CBS CORP
Form 10-Q
May 02, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2019

OR

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

For the transition period from ___________ to ___________

Commission File Number 001-09553

CBS CORPORATION

(Exact name of registrant as specified in its charter)

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

(212) 975-4321

(Registrant’s telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Trading Symbols**	**Name of each exchange on which registered**
Class A Common Stock, $0.001 par value	CBS.A	New York Stock Exchange
Class B Common Stock, $0.001 par value	CBS	New York Stock Exchange

Number of shares of common stock outstanding at April 30, 2019:

Class A Common Stock, par value $.001 per share – 22,858,062

Class B Common Stock, par value $.001 per share – 351,954,458

CBS CORPORATION
INDEX TO FORM 10-Q

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

	Three Months Ended March 31,	
	2019	**2018**
Revenues	$4,167	$3,761
Costs and expenses:		
Operating	2,748	2,400
Selling, general and administrative	573	524
Depreciation and amortization	53	56
Restructuring and other corporate matters (Note 3)	114	9
Gain on sale of assets (Note 1)	(549)	—
Total costs and expenses	2,939	2,989
Operating income	1,228	772
Interest expense	(117)	(118)
Interest income	14	17
Other items, net	(21)	(11)
Earnings before income taxes and equity in loss of investee companies	1,104	660
Benefit (provision) for income taxes	496	(135)
Equity in loss of investee companies, net of tax	(17)	(14)
Net earnings	$1,583	$511
Basic net earnings per common share	$4.24	$1.34
Diluted net earnings per common share	$4.21	$1.32
Weighted average number of common shares outstanding:		
Basic	373	382
Diluted	376	386

See notes to consolidated financial statements.

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

	Three Months Ended March 31,	
	2019	**2018**
Net earnings	$1,583	$511
Other comprehensive income (loss), net of tax:		
Cumulative translation adjustments	3	(6)
Amortization of net actuarial loss	14	15
Total other comprehensive income, net of tax	17	9
Total comprehensive income	$1,600	$520

See notes to consolidated financial statements.

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

	At March 31, 2019	At December 31, 2018
ASSETS		
Current Assets:		
Cash and cash equivalents	$500	$322
Receivables, less allowances of $45 (2019) and $41 (2018)	4,147	4,041
Programming and other inventory (Note 4)	1,533	1,988
Prepaid income taxes	—	27
Prepaid expenses	152	149
Other current assets	400	225
Total current assets	6,732	6,752
Property and equipment	2,963	2,926
Less accumulated depreciation and amortization	1,769	1,717
Net property and equipment	1,194	1,209
Programming and other inventory (Note 4)	4,313	3,883
Goodwill	5,062	4,920
Intangible assets	2,665	2,638
Operating lease assets (Note 12)	952	—
Deferred income tax assets, net	797	29
Other assets	2,360	2,395
Assets held for sale	—	33
Total Assets	$24,075	$21,859
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$273	$201
Accrued compensation	197	346
Participants' share and royalties payable	1,157	1,177
Accrued programming and production costs	804	704
Income taxes payable	299	—
Commercial paper (Note 6)	—	674
Accrued expenses and other current liabilities	1,762	1,471
Total current liabilities	4,492	4,573
Long-term debt (Note 6)	9,358	9,465
Pension and postretirement benefit obligations	1,377	1,388
Deferred income tax liabilities, net	538	399
Noncurrent operating lease liabilities (Note 12)	866	—
Other liabilities	3,095	3,230
Commitments and contingencies (Note 13)		
Stockholders' Equity:		
Class A Common Stock, par value $.001 per share; 375 shares authorized; 23 (2019) and 35 (2018) shares issued	—	—
Class B Common Stock, par value $.001 per share; 5,000 shares authorized; 851 (2019) and 838 (2018) shares issued	1	1

Additional paid-in capital	43,582	43,637
Accumulated deficit	(15,442)	(17,201)
Accumulated other comprehensive loss (Note 8)	(934)	(775)
	27,207	25,662
Less treasury stock, at cost; 500 (2019 and 2018) Class B shares	22,858	22,858
Total Stockholders' Equity	4,349	2,804
Total Liabilities and Stockholders' Equity	$24,075	$21,859

See notes to consolidated financial statements.

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

	Three Months Ended March 31, 2019	2018
Operating Activities:		
Net earnings	$1,583	$511
Adjustments to reconcile net earnings to net cash flow provided by operating activities:		
Depreciation and amortization	53	56
Deferred tax (benefit) provision	(629)	79
Stock-based compensation	39	44
Equity in loss of investee companies, net of tax and distributions	17	14
Gain on sale of assets	(549)	—
Change in assets and liabilities, net of investing and financing activities	(76)	13
Net cash flow provided by operating activities	438	717
Investing Activities:		
Investments in and advances to investee companies	(42)	(40)
Capital expenditures	(27)	(30)
Acquisitions, net of cash acquired	(39)	—
Proceeds from dispositions	741	—
Other investing activities	2	3
Net cash flow provided by (used for) investing activities from continuing operations	635	(67)
Net cash flow used for investing activities from discontinued operations	—	(23)
Net cash flow provided by (used for) investing activities	635	(90)
Financing Activities:		
Repayments of short-term debt borrowings, net	(674)	(462)
Proceeds from issuance of senior notes	493	—
Repayment of senior notes	(600)	—
Payment of capital lease obligations	(3)	(4)
Payment of contingent consideration	—	(5)
Dividends	(70)	(71)
Purchase of Company common stock	(14)	(186)
Payment of payroll taxes in lieu of issuing shares for stock-based compensation	(37)	(52)
Proceeds from exercise of stock options	11	16
Other financing activities	—	(1)
Net cash flow used for financing activities	(894)	(765)
Net increase (decrease) in cash, cash equivalents and restricted cash	179	(138)
Cash, cash equivalents and restricted cash at beginning of period (includes $120 (2019) and $0 (2018) of restricted cash)	442	285
Cash, cash equivalents and restricted cash at end of period (includes $121 (2019) and $0 (2018) of restricted cash)	$621	$147
Supplemental disclosure of cash flow information		
Cash paid for interest	$178	$182
Cash paid for income taxes	$34	$29

See notes to consolidated financial statements.

CBS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited; in millions)

	Three Months Ended March 31, 2019	2018
Class A Common Stock:		
Balance, beginning and end of period	$—	$—
Class B Common Stock:		
Balance, beginning and end of period	1	1
Additional Paid-In Capital:		
Balance, beginning of period	43,637	43,797
Stock-based compensation	39	51
Exercise of stock options	11	16
Retirement of treasury stock	(37)	(52)
Dividends	(68)	(69)
Balance, end of period	43,582	43,743
Accumulated Deficit:		
Balance, beginning of period	(17,201)	(18,900)
Net earnings	1,583	511
Adoption of new revenue recognition standard	—	(261)
Reclassification of income tax effects of the Tax Reform Act (Note 1)	176	—
Balance, end of period	(15,442)	(18,650)
Accumulated Other Comprehensive Loss:		
Balance, beginning of period	(775)	(662)
Other comprehensive income	17	9
Reclassification of income tax effects of the Tax Reform Act (Note 1)	(176)	—
Balance, end of period	(934)	(653)
Treasury Stock, at cost:		
Balance, beginning of period	(22,858)	(22,258)
Class B Common Stock purchased	—	(200)
Shares paid for tax withholding for stock-based compensation	(37)	(52)
Retirement of treasury stock	37	52
Balance, end of period	(22,858)	(22,458)
Total Stockholders' Equity	$4,349	$1,983

See notes to consolidated financial statements.

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

1) BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Description of Business-CBS Corporation (together with its consolidated subsidiaries unless the context otherwise requires, the “Company” or “CBS Corp.”) is comprised of the following segments: Entertainment (CBS Television, comprised of the CBS Television Network, CBS Television Studios, and CBS Global Distribution Group; Network 10; CBS Interactive; CBS Sports Network and CBS Films), Cable Networks (Showtime Networks, Pop, and Smithsonian Networks), Publishing (Simon & Schuster) and Local Media (CBS Television Stations and CBS Local Digital Media).

Basis of Presentation-The accompanying unaudited consolidated financial statements of the Company have been prepared pursuant to the rules of the Securities and Exchange Commission (“SEC”). These financial statements should be read in conjunction with the more detailed financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

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

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

Noncurrent Receivables-Noncurrent receivables of $1.55 billion at both March 31, 2019 and December 31, 2018 are included in “Other assets” on the Company’s Consolidated Balance Sheets and primarily relate to revenues recognized under long-term television licensing arrangements. Television license fee revenues are recognized at the beginning of the license period in which programs are made available to the licensee for exhibition, while the related cash is collected over the term of the license period.

Deferred Revenues-Deferred revenues are primarily short term and included within “Accrued expenses and other current liabilities” on the Company’s Consolidated Balance Sheets. Total deferred revenues were $323 million at March 31, 2019 and $274 million at December 31, 2018. The change in deferred revenues for the three months ended March 31, 2019 primarily reflects cash payments received during the period for which the performance obligation was not satisfied prior to the end of the period offset by $107 million of revenues recognized that were included in deferred revenues at December 31, 2018.

Unrecognized Revenues Under Contract-As of March 31, 2019, unrecognized revenue attributable to unsatisfied performance obligations under the Company’s long-term contracts was $3.31 billion, of which $1.56 billion is expected to be recognized for the remainder of 2019, $931 million for 2020, $611 million for 2021, and $199 million thereafter. These amounts only include contracts subject to a guaranteed fixed amount or the guaranteed minimum under variable contracts. Such amounts change on a regular basis as the Company renews existing agreements or enters into new agreements. Unrecognized revenues under contract disclosed above do not include (i) contracts with an original expected term of one year or less, mainly consisting of the Company’s advertising

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contracts (ii) contracts for which variable consideration is determined based on the customer’s subsequent sale or usage, mainly consisting of affiliate and subscription fee agreements and (iii) long-term licensing agreements for multiple programs for which the Company’s right to invoice corresponds with the value of the programs provided to the customer.

Leases-The Company has operating leases primarily for office space, equipment, transponders and studio facilities and finance leases for satellite transponders and office equipment. The Company determines that a contract contains a lease if it obtains substantially all of the economic benefits of, and the right to direct the use of, an asset identified in the contract. For leases with terms greater than 12 months, the Company records a right-of-use asset and a lease liability representing the present value of future lease payments. The discount rate used to measure the lease asset and liability is determined at the beginning of the lease term using the rate implicit in the lease, if readily determinable, or the Company’s collateralized incremental borrowing rate. For those contracts that include fixed rental payments for both the use of the asset (“lease costs”) as well as for other occupancy or service costs relating to the asset (“non-lease costs”), the Company includes both the lease costs and non-lease costs in the measurement of the lease asset and liability. The Company also owns buildings and production facilities where it leases space to lessees.

The Company’s leases have remaining terms ranging from one to 16 years and often contain renewal options to extend the lease for periods of generally up to five years. For leases that contain renewal options, the Company includes the renewal period in the lease term if it is reasonably certain that the option will be exercised. Lease expenses and income are recognized on a straight-line basis over the lease term, with the exception of variable lease costs, which are expensed as incurred, and leases of assets used in the production of programming, which are capitalized and amortized over the projected useful life of the related programming.

Restricted Cash-Restricted cash of $121 million at March 31, 2019 and $120 million at December 31, 2018 is included within “Other assets” on the Company’s Consolidated Balance Sheets and consists of amounts held in a grantor trust related to the separation and settlement agreement between the Company and the former Chairman of the Board, President and Chief Executive Officer of the Company (see Note 13).

Net Earnings per Common Share-Basic net earnings per share (“EPS”) is based upon net earnings divided by the weighted average number of common shares outstanding during the period. Diluted EPS reflects the effect of the assumed exercise of stock options and vesting of restricted stock units (“RSUs”) only in the periods in which such effect would have been dilutive. Excluded from the calculation of diluted EPS because their inclusion would have been anti-dilutive, were 10 million stock options and RSUs for each of the three months ended March 31, 2019 and 2018.

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

	Three Months Ended March 31,	
(in millions)	**2019**	**2018**
Weighted average shares for basic EPS	373	382
Dilutive effect of shares issuable under stock-based compensation plans	3	4
Weighted average shares for diluted EPS	376	386

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

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Additional Paid-In Capital-For the three months ended March 31, 2019 and 2018, the Company recorded dividends of $68 million and $69 million, respectively, as a reduction to additional paid-in capital as the Company had an accumulated deficit balance.

Gain on Sale of Assets-During the three months ended March 31, 2019, the Company completed the sale of its CBS Television City property and sound stage operation ("CBS Television City") for $750 million. The Company has guaranteed a specified level of cash flows to be generated by the business during the first five years following the completion of the sale. The Company recorded a liability of $122 million at March 31, 2019 reflecting the present value of the estimated amount payable under the guarantee obligation. This transaction resulted in a gain of $549 million ($386 million, net of tax), which includes a reduction for the guarantee obligation. CBS Television City has been classified as held for sale on the Consolidated Balance Sheet at December 31, 2018.

Acquisition-In March 2019, the Company acquired the remaining 50% interest in Pop, a general entertainment cable network, for $50 million, bringing the Company's ownership to 100%. The assets acquired primarily consist of goodwill and other identifiable intangible assets. The results of Pop are included in the Cable Networks segment from the date of acquisition.

Recently Adopted Accounting Pronouncements

Leases

During the first quarter of 2019, the Company adopted Financial Accounting Standards Board ("FASB") guidance on the accounting for leases, which supersedes previous lease guidance. Under this guidance, for all leases with terms in excess of one year, the Company recognizes on its balance sheet a lease liability and a right-of-use asset representing its right to use the underlying asset for the lease term. The new guidance retains a distinction between finance leases and operating leases and the classification criteria is substantially similar to previous guidance. Additionally, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed. The Company applied the modified retrospective method of adoption and therefore, results for reporting periods beginning after January 1, 2019 are presented under the new guidance while prior periods have not been adjusted. As a result of this guidance, the Company recognized right-of-use assets of $952 million and lease liabilities of $1.02 billion for its operating leases on the Consolidated Balance Sheet at March 31, 2019. This guidance did not have an impact on the Company's Consolidated Statement of Operations. See Note 12 for additional information.

Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income

During the first quarter of 2019, the Company adopted FASB guidance that permits an entity to reclassify certain income tax effects of federal tax legislation enacted in December 2017 (the "Tax Reform Act") on items within accumulated other comprehensive income ("AOCI") to retained earnings. As a result of the Tax Reform Act, in 2017, the Company remeasured its deferred income tax assets and liabilities to reflect the reduction in the federal income tax rate from 35% to 21%. The remeasurement was recognized in net earnings and as a result, the income tax effects of the Tax Reform Act on items within AOCI remained at historical rates ("stranded tax effects"). During the first quarter of 2019, as a result of the adoption of this guidance, the Company elected to reclassify the stranded tax effects of $176 million relating to its pension and postretirement obligations from AOCI to accumulated deficit. This guidance also requires entities to disclose their accounting policy for releasing stranded tax effects, unrelated to the Tax Reform Act, from AOCI. For pension and postretirement benefit plans, the Company releases stranded tax effects from AOCI when the pension and postretirement plans are terminated.

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Targeted Improvements to Accounting for Hedging Activities
During the first quarter of 2019, the Company adopted FASB amended guidance for hedge accounting, which expands the eligibility of hedging strategies that qualify for hedge accounting, modifies the recognition and presentation of hedges in the financial statements, and changes how companies assess hedge effectiveness. In addition, this guidance amends and expands disclosure requirements. The adoption of this guidance did not have an impact on the Company's consolidated financial statements.

Accounting Pronouncements Not Yet Adopted
Improvements to Accounting for Costs of Films and License Agreements for Program Materials
In March 2019, the FASB issued guidance on the accounting for costs of films and episodic television series, which aligns the accounting for capitalizing production costs of episodic television series with the guidance for films. As a result, the capitalization of costs incurred to produce episodic television series will no longer be limited to the amount of revenue contracted in the initial market until persuasive evidence of a secondary market exists. In addition, this guidance requires the Company to test for impairment of television series on a title-by-title basis or together with other series as part of a group, based on the predominant monetization strategy of the series. This guidance also removes the requirement to classify all capitalized costs for produced television series as noncurrent on the balance sheet and adds new disclosure requirements relating to costs for produced television series. The Company is currently evaluating the impact of this guidance, which is effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted.

Collaborative Arrangements: Clarifying the Interaction with the New Revenue Standard

In November 2018, the FASB issued guidance to clarify that certain transactions between parties to collaborative arrangements should be accounted for in accordance with FASB revenue guidance when the counterparty is a customer. This guidance also prohibits the presentation of collaborative arrangements as revenues from contracts with customers if the counterparty is not a customer. This guidance, which is required to be applied retrospectively and is effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted, is not expected to have an impact on the Company's consolidated financial statements.

Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract
In August 2018, the FASB issued guidance on the accounting for implementation costs of a cloud computing arrangement that is considered to be a service contract. This guidance requires companies to follow the guidance for capitalizing costs associated with internal-use software to determine which costs to capitalize in a cloud computing arrangement that is a service contract. The guidance also specifies the financial statement presentation for capitalized implementation costs and the related amortization, as well as required financial statement disclosures. The Company is currently evaluating the impact of this guidance, which is effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted.

Changes to the Disclosure Requirements for Defined Benefit Plans
In August 2018, the FASB issued amended guidance that eliminates, adds and clarifies certain disclosure requirements for defined benefit pension or other postretirement plans. The Company is currently evaluating the impact of this guidance, which is required to be applied retrospectively and is effective for annual periods ending after December 15, 2020, with early adoption permitted.

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Changes to the Disclosure Requirements for Fair Value Measurements
In August 2018, the FASB issued amended guidance that eliminates, adds and modifies certain disclosure requirements for fair value measurements. This guidance, which is effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted, is not expected to have an impact on the Company's consolidated financial statements.

2) STOCK-BASED COMPENSATION

The following table summarizes the Company's stock-based compensation expense for the three months ended March 31, 2019 and 2018.

	Three Months Ended March 31, 2019	**2018**
RSUs and PSUs	$33	$38
Stock options	6	6
Stock-based compensation expense, before income taxes	39	44
Related tax benefit	(9)	(11)
Stock-based compensation expense, net of tax benefit	$30	$33

During the three months ended March 31, 2019, the Company granted 3 million RSUs for CBS Corp. Class B Common Stock with a weighted average per unit grant-date fair value of $50.91. RSUs granted during the first quarter of 2019 generally vest over a one- to four-year service period. Compensation expense for RSUs is determined based upon the market price of the shares underlying the awards on the date of grant. For certain RSU awards the number of shares an employee earns ranges from 0% to 120% of the target award, based on the outcome of established performance conditions. Compensation expense is recorded based on the probable outcome of the performance conditions.

Total unrecognized compensation cost related to unvested RSUs at March 31, 2019 was $261 million, which is expected to be recognized over a weighted average period of 3.0 years. Total unrecognized compensation cost related to unvested stock option awards at March 31, 2019 was $24 million, which is expected to be recognized over a weighted average period of 2.3 years.

3) RESTRUCTURING AND OTHER CORPORATE MATTERS

During the first quarter of 2019, the Company initiated a restructuring plan under which severance payments will be provided to certain eligible employees who voluntarily elected to participate. The Company also implemented additional restructuring plans during the first quarter of 2019 across several of its businesses in connection with a continued effort to reduce its cost structure. As a result, the Company recorded restructuring charges of $108 million, reflecting $98 million of severance costs and $10 million of costs associated with exiting contractual obligations and other related costs.

During the year ended December 31, 2018, the Company recorded restructuring charges of $67 million, reflecting $57 million of severance costs and $10 million of costs associated with exiting contractual obligations and other related costs. During the year ended December 31, 2017, the Company recorded restructuring charges of $63 million, reflecting $54 million of severance costs and $9 million of costs associated with exiting contractual obligations and other related costs.

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(Tabular dollars in millions, except per share amounts)

As of March 31, 2019, the cumulative settlements for the 2019, 2018 and 2017 restructuring charges were $89 million, of which $79 million was for severance costs and $10 million was for costs associated with contractual obligations and other related costs. The Company expects to substantially utilize its restructuring reserves by the end of 2020.

	Balance at December 31, 2018	2019 Charges	2019 Settlements	Balance at March 31, 2019
Entertainment	$ 31	$ 48	$ (10)	$ 69
Cable Networks	—	5	—	5
Publishing	2	5	—	7
Local Media	23	28	(5)	46
Corporate	12	22	(12)	22
Total	$ 68	$ 108	$ (27)	$ 149

	Balance at December 31, 2017	2018 Charges	2018 Settlements	Balance at December 31, 2018
Entertainment	$ 39	$ 27	$ (35)	$ 31
Publishing	3	1	(2)	2
Local Media	11	18	(6)	23
Corporate	2	21	(11)	12
Total	$ 55	$ 67	$ (54)	$ 68

During the three months ended March 31, 2019, the Company recorded expenses of $6 million primarily for costs associated with legal proceedings involving the Company (see Note 13). During the three months ended March 31, 2018, the Company recorded professional fees of $9 million related to the evaluation of a potential combination with Viacom Inc.

4) PROGRAMMING AND OTHER INVENTORY

	At March 31, 2019	At December 31, 2018
Acquired program rights	$2,014	$ 2,400
Acquired television library	99	99
Internally produced programming:		
Released	2,843	2,477
In process and other	827	839
Publishing, primarily finished goods	63	56
Total programming and other inventory	5,846	5,871
Less current portion	1,533	1,988
Total noncurrent programming and other inventory	$4,313	$ 3,883

5) RELATED PARTIES

National Amusements, Inc. National Amusements, Inc. (“NAI”) is the controlling stockholder of CBS Corp. and Viacom Inc. Mr. Sumner M. Redstone, the controlling stockholder, chairman of the board of directors and chief executive officer of NAI, is the Chairman Emeritus of CBS Corp. and the Chairman Emeritus of Viacom Inc. In addition, Ms. Shari Redstone, Mr. Sumner M. Redstone’s daughter, is the president and a director of NAI and the vice chair of the Board of Directors of each of CBS Corp. and Viacom Inc. At March 31, 2019, NAI directly or indirectly owned approximately 78.6% of CBS Corp.’s voting Class A Common Stock, and owned approximately

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10.4% of CBS Corp.'s Class A Common Stock and non-voting Class B Common Stock on a combined basis. 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 director Ms. Shari Redstone. No member of the Company's management is a trustee of the SMR Trust.

Viacom Inc. As part of its normal course of business, the Company licenses its television content, leases production facilities and sells advertising spots to various subsidiaries of Viacom Inc. Viacom Inc. also distributes certain of the Company's television programs in the home entertainment market. The Company's total revenues from these transactions were $12 million and $19 million for the three months ended March 31, 2019 and 2018, respectively.

The Company leases production facilities, licenses feature films and purchases advertising spots from various subsidiaries of Viacom Inc. The total amounts for these transactions were $10 million and $6 million for the three months ended March 31, 2019 and 2018, respectively.

The following table presents the amounts due from Viacom Inc. in the normal course of business as reflected on the Company's Consolidated Balance Sheets. Amounts due to Viacom Inc. were minimal at March 31, 2019 and December 31, 2018.

	At March 31, 2019	**At December 31, 2018**
Receivables	$ 36	$ 38
Other assets (Receivables, noncurrent)	19	23
Total amounts due from Viacom	$ 55	$ 61

Other Related Parties. The Company has equity interests in a domestic television network and several international joint ventures for television channels from which the Company earns revenues primarily by licensing its television programming. In addition, the Company held a 50% equity interest in Pop, a general entertainment cable network. In March 2019, the Company acquired the remaining 50% interest in Pop for $50 million, bringing the Company's ownership to 100%. Total revenues earned from sales to these joint ventures were $45 million and $31 million for the three months ended March 31, 2019 and 2018, respectively. At March 31, 2019 and December 31, 2018, total amounts due from these joint ventures were $37 million and $34 million, respectively.

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

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(Tabular dollars in millions, except per share amounts)

6) BANK FINANCING AND DEBT
The following table sets forth the Company's debt.

	At March 31, 2019	At December 31, 2018
Commercial paper	$ —	$ 674
Senior debt (2.30% - 7.875% due 2019 - 2045) (a)	9,328	9,435
Obligations under finance leases	41	43
Total debt	9,369	10,152
Less commercial paper	—	674
Less current portion of long-term debt	11	13
Total long-term debt, net of current portion	$ 9,358	$ 9,465

(a) At March 31, 2019 and December 31, 2018, the senior debt balances included (i) a net unamortized discount of $61 million and $58 million, respectively, (ii) unamortized deferred financing costs of $45 million and $43 million, respectively, and (iii) a decrease in the carrying value of the debt relating to previously settled fair value hedges of $7 million and $5 million, respectively. The face value of the Company's senior debt was $9.44 billion and $9.54 billion at March 31, 2019 and December 31, 2018, respectively.

In March 2019, the Company issued $500 million of 4.20% senior notes due 2029. The Company used the net proceeds from this issuance in the redemption of its $600 million outstanding 2.30% senior notes due August 2019.

Commercial Paper
At December 31, 2018, the Company had $674 million of outstanding commercial paper borrowings under its $2.5 billion commercial paper program at a weighted average interest rate of 3.02% and with maturities of less than 60 days. There were no outstanding commercial paper borrowings at March 31, 2019.

Credit Facility
At March 31, 2019, the Company had a $2.5 billion revolving credit facility (the "Credit Facility") which expires in June 2021. The Credit Facility requires the Company to maintain a maximum Consolidated Leverage Ratio of 4.5x at the end of each quarter as further described in the Credit Facility. At March 31, 2019, the Company's Consolidated Leverage Ratio was approximately 2.9x.

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

The Credit Facility is used for general corporate purposes. At March 31, 2019, the Company had no borrowings outstanding under the Credit Facility and the remaining availability under the Credit Facility, net of outstanding letters of credit, was $2.49 billion.

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7) PENSION AND OTHER POSTRETIREMENT BENEFITS

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

	Pension Benefits		Postretirement Benefits	
Three Months Ended March 31,	**2019**	**2018**	**2019**	**2018**
Components of net periodic cost:				
Service cost	$7	$8	$ —	$ —
Interest cost	39	37	4	4
Expected return on plan assets	(38)	(45)	—	—
Amortization of actuarial loss (gain) [(a)]	23	24	(5)	(5)
Net periodic cost	$31	$24	$ (1)	$ (1)

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

The service cost component of net periodic cost is presented on the Consolidated Statements of Operations within operating income and all other components of net periodic cost are presented within “Other items, net.”

8) STOCKHOLDERS’ EQUITY

During the first quarter of 2019, the Company declared a quarterly cash dividend of $.18 per share on its Class A and Class B Common Stock, resulting in total dividends of $68 million, which were paid on April 1, 2019.

Accumulated Other Comprehensive Income (Loss)

The following tables summarize the changes in the components of accumulated other comprehensive loss.

	Cumulative Translation Adjustments	Net Actuarial Loss and Prior Service Cost		Accumulated Other Comprehensive Loss
At December 31, 2018	$ 133	$ (908)		$ (775)
Other comprehensive income before reclassifications	3	—		3
Reclassifications to net earnings	—	14	(a)	14
Other comprehensive income	3	14		17
Tax effects reclassified to accumulated deficit	—	(176)	(b)	(176)
At March 31, 2019	$ 136	$ (1,070)		$ (934)

	Cumulative Translation Adjustments	Net Actuarial Loss and Prior Service Cost		Accumulated Other Comprehensive Loss
At December 31, 2017	$ 159	$ (821)		$ (662)
Other comprehensive loss before reclassifications	(6)	—		(6)
Reclassifications to net earnings	—	15	(a)	15
Other comprehensive income (loss)	(6)	15		9
At March 31, 2018	$ 153	$ (806)		$ (653)

(a)

Reflects amortization of net actuarial losses (see Note 7). Amounts are net of tax benefits of $4 million for each of the three months ended March 31, 2019 and 2018.

(b) Reflects the reclassification of certain income tax effects of the Tax Reform Act on items within accumulated other comprehensive loss to accumulated deficit upon the adoption of new FASB guidance (see Note 1).

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9) INCOME TAXES
The benefit (provision) for income taxes represents federal, state and local, and foreign income taxes on earnings before income taxes and equity in loss of investee companies.

	Three Months Ended March 31,	
	2019	**2018**
Provision for income taxes before discrete items	$(112)	$(134)
Tax benefit from transfer of assets [a]	768	—
Provision for gain on sale of assets [b]	(163)	—
Other discrete items	3	(1)
Benefit (provision) for income taxes	$496	$(135)
Effective income tax rate	(44.9)%	20.5 %

(a) Reflects a deferred tax benefit resulting from the transfer of intangible assets between subsidiaries of the Company in connection with a reorganization of the Company's international operations. The related deferred tax asset is primarily expected to be realized over the next 25 years.
(b) Reflects the tax provision from the gain on the sale of CBS Television City.

In January 2019, the U.S. government issued guidance relating to the one-time transition tax on cumulative foreign earnings and profits required by the Tax Reform Act. This guidance resulted in a decrease of $146 million to the Company's reserve for uncertain tax positions during the three months ended March 31, 2019 for amounts payable in 2019 as a result of this guidance; however, it did not have a material impact on the Company's Consolidated Statement of Operations.

10) FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS
The Company's carrying value of financial instruments approximates fair value, except for notes and debentures, which are not recorded at fair value. At March 31, 2019 and December 31, 2018, the carrying value of the Company's senior debt was $9.33 billion and $9.43 billion, respectively, and the fair value, which is estimated based on quoted market prices for similar liabilities (Level 2) and includes accrued interest, was $9.75 billion and $9.48 billion, respectively.

The Company uses derivative financial instruments primarily to modify its exposure to market risks from fluctuations in foreign currency exchange rates. The Company does not use derivative instruments unless there is an underlying exposure and, therefore, the Company does not hold or enter into derivative financial instruments for speculative trading purposes.

Foreign Exchange Contracts

Foreign exchange forward contracts have principally been used to hedge projected cash flows, in currencies such as the British Pound, the Euro, the Canadian Dollar and the Australian Dollar, generally for periods up to 24 months. The Company designates forward contracts used to hedge committed and forecasted foreign currency transactions as cash flow hedges. Gains or losses on the effective portion of designated cash flow hedges are initially recorded in other comprehensive income and reclassified to the statement of operations when the hedged item is recognized. Additionally, the Company enters into non-designated forward contracts to hedge non-U.S. dollar denominated cash flows.

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(Tabular dollars in millions, except per share amounts)

At March 31, 2019 and December 31, 2018, the notional amount of all foreign exchange contracts was $347 million and $325 million, respectively.

Losses recognized on derivative financial instruments were as follows:

	Three Months Ended March 31, 2019	2018	Financial Statement Account
Non-designated foreign exchange contracts	$(1)	$(4)	Other items, net

The fair value of the Company's derivative instruments was not material to the Consolidated Balance Sheets for any of the periods presented.

The following tables set forth the Company's assets and liabilities measured at fair value on a recurring basis at March 31, 2019 and December 31, 2018. These assets and liabilities have been categorized according to the three-level fair value hierarchy established by the FASB, which prioritizes the inputs used in measuring fair value. Level 1 is based on publicly quoted prices for the asset or liability in active markets. Level 2 is based on inputs that are observable other than quoted market prices in active markets, such as quoted prices for the asset or liability in inactive markets or quoted prices for similar assets or liabilities. Level 3 is based on unobservable inputs reflecting the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

At March 31, 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Foreign currency hedges	$ —	$ 11	$ —	$ 11
Total Assets	$ —	$ 11	$ —	$ 11
Liabilities:				
Deferred compensation	$ —	$ 340	$ —	$ 340
Foreign currency hedges	—	1	—	1
Total Liabilities	$ —	$ 341	$ —	$ 341

At December 31, 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Foreign currency hedges	$ —	$ 15	$ —	$ 15
Total Assets	$ —	$ 15	$ —	$ 15
Liabilities:				
Deferred compensation	$ —	$ 336	$ —	$ 336
Foreign currency hedges	—	1	—	1
Total Liabilities	$ —	$ 337	$ —	$ 337

The fair value of foreign currency hedges is determined based on the present value of future cash flows using observable inputs including foreign currency exchange rates. The fair value of deferred compensation liabilities is determined based on the fair value of the investments elected by employees.

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11) SEGMENT AND REVENUE INFORMATION
The following tables set forth the Company’s financial information by reportable segment. The Company’s operating segments, which are the same as its reportable segments, have been determined in accordance with the Company’s internal management structure, which is organized based upon products and services.

	Three Months Ended March 31,	
	2019	2018
Revenues:		
Entertainment	$3,176	$2,753
Cable Networks	552	571
Publishing	164	160
Local Media	457	415
Corporate/Eliminations	(182)	(138)
Total Revenues	$4,167	$3,761

Revenues generated between segments primarily reflect advertising sales, content licensing and station affiliation fees. These transactions are recorded at market value as if the sales were to third parties and are eliminated in consolidation.

	Three Months Ended March 31,	
	2019	2018
Intercompany Revenues:		
Entertainment	$183	$139
Cable Networks	1	—
Local Media	5	5
Total Intercompany Revenues	$189	$144

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

The Company presents operating income (loss) excluding costs for restructuring and other corporate matters and gain on sale of assets, each where applicable, ("Segment Operating Income") as the primary measure of profit and loss for its operating segments in accordance with FASB guidance for segment reporting. The Company believes the presentation of Segment Operating Income is relevant and useful for investors because it allows investors to view segment performance in a manner similar to the primary method used by the Company's management and enhances their ability to understand the Company's operating performance.

	Three Months Ended March 31,	
	2019	**2018**
Segment Operating Income (Loss):		
Entertainment	$530	$486
Cable Networks	175	236
Publishing	17	16
Local Media	138	118
Corporate	(67)	(75)
Restructuring and other corporate matters	(114)	(9)
Gain on sale of assets	549	—
Operating income	1,228	772
Interest expense	(117)	(118)
Interest income	14	17
Other items, net	(21)	(11)
Earnings before income taxes and equity in loss of investee companies	1,104	660
Benefit (provision) for income taxes	496	(135)
Equity in loss of investee companies, net of tax	(17)	(14)
Net earnings	$1,583	$511

	Three Months Ended March 31,	
	2019	**2018**
Depreciation and Amortization:		
Entertainment	$30	$ 31
Cable Networks	4	5
Publishing	1	1
Local Media	11	11
Corporate	7	8
Total Depreciation and Amortization	$53	$ 56

Three Months Ended March 31,

	2019	2018
Stock-based Compensation:		
Entertainment	$ 16	$ 15
Cable Networks	3	3
Publishing	1	1
Local Media	3	3
Corporate	16	22
Total Stock-based Compensation	$ 39	$ 44

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

	Three Months Ended March 31,	
	2019	**2018**
Capital Expenditures:		
Entertainment	$20	$ 18
Cable Networks	3	3
Publishing	—	1
Local Media	2	4
Corporate	2	4
Total Capital Expenditures	$27	$ 30

	At March 31, 2019	**At December 31, 2018**
Assets:		
Entertainment [(a)]	$14,981	$ 13,579
Cable Networks	3,200	2,693
Publishing	1,201	1,054
Local Media	4,181	4,037
Corporate/Eliminations	498	484
Discontinued operations	14	12
Total Assets	$24,075	$ 21,859

(a) Includes assets held for sale of $33 million at December 31, 2018.

The following table presents the Company's revenues disaggregated into categories based on the nature of such revenues.

	Three Months Ended March 31,	
Revenues by Type	**2019**	**2018**
Advertising	$2,044	$1,733
Content licensing and distribution:		
Programming	799	835
Publishing	164	160
Affiliate and subscription fees	1,111	979
Other	49	54
Total Revenues	$4,167	$3,761

CBS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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12) LEASES
On January 1, 2019, the Company adopted new FASB guidance on the accounting for leases. The Company applied the modified retrospective method of adoption and therefore, results for reporting periods beginning after January 1, 2019 are presented under the new guidance while prior periods have not been adjusted.

The adoption of this guidance resulted in the recognition on the Company's Consolidated Balance Sheet of operating lease right-of-use assets and operating lease liabilities representing the present value of future lease payments of all leases with terms in excess of one year. At March 31, 2019, the following amounts were recorded on the Company's Consolidated Balance Sheet relating to its leases.

	Leases	
	Operating	**Finance**
Right-of-Use Assets		
Operating lease assets	$952	$ —
Property and equipment, net	$—	$ 36
Lease Liabilities		
Accrued expenses and other current liabilities	$157	$ 12
Noncurrent operating lease liabilities	866	—
Long-term debt	—	29
Total Liabilities	$1,023	$ 41

	Leases	
	Operating	**Finance**
Weighted average remaining lease term	9 years	4 years
Weighted average discount rate	4.3 %	4.2 %

For existing leases at the time of adoption, the Company elected to not reassess (i) whether each contract is or contains a lease, (ii) the classification of leases as operating or finance leases, and (iii) initial direct costs for existing leases.

Lessee Contracts
The Company has operating leases primarily for office space, equipment, transponders and studio facilities. The Company also has finance leases for satellite transponders and office equipment. Lease costs are generally fixed, with certain contracts containing variable payments for non-lease costs based on usage and escalations in the lessors' annual costs.

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

The following table presents the Company's lease cost.

	Three Months Ended March 31, 2019
Operating lease cost [(a)] [(b)]	$ 54
Finance lease cost:	
Amortization of right-of-use assets	3
Interest expense on lease liabilities	—
Short-term lease cost [(b)] [(c)]	17
Variable lease cost [(d)]	6
Sublease income	(6)
Total lease cost	$ 74

(a) Includes fixed lease costs and non-lease costs (consisting of other occupancy and service costs relating to the use of an asset) associated with long-term operating leases.
(b) Amounts include costs capitalized during the period for leased assets used in the production of programming.
(c) Short-term leases have a term of 12 months or less and exclude month-to-month leases. Short-term leases are not recorded on the Company's Consolidated Balance Sheet.
(d) Primarily includes non-lease costs (consisting of other occupancy and service costs relating to the use of an asset).

The following table presents supplemental cash flow information related to the Company's leases.

	Three Months Ended March 31, 2019
Cash paid for amounts included in lease liabilities	
Operating cash flows from operating leases	$ 54
Financing cash flows from finance leases	$ 3
Noncash additions to operating lease assets	$ 134

The expected future payments relating to the Company's operating and finance lease liabilities at March 31, 2019 are as follows:

	Leases	
	Operating	Finance
2019 (April 1 through December 31)	$154	$ 11
2020	162	12
2021	154	11
2022	130	7
2023	118	2
2024 and thereafter	557	2
Total minimum payments	1,275	45
Less amounts representing interest	252	4
Present value of minimum payments	$1,023	$ 41

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

At December 31, 2018, future minimum payments under noncancellable operating leases with terms in excess of one year and payments under finance leases were as follows:

	Leases	
	Operating	**Finance**
2019	$174	$ 13
2020	129	12
2021	122	11
2022	110	7
2023	101	2
2024 and thereafter	465	2
Total minimum payments	$1,101	$ 47
Less amounts representing interest		4
Present value of minimum payments		$ 43

Future minimum operating lease payments at December 31, 2018 have been reduced by future minimum sublease income of $30 million.

During the first quarter of 2019, the Company signed additional operating leases with lease terms ranging from three to 16 years that have not yet commenced. The total future undiscounted lease payments under these leases are $154 million, which are not recorded on the Consolidated Balance Sheet.

Lessor Contracts
The Company enters into operating leases for the use of its owned production facilities and office buildings. Lease payments under these agreements consist of fixed payments for the rental of space and certain building operating costs, as well as variable payments based on usage of production facilities and services, and escalating costs of building operations. The Company recorded total lease income of $32 million, including both fixed and variable amounts, for the three months ended March 31, 2019.
At March 31, 2019, future fixed lease income under noncancellable operating leases is as follows:

2019 (April 1 through December 31)	$40
2020	50
2021	46
2022	43
2023	43
2024 and thereafter	85
Total	$307

13) COMMITMENTS AND CONTINGENCIES
Guarantees
On January 31, 2019, the Company completed the sale of CBS Television City. The Company has guaranteed a specified level of cash flows to be generated by the business during the first five years following the completion of the sale. The Company recorded a guarantee liability of $122 million on the Consolidated Balance Sheet at March 31, 2019, reflecting the present value of the estimated amount payable under the guarantee obligation (Level 3 in the fair value hierarchy).

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CBS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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The Company has indemnification obligations with respect to letters of credit and surety bonds primarily used as security against non-performance in the normal course of business. At March 31, 2019, the outstanding letters of credit and surety bonds approximated $100 million and were not recorded on the Consolidated Balance Sheet.

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

Legal Matters

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.

Investigation-Related Matters. As announced on August 1, 2018, the Company's Board of Directors ("Board") retained two law firms to conduct a full investigation of the allegations in recent press reports about the Company's former Chairman of the Board, President and Chief Executive Officer, Mr. Leslie Moonves, CBS News and cultural issues at all levels of the Company. On December 17, 2018, the Board announced the completion of the investigation, certain findings of the investigation and the Board's determination, discussed below, with respect to the termination of Mr. Moonves's employment. The Company has received subpoenas from the New York County District Attorney's Office and the New York City Commission on Human Rights regarding the subject matter of this investigation and related matters. The New York State Attorney General's Office has also requested information about these matters. The Company may receive additional related regulatory and investigative inquiries from these and other entities in the future. The Company is cooperating with these inquiries.

On August 27, 2018 and on October 1, 2018, each of Gene Samit and John Lantz, respectively, filed putative class action suits in the United States District Court for the Southern District of New York, individually and on behalf of others similarly situated, for claims that are similar to those alleged in the amended complaint described below. On November 6, 2018, the Court entered an order consolidating the two actions. On November 30, 2018, the Court appointed Construction Laborers Pension Trust for Southern California as the lead plaintiff of the consolidated action. On February 11, 2019, the lead plaintiff filed a consolidated amended putative class action complaint against the Company, certain current and former senior executives and members of the Board. The consolidated action is stated to be on behalf of purchasers of the Company's Class A Common Stock and Class B Common Stock between September 26, 2016 and December 4, 2018. This action seeks to recover damages arising during this time period allegedly caused by the defendants' purported violations of the federal securities laws, including by allegedly making materially false and misleading statements or failing to disclose material information, and seeks costs and expenses as well as remedies under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. On April 12, 2019, the defendants filed a motion to dismiss this action.

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

Separation Agreement. On September 9, 2018, the Company entered into a separation and settlement agreement and releases (the “Separation Agreement”) with Mr. Leslie Moonves, pursuant to which Mr. Moonves resigned as a director and as Chairman of the Board, President and Chief Executive Officer of the Company. Pursuant to the Separation Agreement, the Company contributed the aggregate amount of $20 million toward various charitable organizations that support the #MeToo movement and equality for women in the workplace, which organizations were mutually agreed by the Company and Mr. Moonves. In October 2018, the Company contributed $120 million to a grantor trust pursuant to the Separation Agreement. On December 17, 2018, the Board announced that, following its consideration of the findings of the investigation referred to above, it had determined that there were grounds to terminate Mr. Moonves’s employment for cause under his employment agreement with the Company. Any dispute related to the Board’s determination is subject to binding arbitration as set forth in the Separation Agreement. On January 16, 2019, Mr. Moonves commenced a binding arbitration proceeding with respect to this matter and the related Board investigation, which proceeding is ongoing. The assets of the grantor trust will remain in the trust until a final determination in the arbitration. The Company is currently unable to determine the outcome of the arbitration and the amount, if any, that may be awarded thereunder and, accordingly, no accrual for this matter has been made in the Company’s consolidated financial statements.

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 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 most commonly relate to allegations of exposure to asbestos-containing insulating material used in conjunction with turbines.

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 that some jurisdictions have established for claimants who allege minimal or no impairment. As of March 31, 2019, the Company had pending approximately 31,840 asbestos claims, as compared with approximately 31,570 as of December 31, 2018 and 31,600 as of March 31, 2018. During the first quarter of 2019, the Company received approximately 750 new claims and closed or moved to an inactive docket approximately 480 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. The Company’s total costs for the years 2018 and 2017 for settlement and defense of asbestos claims after insurance recoveries and net of tax were approximately $45 million and $57 million, respectively. The Company’s costs for settlement and defense of asbestos claims may vary year to year and insurance proceeds are not always recovered in the same period as the insured portion of the expenses.

The Company believes that its reserves and insurance are adequate to cover its asbestos liabilities. This belief is based upon many factors and assumptions, including the number of outstanding claims, estimated average cost per claim, the breakdown of claims by disease type, historic claim filings, costs per claim of resolution and the filing of new claims. While the number of asbestos claims filed against the Company has 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.

CBS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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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.

14) CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

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

	Statement of Operations For the Three Months Ended March 31, 2019				
	CBS Corp.	**CBS Operations Inc.**	**Non-Guarantor Affiliates**	**Eliminations**	**CBS Corp. Consolidated**
Revenues	$46	$ 3	$4,118	$—	$ 4,167
Costs and expenses:					
Operating	26	1	2,721	—	2,748
Selling, general and administrative	14	57	502	—	573
Depreciation and amortization	1	5	47	—	53
Restructuring and other corporate matters	3	23	88	—	114
Gain on sale of assets	—	—	(549)	—	(549)
Total costs and expenses	44	86	2,809	—	2,939
Operating income (loss)	2	(83)	1,309	—	1,228
Interest (expense) income, net	(137)	(131)	165	—	(103)
Other items, net	(8)	(11)	(2)	—	(21)
Earnings (loss) before income taxes and equity in earnings (loss) of investee companies	(143)	(225)	1,472	—	1,104
Benefit from income taxes	29	46	421	—	496
Equity in earnings (loss) of investee companies, net of tax	1,697	(58)	(17)	(1,639)	(17)
Net earnings (loss)	$1,583	$ (237)	$1,876	$(1,639)	$ 1,583
Total comprehensive income (loss)	$1,600	$ (239)	$1,872	$(1,633)	$ 1,600

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

	Statement of Operations For the Three Months Ended March 31, 2018				
	CBS Corp.	CBS Operations Inc.	Non-Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
Revenues	$43	$ 3	$3,715	$—	$ 3,761
Costs and expenses:					
Operating	25	1	2,374	—	2,400
Selling, general and administrative	13	64	447	—	524
Depreciation and amortization	1	6	49	—	56
Restructuring and other corporate matters	—	9	—	—	9
Total costs and expenses	39	80	2,870	—	2,989
Operating income (loss)	4	(77)	845	—	772
Interest (expense) income, net	(130)	(122)	151	—	(101)
Other items, net	(7)	(2)	(2)	—	(11)
Earnings (loss) before income taxes and equity in earnings (loss) of investee companies	(133)	(201)	994	—	660
Benefit (provision) for income taxes	27	41	(203)	—	(135)
Equity in earnings (loss) of investee companies, net of tax	617	413	(14)	(1,030)	(14)
Net earnings	$511	$ 253	$777	$(1,030)	$ 511
Total comprehensive income	$520	$ 246	$780	$(1,026)	$ 520

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

Balance Sheet
At March 31, 2019

	CBS Corp.	CBS Operations Inc.	Non-Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
Assets					
Cash and cash equivalents	$177	$—	$323	$—	$ 500
Receivables, net	24	1	4,122	—	4,147
Programming and other inventory	2	2	1,529	—	1,533
Prepaid expenses and other current assets	13	45	529	(35)	552
Total current assets	216	48	6,503	(35)	6,732
Property and equipment	30	225	2,708	—	2,963
Less accumulated depreciation and amortization	14	189	1,566	—	1,769
Net property and equipment	16	36	1,142	—	1,194
Programming and other inventory	5	4	4,304	—	4,313
Goodwill	98	62	4,902	—	5,062
Intangible assets	—	—	2,665	—	2,665
Operating lease assets	6	114	832	—	952
Investments in consolidated subsidiaries	49,466	16,844	—	(66,310)	—
Deferred income tax assets, net	—	—	797	—	797
Other assets	280	—	2,080	—	2,360
Intercompany	—	267	32,934	(33,201)	—
Total Assets	$50,087	$17,375	$56,159	$(99,546)	$ 24,075
Liabilities and Stockholders' Equity					
Accounts payable	$4	$9	$260	$—	$ 273
Participants' share and royalties payable	—	—	1,157	—	1,157
Accrued programming and production costs	3	2	799	—	804
Accrued expenses and other current liabilities	580	259	1,454	(35)	2,258
Total current liabilities	587	270	3,670	(35)	4,492
Long-term debt	9,282	—	76	—	9,358
Noncurrent operating lease liabilities	5	109	752	—	866
Other liabilities	2,663	207	2,140	—	5,010
Intercompany	33,201	—	—	(33,201)	—
Stockholders' Equity:					
Preferred stock	—	—	126	(126)	—
Common stock	1	123	590		