currency hedges	—	1	—	1
Total Liabilities	$—	$285	$40	$325

At December 31, 2013	Level 1	Level 2	Level 3	Total
Assets:				
Investments	$83	$—	$—	$83
Foreign currency hedges	—	3	—	3
Total Assets	$83	$3	$—	$86
Liabilities:				
Deferred compensation	$—	$268	$—	$268
Guarantees	—	—	40	40
Foreign currency hedges	—	4	—	4
Total Liabilities	$—	$272	$40	$312

The fair value of investments is determined based on publicly quoted market prices in active markets. The fair value of interest rate swaps and foreign currency hedges is determined based on the present value of future cash flows using observable inputs including interest rates, yield curves and foreign currency exchange rates. The fair value of deferred compensation is determined based on the fair value of the investments elected by employees. The fair value of the guarantee liabilities reflects the premium that would be required to issue such guarantee in a standalone arm’s length transaction and is calculated based on an assessment of the probability of the primary obligor’s default under the obligation, discounted to its present value. During the nine months ended September 30, 2014, changes to the fair value of the guarantee liability were minimal.

During the third quarter of 2014, in connection with a radio station swap, the Company recorded a pre-tax noncash impairment charge of $52 million to reduce the carrying value of the allocated goodwill to its fair value using other nonobservable inputs (Level 3). The fair value was determined based on a valuation of comparable assets in the same geographic markets.

The Company’s carrying value of financial instruments approximates fair value, except for differences with respect to its long-term debt. At September 30, 2014 and December 31, 2013, the carrying value of the Company’s senior debt was $6.43 billion and $5.85 billion, respectively, and the fair value, which is estimated based on quoted market prices for similar liabilities (Level 2) and includes accrued interest, was $7.05 billion and $6.68 billion, respectively.

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14) 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.

On July 16, 2014, the Company completed the disposition of Outdoor Americas through the Split-Off. As a result, Outdoor Americas has been presented as a discontinued operation in the Company's consolidated financial statements. Prior periods have been reclassified to conform to this presentation.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues:				
Entertainment	$1,911	$1,884	$6,049	$6,431
Cable Networks	624	596	1,677	1,592
Publishing	199	224	563	584
Local Broadcasting	680	641	1,971	1,977
Corporate/Eliminations	(47)	(43)	(135)	(150)
Total Revenues	$3,367	$3,302	$10,125	$10,434

Revenues generated between segments primarily reflect advertising sales and television and feature film license fees. These transactions are recorded at market value as if the sales were to third parties and are eliminated in consolidation.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Intercompany Revenues:				
Entertainment	$45	$41	$130	$145
Local Broadcasting	5	4	13	11
Total Intercompany Revenues	$50	$45	$143	$156

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The Company presents segment operating income (loss) before depreciation and amortization (“OIBDA”), restructuring charges and impairment charges (“Segment OIBDA”) as the primary measure of profit and loss for its operating segments in accordance with FASB guidance for segment reporting. The Company believes the presentation of Segment OIBDA 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.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Segment OIBDA:				
Entertainment	$335	$431	$1,168	$1,340
Cable Networks	272	261	750	699
Publishing	43	43	80	76
Local Broadcasting	214	181	652	635
Corporate	(50)	(82)	(173)	(223)
Total Segment OIBDA	814	834	2,477	2,527
Restructuring charges	(26)	—	(26)	—
Impairment charge	(52)	—	(52)	—
Depreciation and amortization	(68)	(70)	(210)	(217)
Operating income	668	764	2,189	2,310
Interest expense	(89)	(93)	(276)	(281)
Interest income	4	2	10	6
Loss on early extinguishment of debt	(352)	—	(352)	—
Other items, net	(21)	6	(10)	(2)
Earnings from continuing operations before income taxes and equity in loss of investee companies	210	679	1,561	2,033
Provision for income taxes	(110)	(226)	(561)	(678)
Equity in loss of investee companies, net of tax	(28)	(22)	(48)	(39)
Net earnings from continuing operations	72	431	952	1,316
Net earnings from discontinued operations, net of tax	1,567	63	1,594	93
Net earnings	$1,639	$494	$2,546	$1,409

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Operating Income (Loss):				
Entertainment	$294	$394	$1,055	$1,225
Cable Networks	266	255	733	684
Publishing	41	41	75	71
Local Broadcasting	126	161	520	571
Corporate	(59)	(87)	(194)	(241)
Total Operating Income	$668	$764	$2,189	$2,310

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Depreciation and Amortization:				
Entertainment	$33	$37	$105	$115
Cable Networks	6	6	17	15
Publishing	1	2	4	5
Local Broadcasting	22	20	66	64
Corporate	6	5	18	18
Total Depreciation and Amortization	$68	$70	$210	$217

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Stock-based Compensation:				
Entertainment	$16	$14	$45	$44
Cable Networks	2	2	7	6
Publishing	1	1	3	3
Local Broadcasting	7	7	22	21
Corporate	7	33	40	89
Total Stock-based Compensation	$33	$57	$117	$163

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Capital Expenditures:				
Entertainment	$21	$24	$58	$67
Cable Networks	2	2	7	6
Publishing	—	1	1	2
Local Broadcasting	15	15	35	33
Corporate	5	2	11	4
Total Capital Expenditures	$43	$44	$112	$112

	At September 30, 2014	At December 31, 2013
Assets:		
Entertainment	$10,248	$9,657
Cable Networks	2,108	1,968
Publishing	962	1,026
Local Broadcasting	9,541	9,600
Corporate	541	661
Discontinued operations	55	3,475
Total Assets	$23,455	$26,387

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15) 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. 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 Three Months Ended September 30, 2014				
	CBS Corp.	CBS Operations Inc.	Non-Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
Revenues	$40	$2	$3,325	$—	$ 3,367
Expenses:					
Operating	18	1	1,917	—	1,936
Selling, general and administrative	11	51	555	—	617
Restructuring charges	—	3	23	—	26
Impairment charge	—	—	52	—	52
Depreciation and amortization	2	4	62	—	68
Total expenses	31	59	2,609	—	2,699
Operating income (loss)	9	(57)	716	—	668
Interest (expense) income, net	(109)	(97)	121	—	(85)
Loss on early extinguishment of debt	(351)	—	(1)	—	(352)
Other items, net	(1)	4	(24)	—	(21)
Earnings (loss) from continuing operations before income taxes and equity in earnings (loss) of investee companies	(452)	(150)	812	—	210
Benefit (provision) for income taxes	167	52	(329)	—	(110)
Equity in earnings (loss) of investee companies, net of tax	1,924	314	(28)	(2,238)	(28)
Net earnings from continuing operations	1,639	216	455	(2,238)	72
Net earnings from discontinued operations, net of tax	—	—	1,567	—	1,567
Net earnings	$1,639	$216	$2,022	$(2,238)	$ 1,639
Total comprehensive income	$1,615	$222	$1,987	$(2,209)	$ 1,615

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

	Statement of Operations For the Nine Months Ended September 30, 2014				
	CBS Corp.	CBS Operations Inc.	Non-Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
Revenues	$108	$8	$10,009	$—	$ 10,125
Expenses:					
Operating	49	4	5,802	—	5,855
Selling, general and administrative	43	165	1,585	—	1,793
Restructuring charges	—	3	23	—	26
Impairment charge	—	—	52	—	52
Depreciation and amortization	5	11	194	—	210
Total expenses	97	183	7,656	—	7,936
Operating income (loss)	11	(175)	2,353	—	2,189
Interest (expense) income, net	(338)	(285)	357	—	(266)
Loss on early extinguishment of debt	(351)	—	(1)	—	(352)
Other items, net	—	2	(12)	—	(10)
Earnings (loss) from continuing operations before income taxes and equity in earnings (loss) of investee companies	(678)	(458)	2,697	—	1,561
Benefit (provision) for income taxes	244	157	(962)	—	(561)
Equity in earnings (loss) of investee companies, net of tax	2,980	978	(48)	(3,958)	(48)
Net earnings from continuing operations	2,546	677	1,687	(3,958)	952
Net earnings (loss) from discontinued operations, net of tax	—	(1)			