

CBS CORP
Form 10-Q
August 07, 2014

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

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, 2014

OR

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

For the transition period from _____ to _____

Commission File Number 001-09553

CBS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

04-2949533
(I.R.S. Employer Identification No.)

51 W. 52nd Street, New York, New York
(Address of principal executive offices)

10019
(Zip Code)

(212) 975-4321

Registrant's telephone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

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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 No

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

Large accelerated filer 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 August 4, 2014:

Class A Common Stock, par value \$.001 per share 38,864,903

Class B Common Stock, par value \$.001 per share 487,953,813

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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, | | 2014 | 2013 |
| | 2014 | 2013 | 2014 | 2013 |
| Revenues | \$ 3,188 | \$ 3,369 | \$ 6,758 | \$ 7,132 |
| Expenses: | | | | |
| Operating | 1,798 | 1,892 | 3,919 | 4,201 |
| Selling, general and administrative | 589 | 629 | 1,176 | 1,238 |
| Depreciation and amortization | 71 | 73 | 142 | 147 |
| Total expenses | 2,458 | 2,594 | 5,237 | 5,586 |
| Operating income | 730 | 775 | 1,521 | 1,546 |
| Interest expense | (94) | (94) | (187) | (188) |
| Interest income | 3 | 2 | 6 | 4 |
| Other items, net | 6 | (6) | 11 | (8) |
| Earnings from continuing operations before income taxes and equity in loss of investee companies | 645 | 677 | 1,351 | 1,354 |
| Provision for income taxes | (217) | (234) | (451) | (452) |
| Equity in loss of investee companies, net of tax | (10) | (8) | (20) | (17) |
| Net earnings from continuing operations | 418 | 435 | 880 | 885 |
| Net earnings from discontinued operations, net of tax (Note 3) | 21 | 37 | 27 | 30 |
| Net earnings | \$ 439 | \$ 472 | \$ 907 | \$ 915 |
| Basic net earnings per common share: | | | | |
| Net earnings from continuing operations | \$.73 | \$.71 | \$ 1.52 | \$ 1.44 |
| Net earnings from discontinued operations | \$.04 | \$.06 | \$.05 | \$.05 |
| Net earnings | \$.77 | \$.78 | \$ 1.57 | \$ 1.49 |
| Diluted net earnings per common share: | | | | |
| Net earnings from continuing operations | \$.72 | \$.70 | \$ 1.49 | \$ 1.40 |
| Net earnings from discontinued operations | \$.04 | \$.06 | \$.05 | \$.05 |

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|--|----|------|----|------|----|------|----|------|
| Net earnings | \$ | .76 | \$ | .76 | \$ | 1.54 | \$ | 1.45 |
| Weighted average number of common shares outstanding: | | | | | | | | |
| Basic | | 570 | | 609 | | 578 | | 615 |
| Diluted | | 581 | | 624 | | 590 | | 631 |
| Dividends per common share | \$ | ..12 | \$ | ..12 | \$ | ..24 | \$ | ..24 |

See notes to consolidated financial statements.

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

(Unaudited; in millions)

| | Three Months Ended | | Six Months Ended | |
|--|---------------------------|---------------|-------------------------|---------------|
| | June 30, | | June 30, | |
| | 2014 | 2013 | 2014 | 2013 |
| Net earnings | \$ 439 | \$ 472 | \$ 907 | \$ 915 |
| Other comprehensive income from continuing operations, net of tax: | | | | |
| Cumulative translation adjustments | (1) | 2 | (8) | 3 |
| Amortization of net actuarial loss | 7 | 11 | 14 | 22 |
| Change in fair value of cash flow hedges | | (1) | | (1) |
| Unrealized gain on securities | | | | 1 |
| Other comprehensive income from continuing operations, net of tax | 6 | 12 | 6 | 25 |
| Other comprehensive income (loss) from discontinued operations, net of tax | 14 | (11) | 16 | (21) |
| Total other comprehensive income, net of tax | 20 | 1 | 22 | 4 |
| Total comprehensive income | \$ 459 | \$ 473 | \$ 929 | \$ 919 |

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, 2014 | At December 31, 2013 |
|---|---------------------|-------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 261 | \$ 368 |
| Receivables, less allowances of \$56 (2014) and \$60 (2013) | 3,002 | 3,234 |
| Programming and other inventory (Note 4) | 940 | 772 |
| Deferred income tax assets, net | 153 | 152 |
| Prepaid income taxes | 45 | |
| Prepaid expenses | 127 | 109 |
| Other current assets | 325 | 384 |
| Current assets of discontinued operations (Note 3) | 539 | 351 |
| Total current assets | 5,392 | 5,370 |
| Property and equipment | 3,144 | 3,097 |
| Less accumulated depreciation and amortization | 1,720 | 1,624 |
| Net property and equipment | 1,424 | 1,473 |
| Programming and other inventory (Note 4) | 1,569 | 1,697 |
| Goodwill | 6,697 | 6,696 |
| Intangible assets | 6,049 | 6,064 |
| Other assets | 2,107 | 1,963 |
| Assets of discontinued operations (Note 3) | 3,078 | 3,124 |
| Total Assets | \$ 26,316 | \$ 26,387 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable | \$ 148 | \$ 286 |
| Accrued compensation | 210 | 376 |
| Participants' share and royalties payable | 948 | 1,008 |
| Program rights | 288 | 398 |
| Deferred revenues | 148 | 269 |
| Income taxes payable | | 54 |
| Commercial paper (Note 6) | 381 | 475 |
| Current portion of long-term debt (Note 6) | 20 | 20 |
| Accrued expenses and other current liabilities | 947 | 1,067 |
| Current liabilities of discontinued operations (Note 3) | 231 | 254 |
| Total current liabilities | 3,321 | 4,207 |
| Long-term debt (Note 6) | 5,846 | 5,940 |
| Pension and postretirement benefit obligations | 1,294 | 1,327 |
| Deferred income tax liabilities, net | 1,436 | 1,314 |
| Other liabilities | 3,094 | 3,156 |

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| | | |
|--|-----------|-----------|
| Liabilities of discontinued operations (Note 3) | 2,051 | 477 |
| Commitments and contingencies (Note 10) | | |
| Stockholders' Equity: | | |
| Class A Common Stock, par value \$.001 per share; 375 shares authorized; 39 (2014 and 2013) shares issued | | |
| Class B Common Stock, par value \$.001 per share; 5,000 shares authorized; 813 (2014) and 801 (2013) shares issued | 1 | 1 |
| Additional paid-in capital | 43,990 | 43,474 |
| Accumulated deficit | (23,983) | (24,890) |
| Accumulated other comprehensive loss (Note 8) | (523) | (545) |
| | 19,485 | 18,040 |
| Less treasury stock, at cost; 282 (2014) and 244 (2013) Class B shares | 10,484 | 8,074 |
| Total CBS Corporation Stockholders' Equity | 9,001 | 9,966 |
| Equity attributable to noncontrolling interest | 273 | |
| Total Stockholders' Equity | 9,274 | 9,966 |
| Total Liabilities and Stockholders' Equity | \$ 26,316 | \$ 26,387 |

See notes to consolidated financial statements.

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

| | Six Months Ended | |
|--|-------------------------|--------------|
| | June 30, | |
| | 2014 | 2013 |
| Operating Activities: | | |
| Net earnings | \$ 907 | \$ 915 |
| Less: Net earnings from discontinued operations | 27 | 30 |
| Net earnings from continuing operations | 880 | 885 |
| Adjustments to reconcile net earnings from continuing operations to net cash flow provided by operating activities from continuing operations: | | |
| Depreciation and amortization | 142 | 147 |
| Stock-based compensation | 84 | 106 |
| Equity in loss of investee companies, net of tax and distributions | 28 | 23 |
| Change in assets and liabilities, net of investing and financing activities | (541) | (152) |
| Net cash flow provided by operating activities from continuing operations | 593 | 1,009 |
| Net cash flow provided by operating activities from discontinued operations | 31 | 42 |
| Net cash flow provided by operating activities | 624 | 1,051 |
| Investing Activities: | | |
| Acquisitions, net of cash acquired | (1) | (20) |
| Capital expenditures | (69) | (68) |
| Investments in and advances to investee companies | (64) | (139) |
| Proceeds from sale of investments | 3 | 18 |
| Proceeds from dispositions | 5 | 1 |
| Net cash flow used for investing activities from continuing operations | (126) | (208) |
| Net cash flow used for investing activities from discontinued operations | (23) | (22) |
| Net cash flow used for investing activities | (149) | (230) |
| Financing Activities: | | |
| (Repayments of) proceeds from short-term debt borrowings, net | (94) | 452 |
| Repayment of notes | (99) | |
| Payment of capital lease obligations | (8) | (9) |
| Payment of contingent consideration | | (30) |
| Dividends | (145) | (155) |
| Purchase of Company common stock | (2,468) | (1,579) |
| Payment of payroll taxes in lieu of issuing shares for stock-based compensation | (145) | (139) |
| Proceeds from exercise of stock options | 192 | 98 |
| Excess tax benefit from stock-based compensation | 204 | 119 |
| Other financing activities | | (4) |

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| | | |
|---|---------------|----------------|
| Net cash flow used for financing activities from continuing operations | (2,563) | (1,247) |
| Net cash flow provided by financing activities from discontinued operations | 2,175 | |
| Net cash flow used for financing activities | (388) | (1,247) |
| Net increase (decrease) in cash and cash equivalents | 87 | (426) |
| Cash and cash equivalents at beginning of period (includes \$29 (2014) and \$21 (2013) of discontinued operations cash) | 397 | 708 |
| Cash and cash equivalents at end of period (includes \$223 (2014) and \$18 (2013) of discontinued operations cash) | \$ 484 | \$ 282 |
| Supplemental disclosure of cash flow information | | |
| Cash paid for interest from continuing operations | \$ 181 | \$ 180 |
| Cash paid for income taxes from continuing operations | \$ 212 | \$ 205 |
| Equipment acquired under capitalized leases | \$ | \$ 58 |

See notes to consolidated financial statements.

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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) and Local Broadcasting (CBS Television Stations and CBS Radio). On April 2, 2014, CBS Outdoor Americas Inc. ("Outdoor Americas"), which had been a subsidiary of the Company, completed an initial public offering ("IPO") through which it sold 23.0 million shares, or approximately 19%, of its common stock. On July 16, 2014, the Company completed the split-off of Outdoor Americas through which the Company accepted 44.7 million shares of CBS Corp. Class B Common Stock from its stockholders in exchange for the 97.0 million shares, or approximately 81%, of Outdoor Americas common stock that it owned. In addition, during 2013, the Company completed the sale of its outdoor advertising business in Europe ("Outdoor Europe"). Outdoor Americas and Outdoor Europe have been presented as discontinued operations in the Company's consolidated financial statements.

Basis of Presentation The accompanying unaudited consolidated financial statements of the Company have been prepared pursuant to the rules of the Securities and Exchange Commission. These financial statements should be read in conjunction with the more detailed financial statements and notes thereto, included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

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

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

Net Earnings per Common Share Basic earnings per share ("EPS") is based upon net earnings divided by the weighted average number of common shares outstanding during the period. Diluted EPS reflects the effect of the assumed exercise of stock options and vesting of restricted stock units ("RSUs") and market-based performance share units ("PSUs") only in the periods in which such effect would have been dilutive. For each of the three and six months ended June 30, 2014 and 2013, stock options to purchase 2 million shares of Class B Common Stock were outstanding but excluded from the calculation of diluted EPS because their inclusion would have been anti-dilutive.

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, | |
|---|--------------------------------|------|------------------------------|------|
| | 2014 | 2013 | 2014 | 2013 |
| Weighted average shares for basic EPS | 570 | 609 | 578 | 615 |
| Dilutive effect of shares issuable under stock-based compensation plans | 11 | 15 | 12 | 16 |
| Weighted average shares for diluted EPS | 581 | 624 | 590 | 631 |

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, 2014 and 2013, the Company recorded dividends of \$139 million and \$149 million, respectively, as a reduction to additional paid-in capital as the Company had an accumulated deficit balance.

Adoption of New Accounting Standards*Presentation of Reserves for Uncertain Tax Positions when a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*

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

Obligations Resulting from Joint and Several Liability Arrangements

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

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CBS CORPORATION AND SUBSIDIARIES

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

Recent Pronouncements

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

In June 2014, the FASB issued guidance on the accounting for stock-based compensation when the terms of an award provide that a performance target that affects vesting could be achieved after the requisite service period. Under this guidance such performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. This guidance, which is effective for interim and annual periods beginning after December 15, 2015, is not expected to have a material impact on the Company's consolidated financial statements.

Revenue from Contracts with Customers

In May 2014, the FASB issued guidance on the recognition of revenues which provides a single, comprehensive revenue recognition model for all contracts with customers and supersedes most existing revenue recognition guidance. The main principle under this guidance is that an entity should recognize revenue at the amount it expects to be entitled to in exchange for the transfer of goods or services to customers. The Company is currently evaluating the impact of this guidance, which is effective for interim and annual reporting periods beginning after December 15, 2016 with early adoption not permitted.

Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity

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

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, 2014 and 2013.

| | Three Months Ended | | Six Months Ended June 30, | |
|---|--------------------|-------|---------------------------|-------|
| | June 30, | | | |
| | 2014 | 2013 | 2014 | 2013 |
| RSUs and PSUs | \$ 35 | \$ 32 | \$ 69 | \$ 63 |
| Stock options and equivalents | 9 | 16 | 15 | 43 |
| Stock-based compensation expense, before income taxes | 44 | 48 | 84 | 106 |
| Related tax benefit | (17) | (18) | (33) | (41) |
| Stock-based compensation expense, net of tax benefit | \$ 27 | \$ 30 | \$ 51 | \$ 65 |

Included in net earnings from discontinued operations is stock-based compensation expense of \$3 million and \$5 million for the three and six months ended June 30, 2014, respectively, and \$2 million and \$4 million for the three and six months ended June 30, 2013, respectively.

During the six months ended June 30, 2014, the Company granted 2 million RSUs for CBS Corp. Class B common stock with a weighted average per unit grant date fair value of \$65.17. RSU grants during the first six months of 2014 generally vest over a one- to four-year service period. Compensation expense for RSUs is determined based upon the market price of the shares underlying the awards on the date of grant. For certain RSU awards the number of shares an employee earns ranges from 0% to 120% of the target award, based on the outcome of established performance goals. Compensation expense is recorded based on the probable outcome of the performance conditions. During the six months ended June 30, 2014, the Company also granted 2 million stock options with a weighted average exercise price of \$65.91. Stock option grants during the first six months of 2014 generally vest over a four-year service period and expire eight years from the date of grant. Compensation expense for stock options is determined based on the grant date fair value of the award calculated using the Black-Scholes options-pricing model.

Total unrecognized compensation cost related to unvested RSUs at June 30, 2014 was \$254 million, which is expected to be recognized over a weighted average period of 2.6 years. Total unrecognized compensation cost related to unvested stock option awards at June 30, 2014 was \$73 million, which is expected to be recognized over a weighted average period of 2.7 years.

3) DISCONTINUED OPERATIONS

On April 2, 2014, Outdoor Americas completed an IPO through which it sold 23.0 million shares, or approximately 19% of its common stock for \$28.00 per share. Proceeds from the IPO aggregated \$615 million, net of underwriting discounts and commissions. Upon completion of the IPO, the Company owned 97.0 million shares, or approximately 81% of Outdoor Americas.

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

On July 16, 2014, the Company completed the disposition of its 81% ownership of Outdoor Americas common stock through a tax-free split-off. In connection with this transaction, the Company accepted 44.7 million shares of CBS Corp. Class B Common Stock from its stockholders in exchange for the 97.0 million shares of Outdoor Americas common stock that it owned. As a result, Outdoor Americas has been presented as a discontinued operation in the Company's consolidated financial statements for all periods presented. This transaction resulted in a gain of approximately \$1.6 billion which will be reflected in discontinued operations in the Company's Consolidated Statement of Operations for the third quarter of 2014.

During 2013, the Company completed the sale of Outdoor Europe which has been presented as a discontinued operation in the Company's consolidated financial statements.

The following table sets forth details of the net earnings from discontinued operations. For the three and six months ended June 30, 2014 and 2013, net earnings from discontinued operations included the operating results of Outdoor Americas. For the three and six months ended June 30, 2013, net earnings from discontinued operations also included the operating results of Outdoor Europe.

| | Three Months Ended | | Six Months Ended June 30, | |
|---|--------------------|--------|---------------------------|--------|
| | June 30, | | 2014 | 2013 |
| | 2014 | 2013 | 2014 | 2013 |
| Revenues from discontinued operations | \$ 334 | \$ 472 | \$ 622 | \$ 874 |
| Earnings from discontinued operations | \$ 40 | \$ 53 | \$ 54 | \$ 45 |
| Income tax provision | (14) | (16) | (22) | (15) |
| Net earnings from discontinued operations, net of tax | 26 | 37 | 32 | 30 |
| Less: Net earnings from discontinued operations attributable to noncontrolling interest, net of tax | 5 | | 5 | |
| Net earnings from discontinued operations attributable to CBS Corp. | \$ 21 | \$ 37 | \$ 27 | \$ 30 |

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

| | At | At |
|----------------------------|---------------|-------------------|
| | June 30, 2014 | December 31, 2013 |
| Current assets | \$ 539 | \$ 351 |
| Goodwill | 1,865 | 1,866 |
| Intangible assets | 335 | 366 |
| Net property and equipment | 721 | 763 |
| Other assets | 157 | 129 |
| Total Assets | \$ 3,617 | \$ 3,475 |
| Current liabilities | \$ 231 | \$ 254 |
| Long-term debt | 1,598 | 13 |
| Other liabilities | 453 | 464 |

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| | | | | |
|-------------------|----|-------|----|-----|
| Total Liabilities | \$ | 2,282 | \$ | 731 |
|-------------------|----|-------|----|-----|

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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)

Other liabilities of discontinued operations of \$453 million and \$464 million at June 30, 2014 and December 31, 2013, respectively, primarily include deferred tax liabilities related to Outdoor Americas, tax reserves related to previously disposed businesses and the estimated fair value of guarantee liabilities of approximately \$40 million associated with the disposition of Outdoor Europe.

Outdoor Americas Indebtedness

In January 2014, Outdoor Americas borrowed \$1.60 billion through an \$800 million senior secured term loan credit facility ("Term Loan") and the issuance of \$800 million of senior notes through a private placement. The senior notes are comprised of \$400 million of 5.25% senior notes due 2022 and \$400 million of 5.625% senior notes due 2024. The Term Loan is due in 2021 and bears interest at a rate equal to 2.25% plus the greater of LIBOR or 0.75%. The debt is guaranteed by Outdoor Americas and certain of its domestic subsidiaries.

The net debt proceeds from Outdoor Americas' borrowings were primarily used by CBS Corp. to repurchase shares of CBS Corp. Class B Common Stock through a \$1.5 billion accelerated share repurchase ("ASR") transaction.

4) PROGRAMMING AND OTHER INVENTORY

| | At June 30, 2014 | At December 31, 2013 |
|---|---------------------|-------------------------|
| Program rights | \$ 1,430 | \$ 1,331 |
| Television programming: | | |
| Released (including acquired libraries) | 869 | 878 |
| In process and other | 109 | 139 |
| Theatrical programming: | | |
| Released | 25 | 38 |
| In process and other | 25 | 32 |
| Publishing, primarily finished goods | 51 | 51 |
| Total programming and other inventory | 2,509 | 2,469 |
| Less current portion | 940 | 772 |
| Total noncurrent programming and other inventory | \$ 1,569 | \$ 1,697 |

5) 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, 2014, NAI directly or indirectly owned approximately 79.8% of CBS Corp.'s voting Class A Common Stock, and owned approximately 7.0% of CBS Corp.'s Class A Common Stock and non-voting Class B Common Stock on a combined basis.

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

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 \$48 million and \$73 million for the three months ended June 30, 2014 and 2013, respectively, and \$83 million and \$126 million for the six months ended June 30, 2014 and 2013, 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, 2014 and 2013, and \$8 million and \$10 million for the six months ended June 30, 2014 and 2013, 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, 2014 and December 31, 2013.

| | At June 30, 2014 | At December 31, 2013 |
|---|---------------------|-------------------------|
| Receivables | \$ 65 | \$ 84 |
| Other assets (Receivables, noncurrent) | 88 | 115 |
| Total amounts due from Viacom Inc. | \$ 153 | \$ 199 |

Other Related Parties. The Company has equity interests in two domestic television networks and several international joint ventures for television channels, from which the Company earns revenues primarily by selling its television programming. Total revenues earned from sales to these joint ventures were \$26 million and \$29 million for the three months ended June 30, 2014 and 2013, respectively, and \$63 million and \$61 million for the six months ended June 30, 2014 and 2013, respectively.

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

Table of Contents**CBS CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
(Tabular dollars in millions, except per share amounts)**6) BANK FINANCING AND DEBT**

The following table sets forth the Company's debt from continuing operations.

| | At June 30, 2014 | At December 31, 2013 |
|--|---------------------|-------------------------|
| Commercial paper | \$ 381 | \$ 475 |
| Senior debt (1.95% 8.875% due 2014 2042) | 5,761 | 5,848 |
| Obligations under capital leases | 105 | 112 |
| Total debt | 6,247 | 6,435 |
| Less commercial paper | 381 | 475 |
| Less current portion of long-term debt | 20 | 20 |
| Total long-term debt, net of current portion | \$ 5,846 | \$ 5,940 |

(a)

At June 30, 2014 and December 31, 2013, the senior debt balances included (i) a net unamortized discount of \$12 million and \$13 million, respectively, and (ii) an increase in the carrying value of the debt relating to previously settled fair value hedges of \$16 million and \$18 million, respectively. The face value of the Company's senior debt was \$5.76 billion and \$5.84 billion at June 30, 2014 and December 31, 2013, respectively.

Long-term debt of \$1.60 billion at June 30, 2014 and \$13 million at December 31, 2013, is included in "Liabilities of discontinued operations" on the Consolidated Balance Sheets (See Note 3).

On June 14, 2014, the Company redeemed its \$99 million of outstanding 8.875% senior notes upon maturity.

Commercial Paper

The Company had outstanding commercial paper borrowings under its \$2.0 billion commercial paper program of \$381 million at June 30, 2014 and \$475 million at December 31, 2013, each at a weighted average interest rate of 0.3% and with maturities of less than thirty days.

Credit Facility

At June 30, 2014, the Company had a \$2.0 billion revolving credit facility (the "Credit Facility") which expires in March 2018. The Credit Facility requires the Company to maintain a maximum Consolidated Leverage Ratio of 4.5x at the end of each quarter as further described in the Credit Facility. At June 30, 2014, the Company's Consolidated Leverage Ratio was approximately 1.8x.

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

The Credit Facility is used for general corporate purposes. At June 30, 2014, the Company had no borrowings outstanding under the Credit Facility and the remaining availability under the Credit Facility, net of outstanding letters of credit, was \$1.99 billion.

Table of Contents**CBS CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
(Tabular dollars in millions, except per share amounts)**7) 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 | |
|---|------------------|-------|-------------------------|------|
| | 2014 | 2013 | 2014 | 2013 |
| Components of net periodic cost: | | | | |
| Service cost | \$ 8 | \$ 10 | \$ | \$ |
| Interest cost | 59 | 52 | 6 | 6 |
| Expected return on plan assets | (66) | (67) | | |
| Amortization of actuarial losses (gains) ^(a) | 16 | 22 | (5) | (4) |
| Net periodic cost | \$ 17 | \$ 17 | \$ 1 | \$ 2 |

| Six Months Ended June 30, | Pension Benefits | | Postretirement Benefits | |
|---|------------------|-------|-------------------------|------|
| | 2014 | 2013 | 2014 | 2013 |
| Components of net periodic cost: | | | | |
| Service cost | \$ 16 | \$ 20 | \$ | \$ |
| Interest cost | 118 | 104 | 12 | 12 |
| Expected return on plan assets | (132) | (134) | | |
| Amortization of actuarial losses (gains) ^(a) | 32 | 44 | (10) | (8) |
| Net periodic cost | \$ 34 | \$ 34 | \$ 2 | \$ 4 |

(a)

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

8) STOCKHOLDERS' EQUITY

During the second quarter of 2014, the Company repurchased 7.0 million shares of its Class B Common Stock for \$411 million, at an average cost of \$58.65 per share, and also received 4.9 million shares of its Class B Common Stock upon the settlement of an ASR transaction that was initiated during the first quarter of 2014. During the six months ended June 30, 2014, the Company repurchased 38.5 million shares of its Class B Common Stock for \$2.41 billion, at an average cost of \$62.67 per share, leaving \$3.02 billion of authorization remaining at June 30, 2014.

During the second quarter of 2014, the Company declared a quarterly cash dividend of \$.12 per share on its Class A and Class B Common Stock payable on July 1, 2014. The total dividend was \$69 million of which \$68 million was paid on July 1, 2014 and \$1 million was accrued to be paid upon vesting of RSUs. Total dividends for the six months ended June 30, 2014 were \$139 million.

In connection with the IPO of Outdoor Americas (See Note 3), the Company established a noncontrolling interest on the Consolidated Balance Sheet for the carrying value of the 19% public ownership in Outdoor Americas. The excess of the proceeds received from the IPO over the carrying value of the noncontrolling interest was recognized as an increase of \$313 million to the Company's additional paid-in capital.

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

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

| | Continuing Operations | | | Discontinued Operations | | Accumulated Other Comprehensive Loss |
|--|------------------------------------|--|-------------------------------|-----------------------------------|----------|--------------------------------------|
| | Cumulative Translation Adjustments | Net Actuarial Gain (Loss) and Prior Service Cost | Unrealized Gain on Securities | Other Comprehensive Income (Loss) | | |
| At December 31, 2013 | \$ 242 | \$ (729) | \$ 3 | \$ (61) | \$ (545) | |
| Other comprehensive income (loss) before reclassifications | (8) | | | 16 | 8 | |
| Reclassifications to net earnings | | 14 ^(a) | | | 14 | |
| Net other comprehensive income (loss) | (8) | 14 | | 16 | 22 | |
| At June 30, 2014 | \$ 234 | \$ (715) | \$ 3 | \$ (45) | \$ (523) | |

| | Continuing Operations | | | Discontinued Operations | | Accumulated Other Comprehensive Loss |
|--|------------------------------------|--|--|-------------------------------|-----------------------------------|--------------------------------------|
| | Cumulative Translation Adjustments | Net Actuarial Gain (Loss) and Prior Service Cost | Change in Fair Value of Cash Flow Hedges | Unrealized Gain on Securities | Other Comprehensive Income (Loss) | |
| At December 31, 2012 | \$ 234 | \$ (936) | \$ 2 | \$ 131 | \$ (569) | |
| Other comprehensive income (loss) before reclassifications | 3 | | (1) | 1 | (21) | (18) |
| Reclassifications to net earnings | | 22 ^(a) | | | | 22 |
| Net other comprehensive income (loss) | 3 | 22 | (1) | 1 | (21) | 4 |
| At June 30, 2013 | \$ 237 | \$ (914) | \$ (1) | \$ 3 | \$ 110 | \$ (565) |

(a)

See Note 7 for additional details of items reclassified from accumulated other comprehensive income (loss) to net earnings.

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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 \$8 million and \$14 million for the six months ended June 30, 2014 and 2013, respectively.

9) INCOME TAXES

The provision for income taxes represents federal, state and local, and foreign income taxes on earnings from continuing operations before income taxes and equity in loss of investee companies.

The provision for income taxes was \$217 million for the three months ended June 30, 2014 and \$234 million for the three months ended June 30, 2013, reflecting an effective income tax rate of 33.6%

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

and 34.6%, respectively. For the six months ended June 30, 2014, the provision for income taxes was \$451 million compared to \$452 million for the six months ended June 30, 2013, reflecting an effective income tax rate of 33.4% for both the six months ended June 30, 2014 and 2013.

The Company is currently under examination by the IRS for the years 2011 and 2012. During 2014 the Company 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. With respect to open tax years in all jurisdictions, the Company currently believes that it is reasonably possible that the reserve for uncertain tax positions will decrease within the next twelve months; however, as it is difficult to predict the final outcome of any particular tax matter, an estimate of any related impact to the reserve for uncertain tax positions cannot currently be determined.

10) COMMITMENTS AND CONTINGENCIES

Guarantees

During 2013, the Company completed the sale of Outdoor Europe to an affiliate of Platinum Equity. The Company continues to remain as guarantor of Outdoor Europe's franchise payment obligations under certain transit franchise agreements. Generally, the Company would be required to perform under the guarantees in the event of non-performance by the buyer. These agreements have varying terms, with the majority of the obligations guaranteed under these agreements expiring by September 2016. At June 30, 2014, the total franchise payment obligations under these agreements are estimated to be approximately \$257 million, which will decrease on a monthly basis thereafter. The estimated fair value of the guarantee liability of approximately \$40 million is included in "Liabilities of discontinued operations" on the Consolidated Balance Sheet at June 30, 2014.

The Company also has indemnification obligations with respect to letters of credit and surety bonds primarily used as security against non-performance in the normal course of business. At June 30, 2014, the outstanding letters of credit and surety bonds approximated \$273 million and were not recorded on the Consolidated Balance Sheet.

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

Legal Matters

E-books Matters. Commencing in 2012, as previously disclosed, a number of antitrust suits were filed and/or consolidated in the United States District Court for the Southern District of New York against Simon & Schuster, other book publishers and Apple Inc. ("Apple") in connection with these book publishers' agency arrangements regarding the distribution of e-books to e-book retailers. Simon & Schuster has settled all of these actions without any admission of wrongdoing or liability and has adopted certain business and compliance practices as part of certain settlements. On April 10, 2012, Simon & Schuster and two other book publisher parties entered into a settlement stipulation and proposed final judgment (the "Stipulation") with the United States Department of Justice (the "DOJ") in connection with an antitrust action filed by the DOJ, which was approved by the court on

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

September 7, 2012. The Stipulation requires the adoption of certain business practices for a 24 month period (the "24 Month Period") and certain compliance practices for a five year period. In addition, as previously disclosed, in connection with Simon & Schuster's settlement of an antitrust suit filed with the court on April 11, 2012 by the U.S. states and territories and the District of Columbia (the "States Settlement"), Simon & Schuster adopted certain business and compliance practices substantially similar to those described in the Stipulation. The Company believes that continuing to comply with these business and compliance practices pursuant to the Stipulation and States Settlement, which are the only outstanding obligations under these settlements, will not have a material adverse effect on its results of operations, financial position or cash flows.

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

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

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

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

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

June 30, 2014, the Company had pending approximately 43,730 asbestos claims, as compared with approximately 45,150 as of December 31, 2013 and 45,320 as of June 30, 2013. During the second quarter of 2014, the Company received approximately 1,010 new claims and closed or moved to an inactive docket approximately 2,550 claims. The Company reports claims as closed when it becomes aware that a dismissal order has been entered by a court or when the Company has reached agreement with the claimants on the material terms of a settlement. Settlement costs depend on the seriousness of the injuries that form the basis of the claim, the quality of evidence supporting the claims and other factors. The Company's total costs for the years 2013 and 2012 for settlement and defense of asbestos claims after insurance recoveries and net of tax benefits were approximately \$29 million and \$21 million, respectively. The Company's costs for settlement and defense of asbestos claims may vary year to year and insurance proceeds are not always recovered in the same period as the insured portion of the expenses.

The Company believes that its reserves and insurance are adequate to cover its asbestos liabilities. This belief is based upon many factors and assumptions, including the number of outstanding claims, estimated average cost per claim, the breakdown of claims by disease type, historic claim filings, costs per claim of resolution and the filing of new claims. While the number of asbestos claims filed against the Company has trended down in the past five to ten years and has remained flat in recent years, it is difficult to predict future asbestos liabilities, as events and circumstances may occur including, among others, the number and types of claims and average cost to resolve such claims, which could affect the Company's estimate of its asbestos liabilities.

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

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

Table of Contents**CBS CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
(Tabular dollars in millions, except per share amounts)**11) RESTRUCTURING CHARGES**

During the year ended December 31, 2013, 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 \$20 million, reflecting \$14 million of severance costs and \$6 million of costs associated with exiting contractual obligations. As of June 30, 2014, the cumulative amount paid for the 2013 restructuring charges was \$14 million, of which \$10 million was for the severance costs and \$4 million was related to costs associated with contractual obligations. The Company expects to substantially utilize its restructuring reserves by the end of 2014.

| | Balance at December 31, 2013 | | 2014 Payments | | Balance at June 30, 2014 |
|--------------------|---------------------------------|-----------|------------------|-----------|-----------------------------|
| Entertainment | \$ 8 | \$ | (5) | \$ | 3 |
| Cable Networks | 1 | | (1) | | |
| Publishing | 1 | | (1) | | |
| Local Broadcasting | 4 | | (2) | | 2 |
| Corporate | 1 | | (1) | | |
| Total | \$ 15 | \$ | (10) | \$ | 5 |

12) 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, 2014 and December 31, 2013. These assets and liabilities have been categorized according to the three-level fair value hierarchy established by the FASB, which prioritizes the inputs used in measuring fair value. Level 1 is based on publicly quoted prices for the asset or liability in active markets. Level 2 is based on inputs that are observable other than quoted market prices in active markets, such as quoted prices for the asset or liability in inactive markets or quoted prices for similar

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(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, 2014 | Level 1 | Level 2 | Level 3 | Total |
|--------------------------|---------|---------|---------|--------|
| Assets: | | | | |
| Investments | \$ 85 | \$ | \$ | \$ 85 |
| Foreign currency hedges | | 1 | | 1 |
| Total Assets | \$ 85 | \$ 1 | \$ | \$ 86 |
| Liabilities: | | | | |
| Deferred compensation | \$ | \$ 258 | \$ | \$ 258 |
| Guarantees | | | 40 | 40 |
| Foreign currency hedges | | 3 | | 3 |
| Total Liabilities | \$ | \$ 261 | \$ 40 | \$ 301 |

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

The fair value of investments is determined based on publicly quoted market prices in active markets. The fair value of 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 fair value of the guarantee liabilities reflects the premium that would be required to issue such guarantee in a standalone arm's length transaction and is calculated based on an assessment of the probability of the primary obligor's default under the obligation, discounted to its present value. During the six months ended June 30, 2014, the Company determined that changes to the fair value of the guarantee liability were minimal.

The Company's carrying value of financial instruments approximates fair value, except for differences with respect to its long-term debt. At June 30, 2014 and December 31, 2013, the carrying value of the Company's senior debt from continuing operations, was \$5.76 billion and \$5.85 billion, respectively, and the fair value, which is estimated based on quoted market prices for similar liabilities (Level 2) and includes accrued interest, was \$6.85 billion and \$6.68 billion, respectively.

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(Tabular dollars in millions, except per share amounts)**13) REPORTABLE SEGMENTS**

The following tables set forth the Company's financial performance by reportable segment. The Company's operating segments, which are the same as its reportable segments, have been determined in accordance with the Company's internal management structure, which is organized based upon products and services.

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

| | Three Months Ended | | Six Months Ended June 30, | |
|------------------------|--------------------|-----------------|---------------------------|-----------------|
| | June 30, | | | |
| | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | |
| Entertainment | \$ 1,835 | \$ 2,008 | \$ 4,138 | \$ 4,547 |
| Cable Networks | 516 | 518 | 1,053 | 996 |
| Publishing | 211 | 189 | 364 | 360 |
| Local Broadcasting | 665 | 698 | 1,291 | 1,336 |
| Corporate/Eliminations | (39) | (44) | (88) | (107) |
| Total Revenues | \$ 3,188 | \$ 3,369 | \$ 6,758 | \$ 7,132 |

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, | |
| | 2014 | 2013 | 2014 | 2013 |
| Intercompany Revenues: | | | | |
| Entertainment | \$ 39 | \$ 42 | \$ 85 | \$ 104 |
| Local Broadcasting | 5 | 4 | 8 | 7 |
| Total Intercompany Revenues | \$ 44 | \$ 46 | \$ 93 | \$ 111 |

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(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, | | | |
| | 2014 | 2013 | 2014 | 2013 |
| Segment OIBDA: | | | | |
| Entertainment | \$ 376 | \$ 429 | \$ 833 | \$ 909 |
| Cable Networks | 219 | 207 | 478 | 438 |
| Publishing | 24 | 21 | 37 | 33 |
| Local Broadcasting | 238 | 255 | 438 | 454 |
| Corporate | (56) | (64) | (123) | (141) |
| Total Segment OIBDA | 801 | 848 | 1,663 | 1,693 |
| Depreciation and amortization | (71) | (73) | (142) | (147) |
| Operating income | 730 | 775 | 1,521 | 1,546 |
| Interest expense | (94) | (94) | (187) | (188) |
| Interest income | 3 | 2 | 6 | 4 |
| Other items, net | 6 | (6) | 11 | (8) |
| Earnings from continuing operations before income taxes and equity in loss of investee companies | 645 | 677 | 1,351 | 1,354 |
| Provision for income taxes | (217) | (234) | (451) | (452) |
| Equity in loss of investee companies, net of tax | (10) | (8) | (20) | (17) |
| Net earnings from continuing operations | 418 | 435 | 880 | 885 |
| Net earnings from discontinued operations, net of tax | 21 | 37 | 27 | 30 |
| Net earnings | \$ 439 | \$ 472 | \$ 907 | \$ 915 |

| | Three Months Ended | | Six Months Ended June 30, | |
|---------------------------------|--------------------|--------|---------------------------|--------|
| | June 30, | | | |
| | 2014 | 2013 | 2014 | 2013 |
| Operating Income (Loss): | | | | |
| Entertainment | \$ 341 | \$ 391 | \$ 761 | \$ 831 |
| Cable Networks | 213 | 202 | 467 | 429 |

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| | | | | |
|-------------------------------|---------------|---------------|-----------------|-----------------|
| Publishing | 23 | 20 | 34 | 30 |
| Local Broadcasting | 215 | 234 | 394 | 410 |
| Corporate | (62) | (72) | (135) | (154) |
| Total Operating Income | \$ 730 | \$ 775 | \$ 1,521 | \$ 1,546 |

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

| | Three Months Ended | | Six Months Ended June 30, | |
|--|--------------------|--------------|---------------------------|---------------|
| | June 30, | | | |
| | 2014 | 2013 | 2014 | 2013 |
| Depreciation and Amortization: | | | | |
| Entertainment | \$ 35 | \$ 38 | \$ 72 | \$ 78 |
| Cable Networks | 6 | 5 | 11 | 9 |
| Publishing | 1 | 1 | 3 | 3 |
| Local Broadcasting | 23 | 21 | 44 | 44 |
| Corporate | 6 | 8 | 12 | 13 |
| Total Depreciation and Amortization | \$ 71 | \$ 73 | \$ 142 | \$ 147 |

| | Three Months Ended | | Six Months Ended June 30, | |
|---------------------------------------|--------------------|--------------|---------------------------|---------------|
| | June 30, | | | |
| | 2014 | 2013 | 2014 | 2013 |
| Stock-based Compensation: | | | | |
| Entertainment | \$ 15 | \$ 15 | \$ 29 | \$ 30 |
| Cable Networks | 3 | 2 | 5 | 4 |
| Publishing | 1 | 1 | 2 | 2 |
| Local Broadcasting | 8 | 7 | 15 | 14 |
| Corporate | 17 | 23 | 33 | 56 |
| Total Stock-based Compensation | \$ 44 | \$ 48 | \$ 84 | \$ 106 |

| | Three Months Ended | | Six Months Ended | |
|------------------------------|--------------------|-------|------------------|-------|
| | June 30, | | June 30, | |
| | 2014 | 2013 | 2014 | 2013 |
| Capital Expenditures: | | | | |
| Entertainment | \$ 20 | \$ 24 | \$ 37 | \$ 43 |
| Cable Networks | 3 | 2 | 5 | 4 |
| Publishing | 1 | 1 | 1 | 1 |
| Local Broadcasting | 12 | 12 | 20 | 18 |
| Corporate | 5 | 1 | 6 | 2 |

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| | | | | | | | | |
|-----------------------------------|----|----|----|----|----|----|----|----|
| Total Capital Expenditures | \$ | 41 | \$ | 40 | \$ | 69 | \$ | 68 |
|-----------------------------------|----|----|----|----|----|----|----|----|

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CBS CORPORATION AND SUBSIDIARIES

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

| | At June 30, 2014 | At December 31, 2013 |
|-------------------------|---------------------|-------------------------|
| Assets: | | |
| Entertainment | \$ 9,624 | \$ 9,657 |
| Cable Networks | 2,003 | 1,968 |
| Publishing | 926 | 1,026 |
| Local Broadcasting | 9,554 | 9,600 |
| Corporate | 592 | 661 |
| Discontinued operations | 3,617 | 3,475 |
| Total Assets | \$ 26,316 | \$ 26,387 |

14) CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

CBS Operations Inc. is a wholly owned subsidiary of the Company. CBS Operations Inc. has fully and unconditionally guaranteed CBS Corp.'s senior debt securities. The following condensed consolidating financial statements present the results of operations, financial position and cash flows of CBS Corp., CBS Operations Inc., the direct and indirect Non-Guarantor Affiliates of CBS Corp. and CBS Operations Inc., and the eliminations necessary to arrive at the information for the Company on a consolidated basis.

| | Statement of Operations For the Three Months Ended June 30, 2014 | | | | CBS Corp. Consolidated |
|---|---|---------------------------|---------------------------------|--------------|---------------------------|
| | CBS Corp. | CBS Operations Inc. | Non- Guarantor Affiliates | Eliminations | |
| Revenues | \$ 35 | \$ 3 | \$ 3,150 | \$ | \$ 3,188 |
| Expenses: | | | | | |
| Operating | 15 | 2 | 1,781 | | 1,798 |
| Selling, general and administrative | 17 | 50 | 522 | | 589 |
| Depreciation and amortization | 2 | 3 | 66 | | 71 |
| Total expenses | 34 | 55 | 2,369 | | 2,458 |
| Operating income (loss) | 1 | (52) | 781 | | 730 |
| Interest (expense) income, net | (115) | (95) | 119 | | (91) |
| Other items, net | 1 | (2) | 7 | | 6 |
| Earnings (loss) from continuing operations before income taxes and equity in earnings (loss) of investee companies | (113) | (149) | 907 | | 645 |
| Benefit (provision) for income taxes | 39 | 51 | (307) | | (217) |
| Equity in earnings (loss) of investee companies, net of tax | 513 | 292 | (10) | (805) | (10) |
| Net earnings from continuing operations | 439 | 194 | 590 | (805) | 418 |
| Net earnings from discontinued operations, net of tax | | | 21 | | 21 |
| Net earnings | \$ 439 | \$ 194 | \$ 611 | \$ (805) | \$ 439 |

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| | | | | | | | | | | |
|----------------------------|----|-----|----|-----|----|-----|----|-------|----|-----|
| Total comprehensive income | \$ | 459 | \$ | 191 | \$ | 609 | \$ | (800) | \$ | 459 |
|----------------------------|----|-----|----|-----|----|-----|----|-------|----|-----|

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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 Operations | | | | |
|--|---|----------------------------|---------------------------------|---------------------|-------------------------------|
| | For the Six Months Ended June 30, 2014 | | | | |
| | CBS Corp. | CBS Operations Inc. | Non-Guarantor Affiliates | Eliminations | CBS Corp. Consolidated |
| Revenues | \$ 68 | \$ 6 | \$ 6,684 | \$ | \$ 6,758 |
| Expenses: | | | | | |
| Operating | 31 | 3 | 3,885 | | 3,919 |
| Selling, general and administrative | 32 | 114 | 1,030 | | 1,176 |
| Depreciation and amortization | 3 | 7 | 132 | | 142 |
| Total expenses | 66 | 124 | 5,047 | | 5,237 |
| Operating income (loss) | 2 | (118) | 1,637 | | 1,521 |
| Interest (expense) income, net | (229) | (188) | 236 | | (181) |
| Other items, net | 1 | (2) | 12 | | 11 |
| Earnings (loss) from continuing operations before income taxes and equity in earnings (loss) of investee companies | (226) | (308) | 1,885 | | 1,351 |
| Benefit (provision) for income taxes | 77 | 105 | (633) | | (451) |
| Equity in earnings (loss) of investee companies, net of tax | 1,056 | 664 | (20) | (1,720) | (20) |
| Net earnings from continuing operations | 907 | 461 | 1,232 | (1,720) | 880 |
| Net earnings (loss) from discontinued operations, net of tax | | (1) | 28 | | 27 |
| Net earnings | \$ 907 | \$ 460 | \$ 1,260 | \$ (1,720) | \$ 907 |
| Total comprehensive income | \$ 929 | \$ 456 | \$ 1,255 | \$ (1,711) | \$ 929 |

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, 2013 | | | | CBS Corp. Consolidated |
|---|---|---------------------------|---------------------------------|--------------|---------------------------|
| | CBS Corp. | CBS Operations Inc. | Non- Guarantor Affiliates | Eliminations | |
| Revenues | \$ 37 | \$ 3 | \$ 3,329 | \$ | \$ 3,369 |
| Expenses: | | | | | |
| Operating | 17 | 2 | 1,873 | | 1,892 |
| Selling, general and administrative | 14 | 67 | 548 | | 629 |
| Depreciation and amortization | 1 | 3 | 69 | | 73 |
| Total expenses | 32 | 72 | 2,490 | | 2,594 |
| Operating income (loss) | 5 | (69) | 839 | | 775 |
| Interest (expense) income, net | (114) | (91) | 113 | | (92) |
| Other items, net | | 5 | (11) | | (6) |
| Earnings (loss) from continuing operations before income taxes and equity in earnings (loss) of investee companies | (109) | (155) | 941 | | 677 |
| Benefit (provision) for income taxes | 37 | 54 | (325) | | (234) |
| Equity in earnings (loss) of investee companies, net of tax | 544 | 289 | (8) | (833) | (8) |
| Net earnings from continuing operations | 472 | 188 | 608 | (833) | 435 |
| Net earnings (loss) from discontinued operations, net of tax | | (2) | 39 | | 37 |
| Net earnings | \$ 472 | \$ 186 | \$ 647 | \$ (833) | \$ 472 |
| Comprehensive income | \$ 473 | 185 | \$ 638 | \$ (823) | \$ 473 |

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CBS CORPORATION AND SUBSIDIARIES

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

| | Statement of Operations For the Six Months Ended June 30, 2013 | | | | CBS Corp. Consolidated |
|--|---|---------------------------|---------------------------------|--------------|---------------------------|
| | CBS Corp. | CBS Operations Inc. | Non- Guarantor Affiliates | Eliminations | |
| Revenues | \$ 72 | \$ 6 | \$ 7,054 | \$ | \$ 7,132 |
| Expenses: | | | | | |
| Operating | 34 | 4 | 4,163 | | 4,201 |
| Selling, general and administrative | 31 | 141 | 1,066 | | 1,238 |
| Depreciation and amortization | 3 | 7 | 137 | | 147 |
| Total expenses | 68 | 152 | 5,366 | | 5,586 |
| Operating income (loss) | 4 | (146) | 1,688 | | 1,546 |
| Interest (expense) income, net | (229) | (180) | 225 | | (184) |
| Other items, net | (1) | 8 | (15) | | (8) |
| Earnings (loss) from continuing operations before income taxes and equity in earnings (loss) of investee companies | (226) | (318) | 1,898 | | 1,354 |
| Benefit (provision) for income taxes | 77 | 109 | (638) | | (452) |
| Equity in earnings (loss) of investee companies, net of tax | 1,064 | 577 | (17) | (1,641) | (17) |
| Net earnings from continuing operations | 915 | 368 | 1,243 | (1,641) | 885 |
| Net earnings (loss) from discontinued operations, net of tax | | (4) | 34 | | 30 |
| Net earnings | \$ 915 | \$ 364 | \$ 1,277 | \$ (1,641) | \$ 915 |
| Comprehensive income | \$ 919 | \$ 370 | \$ 1,253 | \$ (1,623) | \$ 919 |

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

| | Balance Sheet At June 30, 2014 | | | | |
|--|---|---------------------------|---------------------------------|--------------------|---------------------------|
| | CBS Corp. | CBS Operations Inc. | Non- Guarantor Affiliates | Eliminations | CBS Corp. Consolidated |
| Assets | | | | | |
| Cash and cash equivalents | \$ 44 | \$ 1 | \$ 216 | \$ | \$ 261 |
| Receivables, net | 23 | 2 | 2,977 | | 3,002 |
| Programming and other inventory | 4 | 1 | 935 | | 940 |
| Prepaid expenses and other current assets | 183 | 24 | 465 | (22) | 650 |
| Current assets of discontinued operations | | | 539 | | 539 |
| Total current assets | 254 | 28 | 5,132 | (22) | 5,392 |
| Property and equipment | 39 | 143 | 2,962 | | 3,144 |
| Less accumulated depreciation and amortization | 12 | 90 | 1,618 | | 1,720 |
| Net property and equipment | 27 | 53 | 1,344 | | 1,424 |
| Programming and other inventory | 4 | | 1,565 | | 1,569 |
| Goodwill | 98 | 62 | 6,537 | | 6,697 |
| Intangible assets | | | 6,049 | | 6,049 |
| Investments in subsidiaries | 41,502 | 11,078 | | (52,580) | |
| Other assets | 82 | 16 | 2,009 | | 2,107 |
| Intercompany | | 2,872 | 21,072 | (23,944) | |
| Assets of discontinued operations | | | 3,078 | | 3,078 |
| Total Assets | \$ 41,967 | \$ 14,109 | \$ 46,786 | \$ (76,546) | \$ 26,316 |
| Liabilities and Stockholders' Equity | | | | | |
| Accounts payable | \$ 1 | \$ 10 | \$ 137 | \$ | \$ 148 |
| Participants' share and royalties payable | | | 948 | | 948 |
| Program rights | 4 | 1 | 283 | | 288 |
| Commercial paper | 381 | | | | 381 |
| Current portion of long-term debt | 4 | | 16 | | 20 |
| Accrued expenses and other current liabilities | 319 | 208 | 800 | (22) | 1,305 |
| Current liabilities of discontinued operations | | | 231 | | 231 |
| Total current liabilities | 709 | 219 | 2,415 | (22) | 3,321 |
| Long-term debt | 5,705 | | 141 | | 5,846 |
| Other liabilities | 2,608 | 242 | 2,974 | | 5,824 |
| Liabilities of discontinued operations | | | 2,051 | | 2,051 |
| Intercompany | 23,944 | | | (23,944) | |
| Stockholders' Equity: | | | | | |

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| | | | | | |
|--|-----------|-----------|-----------|-------------|-----------|
| Preferred stock | | | 126 | (126) | |
| Common stock | 1 | 123 | 953 | (1,076) | 1 |
| Additional paid-in capital | 43,990 | | 61,678 | (61,678) | 43,990 |
| Retained earnings (deficit) | (23,983) | 13,870 | (19,146) | 5,276 | (23,983) |
| Accumulated other comprehensive income (loss) | (523) | (14) | 121 | (107) | (523) |
| | 19,485 | 13,979 | 43,732 | (57,711) | 19,485 |
| Less treasury stock, at cost | 10,484 | 331 | 4,800 | (5,131) | 10,484 |
| Total CBS Corp. Stockholders' Equity | 9,001 | 13,648 | 38,932 | (52,580) | 9,001 |
| Equity attributable to noncontrolling interest | | | 273 | | 273 |
| Total Stockholders' Equity | 9,001 | 13,648 | 39,205 | (52,580) | 9,274 |
| Total Liabilities and Stockholders' Equity | \$ 41,967 | \$ 14,109 | \$ 46,786 | \$ (76,546) | \$ 26,316 |

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CBS CORPORATION AND SUBSIDIARIES

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

| | Balance Sheet At December 31, 2013 | | | | |
|--|---------------------------------------|---------------------------|---------------------------------|--------------------|---------------------------|
| | CBS Corp. | CBS Operations Inc. | Non- Guarantor Affiliates | Eliminations | CBS Corp. Consolidated |
| Assets | | | | | |
| Cash and cash equivalents | \$ 80 | \$ 1 | \$ 287 | \$ | \$ 368 |
| Receivables, net | 30 | 2 | 3,202 | | 3,234 |
| Programming and other inventory | 4 | 2 | 766 | | 772 |
| Prepaid expenses and other current assets | 179 | 18 | 474 | (26) | 645 |
| Current assets of discontinued operations | | | 351 | | 351 |
| Total current assets | 293 | 23 | 5,080 | (26) | 5,370 |
| Property and equipment | 37 | 137 | 2,923 | | 3,097 |
| Less accumulated depreciation and amortization | 9 | 83 | 1,532 | | 1,624 |
| Net property and equipment | 28 | 54 | 1,391 | | 1,473 |
| Programming and other inventory | 5 | | 1,692 | | 1,697 |
| Goodwill | 98 | 62 | 6,536 | | 6,696 |
| Intangible assets | | | 6,064 | | 6,064 |
| Investments in subsidiaries | 40,454 | 10,415 | | (50,869) | |
| Other assets | 89 | 18 | 1,856 | | 1,963 |
| Intercompany | | 3,240 | 18,409 | (21,649) | |
| Assets of discontinued operations | | | 3,124 | | 3,124 |
| Total Assets | \$ 40,967 | \$ 13,812 | \$ 44,152 | \$ (72,544) | \$ 26,387 |
| Liabilities and Stockholders' Equity | | | | | |
| Accounts payable | \$ 1 | \$ 8 | \$ 277 | \$ | \$ 286 |
| Participants' share and royalties payable | | | 1,008 | | 1,008 |
| Program rights | 5 | 2 | 391 | | 398 |
| Commercial paper | 475 | | | | 475 |
| Current portion of long-term debt | 5 | | 15 | | 20 |
| Accrued expenses and other current liabilities | 361 | 293 | 1,138 | (26) | 1,766 |
| Current liabilities of discontinued operations | | | 254 | | 254 |
| Total current liabilities | 847 | 303 | 3,083 | (26) | 4,207 |
| Long-term debt | 5,791 | | 149 | | 5,940 |
| Other liabilities | 2,714 | 317 | 2,766 | | 5,797 |
| Liabilities of discontinued operations | | | 477 | | 477 |
| Intercompany | 21,649 | | | (21,649) | |
| Stockholders' Equity: | | | | | |
| Preferred stock | | | 126 | (126) | |
| Common stock | 1 | 123 | 953 | (1,076) | 1 |

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| | | | | | |
|---|-----------|-----------|-----------|-------------|-----------|
| Additional paid-in capital | 43,474 | | 61,678 | (61,678) | 43,474 |
| Retained earnings (deficit) | (24,890) | 13,410 | (20,406) | 6,996 | (24,890) |
| Accumulated other comprehensive income (loss) | (545) | (10) | 126 | (116) | (545) |
| | 18,040 | 13,523 | 42,477 | (56,000) | 18,040 |
| Less treasury stock, at cost | 8,074 | 331 | 4,800 | (5,131) | 8,074 |
| Total Stockholders' Equity | 9,966 | 13,192 | 37,677 | (50,869) | 9,966 |
| Total Liabilities and Stockholders' Equity | \$ 40,967 | \$ 13,812 | \$ 44,152 | \$ (72,544) | \$ 26,387 |

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CBS CORPORATION AND SUBSIDIARIES

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

| | Statement of Cash Flows For the Six Months Ended June 30, 2014 | | | | CBS Corp. Consolidated |
|--|---|---------------------------|---------------------------------|--------------|---------------------------|
| | CBS Corp. | CBS Operations Inc. | Non- Guarantor Affiliates | Eliminations | |
| Net cash flow (used for) provided by operating activities | \$ (334) | \$ (166) | \$ 1,124 | \$ | \$ 624 |
| Investing Activities: | | | | | |
| Acquisitions, net of cash acquired | | | (1) | | (1) |
| Capital expenditures | | (6) | (63) | | (69) |
| Investments in and advances to investee companies | | | (64) | | (64) |
| Proceeds from sale of investments | 1 | 1 | 1 | | 3 |
| Proceeds from dispositions | | | 5 | | 5 |
| Net cash flow provided by (used for) investing activities from continuing operations | 1 | (5) | (122) | | (126) |
| Net cash flow used for investing activities from discontinued operations | | | (23) | | (23) |
| Net cash flow provided by (used for) investing activities | 1 | (5) | (145) | | (149) |
| Financing Activities: | | | | | |
| Repayments of short-term debt borrowings, net | (94) | | | | (94) |
| Repayment of notes | (99) | | | | (99) |
| Payment of capital lease obligations | | | (8) | | (8) |
| Dividends | (145) | | | | (145) |
| Purchase of Company common stock | (2,468) | | | | (2,468) |
| Payment of payroll taxes in lieu of issuing shares for stock-based compensation | (145) | | | | (145) |
| Proceeds from exercise of stock options | 192 | | | | 192 |
| Excess tax benefit from stock-based compensation | 204 | | | | 204 |
| Increase (decrease) in intercompany | 2,852 | 171 | (3,023) | | |
| Net cash flow provided by (used for) financing activities from continuing operations | 297 | 171 | (3,031) | | (2,563) |
| Net cash flow provided by financing activities from discontinued operations | | | 2,175 | | 2,175 |
| Net cash flow provided by (used for) financing activities | 297 | 171 | (856) | | (388) |
| Net (decrease) increase in cash and cash equivalents | (36) | | 123 | | 87 |
| Cash and cash equivalents at beginning of period (includes \$29 of discontinued operations cash) | 80 | 1 | 316 | | 397 |
| Cash and cash equivalents at end of period (includes \$223 of discontinued operations cash) | \$ 44 | \$ 1 | \$ 439 | \$ | \$ 484 |

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CBS CORPORATION AND SUBSIDIARIES

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

| | Statement of Cash Flows For the Six Months Ended June 30, 2013 | | | | CBS Corp. Consolidated |
|---|---|---------------------------|---------------------------------|--------------|---------------------------|
| | CBS Corp. | CBS Operations Inc. | Non- Guarantor Affiliates | Eliminations | |
| Net cash flow (used for) provided by operating activities | \$ (579) | \$ (135) | \$ 1,765 | \$ | \$ 1,051 |
| Investing Activities: | | | | | |
| Acquisitions, net of cash acquired | | | (20) | | (20) |
| Capital expenditures | | (2) | (66) | | (68) |
| Investments in and advances to investee companies | | | (139) | | (139) |
| Proceeds from sale of investments | 15 | 1 | 2 | | 18 |
| Proceeds from dispositions | | | 1 | | 1 |
| Net cash flow provided by (used for) investing activities from continuing operations | 15 | (1) | (222) | | (208) |
| Net cash flow used for investing activities from discontinued operations | | | (22) | | (22) |
| Net cash flow provided by (used for) investing activities | 15 | (1) | (244) | | (230) |
| Financing Activities: | | | | | |
| 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) | | |
| Net cash flow provided by (used for) financing activities | 352 | 136 | (1,735) | | (1,247) |
| Net decrease in cash and cash equivalents | (212) | | (214) | | (426) |
| Cash and cash equivalents at beginning of period (includes \$21 of discontinued operations cash) | 254 | 1 | 453 | | 708 |
| Cash and cash equivalents at end of period (includes \$18 of discontinued operations cash) | \$ 42 | \$ 1 | \$ 239 | \$ | \$ 282 |

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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, 2013.

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, consumer publishing, television and radio stations and interactive businesses. 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 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, 2014, the Company's diluted earnings per share ("EPS") remained flat at \$.76 compared to the same prior-year period. Adjusted diluted EPS from continuing operations increased \$.03, or 4%, to \$.78 for the second quarter of 2014 compared to \$.75 for the second quarter of 2013, reflecting lower weighted average shares outstanding due to the Company's ongoing share repurchases, which was partially offset by a decline in operating income. Adjusted diluted EPS from continuing operations assumes the 44.7 million shares of the Company's stock acquired on July 16, 2014 in connection with the split-off of CBS Outdoor Americas Inc. ("Outdoor Americas") were received at the beginning of all periods presented. Adjusted diluted EPS from continuing operations is a non-GAAP financial measure. The Company believes that the presentation of adjusted diluted EPS from continuing operations is meaningful because the weighted average number of common shares outstanding, on an adjusted basis, and net earnings from continuing operations are both on a post-split-off basis. See "Reconciliation of Non-GAAP Financial Information" on pages 39 - 41.

Revenues of \$3.19 billion for the second quarter of 2014 decreased 5%, reflecting the absence of the national semifinal games of the *NCAA Division I Men's Basketball Championship* ("NCAA Tournament") on CBS during the second quarter of 2014, as well as softness in the overall advertising marketplace. Content licensing and distribution revenues decreased 9%, primarily reflecting lower television licensing revenues, while affiliate and subscription fee revenues increased 7%, reflecting increases in cable affiliate fees, retransmission revenues and fees received from CBS Television Network's affiliated television stations ("station affiliation fees"). Operating income of \$730 million for the second quarter of 2014 decreased 6% from \$775 million for the same prior-year period, driven by the decrease in revenues.

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

For the six months ended June 30, 2014, the Company's diluted EPS of \$1.54 increased \$.09, or 6%, from \$1.45 for the same prior-year period and adjusted diluted EPS from continuing operations of \$1.61 for the six months ended June 30, 2014 increased \$.10, or 7%, compared to \$1.51 for the comparable prior-year period. These increases primarily reflect lower weighted average shares outstanding due to the Company's ongoing share repurchases. The revenue comparison for the first six months of 2014 was negatively impacted by the Super Bowl broadcast on the CBS Television Network in 2013, as well as four fewer NCAA Tournament games broadcast on CBS during 2014. Revenues for the six months ended June 30, 2014 of \$6.76 billion decreased 5% compared to the same prior-year period with the entire decrease attributable to the aforementioned noncomparable items. Underlying results reflect 8% growth from affiliate and subscription fee revenues, which was partially offset by a decline in advertising revenues. Operating income of \$1.52 billion for the six months ended June 30, 2014 decreased 2% from \$1.55 billion for the same prior-year period reflecting the revenue decline, which was substantially offset by lower sport programing costs.

During the second quarter of 2014, the Company repurchased 7.0 million shares of its Class B Common Stock for \$411 million, at an average cost of \$58.65 per share, and also received 4.9 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 2014. During the six months ended June 30, 2014, the Company repurchased 38.5 million shares of its Class B Common Stock for \$2.41 billion, at an average cost of \$62.67 per share, leaving \$3.02 billion of authorization remaining at June 30, 2014.

On August 7, 2014, the Company announced an increase in the amount available under its share repurchase program from \$3.0 billion to \$6.0 billion, as well as a 25% increase in the quarterly cash dividend on the Company's common stock from \$.12 to \$.15 per share. This dividend is payable on October 1, 2014, to shareholders of record on September 10, 2014.

Free cash flow for the six months ended June 30, 2014 was \$524 million compared to \$941 million for the same prior-year period. The Company generated operating cash flow from continuing operations of \$593 million for the six months ended June 30, 2014 versus \$1.01 billion for the comparable prior-year period. These decreases reflect higher payments for sports programming resulting from the timing of payments under the Company's new agreement with the National Football League ("NFL") and the addition of Thursday night NFL games on CBS beginning in September 2014, as well as the benefit to 2013 from CBS's Super Bowl broadcast. Free cash flow is a non-GAAP financial measure. See "Reconciliation of Non-GAAP Financial Information" on pages 39 - 41 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.

On April 2, 2014, Outdoor Americas completed an initial public offering ("IPO") through which it sold 23.0 million shares, or approximately 19%, of its common stock for \$28.00 per share. Proceeds from the IPO aggregated \$615 million, net of underwriting discounts and commissions. On July 16, 2014, the Company completed the disposition of its approximately 81% ownership of Outdoor Americas common stock through a tax-free split-off. In connection with this transaction, the Company accepted 44.7 million shares of CBS Corp. Class B Common Stock from its stockholders in exchange for the 97.0 million shares of Outdoor Americas common stock that it owned. As a result, Outdoor Americas has been presented as a discontinued operation in the Company's consolidated financial statements for all periods presented.

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

Consolidated Results of Operations**Three and Six Months Ended June 30, 2014 versus Three and Six Months Ended June 30, 2013***Revenues*

The following tables present the Company's consolidated revenues by type for the three and six months ended June 30, 2014 and 2013.

| Revenues by Type | Three Months Ended June 30, | | | | | |
|---------------------------------------|-----------------------------|------------------------|-----------------|------------------------|---------------------|-------------|
| | 2014 | Percentage of Total | 2013 | Percentage of Total | Increase/(Decrease) | |
| | \$ | | \$ | | \$ | % |
| Advertising | \$ 1,636 | 51% | \$ 1,760 | 52% | \$ (124) | (7)% |
| Content licensing and distribution | 903 | 28 | 997 | 30 | (94) | (9) |
| Affiliate and subscription fees | 586 | 19 | 549 | 16 | 37 | 7 |
| Other | 63 | 2 | 63 | 2 | | |
| Total Revenues | \$ 3,188 | 100% | \$ 3,369 | 100% | \$ (181) | (5)% |

| Revenues by Type | Six Months Ended June 30, | | | | | |
|---------------------------------------|---------------------------|------------------------|-----------------|------------------------|---------------------|-------------|
| | 2014 | Percentage of Total | 2013 | Percentage of Total | Increase/(Decrease) | |
| | \$ | | \$ | | \$ | % |
| Advertising | \$ 3,509 | 52% | \$ 3,939 | 55% | \$ (430) | (11)% |
| Content licensing and distribution | 1,976 | 29 | 2,005 | 28 | (29) | (1) |
| Affiliate and subscription fees | 1,153 | 17 | 1,068 | 15 | 85 | 8 |
| Other | 120 | 2 | 120 | 2 | | |
| Total Revenues | \$ 6,758 | 100% | \$ 7,132 | 100% | \$ (374) | (5)% |

Advertising revenues for the three months ended June 30, 2014 decreased \$124 million, or 7%, to \$1.64 billion principally driven by the second quarter broadcast of the two semifinals games of the NCAA Tournament on CBS in 2013, but on Turner Broadcasting System, Inc. ("Turner") in 2014, as well as a sluggish advertising market. For the six months ended June 30, 2014, advertising revenues decreased \$430 million, or 11%, to \$3.51 billion as comparability was impacted by the CBS Television Network's 2013 broadcast of the Super Bowl, which is broadcast on the CBS Television Network once every three years, and two regional final games and the two national semifinals games of the NCAA Tournament, which were broadcast on CBS in 2013, but by Turner in 2014. These noncomparable items negatively impacted the advertising revenue comparison by nine percentage points.

Advertising revenues in the second half of 2014 are expected to benefit from increased political advertising spending for mid-term elections and the broadcast of eight additional NFL games on CBS during 2014, mainly on Thursday nights. The Company recently concluded its upfront advertising sales season for the 2014/2015 television broadcast season, during which a significant portion of advertising spots for CBS Television Network's non-sports programming is sold. Compared to the prior season, the upfront sales included pricing increases for the upcoming season, which runs from the middle of September 2014 through the middle of September 2015, with lower overall volume, resulting in more advertising spots available in the scatter advertising market, when advertisers purchase the remaining advertising spots closer to the

broadcast of the related programming. Overall advertising revenues for

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the Company will be dependent on ratings for its programming and demand in the overall advertising marketplace.

Content licensing and distribution revenues for the three months ended June 30, 2014 decreased \$94 million, or 9%, to \$903 million principally due to the timing of licensing the Company's television programming. For the six months ended June 30, 2014, content licensing and distribution revenues decreased \$29 million, or 1%, to \$1.98 billion reflecting lower syndication revenues which was offset by an increase in revenues from the licensing of television programming for digital streaming. Content licensing and distribution revenues for the remainder of 2014 are expected to benefit from the first-cycle domestic syndication availability of *Hawaii Five-O*; however, revenue comparisons to 2013 may be impacted by fluctuations resulting from the timing of the availability of television series for multi-year licensing agreements, as television license fee revenues are recognized at the beginning of the license period in which programs are made available for exhibition.

Affiliate and subscription fees increased \$37 million, or 7%, to \$586 million for the three months ended June 30, 2014 and for the six months ended June 30, 2014 increased \$85 million, or 8%, to \$1.15 billion. These increases were principally driven by growth in retransmission revenues, station affiliation fees and Cable Networks affiliate fees. The increase in Cable Networks affiliate fees reflects rate increases at Showtime Networks, CBS Sports Network and Smithsonian Networks as well as growth in telecommunications ("Telco") subscriptions. For the remainder of 2014, the Company expects continued growth in retransmission revenues, station affiliation fees and cable affiliate fees, however, quarterly comparisons will fluctuate based on the timing of pay-per-view boxing events.

International Revenues

The Company generated approximately 12% and 18% of its total revenues from international regions for the three months ended June 30, 2014 and 2013, respectively, and generated approximately 14% and 15% of its total revenues from international regions for the six months ended June 30, 2014 and 2013, respectively.

Operating Expenses

The following tables present the Company's consolidated operating expenses by type for the three and six months ended June 30, 2014 and 2013.

| Operating Expenses by Type | Three Months Ended June 30, | | | | | |
|---|-----------------------------|------------------------|-----------------|------------------------|---------------------|-------------|
| | 2014 | Percentage of Total | 2013 | Percentage of Total | Increase/(Decrease) | |
| | \$ | | \$ | | \$ | % |
| Programming | 558 | 31% | 644 | 34% | (86) | (13)% |
| Production | 556 | 31 | 587 | 31 | (31) | (5) |
| Participation, distribution and royalty | 311 | 17 | 285 | 15 | 26 | 9 |
| Other | 373 | 21 | 376 | 20 | (3) | (1) |
| Total Operating Expenses | \$ 1,798 | 100% | \$ 1,892 | 100% | (94) | (5)% |

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| Operating Expenses by Type | Six Months Ended June 30, | | | | | |
|---|---------------------------|------------------------|-----------------|------------------------|---------------------|-------------|
| | 2014 | Percentage of Total | 2013 | Percentage of Total | Increase/(Decrease) | |
| | \$ | | \$ | | \$ | % |
| Programming | 1,405 | 36% | 1,646 | 39% | (241) | (15)% |
| Production | 1,187 | 30 | 1,236 | 29 | (49) | (4) |
| Participation, distribution and royalty | 606 | 16 | 583 | 14 | 23 | 4 |
| Other | 721 | 18 | 736 | 18 | (15) | (2) |
| Total Operating Expenses | \$ 3,919 | 100% | \$ 4,201 | 100% | (282) | (7)% |

Programming expenses for the three months ended June 30, 2014 decreased \$86 million, or 13%, to \$558 million from \$644 million for the same prior-year period, driven by lower sports programming costs as the two national semifinal games of the NCAA Tournament were broadcast on the CBS Television Network in 2013, but not in 2014, and lower acquired television programming costs. For the six months ended June 30, 2014, programming expenses decreased \$241 million, or 15%, to \$1.41 billion from \$1.65 billion for the same prior-year period, primarily reflecting lower sports programming costs associated with the CBS Television Network's 2013 broadcast of the Super Bowl and the broadcast of four fewer NCAA Tournament games on the CBS Television Network in 2014. These decreases were partially offset by a higher investment in acquired television programming. During the second half of 2014, sports programming expenses are expected to be higher reflecting the broadcast of eight additional NFL games on CBS, mainly on Thursday nights, as well as increases associated with the Company's new agreement with the NFL.

Production expenses decreased \$31 million, or 5%, to \$556 million for the three months ended June 30, 2014 and decreased \$49 million, or 4%, to \$1.19 billion for the six months ended June 30, 2014, primarily reflecting lower costs associated with the decrease in revenues from the licensing of television programming. The decrease for the six-month period is also driven by lower production costs associated with the mix of titles licensed under television licensing arrangements.

Participation, distribution and royalty expenses for the three months ended June 30, 2014 increased \$26 million, or 9%, to \$311 million and for the six months ended June 30, 2014, increased \$23 million, or 4%, to \$606 million compared with the same prior-year periods. These increases were principally due to higher participations associated with the mix of titles licensed under television licensing arrangements.

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, decreased \$40 million, or 6%, to \$589 million for the three months ended June 30, 2014, and decreased \$62 million, or 5%, to \$1.18 billion for the six months ended June 30, 2014. These decreases primarily reflected lower compensation expense, including lower stock-based compensation driven by changes in the Company's stock price. SG&A expenses as a percentage of revenues for the three and six months ended June 30, 2014 were 18% and 17%, respectively, versus 19% and 17% for the same prior-year periods.

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Depreciation and Amortization

For the three months ended June 30, 2014, depreciation and amortization decreased \$2 million, or 3%, to \$71 million and for the six months ended June 30, 2014, depreciation and amortization decreased \$5 million, or 3%, to \$142 million.

Interest Expense

For the three months ended June 30, 2014, interest expense remained flat at \$94 million and for the six months ended June 30, 2014, interest expense decreased \$1 million, or 1%, to \$187 million compared to the same prior-year periods. The Company had \$5.87 billion of long-term debt outstanding at June 30, 2014 and \$5.97 billion of long-term debt outstanding at June 30, 2013 at weighted average interest rates of 5.9% and 6.0%, respectively. At June 30, 2014 and June 30, 2013, the Company also had outstanding commercial paper of \$381 million and \$453 million, respectively, each at a weighted average interest rate of 0.3%.

Interest Income

For the three months ended June 30, 2014, interest income increased \$1 million to \$3 million and for the six months ended June 30, 2014, interest income increased \$2 million to \$6 million.

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 was \$217 million for the three months ended June 30, 2014 and \$234 million for the three months ended June 30, 2013, reflecting an effective income tax rate of 33.6% and 34.6%, respectively. For the six months ended June 30, 2014, the provision for income taxes was \$451 million compared to \$452 million for the six months ended June 30, 2013, reflecting an effective income tax rate of 33.4% for both the six months ended June 30, 2014 and 2013.

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, 2014, equity in loss of investee companies, net of tax, increased \$2 million to a loss of \$10 million and for the six months ended June 30, 2014, increased \$3 million to a loss of \$20 million compared to the same prior-year periods.

Net Earnings from Continuing Operations and Diluted EPS from Continuing Operations

Net earnings from continuing operations of \$418 million for the three months ended June 30, 2014 decreased \$17 million, or 4%, versus \$435 million for the same prior-year period and net earnings from continuing operations of \$880 million for the six months ended June 30, 2014 decreased \$5 million, or 1%, versus \$885 million for the same prior-year period. These decreases were driven by the decline in operating income. Diluted EPS from continuing operations increased \$.02 to \$.72 for the second quarter of 2014 and increased \$.09 to \$1.49 for the six months ended June 30, 2014 compared to the same prior-year periods, reflecting lower weighted average shares outstanding resulting from the Company's share repurchase program.

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Net Earnings from Discontinued Operations

On July 16, 2014, the Company completed the disposition of its 81% ownership of Outdoor Americas common stock through a tax-free split-off. As a result, Outdoor Americas has been presented as a discontinued operation in the Company's consolidated financial statements for all periods presented.

During 2013, the Company completed the sale of Outdoor Europe which has been presented as a discontinued operation in the Company's consolidated financial statements.

The following table sets forth details of the net earnings from discontinued operations. For the three and six months ended June 30, 2014 and 2013, net earnings from discontinued operations included the operating results of Outdoor Americas. For the three and six months ended June 30, 2013, net earnings from discontinued operations also included the operating results of Outdoor Europe.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|--------|---------------------------|--------|
| | 2014 | 2013 | 2014 | 2013 |
| Revenues from discontinued operations | \$ 334 | \$ 472 | \$ 622 | \$ 874 |
| Earnings from discontinued operations | \$ 40 | \$ 53 | \$ 54 | \$ 45 |
| Income tax provision | (14) | (16) | (22) | (15) |
| Net earnings from discontinued operations, net of tax | 26 | 37 | 32 | 30 |
| Less: Net earnings from discontinued operations attributable to noncontrolling interest, net of tax | 5 | | 5 | |
| Net earnings from discontinued operations attributable to CBS Corp. | \$ 21 | \$ 37 | \$ 27 | \$ 30 |

Net Earnings and Diluted EPS

For the three months ended June 30, 2014, net earnings of \$439 million decreased \$33 million, or 7%, from \$472 million for the same prior-year period and diluted EPS remained flat at \$.76 per diluted share for the three months ended June 30, 2014 compared to the same prior-year period. For the six months ended June 30, 2014, net earnings of \$907 million decreased 1% from \$915 million for the same prior-year period, and diluted EPS of \$1.54 per diluted share increased \$.09, or 6%, from \$1.45 per diluted share for the same prior-year period.

Reconciliation of Non-GAAP Financial Information*Adjusted Diluted EPS from Continuing Operations*

The following table sets forth adjusted diluted EPS from continuing operations for the three and six months ended June 30, 2014 and 2013, and diluted EPS from continuing operations, the most directly comparable GAAP measure. Adjusted diluted EPS from continuing operations assumes that the split-off of Outdoor Americas occurred at the beginning of all periods presented and therefore assumes a 45 million reduction to the weighted average number of common shares outstanding. Management believes that the presentation of adjusted diluted EPS from continuing operations is meaningful because the weighted average number of common shares outstanding, on an adjusted basis, and net earnings from continuing operations are both on a post-split-off basis.

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| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|--------|------------------------------|---------|
| | 2014 | 2013 | 2014 | 2013 |
| Net earnings from continuing operations | \$ 418 | \$ 435 | \$ 880 | \$ 885 |
| Diluted EPS from continuing operations | \$.72 | \$.70 | \$ 1.49 | \$ 1.40 |
| Weighted average number of diluted common shares outstanding | 581 | 624 | 590 | 631 |
| Adjusted diluted EPS from continuing operations ^(a) | \$.78 | \$.75 | \$ 1.61 | \$ 1.51 |
| Adjusted weighted average number of diluted common shares outstanding | 536 | 579 | 545 | 586 |

(a) Adjusted diluted EPS from continuing operations is calculated as net earnings from continuing operations divided by adjusted weighted average number of diluted common shares outstanding.

Free Cash Flow

Free cash flow is a non-GAAP financial measure. Free cash flow reflects the Company's net cash flow provided by (used for) operating activities before operating cash flow from discontinued operations and 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.

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

| | Six Months Ended June 30, | |
|---|------------------------------|----------|
| | 2014 | 2013 |
| Net cash flow provided by operating activities | \$ 624 | \$ 1,051 |
| Capital expenditures | (69) | (68) |
| Exclude net cash flow provided by operating activities from discontinued operations | 31 | 42 |
| Free cash flow | \$ 524 | \$ 941 |

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, 2014 and 2013. 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 is presented in Note 13 (Reportable Segments) to the consolidated financial statements.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|------------------------|--------------------------------|-----------------|------------------------------|-----------------|
| | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | |
| Entertainment | \$ 1,835 | \$ 2,008 | \$ 4,138 | \$ 4,547 |
| Cable Networks | 516 | 518 | 1,053 | 996 |
| Publishing | 211 | 189 | 364 | 360 |
| Local Broadcasting | 665 | 698 | 1,291 | 1,336 |
| Corporate/Eliminations | (39) | (44) | (88) | (107) |
| Total Revenues | \$ 3,188 | \$ 3,369 | \$ 6,758 | \$ 7,132 |

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| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|---------------|------------------------------|-----------------|
| | 2014 | 2013 | 2014 | 2013 |
| Segment OIBDA: | | | | |
| Entertainment | \$ 376 | \$ 429 | \$ 833 | \$ 909 |
| Cable Networks | 219 | 207 | 478 | 438 |
| Publishing | 24 | 21 | 37 | 33 |
| Local Broadcasting | 238 | 255 | 438 | 454 |
| Corporate | (56) | (64) | (123) | (141) |
| Total Segment OIBDA | 801 | 848 | 1,663 | 1,693 |
| Depreciation and amortization | (71) | (73) | (142) | (147) |
| Total Operating Income | \$ 730 | \$ 775 | \$ 1,521 | \$ 1,546 |
| Operating Income (Loss): | | | | |
| Entertainment | \$ 341 | \$ 391 | \$ 761 | \$ 831 |
| Cable Networks | 213 | 202 | 467 | 429 |
| Publishing | 23 | 20 | 34 | 30 |
| Local Broadcasting | 215 | 234 | 394 | 410 |
| Corporate | (62) | (72) | (135) | (154) |
| Total Operating Income | \$ 730 | \$ 775 | \$ 1,521 | \$ 1,546 |
| Depreciation and Amortization: | | | | |
| Entertainment | \$ 35 | \$ 38 | \$ 72 | \$ 78 |
| Cable Networks | 6 | 5 | 11 | 9 |
| Publishing | 1 | 1 | 3 | 3 |
| Local Broadcasting | 23 | 21 | 44 | 44 |
| Corporate | 6 | 8 | 12 | 13 |
| Total Depreciation and Amortization | \$ 71 | \$ 73 | \$ 142 | \$ 147 |

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

(Contributed 58% and 61% to consolidated revenues for the three and six months ended June 30, 2014, respectively, versus 60% and 64% for the comparable prior-year periods and 47% and 50% to consolidated operating income for the three and six months ended June 30, 2014, respectively, versus 50% and 54% for the comparable prior-year periods.)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|-------------------------------------|--------------------------------|----------|------------------------------|----------|
| | 2014 | 2013 | 2014 | 2013 |
| Revenues | \$ 1,835 | \$ 2,008 | \$ 4,138 | \$ 4,547 |
| Segment OIBDA | \$ 376 | \$ 429 | \$ 833 | \$ 909 |
| Depreciation and amortization | (35) | (38) | (72) | (78) |
| Operating income | \$ 341 | \$ 391 | \$ 761 | \$ 831 |
| Segment OIBDA as a % of revenues | 20% | 21% | 20% | 20% |
| Operating income as a % of revenues | 19% | 19% | 18% | 18% |
| Capital expenditures | \$ 20 | \$ 24 | \$ 37 | \$ 43 |

Three Months Ended June 30, 2014 and 2013

For the three months ended June 30, 2014, Entertainment revenues decreased \$173 million, or 9%, to \$1.84 billion from \$2.01 billion for the same prior-year period reflecting a 13% decrease in content licensing and distribution revenues, driven by the timing of the Company's syndication sales, and lower advertising revenues, partially offset by growth in affiliate and subscription fee revenues. Advertising revenues decreased 7% reflecting the broadcast of two fewer NCAA Tournament games by the CBS Television Network in 2014, as well as softness in the marketplace.

For the three months ended June 30, 2014, Entertainment OIBDA decreased \$53 million, or 12%, to \$376 million from \$429 million for the same prior-year period, driven by the decline in revenue.

Six Months Ended June 30, 2014 and 2013

For the six months ended June 30, 2014, Entertainment revenues decreased \$409 million, or 9%, to \$4.14 billion from \$4.55 billion for the same prior-year period reflecting lower advertising revenues and content licensing and distribution revenues, partially offset by growth in affiliate and subscription fee revenues. Advertising revenues decreased 14%, mainly driven by the CBS Television Network's 2013 broadcast of the Super Bowl, which is broadcast on CBS once every three years, and four fewer NCAA Tournament games broadcast on CBS in the first half of 2014. Content licensing and distribution revenues decreased 3%, reflecting the timing of television licensing revenues which resulted in lower syndication revenues, partially offset by an increase in revenues from the licensing of television programming for digital streaming.

For the six months ended June 30, 2014, Entertainment OIBDA decreased \$76 million, or 8%, to \$833 million from \$909 million for the same prior-year period, primarily reflecting the absence of profits associated with the 2013 broadcast of the Super Bowl and softness in the advertising marketplace.

For the remainder of 2014, results are expected to benefit from incremental affiliate and subscription fees and revenues from the first-cycle domestic availability of *Hawaii Five-0*. Beginning in the third

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quarter of 2014, comparability will be impacted by revenue growth and cost increases associated with the broadcast of eight additional NFL games on CBS, mainly on Thursday nights.

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

(Contributed 16% to consolidated revenues for both three and six months ended June 30, 2014 versus 15% and 14% for the comparable prior-year periods and 29% and 31% to consolidated operating income for the three and six months ended June 30, 2014, respectively, versus 26% and 28% for the comparable prior-year periods.)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|-------------------------------------|-----------------------------|--------|---------------------------|--------|
| | 2014 | 2013 | 2014 | 2013 |
| Revenues | \$ 516 | \$ 518 | \$ 1,053 | \$ 996 |
| Segment OIBDA | \$ 219 | \$ 207 | \$ 478 | \$ 438 |
| Depreciation and amortization | (6) | (5) | (11) | (9) |
| Operating income | \$ 213 | \$ 202 | \$ 467 | \$ 429 |
| Segment OIBDA as a % of revenues | 42% | 40% | 45% | 44% |
| Operating income as a % of revenues | 41% | 39% | 44% | 43% |
| Capital expenditures | \$ 3 | \$ 2 | \$ 5 | \$ 4 |

Three Months Ended June 30, 2014 and 2013

For the three months ended June 30, 2014, Cable Networks revenues decreased \$2 million to \$516 million from \$518 million for the same prior-year period, primarily driven by a decrease associated with the timing of international licensing revenues offset by growth in affiliate revenues. The increase in affiliate revenues reflects rate increases at Showtime Networks, CBS Sports Network and Smithsonian Networks, as well as growth in Telco subscriptions. As of June 30, 2014 subscriptions totaled 76 million for Showtime Networks (including *Showtime*, *The Movie Channel* and *Flix*), 55 million for CBS Sports Network and 30 million for Smithsonian Networks.

For the three months ended June 30, 2014, Cable Networks OIBDA increased \$12 million, or 6%, to \$219 million from \$207 million for the same prior-year period primarily due to growth in affiliate revenues and lower programming costs.

Six Months Ended June 30, 2014 and 2013

For the six months ended June 30, 2014, Cable Networks revenues increased \$57 million, or 6%, to \$1.05 billion from \$996 million for the same prior-year period primarily driven by higher affiliate revenues reflecting rate increases and growth in Telco subscriptions. Revenue growth also reflects higher licensing revenues from the digital streaming of Showtime original series, mainly *Dexter*, and revenues from the distribution of one additional pay-per-view boxing event in 2014 compared to 2013.

For the six months ended June 30, 2014, Cable Networks OIBDA increased \$40 million, or 9%, to \$478 million from \$438 million for the same prior-year period, primarily due to the revenue growth partially offset by higher programming costs.

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Publishing (*Simon & Schuster*)

(Contributed 7% and 5% to consolidated revenues for the three and six months ended June 30, 2014, respectively, versus 6% and 5% for the comparable prior-year periods and 3% and 2% to consolidated operating income for each of the three and six months ended June 30, 2014 and 2013, respectively.)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|-------------------------------------|-----------------------------|--------|---------------------------|--------|
| | 2014 | 2013 | 2014 | 2013 |
| Revenues | \$ 211 | \$ 189 | \$ 364 | \$ 360 |
| Segment OIBDA | \$ 24 | \$ 21 | \$ 37 | \$ 33 |
| Depreciation and amortization | (1) | (1) | (3) | (3) |
| Operating income | \$ 23 | \$ 20 | \$ 34 | \$ 30 |
| Segment OIBDA as a % of revenues | 11% | 11% | 10% | 9% |
| Operating income as a % of revenues | 11% | 11% | 9% | 8% |
| Capital expenditures | \$ 1 | \$ 1 | \$ 1 | \$ 1 |

Three Months Ended June 30, 2014 and 2013

For the three months ended June 30, 2014, Publishing revenues increased \$22 million, or 12%, to \$211 million from \$189 million for the same prior-year period primarily driven by higher print book sales. Digital book sales represented 25% of Publishing's total revenues for the second quarter of 2014. Best-selling titles in the second quarter included *Hard Choices* by Hillary Rodham Clinton and *City of Heavenly Fire* by Cassandra Clare.

For the three months ended June 30, 2014, Publishing OIBDA increased \$3 million, or 14%, to \$24 million from \$21 million for the same prior-year period. This increase was primarily due to the revenue growth which was partially offset by higher royalty costs.

Six Months Ended June 30, 2014 and 2013

For the six months ended June 30, 2014, Publishing revenues increased \$4 million, or 1%, to \$364 million from \$360 million for the same prior-year period mainly reflecting higher revenues from distribution services.

For the six months ended June 30, 2014, Publishing OIBDA increased \$4 million, or 12%, to \$37 million from \$33 million for the same prior-year period, principally reflecting the growth in revenues.

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

(Contributed 21% to consolidated revenues for each of the three months ended June 30, 2014 and 2013 and 19% to consolidated revenues for each of the six months ended June 30, 2014 and 2013, and 29% and 26% to consolidated operating income for the three and six months ended June 30, 2014, respectively, versus 30% and 27% for the comparable prior-year periods.)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|-------------------------------------|-----------------------------|--------|---------------------------|----------|
| | 2014 | 2013 | 2014 | 2013 |
| Revenues | \$ 665 | \$ 698 | \$ 1,291 | \$ 1,336 |
| Segment OIBDA | \$ 238 | \$ 255 | \$ 438 | \$ 454 |
| Depreciation and amortization | (23) | (21) | (44) | (44) |
| Operating income | \$ 215 | \$ 234 | \$ 394 | \$ 410 |
| Segment OIBDA as a % of revenues | 36% | 37% | 34% | 34% |
| Operating income as a % of revenues | 32% | 34% | 31% | 31% |
| Capital expenditures | \$ 12 | \$ 12 | \$ 20 | \$ 18 |

Three Months Ended June 30, 2014 and 2013

For the three months ended June 30, 2014, Local Broadcasting revenues decreased \$33 million, or 5%, to \$665 million from \$698 million for the same prior-year period, mainly reflecting softness in the advertising marketplace, partially offset by an increase in affiliate and subscription fee revenues. CBS Television Stations revenues decreased 6% with three percentage points of the decrease attributable to the nonrenewal of a sports programming contract and the absence of the broadcast of the semifinals of the NCAA Tournament on CBS in 2014. CBS Radio revenues were down 3%.

For the three months ended June 30, 2014, Local Broadcasting OIBDA decreased \$17 million, or 7%, to \$238 million from \$255 million for the same prior-year period, primarily reflecting the decrease in revenues which was partially offset by lower programming costs.

Six Months Ended June 30, 2014 and 2013

For the six months ended June 30, 2014, Local Broadcasting revenues decreased \$45 million, or 3%, to \$1.29 billion from \$1.34 billion for the same prior-year period. CBS Television Stations revenues decreased 5%, primarily driven by the benefit to 2013 from the Super Bowl broadcast on CBS, the broadcast of four fewer NCAA Tournament games on CBS during 2014 compared to 2013, and softness in the advertising marketplace, partially offset by higher affiliate and subscription fee revenues. CBS Radio revenues decreased 1%.

For the six months ended June 30, 2014, Local Broadcasting OIBDA decreased \$16 million, or 4%, to \$438 million from \$454 million for the same prior-year period, reflecting the decline in revenues, partially offset by lower programming costs, mainly for sports.

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(Tabular dollars in millions, except per share amounts)

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, 2014, corporate expenses decreased \$10 million, or 14%, to \$62 million from \$72 million for the same prior-year period, and for the six months ended June 30, 2014, corporate expenses decreased \$19 million, or 12%, to \$135 million from \$154 million for the same prior-year period. These decreases principally reflected lower compensation, including a decline in stock-based compensation associated with changes in the Company's stock price.

Financial Position

Current assets increased by \$22 million to \$5.39 billion at June 30, 2014 from \$5.37 billion at December 31, 2013, primarily due to an increase in cash of \$87 million, including both continuing and discontinued operations, and higher prepaid program rights from the timing of payments for sports programming, partially offset by a decrease associated with the broadcast of entertainment programs and a decrease in receivables reflecting the seasonality of the Company's businesses. The allowance for doubtful accounts as a percentage of receivables was 1.8% at both June 30, 2014 and December 31, 2013.

Net property and equipment of \$1.42 billion at June 30, 2014 decreased \$49 million from \$1.47 billion at December 31, 2013, primarily reflecting depreciation expense of \$125 million, partially offset by capital expenditures of \$69 million.

Other assets increased by \$144 million to \$2.11 billion at June 30, 2014 from \$1.96 billion at December 31, 2013, primarily reflecting an increase in long-term receivables associated with revenues from television licensing agreements.

Current liabilities decreased by \$886 million to \$3.32 billion at June 30, 2014 from \$4.21 billion at December 31, 2013, primarily driven by decreases in accounts payable and accrued compensation from the timing of payments, lower television programming liabilities from the seasonality of the Company's business, a decline in deferred revenues and lower commercial paper borrowings.

Long-term debt decreased \$94 million to \$5.85 billion at June 30, 2014 from \$5.94 billion at December 31, 2013 reflecting the redemption of the Company's outstanding 8.875% senior notes upon maturity.

Other liabilities decreased \$62 million to \$3.09 billion at June 30, 2014 from \$3.16 billion at December 31, 2013, primarily driven by lower residual liabilities of previously disposed businesses.

Liabilities of discontinued operations increased \$1.57 billion to \$2.05 billion at June 30, 2014 from \$477 million at December 31, 2013, primarily reflecting Outdoor Americas' long-term debt borrowings in 2014.

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

Cash Flows

Cash and cash equivalents increased by \$87 million for the six months ended June 30, 2014 and decreased by \$426 million for the six months ended June 30, 2013. The changes in cash and cash equivalents were as follows:

| | Six Months Ended June 30, | |
|---|------------------------------|----------|
| | 2014 | 2013 |
| Cash provided by operating activities from: | | |
| Continuing operations | \$ 593 | \$ 1,009 |
| Discontinued operations | 31 | 42 |
| Cash provided by operating activities | 624 | 1,051 |
| Cash used for investing activities from: | | |
| Continuing operations | (126) | (208) |
| Discontinued operations | (23) | (22) |
| Cash used for investing activities | (149) | (230) |
| Cash (used for) provided by financing activities from: | | |
| Continuing operations | (2,563) | (1,247) |
| Discontinued operations | 2,175 | |
| Cash used for financing activities | (388) | (1,247) |
| Net increase (decrease) in cash and cash equivalents | \$ 87 | \$ (426) |

Operating Activities. For the six months ended June 30, 2014 cash provided by operating activities from continuing operations decreased \$416 million to \$593 million from \$1.01 billion for the same prior-year period reflecting higher payments for sports programming resulting from the timing of payments under the Company's new agreement with the NFL and the addition of Thursday night NFL games on CBS beginning in September 2014, as well as the benefit to 2013 from CBS's Super Bowl broadcast. Included in operating cash flows for 2013 is a pension contribution of \$150 million to pre-fund the Company's qualified pension plans.

Investing Activities. Cash used for investing activities from continuing operations of \$126 million for the six months ended June 30, 2014 principally reflected capital expenditures of \$69 million and investments in investee companies of \$64 million, primarily in domestic and international television joint ventures. Cash used for investing activities from continuing operations of \$208 million for the six months ended June 30, 2013 principally reflected capital expenditures of \$68 million and investments in investee companies of \$139 million, mainly for the Company's investment in TVGN (TV Guide Network) as well as its other domestic and international television joint ventures.

Financing Activities. Cash used for financing activities from continuing operations of \$2.56 billion for the six months ended June 30, 2014 principally reflected the repurchase of CBS Corp. Class B Common Stock for \$2.47 billion and dividend payments of \$145 million. Cash used for financing activities from continuing operations 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 vests of \$139 million, partially offset by proceeds from short-term borrowings of \$452 million.

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

Cash provided by financing activities from discontinued operations of \$2.18 billion for the six months ended June 30, 2014 principally reflected net proceeds from Outdoor Americas long-term debt borrowings and IPO.

Repurchase of Company Stock and Cash Dividends

During the second quarter of 2014, the Company repurchased 7.0 million shares of its Class B Common Stock for \$411 million, at an average cost of \$58.65 per share, and also received 4.9 million shares of its Class B Common Stock upon the settlement of an ASR transaction that was initiated during the first quarter of 2014. During the six months ended June 30, 2014, the Company repurchased 38.5 million shares of its Class B Common Stock for \$2.41 billion, at an average cost of \$62.67 per share, leaving \$3.02 billion of authorization remaining at June 30, 2014.

On August 7, 2014, the Company announced an increase in the amount available under its share repurchase program from \$3.0 billion to \$6.0 billion.

During the second quarter of 2014, the Company declared a quarterly cash dividend of \$.12 per share on its Class A and Class B Common Stock payable on July 1, 2014. The total dividend was \$69 million of which \$68 million was paid on July 1, 2014 and \$1 million was accrued to be paid upon vesting of RSUs. Total dividends for the six months ended June 30, 2014 were \$139 million.

On August 7, 2014, the Company announced a 25% increase in the quarterly cash dividend on the Company's common stock from \$.12 to \$.15 per share. The dividend is payable on October 1, 2014 to shareholders of record on September 10, 2014.

Capital Structure

The following table sets forth the Company's debt from continuing operations.

| | At June 30, 2014 | At December 31, 2013 |
|--|---------------------|-------------------------|
| Commercial paper | \$ 381 | \$ 475 |
| Senior debt (1.95% 8.875% due 2014 2042) | 5,761 | 5,848 |
| Obligations under capital leases | 105 | 112 |
| Total debt | 6,247 | 6,435 |
| Less commercial paper | 381 | 475 |
| Less current portion of long-term debt | 20 | 20 |
| Total long-term debt, net of current portion | \$ 5,846 | \$ 5,940 |

(a)

At June 30, 2014 and December 31, 2013, the senior debt balances included (i) a net unamortized discount of \$12 million and \$13 million, respectively, and (ii) an increase in the carrying value of the debt relating to previously settled fair value hedges of \$16 million and \$18 million, respectively. The face value of the Company's senior debt was \$5.76 billion and \$5.84 billion at June 30, 2014 and December 31, 2013, respectively.

Long-term debt of \$1.60 billion at June 30, 2014 and \$13 million at December 31, 2013, is included in "Liabilities of discontinued operations" on the Consolidated Balance Sheets (See Note 3 to the consolidated financial statements).

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

On June 14, 2014, the Company redeemed its \$99 million of outstanding 8.875% senior notes upon maturity.

Commercial Paper

The Company had outstanding commercial paper borrowings under its \$2.0 billion commercial paper program of \$381 million at June 30, 2014 and \$475 million at December 31, 2013, each at a weighted average interest rate of 0.3% and with maturities of less than thirty days.

Credit Facility

At June 30, 2014, the Company had a \$2.0 billion revolving credit facility (the "Credit Facility") which expires in March 2018. The Credit Facility requires the Company to maintain a maximum Consolidated Leverage Ratio of 4.5x at the end of each quarter as further described in the Credit Facility. At June 30, 2014, the Company's Consolidated Leverage Ratio was approximately 1.8x.

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

The Credit Facility is used for general corporate purposes. At June 30, 2014, the Company had no borrowings outstanding under the Credit Facility and the remaining availability under the Credit Facility, net of outstanding letters of credit, was \$1.99 billion.

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, 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 the Credit Facility, which had \$1.99 billion of remaining availability at June 30, 2014, and access to capital markets are sufficient to fund its operating, investing and financing requirements for the next twelve months.

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

Funding for the Company's long-term debt obligations due over the next five years of \$900 million is expected to come from cash generated from operating activities and the Company's ability to access capital markets.

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

On August 7, 2014, the Company announced an increase to the amount available under its share repurchase program from \$3.0 billion to \$6.0 billion. Share repurchases under the program are expected to be funded over time by cash flows from operations and, as appropriate, with short-term borrowings, including commercial paper, and/or the issuance of long-term debt.

Guarantees

During 2013, the Company completed the sale of Outdoor Europe to an affiliate of Platinum Equity. The Company continues to remain as guarantor of Outdoor Europe's franchise payment obligations under certain transit franchise agreements. Generally, the Company would be required to perform under the guarantees in the event of non-performance by the buyer. These agreements have varying terms, with the majority of the obligations guaranteed under these agreements expiring by September 2016. At June 30, 2014, the total franchise payment obligations under these agreements are estimated to be approximately \$257 million, which will decrease on a monthly basis thereafter. The estimated fair value of the guarantee liability of approximately \$40 million is included in "Liabilities of discontinued operations" on the Consolidated Balance Sheet at June 30, 2014.

The Company also has indemnification obligations with respect to letters of credit and surety bonds primarily used as security against non-performance in the normal course of business. At June 30, 2014, the outstanding letters of credit and surety bonds approximated \$273 million and were not recorded on the Consolidated Balance Sheet.

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

Legal Matters

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

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

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

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

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

Claims Related to Former Businesses: Asbestos. The Company is a defendant in lawsuits claiming various personal injuries related to asbestos and other materials, which allegedly occurred principally as a result of exposure caused by various products manufactured by Westinghouse, a predecessor, generally prior to the early 1970s. Westinghouse was neither a producer nor a manufacturer of asbestos. The Company is typically named as one of a large number of defendants in both state and federal cases. In the majority of asbestos lawsuits, the plaintiffs have not identified which of the Company's products is the basis of a claim. Claims against the Company 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, 2014, the Company had pending approximately 43,730 asbestos claims, as compared with approximately 45,150 as of December 31, 2013 and 45,320 as of June 30, 2013. During the second quarter of 2014, the Company received approximately 1,010 new claims and closed or moved to an inactive docket approximately 2,550 claims. The Company reports claims as closed when it becomes aware that a dismissal order has been entered by a court or when the Company has reached agreement with the claimants on the material terms of a settlement. Settlement costs depend on the seriousness of the injuries that form the basis of the claim, the quality of evidence supporting the claims and other factors. The Company's total costs for the years 2013 and 2012 for settlement and defense of asbestos claims after insurance recoveries and net of tax benefits were approximately \$29 million and \$21 million, respectively. The Company's costs for settlement and defense of asbestos claims may vary

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

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.

Related Parties

For a discussion of related parties, see Note 5 to the consolidated financial statements.

Recent Pronouncements and Adoption of New Accounting Standards

See Note 1 to the consolidated financial statements.

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, 2013, for a discussion of the Company's critical accounting policies.

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

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," "may," "could" or other similar words or phrases. Similarly, statements that describe the Company's objectives, plans or goals are or may be forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that are difficult to predict and which may cause the actual results, performance or achievements of the Company to be different from any future results, performance and achievements expressed or implied by these statements. 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 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, 2013 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, 2013.

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.

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PART II OTHER INFORMATION

Item 1A. Risk Factors.

The following updates the entire corresponding risk factor included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

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

Piracy of programming (including motion pictures), books and other copyrighted material is prevalent in many parts of the world and is made easier by the availability of digital copies of content and technological advances allowing conversion of such programming and other content into digital formats, which facilitate the creation, transmission and sharing of high quality unauthorized copies of the Company's content. Recent technological advances, which facilitate the streaming of programming via the Internet to television screens and other devices, may increase piracy. The proliferation of unauthorized access to programming has an adverse effect on the Company's businesses and profitability because these unauthorized actions reduce the revenue that the Company potentially could receive from the legitimate sale and distribution of its products and services. In addition, if piracy were to increase, it would have an adverse effect on the Company's businesses and profitability. Also, while legal protections exist, piracy and technological tools with which to carry it out continue to escalate, evolve and present challenges for enforcement. Various litigation is pending regarding entities that stream the Company's broadcast content without obtaining the consent of or paying compensation to the Company. The U.S. Supreme Court granted certiorari to hear a case involving a challenge by major broadcasters to one such entity and, on June 25, 2014, issued a decision in favor of the broadcasters, finding a violation of their public performance rights under the Copyright Act. Failure of legal protections to evolve and enable enhanced enforcement efforts to combat piracy could make it more difficult for the Company to adequately protect its intellectual property, which could negatively impact its value and further increase the Company's enforcement costs.

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

In November 2010, the Company announced that its Board of Directors approved a program to repurchase \$1.5 billion of the Company's common stock and since then, various increases to such amount have been approved and announced. Below is a summary of CBS Corp.'s purchases of its Class B Common Stock during the three months ended June 30, 2014 under such share repurchase program.

| (in millions, except per share amounts) | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Programs | Remaining Authorization |
|---|---|---------------------------------------|--|----------------------------|
| April 1, 2014 - April 30, 2014 | 8.2 | (a) | 8.2 | \$ 3,239 |
| May 1, 2014 - May 31, 2014 | 3.0 | \$ 57.67 | 3.0 | \$ 3,065 |
| June 1, 2014 - June 30, 2014 | .7 | \$ 60.31 | .7 | \$ 3,020 |
| Total | 11.9 | (b) | 11.9 | \$ 3,020 |

(a) During April 2014, the Company repurchased 3.3 million shares of CBS Corp. Class B Common Stock at an average price of \$59.19 per share and also received 4.9 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 2014.

(b) The Company's total repurchases includes 7.0 million shares of CBS Corp. Class B Common Stock that were purchased on the open market for \$411 million, at an average price of \$58.65 per share, and 4.9 million shares that were received upon the settlement of an ASR.

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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.

(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.

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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: August 7, 2014

CBS CORPORATION

(Registrant)

/s/ JOSEPH R. IANNIELLO

Joseph R. Ianniello

Chief Operating Officer

/s/ LAWRENCE LIDING

Lawrence Liding

Senior Vice President, Controller and

Chief Accounting Officer

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EXHIBIT INDEX

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

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