

CBS CORP
Form 10-Q
August 02, 2011

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

FORM 10-Q

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

For the quarterly period ended June 30, 2011

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

(State or other jurisdiction of
incorporation or organization)

04-2949533

(I.R.S. Employer Identification No.)

51 W. 52nd Street, New York, New York

(Address of principal executive offices)

10019

(Zip Code)

(212) 975-4321

Registrant's telephone number, including area code

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Smaller reporting company

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Non-accelerated filer o

(Do not check if a
smaller reporting company)

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

Number of shares of common stock outstanding at July 29, 2011:

Class A Common Stock, par value \$.001 per share 43,444,915

Class B Common Stock, par value \$.001 per share 626,439,222

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CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited; in millions, except per share amounts)

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|----------|------------------|----------|
| | June 30, | | June 30, | |
| | 2011 | 2010 | 2011 | 2010 |
| Revenues | \$ 3,586 | \$ 3,331 | \$ 7,096 | \$ 6,862 |
| Expenses: | | | | |
| Operating | 2,030 | 2,077 | 4,306 | 4,641 |
| Selling, general and administrative | 683 | 673 | 1,341 | 1,289 |
| Restructuring charges | | 2 | | 59 |
| Depreciation and amortization | 139 | 144 | 278 | 285 |
| Total expenses | 2,852 | 2,896 | 5,925 | 6,274 |
| Operating income | 734 | 435 | 1,171 | 588 |
| Interest expense | (110) | (134) | (220) | (272) |
| Interest income | 1 | 2 | 3 | 3 |
| Loss on early extinguishment of debt | | (41) | | (38) |
| Other items, net | 5 | (14) | 14 | (27) |
| Earnings before income taxes and equity in loss of investee companies | 630 | 248 | 968 | 254 |
| Provision for income taxes | (230) | (91) | (352) | (112) |
| Equity in loss of investee companies, net of tax | (5) | (7) | (19) | (18) |
| Net earnings | \$ 395 | \$ 150 | \$ 597 | \$ 124 |
| Basic net earnings per common share | \$..59 | \$..22 | \$..89 | \$..18 |
| Diluted net earnings per common share | \$..58 | \$..22 | \$..87 | \$..18 |
| Weighted average number of common | | | | |

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shares outstanding:

| | | | | |
|----------------------------|--------|--------|--------|--------|
| Basic | 669 | 679 | 671 | 678 |
| Diluted | 686 | 693 | 689 | 693 |
| Dividends per common share | \$.10 | \$.05 | \$.15 | \$.10 |

See notes to consolidated financial statements.

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

| | At June 30, 2011 | At December 31, 2010 |
|---|---------------------|-------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 1,346 | \$ 480 |
| Receivables, less allowances of \$139 (2011) and \$131 (2010) | 3,024 | 3,248 |
| Programming and other inventory (Note 4) | 360 | 725 |
| Deferred income tax assets, net | 304 | 303 |
| Prepaid income taxes | 56 | 45 |
| Prepaid expenses and other current assets | 599 | 529 |
| Current assets of discontinued operations | 6 | 5 |
| Total current assets | 5,695 | 5,335 |
| Property and equipment: | | |
| Land | 330 | 329 |
| Buildings | 713 | 709 |
| Capital leases | 197 | 197 |
| Advertising structures | 2,136 | 2,073 |
| Equipment and other | 1,771 | 1,797 |
| | 5,147 | 5,105 |
| Less accumulated depreciation and amortization | 2,552 | 2,411 |
| Net property and equipment | 2,595 | 2,694 |
| Programming and other inventory (Note 4) | 1,224 | 1,425 |
| Goodwill | 8,622 | 8,524 |
| Intangible assets (Note 3) | 6,577 | 6,624 |
| Other assets | 1,444 | 1,469 |
| Assets of discontinued operations | 72 | 72 |
| Total Assets | \$ 26,229 | \$ 26,143 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable | \$ 372 | \$ 439 |
| Accrued compensation | 291 | 408 |
| Participants' share and royalties payable | 1,018 | 943 |
| Program rights | 572 | 601 |
| Deferred revenue | 307 | 292 |
| Current portion of long-term debt (Note 6) | 31 | 27 |
| Accrued expenses and other current liabilities | 1,322 | 1,299 |
| | 18 | 17 |

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| | | |
|---|-----------|-----------|
| Current liabilities of discontinued operations | | |
| Total current liabilities | 3,931 | 4,026 |
| Long-term debt (Note 6) | 5,964 | 5,973 |
| Pension and postretirement benefit obligations | 1,969 | 1,986 |
| Deferred income tax liabilities, net | 851 | 715 |
| Other liabilities | 3,367 | 3,420 |
| Liabilities of discontinued operations | 199 | 202 |
| Commitments and contingencies (Note 10) | | |
| Stockholders' Equity: | | |
| Class A Common Stock, par value \$.001 per share; 375 shares authorized; 43 (2011) and 44 (2010) shares issued | | |
| Class B Common Stock, par value \$.001 per share; 5,000 shares authorized; 767 (2011) and 757 (2010) shares issued | | |
| | 1 | 1 |
| Additional paid-in capital | 43,436 | 43,443 |
| Accumulated deficit | (29,051) | (29,648) |
| Accumulated other comprehensive loss (Note 1) | (252) | (286) |
| | 14,134 | 13,510 |
| Less treasury stock, at cost; 142 (2011) and 120 (2010) Class B Shares | 4,186 | 3,689 |
| Total Stockholders' Equity | 9,948 | 9,821 |
| Total Liabilities and Stockholders' Equity | \$ 26,229 | \$ 26,143 |

See notes to consolidated financial statements.

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CBS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; in millions)

| | Six Months Ended June 30, | |
|--|------------------------------|---------------|
| | 2011 | 2010 |
| Operating Activities: | | |
| Net earnings | \$ 597 | \$ 124 |
| Adjustments to reconcile net earnings to net cash flow provided by operating activities: | | |
| Depreciation and amortization | 278 | 285 |
| Stock-based compensation | 75 | 70 |
| Loss on early extinguishment of debt | | 38 |
| Equity in loss of investee companies, net of tax and distributions | 21 | 18 |
| Change in assets and liabilities, net of effects of acquisitions | 623 | 716 |
| Net cash flow provided by operating activities | 1,594 | 1,251 |
| Investing Activities: | | |
| Acquisitions, net of cash acquired | (55) | (8) |
| Capital expenditures | (95) | (100) |
| Investments in and advances to investee companies | (42) | (41) |
| Proceeds from dispositions | 13 | 1 |
| Other investing activities | 8 | |
| Net cash flow used for investing activities | (171) | (148) |
| Financing Activities: | | |
| Proceeds from issuance of notes | 4 | 497 |
| Repayment of notes and debentures | (2) | (976) |
| Payment of capital lease obligations | (9) | (8) |
| Dividends | (73) | (74) |
| Purchase of Company common stock | (578) | (36) |
| Proceeds from exercise of stock options | 45 | 3 |
| Excess tax benefit from stock-based compensation | 61 | 12 |
| Decrease to accounts receivable securitization program (Note 6) | | (400) |
| Other financing activities | (5) | |
| Net cash flow used for financing activities | (557) | (982) |
| Net increase in cash and cash equivalents | 866 | 121 |
| Cash and cash equivalents at beginning of period | 480 | 717 |
| Cash and cash equivalents at end of period | \$ 1,346 | \$ 838 |
| Supplemental disclosure of cash flow information | | |
| Cash paid for interest | \$ 210 | \$ 264 |
| Cash paid for income taxes | \$ 158 | \$ 32 |

See notes to consolidated financial statements.

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CBS CORPORATION AND SUBSIDIARIES

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

1) BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business CBS Corporation (together with its consolidated subsidiaries unless the context otherwise requires, the "Company" or "CBS Corp.") is comprised of the following segments: Entertainment (CBS Television, comprised of the CBS Television Network, CBS Television Studios, CBS Studios International and CBS Television Distribution; CBS Films and CBS Interactive), Cable Networks (Showtime Networks, CBS Sports Network and Smithsonian Networks), Publishing (Simon & Schuster), Local Broadcasting (CBS Television Stations and CBS Radio) and Outdoor (CBS Outdoor, comprised of Outdoor Americas and Outdoor Europe).

Basis of Presentation The accompanying unaudited consolidated financial statements of the Company have been prepared pursuant to the rules of the Securities and Exchange Commission. These financial statements should be read in conjunction with the more detailed financial statements and notes thereto, included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

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

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

Net Earnings per Common Share Basic earnings per share ("EPS") is based upon net earnings divided by the weighted average number of common shares outstanding during the period. Diluted EPS reflects the effect of the assumed exercise of stock options and vesting of restricted stock units ("RSUs") and market-based performance share units ("PSUs") only in the periods in which such effect would have been dilutive. For both the three and six months ended June 30, 2011, stock options to purchase 22 million shares of Class B Common Stock were outstanding but excluded from the calculation of diluted EPS because their inclusion would have been anti-dilutive. For both the three and six months ended June 30, 2010, stock options to purchase 33 million shares of Class B Common Stock were outstanding but excluded from the calculation of diluted EPS because their inclusion would have been anti-dilutive.

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(Tabular dollars in millions, except per share amounts)

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

| (in millions) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|------|------------------------------|------|
| | 2011 | 2010 | 2011 | 2010 |
| Weighted average shares for basic EPS | 669 | 679 | 671 | 678 |
| Dilutive effect of shares issuable under stock-based compensation plans | 17 | 14 | 18 | 15 |
| Weighted average shares for diluted EPS | 686 | 693 | 689 | 693 |

Comprehensive Income Total comprehensive income for the Company includes net earnings and other comprehensive income (loss) items listed in the table below.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|--------|------------------------------|--------|
| | 2011 | 2010 | 2011 | 2010 |
| Net earnings | \$ 395 | \$ 150 | \$ 597 | \$ 124 |
| Other comprehensive income (loss), net of tax: | | | | |
| Cumulative translation adjustments | 6 | (15) | 19 | (20) |
| Net actuarial loss and prior service costs | 8 | 9 | 15 | 86 |
| Total comprehensive income | \$ 409 | \$ 144 | \$ 631 | \$ 190 |

Collaborative Arrangements Collaborative arrangements primarily consist of joint efforts with third parties to produce and distribute programming such as television series and live sporting events, including the new 14-year agreement between the Company and Turner Broadcasting System, Inc. to telecast the *NCAA Division I Men's Basketball Championship* ("NCAA Tournament"), which began in 2011. In connection with this agreement for the NCAA Tournament, advertisements aired on CBS Television Network are recorded as revenues and the Company's share of the program rights fees and other operating costs are recorded as operating expenses.

For episodic television programming, co-production costs are initially capitalized as programming inventory and amortized over the television series estimated economic life. In such arrangements where the Company has distribution rights, all proceeds generated from such distribution are recorded as revenues and any participation profits due to third party collaborators are recorded as operating expenses. In co-production arrangements where third party collaborators have distribution rights, the Company's net participating profits are recorded as revenues.

Amounts attributable to transactions arising from collaborative arrangements between participants were not material to the Company's consolidated financial statements for all periods presented.

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

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CBS CORPORATION AND SUBSIDIARIES

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

Additional Paid-In Capital For the six months ended June 30, 2011 and 2010, the Company recorded dividends of \$103 million and \$70 million, respectively, as a reduction to additional paid-in capital as the Company had an accumulated deficit balance.

Adoption of New Accounting Standards

Revenue Arrangements with Multiple Deliverables

On January 1, 2011, the Company adopted the Financial Accounting Standards Board's ("FASB") revised guidance on revenue arrangements with multiple deliverables. This guidance revises the criteria for separating and allocating consideration for each deliverable in a multiple-deliverable arrangement and establishes a hierarchy for determining the selling price of each deliverable. Under the guidance, revenues are allocated based on the relative selling price of each deliverable. The selling price used for each deliverable will be based on the Company-specific objective evidence if available, third party evidence if Company-specific evidence is not available, or estimated selling price for the stand-alone sale of the deliverable if neither Company-specific objective evidence nor third party evidence is available. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

Recent Pronouncements

Fair Value Measurement

In May 2011, the FASB issued guidance to improve the comparability of fair value measurements presented in financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and International Financial Reporting Standards ("IFRS"), effective for the Company beginning in the first quarter of 2012. This guidance clarifies the FASB's intent about the application of existing fair value measurement requirements and changes certain principles and requirements for measuring fair value and for disclosing information about fair value measurements. The adoption of this guidance will not have a material effect on the Company's consolidated financial statements.

Comprehensive Income

In June 2011, the FASB issued amended guidance on the presentation of comprehensive income, effective for the Company beginning in the first quarter of 2012, with early adoption permitted. Under this guidance, the total comprehensive income, the components of net income and the components of other comprehensive income must be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This guidance also requires reclassification adjustments, for items reclassified from other comprehensive income to net income, to be presented on the face of each of these statements. The adoption of this guidance will not have a material effect on the Company's consolidated financial statements.

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

The following table summarizes the Company's stock-based compensation expense for the three and six months ended June 30, 2011 and 2010.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-------|------------------------------|-------|
| | 2011 | 2010 | 2011 | 2010 |
| RSUs and PSUs | \$ 27 | \$ 29 | \$ 52 | \$ 56 |
| Stock options and equivalents | 14 | 8 | 23 | 14 |
| Stock-based compensation expense, before income taxes | 41 | 37 | 75 | 70 |
| Related tax benefit | (17) | (15) | (30) | (28) |
| Stock-based compensation expense, net of tax benefit | \$ 24 | \$ 22 | \$ 45 | \$ 42 |

During the six months ended June 30, 2011, the Company granted 6 million RSUs with a weighted average per unit grant date fair value of \$22.23. RSU grants during the first six months of 2011 generally vest over a one-to-four-year service period. Certain RSU awards are also subject to satisfying performance conditions. The number of shares that will be issued upon vesting of RSU awards with performance conditions can range from 0% to 120% of the target award, based on the achievement of established operating performance goals. During the six months ended June 30, 2011, the Company also granted 6 million stock options with a weighted average exercise price of \$23.17. Stock option grants during 2011 generally vest over a four-year service period and expire eight years from the date of grant.

Total unrecognized compensation cost related to non-vested RSUs at June 30, 2011 was \$208 million, which is expected to be expensed over a weighted average period of 2.6 years. Total unrecognized compensation cost related to unvested stock option awards at June 30, 2011 was \$88 million, which is expected to be expensed over a weighted average period of 2.9 years.

3) INTANGIBLE ASSETS

The Company's intangible assets were as follows:

| At June 30, 2011 | Gross | Accumulated Amortization | Net |
|---|----------|-----------------------------|----------|
| Intangible assets subject to amortization: | | | |
| Leasehold agreements | \$ 908 | \$ (596) | \$ 312 |
| Franchise agreements | 493 | (286) | 207 |
| Other intangible assets | 385 | (234) | 151 |
| Total intangible assets subject to amortization | 1,786 | (1,116) | 670 |
| FCC licenses | 5,738 | | 5,738 |
| Trade names | 169 | | 169 |
| Total intangible assets | \$ 7,693 | \$ (1,116) | \$ 6,577 |

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

| At December 31, 2010 | Gross | Accumulated Amortization | Net |
|--|-----------------|-----------------------------|-----------------|
| Intangible assets subject to amortization: | | | |
| Leasehold agreements | \$ 895 | \$ (562) | \$ 333 |
| Franchise agreements | 491 | (272) | 219 |
| Other intangible assets | 375 | (210) | 165 |
| Total intangible assets subject to amortization | 1,761 | (1,044) | 717 |
| FCC licenses | 5,738 | | 5,738 |
| Trade names | 169 | | 169 |
| Total intangible assets | \$ 7,668 | \$ (1,044) | \$ 6,624 |

Amortization expense was \$32 million and \$33 million for the three months ended June 30, 2011 and 2010, respectively, and \$63 million and \$66 million for the six months ended June 30, 2011 and 2010, respectively. The Company expects its aggregate annual amortization expense for existing intangible assets subject to amortization for each of the years, 2011 through 2015, to be as follows:

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|----------------------|--------|-------|-------|-------|-------|
| Amortization expense | \$ 122 | \$ 99 | \$ 87 | \$ 79 | \$ 69 |

4) PROGRAMMING AND OTHER INVENTORY

| | At June 30, 2011 | At December 31, 2010 |
|---|---------------------|-------------------------|
| Program rights | \$ 1,031 | \$ 1,372 |
| Television programming: | | |
| Released (including acquired libraries) | 404 | 534 |
| In process and other | 51 | 119 |
| Theatrical programming: | | |
| Released | 22 | 29 |
| In process and other | 8 | 26 |
| Publishing, primarily finished goods | 67 | 69 |
| Other | 1 | 1 |
| Total programming and other inventory | 1,584 | 2,150 |
| Less current portion | 360 | 725 |
| Total noncurrent programming and other inventory | \$ 1,224 | \$ 1,425 |

5) RELATED PARTIES

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National Amusements, Inc. National Amusements, Inc. ("NAI") is the controlling stockholder of CBS Corp. and Viacom Inc. Mr. Sumner M. Redstone, the controlling stockholder, chairman of the board of directors and chief executive officer of NAI, is the Executive Chairman of the Board of Directors and founder of both CBS Corp. and Viacom Inc. In addition, Ms. Shari Redstone, Mr. Sumner M. Redstone's daughter, is the president and a director of NAI and the vice chair of the board of directors

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

of both CBS Corp. and Viacom Inc. Mr. David R. Andelman is a director of CBS Corp. and serves as a director of NAI. Mr. Frederic V. Salerno is a director of CBS Corp. and serves as a director of Viacom Inc. At June 30, 2011, NAI directly or indirectly owned approximately 79% of CBS Corp.'s voting Class A Common Stock, and owned approximately 6% of CBS Corp.'s Class A Common Stock and non-voting Class B Common Stock on a combined basis.

Viacom Inc. CBS Corp., as part of its normal course of business, enters into transactions with Viacom Inc. and its subsidiaries. CBS Corp., through its Entertainment segment, licenses its television products to Viacom Inc., primarily MTV Networks and BET Networks. In addition, CBS Corp. recognizes advertising revenues for media spending placed by various subsidiaries of Viacom Inc., primarily Paramount Pictures. Viacom Inc. also distributes certain of the Company's television products in the home entertainment market. CBS Corp.'s total revenues from these transactions were \$88 million and \$71 million for the three months ended June 30, 2011 and 2010, respectively, and \$139 million and \$110 million for the six months ended June 30, 2011 and 2010, respectively.

CBS Corp. places advertisements with, and leases production facilities, licenses programming and purchases other goods and services from various subsidiaries of Viacom Inc. The total amounts for these transactions were \$4 million and \$6 million for the three months ended June 30, 2011 and 2010, respectively, and \$10 million and \$11 million for the six months ended June 30, 2011 and 2010, respectively.

The following table presents the amounts due from or due to Viacom Inc. in the normal course of business as reflected on CBS Corp.'s Consolidated Balance Sheets.

| | At June 30, 2011 | At December 31, 2010 |
|--|---------------------|-------------------------|
| Amounts due from Viacom Inc. | | |
| Receivables | \$ 92 | \$ 104 |
| Other assets (Receivables, noncurrent) | 221 | 252 |
| Total amounts due from Viacom Inc. | \$ 313 | \$ 356 |
| Amounts due to Viacom Inc. | | |
| Accounts payable | \$ 3 | \$ 5 |
| Program rights | 4 | 4 |
| Other liabilities (Program rights, noncurrent) | | 1 |
| Total amounts due to Viacom Inc. | \$ 7 | \$ 10 |

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 selling its television programming. Total revenues earned from these ventures were \$30 million and \$32 million for the three months ended June 30, 2011 and 2010, respectively, and \$63 million and \$78 million for the six months ended June 30, 2011 and 2010, respectively.

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

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

The following table sets forth the Company's debt.

| | At June 30, 2011 | At December 31, 2010 |
|--|---------------------|-------------------------|
| Senior debt (4.30% 8.875% due 2012 2056) ^(a) | \$ 5,927 | \$ 5,929 |
| Other notes | 4 | 2 |
| Obligations under capital leases | 85 | 90 |
| Total debt | 6,016 | 6,021 |
| Less discontinued operations debt ^(b) | 21 | 21 |
| Total debt from continuing operations | 5,995 | 6,000 |
| Less current portion | 31 | 27 |
| Total long-term debt from continuing operations, net of current portion | \$ 5,964 | \$ 5,973 |

(a) At June 30, 2011 and December 31, 2010, the senior debt balances included (i) a net unamortized premium of \$2 million and \$1 million, respectively, and (ii) an increase in the carrying value of the debt relating to previously settled fair value hedges of \$79 million and \$83 million, respectively. The face value of the Company's senior debt was \$5.85 billion at both June 30, 2011 and December 31, 2010.

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

The senior debt of CBS Corp. is fully and unconditionally guaranteed by its wholly owned subsidiary, CBS Operations Inc. Senior debt in the amount of \$52 million of the Company's wholly owned subsidiary, CBS Broadcasting Inc., is not guaranteed.

During the six months ended June 30, 2010, the Company issued \$500 million of senior notes.

During the six months ended June 30, 2010, the Company repurchased and redeemed a total of \$940 million of senior notes and debentures, of which \$920 million was repurchased and redeemed during the second quarter of 2010. These transactions resulted in a pre-tax loss on early extinguishment of debt of \$41 million and \$38 million for the three and six months ended June 30, 2010, respectively.

Credit Facility

At June 30, 2011, the Company had a \$2.0 billion revolving credit facility which expires in March 2015 (the "Credit Facility"). The Credit Facility requires the Company to maintain a maximum Consolidated Leverage Ratio of 4.0x at the end of each quarter and a minimum Consolidated Coverage Ratio of 3.0x for the trailing four quarters, each as further described in the Credit Facility. At June 30, 2011, the Company's Consolidated Leverage Ratio was approximately 1.9x and Consolidated Coverage Ratio was approximately 7.0x.

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

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

Consolidated EBITDA to the Company's cash interest expense on indebtedness, adjusted to exclude certain capital lease obligations, in each case for the trailing four consecutive quarters.

The primary purpose of the Credit Facility is to support commercial paper borrowings. At June 30, 2011, the Company had no commercial paper borrowings under its \$2.0 billion commercial paper program. At June 30, 2011, the remaining availability under the Credit Facility, net of outstanding letters of credit, was \$1.98 billion.

Accounts Receivable Securitization Program

During and prior to the first quarter of 2010, the Company participated in a revolving accounts receivable securitization program which provided for the sale of receivables on a non-recourse basis to unrelated third parties on a one-year renewable basis. During the first quarter of 2010, the Company reduced the amounts outstanding under its revolving accounts receivable securitization program by \$400 million to zero and terminated the program.

7) PENSION AND OTHER POSTRETIREMENT BENEFITS

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

| Three Months Ended June 30, | Pension Benefits | | Postretirement Benefits | |
|--|------------------|-------|-------------------------|------|
| | 2011 | 2010 | 2011 | 2010 |
| Components of net periodic cost: | | | | |
| Service cost | \$ 9 | \$ 8 | \$ | \$ |
| Interest cost | 62 | 67 | 9 | 10 |
| Expected return on plan assets | (60) | (57) | | |
| Amortization of actuarial losses (gains) | 16 | 18 | (3) | (2) |
| Net periodic cost | \$ 27 | \$ 36 | \$ 6 | \$ 8 |

| Six Months Ended June 30, | Pension Benefits | | Postretirement Benefits | |
|--|------------------|-------|-------------------------|-------|
| | 2011 | 2010 | 2011 | 2010 |
| Components of net periodic cost: | | | | |
| Service cost | \$ 18 | \$ 16 | \$ | \$ |
| Interest cost | 124 | 134 | 18 | 21 |
| Expected return on plan assets | (119) | (114) | | |
| Amortization of actuarial losses (gains) | 32 | 36 | (5) | (5) |
| Net periodic cost | \$ 55 | \$ 72 | \$ 13 | \$ 16 |

During July 2011, the Company made a pension contribution of \$200 million principally to pre-fund its qualified plans.

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CBS CORPORATION AND SUBSIDIARIES

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

8) STOCKHOLDERS' EQUITY

During the six months ended June 30, 2011, the Company repurchased, through accelerated share repurchase transactions, 21.7 million shares of CBS Corp. Class B Common Stock for \$500 million under its \$1.5 billion share repurchase program, of which \$250 million was spent in the second quarter to repurchase 9.9 million shares. In addition, during each of the six months ended June 30, 2011 and 2010, the Company repurchased 3 million shares of its Class B Common Stock by withholding shares to satisfy employee tax withholding obligations from the vesting of RSUs.

On May 3, 2011, the Company announced an increase in the quarterly cash dividend on its Class A and Class B Common Stock to \$.10 per share from \$.05 per share. The total second quarter dividend was \$69 million of which \$67 million was paid on July 1, 2011 and \$2 million was accrued to be paid upon vesting of RSUs. During the second quarter of 2011, the Company paid \$36 million for the dividend declared on February 23, 2011 and for dividend payments on RSUs that vested during the second quarter of 2011.

9) INCOME TAXES

The 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.

The provision for income taxes for the three months ended June 30, 2011 increased to \$230 million from \$91 million and for the six months ended June 30, 2011 increased to \$352 million from \$112 million for the comparable prior-year period, in both cases driven by the increase in earnings before income taxes. In addition, the provision for income taxes for the six months ended June 30, 2010 included three discrete items which impacted comparability totaling \$26 million, comprised of a \$62 million reduction of deferred tax assets associated with the enactment of the Patient Protection and Affordable Care Act in 2010, partially offset by a \$26 million reversal of previously established deferred tax liabilities and a \$10 million tax benefit from the settlements of tax audits.

The IRS commenced its examination of the years 2008, 2009 and 2010 during the second quarter of 2011. In addition, various tax years are currently under examination by state and local, and foreign tax authorities. With respect to open tax years in all jurisdictions, the Company does not currently believe that it is reasonably possible that the reserve for uncertain tax positions will significantly change within the next twelve months; however, it is difficult to predict the final outcome or timing of resolution of any particular tax matter and accordingly, unforeseen events could cause the Company's current expectation to change in the future.

10) COMMITMENTS AND CONTINGENCIES

Off-Balance Sheet Arrangements

The Company has indemnification obligations with respect to letters of credit and surety bonds primarily used as security against non-performance in the normal course of business. At June 30, 2011, the outstanding letters of credit and surety bonds approximated \$409 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

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

liability for its indemnification obligations and other contingent liabilities when probable under generally accepted accounting principles.

Legal Matters

Securities Action. On December 12, 2008, the City of Pontiac General Employees' Retirement System filed a self-styled class action complaint in the United States District Court for the Southern District of New York against the Company and its Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, and Treasurer, alleging violations of federal securities law. The complaint, which was filed on behalf of a putative class of purchasers of the Company's common stock between February 26, 2008 and October 10, 2008 (the "Class Period"), alleges that, among other things, the Company's failure to timely write down the value of certain assets caused the Company's reported operating results during the Class Period to be materially inflated. The plaintiffs seek unspecified compensatory damages. On February 11, 2009, a motion was filed in the case on behalf of The City of Omaha, Nebraska Civilian Employees' Retirement System, and The City of Omaha Police and Fire Retirement System (collectively, the "Omaha Funds") seeking to appoint the Omaha Funds as the lead plaintiffs in this case; on March 5, 2009, the court granted that motion. On May 4, 2009, the plaintiffs filed an Amended Complaint, which removes the Treasurer as a defendant and adds the Executive Chairman. On July 13, 2009, all defendants filed a motion to dismiss this action. On March 16, 2010, the court granted the Company's motion and dismissed this action as to the Company and all defendants. On April 30, 2010, the plaintiffs filed a motion for leave to serve an amended complaint. On September 23, 2010, the court issued an order granting leave to amend. On October 8, 2010, the Company was served with an Amended Complaint, which redefines the Class Period to be April 29, 2008 to October 10, 2008 and alleges that the impairment charge should have been taken during the first quarter of 2008. The Company filed a motion to dismiss this Amended Complaint on November 19, 2010. On May 24, 2011, the court granted the motion to dismiss and entered judgment in favor of defendants on May 25, 2011. On June 23, 2011, plaintiffs filed a Notice of Appeal.

Indecency Regulation. In March 2006, the FCC released certain decisions relating to indecency complaints against certain of the Company's owned television stations and affiliated stations. The FCC ordered the Company to pay a forfeiture of \$550,000 in the proceeding relating to the broadcast of a Super Bowl half-time show by the Company's television stations (the "Super Bowl Proceeding"). In May 2006, the FCC denied the Company's petition for reconsideration. In July 2006, the Company filed a Petition for Review of the forfeiture with the United States Court of Appeals for the Third Circuit and paid the \$550,000 forfeiture in order to facilitate the Company's ability to bring the appeal. Oral argument was heard in September 2007. In July 2008, the Third Circuit vacated the FCC's order to have the Company pay the forfeiture and remanded the case to the FCC. On November 18, 2008, the FCC filed a petition for certiorari with the United States Supreme Court, seeking review of the Third Circuit's decision. The petition requested that the United States Supreme Court not act on the petition until it ruled in the "fleeting expletives case" mentioned below. On January 8, 2009, the Company filed its opposition to the FCC's petition for certiorari.

In another case involving broadcasts on another network, in June 2007, the United States Court of Appeals for the Second Circuit vacated the FCC's November 2006 finding that the broadcast of fleeting and isolated expletives was indecent and remanded the case to the FCC (the "fleeting expletives case"). On March 17, 2008, the United States Supreme Court granted the FCC's petition to review the United States Court of Appeals for the Second Circuit's decision. On November 4, 2008, the United States Supreme Court heard argument in this case. On April 28, 2009, the United States Supreme Court

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

issued a 5-4 decision reversing the Second Circuit's judgment on administrative grounds in favor of the FCC and remanding the fleeting expletives case to the Second Circuit. The Second Circuit requested additional briefing and argument was heard on January 13, 2010. On July 13, 2010, the Second Circuit struck down an FCC policy on indecency and found that the FCC's indecency policies and decisions regarding the use of "fleeting expletives" on radio and television violated the First Amendment. On August 25, 2010, the FCC filed a petition for rehearing en banc and, on August 31, 2010, the Second Circuit issued an order directing all parties and intervenors to file briefs in response to the FCC's petition on September 21, 2010, which were filed. On November 22, 2010, the Second Circuit denied the FCC's petition for rehearing. On April 21, 2011, the FCC filed a combined petition for certiorari seeking review of the Second Circuit's decision in this case and also in an indecency case involving a broadcast on another television network. On June 27, 2011, the United States Supreme Court granted the FCC's petition for certiorari.

Following the April 28, 2009 decision in the fleeting expletives case, on May 4, 2009, the United States Supreme Court remanded the Super Bowl Proceeding to the United States Court of Appeals for the Third Circuit and requested supplemental briefing from the Company and the FCC, in light of the United States Supreme Court's fleeting expletives decision. Argument was heard by the Third Circuit in the Super Bowl Proceeding on February 23, 2010. On May 18, 2010 and on December 22, 2010, at the Third Circuit's request, the Company and the FCC each submitted supplemental briefs. The parties are awaiting a decision from the Third Circuit.

In March 2006, the FCC also notified the Company and certain affiliates of the CBS Television Network of apparent liability for forfeitures relating to a broadcast of the program *Without a Trace*. The FCC proposed to assess a forfeiture of \$32,500 against each of these stations, totaling \$260,000 for the Company's owned stations. The Company is contesting the FCC decision and the proposed forfeitures.

Additionally, the Company, 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 the Company's broadcasting stations included indecent material.

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

Claims are frequently filed and/or settled in groups, which may make the amount and timing of settlements, and the number of pending claims, subject to significant fluctuation from period to period. The Company does not report as pending those claims on inactive, stayed, deferred or similar dockets which some jurisdictions have established for claimants who allege minimal or no impairment. As of June 30, 2011 the Company had pending approximately 50,390 asbestos claims, as compared with approximately 52,220 as of December 31, 2010 and 58,920 as of June 30, 2010. During the second quarter of 2011, the Company received approximately 990 new claims and closed or moved to an

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(Tabular dollars in millions, except per share amounts)

inactive docket approximately 2,830 claims. The Company reports claims as closed when it becomes aware that a dismissal order has been entered by a court or when the Company has reached agreement with the claimants on the material terms of a settlement. Settlement costs depend on the seriousness of the injuries that form the basis of the claim, the quality of evidence supporting the claims and other factors. The Company's total costs for the years 2010 and 2009 for settlement and defense of asbestos claims after insurance recoveries and net of tax benefits were approximately \$14 million and \$18 million, respectively. The Company's costs for settlement and defense of asbestos claims may vary year to year as insurance proceeds are not always recovered in the same period as the insured portion of the expenses.

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

CBS Outdoor Limited has commenced legal actions against London Underground Limited with respect to disputes regarding project delays and other matters, including the calculation of franchise fees due from CBS Outdoor Limited arising under its 2006 transit contract with London Underground Limited. In these actions, CBS Outdoor Limited is seeking declaratory relief, recovery of monetary damages and other forms of relief. In August 2010, CBS Outdoor Limited filed a claim against London Underground Limited in the High Court of Justice Queen's Bench Division Commercial Court in the U.K. and, in November 2010, London Underground Limited filed a defense and counterclaim against CBS Outdoor Limited, in each case, with respect to such franchise fee calculation disputes.

On an ongoing basis, the Company defends itself in numerous lawsuits and proceedings and responds to various investigations and inquiries from federal, state and local authorities (collectively, "litigation"). Litigation is inherently uncertain and always difficult to predict. However, based on its understanding and evaluation of the relevant facts and circumstances, the Company believes that the above-described legal matters and other litigation to which it is a party are not likely, in the aggregate, to have a material adverse effect on its results of operations, financial position or cash flows. Under the Separation Agreement between the Company and Viacom Inc., the Company and Viacom Inc. have agreed to defend and indemnify the other in certain litigation in which the Company and/or Viacom Inc. is named.

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

During the years ended December 31, 2010 and 2009, the Company recorded restructuring charges of \$81 million and \$23 million, respectively. The charges reflected \$87 million of severance costs and \$22 million of contract termination and other associated costs, partially offset by reversals of \$5 million as a result of changes in estimates of previously established restructuring accruals. As of June 30, 2011, the cumulative amount paid since the restructuring activities began in 2009 was \$68 million, of which \$58 million was for the severance costs and \$10 million was for the contract termination and other associated costs. The Company expects to substantially utilize the remaining reserves by the end of 2011, however, certain payments associated with the early termination of long-term contractual agreements will continue through 2012.

| | Balance at December 31, 2010 | 2011 Payments | Balance at June 30, 2011 |
|---------------|---------------------------------|------------------|-----------------------------|
| Entertainment | \$ 11 | \$ (5) | \$ 6 |
| Cable | | | |
| Networks | 2 | | 2 |
| Publishing | 2 | | 2 |
| Local | | | |
| Broadcasting | 26 | (8) | 18 |
| Outdoor | 16 | (8) | 8 |
| Total | \$ 57 | \$ (21) | \$ 36 |

12) FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

The Company's carrying value of financial instruments approximates fair value, except for differences with respect to the notes and debentures. At June 30, 2011 and December 31, 2010, the carrying value of the senior debt was \$5.93 billion for both periods and the fair value, which is estimated, based on quoted market prices and includes accrued interest, was \$6.58 billion and \$6.54 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. The fair value of the Company's derivative instruments and the related activity was not material to the Consolidated Balance Sheets and Consolidated Statements of Operations for any of the periods presented.

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(Tabular dollars in millions, except per share amounts)

The following tables set forth the Company's assets and liabilities measured at fair value on a recurring basis at June 30, 2011 and December 31, 2010. 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 June 30, 2011 | Level 1 | Level 2 | Level 3 | Total |
|--------------------------|--------------|---------------|-----------|---------------|
| Assets: | | | | |
| Investments | \$ 65 | \$ | \$ | \$ 65 |
| Total Assets | \$ 65 | \$ | \$ | \$ 65 |
| Liabilities: | | | | |
| Deferred compensation | \$ | \$ 173 | \$ | \$ 173 |
| Foreign currency hedges | | 5 | | 5 |
| Total Liabilities | \$ | \$ 178 | \$ | \$ 178 |

| At December 31, 2010 | Level 1 | Level 2 | Level 3 | Total |
|--------------------------|--------------|---------------|-----------|---------------|
| Assets: | | | | |
| Investments | \$ 66 | \$ | \$ | \$ 66 |
| Total Assets | \$ 66 | \$ | \$ | \$ 66 |
| Liabilities: | | | | |
| Deferred compensation | \$ | \$ 162 | \$ | \$ 162 |
| Foreign currency hedges | | 3 | | 3 |
| Total Liabilities | \$ | \$ 165 | \$ | \$ 165 |

The fair value of investments is determined based on publicly quoted market prices in active markets. The fair value of foreign currency hedges is determined based on the present value of future cash flows using observable inputs including foreign currency exchange rates. The fair value of deferred compensation is determined based on the fair value of the investments elected by employees.

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CBS CORPORATION AND SUBSIDIARIES

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

13) REPORTABLE SEGMENTS

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

| | Three Months Ended | | Six Months Ended | |
|-----------------------|--------------------|-----------------|------------------|-----------------|
| | June 30, | | June 30, | |
| | 2011 | 2010 | 2011 | 2010 |
| Revenues: | | | | |
| Entertainment | \$ 1,836 | \$ 1,672 | \$ 3,830 | \$ 3,753 |
| Cable Networks | 413 | 369 | 806 | 737 |
| Publishing | 183 | 189 | 338 | 341 |
| Local Broadcasting | 691 | 678 | 1,312 | 1,284 |
| Outdoor | 490 | 457 | 903 | 849 |
| Eliminations | (27) | (34) | (93) | (102) |
| Total Revenues | \$ 3,586 | \$ 3,331 | \$ 7,096 | \$ 6,862 |

Revenues generated between segments primarily reflect advertising sales and television and feature film license fees. These transactions are recorded at market value as if the sales were to third parties and are eliminated in consolidation.

| | Three Months Ended | | Six Months Ended | |
|------------------------------------|--------------------|--------------|------------------|---------------|
| | June 30, | | June 30, | |
| | 2011 | 2010 | 2011 | 2010 |
| Intercompany Revenues: | | | | |
| Entertainment | \$ 19 | \$ 26 | \$ 74 | \$ 83 |
| Local Broadcasting | 4 | 6 | 9 | 11 |
| Outdoor | 4 | 2 | 10 | 8 |
| Total Intercompany Revenues | \$ 27 | \$ 34 | \$ 93 | \$ 102 |

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

The Company presents segment operating income (loss) before depreciation and amortization ("Segment OIBDA") as the primary measure of profit and loss for its operating segments in accordance with FASB guidance for segment reporting. The Company believes the presentation of Segment OIBDA is relevant and useful for investors because it allows investors to view segment performance in a manner similar to the primary method used by the Company's management and enhances their ability to understand the Company's operating performance.

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|--------|------------------|--------|
| | June 30, | | June 30, | |
| | 2011 | 2010 | 2011 | 2010 |
| Segment OIBDA: | | | | |
| Entertainment | \$ 440 | \$ 223 | \$ 708 | \$ 357 |
| Cable Networks | 176 | 129 | 329 | 230 |
| Publishing | 19 | 17 | 26 | 19 |
| Local Broadcasting | 230 | 214 | 399 | 323 |
| Outdoor | 86 | 77 | 135 | 89 |
| Corporate | (57) | (56) | (109) | (95) |
| Residual costs | (18) | (26) | (37) | (52) |
| Eliminations | (3) | 1 | (2) | 2 |
| OIBDA | 873 | 579 | 1,449 | 873 |
| Depreciation and amortization | (139) | (144) | (278) | (285) |
| Total Operating Income | 734 | 435 | 1,171 | 588 |
| Interest expense | (110) | (134) | (220) | (272) |
| Interest income | 1 | 2 | 3 | 3 |
| Loss on early extinguishment of debt | | (41) | | (38) |
| Other items, net | 5 | (14) | 14 | (27) |
| Earnings before income taxes and equity in loss of investee companies | 630 | 248 | 968 | 254 |
| Provision for income taxes | (230) | (91) | (352) | (112) |
| Equity in loss of investee companies, net of tax | (5) | (7) | (19) | (18) |
| Net earnings | \$ 395 | \$ 150 | \$ 597 | \$ 124 |

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CBS CORPORATION AND SUBSIDIARIES

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

| | Three Months Ended | | Six Months Ended | |
|---------------------------------|--------------------|--------|------------------|--------|
| | June 30, | | June 30, | |
| | 2011 | 2010 | 2011 | 2010 |
| Operating Income (Loss): | | | | |
| Entertainment | \$ 400 | \$ 181 | \$ 630 | \$ 274 |
| Cable Networks | 171 | 123 | 318 | 218 |
| Publishing | 17 | 15 | 22 | 16 |
| Local Broadcasting | 204 | 190 | 347 | 274 |
| Outdoor | 26 | 12 | 14 | (39) |
| Corporate | (63) | (61) | (121) | (105) |
| Residual costs | (18) | (26) | (37) | (52) |
| Eliminations | (3) | 1 | (2) | 2 |
| Total Operating Income | \$ 734 | \$ 435 | \$ 1,171 | \$ 588 |

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|--------|------------------|--------|
| | June 30, | | June 30, | |
| | 2011 | 2010 | 2011 | 2010 |
| Depreciation and Amortization: | | | | |
| Entertainment | \$ 40 | \$ 42 | \$ 78 | \$ 83 |
| Cable Networks | 5 | 6 | 11 | 12 |
| Publishing | 2 | 2 | 4 | 3 |
| Local Broadcasting | 26 | 24 | 52 | 49 |
| Outdoor | 60 | 65 | 121 | 128 |
| Corporate | 6 | 5 | 12 | 10 |
| Total Depreciation and Amortization | \$ 139 | \$ 144 | \$ 278 | \$ 285 |

| | Three Months Ended | | Six Months Ended | |
|----------------------------------|--------------------|-------|------------------|-------|
| | June 30, | | June 30, | |
| | 2011 | 2010 | 2011 | 2010 |
| Stock-based Compensation: | | | | |
| Entertainment | \$ 12 | \$ 12 | \$ 24 | \$ 23 |
| Cable Networks | 1 | 1 | 2 | 3 |

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| | | | | |
|---------------------------------------|-------|-------|-------|-------|
| Publishing | 1 | 1 | 2 | 2 |
| Local Broadcasting | 6 | 6 | 11 | 12 |
| Outdoor | 2 | 2 | 3 | 3 |
| Corporate | 19 | 15 | 33 | 27 |
| Total Stock-based Compensation | \$ 41 | \$ 37 | \$ 75 | \$ 70 |

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CBS CORPORATION AND SUBSIDIARIES

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

| | Three Months Ended | | Six Months Ended | |
|-----------------------------------|--------------------|--------------|------------------|---------------|
| | June 30, | | June 30, | |
| | 2011 | 2010 | 2011 | 2010 |
| Capital Expenditures: | | | | |
| Entertainment | \$ 17 | \$ 23 | \$ 31 | \$ 38 |
| Cable Networks | 3 | 3 | 5 | 4 |
| Publishing | 2 | 1 | 2 | 2 |
| Local Broadcasting | 16 | 16 | 28 | 27 |
| Outdoor | 14 | 14 | 26 | 25 |
| Corporate | 2 | 2 | 3 | 4 |
| Total Capital Expenditures | \$ 54 | \$ 59 | \$ 95 | \$ 100 |

| | At | |
|-------------------------|------------------|-------------------|
| | June 30, 2011 | December 31, 2010 |
| Assets: | | |
| Entertainment | \$ 7,662 | \$ 8,324 |
| Cable Networks | 1,615 | 1,650 |
| Publishing | 1,018 | 1,126 |
| Local Broadcasting | 9,612 | 9,686 |
| Outdoor | 4,264 | 4,256 |
| Corporate | 2,062 | 1,094 |
| Discontinued operations | 78 | 77 |
| Eliminations | (82) | (70) |
| Total Assets | \$ 26,229 | \$ 26,143 |

Table of Contents**CBS CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
(Tabular dollars in millions, except per share amounts)**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 (See Note 6). The following condensed consolidating financial statements present the results of operations, financial position and cash flows of CBS Corp., CBS Operations Inc., the direct and indirect Non-Guarantor Affiliates of CBS Corp. and CBS Operations Inc., and the eliminations necessary to arrive at the information for the Company on a consolidated basis.

| | Statement of Operations | | | | |
|---|---|----------------------------|---------------------------------|---------------------|-------------------------------|
| | For the Three Months Ended June 30, 2011 | | | | |
| | CBS Corp. | CBS Operations Inc. | Non-Guarantor Affiliates | Eliminations | CBS Corp. Consolidated |
| Revenues | \$ 31 | \$ 45 | \$ 3,510 | \$ | \$ 3,586 |
| Expenses: | | | | | |
| Operating | 16 | 36 | 1,978 | | 2,030 |
| Selling, general and administrative | 28 | 65 | 590 | | 683 |
| Depreciation and amortization | 2 | 4 | 133 | | 139 |
| Total expenses | 46 | 105 | 2,701 | | 2,852 |
| Operating income (loss) | (15) | (60) | 809 | | 734 |
| Interest (expense) income, net | (131) | (83) | 105 | | (109) |
| Other items, net | | 1 | 4 | | 5 |
| Earnings (loss) before income taxes and equity in earnings (loss) of investee companies | (146) | (142) | 918 | | 630 |
| Benefit (provision) for income taxes | 56 | 54 | (340) | | (230) |
| Equity in earnings (loss) of investee companies, net of tax | 485 | 472 | (5) | (957) | (5) |
| Net earnings | \$ 395 | \$ 384 | \$ 573 | \$ (957) | \$ 395 |

CBS CORPORATION AND SUBSIDIARIES

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

| | Statement of Operations For the Six Months Ended June 30, 2011 | | | | |
|---|---|---------------------------|---------------------------------|--------------|---------------------------|
| | CBS Corp. | CBS Operations Inc. | Non- Guarantor Affiliates | Eliminations | CBS Corp. Consolidated |
| Revenues | \$ 63 | \$ 73 | \$ 6,960 | \$ | \$ 7,096 |
| Expenses: | | | | | |
| Operating | 34 | 58 | 4,214 | | 4,306 |
| Selling, general and administrative | 56 | 122 | 1,163 | | 1,341 |
| Depreciation and amortization | 3 | 8 | 267 | | 278 |
| Total expenses | 93 | 188 | 5,644 | | 5,925 |
| Operating income (loss) | (30) | (115) | 1,316 | | 1,171 |
| Interest (expense) income, net | (260) | (167) | 210 | | (217) |
| Other items, net | 1 | (1) | 14 | | 14 |
| Earnings (loss) before income taxes and equity in earnings (loss) of investee companies | (289) | (283) | 1,540 | | 968 |
| Benefit (provision) for income taxes | 104 | 102 | (558) | | (352) |
| Equity in earnings (loss) of investee companies, net of tax | 782 | 720 | (19) | (1,502) | (19) |
| Net earnings | \$ 597 | \$ 539 | \$ 963 | \$ (1,502) | \$ 597 |

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

| | Statement of Operations | | | | |
|---|--|---------------------------|---------------------------------|--------------|---------------------------|
| | For the Three Months Ended June 30, 2010 | | | | |
| | CBS Corp. | CBS Operations Inc. | Non- Guarantor Affiliates | Eliminations | CBS Corp. Consolidated |
| Revenues | \$ 33 | \$ 32 | \$ 3,266 | \$ | \$ 3,331 |
| Expenses: | | | | | |
| Operating | 16 | 25 | 2,036 | | 2,077 |
| Selling, general and administrative | 34 | 62 | 577 | | 673 |
| Restructuring charges | | | 2 | | 2 |
| Depreciation and amortization | 2 | 3 | 139 | | 144 |
| Total expenses | 52 | 90 | 2,754 | | 2,896 |
| Operating income (loss) | (19) | (58) | 512 | | 435 |
| Interest (expense) income, net | (146) | (75) | 89 | | (132) |
| Loss on early extinguishment of debt | (41) | | | | (41) |
| Other items, net | (1) | 8 | (21) | | (14) |
| Earnings (loss) before income taxes and equity in earnings (loss) of investee companies | (207) | (125) | 580 | | 248 |
| Benefit (provision) for income taxes | 76 | 44 | (211) | | (91) |
| Equity in earnings (loss) of investee companies, net of tax | 281 | 145 | (7) | (426) | (7) |
| Net earnings | \$ 150 | \$ 64 | \$ 362 | \$ (426) | \$ 150 |

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

| | Statement of Operations For the Six Months Ended June 30, 2010 | | | | |
|---|---|---------------------------|---------------------------------|--------------|---------------------------|
| | CBS Corp. | CBS Operations Inc. | Non- Guarantor Affiliates | Eliminations | CBS Corp. Consolidated |
| Revenues | \$ 66 | \$ 61 | \$ 6,735 | \$ | \$ 6,862 |
| Expenses: | | | | | |
| Operating | 32 | 50 | 4,559 | | 4,641 |
| Selling, general and administrative | 69 | 106 | 1,114 | | 1,289 |
| Restructuring charges | | | 59 | | 59 |
| Depreciation and amortization | 3 | 6 | 276 | | 285 |
| Total expenses | 104 | 162 | 6,008 | | 6,274 |
| Operating income (loss) | (38) | (101) | 727 | | 588 |
| Interest (expense) income, net | (294) | (157) | 182 | | (269) |
| Loss on early extinguishment of debt | (38) | | | | (38) |
| Other items, net | (1) | 10 | (36) | | (27) |
| Earnings (loss) before income taxes and equity in earnings (loss) of investee companies | (371) | (248) | 873 | | 254 |
| Benefit (provision) for income taxes | 102 | 91 | (305) | | (112) |
| Equity in earnings (loss) of investee companies, net of tax | 393 | 315 | (18) | (708) | (18) |
| Net earnings | \$ 124 | \$ 158 | \$ 550 | \$ (708) | \$ 124 |

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

| | Balance Sheet At June 30, 2011 | | | | |
|--|---|------------------------------------|--|---------------------|-----------------------------------|
| | CBS Corp. | CBS Operations Inc. | Non- Guarantor Affiliates | Eliminations | CBS Corp. Consolidated |
| Assets | | | | | |
| Cash and cash equivalents | \$ 916 | \$ 1 | \$ 429 | \$ | \$ 1,346 |
| Receivables, net | 23 | 35 | 2,966 | | 3,024 |
| Programming and other inventory | 4 | 5 | 351 | | 360 |
| Prepaid expenses and other current assets | 106 | 94 | 784 | (19) | 965 |
| Total current assets | 1,049 | 135 | 4,530 | (19) | 5,695 |
| Property and equipment | 43 | 94 | 5,010 | | 5,147 |
| Less accumulated depreciation and amortization | 11 | 52 | 2,489 | | 2,552 |
| Net property and equipment | 32 | 42 | 2,521 | | 2,595 |
| Programming and other inventory | 6 | 62 | 1,156 | | 1,224 |
| Goodwill | 98 | 62 | 8,462 | | 8,622 |
| Intangible assets | 255 | | 6,322 | | 6,577 |
| Investments in consolidated subsidiaries | 35,344 | 7,446 | | (42,790) | |
| Other assets | 219 | 14 | 1,283 | | 1,516 |
| Intercompany | | 4,226 | 13,614 | (17,840) | |
| Total Assets | \$ 37,003 | \$ 11,987 | \$ 37,888 | \$ (60,649) | \$ 26,229 |
| Liabilities and Stockholders' Equity | | | | | |
| Accounts payable | \$ 4 | \$ 5 | \$ 363 | \$ | \$ 372 |
| Participants' share and royalties payable | | 26 | 992 | | 1,018 |
| Program rights | 5 | 4 | 563 | | 572 |
| Current portion of long-term debt | 8 | | 23 | | 31 |
| Accrued expenses and other current liabilities | 333 | 244 | 1,380 | (19) | 1,938 |
| Total current liabilities | 350 | 279 | 3,321 | (19) | 3,931 |
| Long-term debt | 5,846 | | 118 | | 5,964 |
| Other liabilities | 3,320 | 410 | 2,659 | (3) | 6,386 |
| Intercompany | 17,539 | | | (17,539) | |
| Stockholders' Equity: | | | | | |
| Preferred Stock | | | 128 | (128) | |
| Common Stock | 1 | 123 | 1,136 | (1,259) | 1 |
| Additional paid-in capital | 43,436 | | 61,435 | (61,435) | 43,436 |
| Retained earnings (deficit) | (29,051) | 11,506 | (26,411) | 14,905 | (29,051) |
| Accumulated other comprehensive income (loss) | (252) | | 302 | (302) | (252) |

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| | | | | | |
|--|--------------|---------------|---------------|-----------------|--------------|
| | 14,134 | 11,629 | 36,590 | (48,219) | 14,134 |
| Less treasury stock, at cost | 4,186 | 331 | 4,800 | (5,131) | 4,186 |
| Total Stockholders' Equity | 9,948 | 11,298 | 31,790 | (43,088) | 9,948 |
| Total Liabilities and Stockholders' Equity | \$ 37,003 | \$ 11,987 | \$ 37,888 | \$ (60,649) | \$ 26,229 |

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

| | Balance Sheet At December 31, 2010 | | | | CBS Corp. Consolidated |
|--|---------------------------------------|---------------------------|---------------------------------|--------------|---------------------------|
| | CBS Corp. | CBS Operations Inc. | Non- Guarantor Affiliates | Eliminations | |
| Assets | | | | | |
| Cash and cash equivalents | \$ 105 | \$ 1 | \$ 374 | \$ | \$ 480 |
| Receivables, net | 30 | 27 | 3,191 | | 3,248 |
| Programming and other inventory | 4 | 5 | 716 | | 725 |
| Prepaid expenses and other current assets | 50 | 91 | 754 | (13) | 882 |
| Total current assets | 189 | 124 | 5,035 | (13) | 5,335 |
| Property and equipment | 43 | 91 | 4,971 | | 5,105 |
| Less accumulated depreciation and amortization | 10 | 45 | 2,356 | | 2,411 |
| Net property and equipment | 33 | 46 | 2,615 | | 2,694 |
| Programming and other inventory | 7 | 104 | 1,314 | | 1,425 |
| Goodwill | 98 | 62 | 8,364 | | 8,524 |
| Intangible assets | 255 | | 6,369 | | 6,624 |
| Investments in consolidated subsidiaries | 34,562 | 6,727 | | (41,289) | |
| Other assets | 243 | 14 | 1,284 | | 1,541 |
| Intercompany | | 4,419 | 11,906 | (16,325) | |
| Total Assets | \$ 35,387 | \$ 11,496 | \$ 36,887 | \$ (57,627) | \$ 26,143 |
| Liabilities and Stockholders' Equity | | | | | |
| Accounts payable | \$ 18 | \$ 17 | \$ 404 | \$ | \$ 439 |
| Participants' share and royalties payable | | 19 | 924 | | 943 |
| Program rights | 5 | 5 | 591 | | 601 |
| Current portion of long-term debt | 8 | | 19 | | 27 |
| Accrued expenses and other current liabilities | 260 | 293 | 1,477 | (14) | 2,016 |
| Total current liabilities | 291 | 334 | 3,415 | (14) | 4,026 |
| Long-term debt | 5,849 | | 124 | | 5,973 |
| Other liabilities | 3,412 | 403 | 2,511 | (3) | 6,323 |
| Intercompany | 16,014 | | | (16,014) | |
| Stockholders' Equity: | | | | | |
| Preferred Stock | | | 128 | (128) | |
| Common Stock | 1 | 123 | 1,136 | (1,259) | 1 |
| Additional paid-in capital | 43,443 | | 61,435 | (61,435) | 43,443 |
| Retained earnings (deficit) | (29,648) | 10,967 | (27,374) | 16,407 | (29,648) |
| Accumulated other comprehensive income (loss) | (286) | | 312 | (312) | (286) |

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| | | | | | |
|--|--------------|---------------|---------------|-----------------|--------------|
| | 13,510 | 11,090 | 35,637 | (46,727) | 13,510 |
| Less treasury stock, at cost | 3,689 | 331 | 4,800 | (5,131) | 3,689 |
| Total Stockholders' Equity | 9,821 | 10,759 | 30,837 | (41,596) | 9,821 |
| Total Liabilities and Stockholders' Equity | \$ 35,387 | \$ 11,496 | \$ 36,887 | \$ (57,627) | \$ 26,143 |

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

| | Statement of Cash Flows For the Six Months Ended June 30, 2011 | | | | CBS Corp. Consolidated |
|--|---|---------------------------|---------------------------------|--------------|---------------------------|
| | CBS Corp. | CBS Operations Inc. | Non- Guarantor Affiliates | Eliminations | |
| Net cash flow (used for) provided by operating activities | \$ (362) | \$ (130) | \$ 2,086 | \$ | \$ 1,594 |
| Investing Activities: | | | | | |
| Acquisitions, net of cash acquired | | | (55) | | (55) |
| Capital expenditures | | (3) | (92) | | (95) |
| Investments in and advances to investee companies | | | (42) | | (42) |
| Proceeds from dispositions | | | 13 | | 13 |
| Other investing activities | | 8 | | | 8 |
| Net cash flow provided by (used for) investing activities | | 5 | (176) | | (171) |
| Financing Activities: | | | | | |
| Proceeds from issuance of notes | | | 4 | | 4 |
| Repayment of notes and debentures | | | (2) | | (2) |
| Payment of capital lease obligations | | | (9) | | (9) |
| Dividends | (73) | | | | (73) |
| Purchase of Company common stock | (578) | | | | (578) |
| Proceeds from exercise of stock options | 45 | | | | 45 |
| Excess tax benefit from stock-based compensation | 61 | | | | 61 |
| Other financing activities | (5) | | | | (5) |
| Increase (decrease) in intercompany payables | 1,723 | 125 | (1,848) | | |
| Net cash flow provided by (used for) financing activities | 1,173 | 125 | (1,855) | | (557) |
| Net increase in cash and cash equivalents | 811 | | 55 | | 866 |
| Cash and cash equivalents at beginning of period | 105 | 1 | 374 | | 480 |
| Cash and cash equivalents at end of period | \$ 916 | \$ 1 | \$ 429 | \$ | \$ 1,346 |

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

| | Statement of Cash Flows For the Six Months Ended June 30, 2010 | | | | CBS Corp. Consolidated |
|--|---|---------------------------|---------------------------------|--------------|---------------------------|
| | CBS Corp. | CBS Operations Inc. | Non- Guarantor Affiliates | Eliminations | |
| Net cash flow (used for) provided by operating activities | \$ (280) | \$ (143) | \$ 1,674 | \$ | \$ 1,251 |
| Investing Activities: | | | | | |
| Acquisitions, net of cash acquired | | | (8) | | (8) |
| Capital expenditures | | (4) | (96) | | (100) |
| Investments in and advances to investee companies | | | (41) | | (41) |
| Proceeds from dispositions | | | 1 | | 1 |
| Net cash flow used for investing activities | | (4) | (144) | | (148) |
| Financing Activities: | | | | | |
| Proceeds from issuance of notes | 497 | | | | 497 |
| Repayment of notes and debentures | (975) | | (1) | | (976) |
| Payment of capital lease obligations | | | (8) | | (8) |
| Dividends | (74) | | | | (74) |
| Purchase of Company common stock | (36) | | | | (36) |
| Proceeds from exercise of stock options | 3 | | | | 3 |
| Excess tax benefit from stock-based compensation | 12 | | | | 12 |
| Decrease to accounts receivable securitization program | | | (400) | | (400) |
| Increase (decrease) in intercompany payables | 1,077 | 147 | (1,224) | | |
| Net cash flow provided by (used for) financing activities | 504 | 147 | (1,633) | | (982) |
| Net increase (decrease) in cash and cash equivalents | 224 | | (103) | | 121 |
| Cash and cash equivalents at beginning of period | 248 | | 469 | | 717 |
| Cash and cash equivalents at end of period | \$ 472 | \$ | \$ 366 | \$ | \$ 838 |

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Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition.
(Tabular dollars in millions, except per share amounts)

Management's discussion and analysis of the results of operations and financial condition of CBS Corporation (the "Company" or "CBS Corp.") should be read in conjunction with the consolidated financial statements and related notes in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

Overview

CBS Corporation's results for the three and six months ended June 30, 2011 benefited from the strength of the Company's content, a new licensing agreement for the digital streaming of select library titles, the new agreement for the telecast of the *NCAA Division I Men's Basketball Championship* ("NCAA Tournament"), and underlying growth in advertising and affiliate and subscription fee revenues. Revenues for the second quarter of 2011 were \$3.59 billion, an increase of 8% from \$3.33 billion for the same prior-year period, and for the six months ended June 30, 2011, revenues of \$7.10 billion increased 3% from \$6.86 billion for the same prior-year period. For both the three and six-month periods, revenue comparisons were impacted by the new programming agreement for the NCAA Tournament which resulted in lower revenues, yet higher profits for 2011. For the six-month period, comparisons were also impacted by the 2010 broadcast of *Super Bowl XLIV* on the CBS Television Network.

Operating income of \$734 million for the second quarter of 2011 increased 69% from \$435 million for the second quarter of 2010 and operating income of \$1.17 billion for the six months ended June 30, 2011 increased 99% from \$588 million for the same prior-year period, reflecting growth across all of the Company's segments with significant margin improvement. These increases were driven by the aforementioned revenue growth and significantly lower sports programming costs from the new programming agreement for the NCAA Tournament. The Company reported second quarter diluted earnings per share of \$.58 for 2011, up from \$.22 per diluted share for 2010, and diluted earnings per share of \$.87 for the six months ended June 30, 2011, up from \$.18 per diluted share for the comparable prior-year period. These increases were driven by the operating income growth and lower interest expense due to a \$1.40 billion reduction to the Company's outstanding debt during 2010.

During the second quarter of 2011, the Company repurchased 9.9 million shares of its Class B Common Stock for \$250 million, at an average cost of \$25.19 per share, and for the six months ended June 30, 2011, the Company spent a total of \$500 million to repurchase 21.7 million shares at an average cost of \$23.06 per share. Free cash flow for the six months ended June 30, 2011 was \$1.50 billion, up \$348 million over the same prior-year period. The Company generated cash flow from operating activities of \$1.59 billion for the six months ended June 30, 2011, up \$343 million from \$1.25 billion for the comparable prior-year period. Free cash flow, a non-GAAP financial measure, reflects the Company's net cash flow provided by (used for) operating activities less capital expenditures. See "Reconciliation of Non-GAAP Financial Information" on page 37 for a reconciliation of net cash flow provided by (used for) operating activities, the most directly comparable financial measure in accordance with accounting principles generally accepted in the United States of America ("GAAP"), to free cash flow.

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

Consolidated Results of Operations**Three and Six Months Ended June 30, 2011 versus Three and Six Months Ended June 30, 2010***Revenues*

The following tables present the Company's consolidated revenues by type for the three and six months ended June 30, 2011 and 2010.

| Revenues by Type | Three Months Ended June 30, | | | | | |
|---------------------------------------|-----------------------------|------------------------|-----------------|------------------------|---------------------|-----------|
| | 2011 | Percentage of Total | 2010 | Percentage of Total | Increase/(Decrease) | |
| | \$ | | \$ | | \$ | % |
| Advertising | \$ 2,215 | 62% | \$ 2,158 | 65% | \$ 57 | 3% |
| Content licensing and distribution | 889 | 25 | 733 | 22 | 156 | 21 |
| Affiliate and subscription fees | 426 | 12 | 381 | 11 | 45 | 12 |
| Other | 56 | 1 | 59 | 2 | (3) | (5) |
| Total Revenues | \$ 3,586 | 100% | \$ 3,331 | 100% | 255 | 8% |

| Revenues by Type | Six Months Ended June 30, | | | | | |
|---------------------------------------|---------------------------|------------------------|-----------------|------------------------|---------------------|-----------|
| | 2011 | Percentage of Total | 2010 | Percentage of Total | Increase/(Decrease) | |
| | \$ | | \$ | | \$ | % |
| Advertising | \$ 4,507 | 63% | \$ 4,539 | 66% | \$ (32) | (1)% |
| Content licensing and distribution | 1,629 | 23 | 1,447 | 21 | 182 | 13 |
| Affiliate and subscription fees | 846 | 12 | 764 | 11 | 82 | 11 |
| Other | 114 | 2 | 112 | 2 | 2 | 2 |
| Total Revenues | \$ 7,096 | 100% | \$ 6,862 | 100% | 234 | 3% |

Advertising sales increased \$57 million, or 3%, to \$2.22 billion for the three months ended June 30, 2011 driven by growth in local advertising sales, from CBS Television Stations, CBS Radio and Outdoor, and higher national advertising sales, led by pricing increases in primetime advertising, partially offset by the impact of the new 14-year programming agreement between the Company and Turner Broadcasting System, Inc. for the telecast of the NCAA Tournament, which began in 2011. For the six months ended June 30, 2011, advertising sales decreased \$32 million, or 1%, to \$4.51 billion due to the 2010 broadcast of *Super Bowl XLIV* on the CBS Television Network, the impact of the new programming agreement for the NCAA Tournament and lower political advertising, partially offset by higher local advertising sales, ratings and pricing increases for sports programming and higher network primetime advertising.

Content licensing and distribution revenues increased \$156 million, or 21%, to \$889 million for the three months ended June 30, 2011 and increased \$182 million, or 13%, to \$1.63 billion for the six months ended June 30, 2011, principally reflecting the impact of the new licensing agreement for the digital streaming of select library titles and higher domestic syndication sales, including the third-cycle domestic syndication sale of *Frasier*, partially offset by the absence of sponsorship revenues resulting from the new programming agreement for the NCAA

Tournament.

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

Affiliate and subscription fees increased \$45 million, or 12%, to \$426 million for the three months ended June 30, 2011 and increased \$82 million, or 11%, to \$846 million for the six months ended June 30, 2011 reflecting growth in subscriptions and rate increases at Showtime Networks and CBS Sports Network, and higher retransmission revenues.

International Revenues

The Company generated approximately 17% of its total revenues from international regions for both the three and six months ended June 30, 2011 and 16% for both the three and six months ended June 30, 2010.

Operating Expenses

The following tables present the Company's consolidated operating expenses by type for the three and six months ended June 30, 2011 and 2010.

| Operating Expenses by Type | Three Months Ended June 30, | | | | | |
|--|-----------------------------|-------------|-----------------|-------------|---------------------|-------------|
| | Percentage | | Percentage | | Increase/(Decrease) | |
| | 2011 | of Total | 2010 | of Total | \$ | % |
| Programming | \$ 665 | 33% | \$ 779 | 37% | \$ (114) | (15)% |
| Production | 470 | 23 | 426 | 21 | 44 | 10 |
| Billboard, transit and other occupancy | 268 | 13 | 256 | 12 | 12 | 5 |
| Participation, distribution and royalty | 217 | 11 | 189 | 9 | 28 | 15 |
| Other | 410 | 20 | 427 | 21 | (17) | (4) |
| Total Operating Expenses | \$ 2,030 | 100% | \$ 2,077 | 100% | \$ (47) | (2)% |

| Operating Expenses by Type | Six Months Ended June 30, | | | | | |
|--|---------------------------|-------------|-----------------|-------------|---------------------|-------------|
| | Percentage | | Percentage | | Increase/(Decrease) | |
| | 2011 | of Total | 2010 | of Total | \$ | % |
| Programming | \$ 1,588 | 37% | \$ 2,009 | 43% | \$ (421) | (21)% |
| Production | 999 | 23 | 961 | 21 | 38 | 4 |
| Billboard, transit and other occupancy | 515 | 12 | 497 | 11 | 18 | 4 |
| Participation, distribution and royalty | 410 | 10 | 347 | 7 | 63 | 18 |
| Other | 794 | 18 | 827 | 18 | (33) | (4) |
| Total Operating Expenses | \$ 4,306 | 100% | \$ 4,641 | 100% | \$ (335) | (7)% |

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Programming expenses for the three months ended June 30, 2011 decreased \$114 million, or 15%, to \$665 million and for the six months ended June 30, 2011 decreased \$421 million, or 21%, to \$1.59 billion, primarily reflecting lower sports programming costs from the impact of the new programming agreement for the NCAA Tournament, which began in 2011, and lower primetime and cable theatrical programming costs. For the six-month period, the decrease also reflects lower costs from the absence of the 2010 broadcast of *Super Bowl XLIV* on the CBS Television Network.

Production expenses for the three months ended June 30, 2011 increased \$44 million, or 10%, to \$470 million and for the six months ended June 30, 2011 increased \$38 million, or 4%, to \$999 million,

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

primarily due to higher investment in new television series and costs associated with the licensing of titles for digital streaming.

Billboard, transit and other occupancy expenses for the three months ended June 30, 2011 increased \$12 million, or 5%, to \$268 million and for the six months ended June 30, 2011 increased \$18 million, or 4%, to \$515 million, primarily driven by the impact of foreign exchange rate changes and higher variable costs associated with higher revenues.

Participation, distribution and royalty expenses for the three months ended June 30, 2011 increased \$28 million, or 15%, to \$217 million and for the six months ended June 30, 2011 increased \$63 million, or 18%, to \$410 million, primarily due to higher participations from the licensing of titles for digital streaming and higher syndication sales, principally from the third-cycle sale of *Frasier*, partially offset by lower advertising and other distribution costs for theatrical films.

Other operating expenses for the three months ended June 30, 2011 decreased \$17 million, or 4%, to \$410 million and for the six months ended June 30, 2011 decreased \$33 million, or 4%, to \$794 million, primarily reflecting lower costs associated with the absence of sponsorship revenues resulting from the new programming agreement for the NCAA Tournament.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses, which include expenses incurred for selling and marketing costs, occupancy and back office support, increased \$10 million, or 1%, to \$683 million for the three months ended June 30, 2011 and increased \$52 million, or 4%, to \$1.34 billion for the six months ended June 30, 2011, primarily due to higher employee related costs partially offset by lower pension and postretirement benefit costs. For the six-month period, the increase also reflects higher advertising expense. Pension and postretirement benefits costs decreased \$11 million to \$33 million for the second quarter of 2011 and decreased \$20 million to \$68 million for the six-month period versus the comparable prior-year periods principally due to the favorable performance of pension plan assets in 2010 as well as the benefit from pre-funding pension plans at the end of 2010. SG&A expenses as a percentage of revenues were 19% for both the three and six months ended June 30, 2011, versus 20% and 19% for the three and six months ended June 30, 2010, respectively.

Restructuring Charges

For the six months ended June 30, 2010, in a continued effort to reduce its cost structure, the Company recorded restructuring charges of \$59 million, reflecting \$47 million of severance costs associated with the elimination of positions and \$13 million of contract termination and other associated costs, partially offset by the reversal of \$1 million as a result of changes in estimates of previously established restructuring accruals.

Depreciation and Amortization

For the three months ended June 30, 2011, depreciation and amortization decreased \$5 million, or 3%, to \$139 million and for the six months ended June 30, 2011, depreciation and amortization decreased \$7 million, or 2%, to \$278 million.

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

Interest Expense

For the three months ended June 30, 2011, interest expense decreased \$24 million to \$110 million and for the six months ended June 30, 2011, interest expense decreased \$52 million to \$220 million, primarily resulting from the reduction of debt during 2010. The Company had \$6.00 billion and \$6.54 billion of principal amounts of debt outstanding (including current maturities) at June 30, 2011 and 2010, respectively, each at a weighted average interest rate of 7%.

Interest Income

For the three months ended June 30, 2011, interest income decreased \$1 million to \$1 million and for the six months ended June 30, 2011, interest income of \$3 million remained flat compared to the same prior-year period.

Loss on Early Extinguishment of Debt

For the three and six months ended June 30, 2010, loss on early extinguishment of debt of \$41 million and \$38 million, respectively, reflected a pre-tax loss associated with the repurchase and redemption of \$920 million of the Company's debt during the second quarter of 2010. For the six-month period, the loss was partially offset by a pre-tax gain associated with the repurchase of \$20 million of the Company's debt during the first quarter of 2010.

Other Items, Net

For the three and six months ended June 30, 2011, "Other items, net" reflected income of \$5 million and \$14 million, respectively, primarily consisting of foreign exchange gains.

For the three and six months ended June 30, 2010, "Other items, net" reflected net losses of \$14 million and \$27 million, respectively, primarily consisting of foreign exchange losses.

Provision for Income Taxes

The provision for income taxes for the three months ended June 30, 2011 increased to \$230 million from \$91 million and for the six months ended June 30, 2011 increased to \$352 million from \$112 million for the comparable prior-year period, in both cases driven by the increase in earnings before income taxes. In addition, the provision for income taxes for the six months ended June 30, 2010 included three discrete items which impacted comparability totaling \$26 million, comprised of a \$62 million reduction of deferred tax assets associated with the enactment of the Patient Protection and Affordable Care Act in 2010, partially offset by a \$26 million reversal of previously established deferred tax liabilities and a \$10 million tax benefit from the settlements of tax audits.

Equity in Loss of Investee Companies, Net of Tax

For the three months ended June 30, 2011, equity in loss of investee companies, net of tax, decreased \$2 million to a loss of \$5 million and for the six months ended June 30, 2011, increased \$1 million to a loss of \$19 million compared to the same prior-year period, reflecting the Company's share of the operating results of its equity investments.

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

Net Earnings

The Company reported net earnings of \$395 million for the three months ended June 30, 2011 versus \$150 million for the three months ended June 30, 2010 and \$597 million for the six months ended June 30, 2011 versus \$124 million for the six months ended June 30, 2010, driven by the growth in operating income, decline in interest expense, and the absence of the 2010 pre-tax loss on early extinguishment of debt.

Reconciliation of Non-GAAP Financial Information

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

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

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

The following table presents a reconciliation of the Company's net cash flow provided by operating activities, the most directly comparable GAAP financial measure, to free cash flow.

| | Six Months Ended | |
|--|-------------------------|-----------------|
| | June 30, | |
| | 2011 | 2010 |
| Net cash flow provided by operating activities | \$ 1,594 | \$ 1,251 |
| Capital expenditures | (95) | (100) |
| Free cash flow | \$ 1,499 | \$ 1,151 |

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**Management's Discussion and Analysis of
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Segment Results of Operations

The following tables present the Company's revenues, segment operating income (loss) before depreciation and amortization ("Segment OIBDA"), operating income (loss), and depreciation and amortization by segment, for the three and six months ended June 30, 2011 and 2010. The Company presents Segment OIBDA as the primary measure of profit and loss for its operating segments in accordance with Financial Accounting Standards Board ("FASB") guidance for segment reporting. The Company believes the presentation of Segment OIBDA is relevant and useful for investors because it allows investors to view segment performance in a manner similar to the primary method used by the Company's management and enhances their ability to understand the Company's operating performance. The reconciliation of Segment OIBDA to the Company's consolidated Net earnings is presented in Note 13 (Reportable Segments) to the consolidated financial statements.

| | Three Months Ended | | Six Months Ended | |
|-------------------------------|--------------------|-----------------|------------------|-----------------|
| | June 30, | | June 30, | |
| | 2011 | 2010 | 2011 | 2010 |
| Revenues: | | | | |
| Entertainment | \$ 1,836 | \$ 1,672 | \$ 3,830 | \$ 3,753 |
| Cable Networks | 413 | 369 | 806 | 737 |
| Publishing | 183 | 189 | 338 | 341 |
| Local Broadcasting | 691 | 678 | 1,312 | 1,284 |
| Outdoor | 490 | 457 | 903 | 849 |
| Eliminations | (27) | (34) | (93) | (102) |
| Total Revenues | \$ 3,586 | \$ 3,331 | \$ 7,096 | \$ 6,862 |
| Segment OIBDA: | | | | |
| Entertainment | \$ 440 | \$ 223 | \$ 708 | \$ 357 |
| Cable Networks | 176 | 129 | 329 | 230 |
| Publishing | 19 | 17 | 26 | 19 |
| Local Broadcasting | 230 | 214 | 399 | 323 |
| Outdoor | 86 | 77 | 135 | 89 |
| Corporate | (57) | (56) | (109) | (95) |
| Residual costs | (18) | (26) | (37) | (52) |
| Eliminations | (3) | 1 | (2) | 2 |
| OIBDA | 873 | 579 | 1,449 | 873 |
| Depreciation and amortization | (139) | (144) | (278) | (285) |
| Total Operating Income | \$ 734 | \$ 435 | \$ 1,171 | \$ 588 |

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**Management's Discussion and Analysis of
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| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|---------------|------------------------------|---------------|
| | 2011 | 2010 | 2011 | 2010 |
| Operating Income (Loss): | | | | |
| Entertainment | \$ 400 | \$ 181 | \$ 630 | \$ 274 |
| Cable Networks | 171 | 123 | 318 | 218 |
| Publishing | 17 | 15 | 22 | 16 |
| Local Broadcasting | 204 | 190 | 347 | 274 |
| Outdoor | 26 | 12 | 14 | (39) |
| Corporate | (63) | (61) | (121) | (105) |
| Residual costs | (18) | (26) | (37) | (52) |
| Eliminations | (3) | 1 | (2) | 2 |
| Total Operating Income | \$ 734 | \$ 435 | \$ 1,171 | \$ 588 |
| Depreciation and Amortization: | | | | |
| Entertainment | \$ 40 | \$ 42 | \$ 78 | \$ 83 |
| Cable Networks | 5 | 6 | 11 | 12 |
| Publishing | 2 | 2 | 4 | 3 |
| Local Broadcasting | 26 | 24 | 52 | 49 |
| Outdoor | 60 | 65 | 121 | 128 |
| Corporate | 6 | 5 | 12 | 10 |
| Total Depreciation and Amortization | \$ 139 | \$ 144 | \$ 278 | \$ 285 |

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

(Contributed 51% and 54% to consolidated revenues for the three and six months ended June 30, 2011, respectively, versus 50% and 55% for the comparable prior-year periods.)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|-------------------------------------|--------------------------------|----------|------------------------------|----------|
| | 2011 | 2010 | 2011 | 2010 |
| Revenues | \$ 1,836 | \$ 1,672 | \$ 3,830 | \$ 3,753 |
| OIBDA | \$ 440 | \$ 223 | \$ 708 | \$ 357 |
| Depreciation and amortization | (40) | (42) | (78) | (83) |
| Operating income | \$ 400 | \$ 181 | \$ 630 | \$ 274 |
| OIBDA as a % of revenues | 24% | 13% | 18% | 10% |
| Operating income as a % of revenues | 22% | 11% | 16% | 7% |
| Restructuring charges | \$ | \$ | \$ | \$ 11 |

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| | | | | | | | | |
|----------------------|----|----|----|----|----|----|----|----|
| Capital expenditures | \$ | 17 | \$ | 23 | \$ | 31 | \$ | 38 |
|----------------------|----|----|----|----|----|----|----|----|

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**Management's Discussion and Analysis of
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Three Months Ended June 30, 2011 and 2010

For the three months ended June 30, 2011, Entertainment revenues increased 10% to \$1.84 billion from \$1.67 billion for the same prior-year period driven by 43% higher revenues from the licensing of television programming, reflecting the impact of the new licensing agreement for the digital streaming of select library titles and the 2011 third-cycle domestic cable sale of *Frasier*, higher national advertising sales and higher retransmission revenues. These increases were partially offset by the impact of the new 14-year programming agreement between the Company and Turner Broadcasting System, Inc. for the telecast of the NCAA Tournament, which resulted in lower revenues but higher profits for 2011.

For the three months ended June 30, 2011, Entertainment operating income increased \$219 million, or 121%, to \$400 million from \$181 million and OIBDA increased \$217 million, or 97%, to \$440 million from \$223 million for the same prior-year period, with improved operating income and OIBDA margins of 11 percentage points to 22% and 24%, respectively. The operating income and OIBDA increases and strong margin growth were driven by increases in higher margin revenues as well as lower sports programming costs resulting from the new programming agreement for the NCAA Tournament.

Six Months Ended June 30, 2011 and 2010

For the six months ended June 30, 2011, Entertainment revenues increased 2% to \$3.83 billion from \$3.75 billion for the same prior-year period principally reflecting 23% higher revenues from the licensing of television programming, driven by the new licensing agreement for the digital streaming of select library titles and higher domestic syndication sales; higher retransmission revenues; as well as underlying advertising revenue increases from higher pricing and ratings for the broadcast of sporting events and higher primetime advertising revenues for the CBS Television Network. These increases were partially offset by the impacts of the 2010 telecast of *Super Bowl XLIV* on the CBS Television Network and the new programming agreement for the NCAA Tournament.

For the six months ended June 30, 2011, Entertainment operating income increased \$356 million, or 130%, to \$630 million from \$274 million and OIBDA increased \$351 million, or 98%, to \$708 million from \$357 million for the same prior-year period, with improved operating income and OIBDA margins of nine percentage points and eight percentage points to 16% and 18%, respectively. The operating income and OIBDA increases and margin improvement reflect the aforementioned revenue growth as well as lower sports programming costs from the new programming agreement for the NCAA Tournament and the absence of the 2010 Super Bowl broadcast on the CBS Television Network. Restructuring charges of \$11 million incurred during the six months ended June 30, 2010 primarily reflect severance costs associated with the elimination of positions.

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

(Contributed 12% and 11% to consolidated revenues for the three and six months ended June 30, 2011, respectively, versus 11% for both of the comparable prior-year periods.)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|-------------------------------------|--------------------------------|--------|------------------------------|--------|
| | 2011 | 2010 | 2011 | 2010 |
| Revenues | \$ 413 | \$ 369 | \$ 806 | \$ 737 |
| OIBDA | \$ 176 | \$ 129 | \$ 329 | \$ 230 |
| Depreciation and amortization | (5) | (6) | (11) | (12) |
| Operating income | \$ 171 | \$ 123 | \$ 318 | \$ 218 |
| OIBDA as a % of revenues | 43% | 35% | 41% | 31% |
| Operating income as a % of revenues | 41% | 33% | 39% | 30% |
| Capital expenditures | \$ 3 | \$ 3 | \$ 5 | \$ 4 |

Three Months Ended June 30, 2011 and 2010

For the three months ended June 30, 2011, Cable Networks revenues increased 12% to \$413 million from \$369 million for the same prior-year period due to rate increases and growth in subscriptions at Showtime Networks, CBS Sports Network and Smithsonian Networks, as well as higher international syndication and home entertainment revenues for Showtime original series. At June 30, 2011, Showtime Networks, including *Showtime*, *The Movie Channel* and *Flix*, in the aggregate, had 70 million subscriptions, up by 6 million, or 9%, from June 30, 2010, reflecting increased direct broadcast satellite ("DBS"), cable and telecommunications company subscriptions. At June 30, 2011, CBS Sports Network subscriptions of 44 million were up by 8 million, or 22%, from June 30, 2010, reflecting increased cable subscriptions, driven by the Company's ten year carriage agreement with Comcast Corporation entered into in 2010, and higher DBS subscriptions. At June 30, 2011 Smithsonian Networks had 8 million subscriptions, up by 3 million from June 30, 2010.

For the three months ended June 30, 2011, Cable Networks operating income increased \$48 million, or 39%, to \$171 million from \$123 million and OIBDA increased \$47 million, or 36%, to \$176 million from \$129 million for the same prior-year period, primarily due to the revenue growth as well as lower theatrical programming costs, partially offset by higher original series programming costs.

Six Months Ended June 30, 2011 and 2010

For the six months ended June 30, 2011, Cable Networks revenues increased 9% to \$806 million from \$737 million for the same prior-year period due to rate increases and growth in subscriptions at Showtime Networks, CBS Sports Network and Smithsonian Networks, as well as higher international syndication and home entertainment revenues for Showtime original series.

For the six months ended June 30, 2011, Cable Networks operating income increased \$100 million, or 46%, to \$318 million from \$218 million and OIBDA increased \$99 million, or 43%, to \$329 million from \$230 million for the same prior-year period, primarily due to the revenue growth and lower costs for theatrical programming, partially offset by higher advertising expense associated with the timing of series premieres.

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Publishing (*Simon & Schuster*)

(Contributed 5% to consolidated revenues for both the three and six months ended June 30, 2011 versus 6% and 5%, respectively, for the comparable prior-year periods.)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|-------------------------------------|--------------------------------|--------|------------------------------|--------|
| | 2011 | 2010 | 2011 | 2010 |
| Revenues | \$ 183 | \$ 189 | \$ 338 | \$ 341 |
| OIBDA | \$ 19 | \$ 17 | \$ 26 | \$ 19 |
| Depreciation and amortization | (2) | (2) | (4) | (3) |
| Operating income | \$ 17 | \$ 15 | \$ 22 | \$ 16 |
| OIBDA as a % of revenues | 10% | 9% | 8% | 6% |
| Operating income as a % of revenues | 9% | 8% | 7% | 5% |
| Restructuring charges | \$ | \$ | \$ | \$ 1 |
| Capital expenditures | \$ 2 | \$ 1 | \$ 2 | \$ 2 |

Three Months Ended June 30, 2011 and 2010

For the three months ended June 30, 2011, Publishing revenues decreased 3% to \$183 million from \$189 million for the same prior-year period as growth in digital sales of Publishing content was more than offset by lower print book sales. Digital content revenues of \$28 million for the second quarter of 2011 more than doubled last year's second quarter digital sales and represented 15% of Publishing's total revenues.

Best-selling titles in the second quarter of 2011 include *The Greater Journey* by David McCullough and *The Original Argument* by Glenn Beck.

For the three months ended June 30, 2011, Publishing operating income increased \$2 million, or 13%, to \$17 million from \$15 million and OIBDA increased \$2 million, or 12%, to \$19 million from \$17 million for the same prior-year period, driven by lower expenses resulting from cost savings initiatives as well as the significant increase in digital sales as a percentage of total revenues.

Six Months Ended June 30, 2011 and 2010

For the six months ended June 30, 2011, Publishing revenues decreased \$3 million to \$338 million from \$341 million for the same prior-year period as growth in digital sales of Publishing content was more than offset by lower print book sales.

For the six months ended June 30, 2011, Publishing operating income increased \$6 million, or 38%, to \$22 million from \$16 million and OIBDA increased \$7 million, or 37%, to \$26 million from \$19 million for the same prior-year period, driven by the impact of cost savings initiatives, as well as lower costs from the significant increase in digital sales as a percentage of total revenues. Restructuring charges of \$1 million incurred during the six months ended June 30, 2010 reflect severance costs associated with the elimination of positions.

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Local Broadcasting (CBS Television Stations and CBS Radio)

(Contributed 19% and 18% to consolidated revenues for the three and six months ended June 30, 2011, respectively, versus 20% and 19% for the comparable prior-year periods.)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|-------------------------------------|--------------------------------|--------|------------------------------|----------|
| | 2011 | 2010 | 2011 | 2010 |
| Revenues | \$ 691 | \$ 678 | \$ 1,312 | \$ 1,284 |
| OIBDA | \$ 230 | \$ 214 | \$ 399 | \$ 323 |
| Depreciation and amortization | (26) | (24) | (52) | (49) |
| Operating income | \$ 204 | \$ 190 | \$ 347 | \$ 274 |
| OIBDA as a % of revenues | 33% | 32% | 30% | 25% |
| Operating income as a % of revenues | 30% | 28% | 26% | 21% |
| Restructuring charges | \$ | \$ | \$ | \$ 25 |
| Capital expenditures | \$ 16 | \$ 16 | \$ 28 | \$ 27 |

Three Months Ended June 30, 2011 and 2010

For the three months ended June 30, 2011, Local Broadcasting revenues increased 2% to \$691 million from \$678 million for the same prior-year period, primarily driven by higher advertising sales, partly due to an increase in market share. CBS Television Stations revenues increased slightly, despite the difficult comparison to the second quarter of 2010 which included significant political advertising sales. CBS Television Stations revenue growth reflects higher retransmission revenues and increases in many key advertising categories, including financial services, media and retail, partially offset by a decline in spending by Japanese automobile manufacturers. CBS Radio revenues increased 4% with growth in retail and financial services, partially offset by a decline in political advertising.

For the three months ended June 30, 2011, Local Broadcasting operating income increased \$14 million, or 7%, to \$204 million from \$190 million and OIBDA increased \$16 million, or 7%, to \$230 million from \$214 million for the same prior-year period reflecting the revenue growth and lower television programming costs.

Six Months Ended June 30, 2011 and 2010

For the six months ended June 30, 2011, Local Broadcasting revenues increased 2% to \$1.31 billion from \$1.28 billion for the same prior-year period driven by higher advertising sales, partly due to an increase in market share. CBS Television Stations revenues increased 1%, despite the difficult comparison to the first half of 2010, which included revenues from the 2010 Super Bowl broadcast, higher political advertising sales and revenues from a television station that was sold in August 2010, reflecting the improved advertising marketplace and higher retransmission revenues. CBS Radio revenues increased 4%, reflecting the improved advertising marketplace.

For the six months ended June 30, 2011, Local Broadcasting operating income increased \$73 million, or 27%, to \$347 million from \$274 million and OIBDA increased \$76 million, or 24%, to \$399 million from \$323 million for the same prior-year period, reflecting improved OIBDA and operating income margins for the first half of 2011. These increases were driven by the revenue growth, lower

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programming costs and restructuring charges of \$25 million recorded during the six months ended June 30, 2010, principally associated with the elimination of positions and contract terminations.

Outdoor (CBS Outdoor)

(Contributed 14% and 13% to consolidated revenues for the three and six months ended June 30, 2011, respectively, versus 14% and 12% for the comparable prior-year periods.)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|-------------------------------------|--------------------------------|--------|------------------------------|---------|
| | 2011 | 2010 | 2011 | 2010 |
| Revenues | \$ 490 | \$ 457 | \$ 903 | \$ 849 |
| OIBDA | \$ 86 | \$ 77 | \$ 135 | \$ 89 |
| Depreciation and amortization | (60) | (65) | (121) | (128) |
| Operating income (loss) | \$ 26 | \$ 12 | \$ 14 | \$ (39) |
| OIBDA as a % of revenues | 18% | 17% | 15% | 10% |
| Operating income as a % of revenues | 5% | 3% | 2% | NM |
| Restructuring charges | \$ | \$ 2 | \$ | \$ 22 |
| Capital expenditures | \$ 14 | \$ 14 | \$ 26 | \$ 25 |

NM Not meaningful

Three Months Ended June 30, 2011 and 2010

For the three months ended June 30, 2011, Outdoor revenues increased 7% to \$490 million from \$457 million for the same prior-year period, driven by the continued improvement in the outdoor advertising marketplace in the Americas and the favorable impact of foreign exchange rate changes. Revenues for the Americas (comprising North America and South America) for the second quarter of 2011 increased 7% in constant dollars from the same prior-year period, driven by growth in the U.S. billboards and displays businesses. Revenues for Europe decreased 4% in constant dollars, reflecting weakness in the European economy. The favorable impact of foreign exchange rate changes on total Outdoor revenues was approximately \$20 million for the three months ended June 30, 2011. Approximately 45% and 44% of Outdoor revenues were generated from regions outside the U.S. for the three months ended June 30, 2011 and 2010, respectively.

For the three months ended June 30, 2011, Outdoor operating income increased \$14 million to \$26 million from \$12 million and OIBDA increased \$9 million, or 12%, to \$86 million from \$77 million for the same prior-year period. These increases were driven by the revenue growth partially offset by higher costs, primarily due to foreign exchange rate changes and higher variable costs associated with the increase in revenues. The operating income growth also reflects lower depreciation and amortization expense as capital spending in recent years has been reduced to normalized levels.

Six Months Ended June 30, 2011 and 2010

For the six months ended June 30, 2011, Outdoor revenues increased 6% to \$903 million from \$849 million for the same prior-year period, driven by the continued improvement in the outdoor advertising marketplace in the Americas and the favorable impact of foreign exchange rate

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changes. Revenues for the Americas for the first half of 2011 increased 9% in constant dollars from the same

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prior-year period, reflecting growth in the U.S. billboards and displays businesses, including the impact of new transit contracts entered into during 2010. Revenues for Europe decreased 5% in constant dollars, reflecting weakness in the European economy. The favorable impact of foreign exchange rate changes on total Outdoor revenues was approximately \$24 million for the six months ended June 30, 2011. Approximately 44% and 46% of Outdoor revenues were generated from regions outside the U.S. for the six months ended June 30, 2011 and 2010, respectively.

For the six months ended June 30, 2011, Outdoor reported operating income of \$14 million versus an operating loss of \$39 million for the same prior-year period. Outdoor OIBDA increased \$46 million, or 52%, to \$135 million from \$89 million for the same prior-year period. These increases were driven by the revenue growth and restructuring charges incurred during the first half of 2010, partially offset by higher costs primarily due to foreign exchange rate changes and costs associated with new contracts. Restructuring charges of \$22 million for the six months ended June 30, 2010 primarily reflect severance costs associated with the elimination of positions.

Corporate

For the three months ended June 30, 2011, corporate expenses increased 3% to \$63 million from \$61 million for the same prior-year period and for the six months ended June 30, 2011 corporate expenses increased 15% to \$121 million from \$105 million for the same prior-year period, primarily reflecting higher stock-based compensation and other expense increases resulting from the Company's higher stock price.

Residual Costs

Residual costs primarily include pension and postretirement benefits costs for benefit plans retained by the Company for previously divested businesses. For the three months ended June 30, 2011, residual costs decreased 31% to \$18 million from \$26 million for the same prior-year period and for the six months ended June 30, 2011, residual costs decreased 29% to \$37 million from \$52 million for the same prior-year period, primarily due to the favorable performance of pension plan assets in 2010, as well as the benefit from pre-funding the Company's pension plans at the end of 2010.

Financial Position

Current assets increased by \$360 million to \$5.70 billion at June 30, 2011 from \$5.34 billion at December 31, 2010, primarily due to an increase in cash and cash equivalents of \$866 million, partially offset by a decrease in programming and other inventory of \$365 million, reflecting the expensing of prepaid sports and entertainment programming rights, and a decrease in receivables of \$224 million. The allowance for doubtful accounts as a percentage of receivables was 4% at both June 30, 2011 and December 31, 2010.

Net property and equipment of \$2.60 billion at June 30, 2011 decreased \$99 million from \$2.69 billion at December 31, 2010, primarily reflecting depreciation expense of \$215 million, partially offset by capital expenditures of \$95 million and foreign currency translation adjustments.

Goodwill increased \$98 million to \$8.62 billion at June 30, 2011 from \$8.52 billion at December 31, 2010, primarily reflecting acquisitions of internet businesses and foreign currency translation adjustments.

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Intangible assets, principally consisting of FCC licenses, leasehold agreements and franchise agreements, decreased by \$47 million to \$6.58 billion at June 30, 2011 from \$6.62 billion at December 31, 2010, primarily due to amortization expense of \$63 million, partially offset by intangible assets acquired in connection with the acquisitions of internet businesses.

Current liabilities decreased by \$95 million to \$3.93 billion at June 30, 2011 from \$4.03 billion at December 31, 2010, primarily due to decreases in accounts payable and accrued compensation, reflecting the timing of payments, partially offset by an increase in participants' share and royalties payable.

Other liabilities decreased by \$53 million to \$3.37 billion at June 30, 2011 from \$3.42 billion at December 31, 2010, primarily reflecting decreases related to sports programming rights.

Cash Flows

Cash and cash equivalents increased by \$866 million and \$121 million for the six months ended June 30, 2011 and 2010, respectively. The changes in cash and cash equivalents were as follows:

| | Six Months Ended June 30, | |
|---|------------------------------|----------|
| | 2011 | 2010 |
| Cash provided by operating activities | \$ 1,594 | \$ 1,251 |
| Cash used for investing activities | (171) | (148) |
| Cash used for financing activities | (557) | (982) |
| Net increase in cash and cash equivalents | \$ 866 | \$ 121 |

Operating Activities. Cash provided by operating activities of \$1.59 billion for the six months ended June 30, 2011 increased \$343 million from \$1.25 billion for the same prior-year period primarily reflecting the growth in operating income and lower payments for interest, partially offset by higher income tax payments and the absence of the benefit to 2010 cash flow from the Super Bowl broadcast on the CBS Television Network.

Cash paid for income taxes for the six months ended June 30, 2011 was \$158 million versus \$32 million for the six months ended June 30, 2010 driven by the increase in earnings before income taxes.

During July 2011, the Company made a pension contribution of \$200 million principally to pre-fund its qualified plans.

Investing Activities. Cash used for investing activities of \$171 million for the six months ended June 30, 2011 principally reflected capital expenditures of \$95 million, payments for acquisitions of \$55 million, primarily for internet businesses, and investments in investee companies of \$42 million. Cash used for investing activities of \$148 million for the six months ended June 30, 2010 principally reflected capital expenditures of \$100 million and investments in investee companies of \$41 million.

Financing Activities. Cash used for financing activities of \$557 million for the six months ended June 30, 2011 principally reflected the purchase of Company common stock for \$578 million, of which \$500 million relates to the repurchase of 21.7 million shares of CBS Corp. Class B Common Stock under the Company's \$1.5 billion share repurchase program, and dividend payments of \$73 million, partially offset by proceeds from the exercise of stock options of \$45 million and the excess tax benefit

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from stock-based compensation of \$61 million. Cash used for financing activities of \$982 million for the six months ended June 30, 2010 principally reflected the repayment of notes and debentures of \$976 million, a \$400 million reduction to amounts outstanding under the accounts receivable securitization program and dividend payments of \$74 million, partially offset by proceeds from the issuance of notes of \$497 million.

Repurchase of Company Stock and Cash Dividends

During the six months ended June 30, 2011, the Company repurchased, through accelerated share repurchase transactions, 21.7 million shares of CBS Corp. Class B Common Stock for \$500 million under its \$1.5 billion share repurchase program, of which \$250 million was spent in the second quarter to repurchase 9.9 million shares. In addition, during each of the six months ended June 30, 2011 and 2010, the Company repurchased 3 million shares of its Class B Common Stock by withholding shares to satisfy employee tax withholding obligations from the vesting of RSUs.

On May 3, 2011, the Company announced an increase in the quarterly cash dividend on its Class A and Class B Common Stock to \$.10 per share from \$.05 per share. The total second quarter dividend was \$69 million of which \$67 million was paid on July 1, 2011 and \$2 million was accrued to be paid upon vesting of RSUs. During the second quarter of 2011, the Company paid \$36 million for the dividend declared on February 23, 2011 and for dividend payments on RSUs that vested during the second quarter of 2011.

Capital Structure

The following table sets forth the Company's debt.

| | At June 30, 2011 | At December 31, 2010 |
|---|---------------------|-------------------------|
| Senior debt (4.30% - 8.875% due 2012 2056) ^(a) | \$ 5,927 | \$ 5,929 |
| Other notes | 4 | 2 |
| Obligations under capital leases | 85 | 90 |
| Total debt | 6,016 | 6,021 |
| Less discontinued operations debt ^(b) | 21 | 21 |
| Total debt from continuing operations | 5,995 | 6,000 |
| Less current portion | 31 | 27 |
| Total long-term debt from continuing operations, net of current portion | \$ 5,964 | \$ 5,973 |

(a) At June 30, 2011 and December 31, 2010, the senior debt balances included (i) a net unamortized premium of \$2 million and \$1 million, respectively, and (ii) an increase in the carrying value of the debt relating to previously settled fair value hedges of \$79 million and \$83 million, respectively. The face value of the Company's senior debt was \$5.85 billion at both June 30, 2011 and December 31, 2010.

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

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The senior debt of CBS Corp. is fully and unconditionally guaranteed by its wholly owned subsidiary, CBS Operations Inc. Senior debt in the amount of \$52 million of the Company's wholly owned subsidiary, CBS Broadcasting Inc., is not guaranteed.

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During the six months ended June 30, 2010, the Company issued \$500 million of senior notes.

During the six months ended June 30, 2010, the Company repurchased and redeemed a total of \$940 million of senior notes and debentures, of which \$920 million was repurchased and redeemed during the second quarter of 2010. These transactions resulted in a pre-tax loss on early extinguishment of debt of \$41 million and \$38 million for the three and six months ended June 30, 2010, respectively.

Credit Facility

At June 30, 2011, the Company had a \$2.0 billion revolving credit facility which expires in March 2015 (the "Credit Facility"). The Credit Facility requires the Company to maintain a maximum Consolidated Leverage Ratio of 4.0x at the end of each quarter and a minimum Consolidated Coverage Ratio of 3.0x for the trailing four quarters, each as further described in the Credit Facility. At June 30, 2011, the Company's Consolidated Leverage Ratio was approximately 1.9x and Consolidated Coverage Ratio was approximately 7.0x.

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

The primary purpose of the Credit Facility is to support commercial paper borrowings. At June 30, 2011, the Company had no commercial paper borrowings under its \$2.0 billion commercial paper program. At June 30, 2011, the remaining availability under the Credit Facility, net of outstanding letters of credit, was \$1.98 billion.

Accounts Receivable Securitization Program

During and prior to the first quarter of 2010, the Company participated in a revolving accounts receivable securitization program which provided for the sale of receivables on a non-recourse basis to unrelated third parties on a one-year renewable basis. During the first quarter of 2010, the Company reduced the amounts outstanding under its revolving accounts receivable securitization program by \$400 million to zero and terminated the program.

Liquidity and Capital Resources

The Company continually projects anticipated cash requirements for its operating, investing and financing needs as well as cash flows generated from operating activities available to meet these needs. The Company's operating needs include, among other items, commitments for sports programming rights, television and film programming, talent contracts, franchise payments, interest payments, and pension funding obligations. The Company's investing and financing spending includes capital expenditures, share repurchases, dividends and principal payments on its outstanding indebtedness. The Company believes that its operating cash flows, cash and cash equivalents, borrowing capacity under its Credit Facility, which had \$1.98 billion of remaining availability at June 30, 2011, and access to capital markets are sufficient to fund its operating, investing and financing requirements for the next twelve months.

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

Funding for the Company's long-term debt obligations due over the next five years of \$1.19 billion is expected to come from cash generated from operating activities and the Company's ability to refinance its debt.

Off-Balance Sheet Arrangements

The Company has indemnification obligations with respect to letters of credit and surety bonds primarily used as security against non-performance in the normal course of business. At June 30, 2011, the outstanding letters of credit and surety bonds approximated \$409 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 under generally accepted accounting principles.

Legal Matters

Securities Action. On December 12, 2008, the City of Pontiac General Employees' Retirement System filed a self-styled class action complaint in the United States District Court for the Southern District of New York against the Company and its Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, and Treasurer, alleging violations of federal securities law. The complaint, which was filed on behalf of a putative class of purchasers of the Company's common stock between February 26, 2008 and October 10, 2008 (the "Class Period"), alleges that, among other things, the Company's failure to timely write down the value of certain assets caused the Company's reported operating results during the Class Period to be materially inflated. The plaintiffs seek unspecified compensatory damages. On February 11, 2009, a motion was filed in the case on behalf of The City of Omaha, Nebraska Civilian Employees' Retirement System, and The City of Omaha Police and Fire Retirement System (collectively, the "Omaha Funds") seeking to appoint the Omaha Funds as the lead plaintiffs in this case; on March 5, 2009, the court granted that motion. On May 4, 2009, the plaintiffs filed an Amended Complaint, which removes the Treasurer as a defendant and adds the Executive Chairman. On July 13, 2009, all defendants filed a motion to dismiss this action. On March 16, 2010, the court granted the Company's motion and dismissed this action as to the Company and all defendants. On April 30, 2010, the plaintiffs filed a motion for leave to serve an amended complaint. On September 23, 2010, the court issued an order granting leave to amend. On October 8, 2010, the Company was served with an Amended Complaint, which redefines the Class Period to be April 29, 2008 to October 10, 2008 and alleges that the impairment charge should have been taken during the first quarter of 2008. The Company filed a motion to dismiss this Amended Complaint on November 19, 2010. On May 24, 2011, the court granted the motion to dismiss and entered judgment in favor of defendants on May 25, 2011. On June 23, 2011, plaintiffs filed a Notice of Appeal.

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**Management's Discussion and Analysis of
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(Tabular dollars in millions, except per share amounts)

Indecency Regulation. In March 2006, the FCC released certain decisions relating to indecency complaints against certain of the Company's owned television stations and affiliated stations. The FCC ordered the Company to pay a forfeiture of \$550,000 in the proceeding relating to the broadcast of a Super Bowl half-time show by the Company's television stations (the "Super Bowl Proceeding"). In May 2006, the FCC denied the Company's petition for reconsideration. In July 2006, the Company filed a Petition for Review of the forfeiture with the United States Court of Appeals for the Third Circuit and paid the \$550,000 forfeiture in order to facilitate the Company's ability to bring the appeal. Oral argument was heard in September 2007. In July 2008, the Third Circuit vacated the FCC's order to have the Company pay the forfeiture and remanded the case to the FCC. On November 18, 2008, the FCC filed a petition for certiorari with the United States Supreme Court, seeking review of the Third Circuit's decision. The petition requested that the United States Supreme Court not act on the petition until it ruled in the "fleeting expletives case" mentioned below. On January 8, 2009, the Company filed its opposition to the FCC's petition for certiorari.

In another case involving broadcasts on another network, in June 2007, the United States Court of Appeals for the Second Circuit vacated the FCC's November 2006 finding that the broadcast of fleeting and isolated expletives was indecent and remanded the case to the FCC (the "fleeting expletives case"). On March 17, 2008, the United States Supreme Court granted the FCC's petition to review the United States Court of Appeals for the Second Circuit's decision. On November 4, 2008, the United States Supreme Court heard argument in this case. On April 28, 2009, the United States Supreme Court issued a 5-4 decision reversing the Second Circuit's judgment on administrative grounds in favor of the FCC and remanding the fleeting expletives case to the Second Circuit. The Second Circuit requested additional briefing and argument was heard on January 13, 2010. On July 13, 2010, the Second Circuit struck down an FCC policy on indecency and found that the FCC's indecency policies and decisions regarding the use of "fleeting expletives" on radio and television violated the First Amendment. On August 25, 2010, the FCC filed a petition for rehearing en banc and, on August 31, 2010, the Second Circuit issued an order directing all parties and intervenors to file briefs in response to the FCC's petition on September 21, 2010, which were filed. On November 22, 2010, the Second Circuit denied the FCC's petition for rehearing. On April 21, 2011, the FCC filed a combined petition for certiorari seeking review of the Second Circuit's decision in this case and also in an indecency case involving a broadcast on another television network. On June 27, 2011, the United States Supreme Court granted the FCC's petition for certiorari.

Following the April 28, 2009 decision in the fleeting expletives case, on May 4, 2009, the United States Supreme Court remanded the Super Bowl Proceeding to the United States Court of Appeals for the Third Circuit and requested supplemental briefing from the Company and the FCC, in light of the United States Supreme Court's fleeting expletives decision. Argument was heard by the Third Circuit in the Super Bowl Proceeding on February 23, 2010. On May 18, 2010 and on December 22, 2010, at the Third Circuit's request, the Company and the FCC each submitted supplemental briefs. The parties are awaiting a decision from the Third Circuit.

In March 2006, the FCC also notified the Company and certain affiliates of the CBS Television Network of apparent liability for forfeitures relating to a broadcast of the program *Without a Trace*. The FCC proposed to assess a forfeiture of \$32,500 against each of these stations, totaling \$260,000 for the Company's owned stations. The Company is contesting the FCC decision and the proposed forfeitures.

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**Management's Discussion and Analysis of
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Additionally, the Company, 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 the Company's broadcasting stations included indecent material.

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

Claims are frequently filed and/or settled in groups, which may make the amount and timing of settlements, and the number of pending claims, subject to significant fluctuation from period to period. The Company does not report as pending those claims on inactive, stayed, deferred or similar dockets which some jurisdictions have established for claimants who allege minimal or no impairment. As of June 30, 2011 the Company had pending approximately 50,390 asbestos claims, as compared with approximately 52,220 as of December 31, 2010 and 58,920 as of June 30, 2010. During the second quarter of 2011, the Company received approximately 990 new claims and closed or moved to an inactive docket approximately 2,830 claims. The Company reports claims as closed when it becomes aware that a dismissal order has been entered by a court or when the Company has reached agreement with the claimants on the material terms of a settlement. Settlement costs depend on the seriousness of the injuries that form the basis of the claim, the quality of evidence supporting the claims and other factors. The Company's total costs for the years 2010 and 2009 for settlement and defense of asbestos claims after insurance recoveries and net of tax benefits were approximately \$14 million and \$18 million, respectively. The Company's costs for settlement and defense of asbestos claims may vary year to year as insurance proceeds are not always recovered in the same period as the insured portion of the expenses.

Filings include claims for individuals suffering from mesothelioma, a rare cancer, the risk of which is allegedly increased by exposure to asbestos; lung cancer, a cancer which may be caused by various factors, one of which is alleged to be asbestos exposure; other cancers, and conditions that are substantially less serious, including claims brought on behalf of individuals who are asymptomatic as to an allegedly asbestos-related disease. The predominant number of claims against the Company are non-cancer claims. In a substantial number of the pending claims, the plaintiff has not yet identified the claimed injury. The Company believes that its reserves and insurance are adequate to cover its asbestos liabilities. This belief is based upon many factors and assumptions, including the number of outstanding claims, estimated average cost per claim, the breakdown of claims by disease type, historic claim filings, costs per claim of resolution and the filing of new claims. While the number of asbestos claims filed against the Company has trended down in 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

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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.

CBS Outdoor Limited has commenced legal actions against London Underground Limited with respect to disputes regarding project delays and other matters, including the calculation of franchise fees due from CBS Outdoor Limited arising under its 2006 transit contract with London Underground Limited. In these actions, CBS Outdoor Limited is seeking declaratory relief, recovery of monetary damages and other forms of relief. In August 2010, CBS Outdoor Limited filed a claim against London Underground Limited in the High Court of Justice Queen's Bench Division Commercial Court in the U.K. and, in November 2010, London Underground Limited filed a defense and counterclaim against CBS Outdoor Limited, in each case, with respect to such franchise fee calculation disputes.

On an ongoing basis, the Company defends itself in numerous lawsuits and proceedings and responds to various investigations and inquiries from federal, state and local authorities (collectively, "litigation"). Litigation is inherently uncertain and always difficult to predict. However, based on its understanding and evaluation of the relevant facts and circumstances, the Company believes that the above-described legal matters and other litigation to which it is a party are not likely, in the aggregate, to have a material adverse effect on its results of operations, financial position or cash flows. Under the Separation Agreement between the Company and Viacom Inc., the Company and Viacom Inc. have agreed to defend and indemnify the other in certain litigation in which the Company and/or Viacom Inc. is named.

Related Parties

National Amusements, Inc. National Amusements, Inc. ("NAI") is the controlling stockholder of CBS Corp. and Viacom Inc. Mr. Sumner M. Redstone, the controlling stockholder, chairman of the board of directors and chief executive officer of NAI, is the Executive Chairman of the Board of Directors and founder of both CBS Corp. and Viacom Inc. In addition, Ms. Shari Redstone, Mr. Sumner M. Redstone's daughter, is the president and a director of NAI and the vice chair of the board of directors of both CBS Corp. and Viacom Inc. Mr. David R. Andelman is a director of CBS Corp. and serves as a director of NAI. Mr. Frederic V. Salerno is a director of CBS Corp. and serves as a director of Viacom Inc. At June 30, 2011, NAI directly or indirectly owned approximately 79% of CBS Corp.'s voting Class A Common Stock, and owned approximately 6% of CBS Corp.'s Class A Common Stock and non-voting Class B Common Stock on a combined basis.

Viacom Inc. CBS Corp., as part of its normal course of business, enters into transactions with Viacom Inc. and its subsidiaries. CBS Corp., through its Entertainment segment, licenses its television products to Viacom Inc., primarily MTV Networks and BET Networks. In addition, CBS Corp. recognizes advertising revenues for media spending placed by various subsidiaries of Viacom Inc., primarily Paramount Pictures. Viacom Inc. also distributes certain of the Company's television products in the home entertainment market. CBS Corp.'s total revenues from these transactions were \$88 million and \$71 million for the three months ended June 30, 2011 and 2010, respectively, and \$139 million and \$110 million for the six months ended June 30, 2011 and 2010, respectively.

CBS Corp. places advertisements with, and leases production facilities, licenses programming and purchases other goods and services from various subsidiaries of Viacom Inc. The total amounts for these transactions were \$4 million and \$6 million for the three months ended June 30, 2011 and 2010,

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**Management's Discussion and Analysis of
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respectively, and \$10 million and \$11 million for the six months ended June 30, 2011 and 2010, respectively.

The following table presents the amounts due from or due to Viacom Inc. in the normal course of business as reflected on CBS Corp.'s Consolidated Balance Sheets.

| | At June 30, 2011 | At December 31, 2010 |
|--|---------------------|-------------------------|
| Amounts due from Viacom Inc. | | |
| Receivables | \$ 92 | \$ 104 |
| Other assets (Receivables, noncurrent) | 221 | 252 |
| Total amounts due from Viacom Inc. | \$ 313 | \$ 356 |
| Amounts due to Viacom Inc. | | |
| Accounts payable | \$ 3 | \$ 5 |
| Program rights | 4 | 4 |
| Other liabilities (Program rights, noncurrent) | | 1 |
| Total amounts due to Viacom Inc. | \$ 7 | \$ 10 |

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 selling its television programming. Total revenues earned from these ventures were \$30 million and \$32 million for the three months ended June 30, 2011 and 2010, respectively, and \$63 million and \$78 million for the six months ended June 30, 2011 and 2010, 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.

Adoption of New Accounting Standards

Revenue Arrangements with Multiple Deliverables

On January 1, 2011, the Company adopted the FASB's revised guidance on revenue arrangements with multiple deliverables. This guidance revises the criteria for separating and allocating consideration for each deliverable in a multiple-deliverable arrangement and establishes a hierarchy for determining the selling price of each deliverable. Under the guidance, revenues are allocated based on the relative selling price of each deliverable. The selling price used for each deliverable will be based on the Company-specific objective evidence if available, third party evidence if Company-specific evidence is not available, or estimated selling price for the stand-alone sale of the deliverable if neither Company-specific objective evidence nor third party evidence is available. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

Recent Pronouncements

Fair Value Measurement

In May 2011, the FASB issued guidance to improve the comparability of fair value measurements presented in financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and International Financial Reporting Standards ("IFRS"), effective for the

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**Management's Discussion and Analysis of
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Company beginning in the first quarter of 2012. This guidance clarifies the FASB's intent about the application of existing fair value measurement requirements and changes certain principles and requirements for measuring fair value and for disclosing information about fair value measurements. The adoption of this guidance will not have a material effect on the Company's consolidated financial statements.

Comprehensive Income

In June 2011, the FASB issued amended guidance on the presentation of comprehensive income, effective for the Company beginning in the first quarter of 2012, with early adoption permitted. Under this guidance, the total comprehensive income, the components of net income and the components of other comprehensive income must be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This guidance also requires reclassification adjustments, for items reclassified from other comprehensive income to net income, to be presented on the face of each of these statements. The adoption of this guidance will not have a material effect on the Company's consolidated financial statements.

Critical Accounting Policies

See Item 7, Management's Discussion and Analysis of Results of Operations and Financial Condition in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, for a discussion of the Company's critical accounting policies.

Cautionary Statement Concerning Forward-Looking Statements

This quarterly report on Form 10-Q, including "Item 2 Management's Discussion and Analysis of Results of Operations and Financial Condition," contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements within the meaning of section 27A of the Securities Act of 1933 and section 21E of the Securities Exchange Act of 1934. These forward-looking statements are not based on historical facts, but rather reflect the Company's current expectations concerning future results and events. These forward-looking statements generally can be identified by the use of statements that include phrases such as "believe," "expect," "anticipate," "intend," "plan," "foresee," "likely," "will" or other similar words or phrases. Similarly, statements that describe the Company's objectives, plans or goals are or may be forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that are difficult to predict and which may cause the actual results, performance or achievements of the Company to be different from any future results, performance and achievements expressed or implied by these statements. These risks, uncertainties and other factors include, among others: advertising market conditions generally; changes in the public acceptance of the Company's programming; changes in technology and its effect on competition in the Company's markets; changes in the federal communications laws and regulations; the impact of piracy on the Company's products; the impact of consolidation in the market for the Company's programming; the impact of union activity, including possible strikes or work stoppages or the Company's inability to negotiate favorable terms for contract renewals; other domestic and global economic, business, competitive and/or regulatory factors affecting the Company's businesses generally; and other factors described in the Company's news releases and filings made under the securities laws, including, among others, those set forth under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2010 and in our Quarterly Reports on Form 10-Q. There

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**Management's Discussion and Analysis of
Results of Operations and Financial Condition (Continued)**
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may be additional risks, uncertainties and factors that the Company does not currently view as material or that are not necessarily known. The forward-looking statements included in this document are made as of the date of this document and the Company does not have any obligation to publicly update any forward-looking statements to reflect subsequent events or circumstances.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no significant changes to market risk since reported in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

Item 4. Controls and Procedures.

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

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

Table of Contents**PART II OTHER INFORMATION****Item 1. Legal Proceedings.**

The following information supplements and amends the disclosure set forth in Part I, Item 3. Legal Proceedings in the Company's Annual Report on Form 10-K for the year ended December 31, 2010 (the "2010 Form 10-K").

As previously disclosed in the 2010 Form 10-K, Omaha Funds filed a securities action against the Company and certain of its officers alleging violations of securities laws. On May 24, 2011, the United States District Court for the Southern District of New York granted the motion to dismiss the action and entered judgment in favor of defendants on May 25, 2011. On June 23, 2011, plaintiffs filed a Notice of Appeal.

Item 1A. Risk Factors.

The Company Could Be Adversely Affected by Strikes and Other Union Activity (the entire risk factor, as updated, is presented below)

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, online 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, motion pictures or the Company's outdoor business by disrupting its ability to place advertising on outdoor faces. In March 2011, owners of the National Football League (NFL) teams imposed a lockout against NFL players when their collective bargaining agreement expired. In July 2011, the parties reached an agreement and the NFL lockout has ended. Depending on its duration, a lockout or any strikes or work stoppages could have an adverse effect on the Company's revenues, cash flows and/or operating income and/or the timing thereof.

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

Below is a summary of CBS Corp.'s purchases of its Class B Common Stock during the three months ended June 30, 2011 under its \$1.5 billion share repurchase program, publicly announced on November 4, 2010.

| (In millions, except per share amounts) | | Total Number of Shares Purchased ^(a) | Average Price Per Share | Total Number of Shares Purchased as Part of Publicly Announced Programs | Remaining Authorization |
|---|----------------|--|-------------------------------|---|----------------------------|
| April 1, 2011 | April 30, 2011 | 7.5 | (a) | 7.5 | \$ 1,000 |
| May 1, 2011 | May 31, 2011 | | | | \$ 1,000 |
| June 1, 2011 | June 30, 2011 | 2.4 | (a) | 2.4 | \$ 1,000 |
| Total | | 9.9 | \$ 25.19 | 9.9 | \$ 1,000 |

(a)

During the second quarter of 2011, the Company repurchased 9.9 million shares of CBS Corp. Class B Common Stock for \$250 million through an accelerated share repurchase ("ASR") transaction, of which 7.5 million shares were delivered in April 2011 and the remaining 2.4 million shares were delivered upon settlement of the ASR in June 2011.

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Item 6. Exhibits.

| Exhibit No. | Description of Document |
|----------------|---|
| (10) | <p>Material Contracts</p> <p>(a) Amended and Restated \$2.0 Billion Credit Agreement, dated as of March 16, 2011, among CBS Corporation; CBS Operations Inc.; the Subsidiary Borrowers Parties thereto; the Lenders named therein; JPMorgan Chase Bank, N.A., as Administrative Agent; Citibank, N.A., as Syndication Agent; and Bank of America, N.A., Deutsche Bank AG New York Branch, Morgan Stanley MUFG Loan Partners, LLC, The Royal Bank of Scotland plc, and UBS Loan Finance LLC, as Co-Documentation Agents (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of CBS Corporation filed March 18, 2011) (File No. 001-09553).</p> <p>(b) Forms of Certificate and Terms and Conditions for Equity Awards for:</p> <p style="padding-left: 20px;">(i) Form of Stock Options (commencing in 2010) (filed herewith).</p> <p style="padding-left: 20px;">(ii) Form of Performance-Based Restricted Share Units with Time Vesting and Performance Schedule (commencing in 2010) (filed herewith).</p> <p style="padding-left: 20px;">(iii) Form of Restricted Share Units with Time Vesting (commencing in 2010) (filed herewith).</p> |
| (12) | <p>Statement Regarding Computation of Ratios (filed herewith)</p> |
| (31) | <p>Rule 13a-14(a)/15d-14(a) Certifications</p> <p>(a) Certification of the Chief Executive Officer of CBS Corporation pursuant to Rule 13a-14(a), or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002 (filed herewith).</p> <p>(b) Certification of the Chief Financial Officer of CBS Corporation pursuant to Rule 13a-14(a), or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002 (filed herewith).</p> |
| (32) | <p>Section 1350 Certifications</p> <p>(a) Certification of the Chief Executive Officer of CBS Corporation furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002 (furnished herewith).</p> <p>(b) Certification of the Chief Financial Officer of CBS Corporation furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002 (furnished herewith).</p> |
| (101) | <p>Interactive Data File</p> <p>The following furnished materials from CBS Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, formatted in XBRL (Extensible Business Reporting Language), are collectively included herewith as Exhibit 101:</p> <p>101. INS XBRL Instance Document.</p> <p>101. SCH XBRL Taxonomy Extension Schema.</p> <p>101. CAL XBRL Taxonomy Extension Calculation Linkbase.</p> <p>101. DEF XBRL Taxonomy Extension Definition Linkbase.</p> <p>101. LAB XBRL Taxonomy Extension Label Linkbase.</p> <p>101. PRE XBRL Taxonomy Extension Presentation Linkbase.</p> |

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SIGNATURES

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

CBS CORPORATION

(Registrant)

/s/ JOSEPH R. IANNIELLO

Joseph R. Ianniello
*Executive Vice President and
Chief Financial Officer*

/s/ THOMAS S. SHILEN, JR.

Thomas S. Shilen, Jr.
*Senior Vice President, Controller and
Chief Accounting Officer*

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EXHIBIT INDEX

Exhibit

No.

Description of Document

(10) Material Contracts

- (a) Amended and Restated \$2.0 Billion Credit Agreement, dated as of March 16, 2011, among CBS Corporation; CBS Operations Inc.; the Subsidiary Borrowers Parties thereto; the Lenders named therein; JPMorgan Chase Bank, N.A., as Administrative Agent; Citibank, N.A., as Syndication Agent; and Bank of America, N.A., Deutsche Bank AG New York Branch, Morgan Stanley MUFG Loan Partners, LLC, The Royal Bank of Scotland plc, and UBS Loan Finance LLC, as Co-Documentation Agents (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of CBS Corporation filed March 18, 2011) (File No. 001-09553).
- (b) Forms of Certificate and Terms and Conditions for Equity Awards for:
 - (i) Form of Stock Options (commencing in 2010) (filed herewith).
 - (ii) Form of Performance-Based Restricted Share Units with Time Vesting and Performance Schedule (commencing in 2010) (filed herewith).
 - (iii) Form of Restricted Share Units with Time Vesting (commencing in 2010) (filed herewith).

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

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

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

(32) Section 1350 Certifications

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

(101) Interactive Data File

The following furnished materials from CBS Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, formatted in XBRL (Extensible Business Reporting Language), are collectively included herewith as Exhibit 101:

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