CBS CORP
Form 10-K
February 17, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number 001-09553
CBS CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	04-2949533
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

51 W. 52nd Street
New York, NY 10019
(212) 975-4321
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Class A Common Stock, $0.001 par value	New York Stock Exchange
Class B Common Stock, $0.001 par value	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:
None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer (as defined in Rule 405 of the Securities Act of 1933). Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934. Yes o No x

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer, or smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act of 1934.

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

Portions of CBS Corporation's Notice of 2017 Annual Meeting of Stockholders and Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended (the "Proxy Statement") (Portion of Item 5; Part III).

PART I

Item 1. Business.

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

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

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

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

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

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

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

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

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

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

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

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

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

CBS CORP. BUSINESS SEGMENTS

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

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

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

The CBS Television Network primarily derives revenues from the sale of advertising time for its network broadcasts. A significant portion of the sale of advertising spots for the network's non-sports programming occurs annually generally during May through July in the industry's upfront advertising market for the upcoming television broadcast season, which runs for one year generally commencing in mid-September. Advertisers purchase the remaining advertising spots closer to the broadcast of the related programming in the scatter advertising market. Overall advertising revenue for the network is also impacted by audience ratings for its programming. The Company offers dynamic advertising insertions for the CBS Television Network’s on-demand programming which allow the

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

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

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

The CW, a broadcast network and the Company's 50/50 joint venture with Warner Bros. Entertainment, airs programming, including Jane the Virgin, Crazy Ex-Girlfriend, Supergirl and The Flash. Eight of the Company's owned television stations are affiliates of The CW. Certain of The CW's series are streamed on Netflix, a subscription video-on-demand service, including pursuant to output license agreements entered into with Netflix, Inc. in July 2016.

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

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

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

Fees for television programming licensed for syndication and digital streaming are recorded as revenues at the beginning of the license period in which the programs are made available for exhibition, which, among other reasons, may cause substantial fluctuations in the Entertainment segment's operating results. Unrecognized revenues attributable to such license agreements were $749 million and $847 million at December 31, 2016 and December 31, 2015, respectively.

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

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

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

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

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

CBS television station affiliates. In December 2016, the Company commenced a multi-year deal with the NFL for the live, local NFL games broadcast by the CBS Television Network to be streamed on certain CBS All Access platforms. CBS All Access is available at CBS.com and on the multiple digital platforms described above through the CBS app. CBS Interactive also operates CBSN, a live digital streaming advertiser-supported news network available 24 hours a day, seven days a week. CBSN is available at CBSNews.com and on the multiple digital platforms described above through the CBS News app. Through the CBS Audience Network™, the Company delivers video content from its digital properties and television stations and affiliated television stations under an advertiser-supported distribution model to third-party digital properties. The growing slate of the Company's content available online includes full episodes, clips and highlights based on CBS, CBS Sports Network and Showtime Networks programming as well as original made-for-the-Web content.

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

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

Entertainment Competition.

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

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

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

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

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

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

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

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

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

Television, a subsidiary of The Walt Disney Company. Showtime Networks' original series telecast in 2016 included Ray Donovan, Billions, Masters of Sex, The Affair, The Circus, Penny Dreadful, Shameless and House of Lies, among others. In 2016, Showtime Networks also telecast various sports-related programs, including Inside the NFL, 60 Minutes Sports and A Season With Florida State Football, and documentaries such as Weiner, Michael Jackson's Journey from Motown to Off the Wall and Madonna: Rebel Heart Tour.

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

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

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

Cable Networks Competition.

Showtime Networks. Showtime Networks primarily competes with other providers of premium subscription program services in the U.S., including Home Box Office, Inc. and Starz, LLC. Competition among these premium subscription program services in the U.S. is dependent on: (i) the production, acquisition and packaging of original series and other original programming and the acquisition and packaging of an adequate number of recently released theatrical motion pictures; and (ii) the offering of prices, marketing and advertising support and other incentives to distributors for carriage so as to favorably position and package Showtime Networks’ premium subscription program services to subscribers. In addition, Showtime Networks competes with non-traditional subscription programming services delivered via the internet, such as Amazon, Hulu and Netflix, for original programming, theatrical motion pictures and viewership. Showtime Networks also competes for programming, distribution and/or audiences with basic cable program services, broadcast television and other media, including video games and other internet apps.

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

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

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

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

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

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

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

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

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

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

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

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

The Local Media segment is composed of CBS Television Stations, the Company's 30 owned broadcast television stations, all of which operate under licenses granted by the Federal Communications Commission ("FCC") pursuant to the Communications Act of 1934, as amended (the "Communications Act"). The licenses are renewable every eight years. The Company's television stations are located in the 6 largest, and 15 of the top 20, television markets in the U.S. The Company owns multiple television stations within the same designated market area ("DMA") in 10 major markets. These multiple station markets are: New York (market #1), Los Angeles (market #2), Philadelphia (market #4), Dallas-Fort Worth (market #5), San Francisco-Oakland-San Jose (market #6), Boston (market #9), Detroit (market #13), Miami-Ft. Lauderdale (market #16), Sacramento-Stockton-Modesto (market #20), and Pittsburgh (market #23). This group of television stations enables the Company to reach a wide audience within and across geographically diverse markets in the U.S. The stations produce news and broadcast public affairs, sports and other programming to serve their local markets and offer CBS, The CW or MyNetworkTV programming and syndicated programming. The CBS Television Stations group principally derives its revenues from the sale of advertising time on its television stations. In addition, the CBS Television Stations group receives retransmission fees from MVPDs for authorizing the MVPDs' carriage of the Company's owned television stations. The Company also has agreements for the digital streaming of the Company's owned television stations on several digital streaming services, including Hulu's upcoming live television streaming service. The Company's digital streaming subscription service, CBS All Access, offers an extensive on-demand selection of both current programming and library, original series as well as the ability to stream live programming from local CBS Television Stations and certain CBS television station affiliates. CBS All Access is available at CBS.com and through the CBS app on multiple digital platforms. The Company's television stations have a digital presence on CBS Local Websites which are operated by CBS Local Digital Media. The CBS Local Websites and related apps promote the Company's stations' programming as well as provide live and on-demand news, traffic, weather, entertainment and sports information, among other services for their local communities. CBS Radio's local sports and news radio stations also have a digital presence on CBS Local Websites which is expected to continue for specified periods after the closing of the Radio Transaction pursuant to a digital services agreement with the Company. The CBS Local Websites principally derive revenues from the sale of advertising. The "Television Stations and CBS Local Digital Media Websites" table below includes information with respect to these properties within U.S. television markets. CBS Television Stations and Weigel Broadcasting own and operate through an approximately 50/50 joint venture DECADES™, a national entertainment program service featuring classic television content, movies and original programming for local television stations' digital sub-channels, which utilize a local television station's available broadcast spectrum to provide a companion to that station's primary channel.

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

Television Stations and CBS Local Digital Media Websites

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

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

Minneapolis, MN (#15)	WCCO TV	UHF	CBS	minnesota.cbslocal.com
	KCCO TV[3]	VHF	CBS	
	KCCW TV[4]	VHF	CBS	
Miami-Ft. Lauderdale, FL (#16)	WFOR TV	UHF	CBS	miami.cbslocal.com
	WBFS TV	UHF	MyNetworkTV	
Denver, CO (#17)	KCNC TV	UHF	CBS	denver.cbslocal.com
Sacramento, CA (#20)	KOVR-TV	UHF	CBS	sacramento.cbslocal.com

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

(1) The Company's television stations' Websites, which are operated by the CBS Local Digital Media group, promote the stations' programming and provide news, traffic, weather, entertainment and sports information, among other services for their local communities.
(2) Television market (DMA) rankings based on Nielsen Media Research Local Market Universe Estimates, September 2016.
(3) KCCO-TV is operated as a satellite station of WCCO-TV.
(4) KCCW-TV is operated as a satellite station of WCCO-TV.
(5) WBXI-CA is a Class A low power television station. Class A low power television stations do not implicate the FCC's ownership rules.

REGULATION

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

Intellectual Property and Privacy

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

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

Laws and Content. The Company derives revenues from the creation and exploitation of creative content, for which the copyright law grants certain exclusive rights, including to reproduce, publicly perform and distribute. The duration of the protection afforded to the Company's intellectual property depends on the type of property and the laws and regulations of the relevant jurisdiction. Any changes to copyright laws or related regulations that enable the Company to control the distribution of its content, including through court decisions, which diminish the scope of a copyright owner's exclusive rights, could impact the Company. Proposed legal amendments, such as to the law governing territorial exclusivity of the distribution of content in Europe, could adversely impact the Company's ability to control and distribute its content.

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

Broadcasting

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

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

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

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

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

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

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

Local Television Ownership. Under the FCC's local television ownership rule, one party may own up to two television stations in the same DMA, so long as at least one of the two stations is not among the top-four ranked stations in the market based on audience share as of the date an application for approval of an acquisition is filed with the FCC, and at least eight independently owned and operating full-power television stations would remain in the market following the acquisition of the second television station. The 2016 FCC Order modified the local television station ownership rule to prohibit transactions involving the sale or swap of network affiliations between same-market television station owners that would result in an entity holding an attributable interest in two top-four ranked television stations. Further, without regard to the number of remaining independently owned television stations, the rule permits the ownership of more than one television station within the same DMA so long as certain signal contours of the stations involved do not overlap. “Satellite” television stations that simply rebroadcast the programming of a “parent” television station are exempt from the local television ownership rule if located in the same DMA as the “parent” station.

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

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

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

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

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

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

Alien Ownership. In general, the Communications Act prohibits foreign individuals or entities from owning more than 25% of the voting power or equity of the Company. In September 2016, the FCC clarified and expanded certain rules and procedures and adopted and standardized filing and review procedures for broadcasters seeking to obtain FCC consent to exceed the 25% threshold.

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

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

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

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

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

National Broadband Plan. In response to the FCC’s March 2010 National Broadband Plan, which seeks to provide affordable broadband access throughout the U.S., Congress passed legislation in February 2012 authorizing the FCC to conduct voluntary auctions to reclaim spectrum utilized by broadcast television stations to provide additional spectrum for wireless broadband services. The television stations that continue their operations may have to change channels once the FCC “repacks” the remaining spectrum dedicated to broadcast television use after the auctions. The legislation provides that the FCC will assist television stations in retaining their current coverage areas, no UHF band stations will be forced into the VHF band and a fund will be established to reimburse broadcasters for reasonable relocation expenses relating to the spectrum repacking. These spectrum auctions commenced in May 2016 and are expected to conclude in 2017.

INTELLECTUAL PROPERTY

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

EMPLOYEES

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

FINANCIAL INFORMATION ABOUT SEGMENTS AND FOREIGN AND DOMESTIC OPERATIONS

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

AVAILABLE INFORMATION

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

Item 1A. Risk Factors.

CAUTIONARY STATEMENT CONCERNING FORWARD LOOKING STATEMENTS

This document, including "Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition," and the documents incorporated by reference into this Annual Report on Form 10-K, contain both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements within the meaning of section 27A of the Securities Act of 1933 and section 21E of the Securities Exchange Act of 1934. These forward-looking statements are not based on historical facts, but rather reflect the Company's current expectations concerning future results and events. These forward-looking statements generally can be identified by the use of statements that include phrases such as "believe," "expect," "anticipate," "intend," "plan," "foresee," "likely," "will," "may," "could" or other similar words or phrases. Similarly statements that describe the Company's objectives, plans or goals are or may be forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that are difficult to predict and which may cause the actual results, performance or achievements of the Company to be different from any future results, performance and achievements expressed or implied by these statements. More information about these risks, uncertainties and other factors is set forth below. Additional risks, uncertainties and other factors may be described in the Company's filings made under the securities laws. There may be additional risks, uncertainties and factors that the Company does not currently view as material or that are not necessarily known. The forward-looking statements included in this document are only made as of the date of this document and the Company does not have any obligation to publicly update any forward-looking statements to reflect subsequent events or circumstances.

RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The CBS Television Network provides its affiliates with up to approximately 98 hours of regularly scheduled programming per week. In return, the CBS Television Network’s affiliated stations broadcast network-inserted commercials during that programming and pay the Company station affiliation fees. Loss of station affiliation agreements of the CBS Television Network could adversely affect the Company’s results of operations by reducing the reach of the Company’s programming and therefore its attractiveness to advertisers, and renewal of these affiliation agreements on less favorable terms may also adversely affect the Company’s results of operations. The non-renewal or termination of retransmission agreements with MVPDs or continued distribution on less favorable terms, could also adversely affect the Company’s revenues and its ability to distribute its network programming to a nationwide audience and affect the Company’s ability to sell advertising, which could have a material adverse effect on the Company’s results of operations. Showtime Networks, CBS Sports Network and Smithsonian Networks are also dependent upon the maintenance of distribution agreements with MVPDs and other third-party digital platforms and there can be no assurance that these agreements will be renewed in the future on terms acceptable to such programmers. The loss of one or more of these arrangements could reduce the distribution of Showtime Networks’, CBS Sports Network’s and Smithsonian Networks’ program services and reduce revenues from subscriber fees and advertising, as applicable. Further, the loss of favorable packaging, positioning, pricing or other marketing opportunities with any distributor could reduce revenues from subscriber fees. Also, consolidation among MVPDs and increased vertical integration of such distributors into the cable or broadcast network business have provided more leverage to these distributors and could adversely affect the Company’s ability to maintain or obtain distribution for its network programming or distribution and/or marketing of its subscription program services on favorable or commercially reasonable terms, or at all. In addition, MVPDs continue to develop alternative offerings for consumers which are generally smaller than the traditional program package or may allow the consumer to customize its package of program services. To the extent these packages do not include the Company’s programming and become widely accepted in lieu of traditional program packages, the Company could experience a decline in affiliate and subscription revenues.

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

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

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

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

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

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

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

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

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

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

Company is required to obtain licenses from the FCC to operate its television and radio stations. The Company cannot be assured that the FCC will approve its future renewal applications or that the renewals will be for full terms or will not include conditions or qualifications. The non-renewal, or renewal with substantial conditions or modifications, of one or more of the Company's licenses could have a material adverse effect on the Company's revenues. The Company must also comply with extensive FCC regulations and policies in the ownership and operation of its television and radio stations and its television networks. FCC regulations prohibit the common ownership of more than one of the top four networks, ABC, CBS, FOX and NBC, and limit the number of television and radio stations that a licensee can own in a market and the number of television stations that can be owned nationwide, which could restrict the Company's ability to consummate future transactions and in certain circumstances could require it to divest some television or radio stations. The U.S. Congress and the FCC currently have under consideration, and may in the future adopt, new laws, regulations, and policies regarding a wide variety of matters that could, directly or indirectly, affect the operation and ownership of the Company's television and radio properties. For example, from time to time, proposals have been advanced in the U.S. Congress and at the FCC to require television and radio broadcast stations to provide advertising time to political candidates for free or at a reduced charge. Any restrictions on political or other advertising may adversely affect the Company's advertising revenues. Changes to the media ownership and other FCC rules may affect the competitive landscape in ways that could increase the competition faced by the Company. Proposals have also been advanced from time to time before the U.S. Congress and the FCC to extend the program access rules (currently applicable only to those cable program services which also own or are owned in whole or in part by cable distribution or telephone company systems) to all cable program services. The Company's ability to obtain the most favorable terms available for its content could be adversely affected should such an extension be enacted into law. In response to the FCC's March 2010 National Broadband Plan, which seeks to provide affordable broadband access throughout the U.S., Congress passed legislation in February 2012 authorizing the FCC to conduct voluntary auctions to reclaim spectrum utilized by broadcast television stations to provide additional spectrum for wireless broadband services. The television stations that continue their operations may have to change channels once the FCC "repacks" the remaining spectrum dedicated to broadcast television use after the auctions. These spectrum auctions commenced in May 2016 and are expected to conclude in 2017 followed by repacking, which could adversely impact the Company's broadcast coverage and related revenues. It is difficult to predict the timing or outcome of the FCC's actions or their effect, if any, on the Company's broadcasting properties. Legislation could be enacted which could remove over-the-air broadcasters' existing exemption from payment of a performance royalty to record companies and performers of music which is broadcast on radio stations and could have an adverse impact on the cost of music programming for the Company. In addition, changes in or new interpretations of international laws and regulations governing competition and the internet, including those affecting data privacy, as well as proposed amendments to the law governing territorial exclusivity of the distribution of content in Europe, may have an adverse impact on the Company's international businesses and internet properties. The Company is unable to predict the effect that any such laws, regulations or policies may have on its operations.

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

The FCC's rules prohibit the broadcast of obscene material at any time and indecent or profane material on television or radio broadcast stations between the hours of 6 a.m. and 10 p.m. Broadcasters risk violating the prohibition against broadcasting indecent material because of the vagueness of the FCC's indecency/profanity definition, coupled with the spontaneity of live programming. The FCC enforces its indecency rules against the broadcasting industry. The FCC has found on a number of occasions that the content of television and radio broadcasts has contained indecent material. In such instances, the FCC issued fines or advisory warnings to the offending licensees. Moreover, the FCC has in some instances imposed separate fines for each allegedly indecent "utterance," in contrast with its previous policy, which generally considered all indecent words or phrases within a given program as constituting a single violation. The fines for broadcasting indecent material per station are a maximum of approximately $383,000 per utterance. If the FCC denied a license renewal or revoked the license for one of the Company's broadcast television or radio stations, the Company would lose its authority to operate the station. The determination of whether content is indecent is inherently subjective and, as such, it can be difficult to predict whether particular content could violate indecency standards. The difficulty in predicting whether individual programs, words or phrases may violate the FCC's indecency rules adds significant uncertainty to the Company's ability to comply with the rules. Violation of the indecency rules could lead to sanctions which may adversely affect the Company's businesses and results of operations. Some policymakers support the extension of the indecency rules that are applicable to over-the-air broadcasters to cover cable and satellite programming and/or attempts to increase enforcement of or otherwise expand existing laws and rules. If such an extension, attempt to increase enforcement or other expansion took place and were found to be constitutional, some of the Company's cable content could be subject to additional regulation and might not be able to attract the same subscription and viewership levels.

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

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

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

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

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

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

Dividends and Dividend Rates Cannot Be Guaranteed

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

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

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

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

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

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

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

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

The Company and its suppliers engage the services of writers, directors, actors and other talent, trade employees and others who are subject to collective bargaining agreements. If the Company or its suppliers are unable to renew expiring collective bargaining agreements, it is possible that the affected unions or others could take action in the form of strikes or work stoppages. Such actions, higher costs in connection with these agreements or a significant labor dispute could adversely affect the Company's television, radio, cable networks, interactive and motion picture businesses by disrupting the Company's ability to provide scheduled services and programming or by causing delays in the production of the Company's television or radio programming or motion pictures. Depending on its duration, any lockout, strike or work stoppage could have an adverse effect on the Company's revenues, cash flows and/or operating income and/or the timing thereof.

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

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

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

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

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

NAI, through its direct and indirect ownership of the Company's Class A Common Stock, has voting control of the Company. Based on information received from NAI, shares of the Company's voting Class A Common Stock and non-voting Class B Common Stock owned by certain wholly owned subsidiaries of NAI are pledged to such subsidiaries' lenders. NAI holds more than 50% of the Company's voting Class A shares directly and these shares are not pledged. If any of such subsidiaries defaults on its obligations and the lenders foreclose on the collateral, the lenders or anyone to whom the lenders transfer the Company's shares could sell such shares or convert those shares of voting Class A Common Stock into shares of non-voting Class B Common Stock and sell such shares, which could adversely affect the Company's share price. Additionally, if the lenders foreclose on the pledged shares of voting Class A Common Stock, NAI will no longer directly or indirectly own those shares and such lenders or other transferees would have voting rights in the Company. In addition, there can be no assurance that NAI or its subsidiaries at some future time will not sell or pledge additional shares of the Company's stock, which could adversely affect the Company's share price.

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

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

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

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

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

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

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

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

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

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

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

Item 3. Legal Proceedings.

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

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

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

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

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

Item 4. Mine Safety Disclosures.

Not applicable.

EXECUTIVE OFFICERS OF THE COMPANY

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

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

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

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

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

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

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

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

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

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

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

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

Part II

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

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

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

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

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

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

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

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

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

Performance Graph

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

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

Total Cumulative Stockholder Return

For Five-Year Period Ending December 31, 2016

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

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

II-2

Item 6. Selected Financial Data.
CBS CORPORATION AND SUBSIDIARIES
(In millions, except per share amounts)

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

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

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

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

(d) In 2015, the Company recorded gains from the sales of internet businesses in China of $139 million in operating income ($131 million, net of tax), or $.27 per diluted share.
(e) In 2014, in connection with the early redemption of $1.07 billion of its debt, the Company recorded a pretax loss on early extinguishment of debt of $352 million ($219 million, net of tax), or $.39 per diluted share.

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

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

Overview

Business overview and strategy

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

CBS Radio Separation

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

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

Operational highlights 2016 vs. 2015

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

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

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

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

The Company generated operating cash flow from continuing operations of $1.45 billion in 2016 and $1.19 billion in 2015. Free cash flow for 2016 was $1.26 billion compared with $1.02 billion for 2015. These increases were driven by growth in affiliate and subscription fees and higher advertising revenues, including from the broadcast of Super Bowl 50 on CBS, partially offset by increased investment in content. The Company generated operating cash flow from discontinued operations of $231 million in 2016 and $205 million in 2015. Free cash flow is a non-GAAP financial measure. See "Free Cash Flow" on pages II-30 and II-31 for a reconciliation of net cash flow provided by (used for) operating activities, the most directly comparable financial measure in accordance with GAAP, to free cash flow.

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

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

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

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

Dividends

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

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

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

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

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

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

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

(a) Other operating items, net for 2016 and 2015 includes gains from the sales of internet businesses in China, and for 2016, also includes a multiyear, retroactive impact of a new operating tax.
(b) Adjustments to net earnings and diluted EPS include CBS Radio restructuring charges of $8 million ($5 million, net of tax) in 2016 and $36 million ($21 million, net of tax) in 2015, which are included in net loss from discontinued operations.
(c) Reflects a one-time tax benefit of $47 million associated with a multiyear adjustment to a tax deduction, which was approved by the IRS during the third quarter of 2016, and a charge of $36 million from the resolution of a tax matter in a foreign jurisdiction relating to a previously disposed business, which is included in net loss from discontinued operations.
(d) Primarily reflects a decrease to the guarantee liability associated with the 2013 disposition of Outdoor Europe.
(e) Amounts may not sum as a result of rounding.

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

Segments

CBS Corp. operates in the following four segments:

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

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

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

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

Consolidated Results of Operations—2016 vs. 2015
Revenues

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

Advertising

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

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

Content licensing and distribution

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

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

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

Affiliate and subscription fees

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

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

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

International Revenues

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

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

Operating Expenses

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

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

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

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

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

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

Selling, General and Administrative Expenses

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

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

Depreciation and Amortization

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

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

Pension Settlement Charge

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

Restructuring and Merger and Acquisition-Related Costs

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

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

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

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

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

	Balance at December 31, 2014	2015 Charges	2015 Settlements	Balance at December 31, 2015
Entertainment	$ 6	$ 26	$ (13)	$ 19
Local Media	5	19	(13)	11
Corporate	2	—	(1)	1
Total	$ 13	$ 45	$ (27)	$ 31

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

Other Operating Items, Net

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

Interest Expense/Income

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

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

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

n/a - not applicable

Other Items, Net

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

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

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

Provision for Income Taxes

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

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

Equity in Loss of Investee Companies, Net of Tax

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

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

n/m - not meaningful

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

Net Earnings from Continuing Operations and Diluted EPS from Continuing Operations

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

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

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

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

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

Year Ended December 31, 2015	CBS Radio	Other	Total
Revenues from discontinued operations	$1,223	$—	$1,223
Costs and expenses:			
Operating	415	—	415
Selling, general and administrative	500	(17)	483
Depreciation and amortization	29	—	29
Restructuring charges	36	—	36
Impairment charge	484	—	484
Total costs and expenses	1,464	(17)	1,447
Operating income (loss)	(241)	17	(224)
Other income	1	—	1
Earnings (loss) from discontinued operations	(240)	17	(223)
Income tax benefit (provision)	89	(7)	82
Net earnings (loss) from discontinued operations, net of tax	$(151)	$10	$(141)

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

For 2016, net loss from discontinued operations also included a charge of $36 million from the resolution of a tax matter in a foreign jurisdiction relating to a previously disposed business that was accounted for as a discontinued operation. For 2015, net loss from discontinued operations also included a decrease to the guarantee liability associated with the 2013 disposition of the Company’s outdoor advertising business in Europe (“Outdoor Europe”) as a result of a reduction to the risk associated with the guarantee.

CBS Radio Indebtedness

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

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

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

Net Earnings and Diluted EPS

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

Consolidated Results of Operations— 2015 vs. 2014

Revenues

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

Advertising

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

Content licensing and distribution

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

Affiliate and subscription fees

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

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

International Revenues

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

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

Operating Expenses

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

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

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

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

Selling, General and Administrative Expenses

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

Depreciation and Amortization

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

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

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

Restructuring Charges

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

Interest Expense/Income

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

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

At December 31,	2015	Weighted Average Interest Rate	2014	Weighted Average Interest Rate
Total long-term debt	$8,365	4.68 %	$6,399	4.88 %
Commercial paper	$—	n/a	$616	0.46 %

n/a - not applicable

Net Loss on Early Extinguishment of Debt

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

Other Items, Net

			Increase/(Decrease)	
Year Ended December 31,	2015	2014	$	%
Gain on sale of investments				