

**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, 2007

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 is a large accelerated filer, an accelerated filer or a non-accelerated filer. (See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act).

Large accelerated filer Accelerated filer Non-accelerated filer

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

Number of shares of common stock outstanding at July 31, 2007:

Class A Common Stock, par value \$.001 per share—60,098,687

Class B Common Stock, par value \$.001 per share—675,530,491

CBS CORPORATION
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Item 1. Financial Statements.

CBS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited; in millions, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Revenues	\$ 3,374.9	\$ 3,483.1	\$ 7,032.7	\$ 7,058.5
Expenses:				
Operating	1,842.0	1,910.1	4,237.8	4,201.7
Selling, general and administrative	673.5	714.1	1,299.0	1,361.7
Depreciation and amortization	109.5	108.6	224.7	216.6
Total expenses	2,625.0	2,732.8	5,761.5	5,780.0
Operating income	749.9	750.3	1,271.2	1,278.5
Interest expense	(145.5)	(140.8)	(285.3)	(285.1)
Interest income	33.8	18.5	73.1	31.1
Loss on early extinguishment of debt	—	(2.0)	—	(6.0)
Other items, net	4.3	(15.2)	2.8	(18.1)
Earnings from continuing operations before income taxes, equity in earnings (loss) of affiliated companies and minority interest	642.5	610.8	1,061.8	1,000.4
Provision for income taxes	(233.7)	(118.0)	(437.9)	(279.2)
Equity in earnings (loss) of affiliated companies, net of tax	(4.9)	(3.0)	(6.8)	3.0
Minority interest, net of tax	.1	—	.4	.1
Net earnings from continuing operations	404.0	489.8	617.5	724.3
Net earnings from discontinued operations	—	291.9	—	284.3
Net earnings	\$ 404.0	\$ 781.7	\$ 617.5	\$ 1,008.6
Basic earnings per common share:				
Net earnings from continuing operations	\$.56	\$.64	\$.84	\$.95
Net earnings from discontinued operations	\$ —	\$.38	\$ —	\$.37
Net earnings	\$.56	\$ 1.02	\$.84	\$ 1.32
Diluted earnings per common share:				
Net earnings from continuing operations	\$.55	\$.64	\$.83	\$.94
Net earnings from discontinued operations	\$ —	\$.38	\$ —	\$.37
Net earnings	\$.55	\$ 1.02	\$.83	\$ 1.31
Weighted average number of common shares outstanding:				
Basic	720.8	764.6	738.6	763.7
Diluted	729.4	769.6	747.2	768.2
Dividends per common share	\$.22	\$.18	\$.44	\$.34

See notes to consolidated financial statements.

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

	At June 30, 2007	At December 31, 2006
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,796.8	\$ 3,074.6
Receivables, less allowances of \$149.0 (2007) and \$152.6 (2006)	2,541.7	2,824.0
Programming and other inventory (Note 6)	729.6	982.9
Deferred income tax assets, net	307.7	307.7
Prepaid expenses and other current assets	893.9	757.3
Current assets of discontinued operations (Note 4)	159.1	197.6
Total current assets	7,428.8	8,144.1
Property and equipment:		
Land	332.8	343.7
Buildings	642.6	582.3
Capital leases	206.4	207.3
Advertising structures	1,705.7	1,619.0
Equipment and other	1,630.2	1,522.3
Less accumulated depreciation and amortization	4,517.7	4,274.6
	1,708.3	1,460.8
Net property and equipment	2,809.4	2,813.8
Programming and other inventory (Note 6)	1,584.0	1,665.6
Goodwill (Note 5)	19,022.8	18,821.5
Intangible assets (Note 5)	10,254.3	10,425.0
Other assets	1,510.3	1,553.2
Assets of discontinued operations (Note 4)	82.2	85.6
Total Assets	\$ 42,691.8	\$ 43,508.8
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 396.1	\$ 502.3
Accrued compensation	263.6	375.3
Participants' share and royalties payable	777.3	767.5
Program rights	1,028.0	906.9
Current portion of long-term debt (Note 8)	19.5	15.0
Accrued expenses and other current liabilities	1,891.5	1,813.8
Current liabilities of discontinued operations (Note 4)	21.0	18.7
Total current liabilities	4,397.0	4,399.5
Long-term debt (Note 8)	6,995.8	7,027.3
Pension and postretirement benefit obligations	1,987.7	1,993.3
Deferred income tax liabilities, net	2,397.7	2,310.7
Other liabilities	3,665.3	3,595.6
Liabilities of discontinued operations (Note 4)	614.4	658.9
Commitments and contingencies (Note 12)		
Minority interest	.6	1.0
Stockholders' Equity:		
Class A Common Stock, par value \$.001 per share; 375.0 shares authorized; 60.2 (2007) and 61.5 (2006) shares issued	.1	.1
Class B Common Stock, par value \$.001 per share; 5,000.0 shares authorized; 724.6 (2007) and 715.5 (2006) shares issued	.7	.7
Additional paid-in capital	44,325.1	44,259.3
Accumulated deficit	(19,554.2)	(20,175.9)
Accumulated other comprehensive loss (Note 1)	(184.1)	(246.3)
Total Stockholders' Equity	24,587.6	23,837.9
Less treasury stock, at cost; 63.1 (2007) and 8.6 (2006) Class B Shares	1,954.3	315.4
Total Liabilities and Stockholders' Equity	\$ 42,691.8	\$ 43,508.8

See notes to consolidated financial statements.

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

	Six Months Ended June 30,	
	2007	2006
Operating Activities:		
Net earnings	\$ 617.5	\$ 1,008.6
Less: Net earnings from discontinued operations	—	284.3
Net earnings from continuing operations	617.5	724.3
Adjustments to reconcile net earnings from continuing operations to net cash flow provided by operating activities:		
Depreciation and amortization	224.7	216.6
Stock-based compensation	51.5	30.8
Equity in (earnings) loss of affiliated companies, net of tax	6.8	(3.0)
Distributions from affiliated companies	5.0	9.8
Minority interest, net of tax	(.4)	(.1)
Change in assets and liabilities, net of effects of acquisitions	624.9	326.1
Net cash flow provided by operating activities from continuing operations	1,530.0	1,304.5
Net cash flow provided by operating activities from discontinued operations	—	33.0
Net cash flow provided by operating activities	1,530.0	1,337.5
Investing Activities:		
Capital expenditures	(206.6)	(113.2)
Acquisitions, net of cash acquired	(309.6)	(68.3)
Proceeds from dispositions	305.6	1,247.0
Investments in and advances to affiliated companies	(43.8)	(.3)
Net receipts from Viacom Inc. related to the Separation	212.2	77.6
Other, net	(.8)	—
Net cash flow (used for) provided by investing activities from continuing operations	(43.0)	1,142.8
Net cash flow used for investing activities from discontinued operations	—	(34.5)
Net cash flow (used for) provided by investing activities	(43.0)	1,108.3
Financing Activities:		
Repayment of notes	(660.0)	(832.0)
Proceeds from issuance of notes	678.0	—
Borrowings from (repayments to) banks, including commercial paper, net	1.9	(2.8)
Payment of capital lease obligations	(8.2)	(7.2)
Purchase of Company common stock	(1,602.1)	(5.7)
Dividends	(313.9)	(229.9)
Proceeds from exercise of stock options	131.7	37.5
Excess tax benefit from stock-based compensation	7.8	.8
Net cash flow used for financing activities	(1,764.8)	(1,039.3)
Net increase (decrease) in cash and cash equivalents	(277.8)	1,406.5
Cash and cash equivalents at beginning of period	3,074.6	1,655.3
Cash and cash equivalents at end of period	\$ 2,796.8	\$ 3,061.8
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 258.7	\$ 259.4
Cash paid for income taxes	\$ 373.9	\$ 401.9
Non-cash investing and financing activities:		
Non-cash purchase of Company common stock (See Note 10)	\$ 64.0	\$ —
Acquisition of CSTV Networks:		
Fair value of assets acquired	\$ —	\$ 350.3

Fair value of liabilities assumed	—	(30.3)
Cash paid, net of cash acquired	—	(47.3)
Impact on Stockholders' Equity	\$ —	\$ 272.7

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular dollars in millions, except per share amounts)

1) 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: Television (CBS Television, comprised of the CBS Network, television stations, and its television production and syndication operations; Showtime Networks; and CSTV Networks), Radio (CBS Radio), Outdoor (CBS Outdoor) and Publishing (Simon & Schuster). During 2006, the Company sold Paramount Parks to Cedar Fair, L.P. for \$1.24 billion in cash. As a result, Paramount Parks is presented as a discontinued operation in the consolidated financial statements for the three and six months ended June 30, 2006.

Basis of Presentation—The accompanying unaudited consolidated financial statements of the Company have been prepared pursuant to the rules of the Securities and Exchange Commission ("SEC"). These financial statements should be read in conjunction with the more detailed financial statements and notes thereto, included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

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 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 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 vesting of restricted shares and restricted stock units ("RSUs") and the assumed exercise of stock options only in the periods in which such effect would have been dilutive. For the three and six months ended June 30, 2007, respectively, stock options to purchase 12.5 million and 15.3 million shares of CBS Corp. Class B Common Stock were outstanding but excluded from the calculation of diluted EPS because their inclusion would have been anti-dilutive. For the three and six months ended June 30, 2006, stock options to purchase 40.6 million shares of CBS Corp. Class B Common Stock were outstanding but excluded from the calculation of diluted EPS because their inclusion would have been anti-dilutive.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

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

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Weighted average shares for basic EPS	720.8	764.6	738.6	763.7
Dilutive effect of shares issuable under stock-based compensation plans	8.6	5.0	8.6	4.5
Weighted average shares for diluted EPS	729.4	769.6	747.2	768.2

Comprehensive Income (Loss)—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,	
	2007	2006	2007	2006
Net earnings	\$ 404.0	\$ 781.7	\$ 617.5	\$ 1,008.6
Other comprehensive income (loss), net of tax:				
Cumulative translation adjustments	35.1	56.6	51.0	45.2
Adjustment for amortization of actuarial losses and prior service costs	5.5	—	10.8	—
Minimum pension liability adjustment	—	16.5	—	2.3
Net unrealized loss on securities	—	(.4)	—	(.3)
Change in fair value of cash flow hedges	.2	—	.4	—
Other comprehensive income from discontinued operations, net of tax	—	17.0	—	17.5
Total comprehensive income	\$ 444.8	\$ 871.4	\$ 679.7	\$ 1,073.3

Other Liabilities—Other liabilities consist primarily of residual liabilities of previously disposed businesses, program rights, participation liabilities, deferred compensation and other employee benefit accruals.

Additional Paid-In Capital—For the six months ended June 30, 2007 and 2006, respectively, the Company recorded dividends of \$324.3 million and \$260.9 million as a reduction to additional paid-in capital as the Company had an accumulated deficit balance.

Company Common Stock Held by Subsidiaries—In connection with a restructuring of the Company's international subsidiaries, certain wholly owned subsidiaries hold 179.3 million shares of CBS Corp. Class B Common Stock, of which 47.3 million shares were repurchased through an accelerated share repurchase transaction and 132.0 million shares were issued by the Company to wholly owned subsidiaries. The 47.3 million repurchased shares are reflected as treasury shares and the 132.0 million shares are eliminated in consolidation.

Adoption of New Accounting Standards—Effective January 1, 2007, the Company adopted Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes by prescribing a recognition threshold and measurement attribute for the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. In addition, FIN 48 provides guidance on derecognition of income tax positions, classification of income tax liabilities, accounting for interest and penalties associated with unrecognized tax benefits, accounting for uncertain tax positions in interim periods, and income tax disclosures. The adoption of FIN 48 on January 1, 2007, did not have a material impact on the Company's consolidated financial statements. See Note 11 for additional information.

Recent Pronouncements—In February 2007, FASB issued Statement of Financial Accounting Standards ("SFAS") No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115" ("SFAS 159") effective as of the beginning of the first fiscal year that begins after November 15, 2007. SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The Company is currently evaluating the impact of the adoption of SFAS 159 on the consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"), effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. SFAS 157 establishes a framework for measuring fair value under generally accepted accounting principles and expands disclosures about fair value measurement. The Company is currently evaluating the impact of the adoption of SFAS 157 on the consolidated financial statements.

2) STOCK-BASED COMPENSATION

The following table summarizes the Company's stock-based compensation expense for the three and six months ended June 30, 2007 and 2006.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Stock options	\$ 3.4	\$ 6.6	\$ 5.4	\$ 15.0
RSUs and restricted shares	27.1	11.6	46.1	15.8
Total stock-based compensation	\$ 30.5	\$ 18.2	\$ 51.5	\$ 30.8

During the six months ended June 30, 2007, the Company granted 4.2 million RSUs with a weighted average per unit grant date fair value of \$31.34. RSU grants during 2007 vest over a one- to four-year service period. RSUs granted to certain executives are also subject to satisfying performance and/or market conditions. The number of shares that will be issued upon vesting of RSUs with market and performance conditions is tied to the achievement of certain levels of total shareholder return for CBS Corp. Class B Common Stock as compared to the S&P 500 index and, in certain circumstances, is also subject to achieving operating performance goals. During the six months ended June 30, 2007, the Company also granted 3.8 million stock options and stock option equivalents with a weighted average exercise price of \$30.52. Stock option grants during 2007 generally vest over a three- to four-year service period.

Total unrecognized compensation cost related to unvested restricted shares and RSUs at June 30, 2007 was \$234.2 million, which is expected to be expensed over a weighted average period of 2.71 years. Total unrecognized compensation cost related to unvested stock option awards and stock option equivalents at June 30, 2007 was \$37.7 million, which is expected to be expensed over a weighted average period of 3.17 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

3) ACQUISITIONS AND DISPOSITIONS

On May 30, 2007, the Company acquired Last.fm, a global, community-based, music discovery network, for approximately \$280 million. Last.fm has been included as part of the Television segment since the date of acquisition. The excess purchase price over the fair value of the tangible and identifiable intangible net assets acquired was allocated to goodwill. The final allocation of the purchase price will be based on an evaluation of the fair value of the assets acquired and liabilities assumed.

On April 16, 2007, the Company completed an exchange agreement with Liberty Media Corporation under which the stock of a subsidiary of the Company which held CBS Corp.'s Green Bay television station and its satellite television station, valued at \$64.0 million, and \$169.8 million in cash was exchanged for the 7.6 million shares of CBS Corp. Class B Common Stock held by Liberty Media Corporation. In connection with the exchange, the Company recorded a pre-tax gain of \$14.6 million in "Other items, net" on the Consolidated Statements of Operations for the three and six months ended June 30, 2007.

On April 4, 2007, the Company completed the acquisition of MaxPreps, an online high school sports network, for \$43.0 million. MaxPreps has been included as part of the Television segment since the date of acquisition.

On February 26, 2007, the Company completed the sale of its television station in New Orleans for \$4.3 million. On February 7, 2007, the Company announced that it entered into an agreement to sell seven of its owned television stations in Austin, Salt Lake City, Providence and West Palm Beach to Cerberus Capital Management, L.P. for approximately \$185 million. This transaction is subject to FCC approval and customary closing conditions, and is expected to close in the fourth quarter of 2007.

During 2006, the Company entered into agreements to sell 39 radio stations in ten of its smaller markets for a total of approximately \$668 million in cash. In December 2006, the Company completed the sale of five radio stations in the Buffalo market for approximately \$125 million. During the six months ended June 30, 2007, the sales of 19 radio stations in the Kansas City, Columbus, Fresno, Greensboro and San Antonio markets were completed and the Company received \$281.4 million resulting in pre-tax losses of \$5.4 million and \$2.0 million included in "Other items, net" on the Consolidated Statements of Operations for the three and six months ended June 30, 2007, respectively. The remaining transactions are subject to customary closing conditions, and are expected to close by the end of the third quarter of 2007.

4) DISCONTINUED OPERATIONS

During 2006, Paramount Parks was sold to Cedar Fair, L.P. for \$1.24 billion in cash. Paramount Parks has been presented as a discontinued operation in the consolidated financial statements for the three and six months ended June 30, 2006.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

The following table sets forth the detail of CBS Corp.'s net earnings from discontinued operations for the three and six months ended June 30, 2006.

	Three Months Ended June 30, 2006	Six Months Ended June 30, 2006
Revenues from discontinued operations	\$ 152.6	\$ 158.9
Earnings (loss) from discontinued operations	\$ 15.6	\$ (1.3)
Gain on sale of Paramount Parks	454.8	454.8
Earnings from discontinued operations before income taxes	470.4	453.5
Provision for income taxes	(178.5)	(169.2)
Net earnings from discontinued operations	\$ 291.9	\$ 284.3

Assets and liabilities of discontinued operations included on the Consolidated Balance Sheets primarily consist of aircraft leases that are generally expected to liquidate in accordance with contractual terms.

5) GOODWILL AND INTANGIBLE ASSETS

The changes in the book value of goodwill, by segment, for the six months ended June 30, 2007 were as follows:

	At December 31, 2006	Acquisitions	Dispositions	Other(a)	At June 30, 2007
Television	\$ 8,752.9	\$ 330.8	\$ (36.1)	\$ 15.9	\$ 9,063.5
Radio	5,088.6	—	(132.3)	(1.4)	4,954.9
Outdoor	4,563.9	.4	—	23.8	4,588.1
Publishing	416.1	—	—	.2	416.3
Total	\$ 18,821.5	\$ 331.2	\$ (168.4)	\$ 38.5	\$ 19,022.8

(a) Primarily includes foreign currency translation adjustments and purchase price allocations for acquisitions.

The Company's intangible assets and related accumulated amortization were as follows:

At June 30, 2007	Gross	Accumulated Amortization	Net
Intangible assets subject to amortization:			
Leasehold agreements	\$ 842.6	\$ (401.5)	\$ 441.1
Franchise agreements	511.1	(202.4)	308.7
Other intangible assets	245.7	(139.9)	105.8
Total intangible assets subject to amortization	1,599.4	(743.8)	855.6
FCC licenses	9,386.7	—	9,386.7
Trade names	12.0	—	12.0
Total intangible assets	\$ 10,998.1	\$ (743.8)	\$ 10,254.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

At December 31, 2006	Gross	Accumulated Amortization	Net
Intangible assets subject to amortization:			
Leasehold agreements	\$ 821.9	\$ (375.6)	\$ 446.3
Franchise agreements	511.2	(190.2)	321.0
Other intangible assets	247.4	(133.1)	114.3
Total intangible assets subject to amortization	1,580.5	(698.9)	881.6
FCC licenses	9,531.4	—	9,531.4
Trade names	12.0	—	12.0
Total intangible assets	\$ 11,123.9	\$ (698.9)	\$ 10,425.0

Amortization expense was \$23.2 million and \$25.6 million for the three months ended June 30, 2007 and 2006, respectively, and \$46.2 million and \$50.1 million for the six months ended June 30, 2007 and 2006, respectively. The Company expects its aggregate annual amortization expense for existing intangible assets subject to amortization for each of the years, 2007 through 2011, to be as follows:

	2007	2008	2009	2010	2011
Amortization expense	\$ 89.9	\$ 91.3	\$ 89.6	\$ 86.0	\$ 78.4

6) PROGRAMMING AND OTHER INVENTORY

	At June 30, 2007	At December 31, 2006
Program rights	\$ 1,672.1	\$ 2,021.0
Television:		
Released programming (including acquired libraries)	526.7	503.3
In process and other	20.7	40.1
Publishing, primarily finished goods	92.7	82.9
Other	1.4	1.2
Total programming and other inventory	2,313.6	2,648.5
Less current portion	729.6	982.9
Total non-current programming and other inventory	\$ 1,584.0	\$ 1,665.6

7) RELATED PARTIES

National Amusements, Inc. National Amusements, Inc. ("NAI") is the controlling stockholder of CBS Corp. Mr. Sumner M. Redstone, the controlling stockholder, chairman of the board of directors and chief executive officer of NAI, serves as the Executive Chairman of the Board of Directors for both CBS Corp. and Viacom Inc. At June 30, 2007, NAI beneficially owned CBS Corp.'s Class A Common Stock, representing approximately 78% of the voting power of all classes of CBS Corp.'s Common Stock, and approximately 12% of CBS Corp.'s Class A Common Stock and Class B Common Stock on a combined basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

Viacom Inc. The separation of former Viacom Inc. ("Former Viacom") into two publicly traded entities, CBS Corp. and new Viacom Inc. ("Viacom Inc."), was completed on December 31, 2005 (the "Separation").

For purposes of governing certain ongoing relationships between CBS Corp. and Viacom Inc. after the Separation, the Company and Viacom Inc. entered into various agreements including a separation agreement (the "Separation Agreement"), tax matters agreement and transition services agreement.

In accordance with the terms of the Separation Agreement, Viacom Inc. paid to the Company an estimated special dividend of \$5.4 billion in December 2005, subject to adjustment. During 2006, Viacom Inc. paid to the Company the net undisputed adjustment to the special dividend of \$172 million plus net interest of \$3.1 million. In January 2007, CBS Corp. and Viacom Inc. resolved the remaining disputed items with respect to the special dividend and Viacom Inc. paid to the Company an additional \$170 million, resulting in an aggregate adjustment to the special dividend of \$342 million.

On June 29, 2007, the Company entered into an agreement to purchase the shares of CBS Corp. Class A and Class B Common Stock held in the Viacom Inc. 401(k) Plan and Viacom Inc. entered into an agreement to purchase the shares of Viacom Inc. class A and class B common stock held in the 401(k) plans sponsored by the Company. During July 2007, pursuant to these agreements, the Company purchased 869,145 shares of CBS Corp. Class A and Class B Common Stock for \$29.8 million and Viacom Inc. purchased 2,823,178 shares of Viacom Inc. class A and class B common stock for \$120.0 million.

CBS Corp., through its normal course of business, is involved in transactions with companies owned by or affiliated with Viacom Inc. CBS Corp., through its Television segment, licenses its television products to Viacom Inc., primarily MTV Networks and BET. In addition, CBS Corp. recognizes advertising revenues for media spending placed by various subsidiaries of Viacom Inc., primarily Paramount Pictures. Paramount Pictures also distributes certain of the Company's television products in the home entertainment market. CBS Corp.'s total revenues from these transactions were \$86.0 million and \$27.4 million for the three months ended June 30, 2007 and 2006, respectively, and \$131.6 million and \$42.8 million for the six months ended June 30, 2007 and 2006, respectively.

CBS Corp., through Showtime Networks and CBS Television, purchases motion picture programming from Viacom Inc., primarily Paramount Pictures. The costs of these purchases are initially recorded as programming inventory and amortized over the life of the contract or projected useful life of the programming. In addition, CBS Corp. places advertisements with various subsidiaries of Viacom Inc. The total purchases from these transactions were \$36.8 million and \$45.8 million for the three months ended June 30, 2007 and 2006, respectively, and \$83.8 million and \$78.0 million for the six months ended June 30, 2007 and 2006, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

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, 2007	At December 31, 2006
Amounts due from Viacom Inc.		
Receivables	\$ 157.9	\$ 187.2
Other assets (Receivables, noncurrent)	212.1	260.7
Total amounts due from Viacom Inc.	\$ 370.0	\$ 447.9
Amounts due to Viacom Inc.		
Accounts payable	\$ 4.2	\$ 5.2
Program rights	64.0	56.1
Other liabilities (Program rights, noncurrent)	28.3	10.7
Total amounts due to Viacom Inc.	\$ 96.5	\$ 72.0

Other Related Parties. The Company owned approximately 19% of Westwood One, Inc. ("Westwood One") as of June 30, 2007, which is accounted for by the Company as an equity investment. One member of Westwood One's board of directors is an officer of CBS Radio. CBS Radio receives compensation for providing management services to Westwood One pursuant to a Management Agreement, including the services of a chief executive officer who is an employee of CBS Radio. Westwood One and CBS Radio also are parties to a Representation Agreement (including a related News Programming Agreement, Trademark License Agreement and Technical Services Agreement) pursuant to which Westwood One operates the CBS Radio Networks and CBS Radio is paid an annual fee. The Management Agreement and Representation Agreement expire on March 31, 2009. Certain of the Company's radio stations and Westwood One have affiliation agreements pursuant to which such radio stations air programs and/or commercials supplied by Westwood One and, in return, the stations receive affiliation fees and certain programming cost reimbursements. CBS Television also has arrangements with Westwood One to provide news and sports programming to Westwood One. Revenues from these arrangements were approximately \$16.9 million and \$20.3 million for the three months ended June 30, 2007 and 2006, respectively, and \$35.2 million and \$40.8 million for the six months ended June 30, 2007 and 2006, respectively.

In April 2007, CBS Radio and Westwood One entered into a non-binding letter of intent for the termination, or modification and extension of these arrangements for a term expiring on March 31, 2017, subject to execution of definitive agreements, corporate approvals and approval by Westwood One stockholders, other than CBS Radio and its affiliates. The arrangements contemplated by the letter of intent include termination of the Management Agreement and the Representation Agreement; relinquishment of all seats on the Westwood One board of directors; maintenance of the same level of Westwood One commercial inventory on CBS Radio stations, subject to adjustments; extension of the News Programming and Trademark Licensing Agreements; and continuation of compensation arrangements subject to potential annual increases or decreases based upon audience delivery and commercial inventory clearance by CBS Radio.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

8) BANK FINANCING AND DEBT

The following table sets forth the Company's long-term debt:

	At June 30, 2007	At December 31, 2006
Notes payable to banks	\$ 5.1	\$ 3.1
Senior debt (4.625%–8.875% due 2007–2056)	6,945.4	7,006.2
Other notes	.8	.8
Obligations under capital leases	107.0	115.2
Total debt	7,058.3	7,125.3
Less discontinued operations debt(a)	43.0	83.0
Total debt from continuing operations	7,015.3	7,042.3
Less current portion	19.5	15.0
Total long-term debt from continuing operations, net of current portion	\$ 6,995.8	\$ 7,027.3

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

As of June 30, 2007 and December 31, 2006, the Company's debt balances included (i) a net unamortized premium of \$27.7 million and \$29.1 million, respectively, and (ii) the decrease in the carrying value of the debt relating to fair value hedges of \$76.8 million and \$17.5 million, respectively.

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 \$52.2 million of the Company's wholly owned subsidiary, CBS Broadcasting Inc., is not guaranteed.

On May 1, 2007, the Company redeemed, at maturity, all of its outstanding 5.625% senior notes due 2007 for \$700.0 million.

On March 27, 2007, CBS Corp. issued \$700.0 million of 6.750% senior notes due 2056. Interest on these senior notes will be paid quarterly. The senior notes are fully and unconditionally guaranteed by CBS Operations Inc., a wholly owned subsidiary of CBS Corp., and are redeemable, at the Company's option, at any time on or after March 27, 2012, at their principal amount plus accrued interest.

All of the Company's long-term debt has been issued under fixed interest rate agreements. The Company has entered into fixed-to-floating rate swap agreements for a portion of this debt, which are designated as fair value hedges. During the first quarter of 2007, the Company entered into \$700 million notional amount of fixed-to-floating rate swaps. On May 1, 2007, \$700 million notional amount of interest rate swaps matured.

Credit Facility

As of June 30, 2007, the Company had a \$3.0 billion revolving credit facility due December 2010 (the "Credit Facility"), primarily to support commercial paper borrowings. At June 30, 2007, the Company had no commercial paper borrowings and was in compliance with all covenants under the Credit Facility, including the requirement that the Company maintain a minimum coverage ratio. As of June 30, 2007, the remaining availability under this Credit Facility, net of outstanding letters of credit, was \$2.80 billion.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

9) 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	
	2007	2006	2007	2006
Components of net periodic cost:				
Service cost	\$ 8.7	\$ 9.7	\$.3	\$.4
Interest cost	74.4	74.2	14.9	15.0
Expected return on plan assets	(69.5)	(66.9)	—	—
Amortization of prior service cost	.2	.2	—	(.2)
Recognized actuarial loss	8.5	20.3	—	.2
Curtailement costs	—	.7	—	—
Net periodic cost	\$ 22.3	\$ 38.2	\$ 15.2	\$ 15.4

Six Months Ended June 30,	Pension Benefits		Postretirement Benefits	
	2007	2006	2007	2006
Components of net periodic cost:				
Service cost	\$ 17.4	\$ 19.5	\$.7	\$.9
Interest cost	148.8	148.5	29.8	30.1
Expected return on plan assets	(139.0)	(133.8)	(.1)	(.1)
Amortization of prior service cost	.3	.4	—	(.3)
Recognized actuarial loss	17.0	40.5	—	.4
Settlement costs	—	7.1	—	—
Curtailement costs	—	.7	—	—
Net periodic cost	\$ 44.5	\$ 82.9	\$ 30.4	\$ 31.0

10) CASH DIVIDENDS AND PURCHASE OF COMPANY STOCK

On May 23, 2007, the Company announced a quarterly cash dividend of \$.22 per share on CBS Corp. Class A and Class B Common Stock. The total dividend was \$161.7 million of which \$158.4 million was paid on July 1, 2007 and \$3.3 million was accrued to be paid upon vesting of restricted shares and RSUs. During the second quarter of 2007, the Company paid \$160.0 million to stockholders for the dividend declared on February 27, 2007 and for dividend payments on RSUs that vested during the second quarter of 2007. Dividend declarations during 2007 and 2006 were recorded as a reduction to additional paid-in capital as the Company had an accumulated deficit balance.

On April 16, 2007, the Company completed an exchange agreement with Liberty Media Corporation under which the stock of a subsidiary of the Company which held CBS Corp.'s Green Bay television station and its satellite television station, valued at \$64.0 million, and \$169.8 million in cash was exchanged for the 7.6 million shares of CBS Corp. Class B Common Stock held by Liberty Media Corporation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

On March 6, 2007, the Company repurchased approximately 47.3 million shares of CBS Corp. Class B Common Stock for \$1.42 billion, subject to adjustment, through an accelerated share repurchase transaction.

11) PROVISION FOR INCOME TAXES

The provision for income taxes represents federal, state and local, and foreign income taxes on earnings from continuing operations before income taxes, equity in earnings (loss) of affiliated companies and minority interest. The provision for income taxes for continuing operations was \$233.7 million and \$118.0 million for the three months ended June 30, 2007 and 2006, respectively, and \$437.9 million and \$279.2 million for the six months ended June 30, 2007 and 2006, respectively. The Company's effective income tax rate increased to 36.4% and 41.2% for the three and six months ended June 30, 2007, respectively, from 19.3% and 27.9% for the three and six months ended June 30, 2006, respectively. These increases primarily reflect the absence of a 2006 tax benefit of \$129.0 million from income tax settlements, partially offset by lower state and foreign income taxes in 2007. The provision for income taxes for 2007 included a net tax benefit of \$1.7 million for the three-month period and a net tax provision of \$41.8 million for the six-month period from station divestitures and income tax settlements.

On January 1, 2007, the Company adopted the provisions of FIN 48 which did not have a material impact to the Company's liability for unrecognized tax benefits. Total unrecognized tax benefits at the date of adoption of FIN 48 were \$227.3 million, of which \$184.5 million would affect the Company's effective income tax rates, if and when recognized in future years. For tax positions as of the date of adoption of FIN 48, the Company does not expect the total amount of unrecognized tax benefits to significantly change during 2007.

The Company recognizes interest and penalty charges related to unrecognized tax benefits as income tax expense, which is consistent with the recognition in prior reporting periods. As of the date of adoption of FIN 48, the Company had recorded liabilities for accrued interest and penalties of \$33.3 million.

The Internal Revenue Service concluded its examination of the Company's U.S. federal income tax returns through 2003. The Company is currently under examination for the years 2004 and 2005 and the statute of limitations for the 2003 tax year expires on September 17, 2007.

12) COMMITMENTS AND CONTINGENCIES*Off-Balance Sheet Arrangements*

Prior to the Separation, Former Viacom had entered into guarantees with respect to obligations related to Blockbuster Inc. ("Blockbuster"), including certain Blockbuster store leases; Famous Players theater leases; certain UCI theater leases; and certain theater leases related to W.F. Cinema Holdings L.P. and Grauman's Theatres LLC. In connection with the Separation, Viacom Inc. has agreed to indemnify the Company with respect to these guarantees.

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. The outstanding letters of credit and surety bonds approximated \$413.8 million at June 30, 2007 and are not recorded on the Consolidated Balance Sheet as of June 30, 2007.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

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

Shareholder Derivative Lawsuits and Demands. Two shareholder derivative lawsuits, consolidated as *In re Viacom Inc. Shareholders Derivative Litigation*, were filed in July 2005 in New York State Supreme Court relating to executive compensation and alleged corporate waste. The actions name each member of Former Viacom's Board of Directors at the time the actions were filed, Messrs. Tom Freston and Leslie Moonves (each of whom were executive officers of Former Viacom), and, as a nominal defendant, Former Viacom, alleging that the 2004 compensation of Messrs. Redstone, Freston and Moonves was excessive and unwarranted and challenging the independence of certain Former Viacom directors. Mr. Redstone is the Company's Executive Chairman of the Board of Directors and Founder and Mr. Moonves is the Company's President and Chief Executive Officer. Mr. Freston was formerly Viacom Inc.'s President and Chief Executive Officer. Plaintiffs seek unspecified damages from the members of the Former Viacom Board of Directors for their alleged breach of fiduciary duties, disgorgement of the 2004 compensation paid to the above-named officers of Former Viacom, equitable relief, and attorney fees and expenses. The Company moved to dismiss the complaints and oral argument was heard on February 16, 2006. On June 26, 2006, the court denied the Company's motion to dismiss. The Company's appeal from that decision was argued on January 5, 2007, and the court reserved decision. The trial court proceedings have been stayed pending the resolution of the Company's appeal. On January 23, 2007, a new shareholder derivative action was filed in New York Supreme Court, which contains allegations similar to those in the earlier actions, and was consolidated with *In re Viacom Inc. Shareholders Derivative Litigation*. Any liabilities in this matter adverse to the Company and/or Viacom Inc. will be shared equally between the Company and Viacom Inc. In January 2007, the parties reached an agreement in principle to settle all of these actions. In April 2007, the parties executed a Stipulation of Settlement, which resolves all of these actions. The Stipulation of Settlement remains subject to court approval. The Company believes that the plaintiffs' positions in these actions are without merit and, if the settlement is not approved, it intends to vigorously defend itself in the litigation.

The Company has received shareholder demands seeking access to books and records of the Company relating to executive compensation paid to Sumner M. Redstone, Tom Freston and Leslie Moonves, accompanied by statements that such demands are in furtherance of an investigation of possible mismanagement, self-dealing and corporate waste by directors and officers of Former Viacom. Another shareholder demand seeking access to books and records relates to the compensation of Sumner M. Redstone and Mel Karmazin (former Chief Operating Officer of Former Viacom). One of the demands also seeks access to books and records of the Company relating to Sumner M. Redstone's acquisition of a controlling interest in Midway Games Inc. The Company intends to comply with all reasonable requests. Under the Separation Agreement between the Company and Viacom Inc., liabilities in connection with executive compensation claims relating to officers of Former Viacom are shared equally by the Company and Viacom Inc.

Claims Related to Former Businesses: Asbestos, Environmental and Other. 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

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 large 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, 2007, the Company had pending approximately 72,890 asbestos claims, as compared with approximately 73,310 as of December 31, 2006 and approximately 94,730 as of June 30, 2006. Of the claims pending as of June 30, 2007, approximately 48,220 were pending in state courts, 21,140 in federal courts and, additionally, approximately 3,530 were third party claims pending in state courts. During the second quarter of 2007, the Company received approximately 1,490 new claims and closed or moved to an inactive docket approximately 1,110 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. To date, the Company has not been liable for any third party claims. The Company's total costs for the years 2006 and 2005 for settlement and defense of asbestos claims after insurance recoveries and net of tax benefits were approximately \$5.7 million and \$37.2 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.

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.

Indecency Regulation. On March 15, 2006, the FCC released certain decisions relating to indecency complaints against certain of the Company's owned television stations and affiliated stations. The FCC ruled in the Super Bowl proceeding and ordered the Company to pay a forfeiture of \$550,000. On May 31, 2006, the FCC denied the Company's petition for reconsideration. On July 28, 2006, the Company filed a Petition for Review of the forfeiture and denial of reconsideration with the U.S. Court of Appeals for the Third Circuit and paid the \$550,000 forfeiture under protest so that the Company could bring an appeal. The Company has appealed the Super Bowl decision in the U.S. Court of Appeals for the Third Circuit and oral argument is scheduled for September 11, 2007.

On March 15, 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. Also, on March 15, 2006, as part of an omnibus indecency order, the FCC ruled that a broadcast of *The Early Show* was indecent, but declined to issue a forfeiture. That decision and others

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

were appealed to the U.S. Court of Appeals for the Second Circuit by the Company, as well as the other broadcast networks and their affiliate associations. The Court initially remanded the matter to the FCC at the request of the FCC, and, on November 6, 2006, the FCC issued a decision reversing the part of its decision that found *The Early Show* broadcast to be indecent. However, the FCC affirmed its findings that the broadcast of fleeting and isolated expletives on another broadcast network was indecent. In June 2007, the Court vacated the FCC's "fleeting expletive" policy on the ground that the FCC failed to articulate a reasoned basis for a change in its longstanding approach in this area, and was therefore impermissibly arbitrary and capricious. The Court remanded the case to the FCC for further proceedings consistent with the Court's opinion. New legislation has been introduced in Congress which would, if it becomes law, have the effect of purporting to make future "fleeting expletives" indecent under the FCC's jurisdiction. 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. In a separate matter, a new law increased the maximum forfeiture for a single indecency violation from \$32,500 to \$325,000, with a maximum forfeiture exposure of \$3,000,000 for any continuing violation arising from a single act or failure to act, which new maximum amounts became effective on July 20, 2007.

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., Viacom Inc. has agreed to defend and indemnify the Company in certain litigation in which the Company is named.

13) RESTRUCTURING CHARGES

During September 2006, the Company combined the resources of its syndication and distribution operations. As a result, restructuring charges of \$11.6 million were recorded in selling, general and administrative ("SG&A") expenses in the Television segment during the year ended December 31, 2006. The charges reflected severance costs of \$9.7 million and legal, lease termination and other expenses of \$1.9 million. As of June 30, 2007, the Company paid \$7.2 million of the restructuring charges, of which \$6.7 million was paid during the six months ended June 30, 2007.

The CW, a broadcast network and 50/50% joint venture with Warner Bros. Entertainment, was launched in September 2006. As a result, UPN ceased broadcasting its network schedule at the conclusion of the 2005/2006 broadcast season. In connection with the shutdown of UPN, the Television segment recorded shutdown costs of \$24.0 million in SG&A expenses in the second quarter of 2006. The charges reflected costs associated with contract terminations of \$13.6 million and severance, legal and other expenses of \$10.4 million. As of June 30, 2007 the Company paid \$6.1 million of the shutdown costs, of which \$1.7 million was paid during the six months ended June 30, 2007.

14) REPORTABLE SEGMENTS

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Revenues:				
Television	\$ 2,163.0	\$ 2,259.8	\$ 4,736.0	\$ 4,775.5
Radio	463.4	519.1	860.9	953.6
Outdoor	554.2	534.4	1,016.5	986.6
Publishing	200.3	176.0	429.6	357.1
Eliminations	(6.0)	(6.2)	(10.3)	(14.3)
Total Revenues	\$ 3,374.9	\$ 3,483.1	\$ 7,032.7	\$ 7,058.5

The Company presents Segment operating income before depreciation and amortization ("Segment OIBDA") as the primary measure of profit and loss for its operating segments in accordance with SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"). 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 June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Segment OIBDA:				
Television	\$ 549.5	\$ 535.4	\$ 948.5	\$ 959.1
Radio	187.3	227.9	351.7	398.5
Outdoor	168.3	160.0	268.5	259.1
Publishing	20.1	10.6	43.9	16.4
Corporate	(41.6)	(39.7)	(68.4)	(67.4)
Residual costs	(24.2)	(35.3)	(48.3)	(70.6)
Depreciation and amortization	(109.5)	(108.6)	(224.7)	(216.6)
Total Operating Income	749.9	750.3	1,271.2	1,278.5
Interest expense	(145.5)	(140.8)	(285.3)	(285.1)
Interest income	33.8	18.5	73.1	31.1
Loss on early extinguishment of debt	—	(2.0)	—	(6.0)
Other items, net	4.3	(15.2)	2.8	(18.1)
Earnings from continuing operations before income taxes, equity in earnings (loss) of affiliated companies and minority interest	642.5	610.8	1,061.8	1,000.4
Provision for income taxes	(233.7)	(118.0)	(437.9)	(279.2)
Equity in earnings (loss) of affiliated companies, net of tax	(4.9)	(3.0)	(6.8)	3.0
Minority interest, net of tax	.1	—	.4	.1
Net earnings from continuing operations	404.0	489.8	617.5	724.3
Net earnings from discontinued operations	—	291.9	—	284.3
Net Earnings	\$ 404.0	\$ 781.7	\$ 617.5	\$ 1,008.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Operating Income:				
Television	\$ 506.1	\$ 491.9	\$ 856.2	\$ 874.7
Radio	179.4	219.6	336.2	382.2
Outdoor	115.3	107.9	162.3	152.4
Publishing	18.1	8.2	39.5	11.9
Corporate	(44.8)	(42.0)	(74.7)	(72.1)
Residual costs	(24.2)	(35.3)	(48.3)	(70.6)
Total Operating Income	\$ 749.9	\$ 750.3	\$ 1,271.2	\$ 1,278.5

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Depreciation and Amortization:				
Television	\$ 43.4	\$ 43.5	\$ 92.3	\$ 84.4
Radio	7.9	8.3	15.5	16.3
Outdoor	53.0	52.1	106.2	106.7
Publishing	2.0	2.4	4.4	4.5
Corporate	3.2	2.3	6.3	4.7
Total Depreciation and Amortization	\$ 109.5	\$ 108.6	\$ 224.7	\$ 216.6

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Stock-based Compensation:				
Television	\$ 14.8	\$ 8.5	\$ 25.1	\$ 14.3
Radio	5.0	3.4	8.4	5.4
Outdoor	1.2	.9	2.3	1.4
Publishing	.9	.5	1.6	.8
Corporate	8.6	4.9	14.1	8.9
Total Stock-based Compensation	\$ 30.5	\$ 18.2	\$ 51.5	\$ 30.8

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Capital Expenditures:				
Television	\$ 43.5	\$ 29.5	\$ 86.7	\$ 48.4
Radio	10.8	14.9	17.9	24.4
Outdoor	49.3	20.5	87.2	36.9
Publishing	3.1	1.2	4.1	1.5
Corporate	4.8	.8	10.7	2.0
Total Capital Expenditures	\$ 111.5	\$ 66.9	\$ 206.6	\$ 113.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

	At June 30, 2007	At December 31, 2006
Total Assets:		
Television	\$ 20,103.0	\$ 20,392.2
Radio	10,496.7	10,777.9
Outdoor	7,328.5	7,211.7
Publishing	1,017.6	1,054.6
Corporate	3,804.6	4,100.6
Eliminations	(58.6)	(28.2)
Total Assets	\$ 42,691.8	\$ 43,508.8

15) CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

CBS Operations Inc. is a wholly owned subsidiary of the Company. CBS Operations Inc. has fully and unconditionally guaranteed CBS Corp.'s senior debt securities (see Note 8). 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, 2007					
	CBS Corp.	CBS Operations Inc.	Non-Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
Revenues	\$ 38.1	\$ 16.6	\$ 3,320.2	\$ —	\$ 3,374.9
Expenses:					
Operating	19.2	8.3	1,814.5	—	1,842.0
Selling, general and administrative	34.7	47.2	591.6	—	673.5
Depreciation and amortization	1.0	1.2	107.3	—	109.5
Total expenses	54.9	56.7	2,513.4	—	2,625.0
Operating income (loss)	(16.8)	(40.1)	806.8	—	749.9
Interest income (expense), net	(145.0)	(70.3)	103.6	—	(111.7)
Other items, net	(2.8)	3.1	4.0	—	4.3
Earnings (loss) from continuing operations before income taxes, equity in earnings (loss) of affiliated companies and minority interest	(164.6)	(107.3)	914.4	—	642.5
Benefit (provision) for income taxes	65.1	42.5	(341.3)	—	(233.7)
Equity in earnings (loss) of affiliated companies, net of tax	503.5	174.1	.9	(683.4)	(4.9)
Minority interest, net of tax	—	—	.1	—	.1
Net earnings	\$ 404.0	\$ 109.3	\$ 574.1	\$ (683.4)	\$ 404.0

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, 2007						
	CBS Corp.	CBS Operations Inc.	Non-Guarantor Affiliates	Eliminations	CBS Corp. Consolidated	
Revenues	\$ 75.5	\$ 29.2	\$ 6,928.0	\$ —	\$	7,032.7
Expenses:						
Operating	38.5	16.6	4,182.7	—		4,237.8
Selling, general and administrative	67.6	80.3	1,151.1	—		1,299.0
Depreciation and amortization	2.4	2.1	220.2	—		224.7
Total expenses	108.5	99.0	5,554.0	—		5,761.5
Operating income (loss)	(33.0)	(69.8)	1,374.0	—		1,271.2
Interest income (expense), net	(292.9)	(139.2)	219.9	—		(212.2)
Other items, net	(15.7)	2.4	16.1	—		2.8
Earnings (loss) from continuing operations before income taxes, equity in earnings (loss) of affiliated companies and minority interest	(341.6)	(206.6)	1,610.0	—		1,061.8
Benefit (provision) for income taxes	135.1	81.8	(654.8)	—		(437.9)
Equity in earnings (loss) of affiliated companies, net of tax	824.0	302.3	(.6)	(1,132.5)		(6.8)
Minority interest, net of tax	—	—	.4	—		.4
Net earnings	\$ 617.5	\$ 177.5	\$ 955.0	\$ (1,132.5)	\$	617.5

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, 2006						
	CBS Corp.	CBS Operations Inc.	Non-Guarantor Affiliates	Eliminations	CBS Corp. Consolidated	
Revenues	\$ 40.0	\$ 19.6	\$ 3,423.5	\$ —	\$ 3,483.1	
Expenses:						
Operating	19.0	14.2	1,876.9	—	1,910.1	
Selling, general and administrative	45.8	46.8	621.5	—	714.1	
Depreciation and amortization	1.4	.7	106.5	—	108.6	
Total expenses	66.2	61.7	2,604.9	—	2,732.8	
Operating income (loss)	(26.2)	(42.1)	818.6	—	750.3	
Interest income (expense), net	(159.1)	(70.8)	107.6	—	(122.3)	
Loss on early extinguishment of debt	(2.0)	—	—	—	(2.0)	
Other items, net	10.5	(21.1)	(4.6)	—	(15.2)	
Earnings (loss) from continuing operations before income taxes, equity in earnings (loss) of affiliated companies and minority interest	(176.8)	(134.0)	921.6	—	610.8	
Benefit (provision) for income taxes	70.5	53.5	(242.0)	—	(118.0)	
Equity in earnings (loss) of affiliated companies, net of tax	888.0	119.4	(3.1)	(1,007.3)	(3.0)	
Net earnings from continuing operations	781.7	38.9	676.5	(1,007.3)	489.8	
Net earnings (loss) from discontinued operations	—	295.3	(3.4)	—	291.9	
Net earnings	\$ 781.7	\$ 334.2	\$ 673.1	\$ (1,007.3)	\$ 781.7	

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, 2006				
	CBS Corp.	CBS Operations Inc.	Non-Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
Revenues	\$ 76.6	\$ 35.3	\$ 6,946.6	\$ —	\$ 7,058.5
Expenses:					
Operating	38.6	22.2	4,140.9	—	4,201.7
Selling, general and administrative	89.5	88.2	1,184.0	—	1,361.7
Depreciation and amortization	2.7	1.4	212.5	—	216.6
Total expenses	130.8	111.8	5,537.4	—	5,780.0
Operating income (loss)	(54.2)	(76.5)	1,409.2	—	1,278.5
Interest income (expense), net	(324.5)	(136.4)	206.9	—	(254.0)
Loss on early extinguishment of debt	(6.0)	—	—	—	(6.0)
Other items, net	(18.6)	(18.2)	18.7	—	(18.1)
Earnings (loss) from continuing operations before income taxes, equity in earnings of affiliated companies and minority interest	(403.3)	(231.1)	1,634.8	—	1,000.4
Benefit (provision) for income taxes	160.9	92.3	(532.4)	—	(279.2)
Equity in earnings of affiliated companies, net of tax	1,251.0	259.2	3.0	(1,510.2)	3.0
Minority interest, net of tax	—	—	.1	—	.1
Net earnings from continuing operations	1,008.6	120.4	1,105.5	(1,510.2)	724.3
Net earnings (loss) from discontinued operations	—	295.3	(11.0)	—	284.3
Net earnings	\$ 1,008.6	\$ 415.7	\$ 1,094.5	\$ (1,510.2)	\$ 1,008.6

CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

	Balance Sheet At June 30, 2007				
	CBS Corp.	CBS Operations Inc.	Non-Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
Assets					
Cash and cash equivalents	\$ 2,487.7	\$ 2.7	\$ 306.4	\$ —	\$ 2,796.8
Receivables, net	30.2	9.5	2,502.0	—	2,541.7
Programming and other inventory	6.5	7.1	716.0	—	729.6
Prepaid expenses and other current assets	224.5	93.9	1,082.8	(40.5)	1,360.7
Total current assets	2,748.9	113.2	4,607.2	(40.5)	7,428.8
Property and equipment	53.7	43.7	4,420.3	—	4,517.7
Less accumulated depreciation and amortization	17.2	19.8	1,671.3	—	1,708.3
Net property and equipment	36.5	23.9	2,749.0	—	2,809.4
Programming and other inventory	5.5	32.5	1,546.0	—	1,584.0
Goodwill	100.3	63.0	18,859.5	—	19,022.8
Intangible assets	641.2	—	9,613.1	—	10,254.3
Investments in consolidated subsidiaries	42,967.5	4,277.2	—	(47,244.7)	—
Other assets	97.9	50.8	1,443.8	—	1,592.5
Total Assets	\$ 46,597.8	\$ 4,560.6	\$ 38,818.6	\$ (47,285.2)	\$ 42,691.8
Liabilities and Stockholders' Equity					
Accounts payable	\$ 1.6	\$ 39.6	\$ 354.9	\$ —	\$ 396.1
Participants' share and royalties payable	—	15.3	762.0	—	777.3
Program rights	5.8	7.1	1,015.1	—	1,028.0
Current portion of long-term debt	—	—	19.5	—	19.5
Accrued expenses and other	538.6	225.9	1,452.5	(40.9)	2,176.1
Total current liabilities	546.0	287.9	3,604.0	(40.9)	4,397.0
Long-term debt	6,798.0	—	197.8	—	6,995.8
Other liabilities	2,074.2	1,741.2	4,850.5	(8)	8,665.1
Intercompany payables	9,837.1	(7,133.9)	(7,813.0)	5,109.8	—
Minority interest	—	—	.6	—	.6
Stockholders' Equity:					
Preferred Stock	—	—	128.2	(128.2)	—
Common Stock	.8	122.8	1,135.9	(1,258.7)	.8
Additional paid-in capital	44,325.1	—	61,434.7	(61,434.7)	44,325.1
Retained earnings (deficit)	(14,845.0)	9,542.5	(19,993.4)	5,741.7	(19,554.2)
Accumulated other comprehensive income (loss)	(184.1)	.1	404.3	(404.4)	(184.1)
	29,296.8	9,665.4	43,109.7	(57,484.3)	24,587.6
Less treasury stock, at cost	1,954.3	—	5,131.0	(5,131.0)	1,954.3
Total Stockholders' Equity	27,342.5	9,665.4	37,978.7	(52,353.3)	22,633.3
Total Liabilities and Stockholders' Equity	\$ 46,597.8	\$ 4,560.6	\$ 38,818.6	\$ (47,285.2)	\$ 42,691.8

CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

	Balance Sheet At December 31, 2006				
	CBS Corp.	CBS Operations Inc.	Non-Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
Assets					
Cash and cash equivalents	\$ 1,543.8	\$.5	\$ 1,530.3	\$ —	\$ 3,074.6
Receivables, net	35.9	18.2	2,769.9	—	2,824.0
Programming and other inventory	6.3	7.1	969.5	—	982.9
Prepaid expenses and other current assets	162.7	70.6	1,037.1	(7.8)	1,262.6
Total current assets	1,748.7	96.4	6,306.8	(7.8)	8,144.1
Property and equipment	55.0	37.4	4,182.2	—	4,274.6
Less accumulated depreciation and amortization	16.3	18.5	1,426.0	—	1,460.8
Net property and equipment	38.7	18.9	2,756.2	—	2,813.8
Programming and other inventory	8.3	61.6	1,595.7	—	1,665.6
Goodwill	100.3	63.0	18,658.2	—	18,821.5
Intangible assets	641.2	—	9,783.8	—	10,425.0
Investments in consolidated subsidiaries	47,259.9	3,974.2	—	(51,234.1)	—
Other assets	204.7	16.2	1,417.9	—	1,638.8
Total Assets	\$ 50,001.8	\$ 4,230.3	\$ 40,518.6	\$ (51,241.9)	\$ 43,508.8
Liabilities and Stockholders' Equity					
Accounts payable	\$ 1.8	\$ 8.1	\$ 492.4	\$ —	\$ 502.3
Participants' share and royalties payable	—	13.9	753.6	—	767.5
Program rights	7.2	8.4	891.3	—	906.9
Current portion of long-term debt	—	—	15.0	—	15.0
Accrued expenses and other	606.8	119.9	1,489.2	(8.1)	2,207.8
Total current liabilities	615.8	150.3	3,641.5	(8.1)	4,399.5
Long-term debt	6,871.0	—	156.3	—	7,027.3
Other liabilities	3,475.5	802.0	4,274.8	6.2	8,558.5
Intercompany payables	10,803.6	(6,209.6)	(9,651.6)	5,057.6	—
Minority interest	—	—	1.0	—	1.0
Stockholders' Equity:					
Preferred Stock	—	—	128.2	(128.2)	—
Common Stock	.8	122.8	1,135.9	(1,258.7)	.8
Additional paid-in capital	44,259.3	—	61,434.8	(61,434.8)	44,259.3
Retained earnings (deficit)	(15,462.5)	9,365.0	(20,952.6)	6,874.2	(20,175.9)
Accumulated other comprehensive income (loss)	(246.3)	(.2)	350.3	(350.1)	(246.3)
	28,551.3	9,487.6	42,096.6	(56,297.6)	23,837.9
Less treasury stock, at cost	315.4	—	—	—	315.4
Total Stockholders' Equity	28,235.9	9,487.6	42,096.6	(56,297.6)	23,522.5
Total Liabilities and Stockholders' Equity	\$ 50,001.8	\$ 4,230.3	\$ 40,518.6	\$ (51,241.9)	\$ 43,508.8

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, 2007					
	CBS Corp.	CBS Operations Inc.	Non-Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
Net cash flow (used for) provided by operating activities	\$ (527.1)	\$ (137.1)	\$ 2,194.2	\$ —	\$ 1,530.0
Investing Activities:					
Capital expenditures	—	(10.7)	(195.9)	—	(206.6)
Acquisitions, net of cash acquired	—	—	(309.6)	—	(309.6)
Proceeds from dispositions	296.0	—	9.6	—	305.6
Investments in and advances to affiliated companies	(.1)	—	(43.7)	—	(43.8)
Net receipts from Viacom Inc. related to the Separation	170.0	—	42.2	—	212.2
Other, net	(.8)	—	—	—	(.8)
Net cash flow provided by (used for) investing activities	465.1	(10.7)	(497.4)	—	(43.0)
Financing Activities:					
Repayments of notes	(660.0)	—	—	—	(660.0)
Proceeds from issuance of notes	678.0	—	—	—	678.0
Borrowing from banks, including commercial paper, net	—	—	1.9	—	1.9
Payment of capital lease obligations	—	—	(8.2)	—	(8.2)
Purchase of Company common stock	(186.0)	—	(1,416.1)	—	(1,602.1)
Dividends	(313.9)	—	—	—	(313.9)
Proceeds from exercise of stock options	131.7	—	—	—	131.7
Excess tax benefit from stock-based compensation	7.8	—	—	—	7.8
Increase (decrease) in intercompany payables	1,348.3	150.0	(1,498.3)	—	—
Net cash flow provided by (used for) financing activities	1,005.9	150.0	(2,920.7)	—	(1,764.8)
Net increase (decrease) in cash and cash equivalents	943.9	2.2	(1,223.9)	—	(277.8)
Cash and cash equivalents at beginning of period	1,543.8	.5	1,530.3	—	3,074.6
Cash and cash equivalents at end of period	\$ 2,487.7	\$ 2.7	\$ 306.4	\$ —	\$ 2,796.8

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, 2006					
	CBS Corp.	CBS Operations Inc.	Non-Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
Net cash flow (used for) provided by operating activities	\$ (294.5)	\$ (454.2)	\$ 2,086.2	\$ —	\$ 1,337.5
Investing Activities:					
Capital expenditures	—	(2.0)	(111.2)	—	(113.2)
Acquisitions, net of cash acquired	(47.3)	—	(21.0)	—	(68.3)
Proceeds from dispositions	—	1,081.2	165.8	—	1,247.0
Investments in and advances to affiliated companies	—	—	(.3)	—	(.3)
Net receipts from Viacom Inc. related to the Separation	57.3	—	20.3	—	77.6
Net cash flow provided by investing activities from continuing operations	10.0	1,079.2	53.6	—	1,142.8
Net cash flow used for investing activities from discontinued operations	—	—	(34.5)	—	(34.5)
Net cash flow provided by investing activities	10.0	1,079.2	19.1	—	1,108.3
Financing Activities:					
Repayment of notes	(832.0)	—	—	—	(832.0)
Repayments to banks, including commercial paper, net	—	—	(2.8)	—	(2.8)
Payment of capital lease obligations	—	—	(7.2)	—	(7.2)
Purchase of Company common stock	(5.7)	—	—	—	(5.7)
Dividends	(229.9)	—	—	—	(229.9)
Proceeds from exercise of stock options	37.5	—	—	—	37.5
Excess tax benefit from stock-based compensation	.8	—	—	—	.8
Increase (decrease) in intercompany payables	2,336.3	(623.5)	(1,712.8)	—	—
Net cash flow provided by (used for) financing activities	1,307.0	(623.5)	(1,722.8)	—	(1,039.3)
Net increase in cash and cash equivalents	1,022.5	1.5	382.5	—	1,406.5
Cash and cash equivalents at beginning of period	1,153.0	—	502.3	—	1,655.3
Cash and cash equivalents at end of period	\$ 2,175.5	\$ 1.5	\$ 884.8	\$ —	\$ 3,061.8

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

Management's discussion and analysis of the results of operations and financial condition 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, 2006.

Consolidated Results of Operations

Three and Six Months Ended June 30, 2007 versus Three and Six Months Ended June 30, 2006

Revenues

The tables below present the Company's consolidated revenues by type, net of intercompany eliminations, for the three and six months ended June 30, 2007 and 2006.

Revenues by Type	Three Months Ended June 30,					
	2007	Percentage of Total	2006	Percentage of Total	Increase/(Decrease)	
					\$	%
Advertising sales	\$ 2,432.3	72%	\$ 2,650.7	76%	\$ (218.4)	(8)%
Television license fees	272.9	8	295.9	9	(23.0)	(8)
Affiliate fees	279.5	8	273.9	8	5.6	2
Publishing	200.3	6	176.0	5	24.3	14
Other	189.9	6	86.6	2	103.3	119
Total Revenues	\$ 3,374.9	100%	\$ 3,483.1	100%	\$ (108.2)	(3)%

Revenues by Type	Six Months Ended June 30,					
	2007	Percentage of Total	2006	Percentage of Total	Increase/(Decrease)	
					\$	%
Advertising sales	\$ 5,125.0	73%	\$ 5,216.2	74%	\$ (91.2)	(2)%
Television license fees	600.2	8	768.2	11	(168.0)	(22)
Affiliate fees	556.2	8	536.2	8	20.0	4
Publishing	429.6	6	357.1	5	72.5	20
Other	321.7	5	180.8	2	140.9	78
Total Revenues	\$ 7,032.7	100%	\$ 7,058.5	100%	\$ (25.8)	—%

Advertising sales decreased \$218.4 million, or 8%, to \$2.43 billion for the three months ended June 30, 2007 and decreased \$91.2 million, or 2%, to \$5.13 billion for the six months ended June 30, 2007, primarily reflecting decreases at Television and Radio partially offset by increases at Outdoor. Television advertising sales decreased 11% for the second quarter, due to the timing of the semifinals of the NCAA Men's Basketball Tournament, which aired in the first quarter of 2007 versus the second quarter in 2006, and the absence of UPN. Television advertising sales decreased 1% for the six-month period as the absence of UPN and lower political advertising revenues were substantially offset by the 2007 telecast of *Super Bowl XLI* on CBS Network. Radio advertising sales decreased 12% for the second quarter and 11% for the six-month period reflecting the impact of radio station divestitures and weakness in the radio advertising market. Radio station divestitures negatively impacted the Radio advertising sales comparison by 7% for both the three and six months ended June 30, 2007. Outdoor advertising sales increased 4% for the second quarter and 3% for the six-month period reflecting increases in Europe and Asia of 12% for the second quarter and 10% for the six-month period. Outdoor North America advertising sales remained relatively flat for the quarter and decreased 1% for the six-month period, as growth in U.S. billboards was offset by a decline in U.S. transit and displays due to the non-renewal of transit and street furniture contracts in New York City and Chicago.

**Management's Discussion and Analysis of
Results of Operations and Financial Condition**

Television license fees decreased \$23.0 million, or 8%, to \$272.9 million for the three months ended June 30, 2007 reflecting the absence of the 2006 domestic syndication of *Without a Trace*. Television license fees decreased \$168.0 million, or 22%, to \$600.2 million for the six months ended June 30, 2007, principally reflecting the absence of the first quarter 2006 basic cable availability and off-network syndication of *Frasier*.

Affiliate fees increased \$5.6 million, or 2%, to \$279.5 million for the three months ended June 30, 2007 and increased \$20.0 million, or 4%, to \$556.2 million for the six months ended June 30, 2007, primarily driven by rate increases and subscriber growth at Showtime Networks and CSTV Networks.

Publishing revenues increased \$24.3 million, or 14%, to \$200.3 million for the three months ended June 30, 2007 and increased \$72.5 million, or 20%, to \$429.6 million for the six months ended June 30, 2007, primarily reflecting higher sales from best-selling Adult group titles.

Other revenues, which include ancillary fees for Television and Radio operations and home entertainment revenues, increased \$103.3 million, or 119%, to \$189.9 million for the three months ended June 30, 2007 and increased \$140.9 million, or 78%, to \$321.7 million for the six months ended June 30, 2007, primarily due to increases in home entertainment revenues of \$83.4 million and \$104.5 million for the second quarter and six-month period, respectively, and increased ancillary revenues from the NCAA Men's Basketball Tournament.

International Revenues

The Company generated approximately 12% of its total revenues from international regions for the three and six months ended June 30, 2007 and 11% for each of the comparable prior-year periods.

Operating Expenses

The following tables present the Company's consolidated operating expenses by type, net of intercompany eliminations, for the three and six months ended June 30, 2007 and 2006.

Operating Expenses by Type	Three Months Ended June 30,					
	2007	Percentage of Total	2006	Percentage of Total	Increase/(Decrease)	
					\$	%
Programming	\$ 666.4	36%	\$ 756.2	40%	\$ (89.8)	(12)%
Production	538.5	29	525.9	28	12.6	2
Outdoor operations	294.4	16	287.7	15	6.7	2
Publishing operations	130.4	7	121.7	6	8.7	7
Other	212.3	12	218.6	11	(6.3)	(3)
Total Operating Expenses	\$ 1,842.0	100%	\$ 1,910.1	100%	\$ (68.1)	(4)%

**Management's Discussion and Analysis of
Results of Operations and Financial Condition**

Operating Expenses by Type	Six Months Ended June 30,					
	2007	Percentage of Total	2006	Percentage of Total	Increase/(Decrease) \$	%
Programming	\$ 1,830.5	43%	\$ 1,759.6	42%	\$ 70.9	4%
Production	1,123.0	27	1,225.0	29	(102.0)	(8)
Outdoor operations	565.2	13	557.8	13	7.4	1
Publishing operations	286.6	7	248.9	6	37.7	15
Other	432.5	10	410.4	10	22.1	5
Total Operating Expenses	\$ 4,237.8	100%	\$ 4,201.7	100%	\$ 36.1	1%

For the three months ended June 30, 2007, operating expenses decreased \$68.1 million, or 4%, to \$1.84 billion. For the six months ended June 30, 2007, operating expenses increased \$36.1 million, or 1%, to \$4.24 billion.

Programming expenses for the three months ended June 30, 2007 decreased \$89.8 million, or 12%, to \$666.4 million primarily reflecting the absence of UPN and lower sports programming costs, principally associated with the timing of the semifinals of the NCAA Men's Basketball Tournament, partially offset by higher entertainment series costs. For the six months ended June 30, 2007, programming expenses increased \$70.9 million, or 4%, to \$1.83 billion primarily reflecting the 2007 telecast of *Super Bowl XLI* on CBS Network partially offset by lower expenses resulting from the absence of UPN.

Production expenses for the three months ended June 30, 2007 increased \$12.6 million, or 2%, to \$538.5 million primarily reflecting increased costs associated with higher home entertainment revenues, partially offset by lower costs from the absence of UPN. For the six months ended June 30, 2007, production expenses decreased \$102.0 million, or 8%, to \$1.12 billion primarily reflecting the absence of costs associated with the first quarter 2006 syndication sales of *Frasier*, partially offset by increased costs associated with higher home entertainment revenues.

Outdoor operations expenses for the three months ended June 30, 2007 increased \$6.7 million, or 2%, to \$294.4 million and for the six months ended June 30, 2007 increased \$7.4 million, or 1%, to \$565.2 million primarily due to the unfavorable impact of foreign exchange partially offset by lower transit lease costs, principally reflecting the non-renewal of transit and street furniture contracts in New York City and Chicago.

Publishing operations expenses for the three months ended June 30, 2007 increased \$8.7 million, or 7%, to \$130.4 million and for the six months ended June 30, 2007 increased \$37.7 million, or 15%, to \$286.6 million, primarily reflecting increases in cost of book sales driven by higher revenues.

Other operating expenses for the three months ended June 30, 2007 decreased \$6.3 million, or 3%, to \$212.3 million. For the six months ended June 30, 2007, other operating expenses increased \$22.1 million, or 5%, to \$432.5 million principally reflecting higher costs associated with digital media and higher marketing costs from the NCAA Men's Basketball Tournament due to higher revenues.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses, which include expenses incurred for selling and marketing costs, occupancy and back office support, decreased \$40.6 million, or 6%, to \$673.5 million for the three months ended June 30, 2007 and decreased \$62.7 million, or 5%, to \$1.30 billion for the six months ended June 30, 2007, primarily reflecting lower expenses due to the absence of UPN and the radio and television stations that have been sold, as well as lower pension and postretirement

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benefits costs. These decreases were partially offset by higher stock-based compensation, increased costs associated with digital media and the unfavorable impact of foreign exchange on expenses. Pension and postretirement benefits costs decreased \$16.1 million to \$37.5 million for the second quarter and decreased \$39.0 million to \$74.9 million for the six-month period versus the comparable prior-year periods, primarily due to the recognition of lower actuarial losses and the impact of \$250 million of discretionary contributions made during 2006 to pre-fund one of the Company's qualified pension plans. SG&A expenses as a percentage of revenues decreased to 20% for the three months ended June 30, 2007 from 21% for the same prior-year period and decreased to 18% for the six months ended June 30, 2007 from 19% for the same prior-year period.

Depreciation and Amortization

For the three months ended June 30, 2007, depreciation and amortization increased 1% to \$109.5 million from \$108.6 million. For the six months ended June 30, 2007, depreciation and amortization increased 4% to \$224.7 million from \$216.6 million, primarily reflecting accelerated depreciation due to the anticipated move of certain television stations out of their current locations.

Interest Expense

For the three months ended June 30, 2007, interest expense increased 3% to \$145.5 million from \$140.8 million principally resulting from the timing of the refinancing of \$700.0 million of senior notes and higher weighted average interest rates. For the six months ended June 30, 2007, interest expense of \$285.3 remained flat from \$285.1 million for the comparable prior-year period. The Company had \$7.02 billion and \$7.04 billion of principal amount of debt outstanding (including current maturities) at June 30, 2007 and 2006, respectively, at weighted average interest rates of 7.1% and 7.0%, respectively.

Interest Income

For the three months ended June 30, 2007, interest income increased \$15.3 million to \$33.8 million and for the six months ended June 30, 2007, increased \$42.0 million to \$73.1 million, primarily due to higher average cash balances and the timing of the refinancing of \$700.0 million of senior notes.

Loss on Early Extinguishment of Debt

For the three and six months ended June 30, 2006, "Loss on early extinguishment of debt" of \$2.0 million and \$6.0 million, respectively, reflected losses recognized upon the early redemption of \$50.0 million of the Company's 6.625% senior notes due 2011, and for the six months, also reflected losses recognized upon the early redemption of \$52.2 million of the Company's 7.70% senior notes due 2010.

Other Items, Net

For the three months ended June 30, 2007, "Other items, net" of \$4.3 million principally reflected a pre-tax gain of \$9.2 million on television and radio station divestitures and a gain of \$2.4 million on the sale of an investment, partially offset by losses of \$7.8 million associated with securitizing trade receivables. "Other items, net" of \$2.8 million for the six months ended June 30, 2007 principally reflected a pre-tax gain of \$12.6 million on television and radio station divestitures, foreign exchange gains of \$3.4 million and a gain of \$2.4 million on the sale of an investment, partially offset by losses of \$15.5 million associated with securitizing trade receivables.

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For the three months ended June 30, 2006, "Other items, net" reflected a net loss of \$15.2 million principally consisting of losses of \$7.8 million associated with securitizing trade receivables and foreign exchange losses of \$7.5 million. "Other items, net" reflected a net loss of \$18.1 million for the six months ended June 30, 2006 principally consisting of losses of \$14.8 million associated with securitizing trade receivables and foreign exchange losses of \$3.4 million.

Provision for Income Taxes

The provision for income taxes represents federal, state and local, and foreign income taxes on earnings from continuing operations before income taxes, equity in earnings (loss) of affiliated companies and minority interest. The provision for income taxes for continuing operations was \$233.7 million and \$118.0 million for the three months ended June 30, 2007 and 2006, respectively, and \$437.9 million and \$279.2 million for the six months ended June 30, 2007 and 2006, respectively. The Company's effective income tax rate increased to 36.4% and 41.2% for the three and six months ended June 30, 2007, respectively, from 19.3% and 27.9% for the three and six months ended June 30, 2006, respectively. These increases primarily reflect the absence of a 2006 tax benefit of \$129.0 million from income tax settlements, partially offset by lower state and foreign income taxes in 2007. The provision for income taxes for 2007 included a net tax benefit of \$1.7 million for the three-month period and a net tax provision of \$41.8 million for the six-month period from station divestitures and income tax settlements.

Equity in Earnings (Loss) of Affiliated Companies, Net of Tax

Equity in earnings (loss) of affiliated companies, net of tax, reflects the operating results of the Company's equity investments. For the three months ended June 30, 2007, equity in earnings (loss) of affiliated companies, net of tax, decreased \$1.9 million to a loss of \$4.9 million and for the six months ended June 30, 2007 decreased \$9.8 million to a loss of \$6.8 million. Results for the 2007 periods included a non-cash impairment charge associated with an other-than-temporary decline in the market value of one of the Company's investments.

Minority Interest, Net of Tax

Minority interest primarily represents the minority ownership of certain international entities.

Net Earnings from Discontinued Operations

Net earnings from discontinued operations of \$291.9 million and \$284.3 million for the three and six months ended June 30, 2006, respectively, principally reflected the gain on the sale of Paramount Parks, which was sold during the second quarter of 2006.

Net Earnings

The Company reported net earnings of \$404.0 million for the three months ended June 30, 2007 versus \$781.7 million for the three months ended June 30, 2006 and net earnings of \$617.5 million for the six months ended June 30, 2007 versus net earnings of \$1.01 billion for the six months ended June 30, 2006.

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Segment Results of Operations

The following tables present the Company's revenues, Segment operating income before depreciation and amortization ("Segment OIBDA"), operating income, and depreciation and amortization by segment, for the three and six months ended June 30, 2007 and 2006, respectively.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Revenues:				
Television	\$ 2,163.0	\$ 2,259.8	\$ 4,736.0	\$ 4,775.5
Radio	463.4	519.1	860.9	953.6
Outdoor	554.2	534.4	1,016.5	986.6
Publishing	200.3	176.0	429.6	357.1
Eliminations	(6.0)	(6.2)	(10.3)	(14.3)
Total Revenues	\$ 3,374.9	\$ 3,483.1	\$ 7,032.7	\$ 7,058.5
Segment OIBDA (a):				
Television	\$ 549.5	\$ 535.4	\$ 948.5	\$ 959.1
Radio	187.3	227.9	351.7	398.5
Outdoor	168.3	160.0	268.5	259.1
Publishing	20.1	10.6	43.9	16.4
Corporate	(41.6)	(39.7)	(68.4)	(67.4)
Residual costs	(24.2)	(35.3)	(48.3)	(70.6)
Depreciation and amortization	(109.5)	(108.6)	(224.7)	(216.6)
Total Operating Income	\$ 749.9	\$ 750.3	\$ 1,271.2	\$ 1,278.5
Operating Income:				
Television	\$ 506.1	\$ 491.9	\$ 856.2	\$ 874.7
Radio	179.4	219.6	336.2	382.2
Outdoor	115.3	107.9	162.3	152.4
Publishing	18.1	8.2	39.5	11.9
Corporate	(44.8)	(42.0)	(74.7)	(72.1)
Residual costs	(24.2)	(35.3)	(48.3)	(70.6)
Total Operating Income	\$ 749.9	\$ 750.3	\$ 1,271.2	\$ 1,278.5
Depreciation and Amortization:				
Television	\$ 43.4	\$ 43.5	\$ 92.3	\$ 84.4
Radio	7.9	8.3	15.5	16.3
Outdoor	53.0	52.1	106.2	106.7
Publishing	2.0	2.4	4.4	4.5
Corporate	3.2	2.3	6.3	4.7
Total Depreciation and Amortization	\$ 109.5	\$ 108.6	\$ 224.7	\$ 216.6

(a) The Company presents Segment OIBDA as the primary measure of profit and loss for its operating segments in accordance with Statement of Financial Accounting Standards ("SFAS") 131 "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"). 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 14 (Reportable Segments) to the consolidated financial statements.

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Television (CBS Television Network, Television Stations, CBS Paramount Network Television, CBS Television Distribution, Showtime Networks and CSTV Networks)

(Contributed 64% and 67% to consolidated revenues for the three and six months ended June 30, 2007 versus 65% and 68% for the comparable prior-year periods.)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Revenues	\$ 2,163.0	\$ 2,259.8	\$ 4,736.0	\$ 4,775.5
OIBDA	\$ 549.5	\$ 535.4	\$ 948.5	\$ 959.1
Depreciation and amortization	(43.4)	(43.5)	(92.3)	(84.4)
Operating income (OI)	\$ 506.1	\$ 491.9	\$ 856.2	\$ 874.7
OI as a % of revenues	23%	22%	18%	18%
Capital expenditures	\$ 43.5	\$ 29.5	\$ 86.7	\$ 48.4

For the three months ended June 30, 2007, Television revenues decreased \$96.8 million, or 4%, to \$2.16 billion from \$2.26 billion. Revenue comparability during the second quarter of 2007 was negatively impacted by the timing of the semifinals of the NCAA Men's Basketball Tournament, which aired in the first quarter in 2007 versus the second quarter in 2006, the absence of UPN which ceased broadcasting in September 2006, and television station divestitures. In aggregate, these items negatively impacted the Television revenue comparison by approximately 7%. Advertising revenues decreased 11% for the second quarter primarily due to these same three factors and lower political advertising sales. Television license fees are down 8% for the second quarter versus the prior year primarily due to the absence of the 2006 domestic syndication of *Without a Trace*. Home entertainment revenues increased \$83.4 million over the second quarter of 2006 as the Company is in the second year of a third party distribution arrangement which provides the Company with revenues after recoupment of upfront distribution costs incurred by the third party distributor. For the six months ended June 30, 2007, Television revenues decreased \$39.5 million, or 1%, to \$4.74 billion from \$4.78 billion primarily due to lower television license fees and advertising revenues, partially offset by \$104.5 million higher home entertainment revenues and higher affiliate revenues. Television license fees decreased 22% principally from the absence of the 2006 basic cable availability and off-network syndication of *Frasier*. Advertising revenues decreased 1% for the six-month period as the absence of UPN and lower political advertising sales were substantially offset by the 2007 telecast of *Super Bowl XLI* on CBS Network. For the six months, affiliate revenues were up 4% reflecting rate increases and subscriber growth at both Showtime Networks and CSTV Networks.

For the three months ended June 30, 2007, Television operating income increased \$14.2 million, or 3%, to \$506.1 million and OIBDA increased \$14.1 million, or 3%, to \$549.5 million. These increases reflect profits on higher home entertainment revenues and the absence of the \$24.0 million of costs related to the shutdown of UPN in 2006, partially offset by higher entertainment series costs and lower political advertising sales. For the six months ended June 30, 2007, operating income decreased \$18.5 million, or 2%, to \$856.2 million and OIBDA decreased \$10.6 million, or 1%, to \$948.5 million. These decreases are primarily due to the absence of the 2006 syndication sales of *Frasier* and lower political advertising revenues, partially offset by profits on higher home entertainment revenues and the absence of costs relating to the shutdown of UPN. Included in Television expenses is stock-based compensation of \$14.8 million and \$25.1 million for the three and six months ended June 30, 2007, respectively, versus \$8.5 million and \$14.3 million for the same prior-year periods.

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Capital expenditures increased \$14.0 million to \$43.5 million for the second quarter of 2007 and increased \$38.3 million to \$86.7 million for the six-month period, principally reflecting increased spending for television facilities.

On May 30, 2007, the Company acquired Last.fm, a global, community-based, music discovery network, for approximately \$280 million. Last.fm has been included as part of the Television segment since the date of acquisition. The excess purchase price over the fair value of the tangible and identifiable intangible net assets acquired was allocated to goodwill. The final allocation of the purchase price will be based on an evaluation of the fair value of the assets acquired and liabilities assumed.

On April 16, 2007, the Company completed an exchange agreement with Liberty Media Corporation under which the stock of a subsidiary of the Company which held CBS Corp.'s Green Bay television station and its satellite television station, valued at \$64.0 million, and \$169.8 million in cash was exchanged for the 7.6 million shares of CBS Corp. Class B Common Stock held by Liberty Media Corporation. In connection with the exchange, the Company recorded a pre-tax gain of \$14.6 million in "Other items, net" on the Consolidated Statements of Operations for the three and six months ended June 30, 2007.

On April 4, 2007, the Company completed the acquisition of MaxPreps, an online high school sports network, for \$43.0 million. MaxPreps has been included as part of the Television segment since the date of acquisition.

On February 26, 2007, the Company completed the sale of its television station in New Orleans for \$4.3 million. On February 7, 2007, the Company announced that it entered into an agreement to sell seven of its owned television stations in Austin, Salt Lake City, Providence and West Palm Beach to Cerberus Capital Management, L.P. for approximately \$185 million. This transaction is subject to FCC approval and customary closing conditions, and is expected to close in the fourth quarter of 2007.

During September 2006, the Company combined the resources of its syndication and distribution operations. As a result, restructuring charges of \$11.6 million were recorded in SG&A expenses in the Television segment during the year ended December 31, 2006. The charges reflected severance costs of \$9.7 million and legal, lease termination and other expenses of \$1.9 million. As of June 30, 2007, the Company paid \$7.2 million of the restructuring charges, of which \$6.7 million was paid during the six months ended June 30, 2007.

The CW, a broadcast network and 50/50% joint venture with Warner Bros. Entertainment, was launched in September 2006. As a result, UPN ceased broadcasting its network schedule at the conclusion of the 2005/2006 broadcast season. In connection with the shutdown of UPN, the Television segment recorded shutdown costs of \$24.0 million in SG&A expenses in the second quarter of 2006. The charges reflected costs associated with contract terminations of \$13.6 million and severance, legal and other expenses of \$10.4 million. As of June 30, 2007 the Company paid \$6.1 million of the shutdown costs, of which \$1.7 million was paid during the six months ended June 30, 2007.

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Radio (CBS Radio)

(Contributed 14% and 12% to consolidated revenues for the three and six months ended June 30, 2007 and 15% and 14% for the comparable prior-year periods.)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Revenues	\$ 463.4	\$ 519.1	\$ 860.9	\$ 953.6
OIBDA	\$ 187.3	\$ 227.9	\$ 351.7	\$ 398.5
Depreciation and amortization	(7.9)	(8.3)	(15.5)	(16.3)
Operating income (OI)	\$ 179.4	\$ 219.6	\$ 336.2	\$ 382.2
OI as a % of revenues	39%	42%	39%	40%
Capital expenditures	\$ 10.8	\$ 14.9	\$ 17.9	\$ 24.4

For the three and six months ended June 30, 2007, Radio revenues decreased \$55.7 million, or 11%, to \$463.4 million, and \$92.7 million, or 10%, to \$860.9 million, respectively. These decreases reflected the impact of the previously announced radio station sales in ten markets as well as weakness in the radio advertising market. The station divestitures negatively impacted the Radio revenue comparison by 6% for both the three and six months ended June 30, 2007. Radio receives affiliation and other fees and consideration for management services provided to Westwood One, Inc. ("Westwood One"), an affiliated company. Revenues from these arrangements were \$12.8 million and \$26.0 million for the three and six months ended June 30, 2007, respectively, versus \$14.4 million and \$29.8 million for the comparable prior-year periods. In April 2007, CBS Radio and Westwood One entered into a non-binding letter of intent for the termination of management and representation arrangements and modification and extension of certain arrangements involving commercial inventory distribution and radio programming, among others, subject to execution of definitive agreements, corporate approvals and approvals by Westwood One stockholders, other than CBS Radio and its affiliates.

For the three months ended June 30, 2007, Radio operating income decreased \$40.2 million, or 18%, to \$179.4 million and OIBDA decreased \$40.6 million, or 18%, to \$187.3 million. For the six months, operating income decreased \$46.0 million, or 12%, to \$336.2 million and OIBDA decreased \$46.8 million, or 12%, to \$351.7 million. These decreases were due primarily to the revenue decline noted above partially offset by lower expenses. Operating expenses decreased 1% for the quarter and 3% for the six months and SG&A expenses decreased 8% for the quarter and 12% for the six months. The decreases in operating and SG&A expenses reflected the absence of expenses for divested stations. Included in total Radio expenses is stock-based compensation of \$5.0 million and \$8.4 million for the three and six months ended June 30, 2007, respectively, versus \$3.4 million and \$5.4 million for the same prior-year periods.

During the first half of 2007, the Company completed the previously announced sales of its radio stations in Kansas City, Columbus, Fresno, Greensboro and San Antonio for total cash proceeds of \$281.4 million, resulting in pre-tax losses of \$5.4 million and \$2.0 million included in "Other items, net" on the Consolidated Statements of Operations for the three and six months ended June 30, 2007, respectively.

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Outdoor (CBS Outdoor)

(Contributed 16% and 14% to consolidated revenues for the three and six months ended June 30, 2007 and 15% and 14% for the comparable prior-year periods.)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Revenues	\$ 554.2	\$ 534.4	\$ 1,016.5	\$ 986.6
OIBDA	\$ 168.3	\$ 160.0	\$ 268.5	\$ 259.1
Depreciation and amortization	(53.0)	(52.1)	(106.2)	(106.7)
Operating income (OI)	\$ 115.3	\$ 107.9	\$ 162.3	\$ 152.4
OI as a % of revenues	21%	20%	16%	15%
Capital expenditures	\$ 49.3	\$ 20.5	\$ 87.2	\$ 36.9

For the three and six months ended June 30, 2007, Outdoor revenues increased \$19.8 million, or 4%, to \$554.2 million, and \$29.9 million, or 3%, to \$1.02 billion, respectively. For the second quarter, the revenue increase reflected growth of 12% in Europe and Asia, principally due to favorable foreign exchange rate changes and growth in the U.K. North America revenues remained relatively flat for the quarter, as growth of 11% in the U.S. billboards business was offset by a decrease of 29% in U.S. transit and displays, principally reflecting the non-renewal of transit and street furniture contracts in New York City and Chicago. For the six months, the revenue increase reflected growth of 10% in Europe and Asia, driven by favorable foreign exchange rate changes, partially offset by a decline of 1% in North America. The revenue decrease in North America reflected a decline of 27% in U.S. transit and displays, due primarily to the non-renewal of the aforementioned contracts, partially offset by growth of 10% in U.S. billboards. The favorable net impact of foreign exchange rate fluctuations on total Outdoor revenues was approximately \$16 million and \$31 million for the three and six months ended June 30, 2007, respectively. Approximately 47% and 44% of Outdoor's revenues were generated from international regions for the three months ended June 30, 2007 and 2006, respectively, and 47% and 45% for the six months ended June 30, 2007 and 2006, respectively.

For the three months ended June 30, 2007, Outdoor operating income increased \$7.4 million, or 7%, to \$115.3 million and OIBDA increased \$8.3 million, or 5%, to \$168.3 million. For the six months, operating income increased \$9.9 million, or 6%, to \$162.3 million and OIBDA increased \$9.4 million, or 4%, to \$268.5 million. For the second quarter and six months, the increases in operating income and OIBDA reflected growth in North America partially offset by a decline in Europe and Asia. For the quarter, North America operating income and OIBDA increased 16% to \$97.5 million and 12% to \$143.6 million, respectively, and for the six months, North America operating income and OIBDA increased 25% to \$145.4 million and 13% to \$236.9 million, respectively, led by the strong performance of the U.S. billboards business. For the quarter, Europe and Asia operating income and OIBDA decreased 26% to \$17.8 million and 21% to \$24.7 million, respectively, and for the six months, Europe and Asia operating income and OIBDA decreased 53% to \$16.9 million and 37% to \$31.6 million, respectively, principally reflecting higher transit lease costs in the U.K. Total Outdoor operating expenses increased 2% for the quarter and 1% for the six months, as the unfavorable impact of foreign exchange on expenses was partially offset by lower transit lease costs, reflecting the non-renewal of certain U.S. transit contracts partially offset by higher transit lease costs in the U.K. SG&A expenses increased 5% for the quarter and 8% for the six months principally due to the unfavorable impact of foreign exchange on expenses, higher employee-related costs and increased professional fees. Included

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in total Outdoor expenses is stock-based compensation of \$1.2 million and \$2.3 million for the three and six months ended June 30, 2007, respectively, versus \$0.9 million and \$1.4 million for the same prior-year periods.

Capital expenditures increased \$28.8 million to \$49.3 million for the second quarter of 2007 and increased \$50.3 million to \$87.2 million for the six-month period, principally reflecting increased spending for transit contracts in the U.K.

Publishing (*Simon & Schuster*)

(Contributed 6% to consolidated revenues for the three and six months ended June 30, 2007 and 5% for the comparable prior-year periods.)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Revenues	\$ 200.3	\$ 176.0	\$ 429.6	\$ 357.1
OIBDA	\$ 20.1	\$ 10.6	\$ 43.9	\$ 16.4
Depreciation and amortization	(2.0)	(2.4)	(4.4)	(4.5)
Operating income (OI)	\$ 18.1	\$ 8.2	\$ 39.5	\$ 11.9
OI as a % of revenues	9%	5%	9%	3%
Capital expenditures	\$ 3.1	\$ 1.2	\$ 4.1	\$ 1.5

For the three and six months ended June 30, 2007, Publishing revenues increased \$24.3 million, or 14%, to \$200.3 million and \$72.5 million, or 20%, to \$429.6 million, respectively. These increases were driven by higher sales, principally reflecting contributions from 2007 best-selling Adult group titles. Top titles for the first half of 2007 included *The Secret* by Rhonda Byrne, *I Heard That Song Before* by Mary Higgins Clark, *Einstein* by Walter Isaacson and *Blaze* by Stephen King writing as Richard Bachman.

For the three months ended June 30, 2007, Publishing operating income increased \$9.9 million to \$18.1 million and OIBDA increased \$9.5 million to \$20.1 million, respectively, and for the six months, operating income increased \$27.6 million to \$39.5 million and OIBDA increased \$27.5 million to \$43.9 million, respectively. These increases reflected the revenue increases noted above partially offset by higher expenses. Operating expenses increased 7% for the quarter and 15% for the six-month period, primarily due to higher production and royalty expenses relating to the revenue increases. SG&A expenses increased 14% for the quarter and 8% for the six-month period, primarily reflecting higher advertising expenses. For the quarter, this increase also reflected higher employee-related costs. Included in total Publishing expenses is stock-based compensation of \$0.9 million and \$1.6 million for the three and six months ended June 30, 2007, respectively, versus \$0.5 million and \$0.8 million for the same prior-year periods.

Financial Position

Current assets decreased \$715.3 million to \$7.43 billion at June 30, 2007 from \$8.14 billion at December 31, 2006 primarily due to decreases in cash and cash equivalents, receivables and programming and other inventory. The decrease in cash and cash equivalents of \$277.8 million principally reflected the purchase of Company common stock for \$1.60 billion, acquisitions and capital expenditures, partially offset by cash flow from operations and proceeds from radio station divestitures. The decrease in receivables and programming and other inventory is due to the timing of receivable

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collections and investments in programming. The allowance for doubtful accounts as a percentage of receivables was 5.5% at June 30, 2007 compared with 5.1% at December 31, 2006, principally due to a lower gross receivable balance, primarily reflecting the television broadcasting seasonality. At June 30, 2006, the allowance for doubtful accounts as a percentage of receivables was 5.5%.

Net property and equipment of \$2.81 billion at June 30, 2007 decreased slightly from December 31, 2006, reflecting depreciation expense of \$178.5 million and a decrease of \$32.5 million primarily from dispositions, substantially offset by capital expenditures of \$206.6 million.

Goodwill increased \$201.3 million to \$19.02 billion at June 30, 2007 from \$18.82 billion at December 31, 2006, primarily reflecting acquisitions of \$331.2 million, principally due to the acquisition of Last.fm, and foreign currency translation adjustments, partially offset by television and radio station divestitures of \$168.4 million.

Intangible assets, principally consisting of FCC licenses and leasehold and franchise agreements, decreased by \$170.7 million to \$10.25 billion at June 30, 2007 from \$10.43 billion at December 31, 2006, principally due to the radio station divestitures and amortization expense of \$46.2 million.

Current liabilities of \$4.40 billion at June 30, 2007 remained relatively flat with December 31, 2006, primarily reflecting higher program rights obligations, partially offset by decreases in accounts payable and accrued compensation due to the timing of payments.

Cash Flows

Cash and cash equivalents decreased by \$277.8 million for the six months ended June 30, 2007. The change in cash and cash equivalents was as follows:

	Six Months Ended June 30,	
	2007	2006
Cash provided by operating activities from:		
Continuing operations	\$ 1,530.0	\$ 1,304.5
Discontinued operations	—	33.0
Cash provided by operating activities	1,530.0	1,337.5
Cash provided by (used for) investing activities from:		
Continuing operations	(43.0)	1,142.8
Discontinued operations	—	(34.5)
Cash provided by (used for) investing activities	(43.0)	1,108.3
Cash used for financing activities from:		
Continuing operations	(1,764.8)	(1,039.3)
Discontinued operations	—	—
Cash used for financing activities	(1,764.8)	(1,039.3)
Net increase (decrease) in cash and cash equivalents	\$ (277.8)	\$ 1,406.5

Operating Activities. Cash provided by operating activities from continuing operations of \$1.53 billion for the six months ended June 30, 2007 increased \$225.5 million, or 17%, from \$1.30 billion in the same prior-year period reflecting higher net changes in operating assets and liabilities, net of effects of acquisitions, primarily due to higher sports programming amortization, the absence of a 2006 non-cash tax benefit of \$129.0 million from income tax settlements, and the absence of a \$50 million discretionary contribution made during the first quarter of 2006 to pre-fund one of the Company's qualified pension plans, partially offset by lower net earnings from continuing operations.

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Cash paid for income taxes for the six months ended June 30, 2007 was \$373.9 million versus \$401.9 million for the six months ended June 30, 2006. Cash taxes for the full year 2007 are anticipated to be approximately \$675 million to \$725 million.

Investing Activities. Cash used for investing activities of \$43.0 million for the six months ended June 30, 2007 principally reflected acquisitions of \$309.6 million, primarily consisting of the acquisitions of Last.fm, MaxPreps and outdoor advertising properties, capital expenditures of \$206.6 million and the investment in several new interactive initiatives. These increases were partially offset by proceeds from dispositions of \$305.6 million, primarily from the radio station divestitures, and net receipts of \$212.2 million from Viacom Inc. relating to the Separation. Cash provided by investing activities of \$1.14 billion for the six months ended June 30, 2006 principally reflected proceeds of \$1.24 billion from the sale of Paramount Parks and net receipts from Viacom Inc. related to the Separation of \$77.6 million, partially offset by capital expenditures of \$113.2 million and acquisitions of \$68.3 million, primarily consisting of the acquisition of CSTV Networks. Capital expenditures increased \$93.4 million to \$206.6 million for the six months ended June 30, 2007, principally reflecting increased spending for Outdoor transit contracts in the U.K. and television facilities.

Financing Activities. Cash used for financing activities of \$1.76 billion for the six months ended June 30, 2007 principally reflected the purchase of Company common stock for \$1.60 billion, the repayment of notes of \$660.0 million and dividend payments of \$313.9 million, partially offset by proceeds from the issuance of notes of \$678.0 million and proceeds from the exercise of stock options of \$131.7 million. Cash used for financing activities of \$1.04 billion for the six months ended June 30, 2006 primarily reflected the repayment of notes of \$832.0 million and dividend payments of \$229.9 million, partially offset by proceeds from the exercise of stock options of \$37.5 million.

Cash Dividends and Purchase of Company Stock

On May 23, 2007, the Company announced a quarterly cash dividend of \$.22 per share on CBS Corp. Class A and Class B Common Stock. The total dividend was \$161.7 million of which \$158.4 million was paid on July 1, 2007 and \$3.3 million was accrued to be paid upon vesting of restricted shares and RSUs. During the second quarter of 2007, the Company paid \$160.0 million to stockholders for the dividend declared on February 27, 2007 and for dividend payments on RSUs that vested during the second quarter of 2007. Dividend declarations during 2007 and 2006 were recorded as a reduction to additional paid-in capital as the Company had an accumulated deficit balance.

On April 16, 2007, the Company completed an exchange agreement with Liberty Media Corporation under which the stock of a subsidiary of the Company which held CBS Corp.'s Green Bay television station and its satellite television station, valued at \$64.0 million, and \$169.8 million in cash was exchanged for the 7.6 million shares of CBS Corp. Class B Common Stock held by Liberty Media Corporation.

On March 6, 2007, the Company repurchased approximately 47.3 million shares of CBS Corp. Class B Common Stock for \$1.42 billion, subject to adjustment, through an accelerated share repurchase ("ASR") transaction. Based on current market prices, the Company currently anticipates that the adjustment to the ASR will result in a payment of approximately \$120 million during the third quarter of 2007.

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Capital Structure

The following table sets forth the Company's long-term debt:

	At June 30, 2007	At December 31, 2006
Notes payable to banks	\$ 5.1	\$ 3.1
Senior debt (4.625%–8.875% due 2007–2056)	6,945.4	7,006.2
Other notes	.8	.8
Obligations under capital leases	107.0	115.2
Total debt	7,058.3	7,125.3
Less discontinued operations debt (a)	43.0	83.0
Total debt from continuing operations	7,015.3	7,042.3
Less current portion	19.5	15.0
Total long-term debt from continuing operations, net of current portion	\$ 6,995.8	\$ 7,027.3

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

As of June 30, 2007 and December 31, 2006, the Company's debt balances included (i) a net unamortized premium of \$27.7 million and \$29.1 million, respectively, and (ii) the decrease in the carrying value of the debt relating to fair value hedges of \$76.8 million and \$17.5 million, respectively.

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 \$52.2 million of the Company's wholly owned subsidiary, CBS Broadcasting Inc., is not guaranteed.

On May 1, 2007, the Company redeemed, at maturity, all of its outstanding 5.625% senior notes due 2007 for \$700.0 million.

On March 27, 2007, CBS Corp. issued \$700.0 million of 6.750% senior notes due 2056. Interest on these senior notes will be paid quarterly. The senior notes are fully and unconditionally guaranteed by CBS Operations Inc., a wholly owned subsidiary of CBS Corp. and are redeemable, at the Company's option, at any time on or after March 27, 2012, at their principal amount plus accrued interest.

All of the Company's long-term debt has been issued under fixed interest rate agreements. The Company has entered into fixed-to-floating rate swap agreements for a portion of this debt, which are designated as fair value hedges. During the first quarter of 2007, the Company entered into \$700 million notional amount of fixed-to-floating rate swaps. On May 1, 2007, \$700 million notional amount of interest rate swaps matured.

Credit Facility

As of June 30, 2007, the Company had a \$3.0 billion revolving credit facility due December 2010 (the "Credit Facility"), primarily to support commercial paper borrowings. At June 30, 2007, the Company had no commercial paper borrowings and was in compliance with all covenants under the Credit Facility, including the requirement that the Company maintain a minimum coverage ratio. As of June 30, 2007, the remaining availability under this Credit Facility, net of outstanding letters of credit, was \$2.80 billion.

Accounts Receivable Securitization Programs

As of June 30, 2007, the Company had an aggregate of \$550.0 million outstanding under revolving receivable securitization programs. The programs result in the sale of receivables on a non-recourse basis to unrelated third parties on a one-year renewable basis, thereby reducing accounts receivable on the Company's Consolidated Balance Sheets. The Company enters into these arrangements because they provide an additional source of liquidity. Proceeds from these programs were used to reduce outstanding borrowings. The terms of the revolving securitization arrangements require that the receivable pools subject to the programs meet certain performance ratios. As of June 30, 2007, the Company was in compliance with the required ratios under the receivable securitization programs.

Liquidity and Capital Resources

The Company believes that its operating cash flows (\$1.53 billion for the six months ended June 30, 2007), cash and cash equivalents (\$2.80 billion at June 30, 2007), borrowing capacity under its committed bank facility (which consisted of an unused revolving Credit Facility of \$2.80 billion at June 30, 2007), and access to capital markets are sufficient to fund its operating needs, including commitments and contingencies, capital and investing commitments, and dividend and other financing requirements for the foreseeable future. The funding for commitments to purchase sports programming rights, television and film programming, and talent contracts will come primarily from cash flow from operations.

The Company continually projects anticipated cash requirements, which include capital expenditures, dividends, acquisitions, and principal payments on its outstanding indebtedness, as well as cash flows generated from operating activities available to meet these needs. Any additional net cash funding requirements are financed with short-term borrowings (primarily commercial paper) and long-term debt. Commercial paper borrowings, which also accommodate day-to-day changes in funding requirements, are backed by the Credit Facility which may be utilized in the event that commercial paper borrowings are not available. The Company's credit position affords sufficient access to the capital markets to meet the Company's financial requirements.

The Company anticipates that future debt maturities will be funded with cash and cash equivalents and cash flows generated from operating activities and other debt financing. There are no provisions in any of the Company's material financing agreements that would cause an acceleration of the obligation in the event of a downgrade in the Company's debt ratings.

The Company filed a shelf registration statement with the Securities and Exchange Commission registering debt securities, preferred stock and warrants of CBS Corp. that may be issued for aggregate gross proceeds of \$5.0 billion. The registration statement was first declared effective on January 8, 2001. The net proceeds from the sale of the offered securities may be used by CBS Corp. for general corporate purposes, including repayment of borrowings, working capital and capital expenditures, or for such other purposes as may be specified in the applicable prospectus supplement. To date, the Company has issued \$3.085 billion of securities under the shelf registration statement.

Off-Balance Sheet Arrangements

Prior to the Separation of Former Viacom into CBS Corp. and Viacom Inc., Former Viacom had entered into guarantees with respect to obligations related to Blockbuster Inc. ("Blockbuster"), including certain Blockbuster store leases; Famous Players theater leases; certain UCI theater leases; and certain theater leases related to W.F. Cinema Holdings L.P. and Grauman's Theatres LLC. In

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connection with the Separation, Viacom Inc. has agreed to indemnify the Company with respect to these guarantees.

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. The outstanding letters of credit and surety bonds approximated \$413.8 million at June 30, 2007 and are not recorded on the Consolidated Balance Sheet as of June 30, 2007.

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

Shareholder Derivative Lawsuits and Demands. Two shareholder derivative lawsuits, consolidated as *In re Viacom Inc. Shareholders Derivative Litigation*, were filed in July 2005 in New York State Supreme Court relating to executive compensation and alleged corporate waste. The actions name each member of Former Viacom's Board of Directors at the time the actions were filed, Messrs. Tom Freston and Leslie Moonves (each of whom were executive officers of Former Viacom), and, as a nominal defendant, Former Viacom, alleging that the 2004 compensation of Messrs. Redstone, Freston and Moonves was excessive and unwarranted and challenging the independence of certain Former Viacom directors. Mr. Redstone is the Company's Executive Chairman of the Board of Directors and Founder and Mr. Moonves is the Company's President and Chief Executive Officer. Mr. Freston was formerly Viacom Inc.'s President and Chief Executive Officer. Plaintiffs seek unspecified damages from the members of the Former Viacom Board of Directors for their alleged breach of fiduciary duties, disgorgement of the 2004 compensation paid to the above-named officers of Former Viacom, equitable relief, and attorney fees and expenses. The Company moved to dismiss the complaints and oral argument was heard on February 16, 2006. On June 26, 2006, the court denied the Company's motion to dismiss. The Company's appeal from that decision was argued on January 5, 2007, and the court reserved decision. The trial court proceedings have been stayed pending the resolution of the Company's appeal. On January 23, 2007, a new shareholder derivative action was filed in New York Supreme Court, which contains allegations similar to those in the earlier actions, and was consolidated with *In re Viacom Inc. Shareholders Derivative Litigation*. Any liabilities in this matter adverse to the Company and/or Viacom Inc. will be shared equally between the Company and Viacom Inc. In January 2007, the parties reached an agreement in principle to settle all of these actions. In April 2007, the parties executed a Stipulation of Settlement, which resolves all of these actions. The Stipulation of Settlement remains subject to court approval. The Company believes that the plaintiffs' positions in these actions are without merit and, if the settlement is not approved, it intends to vigorously defend itself in the litigation.

The Company has received shareholder demands seeking access to books and records of the Company relating to executive compensation paid to Sumner M. Redstone, Tom Freston and Leslie Moonves, accompanied by statements that such demands are in furtherance of an investigation of possible mismanagement, self-dealing and corporate waste by directors and officers of Former Viacom. Another shareholder demand seeking access to books and records relates to the compensation of Sumner M. Redstone and Mel Karmazin (former Chief Operating Officer of Former Viacom). One of the demands also seeks access to books and records of the Company relating to Sumner M. Redstone's acquisition of

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a controlling interest in Midway Games Inc. The Company intends to comply with all reasonable requests. Under the Separation Agreement between the Company and Viacom Inc., liabilities in connection with executive compensation claims relating to officers of Former Viacom are shared equally by the Company and Viacom Inc.

Claims Related to Former Businesses: Asbestos, Environmental and Other. 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 mica, a laminate used in commercial ships.

Claims are frequently filed and/or settled in large 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, 2007, the Company had pending approximately 72,890 asbestos claims, as compared with approximately 73,310 as of December 31, 2006 and approximately 94,730 as of June 30, 2006. Of the claims pending as of June 30, 2007, approximately 48,220 were pending in state courts, 21,140 in federal courts and, additionally, approximately 3,530 were third party claims pending in state courts. During the second quarter of 2007, the Company received approximately 1,490 new claims and closed or moved to an inactive docket approximately 1,110 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. To date, the Company has not been liable for any third party claims. The Company's total costs for the years 2006 and 2005 for settlement and defense of asbestos claims after insurance recoveries and net of tax benefits were approximately \$5.7 million and \$37.2 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 primarily 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. Claims identified as cancer remain a small percentage of asbestos claims pending at June 30, 2007. 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.

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

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product liability claims (other than asbestos) arising from historical operations of the Company and its predecessors.

Indecency Regulation. On March 15, 2006, the FCC released certain decisions relating to indecency complaints against certain of the Company's owned television stations and affiliated stations. The FCC ruled in the Super Bowl proceeding and ordered the Company to pay a forfeiture of \$550,000. On May 31, 2006, the FCC denied the Company's petition for reconsideration. On July 28, 2006, the Company filed a Petition for Review of the forfeiture and denial of reconsideration with the U.S. Court of Appeals for the Third Circuit and paid the \$550,000 forfeiture under protest so that the Company could bring an appeal. The Company has appealed the Super Bowl decision in the U.S. Court of Appeals for the Third Circuit and oral argument is scheduled for September 11, 2007.

On March 15, 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. Also, on March 15, 2006, as part of an omnibus indecency order, the FCC ruled that a broadcast of *The Early Show* was indecent, but declined to issue a forfeiture. That decision and others were appealed to the U.S. Court of Appeals for the Second Circuit by the Company, as well as the other broadcast networks and their affiliate associations. The Court initially remanded the matter to the FCC at the request of the FCC, and, on November 6, 2006, the FCC issued a decision reversing the part of its decision that found *The Early Show* broadcast to be indecent. However, the FCC affirmed its findings that the broadcast of fleeting and isolated expletives on another broadcast network was indecent. In June 2007, the Court vacated the FCC's "fleeting expletive" policy on the ground that the FCC failed to articulate a reasoned basis for a change in its longstanding approach in this area, and was therefore impermissibly arbitrary and capricious. The Court remanded the case to the FCC for further proceedings consistent with the Court's opinion. New legislation has been introduced in Congress which would, if it becomes law, have the effect of purporting to make future "fleeting expletives" indecent under the FCC's jurisdiction. 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. In a separate matter, a new law increased the maximum forfeiture for a single indecency violation from \$32,500 to \$325,000, with a maximum forfeiture exposure of \$3,000,000 for any continuing violation arising from a single act or failure to act, which new maximum amounts became effective on July 20, 2007.

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., Viacom Inc. has agreed to defend and indemnify the Company in certain litigation in which the Company is named.

Related Parties

National Amusements, Inc. National Amusements, Inc. ("NAI") is the controlling stockholder of CBS Corp. Mr. Sumner M. Redstone, the controlling stockholder, chairman of the board of directors and chief executive officer of NAI, serves as the Executive Chairman of the Board of Directors for both

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CBS Corp. and Viacom Inc. At June 30, 2007, NAI beneficially owned CBS Corp.'s Class A Common Stock, representing approximately 78% of the voting power of all classes of CBS Corp.'s Common Stock, and approximately 12% of CBS Corp.'s Class A Common Stock and Class B Common Stock on a combined basis.

Viacom Inc. The separation of former Viacom Inc. ("Former Viacom") into two publicly traded entities, CBS Corp. and new Viacom Inc. ("Viacom Inc."), was completed on December 31, 2005 (the "Separation").

For purposes of governing certain ongoing relationships between CBS Corp. and Viacom Inc. after the Separation, the Company and Viacom Inc. entered into various agreements including a separation agreement (the "Separation Agreement"), tax matters agreement and transition services agreement.

In accordance with the terms of the Separation Agreement, Viacom Inc. paid to the Company an estimated special dividend of \$5.4 billion in December 2005, subject to adjustment. During 2006, Viacom Inc. paid to the Company the net undisputed adjustment to the special dividend of \$172 million plus net interest of \$3.1 million. In January 2007, CBS Corp. and Viacom Inc. resolved the remaining disputed items with respect to the special dividend and Viacom Inc. paid to the Company an additional \$170 million, resulting in an aggregate adjustment to the special dividend of \$342 million.

On June 29, 2007, the Company entered into an agreement to purchase the shares of CBS Corp. Class A and Class B Common Stock held in the Viacom Inc. 401(k) Plan and Viacom Inc. entered into an agreement to purchase the shares of Viacom Inc. class A and class B common stock held in the 401(k) plans sponsored by the Company. During July 2007, pursuant to these agreements, the Company purchased 869,145 shares of CBS Corp. Class A and Class B Common Stock for \$29.8 million and Viacom Inc. purchased 2,823,178 shares of Viacom Inc. class A and class B common stock for \$120.0 million.

CBS Corp., through its normal course of business, is involved in transactions with companies owned by or affiliated with Viacom Inc. CBS Corp., through its Television segment, licenses its television products to Viacom Inc., primarily MTV Networks and BET. In addition, CBS Corp. recognizes advertising revenues for media spending placed by various subsidiaries of Viacom Inc., primarily Paramount Pictures. Paramount Pictures also distributes certain of the Company's television products in the home entertainment market. CBS Corp.'s total revenues from these transactions were \$86.0 million and \$27.4 million for the three months ended June 30, 2007 and 2006, respectively and \$131.6 million and \$42.8 million for the six months ended June 30, 2007 and 2006, respectively.

CBS Corp., through Showtime Networks and CBS Television, purchases motion picture programming from Viacom Inc., primarily Paramount Pictures. The costs of these purchases are initially recorded as programming inventory and amortized over the life of the contract or projected useful life of the programming. In addition, CBS Corp. places advertisements with various subsidiaries of Viacom Inc. The total purchases from these transactions were \$36.8 million and \$45.8 million for the three months ended June 30, 2007 and 2006, respectively, and \$83.8 million and \$78.0 million for the six months ended June 30, 2007 and 2006, respectively.

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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, 2007	At December 31, 2006
Amounts due from Viacom Inc.		
Receivables	\$ 157.9	\$ 187.2
Other assets (Receivables, noncurrent)	212.1	260.7
Total amounts due from Viacom Inc.	\$ 370.0	\$ 447.9
Amounts due to Viacom Inc.		
Accounts payable	\$ 4.2	\$ 5.2
Program rights	64.0	56.1
Other liabilities (Program rights, noncurrent)	28.3	10.7
Total amounts due to Viacom Inc.	\$ 96.5	\$ 72.0

Other Related Parties. The Company owned approximately 19% of Westwood One as of June 30, 2007, which is accounted for by the Company as an equity investment. One member of Westwood One's board of directors is an officer of CBS Radio. CBS Radio receives compensation for providing management services to Westwood One pursuant to a Management Agreement, including the services of a chief executive officer who is an employee of CBS Radio. Westwood One and CBS Radio also are parties to a Representation Agreement (including a related News Programming Agreement, Trademark License Agreement and Technical Services Agreement) pursuant to which Westwood One operates the CBS Radio Networks and CBS Radio is paid an annual fee. The Management Agreement and Representation Agreement expire on March 31, 2009. Certain of the Company's radio stations and Westwood One have affiliation agreements pursuant to which such radio stations air programs and/or commercials supplied by Westwood One and, in return, the stations receive affiliation fees and certain programming cost reimbursements. CBS Television also has arrangements with Westwood One to provide news and sports programming to Westwood One. Revenues from these arrangements were approximately \$16.9 million and \$20.3 million for the three months ended June 30, 2007 and 2006, respectively, and \$35.2 million and \$40.8 million for the six months ended June 30, 2007 and 2006, respectively.

In April 2007, CBS Radio and Westwood One entered into a non-binding letter of intent for the termination, or modification and extension of these arrangements for a term expiring on March 31, 2017, subject to execution of definitive agreements, corporate approvals and approval by Westwood One, other than CBS Radio and its affiliates. The arrangements contemplated by the letter of intent include termination of the Management Agreement and Representation Agreement; relinquishment of all seats on the Westwood One board of directors; maintenance of the same level of Westwood One commercial inventory on CBS Radio stations, subject to adjustments; extension of the News Programming and Trademark Licensing Agreements; and continuation of compensation arrangements subject to potential annual increases or decreases based upon audience delivery and commercial inventory clearance by CBS Radio.

Recent Pronouncements

In February 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115" ("SFAS 159") effective as of the beginning of the first fiscal year that begins after November 15, 2007. SFAS 159 permits entities to

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choose to measure many financial instruments and certain other items at fair value. The Company is currently evaluating the impact of the adoption of SFAS 159 on the consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"), effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. SFAS 157 establishes a framework for measuring fair value under generally accepted accounting principles and expands disclosures about fair value measurement. The Company is currently evaluating the impact of the adoption of SFAS 157 on the consolidated financial statements.

Adoption of New Accounting Standards

Effective January 1, 2007, the Company adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. In addition, FIN 48 provides guidance on derecognition of income tax positions, classification of income tax liabilities, accounting for interest and penalties associated with unrecognized tax benefits, accounting for uncertain tax positions in interim periods, and income tax disclosures. The adoption of FIN 48 on January 1, 2007 did not have a material impact on the Company's consolidated financial statements.

Total unrecognized tax benefits at the date of adoption of FIN 48 were \$227.3 million, of which \$184.5 million would affect the Company's effective income tax rates, if and when recognized in future years. The Company is continually audited by U.S. federal and state as well as foreign tax authorities. Since it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, the Company cannot reasonably predict the periods in which cash payments relating to its unrecognized tax benefits are expected to occur. For tax positions as of the date of adoption of FIN 48, the Company does not expect the total amount of unrecognized tax benefits to significantly change during 2007.

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, 2006, 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

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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; 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, 2006. There may be additional risks, uncertainties and factors that the Company does not currently view as material or that are not necessarily known. The forward-looking statements included in this document are made as of the date of this document and the Company does not have any obligation to publicly update any forward-looking statements to reflect subsequent events or circumstances.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

There have been no significant changes to market risk since reported in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

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.

PART II—OTHER INFORMATION**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

Below is a summary of CBS Corp.'s purchases of its Class B Common Stock during the three months ended June 30, 2007. During the second quarter of 2007, the Company did not purchase any shares under its publicly announced programs which had remaining authorization of \$679.2 million.

(In millions, except per share amounts)	Total Number of Shares Purchased	Average Price Per Share
April 1, 2007–April 30, 2007	7.6 ⁽¹⁾	\$ 30.80
May 1, 2007–May 31, 2007	—	—
June 1, 2007–June 30, 2007	—	—
Total	7.6	\$ 30.80

(1) On April 16, 2007, the Company completed an exchange agreement with Liberty Media Corporation under which the stock of a subsidiary of the Company which held CBS Corp.'s Green Bay television station and its satellite television station, and \$169.8 million in cash was exchanged for the 7.6 million shares of CBS Corp. Class B Common Stock held by Liberty Media Corporation.

Item 4. Submission of Matters to a Vote of Security Holders.

The Annual Meeting of Stockholders of CBS Corporation was held on May 23, 2007. The following matters were voted on at the meeting: (i) the election of 14 directors, (ii) the ratification of the appointment of PricewaterhouseCoopers LLP to serve as the independent registered public accounting firm for CBS Corporation for fiscal year 2007, and (iii) a proposal from the floor at the Annual Meeting requesting a review by the Company's board of directors of certain matters related to Simon & Schuster.

- (i) The entire nominated board of directors was elected and the Inspector of Election certified that the votes cast for or withheld with respect to the election of each director were as follows:

Name	Number of Votes Cast For	Number of Votes Withheld
David R. Andelman	59,930,287	90,658
Joseph A. Califano, Jr.	59,942,043	78,902
William S. Cohen	59,766,075	254,870
Gary L. Countryman	59,945,533	75,413
Charles K. Gifford	59,767,414	253,532
Leonard Goldberg	59,947,748	73,197
Bruce S. Gordon	59,769,802	251,143
Linda M. Griego	59,945,690	75,256
Arnold Kopelson	59,926,315	94,631
Leslie Moonves	59,928,937	92,008
Doug Morris	59,946,256	74,690
Shari Redstone	59,918,703	102,242
Sumner M. Redstone	59,918,361	102,584
Frederic V. Salerno	59,948,963	71,982

- (ii) The Inspector of Election certified that the votes cast for, against or abstentions with respect to the ratification of the appointment of PricewaterhouseCoopers LLP to serve as the independent registered public accounting firm for CBS Corporation for fiscal year 2007 were as follows:

For:	Against:	Abstentions:
59,965,045	32,666	23,233

- (iii) The Inspector of Election certified that the votes cast for, against or abstentions with respect to the floor proposal at the Annual Meeting requesting a review by the Company's board of directors of certain matters related to Simon & Schuster were as follows:

For:	Against:	Abstentions:
100	60,020,845	0

Item 6. Exhibits.

Exhibit No.	Description of Document
(3)	Articles of Incorporation and By-laws
(a)	Amended and Restated Certificate of Incorporation of CBS Corporation, effective December 31, 2005 (incorporated by reference to Exhibit 3(a) to the Annual Report on Form 10-K of CBS Corporation for the fiscal year ended December 31, 2005) (File No. 001-09553).
(b)	Amended and Restated By-laws of CBS Corporation effective December 31, 2005 (incorporated by reference to Exhibit 3(b) to the Annual Report on Form 10-K of CBS Corporation for the fiscal year ended December 31, 2005) (File No. 001-09553).
(4)	Instruments defining the rights of security holders including indentures
	The instruments defining the rights of holders of the long-term debt securities of CBS Corporation and its subsidiaries are omitted pursuant to section (b)(4)(iii)(A) of Item 601 of Regulation S-K. CBS Corporation hereby agrees to furnish copies of these instruments to the Securities and Exchange Commission upon request.
(10)	Material Contracts
(a)	CBS Corporation 2005 RSU Plan for Outside Directors (as amended and restated through May 23, 2007) (filed herewith).
(b)	Summary of CBS Corporation Compensation for Outside Directors (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).

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)

Date: August 2, 2007

/s/ FREDRIC G. REYNOLDS

Fredric G. Reynolds
*Executive Vice President and
Chief Financial Officer*

Date: August 2, 2007

/s/ SUSAN C. GORDON

Susan C. Gordon
*Senior Vice President, Controller
Chief Accounting Officer*

EXHIBIT INDEX

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CBS CORPORATION
2005 RSU PLAN FOR OUTSIDE DIRECTORS
(as amended and restated through May 23, 2007)

ARTICLE I

GENERAL

Section 1.1 Purpose.

The purpose of the CBS Corporation 2005 RSU Plan for Outside Directors (the "Plan") is to benefit and advance the interests of CBS Corporation, a Delaware corporation (the "Company"), and its subsidiaries by obtaining and retaining the services of qualified persons who are not employees of the Company or its subsidiaries to serve as directors and to induce them to make a maximum contribution to the success of the Company and its subsidiaries.

Section 1.2 Definitions.

As used in the Plan, the following terms shall have the following meanings:

- (a) "Agreement" shall mean the written agreement or certificate or other documentation governing an Award under the Plan, which shall contain terms and conditions not inconsistent with the Plan and which shall incorporate the Plan by reference.
 - (b) "Annual RSU Grant" shall have the meaning set forth in Section 2.1.
 - (c) "Award" shall mean any Director RSU or Dividend Equivalent.
 - (d) "Board" shall mean the Board of Directors of the Company.
 - (e) "Class B Common Stock" shall mean the shares of Class B Common Stock, par value \$0.001 per share, of the Company.
 - (f) "Code" shall mean the Internal Revenue Code of 1986, as amended, including any successor law thereto, and the rules and regulations promulgated thereunder from time to time.
 - (g) "Company" shall have the meaning set forth in Section 1.1.
 - (h) "Director RSUs" shall mean a contractual right granted to a Participant pursuant to Article II to receive shares of Class B Common Stock, subject to the terms and conditions set forth in the Plan. Director RSUs shall be settled exclusively in Class B Common Stock, with fractional shares payable in cash. Director RSUs include both the Initial RSU Grants and the Annual RSU Grants.
-

(i) "Dividend Equivalent" shall mean a right to receive a payment based upon the value of the regular cash dividend paid on a specified number of shares of Class B Common Stock as set forth in Article III below. Payment in respect of Dividend Equivalents upon settlement shall be in shares of Class B Common Stock except as set forth in Article III below.

(j) "Effective Date" shall mean the effective date of the Plan provided for in Article VII below.

(k) "Fair Market Value" of a share of Class B Common Stock on a given date shall be the closing price on such date on the New York Stock Exchange or other principal stock exchange on which the Class B Common Stock is then listed, as reported by The Wall Street Journal (Northeast edition) as the 4:00 p.m. (New York time) closing price or as reported by any other authoritative source selected by the Company.

(l) "Initial RSU Grant" shall have the meaning set forth in Section 2.1.

(m) "Outside Director" shall mean any member of the Board who is not an employee of the Company or any of its Subsidiaries.

(n) "Participant" shall mean any Outside Director to whom Awards have been granted under the Plan.

(o) "Plan" shall have the meaning set forth in Section 1.1.

(p) "Separation" shall mean the separation of former Viacom Inc. into two publicly-traded companies, CBS Corporation and new Viacom Inc., which was completed on December 31, 2005.

(q) "Stock Option Plan" shall mean the CBS Corporation 2000 Stock Option Plan for Outside Directors as amended as of December 31, 2005.

(r) "Subsidiary" shall mean a corporation (or a partnership or other enterprise) in which the Company owns or controls, directly or indirectly, more than 50% of the outstanding shares of stock normally entitled to vote for the election of directors (or comparable equity participation and voting power).

Section 1.3 Administration of the Plan.

The Plan shall be administered by the members of the Board who are not Outside Directors and such Board members shall determine all questions of interpretation, administration and application of the Plan. Such Board members' determinations shall be final and binding in all matters relating to the Plan. The Board may authorize any officer of the Company to execute and deliver an Agreement on behalf of the Company to a Participant.

Section 1.4 Eligible Persons.

Awards shall be granted only to Outside Directors.

Section 1.5 Class B Common Stock Subject to the Plan.

Subject to adjustment in accordance with the provisions of Article IV hereof, the maximum number of shares of Class B Common Stock available for Awards made under the Plan, on or after January 1, 2006, when aggregated with the number of shares of Class B Common Stock available for Awards made under the Stock Option Plan, on or after January 1, 2006, shall be 424,759 plus any shares that are available to be regranted pursuant to the last sentence of this Section 1.5. The shares of Class B Common Stock shall be made available from authorized but unissued shares of Class B Common Stock or from shares of Class B Common Stock issued and held in the treasury of the Company. The settlement of any Awards under the Plan in any manner shall result in a decrease in the number of shares of Class B Common Stock which thereafter may be issued for purposes of this Section 1.5 by the number of shares issued upon such settlement. Shares of Class B Common Stock with respect to which Awards lapse, expire or are cancelled without being settled or are otherwise terminated may be regranted under the Plan.

ARTICLE II

RESTRICTED SHARE UNITS

Section 2.1 Grants of Restricted Share Units.

(a) On the date of the Company's 2005 Annual Meeting of Stockholders, each Outside Director as of such date shall automatically be granted a number of Director RSUs determined by dividing (i) \$55,000 by (ii) the Fair Market Value of one share of Class B Common Stock on the date of grant (the "Initial RSU Grant"). The Initial RSU Grant is made in respect of the period from the date of the Company's 2005 Annual Meeting of Stockholders through January 31, 2006, and only persons who are Outside Directors as of the Company's 2005 Annual Meeting of Stockholders shall be entitled to receive the Initial RSU Grant.

(b) On January 31st of 2006 and 2007, each Outside Director shall automatically be granted a number of Director RSUs determined by dividing (i) \$55,000 by (ii) the Fair Market Value of one share of Class B Common Stock on the date of grant (an "Annual RSU Grant").

(c) On January 31, 2008 and each January 31st thereafter, each Outside Director shall automatically be granted an Annual RSU Grant determined by dividing (i) \$75,000 by (ii) the Fair Market Value of one share of Class B Common Stock on the date of grant.

(d) With respect to the Initial RSU Grant and each Annual RSU Grant, if the relevant date of grant is not a business day on which the Fair Market Value can be determined, then the Fair Market Value shall be determined as of the last business day preceding the relevant date of grant on which the Fair Market Value can be determined. The terms and conditions of the Director RSUs shall be set forth in an Agreement which shall be delivered to the Participants reasonably promptly following the relevant date of grant of such Director RSUs.

(e) None of the Initial RSU Grant or the Annual RSU Grants shall be prorated and persons who become Outside Directors after the date of a particular Award shall first become eligible to receive an Award under the Plan as of the date of the next Annual RSU Grant.

Section 2.2 Vesting.

Director RSUs shall be settled only to the extent the Participant is vested therein. Subject to Section 2.3(b), the Initial RSU Grant and each Annual RSU Grant shall vest on the first anniversary of the relevant date of grant.

Section 2.3 Settlement of Restricted Share Units.

(a) *Settlement.* On the date on which Director RSUs vest, all restrictions contained in the Agreement covering such Director RSUs and in the Plan shall lapse as to such Director RSUs and the Director RSUs shall be payable in shares of Class B Common Stock, with any fractional shares payable in cash, and shall be evidenced in such manner as the Board in its discretion shall deem appropriate, including, without limitation, book-entry registration or issuance of one or more stock certificates. If stock certificates are issued, such certificates shall be delivered to the Participant or such certificates shall be credited to a brokerage account if the Participant so directs; *provided, however*, that such certificates shall bear such legends as the Board, in its sole discretion, may determine to be necessary or advisable in order to comply with applicable federal or state securities laws. Any fractional shares of Class B Common Stock to which a Participant becomes entitled shall not be settled by delivery of shares but instead shall be paid in cash, based on the Fair Market Value of the Class B Common Stock on the date of payment.

(b) *Settlement in the Event of Termination of Services.* If the services of a Participant as a director of the Company terminate for any reason the Participant shall forfeit all unvested Director RSUs as of the date of such event.

(c) *Deferral of Settlement.* Notwithstanding Section 2.3(a), a Participant may elect to defer settlement of any or all Director RSUs to a date subsequent to the vesting date of such Director RSUs, *provided* that, with respect to each Annual RSU Grant, such election to defer is made no later than December 31 of the taxable year prior to the year in which the Outside Director performs the services for which such Director RSUs are granted and, with respect to the Initial RSU Grant, such election to defer is made within

30 days of the date of the Company's 2005 Annual Meeting of Stockholders. Settlement of any deferred Director RSUs shall be made in a single distribution or three or five annual installments in accordance with the Participant's deferral election. The single distribution or first annual installment, as applicable, will be payable on the later of (i) six months following the date of the Participant's termination of services on the Board for any reason or (ii) January 31 of the calendar year following the calendar year in which the Participant's services on the Board terminates for any reason.

ARTICLE III

DIVIDEND EQUIVALENTS

The Participant shall be entitled to receive Dividend Equivalents on the Director RSUs in the event the Company pays a regular cash dividend with respect to the shares of Class B Common Stock. The Company shall maintain a bookkeeping record that credits the dollar amount of the Dividend Equivalents to a Participant's account on the date that it pays such regular cash dividend on the shares of Class B Common Stock. Dividend Equivalents shall accrue on the Director RSUs until the Director RSUs vest, at which time they shall be paid in shares of Class B Common Stock determined by dividing (i) the aggregate amount credited in respect of such Dividend Equivalents by (ii) the Fair Market Value on the vesting date, with any fractional shares resulting from this calculation paid in cash. Payment of Dividend Equivalents that have been credited to the Participant's account will not be made with respect to any Director RSUs that do not vest and are cancelled.

In addition, if the Participant elects to defer settlement of the Director RSUs, such Director RSUs will continue to earn Dividend Equivalents on the deferred Director RSUs through the settlement date. All such Dividend Equivalents credited to the Participant's account with respect to deferred Director RSUs shall be converted, on the anniversary of the date on which the Director RSUs originally vested and on each anniversary thereof, as appropriate, until the Director RSUs are settled, into additional whole and/or fractional Director RSUs, based on the Fair Market Value of the Class B Common Stock on the respective dates. Such additional Director RSUs shall be deferred subject to the same terms and conditions as the Directors RSUs to which the Dividend Equivalents originally related.

ARTICLE IV

EFFECT OF CERTAIN CORPORATE CHANGES

In the event of any merger, consolidation, stock-split, dividend (other than a regular cash dividend), distribution, combination, recapitalization, reclassification, reorganization, split-off or spin-off that changes the character or amount of the shares of Class B Common Stock or any other changes in the corporate structure, equity securities or capital structure of the Company, the Board shall make such proportionate adjustments to (i) the number and kind of securities subject to any outstanding Awards, (ii) the

number and kind of securities subject to the Initial RSU Grant and the Annual RSU Grants referred to in Section 2.1, and (iii) the maximum number and kind of securities available for issuance under the Plan referred to in Section 1.5, in each case, as it deems appropriate. The Board may, in its sole discretion, also make such other adjustments as it deems appropriate in order to preserve, but not increase, the benefits or potential benefits intended to be made available hereunder upon the occurrence of any of the foregoing events. The Board's determination as to what, if any, adjustments shall be made shall be final and binding on the Company and all Participants. Adjustments under this Article shall be conducted in a manner consistent with any adjustments under the Stock Option Plan.

ARTICLE V

MISCELLANEOUS

Section 5.1 No Right to Re-election.

Nothing in the Plan shall be deemed to create any obligation on the part of the Board to nominate any of its members for re-election by the Company's stockholders, nor confer upon any Participant the right to remain a member of the Board for any period of time, or at any particular rate of compensation.

Section 5.2 Restriction on Transfer.

The rights of a Participant with respect to any Awards under the Plan shall not be transferable by the Participant to whom such Awards are granted, except (i) by will or the laws of descent and distribution, (ii) upon prior notice to the Company, for transfers to members of the Participant's immediate family or trusts whose beneficiaries are members of the Participant's immediate family, *provided, however*, that such transfer is being made for estate and/or tax planning purposes without consideration being received therefore, (iii) upon prior notice to the Company, for transfers to a former spouse incident to a divorce or (iv) for such other transfers as the Board may approve, subject to any conditions and limitations that it may, in its sole discretion, impose.

Section 5.3 Stockholder Rights.

No grant of an Award under the Plan shall entitle a Participant, a Participant's estate or a permitted transferee to any rights of a holder of shares of Class B Common Stock, except upon the delivery of share certificates to a Participant, the Participant's estate or the permitted transferee upon settlement of an Award.

Section 5.4 No Restriction on Right of Company to Effect Corporate Changes.

The Plan shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any

merger or consolidation of the Company, or any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the shares of Class B Common Stock or the rights thereof or which are convertible into or exchangeable for shares of Class B Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

Section 5.5 Headings.

The headings of articles and sections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of the Plan.

Section 5.6 Governing Law.

The Plan and all rights hereunder shall be construed in accordance with and governed by the laws of the State of Delaware.

ARTICLE VI

AMENDMENT AND TERMINATION

Section 6.1 General.

The Board may at any time and from time to time alter, amend, suspend or terminate the Plan in whole or in part, including, without limitation, amend the provisions for determining the amount of Director RSUs to be issued to an Outside Director, *provided, however*, that any amendment which under the requirements of applicable law or under the rules of the New York Stock Exchange or other principal stock exchange on which the shares of Class B Common Stock are then listed must be approved by the stockholders of the Company shall not be effective unless and until such stockholder approval has been obtained in compliance with such law or rule; and no alteration, amendment, suspension or termination of the Plan that would adversely affect a Participant's rights under the Plan with respect to any Award made prior to such action shall be effective as to such Participant unless he or she consents thereto, *provided, however*, that no such consent shall be required if the Board determines in its sole discretion that any such alteration, amendment, suspension or termination is necessary or advisable to comply with any law, regulation, ruling, judicial decision or accounting standards or to ensure that Director RSUs or Dividend Equivalents are not subject to federal, state or local income tax prior to settlement.

Section 6.2 Amendment and Restatement.

Stockholder approval for this amended and restated Plan, which was approved by the Board on June 14, 2005, shall be sought at the first annual meeting of stockholders following such date. In the event that stockholder approval is not obtained at or before

such time, the Plan shall remain in effect in the form in which it existed prior to the June 14, 2005 amendment and restatement.

ARTICLE VII

EFFECTIVE DATE

The Effective Date of the Plan is May 26, 2005, the date on which stockholder approval was first obtained at the Company's 2005 Annual Meeting of Stockholders. Unless earlier terminated in accordance with Article VI above, the Plan shall terminate on the fifth anniversary of the Effective Date, and no further Awards may be granted hereunder after such date.

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[CBS CORPORATION 2005 RSU PLAN FOR OUTSIDE DIRECTORS \(as amended and restated through May 23, 2007\)](#)

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[ARTICLE VI AMENDMENT AND TERMINATION](#)

[ARTICLE VII EFFECTIVE DATE](#)

**Summary of CBS Corporation Compensation for Outside Directors
(As of May 23, 2007)**

Directors of CBS Corporation (the "Company") who are not employees of the Company or any of its subsidiaries (the "Outside Directors") receive compensation for their service on the Board of Directors as follows:

Cash Compensation

- An annual retainer of \$60,000, payable in equal installments quarterly in advance, plus a per meeting attendance fee of \$2,000; and
- The Chairs of the Audit, Compensation and Nominating and Governance Committees each receive an annual retainer of \$20,000, payable in equal installments quarterly in advance, and the members of those committees receive a per meeting attendance fee of \$2,000.

Outside Directors may elect to defer their cash compensation under the CBS Corporation Deferred Compensation Plan for Outside Directors, or any successor plan.

Equity Compensation

Stock Options:

- an initial grant of 12,734 stock options to purchase shares of the Company's Class B common stock on the date the director first joins the Board or becomes an Outside Director, which options vest one year from the date of grant; and
- an annual grant of 5,093 stock options to purchase shares of the Company's Class B common stock on January 31st of each year, which options vest in three equal annual installments, on the first, second and third anniversaries of the date of grant.

The exercise price of the stock options is the closing price of the Company's Class B common stock on the New York Stock Exchange ("NYSE") on the date of grant.

Restricted Share Units (RSUs):

- an annual grant of RSUs on January 31st of each year equal to \$75,000 in value based on the closing price of the Company's Class B common stock on the NYSE on the date of grant, which RSUs vest one year from the date of grant.

RSUs are payable to Outside Directors in shares of the Company's Class B common stock upon vesting unless the Outside Director elects to defer settlement of the RSUs to a future date. Outside Directors are entitled to receive dividend equivalents on the RSUs in the event the Company pays a regular cash dividend on its Class B common stock. Dividend equivalents will accrue on the RSUs (including deferred RSUs) in accordance with the 2005 RSU Plan for Outside Directors until the RSUs are settled, at which time the dividend equivalents are payable in shares of Class B common stock, with fractional shares paid in cash.

Other

Expenses

Outside Directors are reimbursed for expenses (including travel and lodging) in accordance with the Company's normal travel policies incurred in attending Board, committee and stockholder meetings.

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[Summary of CBS Corporation Compensation for Outside Directors \(As of May 23, 2007\)](#)

CBS CORPORATION AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND
RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDEND REQUIREMENTS
(Tabular in millions except ratios)

	Six Months Ended June 30,		Twelve Months Ended December 31,				
	2007	2006	2006	2005	2004	2003	2002
Earnings (loss) before income taxes	\$ 1,061.8	\$ 1,000.4	\$ 2,132.7	\$ (7,564.4)	\$ (15,850.2)	\$ 1,788.2	\$ 1,789.4
Add:							
Distributions from affiliated companies	5.0	9.8	8.9	9.5	12.6	1.7	4.1
Interest expense, net of capitalized interest	284.7	284.4	564.5	719.6	693.7	715.0	753.0
Capitalized interest amortized	—	—	—	—	—	—	—
1/3 of rental expense	91.5	87.4	160.9	137.2	123.8	95.1	93.1
Total Earnings (loss)	<u>\$ 1,443.0</u>	<u>\$ 1,382.0</u>	<u>\$ 2,867.0</u>	<u>\$ (6,698.1)</u>	<u>\$ (15,020.1)</u>	<u>\$ 2,600.0</u>	<u>\$ 2,639.6</u>
Fixed charges:							
Interest expense, net of capitalized interest	\$ 284.7	\$ 284.4	\$ 564.5	\$ 719.6	\$ 693.7	\$ 715.0	\$ 753.0
1/3 of rental expense	91.5	87.4	160.9	137.2	123.8	95.1	93.1
Total fixed charges	<u>\$ 376.2</u>	<u>\$ 371.8</u>	<u>\$ 725.4</u>	<u>\$ 856.8</u>	<u>\$ 817.5</u>	<u>\$ 810.1</u>	<u>\$ 846.1</u>
Preferred Stock dividend requirements	—	—	—	—	—	—	—
Total fixed charges and Preferred Stock dividend requirements	<u>\$ 376.2</u>	<u>\$ 371.8</u>	<u>\$ 725.4</u>	<u>\$ 856.8</u>	<u>\$ 817.5</u>	<u>\$ 810.1</u>	<u>\$ 846.1</u>
Ratio of earnings to fixed charges	<u>3.8x</u>	<u>3.7x</u>	<u>4.0x</u>	Note a	Note a	<u>3.2x</u>	<u>3.1x</u>
Ratio of earnings to combined fixed charges and Preferred Stock dividend requirements	<u>3.8x</u>	<u>3.7x</u>	<u>4.0x</u>	Note a	Note a	<u>3.2x</u>	<u>3.1x</u>

Note:

- (a) Earnings are inadequate to cover fixed charges due to the 2005 and 2004 non-cash impairment charges of \$9.48 billion and \$18.0 billion, respectively. The dollar amounts of the cover deficiencies are \$7.55 billion and \$15.84 billion in 2005 and 2004, respectively.

QuickLinks

[CBS CORPORATION AND SUBSIDIARIES COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDEND REQUIREMENTS \(Tabular in millions except ratios\)](#)

CERTIFICATION

I, Leslie Moonves, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CBS Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2007

/s/ LESLIE MOONVES

Leslie Moonves
President and Chief Executive Officer

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[CERTIFICATION](#)

CERTIFICATION

I, Fredric G. Reynolds, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CBS Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2007

/s/ FREDRIC G. REYNOLDS

Fredric G. Reynolds
Executive Vice President and
Chief Financial Officer

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[CERTIFICATION](#)

**Certification Pursuant to 18 U.S.C. Section 1350,
as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of CBS Corporation (the "Company") on Form 10-Q for the period ending June 30, 2007 as filed with the Securities and Exchange Commission (the "Report"), I, Leslie Moonves, President and Chief Executive Officer of the Company, certify that to my knowledge:

1. the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ LESLIE MOONVES

Leslie Moonves
August 2, 2007

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[Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

**Certification Pursuant to 18 U.S.C. Section 1350,
as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of CBS Corporation (the "Company") on Form 10-Q for the period ending June 30, 2007 as filed with the Securities and Exchange Commission (the "Report"), I, Fredric G. Reynolds, Chief Financial Officer of the Company, certify that to my knowledge:

1. the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ FREDRIC G. REYNOLDS

Fredric G. Reynolds
August 2, 2007

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[Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)