CBS CORP
Form 10-Q
November 03, 2016

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, 2016

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, 2016:
Class A Common Stock, par value $.001 per share— 37,726,904
Class B Common Stock, par value $.001 per share— 391,975,900

CBS CORPORATION
INDEX TO FORM 10-Q

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,	
	2016	2015	2016	2015
Revenues	$3,396	$3,257	$10,532	$9,976
Costs and expenses:				
Operating	1,897	1,842	6,114	5,891
Selling, general and administrative	640	597	1,887	1,790
Depreciation and amortization	61	65	188	199
Restructuring charges (Note 10)	—	—	—	55
Other operating items, net	—	—	(9)	(19)
Total costs and expenses	2,598	2,504	8,180	7,916
Operating income	798	753	2,352	2,060
Interest expense	(104)	(102)	(304)	(289)
Interest income	7	6	22	18
Other items, net	2	(4)	(5)	(23)
Earnings from continuing operations before income taxes and equity in loss of investee companies	703	653	2,065	1,766
Provision for income taxes	(176)	(211)	(612)	(579)
Equity in loss of investee companies, net of tax	(13)	(16)	(43)	(35)
Net earnings from continuing operations	514	426	1,410	1,152
Loss from discontinued operations (Note 1)	(36)	—	(36)	—
Net earnings	$478	$426	$1,374	$1,152
Basic net earnings (loss) per common share:				
Net earnings from continuing operations	$1.16	$.89	$3.13	$2.36
Loss from discontinued operations	$(.08)	$—	$(.08)	$—
Net earnings	$1.08	$.89	$3.05	$2.36
Diluted net earnings (loss) per common share:				
Net earnings from continuing operations	$1.15	$.88	$3.10	$2.33
Loss from discontinued operations	$(.08)	$—	$(.08)	$—
Net earnings	$1.07	$.88	$3.02	$2.33
Weighted average number of common shares outstanding:				
Basic	442	480	451	489
Diluted	446	484	455	495
Dividends per common share	$.18	$.15	$.48	$.45

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,	
	2016	2015	2016	2015
Net earnings	$478	$426	$1,374	$1,152
Other comprehensive income, net of tax:				
Cumulative translation adjustments	1	(5)	2	(6)
Amortization of net actuarial loss and prior service cost	10	9	29	27
Total other comprehensive income, net of tax	11	4	31	21
Total comprehensive income	$489	$430	$1,405	$1,173

See notes to consolidated financial statements.

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

	At September 30, 2016	At December 31, 2015
ASSETS		
Current Assets:		
Cash and cash equivalents	$179	$323
Receivables, less allowances of $67 (2016) and $63 (2015)	3,348	3,628
Programming and other inventory (Note 3)	1,459	1,271
Prepaid income taxes	39	101
Prepaid expenses	204	175
Other current assets	228	249
Total current assets	5,457	5,747
Property and equipment	3,263	3,243
Less accumulated depreciation and amortization	1,918	1,838
Net property and equipment	1,345	1,405
Programming and other inventory (Note 3)	2,237	1,957
Goodwill	6,531	6,481
Intangible assets	5,499	5,514
Other assets	2,779	2,661
Total Assets	$23,848	$23,765
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$153	$192
Accrued compensation	282	315
Participants' share and royalties payable	979	1,013
Program rights	373	374
Deferred revenues	141	295
Commercial paper (Note 5)	33	—
Current portion of long-term debt (Note 5)	22	222
Accrued expenses and other current liabilities	1,115	1,149
Total current liabilities	3,098	3,560
Long-term debt (Note 5)	8,902	8,226
Pension and postretirement benefit obligations	1,526	1,575
Deferred income tax liabilities, net	1,667	1,509
Other liabilities	3,240	3,260
Liabilities of discontinued operations	67	72
Commitments and contingencies (Note 9)		
Stockholders' Equity:		
Class A Common Stock, par value $.001 per share; 375 shares authorized; 38 (2016 and 2015) shares issued	—	—
Class B Common Stock, par value $.001 per share; 5,000 shares authorized; 828 (2016) and 826 (2015) shares issued	1	1
Additional paid-in capital	43,935	44,055

Accumulated deficit	(19,144)	(20,518)
Accumulated other comprehensive loss (Note 7)	(739)	(770)
	24,053	22,768
Less treasury stock, at cost; 429 (2016) and 401 (2015) Class B shares	18,705	17,205
Total Stockholders’ Equity	5,348	5,563
Total Liabilities and Stockholders’ Equity	$23,848	$23,765

See notes to consolidated financial statements.

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

	Nine Months Ended September 30,	
	2016	2015
Operating Activities:		
Net earnings	$1,374	$1,152
Less: Loss from discontinued operations	(36)	—
Net earnings from continuing operations	1,410	1,152
Adjustments to reconcile net earnings from continuing operations to net cash flow provided by operating activities from continuing operations:		
Depreciation and amortization	188	199
Stock-based compensation	134	128
Equity in loss of investee companies, net of tax and distributions	48	37
Change in assets and liabilities, net of investing and financing activities	(472)	(866)
Net cash flow provided by operating activities from continuing operations	1,308	650
Net cash flow used for operating activities from discontinued operations	(2)	(27)
Net cash flow provided by operating activities	1,306	623
Investing Activities:		
Acquisitions	(51)	(7)
Capital expenditures	(125)	(104)
Investments in and advances to investee companies	(44)	(58)
Proceeds from dispositions	28	75
Other investing activities	11	(8)
Net cash flow used for investing activities from continuing operations	(181)	(102)
Net cash flow used for investing activities from discontinued operations	—	(4)
Net cash flow used for investing activities	(181)	(106)
Financing Activities:		
Proceeds from (repayments of) short-term debt borrowings, net	33	(313)
Proceeds from issuance of senior notes	685	1,959
Repayment of senior debentures	(199)	—
Payment of capital lease obligations	(13)	(13)
Dividends	(209)	(228)
Purchase of Company common stock	(1,534)	(2,345)
Payment of payroll taxes in lieu of issuing shares for stock-based compensation	(57)	(96)
Proceeds from exercise of stock options	13	137
Excess tax benefit from stock-based compensation	13	87
Other financing activities	(1)	—
Net cash flow used for financing activities	(1,269)	(812)
Net decrease in cash and cash equivalents	(144)	(295)
Cash and cash equivalents at beginning of period	323	428
Cash and cash equivalents at end of period	$179	$133
Supplemental disclosure of cash flow information		
Cash paid for interest	$358	$303
Cash paid for income taxes from continuing operations	$370	$230

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), Local Media (CBS Television Stations) and Radio (CBS Radio).

In connection with the Company’s previously announced plans to separate its radio business, a preliminary registration statement was filed with the Securities and Exchange Commission during the third quarter of 2016 for the proposed initial public offering of the common stock of CBS Radio Inc. (“CBS Radio”). In preparation for the planned separation, 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, has been separated into two operating segments, Local Media and Radio. In connection with this new segment presentation, the presentation of intercompany revenues has been revised, including station affiliation fees paid by Local Media to the CBS Television Network. Prior period results have been reclassified to conform to this presentation.

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 Annual Report on Form 10-K for the year ended December 31, 2015.

In the opinion of management, the accompanying unaudited financial statements reflect all adjustments, consisting only 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 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.

Other Operating Items, Net-Other operating items, net for the nine months ended September 30, 2016 and 2015 includes gains from the sales of businesses, and for 2016 also includes a multiyear, retroactive impact of a new operating tax.

Loss from Discontinued Operations-Loss from discontinued operations for the three and nine months ended September 30, 2016 reflects the resolution of a tax matter in a foreign jurisdiction relating to a previously disposed business that was accounted for as a discontinued operation.

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

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

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 5 million stock options for each of the three and nine months ended September 30, 2016. Excluded from the calculation of diluted EPS because their inclusion would have been anti-dilutive, were 7 million stock options and RSUs for the three months ended September 30, 2015 and 4 million stock options for the nine months ended September 30, 2015.

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)	2016	2015	2016	2015
Weighted average shares for basic EPS	442	480	451	489
Dilutive effect of shares issuable under stock-based compensation plans	4	4	4	6
Weighted average shares for diluted EPS	446	484	455	495

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, 2016 and 2015, 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
Simplifying the Accounting for Measurement Period Adjustments
During the first quarter of 2016, the Company adopted amended Financial Accounting Standards Board ("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.

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

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.

Recent Pronouncements

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. The Company is currently assessing the impact of this guidance on its consolidated statements of cash flows.

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 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.

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

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

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. 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.

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 anticipates that this guidance will result in changes to its revenue recognition and is currently assessing the impact. 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) STOCK-BASED COMPENSATION
The following table summarizes the Company's stock-based compensation expense for the three and nine months ended September 30, 2016 and 2015.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
RSUs	$39	$32	$112	$105
Stock options	7	7	22	23
Stock-based compensation expense, before income taxes	46	39	134	128
Related tax benefit	(18)	(15)	(52)	(49)
Stock-based compensation expense, net of tax benefit	$28	$24	$82	$79

During the nine months ended September 30, 2016, the Company granted 3 million RSUs for CBS Corp. Class B Common Stock with a weighted average per unit grant-date fair value of $47.26. RSUs granted during the first nine months of 2016 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 conditions. Compensation expense is recorded based on the probable outcome of the performance conditions. During the nine months ended September 30, 2016, the Company also granted 2 million stock options with a weighted average exercise price of $45.79. Stock options granted during the first nine months of 2016 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, 2016 was $237 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, 2016 was $50 million, which is expected to be recognized over a weighted average period of 2.4 years.

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

3) PROGRAMMING AND OTHER INVENTORY

	At September 30, 2016	At December 31, 2015
Acquired program rights	$ 1,737	$ 1,533
Internally produced programming:		
Released	1,459	1,261
In process and other	445	392
Publishing, primarily finished goods	55	42
Total programming and other inventory	3,696	3,228
Less current portion	1,459	1,271
Total noncurrent programming and other inventory	$ 2,237	$ 1,957

4) 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 each of 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 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 September 30, 2016, NAI directly or indirectly owned approximately 79.5% of CBS Corp.’s voting Class A Common Stock, and owned approximately 9.0% of CBS Corp.’s Class A Common Stock and non-voting Class B Common Stock on a combined basis.

On September 29, 2016, the Company announced that its Board of Directors received a letter from NAI requesting that the Company consider a potential combination of the Company and Viacom Inc. The Company is in the process of evaluating whether to pursue any such potential transaction. No assurance can be given regarding the entry into, consummation or terms of any 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 $16 million and $44 million for the three months ended September 30, 2016 and 2015, respectively, and $85 million and $144 million for the nine months ended September 30, 2016 and 2015, 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 for each of the three months ended September 30, 2016 and 2015, and $17 million for each of the nine months ended September 30, 2016 and 2015.

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, 2016 and December 31, 2015.

	At September 30, 2016	At December 31, 2015
Receivables	$ 87	$ 115
Other assets (Receivables, noncurrent)	47	38
Total amounts due from Viacom Inc.	$ 134	$ 153

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 $13 million and $20 million for the three months ended September 30, 2016 and 2015, respectively, and $69 million and $91 million for the nine months ended September 30, 2016 and 2015, respectively. At September 30, 2016 and December 31, 2015, total amounts due from these joint ventures were $41 million and $48 million, 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.

5) BANK FINANCING AND DEBT

The following table sets forth the Company's debt.

	At September 30, 2016	At December 31, 2015
Commercial paper	$ 33	$ —
Senior debt (1.95% - 7.875% due 2016 - 2045) [(a)]	8,849	8,365
Obligations under capital leases	75	83
Total debt	8,957	8,448
Less commercial paper	33	—
Less current portion of long-term debt	22	222
Total long-term debt, net of current portion	$ 8,902	$ 8,226

(a) At September 30, 2016 and December 31, 2015, the senior debt balances included (i) a net unamortized discount of $53 million and $45 million, respectively, (ii) unamortized deferred financing costs of $45 million and $44 million, respectively, and (iii) an increase in the carrying value of the debt relating to previously settled fair value hedges of $7 million and $14 million, respectively. The face value of the Company's senior debt was $8.94 billion and $8.44 billion at September 30, 2016 and December 31, 2015, respectively.

During July 2016, the Company issued $700 million of 2.90% senior notes due 2027. The Company used the net proceeds from this issuance for general corporate purposes, including the repurchase of CBS Corp. Class B Common Stock and the repayment of short-term borrowings, including commercial paper.

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

At September 30, 2016, the Company classified $400 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.

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

Commercial Paper
At September 30, 2016, the Company had $33 million of outstanding commercial paper borrowings under its $2.5 billion commercial paper program at a weighted average interest rate of 0.75% and with maturities of less than 45 days. The Company had 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 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, 2016, the Company’s Consolidated Leverage Ratio was approximately 2.5x.

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, 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.

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 (the “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%.

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 will be 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. As of November 3, 2016, there were no borrowings outstanding under the Radio Revolving Credit Facility.

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. The net debt proceeds will be primarily used by the Company to repurchase shares of CBS Corp. Class B Common Stock, with the remainder to be used for general corporate purposes and ongoing cash needs.

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

6) 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,	2016	2015	2016	2015
Components of net periodic cost:				
Service cost	$7	$7	$ —	$ —
Interest cost	54	52	5	6
Expected return on plan assets	(56)	(65)	—	—
Amortization of actuarial loss (gain) [(a)]	21	20	(5)	(6)
Net periodic cost	$26	$14	$ —	$ —

	Pension Benefits		Postretirement Benefits	
Nine Months Ended September 30,	2016	2015	2016	2015
Components of net periodic cost:				
Service cost	$22	$23	$ —	$ —
Interest cost	161	157	15	15
Expected return on plan assets	(170)	(196)	—	—
Amortization of actuarial loss (gain) [(a)]	64	60	(16)	(16)
Net periodic cost	$77	$44	$ (1)	$ (1)

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

7) STOCKHOLDERS' EQUITY
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 the third quarter of 2016, the Company repurchased 9.5 million shares of its Class B Common Stock under its share repurchase program for $500 million, at an average cost of $52.77 per share. During the nine months ended September 30, 2016, the Company repurchased 29.0 million shares of its Class B Common Stock for $1.50 billion, at an average cost of $51.76 per share, leaving $5.60 billion of authorization at September 30, 2016.

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 total third quarter 2016 dividend was $80 million, which was paid on October 1, 2016.

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

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

	Cumulative Translation Adjustments	Net Actuarial Gain (Loss) and Prior Service Cost		Accumulated Other Comprehensive Loss
At December 31, 2015	$ 152	$ (922)		$ (770)
Other comprehensive income before reclassifications	2	—		2
Reclassifications to net earnings	—	29	(a)	29
Net other comprehensive income	2	29		31
At September 30, 2016	$ 154	$ (893)		$ (739)

	Cumulative Translation Adjustments	Net Actuarial Gain (Loss) and Prior Service Cost		Accumulated Other Comprehensive Loss
At December 31, 2014	$ 157	$ (892)		$ (735)
Other comprehensive loss before reclassifications	(8)	—		(8)
Reclassifications to net earnings	2	27	(a)	29
Net other comprehensive income (loss)	(6)	27		21
At September 30, 2015	$ 151	$ (865)		$ (714)

(a) Reflects amortization of net actuarial losses. See Note 6.

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 $19 million and $17 million for the nine months ended September 30, 2016 and 2015, respectively.

8) 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 $176 million for the three months ended September 30, 2016 and $211 million for the three months ended September 30, 2015, reflecting an effective income tax rate of 25.0% and 32.3%, respectively. For the nine months ended September 30, 2016, the provision for income taxes was $612 million compared to $579 million for the nine months ended September 30, 2015, reflecting an income tax rate of 29.6% and 32.8%, respectively. The lower tax rate for the three and nine months ended September 30, 2016 includes a one-time benefit of $47 million associated with a multiyear adjustment to a tax deduction, which was approved by the Internal Revenue Service during the third quarter of 2016.

9) COMMITMENTS AND CONTINGENCIES

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 September 30, 2016, the outstanding letters of credit and surety bonds approximated $111 million and were not recorded on the Consolidated Balance Sheet.

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

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.

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 September 30, 2016, the Company had pending approximately 34,400 asbestos claims, as compared with approximately 36,030 as of December 31, 2015 and 37,190 as of September 30, 2015. During the third quarter of 2016, the Company received approximately 930 new claims and closed or moved to an inactive docket approximately 1,320 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 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. In 2014, the Company’s costs for settlement and defense of asbestos claims after insurance and taxes were approximately $11 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 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.

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

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.

10) RESTRUCTURING CHARGES

During the year ended December 31, 2015, 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 $81 million, of which $55 million was recorded during the nine months ended September 30, 2015. The 2015 restructuring charges reflected $48 million of severance costs and $33 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 $26 million reflecting $17 million of severance costs and $9 million of costs associated with exiting contractual obligations. As of September 30, 2016, the cumulative settlements for the 2015 and 2014 restructuring charges were $83 million, of which $54 million was for severance costs and $29 million was for costs associated with contractual obligations.

	Balance at December 31, 2015	2016 Settlements	Balance at September 30, 2016
Entertainment	$ 19	$ (13)	$ 6
Local Media	11	(5)	6
Radio	23	(11)	12
Corporate	1	(1)	—
Total	$ 54	$ (30)	$ 24

	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
Radio	5	36	(18)	23
Corporate	2	—	(1)	1
Total	$ 18	$ 81	$ (45)	$ 54

11) FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

The Company's carrying value of financial instruments approximates fair value, except for notes and debentures, which are not recorded at fair value. At September 30, 2016 and December 31, 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 $9.90 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 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 ("OCI") 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 September 30, 2016 and December 31, 2015, the notional amount of all foreign exchange contracts was $456 million and $291 million, respectively.

Gains recognized on derivative financial instruments were as follows:

	Three Months Ended September 30, 2016	2015	Nine Months Ended September 30, 2016	2015	Financial Statement Account
Non-designated foreign exchange contracts	$ 4	$ 10	$ 13	$ 13	Other items, net
Designated interest rate swaps [(a)]	$ —	$ 2	$ —	$ 7	Interest expense

(a) The gains during the three and nine months ended September 30, 2015 related to interest rate swaps that were settled during 2015.

The fair value of the Company's derivative instruments was not material to the Consolidated Balance Sheets 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, 2016 and December 31, 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 September 30, 2016	Level 1	Level 2	Level 3	Total
Assets:				
Foreign currency hedges	$ —	$ 21	$ —	$ 21
Total Assets	$ —	$ 21	$ —	$ 21
Liabilities:				
Deferred compensation	$ —	$ 329	$ —	$ 329
Foreign currency hedges	—	5	—	5
Total Liabilities	$ —	$ 334	$ —	$ 334

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

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) 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's previously reported operating segment, Local Broadcasting, has been separated into two operating segments, Local Media and Radio. In connection with this new segment presentation, the presentation of intercompany revenues has been revised, including station affiliation fees paid by Local Media to the CBS Television Network. Prior period results have been reclassified to conform to this presentation.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues:				
Entertainment	$1,949	$1,932	$6,483	$5,978
Cable Networks	598	526	1,659	1,680
Publishing	226	203	558	547
Local Media	409	376	1,253	1,138
Radio	319	318	898	907
Corporate/Eliminations	(105)	(98)	(319)	(274)
Total Revenues	$3,396	$3,257	$10,532	$9,976

Revenues generated between segments primarily reflect advertising sales, television 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.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Intercompany Revenues:				
Entertainment	$102	$96	$321	$270
Local Media	2	3	6	7

Radio	6	2	9	5
Total Intercompany Revenues	$110	$101	$336	$282

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

The Company presents operating income (loss) excluding restructuring charges, impairment charges, and other operating items, net, if any, ("Segment Operating Income") 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 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.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Segment Operating Income (Loss):				
Entertainment	$348	$339	$1,148	$947
Cable Networks	285	246	740	717
Publishing	44	43	83	80
Local Media	122	101	402	338
Radio	77	73	215	195
Corporate	(78)	(49)	(245)	(181)
Total Segment Operating Income	798	753	2,343	2,096
Restructuring charges	—	—	—	(55)
Other operating items, net [(a)]	—	—	9	19
Operating income	798	753	2,352	2,060
Interest expense	(104)	(102)	(304)	(289)
Interest income	7	6	22	18
Other items, net	2	(4)	(5)	(23)
Earnings from continuing operations before income taxes and equity in loss of investee companies	703	653	2,065	1,766
Provision for income taxes	(176)	(211)	(612)	(579)
Equity in loss of investee companies, net of tax	(13)	(16)	(43)	(35)
Net earnings from continuing operations	514	426	1,410	1,152
Loss from discontinued operations	(36)	—	(36)	—
Net earnings	$478	$426	$1,374	$1,152

(a) Other operating items, net includes gains from the sales of internet businesses in China for the nine months ended September 30, 2016 and 2015, and for 2016, also includes a multiyear, retroactive impact of a new operating tax.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Depreciation and Amortization:				
Entertainment	$28	$31	$88	$95
Cable Networks	6	5	17	17
Publishing	1	1	4	4

Local Media	11	12	33	37
Radio	7	8	22	23
Corporate	8	8	24	23
Total Depreciation and Amortization	$ 61	$ 65	$ 188	$ 199

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Stock-based Compensation:				
Entertainment	$ 16	$ 16	$ 47	$ 48
Cable Networks	3	3	9	8
Publishing	1	1	3	3
Local Media	3	3	9	9
Radio	4	2	11	12
Corporate	19	14	55	48
Total Stock-based Compensation	$ 46	$ 39	$ 134	$ 128

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Capital Expenditures:				
Entertainment	$ 23	$ 33	$ 60	$ 54
Cable Networks	4	5	8	8
Publishing	1	2	7	4
Local Media	9	10	20	17
Radio	4	5	14	16
Corporate	5	3	16	5
Total Capital Expenditures	$ 46	$ 58	$ 125	$ 104

	At September 30, 2016	At December 31, 2015
Assets:		
Entertainment	$ 11,220	$ 10,910
Cable Networks	2,526	2,369
Publishing	835	880
Local Media	3,827	3,881
Radio	5,167	5,224
Corporate/Eliminations	249	476
Discontinued operations	24	25
Total Assets	$ 23,848	$ 23,765

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

13) 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, 2016				
	CBS Corp.	CBS Operations Inc.	Non-Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
Revenues	$42	$ 3	$ 3,351	$ —	$ 3,396
Costs and expenses:					
Operating	16	1	1,880	—	1,897
Selling, general and administrative	20	63	557	—	640
Depreciation and amortization	2	6	53	—	61
Total costs and expenses	38	70	2,490	—	2,598
Operating income (loss)	4	(67)	861	—	798
Interest (expense) income, net	(129)	(109)	141	—	(97)
Other items, net	—	—	2	—	2
Earnings (loss) from continuing operations before income taxes and equity in earnings (loss) of investee companies	(125)	(176)	1,004	—	703
Benefit (provision) for income taxes	43	59	(278)	—	(176)
Equity in earnings (loss) of investee companies, net of tax	560	327	(13)	(887)	(13)
Net earnings from continuing operations	478	210	713	(887)	514
Loss from discontinued operations	—	—	(36)	—	(36)
Net earnings	$478	$ 210	$ 677	$ (887)	$ 478
Total comprehensive income	$489	$ 215	$ 675	$ (890)	$ 489

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, 2016				
	CBS Corp.	CBS Operations Inc.	Non-Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
Revenues	$125	$ 9	$10,398	$ —	$ 10,532
Cost and expenses:					
Operating	48	4	6,062	—	6,114
Selling, general and administrative	62	196	1,629	—	1,887
Depreciation and amortization	4	17	167	—	188
Other operating items, net	—	—	(9)	—	(9)
Total costs and expenses	114	217	7,849	—	8,180
Operating income (loss)	11	(208)	2,549	—	2,352
Interest (expense) income, net	(377)	(319)	414	—	(282)
Other items, net	(2)	3	(6)	—	(5)
Earnings (loss) from continuing operations before income taxes and equity in earnings (loss) of investee companies	(368)	(524)	2,957	—	2,065
Benefit (provision) for income taxes	120	170	(902)	—	(612)
Equity in earnings (loss) of investee companies, net of tax	1,622	876	(43)	(2,498)	(43)
Net earnings from continuing operations	1,374	522	2,012	(2,498)	1,410
Loss from discontinued operations	—	—	(36)	—	(36)
Net earnings	$1,374	$ 522	$1,976	$ (2,498)	$ 1,374
Total comprehensive income	$1,405	$ 540	$1,965	$ (2,505)	$ 1,405

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

	Statement of Operations For the Three Months Ended September 30, 2015				
	CBS Corp.	CBS Operations Inc.	Non-Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
Revenues	$36	$ 2	$ 3,219	$ —	$ 3,257
Costs and expenses:					
Operating	17	1	1,824	—	1,842
Selling, general and administrative	3	49	545	—	597
Depreciation and amortization	1	5	59	—	65
Total costs and expenses	21	55	2,428	—	2,504
Operating income (loss)	15	(53)	791	—	753
Interest (expense) income, net	(125)	(103)	132	—	(96)
Other items, net	(1)	6	(9)	—	(4)
Earnings (loss) before income taxes and equity in earnings (loss) of investee companies	(111)	(150)	914	—	653
Benefit (provision) for income taxes	36	48	(295)	—	(211)
Equity in earnings (loss) of investee companies, net of tax	501	338	(16)	(839)	(16)
Net earnings	$426	$ 236	$ 603	$ (839)	$ 426
Total comprehensive income	$430	$ 240	$ 590	$ (830)	$ 430

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, 2015				
	CBS Corp.	CBS Operations Inc.	Non-Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
Revenues	$ 101	$ 8	$ 9,867	$ —	$ 9,976
Costs and expenses:					
Operating	47	4	5,840	—	5,891
Selling, general and administrative	27	165	1,598	—	1,790
Depreciation and amortization	4	15	180	—	199
Restructuring charges	—	—	55	—	55
Other operating items, net	—	—	(19)	—	(19)
Total costs and expenses	78	184	7,654	—	7,916
Operating income (loss)	23	(176)	2,213	—	2,060
Interest (expense) income, net	(358)	(300)	387	—	(271)
Other items, net	(1)	6	(28)	—	(23)
Earnings (loss) before income taxes and equity in earnings (loss) of investee companies	(336)	(470)	2,572	—	1,766
Benefit (provision) for income taxes	109	152	(840)	—	(579)
Equity in earnings (loss) of investee companies, net of tax	1,379	802	(35)	(2,181)	(35)
Net earnings	$ 1,152	$ 484	$ 1,697	$ (2,181)	$ 1,152
Total comprehensive income	$ 1,173	$ 487	$ 1,705	$ (2,192)	$ 1,173

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

Balance Sheet
At September 30, 2016

	CBS Corp.	CBS Operations Inc.	Non-Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
Assets					
Cash and cash equivalents	$54	$ 1	$124	$ —	$ 179
Receivables, net	20	2	3,326	—	3,348
Programming and other inventory	4	3	1,452	—	1,459
Prepaid expenses and other current assets	93	39	375	(36)	471
Total current assets	171	45	5,277	(36)	5,457
Property and equipment	47	184	3,032	—	3,263
Less accumulated depreciation and amortization	23	135	1,760	—	1,918
Net property and equipment	24	49	1,272	—	1,345
Programming and other inventory	6	7	2,224	—	2,237
Goodwill	98	62	6,371	—	6,531
Intangible assets	—	—	5,499	—	5,499
Investments in consolidated subsidiaries	44,372	13,652	—	(58,024)	—
Other assets	153	11	2,615	—	2,779
Intercompany	—	1,901	25,528	(27,429)	—
Total Assets	$44,824	$ 15,727	$48,786	$ (85,489)	$ 23,848
Liabilities and Stockholders' Equity					
Accounts payable	$1	$ 2	$150	$ —	$ 153
Participants' share and royalties payable	—	—	979	—	979
Program rights	4	4	365	—	373
Commercial paper	33	—	—	—	33
Current portion of long-term debt	6	—	16	—	22
Accrued expenses and other current liabilities	363	228	983	(36)	1,538
Total current liabilities	407	234	2,493	(36)	3,098
Long-term debt	8,797	—	105	—	8,902
Other liabilities	2,843	244	3,413	—	6,500
Intercompany	27,429	—	—	(27,429)	—
Stockholders' Equity:					
Preferred stock	—	—	126	(126)	—
Common stock	1	123	590	(713)	1
Additional paid-in capital	43,935	—	60,894	(60,894)	43,935
Retained earnings (deficit)	(19,144)	15,435	(14,105)	(1,330)	(19,144)
Accumulated other comprehensive income (loss)	(739)	22	70	(92)	(739)
	24,053	15,580	47,575	(63,155)	24,053
Less treasury stock, at cost	18,705	331	4,800	(5,131)	18,705
Total Stockholders' Equity	5,348	15,249	42,775	(58,024)	5,348
Total Liabilities and Stockholders' Equity	$44,824	$ 15,727	$48,786	$ (85,489)	$ 23,848

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	$55	$ —	$ 323
Receivables, net	28	2	3,598	—	3,628
Programming and other inventory	3	3	1,265	—	1,271
Prepaid expenses and other current assets	192	26	337	(30)	525
Total current assets	490	32	5,255	(30)	5,747
Property and equipment	46	180	3,017	—	3,243
Less accumulated depreciation and amortization	20	118	1,700	—	1,838
Net property and equipment	26	62	1,317	—	1,405
Programming and other inventory	6	9	1,942	—	1,957
Goodwill	98	62	6,321	—	6,481
Intangible assets	—	—	5,514	—	5,514
Investments in consolidated subsidiaries	42,744	12,775	—	(55,519)	—
Other assets	163	11	2,487	—	2,661
Intercompany	—	2,248	23,988	(26,236)	—
Total Assets	$43,527	$ 15,199	$46,824	$ (81,785)	$ 23,765
Liabilities and Stockholders' Equity					
Accounts payable	$1	$ 4	$187	$ —	$ 192
Participants' share and royalties payable	—	—	1,013	—	1,013
Program rights	4	4	366	—	374
Current portion of long-term debt	206	—	16	—	222
Accrued expenses and other current liabilities	418	230	1,141	(30)	1,759
Total current liabilities	629	238	2,723	(30)	3,560
Long-term debt	8,113	—	113	—	8,226
Other liabilities	2,986	252	3,178	—	6,416
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

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

Statement of Cash Flows
For the Nine Months Ended September 30, 2016

	CBS Corp.	CBS Operations Inc.	Non-Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
Net cash flow (used for) provided by operating activities	$(696)	$ (146)	$ 2,148	$ —	$ 1,306
Investing Activities:					
Acquisitions	—	—	(51)	—	(51)
Capital expenditures	—	(16)	(109)	—	(125)
Investments in and advances to investee companies	—	—	(44)	—	(44)
Proceeds from dispositions	(4)	—	32	—	28
Other investing activities	7	—	4	—	11
Net cash flow provided by (used for) investing activities	3	(16)	(168)	—	(181)
Financing Activities:					
Proceeds from short-term debt borrowings, net	33	—	—	—	33
Proceeds from issuance of senior notes	685	—	—	—	685
Repayment of senior debentures	(199)	—	—	—	(199)
Payment of capital lease obligations	—	—	(13)	—	(13)
Dividends	(209)	—	—	—	(209)
Purchase of Company common stock	(1,534)	—	—	—	(1,534)
Payment of payroll taxes in lieu of issuing shares for stock-based compensation	(57)	—	—	—	(57)
Proceeds from exercise of stock options	13	—	—	—	13
Excess tax benefit from stock-based compensation	13	—	—	—	13
Other financing activities	(1)	—	—	—	(1)
Increase (decrease) in intercompany payables	1,736	162	(1,898)	—	—
Net cash flow provided by (used for) financing activities	480	162	(1,911)	—	(1,269)
Net (decrease) increase in cash and cash equivalents	(213)	—	69	—	(144)
Cash and cash equivalents at beginning of period	267	1	55	—	323
Cash and cash equivalents at end of period	$54	$ 1	$ 124	$ —	$ 179

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

	Statement of Cash Flows For the Nine Months Ended September 30, 2015				
	CBS Corp.	CBS Operations Inc.	Non-Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
Net cash flow (used for) provided by operating activities	$(557)	$ (183)	$ 1,363	$ —	$ 623
Investing Activities:					
Acquisitions	—	—	(7)	—	(7)
Capital expenditures	—	(5)	(99)	—	(104)
Investments in and advances to investee companies	—	—	(58)	—	(58)
Proceeds from dispositions	—	—	75	—	75
Other investing activities	(8)	—	—	—	(8)
Net cash flow used for investing activities from continuing operations	(8)	(5)	(89)	—	(102)
Net cash flow used for investing activities from discontinued operations	(4)	—	—	—	(4)
Net cash flow used for investing activities	(12)	(5)	(89)	—	(106)
Financing Activities:					
Repayments of short-term debt borrowings, net	(313)	—	—	—	(313)
Proceeds from issuance of senior notes	1,959	—	—	—	1,959
Payment of capital lease obligations	—	—	(13)	—	(13)
Dividends	(228)	—	—	—	(228)
Purchase of Company common stock	(2,345)	—	—	—	(2,345)
Payment of payroll taxes in lieu of issuing shares for stock-based compensation	(96)	—	—	—	(96)
Proceeds from exercise of stock options	137	—	—	—	137
Excess tax benefit from stock-based compensation	87	—	—	—	87
Increase (decrease) in intercompany payables	1,353	188	(1,541)	—	—
Net cash flow provided by (used for) financing activities	554	188	(1,554)	—	(812)
Net decrease in cash and cash equivalents	(15)	—	(280)	—	(295)
Cash and cash equivalents at beginning of period	63	1	364	—	428
Cash and cash equivalents at end of period	$48	$ 1	$ 84	$ —	$ 133

Item 2. 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 (the "Company" or "CBS Corp.") should be read in conjunction with the consolidated financial statements and related notes in the Company's Annual Report filed on Form 10-K for the fiscal year ended December 31, 2015.

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 and radio 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 digital and other platforms through licensing and subscription services, including the Company's owned digital streaming services; expanding the distribution of its content internationally; securing compensation from multichannel video programming distributors ("MVPDs") and television stations affiliated with the CBS Television Network; and further monetizing delayed viewing. The Company believes that its increased investment in premium content will also enable it to stay ahead of changes in the media and entertainment industry, including new distribution platforms and changes in programming packages offered to consumers.

Operational highlights - Three Months Ended September 30, 2016 versus Three Months Ended September 30, 2015

Consolidated results of operations

			Increase/(Decrease)	
Three Months Ended September 30,	2016	2015	$	%
Revenues	$3,396	$3,257	$ 139	4 %
Operating income	$798	$753	$ 45	6 %
Net earnings from continuing operations	$514	$426	$ 88	21 %
Adjusted net earnings from continuing operations (a)	$467	$426	$ 41	10 %
Diluted EPS from continuing operations	$1.15	$.88	$ .27	31 %
Adjusted diluted EPS from continuing operations (a)	$1.05	$.88	$ .17	19 %

(a) See page 33 for reconciliations of adjusted results to the most directly comparable financial measures in accordance with GAAP.

For the three months ended September 30, 2016, the Company reported record third quarter results in revenues, operating income and diluted earnings per share from continuing operations (''EPS''), led by growth in station affiliation fees and retransmission revenues, and higher television licensing sales. Diluted EPS also benefited from lower weighted average shares outstanding in the third quarter of 2016 as a result of the Company's ongoing share repurchase program.

For the three months ended September 30, 2016, the 4% revenue growth was driven by a 13% increase in affiliate and subscription fee revenues, reflecting 32% growth in station affiliation fees and retransmission revenues, as well as revenues from digital distribution platforms, including CBS All Access and Showtime Networks' over-the-top digital streaming subscription offering ("Showtime Networks' over-the-top service"). Revenue growth for the third quarter of 2016 also reflected a 6% increase in content licensing and distribution revenues, driven by higher domestic television licensing sales. Advertising revenues for the quarter were impacted by 10 hours of primetime preemptions for the Democratic and Republican conventions and the first Presidential debate as well as competition from the 2016 Summer Olympics, while advertising benefited from higher political spending.

-30-

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

Operating income increased 6% and diluted EPS grew 31% from the third quarter of 2015 primarily driven by the revenue growth, which was partially offset by an increased investment in programming. In addition, included in diluted EPS for the third quarter of 2016 was a one-time tax benefit of $47 million associated with a multiyear adjustment to a tax deduction, which was approved by the Internal Revenue Service ("IRS") during the third quarter of 2016. On an adjusted basis, excluding this tax benefit, diluted EPS grew 19%. Diluted EPS also benefited from the Company's ongoing share repurchase program.

Recent Developments

In connection with the Company's previously announced plans to separate its radio business, a preliminary registration statement was filed with the Securities and Exchange Commission (''SEC'') during the third quarter of 2016 for the proposed initial public offering of the common stock of CBS Radio Inc. (''CBS Radio''). Additionally, in October 2016, CBS Radio borrowed $1.46 billion through a $1.06 billion senior secured term loan (the "Term Loan") and the issuance of $400 million of senior unsecured notes through a private placement. The net debt proceeds will be primarily used by CBS Corp. to repurchase shares of its Class B Common Stock, with the remainder to be used for general corporate purposes and ongoing cash needs. During the fourth quarter of 2016, the Company intends to repurchase $1.5 billion of its Class B Common Stock, including $500 million as part of its ongoing repurchase program and $1.0 billion using the net proceeds from the CBS Radio borrowings. These planned repurchases are subject to market and business conditions, and remain at the discretion of management.

On September 29, 2016, the Company announced that its Board of Directors received a letter from National Amusements, Inc. requesting that the Company consider a potential combination of the Company and Viacom Inc. National Amusements, Inc., directly and indirectly, owns approximately 80% of the voting shares of each of the Company and Viacom Inc. The Company is in the process of evaluating whether to pursue any such potential transaction. No assurance can be given regarding the entry into, consummation or terms of any such potential transaction.

Operational highlights - Nine Months Ended September 30, 2016 versus Nine Months Ended September 30, 2015

Consolidated results of operations			Increase/(Decrease)	
Nine Months Ended September 30,	2016	2015	$	%
Revenues	$10,532	$9,976	$ 556	6 %
Operating income	$2,352	$2,060	$ 292	14 %
Adjusted operating income (a)	$2,343	$2,096	$ 247	12 %
Net earnings from continuing operations	$1,410	$1,152	$ 258	22 %
Adjusted net earnings from continuing operations (a)	$1,364	$1,182	$ 182	15 %
Diluted EPS from continuing operations	$3.10	$2.33	$ .77	33 %
Adjusted diluted EPS from continuing operations (a)	$3.00	$2.39	$ .61	26 %

(a) See page 33 for reconciliations of adjusted results to the most directly comparable financial measures in accordance with GAAP.

For the nine months ended September 30, 2016, the 6% increase in revenues was driven by 10% growth in advertising revenues, reflecting CBS's broadcast of Super Bowl 50 and 6% growth in underlying network advertising. Affiliate and subscription fee revenues increased 8%, driven by 39% growth in station affiliation fees and retransmission revenues, as well as revenues from digital distribution platforms. These increases were partially offset by the benefit to 2015 from Showtime Networks' distribution of the Floyd Mayweather/Manny Pacquiao boxing event. Content licensing and distribution revenues declined 4%, reflecting lower domestic licensing sales compared with the first nine months of 2015, which included significant licensing sales of NCIS and Elementary, partially offset by growth from international licensing, mainly from the sales of all episodes of five Star Trek series.

Operating income grew 14% and diluted EPS increased 33% for the nine months ended September 30, 2016, primarily driven by the higher revenues. In addition, for the nine months ended September 30, 2015, operating income and diluted EPS included restructuring charges of $55 million and for the three and nine months ended September 30, 2016, diluted EPS included the aforementioned tax benefit of $47 million. The EPS comparison also benefited from lower weighted average shares outstanding as a result of the Company's ongoing share repurchase program.

The Company generated operating cash flow from continuing operations of $1.31 billion for the nine months ended September 30, 2016 compared with $650 million for the nine months ended September 30, 2015. Free cash flow for the nine months ended September 30, 2016 was $1.18 billion compared with $546 million for the same prior-year period. These increases were primarily 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. Free cash flow is a non-GAAP financial measure. See "Free Cash Flow" on pages 49 - 50 for a reconciliation of net cash flow provided by (used for) operating activities, the most directly comparable GAAP financial measure, to free cash flow.

Share Repurchases and Dividends

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 the third quarter of 2016, the Company repurchased 9.5 million shares of its Class B Common Stock under its share repurchase program for $500 million, at an average cost of $52.77 per share. During the nine months ended September 30, 2016, the Company repurchased 29.0 million shares of its Class B Common Stock for $1.50 billion, at an average cost of $51.76 per share, leaving $5.60 billion of authorization at September 30, 2016.

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 total third quarter 2016 dividend was $80 million, which was paid on October 1, 2016.

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

Reconciliation of Non-GAAP Measures

Results for the three and nine months ended September 30, 2016 and the nine months ended September 30, 2015 included discrete items that were not part of the normal course of operations. The following tables present adjusted operating income, adjusted net earnings from continuing operations, and adjusted diluted EPS from continuing operations, which exclude the impact of these 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. 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.

	Nine Months Ended September 30,	
	2016	2015
Operating income	$2,352	$2,060
Exclude:		
Restructuring charges	—	55
Other operating items, net [(a)]	(9)	(19)
Adjusted operating income	$2,343	$2,096

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net earnings from continuing operations	$514	$426	$1,410	$1,152
Exclude:				
Restructuring charges (net of tax of $22 million in 2015)	—	—	—	33
Other operating items, net (net of tax of $4 million in 2016 and $16 million in 2015) [(a)]	—	—	(5)	(3)
Write-down of an equity investment	—	—	6	—
Discrete tax item [(b)]	(47)	—	(47)	—
Adjusted net earnings from continuing operations	$467	$426	$1,364	$1,182

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Diluted EPS from continuing operations	$1.15	$.88	$3.10	$2.33
Exclude:				
Restructuring charges	—	—	—	.07
Other operating items, net [(a)]	—	—	(.01)	(.01)

Write-down of an equity investment	—	—	.01	—
Discrete tax item [b]	(.11)	—	(.10)	—
Adjusted diluted EPS from continuing operations [c]	$1.05	$.88	$3.00	$2.39

(a) Other operating items, net includes gains from the sales of internet businesses in China for the nine months ended September 30, 2016 and 2015, and for 2016, also includes a multiyear, retroactive impact of a new operating tax.
(b) Reflects a one-time tax benefit associated with a multiyear adjustment to a tax deduction, which was approved by the IRS during the third quarter of 2016.
(c) Amounts may not sum as a result of rounding.

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

Consolidated Results of Operations
Three and Nine Months Ended September 30, 2016 versus Three and Nine Months Ended September 30, 2015
Revenues

	Three Months Ended September 30,					
		% of		% of	Increase/(Decrease)	
Revenues by Type	2016	Total Revenues	2015	Total Revenues	$	%
Advertising	$1,469	43 %	$1,481	46 %	$ (12)	(1)%
Content licensing and distribution	1,108	33	1,046	32	62	6
Affiliate and subscription fees	753	22	664	20	89	13
Other	66	2	66	2	—	—
Total Revenues	$3,396	100 %	$3,257	100 %	$ 139	4 %

	Nine Months Ended September 30,					
		% of		% of	Increase/(Decrease)	
Revenues by Type	2016	Total Revenues	2015	Total Revenues	$	%
Advertising	$5,363	51 %	$4,859	49 %	$ 504	10 %
Content licensing and distribution	2,780	26	2,889	29	(109)	(4)
Affiliate and subscription fees	2,208	21	2,044	20	164	8
Other	181	2	184	2	(3)	(2)
Total Revenues	$10,532	100 %	$9,976	100 %	$ 556	6 %

Advertising
For the three months ended September 30, 2016, advertising revenues decreased 1%. Advertising revenues were impacted by 10 hours of primetime preemptions for the Democratic and Republican conventions and the first Presidential debate, competition from the 2016 Summer Olympics, and sales of internet businesses in China during 2015. Advertising revenues during the third quarter benefited from increased political advertising sales relating to U.S. federal and state elections. For the nine months ended September 30, 2016, the 10% 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; 6% growth in underlying network advertising; and higher political advertising sales. These increases were partially offset by the impact from the sales of internet businesses in China during 2015.

During the fourth quarter of 2016, local advertising revenues are expected to continue to benefit from political advertising spending associated with U.S. federal and state elections. Additionally, 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. 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
For the three months ended September 30, 2016, the 6% increase in content licensing and distribution revenues was driven by higher domestic television licensing, primarily reflecting the sales of Showtime original series, including

Penny Dreadful, as well as various titles from the Company’s television library, partially offset by the

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

initial domestic availability of Elementary in the third quarter of 2015. For the nine months ended September 30, 2016, the 4% decrease in content licensing and distribution revenues reflects lower domestic television licensing revenues, as the first nine months of 2015 included significant sales of NCIS and Elementary. This decrease was partially offset by growth from the international licensing of five Star Trek series and the domestic licensing sale of Penny Dreadful.

For the remainder of 2016, the content and licensing distribution revenue comparison will continue to be impacted by fluctuations resulting from the timing of when Company-owned television series are made available 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.

Affiliate and Subscription Fees
For the three months ended September 30, 2016, the 13% increase in affiliate and subscription fees reflects 32% growth in station affiliation fees and retransmission revenues, and revenues from digital distribution platforms, including CBS All Access and Showtime Networks' over-the-top service. For the nine months ended September 30, 2016, the 8% increase in affiliate and subscription fees was driven by 39% growth in station affiliation fees and retransmission revenues, and revenues from digital distribution platforms. These increases were partially offset by the benefit to 2015 from Showtime Networks' distribution of the Floyd Mayweather/Manny Pacquiao pay-per-view boxing event, which was the highest grossing pay-per-view event of all time.

Over the next few years the Company expects to renew a significant portion of its agreements with station affiliates and MVPDs. This, along with the Company's digital distribution initiatives, are expected to result in continued growth in affiliate and subscription fees.

International Revenues
The Company generated approximately 10% and 12% of its total revenues from international regions for the three months ended September 30, 2016 and 2015, respectively, and generated approximately 13% and 14% of its total revenues from international regions for the nine months ended September 30, 2016 and 2015, respectively.

Operating Expenses

	Three Months Ended September 30,								
		% of			% of		Increase/(Decrease)		
Operating Expenses by Type	2016	Operating Expenses		2015	Operating Expenses		$	%	
Programming	$526	28	%	$518	28	%	$ 8	2	%
Production	706	37		683	37		23	3	
Participation, distribution and royalty	291	15		271	15		20	7	
Other	374	20		370	20		4	1	
Total Operating Expenses	$1,897	100	%	$					