

CBS CORP  
Form 10-Q  
July 31, 2013

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

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**FORM 10-Q**

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

For the quarterly period ended June 30, 2013

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. 52<sup>nd</sup> 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 ý 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 ý 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.

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Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Number of shares of common stock outstanding at July 26, 2013:

Class A Common Stock, par value \$.001 per share 39,287,032

Class B Common Stock, par value \$.001 per share 565,520,041

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Table of Contents

**CBS CORPORATION  
INDEX TO FORM 10-Q**

	<b>Page</b>
<b><u>PART I FINANCIAL INFORMATION</u></b>	
<u>Item 1.</u>	<u>Financial Statements.</u>
	<u>Consolidated Statements of Operations (Unaudited) for the Three and Six Months Ended June 30, 2013 and June 30, 2012</u>
	<u>3</u>
	<u>Consolidated Statements of Comprehensive Income (Unaudited) for the Three and Six Months Ended June 30, 2013 and June 30, 2012</u>
	<u>4</u>
	<u>Consolidated Balance Sheets (Unaudited) at June 30, 2013 and December 31, 2012</u>
	<u>5</u>
	<u>Consolidated Statements of Cash Flows (Unaudited) for the Six Months Ended June 30, 2013 and June 30, 2012</u>
	<u>6</u>
	<u>Notes to Consolidated Financial Statements (Unaudited)</u>
	<u>7</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Results of Operations and Financial Condition.</u>
	<u>33</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk.</u>
	<u>57</u>
<u>Item 4.</u>	<u>Controls and Procedures.</u>
	<u>57</u>
<b><u>PART II OTHER INFORMATION</u></b>	
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds.</u>
	<u>58</u>
<u>Item 6.</u>	<u>Exhibits.</u>
	<u>59</u>

Table of Contents**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		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Revenues	\$ 3,699	\$ 3,329	\$ 7,739	\$ 7,125
Expenses:				
Operating	2,064	1,753	4,538	4,100
Selling, general and administrative	683	665	1,333	1,307
Impairment charges (Note 3)				11
Depreciation and amortization	114	119	230	238
Total expenses	2,861	2,537	6,101	5,656
Operating income	838	792	1,638	1,469
Interest expense	(93)	(104)	(188)	(214)
Interest income	2	1	4	3
Gain on early extinguishment of debt				25
Other items, net	(7)	3	(9)	8
Earnings from continuing operations before income taxes and equity in loss of investee companies	740	692	1,445	1,291
Provision for income taxes	(256)	(228)	(490)	(429)
Equity in loss of investee companies, net of tax	(8)	(12)	(16)	(16)
Net earnings from continuing operations	476	452	939	846
Net loss from discontinued operations, net of tax (Note 4)	(4)	(25)	(24)	(56)
Net earnings	\$ 472	\$ 427	\$ 915	\$ 790
<b>Basic net earnings (loss) per common share:</b>				
Net earnings from continuing operations	\$ .78	\$ .70	\$ 1.53	\$ 1.31
Net loss from discontinued operations	\$ (.01)	\$ (.04)	\$ (.04)	\$ (.09)
Net earnings	\$ .78	\$ .66	\$ 1.49	\$ 1.22
<b>Diluted net earnings (loss) per common share:</b>				
Net earnings from continuing operations	\$ .76	\$ .68	\$ 1.49	\$ 1.27
Net loss from discontinued operations	\$ (.01)	\$ (.04)	\$ (.04)	\$ (.08)

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Net earnings	\$	.76	\$	.65	\$	1.45	\$	1.19
<b>Weighted average number of common shares outstanding:</b>								
Basic		609		646		615		648
Diluted		624		661		631		664
Dividends per common share	\$	..12	\$	..10	\$	..24	\$	..20

See notes to consolidated financial statements.

Table of Contents**CBS CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Unaudited; in millions)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Net earnings</b>	\$ 472	\$ 427	\$ 915	\$ 790
<b>Other comprehensive income (loss) from continuing operations, net of tax:</b>				
Cumulative translation adjustments	(9)	(21)	(9)	(5)
Amortization of net actuarial loss	11	7	22	15
Change in fair value of cash flow hedges	(1)		(1)	
Unrealized gain on securities			1	1
Other comprehensive income (loss) from continuing operations, net of tax	1	(14)	13	11
Other comprehensive income (loss) from discontinued operations, net of tax		1	(9)	(5)
<b>Total other comprehensive income (loss), net of tax</b>	<b>1</b>	<b>(13)</b>	<b>4</b>	<b>6</b>
<b>Total comprehensive income</b>	<b>\$ 473</b>	<b>\$ 414</b>	<b>\$ 919</b>	<b>\$ 796</b>

See notes to consolidated financial statements.

Table of Contents**CBS CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(Unaudited; in millions, except per share amounts)

	At June 30, 2013	At December 31, 2012
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 282	\$ 708
Receivables, less allowances of \$78 (2013) and \$81 (2012)	2,998	3,137
Programming and other inventory (Note 5)	449	859
Deferred income tax assets, net	261	253
Prepaid income taxes		27
Prepaid expenses	249	206
Other current assets	328	312
Current assets of discontinued operations	203	218
<b>Total current assets</b>	<b>4,770</b>	<b>5,720</b>
Property and equipment:		
Land	331	330
Buildings	722	718
Capital leases	166	194
Advertising structures	1,681	1,689
Equipment and other	2,017	2,057
	4,917	4,988
Less accumulated depreciation and amortization	2,689	2,717
<b>Net property and equipment</b>	<b>2,228</b>	<b>2,271</b>
Programming and other inventory (Note 5)	1,545	1,582
Goodwill	8,569	8,567
Intangible assets (Note 3)	6,480	6,515
Other assets	1,842	1,551
Assets of discontinued operations	259	260
<b>Total Assets</b>	<b>\$ 25,693</b>	<b>\$ 26,466</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 218	\$ 386
Accrued compensation	246	374
Participants' share and royalties payable	861	953
Program rights	400	455
Deferred revenues	149	232
Income taxes payable	34	
Commercial paper (Note 7)	453	
Current portion of long-term debt (Note 7)	21	18
Accrued expenses and other current liabilities	1,221	1,282
Current liabilities of discontinued operations	222	241
<b>Total current liabilities</b>	<b>3,825</b>	<b>3,941</b>
Long-term debt (Note 7)	5,949	5,904

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Pension and postretirement benefit obligations	1,659	1,860
Deferred income tax liabilities, net	1,314	1,254
Other liabilities	3,176	3,122
Liabilities of discontinued operations	169	172
Commitments and contingencies (Note 11)		
Stockholders' Equity:		
Class A Common Stock, par value \$.001 per share; 375 shares authorized; 39 (2013) and 43 (2012) shares issued		
Class B Common Stock, par value \$.001 per share; 5,000 shares authorized; 798 (2013) and 785 (2012) shares issued	1	1
Additional paid-in capital	43,450	43,424
Accumulated deficit	(25,854)	(26,769)
Accumulated other comprehensive loss (Note 9)	(565)	(569)
	17,032	16,087
Less treasury stock, at cost; 232 (2013) and 198 (2012) Class B shares	7,431	5,874
Total Stockholders' Equity	9,601	10,213
Total Liabilities and Stockholders' Equity	\$ 25,693	\$ 26,466

See notes to consolidated financial statements.



Table of Contents**CBS CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited; in millions)

	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2013</b>	<b>2012</b>
<b>Operating Activities:</b>		
Net earnings	\$ 915	\$ 790
Less: Net loss from discontinued operations	(24)	(56)
Net earnings from continuing operations	939	846
Adjustments to reconcile net earnings from continuing operations to net cash flow provided by operating activities:		
Depreciation and amortization	230	238
Impairment charges		11
Stock-based compensation	109	80
Redemption of debt		(25)
Equity in loss of investee companies, net of tax and distributions	24	19
Change in assets and liabilities, net of investing and financing activities	(229)	99
Net cash flow provided by operating activities from continuing operations	1,073	1,268
Net cash flow used for operating activities from discontinued operations	(22)	(10)
<b>Net cash flow provided by operating activities</b>	<b>1,051</b>	<b>1,258</b>
<b>Investing Activities:</b>		
Acquisitions, net of cash acquired	(30)	(69)
Capital expenditures	(83)	(84)
Investments in and advances to investee companies	(139)	(39)
Proceeds from sale of investments	18	6
Proceeds from dispositions	12	1
Net cash flow used for investing activities from continuing operations	(222)	(185)
Net cash flow used for investing activities from discontinued operations	(8)	(9)
<b>Net cash flow used for investing activities</b>	<b>(230)</b>	<b>(194)</b>
<b>Financing Activities:</b>		
Proceeds from short-term debt borrowings, net	452	
Proceeds from issuance of notes		1,567
Repayment of notes		(700)
Payment of capital lease obligations	(9)	(10)
Payment of contingent consideration	(30)	(33)
Dividends	(155)	(135)
Purchase of Company common stock	(1,579)	(564)
Payment of payroll taxes in lieu of issuing shares for stock-based compensation	(139)	(105)
Proceeds from exercise of stock options	98	71
Excess tax benefit from stock-based compensation	119	73
Other financing activities	(4)	
<b>Net cash flow (used for) provided by financing activities</b>	<b>(1,247)</b>	<b>164</b>

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Net (decrease) increase in cash and cash equivalents	(426)	1,228
Cash and cash equivalents at beginning of period	708	660
<b>Cash and cash equivalents at end of period</b>	<b>\$ 282</b>	<b>\$ 1,888</b>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	\$ 180	\$ 196
Cash paid for income taxes	\$ 259	\$ 273
Equipment acquired under capitalized leases	\$ 58	\$ 1

See notes to consolidated financial statements.

-6-

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Table of Contents

**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 Films; and CBS Interactive), Cable Networks (Showtime Networks, CBS Sports Network and Smithsonian Networks), Publishing (Simon & Schuster), Local Broadcasting (CBS Television Stations and CBS Radio) and Outdoor Americas (CBS Outdoor). In July 2013, the Company entered into an agreement for the sale of its outdoor advertising business in Europe, which includes an interest in an outdoor business in Asia ("Outdoor Europe"). Outdoor Europe has been classified as held-for-sale and its results have been presented as a discontinued operation in the Company's consolidated financial statements for all periods presented.

*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 fiscal year ended December 31, 2012.

In the opinion of management, the accompanying unaudited financial statements reflect all adjustments, consisting of only 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 (Loss) per Common Share* Basic earnings (loss) per share ("EPS") is based upon net earnings (loss) divided by the weighted average number of common shares outstanding during the period. Diluted EPS reflects the effect of the assumed exercise of stock options and vesting of restricted stock units ("RSUs") and market-based performance share units ("PSUs") only in the periods in which such effect would have been dilutive. For both the three and six months ended June 30, 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. For the three and six months ended June 30, 2012, stock options to purchase 3 million and 4 million shares of Class B Common Stock, respectively, were outstanding but excluded from the calculation of diluted EPS because their inclusion would have been anti-dilutive.

Table of Contents**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.

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Weighted average shares for basic EPS	609	646	615	648
Dilutive effect of shares issuable under stock-based compensation plans	15	15	16	16
Weighted average shares for diluted EPS	624	661	631	664

*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 six months ended June 30, 2013 and 2012, the Company recorded dividends of \$149 million and \$132 million, respectively, as a reduction to additional paid-in capital as the Company had an accumulated deficit balance.

**Adoption of New Accounting Standards***Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*

During the first quarter of 2013, the Company adopted the Financial Accounting Standards Board's ("FASB") guidance which requires disclosure of significant amounts reclassified out of accumulated other comprehensive income by component and their corresponding effect on the respective line items of net income (See Note 9).

**Recent Pronouncements***Obligations Resulting from Joint and Several Liability Arrangements*

In February 2013, the FASB issued 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 Company is currently evaluating the impact of this guidance on its consolidated financial statements, which is effective for reporting periods beginning after December 15, 2013.

Table of Contents**CBS CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Tabular dollars in millions, except per share amounts)****2) STOCK-BASED COMPENSATION**

The following table summarizes the Company's stock-based compensation expense for the three and six months ended June 30, 2013 and 2012.

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
RSUs and PSUs	\$ 34	\$ 30	\$ 66	\$ 59
Stock options and equivalents	15	9	43	21
Stock-based compensation expense, before income taxes	49	39	109	80
Related tax benefit	(19)	(15)	(42)	(31)
Stock-based compensation expense, net of tax benefit	\$ 30	\$ 24	\$ 67	\$ 49

During the six months ended June 30, 2013, the Company granted 4 million RSUs with a weighted average per unit grant date fair value of \$43.80. RSUs granted during the first six months of 2013 vest over a one- to four-year service period. Compensation expense for RSUs is determined based upon the market price of the Company's 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 six months ended June 30, 2013, the Company also granted 3 million stock options with a weighted average exercise price of \$44.04. Stock options granted during the first six months of 2013 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 June 30, 2013 was \$246 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 June 30, 2013 was \$78 million, which is expected to be recognized over a weighted average period of 2.5 years.

Table of Contents**CBS CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Tabular dollars in millions, except per share amounts)**3) GOODWILL AND OTHER INTANGIBLE ASSETS**

The Company's intangible assets were as follows:

At June 30, 2013	Gross	Accumulated Amortization	Net
<b>Intangible assets subject to amortization:</b>			
Permits and leasehold agreements	\$ 894	\$ (653)	\$ 241
Franchise agreements	477	(321)	156
Trade names	222	(35)	187
Other intangible assets	232	(168)	64
Total intangible assets subject to amortization	1,825	(1,177)	648
FCC licenses	5,832		5,832
Total intangible assets	\$ 7,657	\$ (1,177)	\$ 6,480

At December 31, 2012	Gross	Accumulated Amortization	Net
<b>Intangible assets subject to amortization:</b>			
Permits and leasehold agreements	\$ 889	\$ (635)	\$ 254
Franchise agreements	477	(309)	168
Trade names	213	(28)	185
Other intangible assets	245	(169)	76
Total intangible assets subject to amortization	1,824	(1,141)	683
FCC licenses	5,832		5,832
Total intangible assets	\$ 7,656	\$ (1,141)	\$ 6,515

Amortization expense was \$24 million and \$28 million for the three months ended June 30, 2013 and 2012, respectively, and \$50 million and \$55 million for the six months ended June 30, 2013 and 2012, respectively.

The Company expects its aggregate annual amortization expense for existing intangible assets subject to amortization for each of the years, 2013 through 2017, to be as follows:

	2013	2014	2015	2016	2017
Amortization expense	\$ 100	\$ 89	\$ 79	\$ 69	\$ 43

During the first quarter of 2012, in connection with the sale of its five owned radio stations in West Palm Beach, the Company recorded a pre-tax noncash impairment charge of \$11 million to reduce the carrying value of the allocated goodwill.

**4) DISCONTINUED OPERATIONS**

In July 2013, the Company entered into an agreement with an affiliate of Platinum Equity for the sale of Outdoor Europe for approximately \$225 million. The transaction is expected to be completed in 2013. Upon completion, the Company expects to record an after-tax charge of approximately

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

\$100 million associated with exiting an unprofitable contractual arrangement and for the estimated fair value of guarantees, which historically have been intercompany but upon the closing of the transaction will become third-party guarantees. The actual amount of the charge may be different from the Company's current expectations. This transaction is subject to customary closing conditions. Outdoor Europe has been classified as held-for-sale and its results have been presented as a discontinued operation in the Company's consolidated financial statements for all periods presented.

The following table sets forth details of the net loss from discontinued operations for the three and six months ended June 30, 2013 and 2012.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Revenues from discontinued operations	\$ 139	\$ 147	\$ 262	\$ 275
Loss from discontinued operations before income taxes	\$ (11)	\$ (29)	\$ (47)	\$ (57)
Income tax benefit	7	4	23	1
Net loss from discontinued operations, net of tax	\$ (4)	\$ (25)	\$ (24)	\$ (56)

Noncurrent assets of discontinued operations of \$259 million at June 30, 2013 and \$260 million at December 31, 2012, primarily consist of net property and equipment of \$108 million and \$103 million, respectively, and goodwill of \$48 million and \$49 million, respectively. Noncurrent liabilities from discontinued operations primarily relate to aircraft leases from previously disposed businesses that are generally expected to liquidate in accordance with contractual terms.

**5) PROGRAMMING AND OTHER INVENTORY**

	At	At
	June 30, 2013	December 31, 2012
Program rights	\$ 959	\$ 1,389
Television programming:		
Released (including acquired libraries)	784	781
In process and other	111	128
Theatrical programming:		
Released	14	25
In process and other	67	60
Publishing, primarily finished goods	58	57
Other	1	1
Total programming and other inventory	1,994	2,441
Less current portion	449	859
Total noncurrent programming and other inventory	\$ 1,545	\$ 1,582



Table of Contents**CBS CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Tabular dollars in millions, except per share amounts)****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 June 30, 2013, NAI directly or indirectly owned approximately 79.1% of CBS Corp.'s voting Class A Common Stock, and owned approximately 6.6% 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 enters into transactions with Viacom Inc. and its subsidiaries. Through its Entertainment segment, the Company licenses its television products and leases its production facilities to Viacom Inc.'s media networks businesses. In addition, the Company recognizes revenues for advertising spending placed by various subsidiaries of Viacom Inc. Viacom Inc. also distributes certain of the Company's television products in the home entertainment market. The Company's total revenues from these transactions were \$75 million and \$70 million for the three months ended June 30, 2013 and 2012, respectively, and \$131 million and \$134 million for the six months ended June 30, 2013 and 2012, respectively.

The Company places advertisements with, leases production facilities from, and purchases other goods and services from various subsidiaries of Viacom Inc. The total amounts for these transactions were \$3 million for both the three months ended June 30, 2013 and 2012, and \$10 million and \$9 million for the six months ended June 30, 2013 and 2012, respectively.

The following table presents the amounts due from Viacom Inc. in the normal course of business as reflected on the Company's Consolidated Balance Sheets. Amounts due to Viacom Inc. were minimal at June 30, 2013 and December 31, 2012.

	At June 30, 2013	At December 31, 2012
Receivables	\$ 110	\$ 124
Other assets (Receivables, noncurrent)	146	133
<b>Total amounts due from Viacom Inc.</b>	<b>\$ 256</b>	<b>\$ 257</b>

*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 these joint ventures were \$30 million and \$35 million for the three months ended June 30, 2013 and 2012, respectively, and \$62 million and \$71 million for the six months ended June 30, 2013 and 2012, 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.

Table of Contents**CBS CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Tabular dollars in millions, except per share amounts)****7) BANK FINANCING AND DEBT**

The following table sets forth the Company's debt.

	At June 30, 2013	At December 31, 2012
Commercial paper	\$ 453	\$
Senior debt (1.95% 8.875% due 2014 2042)	5,862	5,863
Obligations under capital leases	121	72
<b>Total debt</b>	<b>6,436</b>	<b>5,935</b>
Less discontinued operations debt <sup>(b)</sup>	13	13
<b>Total debt from continuing operations</b>	<b>6,423</b>	<b>5,922</b>
Less commercial paper	453	
Less current portion of long-term debt	21	18
<b>Total long-term debt from continuing operations, net of current portion</b>	<b>\$ 5,949</b>	<b>\$ 5,904</b>

(a) At June 30, 2013 and December 31, 2012, the senior debt balances included (i) a net unamortized discount of \$15 million and \$16 million, respectively, and (ii) an increase in the carrying value of the debt relating to previously settled fair value hedges of \$21 million and \$23 million, respectively. The face value of the Company's senior debt was \$5.86 billion at both June 30, 2013 and December 31, 2012.

(b) Included in noncurrent "Liabilities of discontinued operations" on the Consolidated Balance Sheets.

The senior debt of CBS Corp. is fully and unconditionally guaranteed by its wholly owned subsidiary, CBS Operations Inc. Senior debt in the amount of \$52 million of the Company's wholly owned subsidiary, CBS Broadcasting Inc., has no guarantor.

At June 30, 2013, the Company classified \$99 million of notes maturing in June 2014 as long-term debt on the Consolidated Balance Sheet, reflecting its intent and ability to refinance this debt on a long-term basis.

**Commercial Paper**

At June 30, 2013, the Company had \$453 million of commercial paper borrowings outstanding under its \$2.0 billion commercial paper program. Outstanding commercial paper borrowings have a weighted average interest rate of approximately 0.3% and maturities of less than ninety days.

**Credit Facility**

During the first quarter of 2013, the Company amended and extended its \$2.0 billion revolving credit facility (the "Credit Facility") to March 15, 2018. The amended facility provides for lower borrowing rates and fees, as well as more favorable covenant requirements. 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 June 30, 2013, the Company's Consolidated Leverage ratio was approximately 1.7x.

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The Consolidated Leverage Ratio reflects the ratio of the Company's indebtedness from continuing operations, adjusted to exclude certain capital lease obligations, at the end of a quarter, to the

-13-

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

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, including support of the Company's commercial paper program. At June 30, 2013, the remaining availability under the Credit Facility, net of outstanding letters of credit, was \$1.99 billion.

**8) PENSION AND OTHER POSTRETIREMENT BENEFITS**

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

Three Months Ended June 30,	Pension Benefits		Postretirement Benefits	
	2013	2012	2013	2012
Components of net periodic cost:				
Service cost	\$ 10	\$ 9	\$	\$
Interest cost	53	61	6	8
Expected return on plan assets	(68)	(62)		
Amortization of actuarial losses (gains) <sup>(a)</sup>	22	18	(4)	(4)
Net periodic cost	\$ 17	\$ 26	\$ 2	\$ 4

Six Months Ended June 30,	Pension Benefits		Postretirement Benefits	
	2013	2012	2013	2012
Components of net periodic cost:				
Service cost	\$ 20	\$ 18	\$	\$
Interest cost	106	122	12	16
Expected return on plan assets	(136)	(124)		
Amortization of actuarial losses (gains) <sup>(a)</sup>	44	36	(8)	(8)
Net periodic cost	\$ 34	\$ 52	\$ 4	\$ 8

(a)

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

During the six months ended June 30, 2013, the Company made discretionary contributions of \$150 million to pre-fund its qualified pension plans.

**9) STOCKHOLDERS' EQUITY**

During the second quarter of 2013, the Company repurchased 6.1 million shares of its Class B Common Stock for \$296 million, at an average cost of \$48.33 per share, and also received 4.3 million shares of its Class B Common stock upon the settlement of an accelerated share repurchase ("ASR") transaction that was initiated during the first quarter of 2013. During the six months ended June 30, 2013, the Company repurchased 34.5 million shares of its Class B Common Stock for \$1.56 billion, at an average cost of \$45.20 per share.



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

During the second quarter of 2013, the Company declared a quarterly cash dividend of \$.12 per share on its Class A and Class B Common stock payable on July 1, 2013. The total dividend was \$74 million of which \$73 million was paid on July 1, 2013 and \$1 million was accrued to be paid upon vesting of RSUs. Total dividends for the six months ended June 30, 2013 were \$149 million.

**Accumulated Other Comprehensive Income (Loss)**

The following table summarizes the changes in the components of accumulated other comprehensive income (loss).

	Cumulative Translation Adjustments	Continuing Operations Net Actuarial Gain (Loss) and Prior Service Cost <sup>(a)</sup>	Change in Fair Value of Cash Flow Hedges	Unrealized Gain on Securities	Discontinued Operations Other Comprehensive Income	Accumulated Other Comprehensive Income (Loss)
At December 31, 2012	\$ 91	\$ (948)	\$ 2	\$ 286	\$ (569)	
Other comprehensive income (loss) before reclassifications	(9)		(1)	1	(9)	(18)
Reclassifications from accumulated other comprehensive income (loss) to net earnings		22				22
Net other comprehensive income (loss)	(9)	22	(1)	1	(9)	4
At June 30, 2013	\$ 82	\$ (926)	(1)	\$ 3	\$ 277	\$ (565)

(a)

See Note 8 for additional details of items reclassified from accumulated other comprehensive income (loss) to net earnings.

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 \$14 million for the six months ended June 30, 2013.

**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 for the three months ended June 30, 2013 increased to \$256 million from \$228 million and for the six months ended June 30, 2013 increased to \$490 million from \$429 million for the comparable prior-year periods, in both cases driven by the increase in earnings from continuing operations before income taxes. The effective income tax rate increased to 34.6% for the three months ended June 30, 2013 versus 32.9% for the three months ended June 30, 2012 and increased to 33.9% for the six months ended June 30, 2013 versus 33.2% for the six months ended June 30, 2012. The higher effective income tax rates for 2013 were driven by an increase in domestic pre-tax income.

Table of Contents

**CBS CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Tabular dollars in millions, except per share amounts)**

During July 2013, the Company and the IRS settled the Company's income tax audit for the years 2008, 2009, and 2010. The IRS is expected to commence its examination of the years 2011 and 2012 in the fourth quarter of 2013. In 2013, the Company also expects to settle an audit in a foreign jurisdiction related to a previously disposed business that is accounted for as a discontinued operation. In addition, various tax years are currently under examination by state and local and other foreign tax authorities. For tax audits that are currently settled, the Company expects the reserve for uncertain tax positions to decrease during 2013 by approximately \$15 million, plus accrued interest, a portion of which may impact the Company's effective income tax rate. In addition, 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 additional impact to the reserve for uncertain tax positions cannot currently be determined.

**11) COMMITMENTS AND CONTINGENCIES**

*Off-Balance Sheet Arrangements*

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 June 30, 2013, the outstanding letters of credit and surety bonds approximated \$444 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.

**Legal Matters**

*E-books Matters.* A number of lawsuits described below have been pending against the following parties relating to the sale of e-books: Apple Inc., Hachette Book Group, Inc., HarperCollins Publishers, LLC, Holtzbrinck Publishers LLC d/b/a Macmillan, Penguin Group (USA) Inc. and the Company's subsidiary, Simon & Schuster, Inc. (collectively, the "Publishing parties").

On April 10, 2012, for purposes of settlement and without any admission of wrongdoing or liability, Simon & Schuster and two of the other Publishing parties entered into a settlement stipulation and proposed final judgment (the "Stipulation") with the United States Department of Justice (the "DOJ") in connection with the DOJ's investigations of agency distribution of e-books. In furtherance of this settlement, on April 11, 2012, the DOJ filed an antitrust action in the United States District Court for the Southern District of New York against the Publishing parties and concurrently filed the Stipulation with the court. On September 7, 2012, the Stipulation was approved by the court and final judgment was entered. The Stipulation does not involve any monetary payments by Simon & Schuster, but will require the adoption of certain business practices for a 24 month period and certain compliance practices for a five year period.

On June 11, 2012, for purposes of settlement and without any admission of wrongdoing or liability, Simon & Schuster entered into a proposed settlement agreement to resolve the antitrust action filed by a number of states and the Commonwealth of Puerto Rico against several of the Publishing parties in the United States District Court for the Western District of Texas, which was transferred to the United

Table of Contents

**CBS CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Tabular dollars in millions, except per share amounts)**

States District Court for the Southern District of New York ("States") on April 30, 2012. The proposed settlement provides that, certain Publishing parties, including Simon & Schuster, will pay agreed upon amounts for consumer restitution, among other things, and also requires the adoption of certain business and compliance practices, which are substantially similar to those described in the Stipulation with the DOJ. On September 14, 2012, the court granted preliminary approval of the proposed settlement, which all states (except Minnesota), the District of Columbia and the United States territories joined. On October 15, 2012, Simon & Schuster paid the agreed upon amounts into an escrow account pending final court approval. On February 8, 2013, the court approved the proposed settlement following a final settlement approval hearing that day. On June 20, 2013, Simon & Schuster and certain other Publishing parties entered into a settlement agreement in the MDL litigation (as described below) covering claims of Minnesota residents (the "Minnesota Settlement"). The Minnesota Settlement is subject to court approval. The Company believes that the settlements with the DOJ, the States and the Minnesota Settlement will not have a material adverse effect on its results of operations, financial position or cash flows.

On December 9, 2011, the United States Judicial Panel on Multidistrict Litigation (the "MDL") issued an order consolidating in the United States District Court for the Southern District of New York various purported class action suits that private litigants had filed in federal courts in California and New York. On January 20, 2012, the plaintiffs filed a consolidated amended class action complaint with the court against the Publishing parties. These private litigant plaintiffs, who are e-book purchasers, allege that, among other things, the defendants are in violation of federal and/or state antitrust laws in connection with the sale of e-books pursuant to agency distribution arrangements between each of the publishers and e-book retailers. The consolidated amended class action complaint generally seeks multiple forms of damages for the purchase of e-books and injunctive and other relief. On March 2, 2012, the Publishing parties filed a motion to dismiss this action. On May 15, 2012, the court denied the motion to dismiss. As noted above, on June 20, 2013, Simon & Schuster entered into the Minnesota Settlement, subject to court approval. Upon approval of the Minnesota Settlement by the court, Simon & Schuster will be dismissed with prejudice from the MDL litigation and only those individuals who elect to opt out of the States settlement or the Minnesota Settlement will have any potential claims against Simon & Schuster.

Commencing on February 24, 2012, similar antitrust suits have been filed under Canadian law against the Publishing parties by private litigants in Canada, purportedly as class actions. Simon & Schuster intends to defend itself in the Canadian matters.

In addition, the European Commission (the "EC") and Canadian Competition Bureau are conducting separate competition investigations of agency distribution arrangements of e-books in this industry and Simon & Schuster is cooperating with these investigations. On September 19, 2012, the EC began accepting public comment on the terms of a proposed settlement. On December 12, 2012, following the close of that comment period, the EC accepted the proposed settlement. The settlement between the EC and certain Publishing parties, including Simon & Schuster, requires 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



Table of Contents

**CBS CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Tabular dollars in millions, except per share amounts)**

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, 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 June 30, 2013, the Company had pending approximately 45,320 asbestos claims, as compared with approximately 45,900 as of December 31, 2012 and 46,020 as of June 30, 2012. During the second quarter of 2013, the Company received approximately 910 new claims and closed or moved to an inactive docket approximately 1,660 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 2012 and 2011 for settlement and defense of asbestos claims after insurance recoveries and net of tax benefits were approximately \$21 million and \$33 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.

Table of Contents**CBS CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Tabular dollars in millions, except per share amounts)****12) RESTRUCTURING CHARGES**

During the year ended December 31, 2012, 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 \$19 million, reflecting \$13 million of severance costs and \$6 million of costs associated with exiting contractual obligations. During the year ended December 31, 2011, the Company recorded restructuring charges of \$43 million, reflecting \$9 million of severance costs and \$34 million of costs associated with exiting contractual obligations. As of June 30, 2013, the cumulative amount paid for the 2012 and 2011 restructuring charges was \$42 million, of which \$19 million was for the severance costs and \$23 million was related to costs associated with contractual obligations. The Company expects to substantially utilize the remaining reserves by the end of 2013.

	Balance at December 31, 2012	2013 Payments	Balance at June 30, 2013
Entertainment	\$ 25	\$ (10)	\$ 15
Publishing	2	(1)	1
Local Broadcasting	7	(3)	4
Corporate	1	(1)	
<b>Total</b>	<b>\$ 35</b>	<b>\$ (15)</b>	<b>\$ 20</b>

**13) FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS**

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. 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 June 30, 2013 and December 31, 2012. 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

Table of Contents

## CBS CORPORATION AND SUBSIDIARIES

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

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 June 30, 2013	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Investments	\$ 70	\$	\$	\$ 70
Foreign currency hedges		6		6
<b>Total Assets</b>	\$ 70	\$ 6	\$	\$ 76
<b>Liabilities:</b>				
Deferred compensation	\$	\$ 225	\$	\$ 225
Foreign currency hedges		2		2
<b>Total Liabilities</b>	\$	\$ 227	\$	\$ 227

At December 31, 2012	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Investments	\$ 70	\$	\$	\$ 70
<b>Total Assets</b>	\$ 70	\$	\$	\$ 70
<b>Liabilities:</b>				
Deferred compensation	\$	\$ 201	\$	\$ 201
Foreign currency hedges		2		2
<b>Total Liabilities</b>	\$	\$ 203	\$	\$ 203

The fair value of investments is determined based on publicly quoted market prices in active markets. 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 is determined based on the fair value of the investments elected by employees.

The Company's carrying value of financial instruments approximates fair value, except for differences with respect to the notes and debentures. At both June 30, 2013 and December 31, 2012, the carrying value of the senior debt was \$5.86 billion and the fair value, which is estimated, based on quoted market prices for similar liabilities (Level 2) and includes accrued interest, was \$6.72 billion and \$7.16 billion, respectively.

Table of Contents**CBS CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Tabular dollars in millions, except per share amounts)****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. Outdoor Europe, previously included in the Outdoor segment, has been presented as a discontinued operation. As a result, the Outdoor segment has been renamed Outdoor Americas. In addition, Residual Costs, which was previously presented as a separate line item in the Company's segment presentation, is now included within Corporate. Prior periods have been reclassified to conform to this presentation.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
<b>Revenues:</b>				
Entertainment	\$ 2,008	\$ 1,707	\$ 4,547	\$ 4,025
Cable Networks	518	446	996	898
Publishing	189	189	360	365
Local Broadcasting	698	704	1,336	1,326
Outdoor Americas	335	334	616	622
Eliminations	(49)	(51)	(116)	(111)
<b>Total Revenues</b>	<b>\$ 3,699</b>	<b>\$ 3,329</b>	<b>\$ 7,739</b>	<b>\$ 7,125</b>

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		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
<b>Intercompany Revenues:</b>				
Entertainment	\$ 42	\$ 44	\$ 104	\$ 97
Local Broadcasting	4	5	7	9
Outdoor Americas	3	2	5	5
<b>Total Intercompany Revenues</b>	<b>\$ 49</b>	<b>\$ 51</b>	<b>\$ 116</b>	<b>\$ 111</b>

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

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		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
<b>Segment OIBDA:</b>				
Entertainment	\$ 429	\$ 426	\$ 909	\$ 837
Cable Networks	207	190	438	399
Publishing	21	9	33	19
Local Broadcasting	255	248	454	419
Outdoor Americas	107	103	181	179
Corporate	(67)	(65)	(147)	(135)
<b>Total Segment OIBDA</b>	<b>952</b>	<b>911</b>	<b>1,868</b>	<b>1,718</b>
Impairment charges				(11)
Depreciation and amortization	(114)	(119)	(230)	(238)
<b>Operating income</b>	<b>838</b>	<b>792</b>	<b>1,638</b>	<b>1,469</b>
Interest expense	(93)	(104)	(188)	(214)
Interest income	2	1	4	3
Gain on early extinguishment of debt				25
Other items, net	(7)	3	(9)	8
Earnings from continuing operations before income taxes and equity in loss of investee companies	740	692	1,445	1,291
Provision for income taxes	(256)	(228)	(490)	(429)
Equity in loss of investee companies, net of tax	(8)	(12)	(16)	(16)
Net earnings from continuing operations	476	452	939	846
Net loss from discontinued operations, net of tax	(4)	(25)	(24)	(56)
<b>Net earnings</b>	<b>\$ 472</b>	<b>\$ 427</b>	<b>\$ 915</b>	<b>\$ 790</b>

Table of Contents

## CBS CORPORATION AND SUBSIDIARIES

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
<b>Operating Income (Loss):</b>				
Entertainment	\$ 391	\$ 385	\$ 831	\$ 755
Cable Networks	202	184	429	388
Publishing	20	7	30	15
Local Broadcasting	234	225	410	363
Outdoor Americas	65	62	97	95
Corporate	(74)	(71)	(159)	(147)
<b>Total Operating Income</b>	<b>\$ 838</b>	<b>\$ 792</b>	<b>\$ 1,638</b>	<b>\$ 1,469</b>

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
<b>Depreciation and Amortization:</b>				
Entertainment	\$ 38	\$ 41	\$ 78	\$ 82
Cable Networks	5	6	9	11
Publishing	1	2	3	4
Local Broadcasting	21	23	44	45
Outdoor Americas	42	41	84	84
Corporate	7	6	12	12
<b>Total Depreciation and Amortization</b>	<b>\$ 114</b>	<b>\$ 119</b>	<b>\$ 230</b>	<b>\$ 238</b>

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
<b>Stock-based Compensation:</b>				
Entertainment	\$ 15	\$ 14	\$ 30	\$ 27
Cable Networks	2	2	4	3
Publishing	1		2	1
Local Broadcasting	7	6	14	12
Outdoor Americas	1	2	3	3
Corporate	23	15	56	34

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**Total Stock-based Compensation**      \$      49    \$      39    \$      109    \$      80

-23-

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Table of Contents

## CBS CORPORATION AND SUBSIDIARIES

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
<b>Capital Expenditures:</b>				
Entertainment	\$ 24	\$ 19	\$ 43	\$ 36
Cable Networks	2	3	4	4
Publishing	1		1	
Local Broadcasting	12	14	18	24
Outdoor Americas	9	10	15	17
Corporate	1	3	2	3
<b>Total Capital Expenditures</b>	\$ 49	\$ 49	\$ 83	\$ 84

	At	
	June 30, 2013	December 31, 2012
<b>Assets:</b>		
Entertainment	\$ 8,665	\$ 9,023
Cable Networks	1,880	1,750
Publishing	959	1,033
Local Broadcasting	9,609	9,614
Outdoor Americas	3,435	3,542
Corporate	683	1,026
Discontinued operations	462	478
<b>Total Assets</b>	\$ 25,693	\$ 26,466



Table of Contents**CBS CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Tabular dollars in millions, except per share amounts)****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 (See Note 7). 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. Changes to the entities that comprise the guarantor group are reflected for all periods presented. In addition, the operations of Outdoor Europe have been presented as a discontinued operation for all periods presented (See Note 4).

	<b>Statement of Operations</b>				<b>CBS Corp. Consolidated</b>
	<b>For the Three Months Ended June 30, 2013</b>				
	<b>CBS Corp.</b>	<b>CBS Operations Inc.</b>	<b>Non- Guarantor Affiliates</b>	<b>Eliminations</b>	
Revenues	\$ 37	\$ 3	\$ 3,659	\$	\$ 3,699
Expenses:					
Operating	17	2	2,045		2,064
Selling, general and administrative	14	70	599		683
Depreciation and amortization	1	3	110		114
Total expenses	32	75	2,754		2,861
Operating income (loss)	5	(72)	905		838
Interest (expense) income, net	(114)	(91)	114		(91)
Other items, net		5	(12)		(7)
Earnings (loss) from continuing operations before income taxes and equity in earnings (loss) of investee companies	(109)	(158)	1,007		740
Benefit (provision) for income taxes	38	55	(349)		(256)
Equity in earnings (loss) of investee companies, net of tax	543	289	(8)	(832)	(8)
Net earnings from continuing operations	472	186	650	(832)	476
Net loss from discontinued operations, net of tax			(4)		(4)
Net earnings	\$ 472	\$ 186	\$ 646	\$ (832)	\$ 472
Comprehensive income	\$ 473	\$ 185	\$ 637	\$ (822)	\$ 473

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

	Statement of Operations For the Six Months Ended June 30, 2013				CBS Corp. Consolidated
	CBS Corp.	CBS Operations Inc.	Non- Guarantor Affiliates	Eliminations	
Revenues	\$ 72	\$ 6	\$ 7,661	\$	\$ 7,739
Expenses:					
Operating	34	4	4,500		4,538
Selling, general and administrative	31	147	1,155		1,333
Depreciation and amortization	3	7	220		230
Total expenses	68	158	5,875		6,101
Operating income (loss)	4	(152)	1,786		1,638
Interest (expense) income, net	(229)	(180)	225		(184)
Other items, net	(1)	8	(16)		(9)
Earnings (loss) from continuing operations before income taxes and equity in earnings (loss) of investee companies	(226)	(324)	1,995		1,445
Benefit (provision) for income taxes	78	112	(680)		(490)
Equity in earnings (loss) of investee companies, net of tax	1,063	577	(16)	(1,640)	(16)
Net earnings from continuing operations	915	365	1,299	(1,640)	939
Net loss from discontinued operations, net of tax			(24)		(24)
Net earnings	\$ 915	\$ 365	\$ 1,275	\$ (1,640)	\$ 915
Comprehensive income	\$ 919	\$ 371	\$ 1,251	\$ (1,622)	\$ 919

Table of Contents**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 June 30, 2012				
	CBS Corp.	CBS Operations Inc.	Non- Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
Revenues	\$ 35	\$ 4	\$ 3,290	\$	\$ 3,329
Expenses:					
Operating	16	2	1,735		1,753
Selling, general and administrative	21	57	587		665
Depreciation and amortization	2	3	114		119
Total expenses	39	62	2,436		2,537
Operating income (loss)	(4)	(58)	854		792
Interest (expense) income, net	(123)	(87)	107		(103)
Other items, net	(1)	2	2		3
Earnings (loss) from continuing operations before income taxes and equity in earnings (loss) of investee companies	(128)	(143)	963		692
Benefit (provision) for income taxes	42	47	(317)		(228)
Equity in earnings (loss) of investee companies, net of tax	513	270	(12)	(783)	(12)
Net earnings from continuing operations	427	174	634	(783)	452
Net loss from discontinued operations, net of tax			(25)		(25)
Net earnings	\$ 427	\$ 174	\$ 609	\$ (783)	\$ 427
Comprehensive income	\$ 414	\$ 177	\$ 585	\$ (762)	\$ 414

Table of Contents

## CBS CORPORATION AND SUBSIDIARIES

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

	Statement of Operations For the Six Months Ended June 30, 2012				
	CBS Corp.	CBS Operations Inc.	Non- Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
Revenues	\$ 67	\$ 8	\$ 7,050	\$	\$ 7,125
Expenses:					
Operating	34	4	4,062		4,100
Selling, general and administrative	43	119	1,145		1,307
Impairment charges			11		11
Depreciation and amortization	3	7	228		238
Total expenses	80	130	5,446		5,656
Operating income (loss)	(13)	(122)	1,604		1,469
Interest (expense) income, net	(252)	(173)	214		(211)
Gain on early extinguishment of debt	25				25
Other items, net		(1)	9		8
Earnings (loss) from continuing operations before income taxes and equity in earnings (loss) of investee companies	(240)	(296)	1,827		1,291
Benefit (provision) for income taxes	80	99	(608)		(429)
Equity in earnings (loss) of investee companies, net of tax	950	614	(16)	(1,564)	(16)
Net earnings from continuing operations	790	417	1,203	(1,564)	846
Net loss from discontinued operations, net of tax			(56)		(56)
Net earnings	\$ 790	\$ 417	\$ 1,147	\$ (1,564)	\$ 790
Comprehensive income	\$ 796	\$ 414	\$ 1,138	\$ (1,552)	\$ 796

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

	<b>Balance Sheet At June 30, 2013</b>				
	<b>CBS Corp.</b>	<b>CBS Operations Inc.</b>	<b>Non- Guarantor Affiliates</b>	<b>Eliminations</b>	<b>CBS Corp. Consolidated</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 42	\$ 1	\$ 239	\$	\$ 282
Receivables, net	24	2	2,972		2,998
Programming and other inventory	4	3	442		449
Prepaid expenses and other current assets	110	22	931	(22)	1,041
Total current assets	180	28	4,584	(22)	4,770
Property and equipment	36	118	4,763		4,917
Less accumulated depreciation and amortization	7	76	2,606		2,689
Net property and equipment	29	42	2,157		2,228
Programming and other inventory	1	1	1,543		1,545
Goodwill	98	62	8,409		8,569
Intangible assets			6,480		6,480
Investments in consolidated subsidiaries	39,705	9,703		(49,408)	
Other assets	152	16	1,933		2,101
Intercompany		3,411	17,541	(20,952)	
Total Assets	\$ 40,165	\$ 13,263	\$ 42,647	\$ (70,382)	\$ 25,693
<b>Liabilities and Stockholders' Equity</b>					
Accounts payable	\$ 1	\$ 10	\$ 207	\$	\$ 218
Participants' share and royalties payable			861		861
Program rights	5	2	393		400
Commercial paper	453				453
Current portion of long-term debt	5		16		21
Accrued expenses and other current liabilities	342	233	1,319	(22)	1,872
Total current liabilities	806	245	2,796	(22)	3,825
Long-term debt	5,792		157		5,949
Other liabilities	3,014	269	3,035		6,318
Intercompany	20,952			(20,952)	
Stockholders' Equity:					
Preferred Stock			128	(128)	
Common Stock	1	123	1,136	(1,259)	1
Additional paid-in capital	43,450		61,690	(61,690)	43,450
Retained earnings (deficit)	(25,854)	12,958	(21,774)	8,816	(25,854)
Accumulated other comprehensive income (loss)	(565)	(1)	279	(278)	(565)

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	17,032	13,080	41,459	(54,539)	17,032
Less treasury stock, at cost	7,431	331	4,800	(5,131)	7,431
Total Stockholders' Equity	9,601	12,749	36,659	(49,408)	9,601
Total Liabilities and Stockholders' Equity	\$ 40,165	\$ 13,263	\$ 42,647	\$ (70,382)	\$ 25,693

-29-

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[Table of Contents](#)

## CBS CORPORATION AND SUBSIDIARIES

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

	Balance Sheet At December 31, 2012				
	CBS Corp.	CBS Operations Inc.	Non- Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
<b>Assets</b>					
Cash and cash equivalents	\$ 254	\$ 1	\$ 453	\$	\$ 708
Receivables, net	31	2	3,104		3,137
Programming and other inventory	5	3	851		859
Prepaid expenses and other current assets	142	14	886	(26)	1,016
Total current assets	432	20	5,294	(26)	5,720
Property and equipment	39	117	4,832		4,988
Less accumulated depreciation and amortization	8	69	2,640		2,717
Net property and equipment	31	48	2,192		2,271
Programming and other inventory	3	2	1,577		1,582
Goodwill	98	62	8,407		8,567
Intangible assets			6,515		6,515
Investments in consolidated subsidiaries	38,658	9,128		(47,786)	
Other assets	171	14	1,626		1,811
Intercompany		3,655	16,122	(19,777)	
Total Assets	\$ 39,393	\$ 12,929	\$ 41,733	\$ (67,589)	\$ 26,466
<b>Liabilities and Stockholders' Equity</b>					
Accounts payable	\$ 2	\$ 6	\$ 378	\$	\$ 386
Participants' share and royalties payable			953		953
Program rights	6	4	445		455
Current portion of long-term debt	5		13		18
Accrued expenses and other current liabilities	345	286	1,524	(26)	2,129
Total current liabilities	358	296	3,313	(26)	3,941
Long-term debt	5,793		111		5,904
Other liabilities	3,252	255	2,901		6,408
Intercompany	19,777			(19,777)	
<b>Stockholders' Equity:</b>					
Preferred Stock			128	(128)	
Common Stock	1	123	1,136	(1,259)	1
Additional paid-in capital	43,424		61,690	(61,690)	43,424
Retained earnings (deficit)	(26,769)	12,593	(23,049)	10,456	(26,769)
Accumulated other comprehensive income (loss)	(569)	(7)	303	(296)	(569)

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	16,087	12,709	40,208	(52,917)	16,087
Less treasury stock, at cost	5,874	331	4,800	(5,131)	5,874
<b>Total Stockholders' Equity</b>	<b>10,213</b>	<b>12,378</b>	<b>35,408</b>	<b>(47,786)</b>	<b>10,213</b>
Total Liabilities and Stockholders' Equity	\$ 39,393	\$ 12,929	\$ 41,733	\$ (67,589)	\$ 26,466

-30-

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Table of Contents

## CBS CORPORATION AND SUBSIDIARIES

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

	Statement of Cash Flows For the Six Months Ended June 30, 2013				CBS Corp. Consolidated
	CBS Corp.	CBS Operations Inc.	Non- Guarantor Affiliates	Eliminations	
<b>Net cash flow (used for) provided by operating activities</b>	\$ (579)	\$ (135)	\$ 1,765	\$	\$ 1,051
<b>Investing Activities:</b>					
Acquisitions, net of cash acquired			(30)		(30)
Capital expenditures		(2)	(81)		(83)
Investments in and advances to investee companies			(139)		(139)
Proceeds from sale of investments	15	1	2		18
Proceeds from dispositions			12		12
Net cash flow provided by (used for) investing activities from continuing operations	15	(1)	(236)		(222)
Net cash flow used for investing activities from discontinued operations			(8)		(8)
<b>Net cash flow provided by (used for) investing activities</b>	15	(1)	(244)		(230)
<b>Financing Activities:</b>					
Proceeds from short-term debt borrowings, net	452				452
Payment of capital lease obligations			(9)		(9)
Payment of contingent consideration			(30)		(30)
Dividends	(155)				(155)
Purchase of Company common stock	(1,579)				(1,579)
Payment of payroll taxes in lieu of issuing shares for stock-based compensation	(139)				(139)
Proceeds from exercise of stock options	98				98
Excess tax benefit from stock-based compensation	119				119
Other financing activities	(4)				(4)
Increase (decrease) in intercompany	1,560	136	(1,696)		
<b>Net cash flow provided by (used for) financing activities</b>	352	136	(1,735)		(1,247)
Net decrease in cash and cash equivalents	(212)		(214)		(426)
Cash and cash equivalents at beginning of period	254	1	453		708
<b>Cash and cash equivalents at end of period</b>	\$ 42	\$ 1	\$ 239	\$	\$ 282

Table of Contents

## CBS CORPORATION AND SUBSIDIARIES

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

	Statement of Cash Flows For the Six Months Ended June 30, 2012				CBS Corp. Consolidated
	CBS Corp.	CBS Operations Inc.	Non- Guarantor Affiliates	Eliminations	
<b>Net cash flow (used for) provided by operating activities</b>	\$ (450)	\$ (136)	\$ 1,844	\$	\$ 1,258
<b>Investing Activities:</b>					
Acquisitions, net of cash acquired			(69)		(69)
Capital expenditures		(3)	(81)		(84)
Investments in and advances to investee companies			(39)		(39)
Proceeds from sale of investments	6				6
Proceeds from dispositions			1		1
Net cash flow provided by (used for) investing activities from continuing operations	6	(3)	(188)		(185)
Net cash flow used for investing activities from discontinued operations			(9)		(9)
<b>Net cash flow provided by (used for) investing activities</b>	6	(3)	(197)		(194)
<b>Financing Activities:</b>					
Proceeds from issuance of notes	1,567				1,567
Repayment of notes	(700)				(700)
Payment of capital lease obligations			(10)		(10)
Payment of contingent consideration			(33)		(33)
Dividends	(135)				(135)
Purchase of Company common stock	(564)				(564)
Payment of payroll taxes in lieu of issuing shares for stock-based compensation	(105)				(105)
Proceeds from exercise of stock options	71				71
Excess tax benefit from stock-based compensation	73				73
Increase (decrease) in intercompany	1,665	139	(1,804)		
<b>Net cash flow provided by (used for) financing activities</b>	1,872	139	(1,847)		164
Net increase (decrease) in cash and cash equivalents	1,428		(200)		1,228
Cash and cash equivalents at beginning of period	134	1	525		660
<b>Cash and cash equivalents at end of period</b>	\$ 1,562	\$ 1	\$ 325	\$	\$ 1,888

Table of Contents

**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 on Form 10-K for the fiscal year ended December 31, 2012.

**Overview**

The Company operates businesses which span the media and entertainment industries, including the CBS Television Network, cable program services, television content production and distribution, motion pictures, publishing, radio stations, television stations, interactive businesses, and outdoor advertising. The Company's principal strategy is to create and acquire 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 also continues to pursue opportunities to grow its revenue streams, including licensing its content for exhibition on digital and other platforms; 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 increasingly monetizing content viewership and ratings as industry measurements evolve to reflect changing viewership habits. The Company's continued ability to capitalize on these and other emerging opportunities will provide it with incremental advertising and non-advertising revenues and serves to de-risk and diversify the Company's business model.

For the three months ended June 30, 2013, the Company's diluted earnings per share ("EPS") from continuing operations of \$.76 increased \$.08, or 12%, from \$.68 for the same prior year period, principally reflecting 11% higher revenues, 6% higher operating income and lower weighted average shares outstanding due to the Company's ongoing share repurchases. Revenue growth was driven by 22% higher content licensing and distribution revenues, led by growth in licensing revenues from digital streaming and international syndication, as well as an 18% increase in affiliate and subscription fee revenues. Advertising revenues increased 5%, driven by the timing of the *NCAA Division I Men's Basketball Championship* ("NCAA Tournament"), which aired during the second quarter of 2013 versus the first quarter of 2012, as well as the strength of Network advertising. Operating income growth reflects the increase in revenues which was partially offset by a higher investment in television content and higher sports programming costs mainly from the timing of the semifinals of the NCAA Tournament.

For the six months ended June 30, 2013, diluted EPS from continuing operations of \$1.49 increased \$.22, or 17%, from \$1.27 for the same prior-year period, driven by growth in revenues of 9% and operating income of 12%, and lower weighted average shares outstanding due to the Company's ongoing share repurchases. Revenue and operating income growth was driven by 7% higher advertising revenues mainly from the broadcast of *Super Bowl XLVII* on the CBS Television Network, growth in cable network affiliate fees and retransmission revenues, and increased revenues from the licensing of television programming. The operating income comparison was also impacted by higher investment in television content.

For the remainder of 2013 the Company expects to benefit from continued growth in affiliate and subscription fee revenues, including growth in retransmission revenues, cable network affiliate fees and fees received from the CBS Television Network's affiliated television stations ("network affiliation fees"), as well as higher television license fees driven by the first-cycle domestic syndication availabilities of two television series. However, the Company's overall financial performance will be impacted by many factors, including, the health of the economy and audience acceptance of the Company's programming.

Table of Contents

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

During the quarter, the Company repurchased 6.1 million shares of its Class B Common Stock for \$296 million, at an average cost of \$48.33 per share, and also received 4.3 million shares of its Class B Common Stock upon the settlement of the accelerated share repurchase ("ASR") transaction that was initiated during the first quarter of 2013. For the six months ended June 30, 2013, the Company repurchased 34.5 million shares of its Class B Common Stock for \$1.56 billion, at an average cost of \$45.20 per share. On July 25, 2013, the Company announced a \$5.1 billion increase to the authorization under its share repurchase program to a total availability of \$6.0 billion.

Free cash flow for the six months ended June 30, 2013 was \$990 million compared to \$1.18 billion for the same prior-year period. The Company generated operating cash flow from continuing operations of \$1.07 billion for the six months ended June 30, 2013 versus \$1.27 billion for the comparable prior-year period. These decreases primarily reflect a \$150 million contribution to pre-fund the Company's qualified pension plans during 2013 and higher investment in television content. Free cash flow is a non-GAAP financial measure. See "Reconciliation of Non-GAAP Financial Information" on page 40 for a reconciliation of net cash flow provided by (used for) operating activities, the most directly comparable financial measure in accordance with accounting principles generally accepted in the United States ("GAAP"), to free cash flow.

In July 2013, the Company entered into an agreement with an affiliate of Platinum Equity for the sale of the Company's outdoor advertising business in Europe, which includes an interest in an outdoor business in Asia ("Outdoor Europe"), for approximately \$225 million. The transaction is expected to be completed in 2013, subject to customary closing conditions. Outdoor Europe has been classified as held-for-sale and its results have been presented as a discontinued operation in the Company's consolidated financial statements for all periods presented.

During the first quarter of 2013, the Company submitted a private letter ruling request with the Internal Revenue Service ("IRS") to qualify its Outdoor Americas business as a real estate investment trust ("REIT"). During the second quarter of 2013, a preliminary registration statement was filed with the Securities and Exchange Commission ("SEC") for the proposed initial public offering of the common stock of CBS Outdoor Americas Inc. The Company currently expects to dispose of the shares of CBS Outdoor Americas Inc. that it will own after the completion of the offering. These actions are subject to customary approvals and market conditions.

Table of Contents

**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 Six Months Ended June 30, 2013 versus Three and Six Months Ended June 30, 2012***Revenues*

The following tables present the Company's consolidated revenues by type for the three and six months ended June 30, 2013 and 2012.

Revenues by Type	Three Months Ended June 30,					
	2013	Percentage of Total	2012	Percentage of Total	Increase/(Decrease)	
					\$	%
Advertising	\$ 2,090	56%	\$ 1,995	60%	\$ 95	5%
Content licensing and distribution	997	27	816	24	181	22
Affiliate and subscription fees	549	15	465	14	84	18
Other	63	2	53	2	10	19
<b>Total Revenues</b>	<b>\$ 3,699</b>	<b>100%</b>	<b>\$ 3,329</b>	<b>100%</b>	<b>\$ 370</b>	<b>11%</b>

Revenues by Type	Six Months Ended June 30,					
	2013	Percentage of Total	2012	Percentage of Total	Increase/(Decrease)	
					\$	%
Advertising	\$ 4,545	59%	\$ 4,265	60%	\$ 280	7%
Content licensing and distribution	2,005	26	1,833	26	172	9
Affiliate and subscription fees	1,068	14	920	13	148	16
Other	121	1	107	1	14	13
<b>Total Revenues</b>	<b>\$ 7,739</b>	<b>100%</b>	<b>\$ 7,125</b>	<b>100%</b>	<b>\$ 614</b>	<b>9%</b>

Advertising revenues for the three months ended June 30, 2013 increased \$95 million, or 5%, to \$2.09 billion from \$2.00 billion for the same prior-year period, principally driven by the timing of the semifinals of the NCAA Tournament, which aired during the second quarter of 2013 versus the first quarter of 2012, as well as underlying growth at the CBS Television Network. Local Broadcasting advertising decreased 2% mainly reflecting lower political advertising revenues and a steady advertising marketplace. For the six months ended June 30, 2013, advertising revenues increased \$280 million, or 7%, to \$4.55 billion from \$4.27 billion for the same prior-year period, principally driven by higher Network advertising, mainly from the 2013 broadcast of the Super Bowl, which is broadcast on the CBS Television Network once every three years, and growth at CBS Interactive. These increases were partially offset by lower political advertising revenues.

In the second half of 2013, local advertising revenues will continue to be negatively impacted by lower political advertising spending as 2012 benefitted from the U.S. presidential election. National advertising revenues during the third quarter of 2013 are expected to benefit from more original summer programming, as well as the comparison against 2012 which included the broadcast of programming against the highly rated 2012 Summer Olympics and pre-emptions for the Republican and Democratic national conventions. In addition, the Company recently concluded its upfront advertising sales season for the 2013/2014 television broadcast season, during which a significant portion of advertising spots for CBS Television Network's non-sports programming is sold. The upfront sales resulted in pricing increases that are expected to

positively impact revenues during the season, which

Table of Contents

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

runs from the middle of September 2013 through the middle of September 2014. However, overall advertising revenues for the Company will also be dependent on ratings for its programming and market conditions, including demand in the scatter advertising market, when advertisers purchase the remaining advertising spots closer to the broadcast of the related programming.

Content licensing and distribution revenues for the three months ended June 30, 2013 increased \$181 million, or 22%, to \$997 million and for the six months ended June 30, 2013 increased \$172 million, or 9%, to \$2.01 billion. These increases were primarily driven by higher revenues from the licensing of programming for digital streaming and international syndication. For the six-month period, the increase was also partially offset by a significant domestic syndication sale in 2012. Content licensing and distribution revenues are expected to grow in the second half of 2013, reflecting the benefit from the first-cycle domestic syndication availabilities of *The Good Wife* and *NCIS: Los Angeles*.

Affiliate and subscription fees increased \$84 million, or 18%, to \$549 million for the three months ended June 30, 2013 and for the six months ended June 30, 2013 increased \$148 million, or 16%, to \$1.07 billion. These increases were principally driven by revenues from a pay-per-view boxing event; growth in retransmission revenues and network affiliation fees of 57% and 59% for the three and six months ended June 30, 2013, respectively; as well as an increase in Cable Networks affiliate fees. Cable Networks affiliate fees increased 5% and 6% for the three and six months ended June 30, 2013, respectively, reflecting growth in subscriptions and rate increases at Showtime Networks, CBS Sports Network and Smithsonian Networks. The Company expects continued growth in affiliate and subscription fee revenues for the remainder of 2013.

Other revenues, which include ancillary fees for Entertainment, Cable Networks, Local Broadcasting and Outdoor Americas operations, increased \$10 million, or 19%, to \$63 million for the three months ended June 30, 2013 and increased \$14 million, or 13%, to \$121 million for the six months ended June 30, 2013, principally reflecting higher ancillary digital and network revenues.

*International Revenues*

The Company generated approximately 17% and 15% of its total revenues from international regions for the three and six months ended June 30, 2013, respectively, versus 14% and 13% for the three and six months ended June 30, 2012, respectively.

*Operating Expenses*

The following tables present the Company's consolidated operating expenses by type for the three and six months ended June 30, 2013 and 2012.

Operating Expenses by Type	Three Months Ended June 30,					
	2013	Percentage of Total	2012	Percentage of Total	Increase/(Decrease)	
	\$		\$		\$	%
Programming	\$ 644	31%	\$ 473	27%	\$ 171	36%
Production	587	28	517	30	70	14
Billboard, transit and other occupancy	159	8	163	9	(4)	(2)
Participation, distribution and royalty	285	14	212	12	73	34
Other	389	19	388	22	1	
<b>Total Operating Expenses</b>	<b>\$ 2,064</b>	<b>100%</b>	<b>\$ 1,753</b>	<b>100%</b>	<b>\$ 311</b>	<b>18%</b>

Table of Contents

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

Operating Expenses by Type	Six Months Ended June 30,					
	2013	Percentage of Total	2012	Percentage of Total	Increase/(Decrease)	
					\$	%
Programming	\$ 1,646	36%	\$ 1,360	33%	\$ 286	21%
Production	1,236	27	1,146	28	90	8
Billboard, transit and other occupancy	313	7	311	8	2	1
Participation, distribution and royalty	583	13	523	13	60	11
Other	760	17	760	18		
<b>Total Operating Expenses</b>	<b>\$ 4,538</b>	<b>100%</b>	<b>\$ 4,100</b>	<b>100%</b>	<b>\$ 438</b>	<b>11%</b>

Programming expenses for the three months ended June 30, 2013 increased \$171 million, or 36%, to \$644 million from \$473 million for the same prior-year period, primarily driven by higher sports programming costs from the timing of the semifinals of the NCAA Tournament, which aired in the second quarter of 2013 versus the first quarter of 2012, higher programming costs associated with a pay-per-view boxing event and higher investment in acquired television programming. For the six months ended June 30, 2013, programming expenses increased \$286 million, or 21%, to \$1.65 billion from \$1.36 billion for the same prior-year period, primarily reflecting higher sports programming costs mainly associated with the CBS Television Network's 2013 broadcast of the Super Bowl, which is broadcast on CBS once every three years, and higher investment in acquired television programming.

Production expenses increased \$70 million, or 14%, to \$587 million for the three months ended June 30, 2013 and increased \$90 million, or 8%, to \$1.24 billion for the six months ended June 30, 2013, primarily driven by higher production costs associated with increased revenues from the licensing of television programming. For the six-month period, the increase also reflects higher production costs associated with the Super Bowl broadcast in 2013. For the remainder of 2013, the Company expects production costs to increase mainly reflecting cost amortization associated with revenues from first-cycle domestic syndication availabilities.

Billboard, transit and other occupancy expenses for the three months ended June 30, 2013 decreased \$4 million, or 2%, to \$159 million from \$163 million for the same prior-year period primarily due to lower costs associated with the renewal of a transit contract. For the six months ended June 30, 2013, billboard, transit and other occupancy expenses increased \$2 million, or 1%, to \$313 million from \$311 million for the same prior-year period, primarily reflecting higher billboard lease and other occupancy costs, partially offset by lower transit costs.

Participation, distribution and royalty expenses increased \$73 million, or 34%, to \$285 million for the three months ended June 30, 2013 and increased \$60 million, or 11%, to \$583 million for the six months ended June 30, 2013, principally due to higher participations associated with higher revenues from the licensing of television programming.

*Selling, General and Administrative Expenses*

Selling, general and administrative ("SG&A") expenses, which include expenses incurred for selling and marketing costs, occupancy and back office support, increased \$18 million, or 3%, to \$683 million for the three months ended June 30, 2013, and increased \$26 million, or 2%, to \$1.33 billion for the six months ended June 30, 2013, primarily due to higher stock based compensation and other expense increases associated with the increase in the Company's stock price; higher advertising expenses; and professional fees associated with the conversion of Outdoor Americas to a REIT. These increases were



Table of Contents

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

partially offset by costs incurred during 2012 relating to a Publishing legal matter. Pension and postretirement benefits costs decreased \$11 million to \$19 million for the second quarter of 2013 and decreased \$22 million to \$38 million for the six months ended June 30, 2013 versus the comparable prior-year periods, principally due to the benefit from pre-funding pension plans in 2012 and the favorable performance of pension plan assets in 2012. SG&A expenses as a percentage of revenues for the three and six months ended June 30, 2013 were 18% and 17%, respectively, versus 20% and 18% for the same prior-year periods.

*Impairment Charges*

In April 2012, in connection with the sale of its five owned radio stations in West Palm Beach, the Company recorded a pre-tax noncash impairment charge of \$11 million to reduce the carrying value of the allocated goodwill.

*Depreciation and Amortization*

For the three months ended June 30, 2013, depreciation and amortization decreased \$5 million, or 4%, to \$114 million and for the six months ended June 30, 2013, depreciation and amortization decreased \$8 million, or 3%, to \$230 million.

*Interest Expense*

For the three months ended June 30, 2013, interest expense decreased \$11 million, or 11%, to \$93 million and for the six months ended June 30, 2013, interest expense decreased \$26 million, or 12%, to \$188 million. These decreases were driven by the Company's debt refinancing during 2012. The Company had \$5.97 billion of long-term debt outstanding at June 30, 2013 and \$6.80 billion at June 30, 2012, at weighted average interest rates of 6.0% and 6.1%, respectively. At June 30, 2013, the Company also had \$453 million of commercial paper outstanding at a weighted average interest rate of 0.3%.

*Interest Income*

For the three months ended June 30, 2013, interest income increased \$1 million to \$2 million and for the six months ended June 30, 2013, interest income increased \$1 million to \$4 million.

*Gain on Early Extinguishment of Debt*

For the six months ended June 30, 2012, gain on early extinguishment of debt of \$25 million reflected the pre-tax gain recognized upon the redemption of the Company's \$700 million of 6.75% senior notes due 2056.

*Other Items, Net*

For all periods presented, "Other items, net" primarily consisted of foreign exchange gains and losses.

*Provision for Income Taxes*

The provision for income taxes for the three months ended June 30, 2013 increased to \$256 million from \$228 million and for the six months ended June 30, 2013 increased to \$490 million from \$429 million for the comparable prior-year periods, in both cases driven by the increase in earnings from continuing operations before income taxes. The effective income tax rate increased to 34.6% for

Table of Contents

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

the three months ended June 30, 2013 versus 32.9% for the three months ended June 30, 2012 and increased to 33.9% for the six months ended June 30, 2013 versus 33.2% for the six months ended June 30, 2012. The higher effective income tax rates for 2013 were driven by an increase in domestic pre-tax income.

*Equity in Loss of Investee Companies, Net of Tax*

Equity in loss of investee companies reflects the Company's share of the operating results of its equity investments. For the three months ended June 30, 2013, equity in loss of investee companies, net of tax, decreased \$4 million to a loss of \$8 million and for the six months ended June 30, 2013, equity in loss of investee companies, net of tax, remained flat at a loss of \$16 million compared to the same prior-year period.

*Net Earnings from Continuing Operations*

The Company reported net earnings from continuing operations of \$476 million for the three months ended June 30, 2013 versus \$452 million for the three months ended June 30, 2012 and \$939 million for the six months ended June 30, 2013 versus \$846 million for the six months ended June 30, 2012.

*Net Loss from Discontinued Operations*

In July 2013, the Company entered into an agreement with an affiliate of Platinum Equity for the sale of Outdoor Europe for approximately \$225 million. The transaction is expected to be completed in 2013. Upon completion, the Company expects to record an after-tax charge of approximately \$100 million associated with exiting an unprofitable contractual arrangement and for the estimated fair value of guarantees, which historically have been intercompany but upon the closing of the transaction will become third-party guarantees. The actual amount of the charge may be different from the Company's current expectations. This transaction is subject to customary closing conditions. Outdoor Europe has been classified as held-for-sale and its results have been presented as a discontinued operation in the Company's consolidated financial statements for all periods presented.

The following table sets forth details of the net loss from discontinued operations for the three and six months ended June 30, 2013 and 2012.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenues from discontinued operations	\$ 139	\$ 147	\$ 262	\$ 275
Loss from discontinued operations before income taxes	\$ (11)	\$ (29)	\$ (47)	\$ (57)
Income tax benefit	7	4	23	1
Net loss from discontinued operations, net of tax	\$ (4)	\$ (25)	\$ (24)	\$ (56)

*Net Earnings and Diluted EPS*

For the three months ended June 30, 2013, net earnings of \$472 million, or \$.76 per diluted share, increased from \$427 million, or \$.65 per diluted share, for the same prior-year period. For the six months ended June 30, 2013, net earnings of \$915 million, or \$1.45 per diluted share, increased from

Table of Contents

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

\$790 million, or \$1.19 per diluted share, for the same prior-year period. These increases were mainly driven by the growth in operating income. The increase in diluted EPS also reflected lower weighted average shares outstanding as a result of the Company's ongoing share repurchase program.

**Reconciliation of Non-GAAP Financial Information**

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

Management believes free cash flow provides investors with an important perspective on the cash available to the Company to service debt, make strategic acquisitions and investments, maintain its capital assets, satisfy its tax obligations and fund ongoing operations and working capital needs. As a result, free cash flow is a significant measure of the Company's ability to generate long-term value. It is useful for investors to know whether this ability is being enhanced or degraded as a result of the Company's operating performance. The Company believes the presentation of free cash flow is relevant and useful for investors because it allows investors to evaluate the cash generated from the Company's underlying operations in a manner similar to the method used by management. Free cash flow is one of several components of incentive compensation targets for certain management personnel. In addition, free cash flow is a primary measure used externally by the Company's investors, analysts and industry peers for purposes of valuation and comparison of the Company's operating performance to other companies in its industry.

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

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

	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2013</b>	<b>2012</b>
Net cash flow provided by operating activities	\$ 1,051	\$ 1,258
Capital expenditures	(83)	(84)
Exclude net cash flow used for operating activities from discontinued operations	(22)	(10)
Free cash flow	\$ 990	\$ 1,184

Table of Contents

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

**Segment Results of Operations**

The following tables present the Company's revenues, segment operating income (loss) before depreciation and amortization ("OIBDA"), restructuring charges and impairment charges ("Segment OIBDA"), operating income (loss), and depreciation and amortization by segment, for the three and six months ended June 30, 2013 and 2012. The Company presents Segment OIBDA as the primary measure of profit and loss for its operating segments in accordance with Financial Accounting Standards Board ("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. The reconciliation of Segment OIBDA to the Company's consolidated Net earnings (loss) is presented in Note 14 (Reportable Segments) to the consolidated financial statements.

Outdoor Europe, previously included in the Outdoor segment, has been presented as a discontinued operation. As a result, the Outdoor segment has been renamed Outdoor Americas. In addition, Residual Costs, which was previously presented as a separate line item in the Company's segment presentation, is now included within Corporate. Prior periods have been reclassified to conform to this presentation.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
<b>Revenues:</b>				
Entertainment	\$ 2,008	\$ 1,707	\$ 4,547	\$ 4,025
Cable Networks	518	446	996	898
Publishing	189	189	360	365
Local Broadcasting	698	704	1,336	1,326
Outdoor Americas	335	334	616	622
Eliminations	(49)	(51)	(116)	(111)
<b>Total Revenues</b>	<b>\$ 3,699</b>	<b>\$ 3,329</b>	<b>\$ 7,739</b>	<b>\$ 7,125</b>

Table of Contents

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

	Three Months Ended		Six Months Ended June 30,	
	June 30,			
	2013	2012	2013	2012
<b>Segment OIBDA:</b>				
Entertainment	\$ 429	\$ 426	\$ 909	\$ 837
Cable Networks	207	190	438	399
Publishing	21	9	33	19
Local Broadcasting	255	248	454	419
Outdoor Americas	107	103	181	179
Corporate	(67)	(65)	(147)	(135)
<b>Total Segment OIBDA</b>	<b>952</b>	<b>911</b>	<b>1,868</b>	<b>1,718</b>
Impairment charges				(11)
Depreciation and amortization	(114)	(119)	(230)	(238)
<b>Total Operating Income</b>	<b>\$ 838</b>	<b>\$ 792</b>	<b>\$ 1,638</b>	<b>\$ 1,469</b>
<b>Operating Income (Loss):</b>				
Entertainment	\$ 391	\$ 385	\$ 831	\$ 755
Cable Networks	202	184	429	388
Publishing	20	7	30	15
Local Broadcasting	234	225	410	363
Outdoor Americas	65	62	97	95
Corporate	(74)	(71)	(159)	(147)
<b>Total Operating Income</b>	<b>\$ 838</b>	<b>\$ 792</b>	<b>\$ 1,638</b>	<b>\$ 1,469</b>
<b>Depreciation and Amortization:</b>				
Entertainment	\$ 38	\$ 41	\$ 78	\$ 82
Cable Networks	5	6	9	11
Publishing	1	2	3	4
Local Broadcasting	21	23	44	45
Outdoor Americas	42	41	84	84
Corporate	7	6	12	12
<b>Total Depreciation and Amortization</b>	<b>\$ 114</b>	<b>\$ 119</b>	<b>\$ 230</b>	<b>\$ 238</b>

Table of Contents

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

**Entertainment** (CBS Television Network, CBS Television Studios, CBS Global Distribution Group, CBS Films and CBS Interactive)

(Contributed 54% and 59% to consolidated revenues for the three and six months ended June 30, 2013, respectively, versus 51% and 56% for the comparable prior-year periods and 47% and 51% to consolidated operating income for the three and six months ended June 30, 2013, respectively, versus 49% and 51% for the comparable prior-year periods.)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenues	\$ 2,008	\$ 1,707	\$ 4,547	\$ 4,025
Segment OIBDA	\$ 429	\$ 426	\$ 909	\$ 837
Depreciation and amortization	(38)	(41)	(78)	(82)
Operating income	\$ 391	\$ 385	\$ 831	\$ 755
Segment OIBDA as a % of revenues	21%	25%	20%	21%
Operating income as a % of revenues	19%	23%	18%	19%
Capital expenditures	\$ 24	\$ 19	\$ 43	\$ 36

*Three Months Ended June 30, 2013 and 2012*

For the three months ended June 30, 2013, Entertainment revenues increased 18% to \$2.01 billion from \$1.71 billion for the same prior-year period principally reflecting 27% higher content licensing and distribution revenues, driven by growth from the licensing of television programming for digital streaming and international syndication, as well as 10% higher advertising revenues. The increase in advertising revenues was driven by 11% growth at the CBS Television Network and increases at CBS Interactive. The timing of the semifinals of the NCAA Tournament, which aired during the second quarter of 2013 versus the first quarter of 2012, contributed seven percentage points to the CBS Television Network advertising growth. The revenue comparison also reflects 43% higher affiliate and subscription fees, driven by growth in network affiliation fees. Revenue comparisons for the second half of 2013 will benefit from incremental network affiliation fees, as well as the first-cycle domestic syndication availabilities of *The Good Wife* and *NCIS: Los Angeles*.

For the three months ended June 30, 2013, Entertainment OIBDA increased \$3 million, or 1%, to \$429 million from \$426 million for the same prior-year period, as the revenue growth was offset by an increased investment in television content and higher sports programming costs from the timing of the semifinals of the NCAA Tournament.

*Six Months Ended June 30, 2013 and 2012*

For the six months ended June 30, 2013, Entertainment revenues increased 13% to \$4.55 billion from \$4.03 billion for the same prior-year period principally reflecting higher advertising revenues, content licensing and distribution revenues and network affiliation fees. Advertising revenues increased 12%, principally driven by the broadcast of *Super Bowl XLVII* on the CBS Television Network in 2013 and growth at CBS Interactive. Content licensing and distribution revenues increased 11%, reflecting growth from the licensing of television programming for digital streaming and international syndication, partially offset by the timing of theatrical releases and a significant domestic syndication sale in 2012.

Table of Contents

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

For the six months ended June 30, 2013, Entertainment OIBDA increased \$72 million, or 9%, to \$909 million from \$837 million for the same prior-year period, primarily driven by the increase in revenues which was partially offset by an increased investment in television content and higher sports programming costs associated with the Super Bowl broadcast.

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

(Contributed 14% and 13% to consolidated revenues for the three and six months ended June 30, 2013, respectively, versus 13% for each of the comparable prior-year periods and 24% and 26% to consolidated operating income for the three and six months ended June 30, 2013, respectively, versus 23% and 26% for the comparable prior-year periods.)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenues	\$ 518	\$ 446	\$ 996	\$ 898
Segment OIBDA	\$ 207	\$ 190	\$ 438	\$ 399
Depreciation and amortization	(5)	(6)	(9)	(11)
Operating income	\$ 202	\$ 184	\$ 429	\$ 388
Segment OIBDA as a % of revenues	40%	43%	44%	44%
Operating income as a % of revenues	39%	41%	43%	43%
Capital expenditures	\$ 2	\$ 3	\$ 4	\$ 4

*Three Months Ended June 30, 2013 and 2012*

For the three months ended June 30, 2013, Cable Networks revenues increased 16% to \$518 million from \$446 million for the same prior-year period primarily driven by revenues from a pay-per-view boxing event, higher affiliate revenues reflecting rate increases and growth in subscriptions at Showtime Networks, CBS Sports Network and Smithsonian Networks, as well as higher licensing revenues from digital streaming of *Showtime* original series. As of June 30, 2013 subscriptions totaled 77 million for Showtime Networks, including *Showtime*, *The Movie Channel* and *Flix*, 46 million for CBS Sports Network and 21 million for Smithsonian Networks.

For the three months ended June 30, 2013, Cable Networks OIBDA increased \$17 million, or 9%, to \$207 million from \$190 million for the same prior-year period primarily due to the revenue growth, partially offset by higher sports programming costs, including costs for the pay-per-view boxing event, as well as higher advertising and marketing costs to promote *Showtime* series and drive subscriber growth.

*Six Months Ended June 30, 2013 and 2012*

For the six months ended June 30, 2013, Cable Networks revenues increased 11% to \$996 million from \$898 million for the same prior-year period driven by higher affiliate revenues, reflecting rate increases and growth in subscriptions at Showtime Networks, CBS Sports Network and Smithsonian Networks. Revenue growth also benefitted from a pay-per-view boxing event and higher licensing revenues from digital streaming of *Showtime* original series.

Table of Contents

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

For the six months ended June 30, 2013, Cable Networks OIBDA increased \$39 million, or 10%, to \$438 million from \$399 million for the same prior-year period, primarily due to the revenue growth, partially offset by higher programming costs.

**Publishing** (*Simon & Schuster*)

(Contributed 5% to consolidated revenues for both the three and six months ended June 30, 2013, versus 6% and 5% for the comparable prior-year periods and 2% to consolidated operating income for both the three and six months ended June 30, 2013 versus 1% for each of the comparable prior-year periods.)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenues	\$ 189	\$ 189	\$ 360	\$ 365
Segment OIBDA	\$ 21	\$ 9	\$ 33	\$ 19
Depreciation and amortization	(1)	(2)	(3)	(4)
Operating income	\$ 20	\$ 7	\$ 30	\$ 15
Segment OIBDA as a % of revenues	11%	5%	9%	5%
Operating income as a % of revenues	11%	4%	8%	4%
Capital expenditures	\$ 1	\$	\$ 1	\$

*Three Months Ended June 30, 2013 and 2012*

For the three months ended June 30, 2013, Publishing revenues of \$189 million were comparable with the same prior-year period as strong growth in digital book sales was offset by lower print book sales. Digital book sales increased 39% from the same prior-year period and represented 29% of Publishing's total revenues for the second quarter of 2013, compared with 21% for the second quarter of 2012. Best-selling titles in the second quarter included *Happy, Happy, Happy* by Phil Robertson and *City of Bones* by Cassandra Clare.

For the three months ended June 30, 2013, Publishing OIBDA increased \$12 million to \$21 million from \$9 million for the same prior-year period, as the more profitable digital book sales continued to grow and the second quarter of 2012 included a charge related to a legal matter.

*Six Months Ended June 30, 2013 and 2012*

For the six months ended June 30, 2013, Publishing revenues decreased 1% to \$360 million from \$365 million for the same prior-year period as growth in digital book sales was offset by lower print book sales.

For the six months ended June 30, 2013, Publishing OIBDA increased \$14 million to \$33 million from \$19 million for the same prior-year period, reflecting lower costs associated with legal matters and continued growth from more profitable digital book sales, partially offset by the decline in print book sales.



Table of Contents

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

**Local Broadcasting** (*CBS Television Stations and CBS Radio*)

(Contributed 19% and 17% to consolidated revenues for the three and six months ended June 30, 2013, respectively, versus 21% and 19% for the comparable prior-year periods and 28% and 25% to consolidated operating income for the three and six months ended June 30, 2013, respectively, versus 28% and 25% for the comparable prior-year periods.)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenues	\$ 698	\$ 704	\$ 1,336	\$ 1,326
Segment OIBDA	\$ 255	\$ 248	\$ 454	\$ 419
Impairment charges				(11)
Depreciation and amortization	(21)	(23)	(44)	(45)
Operating income	\$ 234	\$ 225	\$ 410	\$ 363
Segment OIBDA as a % of revenues	37%	35%	34%	32%
Operating income as a % of revenues	34%	32%	31%	27%
Capital expenditures	\$ 12	\$ 14	\$ 18	\$ 24

*Three Months Ended June 30, 2013 and 2012*

For the three months ended June 30, 2013, Local Broadcasting revenues decreased \$6 million, or 1%, to \$698 million from \$704 million for the same prior-year period. CBS Television Stations revenues decreased 1% primarily reflecting lower political advertising which was offset by 57% higher retransmission revenues. CBS Radio revenues remained flat compared with the same prior-year period as the benefit of the new CBS Sports Radio network, which was launched in January 2013, was offset by the impact of radio station dispositions in 2012.

For the three months ended June 30, 2013, Local Broadcasting OIBDA increased \$7 million, or 3%, to \$255 million from \$248 million for the same prior-year period, primarily reflecting lower programming and production costs partially offset by the revenue decline.

*Six Months Ended June 30, 2013 and 2012*

For the six months ended June 30, 2013, Local Broadcasting revenues increased \$10 million, or 1%, to \$1.34 billion from \$1.33 billion for the same prior-year period. CBS Television Stations revenues increased 2%, primarily driven by the benefit of the 2013 broadcast of *Super Bowl XLVII* to the Company's owned CBS affiliated stations and higher retransmission revenues. These increases were partially offset by lower political advertising and lower revenues from the nonrenewal of an unprofitable sports programming contract. CBS Radio revenues remained flat compared with the same prior-year period as the benefit of the new CBS Sports Radio network was offset by the impact of radio station dispositions in 2012.

For the six months ended June 30, 2013, Local Broadcasting OIBDA increased \$35 million, or 8%, to \$454 million from \$419 million for the same prior-year period, primarily driven by the revenue growth, lower programming and production costs, and the benefit from the nonrenewal of an unprofitable sports programming contract. During the first quarter of 2012, the Company recorded a pre-tax noncash impairment charge of \$11 million to reduce the carrying value of the allocated goodwill in connection with the disposition of the Company's radio stations in West Palm Beach.

Table of Contents

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

*Acquisitions and Dispositions*

During 2012, the Company acquired a radio station in the New York market and a radio station in the Washington, D.C. area, as well as a television station in Long Island, New York. Also during 2012, the Company sold five radio stations in West Palm Beach. Together, these acquisitions and dispositions did not have a material impact on the comparability of operating results.

**Outdoor Americas** *(CBS Outdoor)*

(Contributed 9% and 8% to consolidated revenues for the three and six months ended June 30, 2013, respectively, versus 10% and 9% for the comparable prior-year periods and 8% and 6% to consolidated operating income for the three and six months ended June 30, 2013, respectively, versus 8% and 6% for the comparable prior-year periods.)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenues	\$ 335	\$ 334	\$ 616	\$ 622
Segment OIBDA	\$ 107	\$ 103	\$ 181	\$ 179
Depreciation and amortization	(42)	(41)	(84)	(84)
Operating income	\$ 65	\$ 62	\$ 97	\$ 95
Segment OIBDA as a % of revenues	32%	31%	29%	29%
Operating income as a % of revenues	19%	19%	16%	15%
Capital expenditures	\$ 9	\$ 10	\$ 15	\$ 17

*Three Months Ended June 30, 2013 and 2012*

For the three months ended June 30, 2013, Outdoor Americas revenues increased slightly to \$335 million from \$334 million for the same prior-year period, driven by 2% revenue growth in the U.S., mainly reflecting 5% higher revenues in the billboard business. This increase was partially offset by lower revenues in Mexico and a decline in Canada from the nonrenewal of transit contracts. Approximately 14% and 15% of Outdoor Americas revenues were generated from regions outside the U.S. for the three months ended June 30, 2013 and 2012, respectively.

For the three months ended June 30, 2013, Outdoor Americas OIBDA increased \$4 million, or 4%, to \$107 million from \$103 million for the same prior-year period, principally due to the revenue growth and lower costs associated with the renewal of a transit contract.

*Six Months Ended June 30, 2013 and 2012*

For the six months ended June 30, 2013, Outdoor Americas revenues decreased \$6 million, or 1%, to \$616 million from \$622 million for the same prior-year period, principally reflecting the nonrenewal of transit contracts, as well as declines in Canada and Mexico. These decreases were partially offset by 1% growth in the U.S., mainly reflecting 3% higher revenues in the billboard business. Approximately 13% and 15% of Outdoor Americas revenues were generated from regions outside the U.S. for the six months ended June 30, 2013 and 2012, respectively.

Table of Contents

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

For the six months ended June 30, 2013, Outdoor Americas OIBDA increased \$2 million, or 1%, to \$181 million from \$179 million for the same prior-year period, as the revenue decline was more than offset by a gain on the sale of outdoor advertising structures.

During the first quarter of 2013, the Company submitted a private letter ruling request with the IRS to qualify its Outdoor Americas business as a REIT. During the second quarter of 2013, a preliminary registration statement was filed with the SEC for the proposed initial public offering of the common stock of CBS Outdoor Americas Inc. The Company currently expects to dispose of the shares of CBS Outdoor Americas Inc. that it will own after the completion of the offering. These actions are subject to customary approvals and market conditions.

**Corporate**

Corporate expenses include general corporate overhead, unallocated shared company expenses, pension and postretirement benefit costs for plans retained by the Company for previously divested businesses, and intercompany eliminations. For the three months ended June 30, 2013, corporate expenses increased \$3 million, or 4%, to \$74 million from \$71 million for the same prior-year period, and for the six months ended June 30, 2013, corporate expenses increased \$12 million, or 8%, to \$159 million from \$147 million for the same prior-year period. These increases principally reflected higher stock based compensation and other expense increases associated with the increase in the Company's stock price, and professional fees related to the conversion of Outdoor Americas to a REIT. These increases were partially offset by lower pension and postretirement benefit costs, reflecting the benefit from prefunding pension plans in 2012 and the favorable performance of pension plan assets in 2012.

**Financial Position**

Current assets decreased by \$950 million to \$4.77 billion at June 30, 2013 from \$5.72 billion at December 31, 2012, primarily due to a decrease in cash and lower prepaid program rights. The decrease in prepaid program rights reflects the broadcast of *Super Bowl XLVII* on the CBS Television Network in 2013 and the timing of the broadcast of entertainment programs. The allowance for doubtful accounts as a percentage of receivables was 2.5% at both June 30, 2013 and December 31, 2012.

Net property and equipment of \$2.23 billion at June 30, 2013 decreased \$43 million from \$2.27 billion at December 31, 2012, primarily reflecting depreciation expense of \$180 million, partially offset by capital expenditures of \$83 million and capital lease additions for broadcasting equipment of \$58 million.

Other assets increased by \$291 million to \$1.84 billion at June 30, 2013 from \$1.55 billion at December 31, 2012, primarily reflecting the acquisition of a 50% interest in TV Guide Network and an increase in long-term receivables associated with revenues from licensing agreements for digital streaming and international syndication.

Current liabilities decreased by \$116 million to \$3.83 billion at June 30, 2013 from \$3.94 billion at December 31, 2012, primarily driven by decreases in accrued compensation and accounts payable from the timing of payments, and lower television programming liabilities from the seasonality of the Company's businesses, partially offset by commercial paper borrowings.

Table of Contents

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

Pension and postretirement benefit obligations decreased by \$201 million to \$1.66 billion at June 30, 2013 from \$1.86 billion at December 31, 2012, primarily reflecting contributions made to the Company's pension plans.

**Cash Flows**

Cash and cash equivalents decreased by \$426 million for the six months ended June 30, 2013 and increased by \$1.23 billion for the six months ended June 30, 2012. The changes in cash and cash equivalents were as follows:

	<b>Six Months Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>
<b>Cash provided by (used for) operating activities from:</b>		
Continuing operations	\$ 1,073	\$ 1,268
Discontinued operations	(22)	(10)
Cash provided by operating activities	1,051	1,258
<b>Cash used for investing activities from:</b>		
Continuing operations	(222)	(185)
Discontinued operations	(8)	(9)
Cash used for investing activities	(230)	(194)
<b>Cash (used for) provided by financing activities from:</b>		
Continuing operations	(1,247)	164
Discontinued operations		
Cash (used for) provided by financing activities	(1,247)	164
Net (decrease) increase in cash and cash equivalents	\$ (426)	\$ 1,228

**Operating Activities.** For the six months ended June 30, 2013 cash provided by operating activities from continuing operations decreased \$195 million to \$1.07 billion from \$1.27 billion for the same prior-year period as the increase in operating income was more than offset by \$150 million of contributions to the Company's qualified pension plans in 2013 and lower contributions from working capital, primarily reflecting increased investment in television content.

Cash paid for income taxes for the six months ended June 30, 2013 of \$259 million decreased \$14 million from \$273 million for the six months ended June 30, 2012.

**Investing Activities.** Cash used for investing activities from continuing operations of \$222 million for the six months ended June 30, 2013 principally reflected capital expenditures of \$83 million and investments in investee companies of \$139 million, mainly for the Company's new investment in TV Guide Network as well its other domestic and international television joint ventures. Cash used for investing activities from continuing operations of \$185 million for the six months ended June 30, 2012 principally reflected capital expenditures of \$84 million, payments for acquisitions of \$69 million, primarily reflecting the acquisitions of a television and a radio station, and investments in investee companies of \$39 million.

Table of Contents

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

**Financing Activities.** Cash used for financing activities of \$1.25 billion for the six months ended June 30, 2013 principally reflected the repurchase of CBS Corp. Class B Common Stock for \$1.58 billion and the payment of employee payroll taxes in lieu of issuing shares for restricted stock unit ("RSU") vests of \$139 million, partially offset by proceeds from short-term borrowings of \$452 million. Cash provided by financing activities of \$164 million for the six months ended June 30, 2012 principally reflected proceeds from the issuance of notes of \$1.57 billion, partially offset by the repayment of notes of \$700 million, the repurchase of CBS Corp. Class B Common Stock for \$564 million, and dividend payments of \$135 million.

**Repurchase of Company Stock and Cash Dividends**

During the second quarter of 2013, the Company repurchased 6.1 million shares of its Class B Common Stock for \$296 million, at an average cost of \$48.33 per share, and also received 4.3 million shares of stock upon the settlement of an ASR transaction initiated during the first quarter of 2013. During the six months ended June 30, 2013, the Company repurchased 34.5 million shares of its Class B Common Stock for \$1.56 billion, at an average cost of \$45.20 per share.

On July 25, 2013, the Company announced a \$5.1 billion increase to the authorization under its share repurchase program to a total availability of \$6.0 billion.

During the second quarter of 2013, the Company declared a quarterly cash dividend of \$.12 per share on its Class A and Class B Common stock payable on July 1, 2013. The total dividend was \$74 million of which \$73 million was paid on July 1, 2013 and \$1 million was accrued to be paid upon vesting of RSUs. Total dividends for the six months ended June 30, 2013 were \$149 million.

**Capital Structure**

The following table sets forth the Company's debt.

	At June 30, 2013	At December 31, 2012
Commercial paper	\$ 453	\$
Senior debt (1.95% 8.875% due 2014 2042)	5,862	5,863
Obligations under capital leases	121	72
Total debt	6,436	5,935
Less discontinued operations debt <sup>(b)</sup>	13	13
Total debt from continuing operations	6,423	5,922
Less commercial paper	453	
Less current portion of long-term debt	21	18
Total long-term debt from continuing operations, net of current portion	\$ 5,949	\$ 5,904

(a) At June 30, 2013 and December 31, 2012, the senior debt balances included (i) a net unamortized discount of \$15 million and \$16 million, respectively, and (ii) an increase in the carrying value of the debt relating to previously settled fair value hedges of \$21 million and \$23 million, respectively. The face value of the Company's senior debt was \$5.86 billion at both June 30, 2013 and December 31, 2012.

(b) Included in noncurrent "Liabilities of discontinued operations" on the Consolidated Balance Sheets.



Table of Contents

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

The senior debt of CBS Corp. is fully and unconditionally guaranteed by its wholly owned subsidiary, CBS Operations Inc. Senior debt in the amount of \$52 million of the Company's wholly owned subsidiary, CBS Broadcasting Inc., has no guarantor.

At June 30, 2013, the Company classified \$99 million of notes maturing in June 2014 as long-term debt on the Consolidated Balance Sheet, reflecting its intent and ability to refinance this debt on a long-term basis.

***Commercial Paper***

At June 30, 2013, the Company had \$453 million of commercial paper borrowings outstanding under its \$2.0 billion commercial paper program. Outstanding commercial paper borrowings have a weighted average interest rate of approximately 0.3% and maturities of less than ninety days.

***Credit Facility***

During the first quarter of 2013, the Company amended and extended its \$2.0 billion revolving credit facility (the "Credit Facility") to March 15, 2018. The amended facility provides for lower borrowing rates and fees, as well as more favorable covenant requirements. 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 June 30, 2013, the Company's Consolidated Leverage ratio was approximately 1.7x.

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

The Credit Facility is used for general corporate purposes, including support of the Company's commercial paper program. At June 30, 2013, the remaining availability under the Credit Facility, net of outstanding letters of credit, was \$1.99 billion.

**Liquidity and Capital Resources**

The Company continually projects anticipated cash requirements for its operating, investing and financing needs as well as cash flows generated from operating activities available to meet these needs. The Company's operating needs include, among other items, commitments for sports programming rights, television and film programming, talent contracts, franchise payments, interest payments, and pension funding obligations. The Company's investing and financing spending includes capital expenditures, share repurchases, dividends and principal payments on its outstanding indebtedness. The Company believes that its operating cash flows, cash and cash equivalents, borrowing capacity under its Credit Facility, which had \$1.99 billion of remaining availability at June 30, 2013, and access to capital markets are sufficient to fund its operating, investing and financing requirements for the next twelve months.

The Company's funding for short-term and long-term obligations will come primarily from cash flows from operating activities. Any additional cash funding requirements are financed with short-term borrowings, including commercial paper, and long-term debt. To the extent that commercial paper is not available to the Company, the existing Credit Facility provides sufficient capacity to satisfy short-term borrowing needs.

Table of Contents

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

During the first quarter of 2013, the Company used proceeds from commercial paper borrowings, along with cash on hand, to repurchase \$1 billion of CBS Corp. Class B Common Stock through an ASR transaction. At June 30, 2013, the Company had \$453 million of commercial paper borrowings outstanding. The Company expects to repay its short-term borrowings within the next twelve months using cash generated from operations and potential proceeds related to the Company's initiatives for its outdoor advertising businesses. In addition, funding for the Company's long-term debt obligations due over the next five years of \$999 million is expected to come from cash generated from operating activities and the Company's ability to access capital markets.

***Off-Balance Sheet Arrangements***

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 June 30, 2013, the outstanding letters of credit and surety bonds approximated \$444 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.

**Legal Matters**

*E-books Matters.* A number of lawsuits described below have been pending against the following parties relating to the sale of e-books: Apple Inc., Hachette Book Group, Inc., HarperCollins Publishers, LLC, Holtzbrinck Publishers LLC d/b/a Macmillan, Penguin Group (USA) Inc. and the Company's subsidiary, Simon & Schuster, Inc. (collectively, the "Publishing parties").

On April 10, 2012, for purposes of settlement and without any admission of wrongdoing or liability, Simon & Schuster and two of the other Publishing parties entered into a settlement stipulation and proposed final judgment (the "Stipulation") with the United States Department of Justice (the "DOJ") in connection with the DOJ's investigations of agency distribution of e-books. In furtherance of this settlement, on April 11, 2012, the DOJ filed an antitrust action in the United States District Court for the Southern District of New York against the Publishing parties and concurrently filed the Stipulation with the court. On September 7, 2012, the Stipulation was approved by the court and final judgment was entered. The Stipulation does not involve any monetary payments by Simon & Schuster, but will require the adoption of certain business practices for a 24 month period and certain compliance practices for a five year period.

On June 11, 2012, for purposes of settlement and without any admission of wrongdoing or liability, Simon & Schuster entered into a proposed settlement agreement to resolve the antitrust action filed by a number of states and the Commonwealth of Puerto Rico against several of the Publishing parties in the United States District Court for the Western District of Texas, which was transferred to the United States District Court for the Southern District of New York ("States") on April 30, 2012. The proposed settlement provides that, certain Publishing parties, including Simon & Schuster, will pay agreed upon amounts for consumer restitution, among other things, and also requires the adoption of certain business and compliance practices, which are substantially similar to those described in the Stipulation with the DOJ. On September 14, 2012, the court granted preliminary approval of the proposed settlement, which all states (except Minnesota), the District of Columbia and the United States



Table of Contents

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

territories joined. On October 15, 2012, Simon & Schuster paid the agreed upon amounts into an escrow account pending final court approval. On February 8, 2013, the court approved the proposed settlement following a final settlement approval hearing that day. On June 20, 2013, Simon & Schuster and certain other Publishing parties entered into a settlement agreement in the MDL litigation (as described below) covering claims of Minnesota residents (the "Minnesota Settlement"). The Minnesota Settlement is subject to court approval. The Company believes that the settlements with the DOJ, the States and the Minnesota Settlement will not have a material adverse effect on its results of operations, financial position or cash flows.

On December 9, 2011, the United States Judicial Panel on Multidistrict Litigation (the "MDL") issued an order consolidating in the United States District Court for the Southern District of New York various purported class action suits that private litigants had filed in federal courts in California and New York. On January 20, 2012, the plaintiffs filed a consolidated amended class action complaint with the court against the Publishing parties. These private litigant plaintiffs, who are e-book purchasers, allege that, among other things, the defendants are in violation of federal and/or state antitrust laws in connection with the sale of e-books pursuant to agency distribution arrangements between each of the publishers and e-book retailers. The consolidated amended class action complaint generally seeks multiple forms of damages for the purchase of e-books and injunctive and other relief. On March 2, 2012, the Publishing parties filed a motion to dismiss this action. On May 15, 2012, the court denied the motion to dismiss. As noted above, on June 20, 2013, Simon & Schuster entered into the Minnesota Settlement, subject to court approval. Upon approval of the Minnesota Settlement by the court, Simon & Schuster will be dismissed with prejudice from the MDL litigation and only those individuals who elect to opt out of the States settlement or the Minnesota Settlement will have any potential claims against Simon & Schuster.

Commencing on February 24, 2012, similar antitrust suits have been filed under Canadian law against the Publishing parties by private litigants in Canada, purportedly as class actions. Simon & Schuster intends to defend itself in the Canadian matters.

In addition, the European Commission (the "EC") and Canadian Competition Bureau are conducting separate competition investigations of agency distribution arrangements of e-books in this industry and Simon & Schuster is cooperating with these investigations. On September 19, 2012, the EC began accepting public comment on the terms of a proposed settlement. On December 12, 2012, following the close of that comment period, the EC accepted the proposed settlement. The settlement between the EC and certain Publishing parties, including Simon & Schuster, requires 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 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.

Table of Contents

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

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 June 30, 2013, the Company had pending approximately 45,320 asbestos claims, as compared with approximately 45,900 as of December 31, 2012 and 46,020 as of June 30, 2012. During the second quarter of 2013, the Company received approximately 910 new claims and closed or moved to an inactive docket approximately 1,660 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 2012 and 2011 for settlement and defense of asbestos claims after insurance recoveries and net of tax benefits were approximately \$21 million and \$33 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.

Filings include claims for individuals suffering from mesothelioma, a rare cancer, the risk of which is allegedly increased by exposure to asbestos; lung cancer, a cancer which may be caused by various factors, one of which is alleged to be asbestos exposure; other cancers, and conditions that are substantially less serious, including claims brought on behalf of individuals who are asymptomatic as to an allegedly asbestos-related disease. The predominant number of claims against the Company are non-cancer claims. In a substantial number of the pending claims, the plaintiff has not yet identified the claimed injury. 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.

Table of Contents

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

**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 June 30, 2013, NAI directly or indirectly owned approximately 79.1% of CBS Corp.'s voting Class A Common Stock, and owned approximately 6.6% 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 enters into transactions with Viacom Inc. and its subsidiaries. Through its Entertainment segment, the Company licenses its television products and leases its production facilities to Viacom Inc.'s media networks businesses. In addition, the Company recognizes revenues for advertising spending placed by various subsidiaries of Viacom Inc. Viacom Inc. also distributes certain of the Company's television products in the home entertainment market. The Company's total revenues from these transactions were \$75 million and \$70 million for the three months ended June 30, 2013 and 2012, respectively, and \$131 million and \$134 million for the six months ended June 30, 2013 and 2012, respectively.

The Company places advertisements with, leases production facilities from, and purchases other goods and services from various subsidiaries of Viacom Inc. The total amounts for these transactions were \$3 million for both the three months ended June 30, 2013 and 2012, and \$10 million and \$9 million for the six months ended June 30, 2013 and 2012, respectively.

The following table presents the amounts due from Viacom Inc. in the normal course of business as reflected on the Company's Consolidated Balance Sheets. Amounts due to Viacom Inc. were minimal at June 30, 2013 and December 31, 2012.

	At June 30, 2013	At December 31, 2012
Receivables	\$ 110	\$ 124
Other assets (Receivables, noncurrent)	146	133
<b>Total amounts due from Viacom Inc</b>	<b>\$ 256</b>	<b>\$ 257</b>

*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 these joint ventures were \$30 million and \$35 million for the three months ended June 30, 2013 and 2012, respectively, and \$62 million and \$71 million for the six months ended June 30, 2013 and 2012, 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.

Table of Contents

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

**Adoption of New Accounting Standards**

*Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*

During the first quarter of 2013, the Company adopted the FASB guidance which requires disclosure of significant amounts reclassified out of accumulated other comprehensive income by component and their corresponding effect on the respective line items of net income (See Note 9 to the consolidated financial statements).

**Recent Pronouncements**

*Obligations Resulting from Joint and Several Liability Arrangements*

In February 2013, the FASB issued 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 Company is currently evaluating the impact of this guidance on its consolidated financial statements, which is effective for reporting periods beginning after December 15, 2013.

**Critical Accounting Policies**

See Item 7, Management's Discussion and Analysis of Results of Operations and Financial Condition in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012, for a discussion of the Company's critical accounting policies.

**Cautionary Statement Concerning Forward-Looking Statements**

This quarterly report on Form 10-Q, including "Item 2 Management's Discussion and Analysis of Results of Operations and Financial Condition," contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements within the meaning of section 27A of the Securities Act of 1933 and section 21E of the Securities Exchange Act of 1934. These forward-looking statements are not based on historical facts, but rather reflect the Company's current expectations concerning future results and events. These forward-looking statements generally can be identified by the use of statements that include phrases such as "believe," "expect," "anticipate," "intend," "plan," "foresee," "likely," "will" or other similar words or phrases. Similarly, statements that describe the Company's objectives, plans or goals are or may be forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that are difficult to predict and which may cause the actual results, performance or achievements of the Company to be different from any future results, performance and achievements expressed or implied by these statements. These risks, uncertainties and other factors include, among others: advertising market conditions generally; changes in the public acceptance of the Company's programming; changes in technology and its effect on competition in the Company's markets; changes in the federal communications laws and regulations; the impact of piracy on the Company's products; the impact of consolidation in the market for the Company's programming; the impact of negotiations or the loss of affiliation agreements or retransmission agreements; the inability to obtain the requisite regulatory approvals and changes in legislation, tax rules or market conditions, which could adversely impact timing and the ability to consummate or achieve the benefits of transactions involving the Company's Outdoor business; the inability to complete

Table of Contents

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

the divestiture of the Company's Outdoor operations in Europe and Asia; the impact of union activity, including possible strikes or work stoppages or the Company's inability to negotiate favorable terms for contract renewals; other domestic and global economic, business, competitive and/or regulatory factors affecting the Company's businesses generally; and other factors described in the Company's news releases and filings made under the securities laws, including, among others, those set forth under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2012 and in our Quarterly Reports on Form 10-Q. There may be additional risks, uncertainties and factors that the Company does not currently view as material or that are not necessarily known. The forward-looking statements included in this document are made as of the date of this document and the Company does not have any obligation to publicly update any forward-looking statements to reflect subsequent events or circumstances.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

There have been no significant changes to market risk since reported in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

**Item 4. Controls and Procedures.**

The Company's chief executive officer and chief operating officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934, as amended) were effective, based on the evaluation of these controls and procedures required by Rule 13a-15(b) or 15d-15(b) of the Securities Exchange Act of 1934, as amended.

No change in the Company's internal control over financial reporting occurred during the Company's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents**PART II OTHER INFORMATION****Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.****Company Purchases of Equity Securities**

On November 4, 2010, the Company announced that its Board of Directors approved a \$1.5 billion share repurchase program. The Company subsequently announced that its Board of Directors approved increases to this share repurchase program of \$1.5 billion on November 3, 2011 and \$1.7 billion on July 26, 2012. Below is a summary of CBS Corp.'s purchases of its Class B Common Stock during the three months ended June 30, 2013 under this publicly announced share repurchase program.

(in millions, except per share amounts)		Total Number of Shares Purchased	Average Price Per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Remaining Authorization
April 1, 2013	April 30, 2013	.7	\$ 45.95	.7	\$ 1,216
May 1, 2013	May 31, 2013	6.8	(a)	6.8	\$ 1,094
June 1, 2013	June 30, 2013	2.9	\$ 47.85	2.9	\$ 954
Total		10.4	(b)	10.4	\$ 954

(a) During May 2013, the Company repurchased 2.5 million shares of CBS Corp. Class B Common Stock at an average price of \$49.59 per share and also received 4.3 million shares of CBS Corp Class B Common stock upon the settlement of an accelerated share repurchase ("ASR") transaction initiated during the first quarter of 2013.

(b) The Company's total repurchases includes 6.1 million shares of CBS Corp. Class B Common Stock that were purchased in the open market for \$296 million, at an average price of \$48.33 per share, and 4.3 million shares that were received upon the settlement of an ASR transaction.

Table of Contents

**Item 6. Exhibits.**

**Exhibit**

**No.**

**Description of Document**

**(4) Instruments defining the rights of security holders, including indentures.**

- (a) Amended and Restated Senior Indenture dated as of November 3, 2008 ("2008 Indenture") between CBS Corporation, CBS Operations Inc., and The Bank of New York Mellon, as senior trustee (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-3 filed by CBS Corporation on November 3, 2008 (Registration No. 333-154962) (File No. 001-09553)).
- (b) First Supplemental Indenture to 2008 Indenture dated as of April 5, 2010 between CBS Corporation, CBS Operations Inc., and Deutsche Bank Trust Company Americas, as senior trustee (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K filed by CBS Corporation on April 5, 2010 (File No. 001-09553)).

The other instruments defining the rights of holders of the long-term debt securities of CBS Corporation and its subsidiaries are omitted pursuant to section (b)(4)(iii)(A) of Item 601 of Regulation S-K. CBS Corporation hereby agrees to furnish copies of these instruments to the Securities and Exchange Commission upon request.

**(10) Material Contracts**

- (a) Employment Agreement dated as of June 4, 2013 between CBS Corporation and Joseph R. Ianniello (filed herewith).
- (b) Employment Agreement dated as of June 7, 2013 between CBS Corporation and Anthony G. Ambrosio (filed herewith).
- (c) CBS Corporation 2009 Long-Term Incentive Plan (as amended and restated May 23, 2013) (filed herewith).

**(12) Statement Regarding Computation of Ratios (filed herewith)**

**(31) Rule 13a-14(a)/15d-14(a) Certifications**

- (a) Certification of the Chief Executive Officer of CBS Corporation pursuant to Rule 13a-14(a), or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002 (filed herewith).
- (b) Certification of the Chief Operating Officer of CBS Corporation pursuant to Rule 13a-14(a), or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002 (filed herewith).

**(32) Section 1350 Certifications**

- (a) Certification of the Chief Executive Officer of CBS Corporation furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002 (furnished herewith).
- (b) Certification of the Chief Operating Officer of CBS Corporation furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002 (furnished herewith).

**(101) Interactive Data File**

- 101. INS XBRL Instance Document.
- 101. SCH XBRL Taxonomy Extension Schema.
- 101. CAL XBRL Taxonomy Extension Calculation Linkbase.
- 101. DEF XBRL Taxonomy Extension Definition Linkbase.
- 101. LAB XBRL Taxonomy Extension Label Linkbase.
- 101. PRE XBRL Taxonomy Extension Presentation Linkbase.





Table of Contents

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: July 31, 2013

**CBS CORPORATION**

(Registrant)

/s/ JOSEPH R. IANNIELLO

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Joseph R. Ianniello

*Chief Operating Officer*

Date: July 31, 2013

/s/ LAWRENCE LIDING

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Lawrence Liding

*Senior Vice President, Controller and*

*Chief Accounting Officer*

-60-

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Table of Contents

**EXHIBIT INDEX**

**Exhibit**

**No.**

**Description of Document**

**(4) Instruments defining the rights of security holders, including indentures.**

- (a) Amended and Restated Senior Indenture dated as of November 3, 2008 ("2008 Indenture") between CBS Corporation, CBS Operations Inc., and The Bank of New York Mellon, as senior trustee (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-3 filed by CBS Corporation on November 3, 2008 (Registration No. 333-154962) (File No. 001-09553)).
- (b) First Supplemental Indenture to 2008 Indenture dated as of April 5, 2010 between CBS Corporation, CBS Operations Inc., and Deutsche Bank Trust Company Americas, as senior trustee (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K filed by CBS Corporation on April 5, 2010 (File No. 001-09553)).

The other instruments defining the rights of holders of the long-term debt securities of CBS Corporation and its subsidiaries are omitted pursuant to section (b)(4)(iii)(A) of Item 601 of Regulation S-K. CBS Corporation hereby agrees to furnish copies of these instruments to the Securities and Exchange Commission upon request.

**(10) Material Contracts**

- (a) Employment Agreement dated as of June 4, 2013 between CBS Corporation and Joseph R. Ianniello (filed herewith).
- (b) Employment Agreement dated as of June 7, 2013 between CBS Corporation and Anthony G. Ambrosio (filed herewith).
- (c) CBS Corporation 2009 Long-Term Incentive Plan (as amended and restated May 23, 2013) (filed herewith).

**(12) Statement Regarding Computation of Ratios (filed herewith)**

**(31) Rule 13a-14(a)/15d-14(a) Certifications**

- (a) Certification of the Chief Executive Officer of CBS Corporation pursuant to Rule 13a-14(a), or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002 (filed herewith).
- (b) Certification of the Chief Operating Officer of CBS Corporation pursuant to Rule 13a-14(a), or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002 (filed herewith).

**(32) Section 1350 Certifications**

- (a) Certification of the Chief Executive Officer of CBS Corporation furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002 (furnished herewith).
- (b) Certification of the Chief Operating Officer of CBS Corporation furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002 (furnished herewith).

**(101) Interactive Data File**

- 101. INS XBRL Instance Document.
- 101. SCH XBRL Taxonomy Extension Schema.
- 101. CAL XBRL Taxonomy Extension Calculation Linkbase.
- 101. DEF XBRL Taxonomy Extension Definition Linkbase.
- 101. LAB XBRL Taxonomy Extension Label Linkbase.
- 101. PRE XBRL Taxonomy Extension Presentation Linkbase.

