# 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, 2006**

**OR**

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

**For the transition period from to**

**Commission File Number 001-09553**

# CBS CORPORATION

(Exact name of registrant as specified in its charter)

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

Registrant's telephone number, including area code (212) 975-4321

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 o

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 o Non-accelerated filer o

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

Number of shares of common stock outstanding at July 31, 2006:

Class A Common Stock, par value $.001 per share—62,923,164

Class B Common Stock, par value $.001 per share—717,712,627

**CBS CORPORATION**
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## PART I—FINANCIAL INFORMATION

**Item 1. Financial Statements.**

### CBS CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; in millions, except per share amounts)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Revenues | $ 3,483.1 | $ 3,513.3 | $ 7,058.5 | $ 6,952.2 |
| Expenses: | | | | |
| Operating | 1,910.1 | 1,962.9 | 4,201.7 | 4,124.1 |
| Selling, general and administrative | 714.1 | 634.0 | 1,361.7 | 1,278.5 |
| Depreciation and amortization | 108.6 | 107.5 | 216.6 | 214.8 |
| Total expenses | 2,732.8 | 2,704.4 | 5,780.0 | 5,617.4 |
| Operating income | 750.3 | 808.9 | 1,278.5 | 1,334.8 |
| Interest expense | (140.8) | (175.7) | (285.1) | (350.9) |
| Interest income | 18.5 | 3.2 | 31.1 | 6.2 |
| Loss on early extinguishment of debt | (2.0) | — | (6.0) | — |
| Other items, net | (15.2) | (17.4) | (18.1) | 21.6 |
| Earnings from continuing operations before income taxes, equity in earnings (loss) of affiliated companies and minority interest | 610.8 | 619.0 | 1,000.4 | 1,011.7 |
| Provision for income taxes | (118.0) | (242.3) | (279.2) | (405.7) |
| Equity in earnings (loss) of affiliated companies, net of tax | (3.0) | 3.5 | 3.0 | 8.7 |
| Minority interest, net of tax | — | (.1) | .1 | (.2) |
| Net earnings from continuing operations | 489.8 | 380.1 | 724.3 | 614.5 |
| Net earnings from discontinued operations | 291.9 | 373.7 | 284.3 | 724.3 |
| Net earnings | $ 781.7 | $ 753.8 | $ 1,008.6 | $ 1,338.8 |
| **Basic earnings per common share:** | | | | |
| Net earnings from continuing operations | $ .64 | $ .48 | $ .95 | $ .76 |
| Net earnings from discontinued operations | $ .38 | $ .47 | $ .37 | $ .90 |
| Net earnings | $ 1.02 | $ .94 | $ 1.32 | $ 1.66 |
| **Diluted earnings per common share:** | | | | |
| Net earnings from continuing operations | $ .64 | $ .47 | $ .94 | $ .76 |
| Net earnings from discontinued operations | $ .38 | $ .46 | $ .37 | $ .89 |
| Net earnings | $ 1.02 | $ .94 | $ 1.31 | $ 1.65 |
| **Weighted average number of common shares outstanding:** | | | | |
| Basic | 764.6 | 800.1 | 763.7 | 806.3 |
| Diluted | 769.6 | 804.5 | 768.2 | 811.1 |
| Dividends per common share | $ ..18 | $ ..14 | $ ..34 | $ ..28 |

See notes to consolidated financial statements.

**CBS CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**
(Unaudited; in millions, except per share amounts)

| | At June 30, 2006 | At December 31, 2005 |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 3,061.8 | $ 1,655.3 |
| Receivables, less allowances of $141.6 (2006) and $147.2 (2005) | 2,451.9 | 2,726.1 |
| Programming and other inventory (Note 6) | 743.8 | 970.0 |
| Prepaid expenses and other current assets | 1,252.6 | 1,444.1 |
| Total current assets | 7,510.1 | 6,795.5 |
| Property and equipment: | | |
| Land | 343.6 | 342.8 |
| Buildings | 594.9 | 580.7 |
| Capital leases | 207.3 | 209.2 |
| Advertising structures | 1,582.0 | 1,528.1 |
| Equipment and other | 1,397.7 | 1,356.1 |
| | 4,125.5 | 4,016.9 |
| Less accumulated depreciation and amortization | 1,421.3 | 1,280.5 |
| Net property and equipment | 2,704.2 | 2,736.4 |
| Programming and other inventory (Note 6) | 1,676.4 | 1,884.4 |
| Goodwill (Note 5) | 18,983.0 | 18,629.8 |
| Intangible assets (Note 5) | 10,490.1 | 10,514.2 |
| Other assets | 1,705.7 | 2,469.3 |
| Total Assets | $ 43,069.5 | $ 43,029.6 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current Liabilities: | | |
| Accounts payable | $ 378.9 | $ 588.6 |
| Accrued compensation | 277.5 | 362.3 |
| Participants' share, residuals and royalties payable | 741.8 | 867.9 |
| Program rights | 878.5 | 862.4 |
| Income taxes payable | 166.5 | 84.2 |
| Current portion of long-term debt (Note 8) | 16.3 | 747.1 |
| Accrued expenses and other current liabilities | 1,806.8 | 1,866.1 |
| Total current liabilities | 4,266.3 | 5,378.6 |
| Long-term debt (Note 8) | 7,019.4 | 7,153.2 |
| Deferred income tax liabilities, net | 2,167.5 | 2,022.3 |
| Other liabilities | 6,503.4 | 6,736.8 |
| Commitments and contingencies (Note 12) | | |
| Minority interest | 1.8 | 1.7 |
| Stockholders' Equity: | | |
| Class A Common Stock, par value $.001 per share; 375.0 shares authorized; 63.3 (2006) and 65.7 (2005) shares issued | .1 | .1 |
| Class B Common Stock, par value $.001 per share; 5,000.0 shares authorized; 710.8 (2006) and 695.0 (2005) shares issued | .7 | .7 |
| Additional paid-in capital | 44,592.0 | 44,304.4 |
| Accumulated deficit | (20,827.8) | (21,836.4) |
| Accumulated other comprehensive loss (Note 1) | (332.8) | (397.5) |
| | 23,432.2 | 22,071.3 |
| Less treasury stock, at cost; 8.8 (2006) and 9.0 (2005) Class B Shares | 321.1 | 334.3 |
| Total Stockholders' Equity | 23,111.1 | 21,737.0 |

| | | |
|---|---|---|
| Total Liabilities and Stockholders' Equity | $ 43,069.5 | $ 43,029.6 |

See notes to consolidated financial statements.

## CBS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; in millions)

| | Six Months Ended June 30, 2006 | Six Months Ended June 30, 2005 |
|---|---|---|
| **Operating Activities:** | | |
| Net earnings | $ 1,008.6 | $ 1,338.8 |
| Less: Net earnings from discontinued operations | 284.3 | 724.3 |
| Net earnings from continuing operations | 724.3 | 614.5 |
| Adjustments to reconcile net earnings from continuing operations to net cash flow provided by operating activities: | | |
| Depreciation and amortization | 216.6 | 214.8 |
| Stock-based compensation | 30.8 | 8.2 |
| Equity in earnings of affiliated companies, net of tax | (3.0) | (8.7) |
| Distributions from affiliated companies | 9.8 | 2.5 |
| Minority interest, net of tax | (.1) | .2 |
| Change in assets and liabilities, net of effects of acquisitions | 326.1 | 404.2 |
| Net cash flow provided by operating activities from continuing operations | 1,304.5 | 1,235.7 |
| Net cash flow provided by operating activities attributable to discontinued operations | 33.0 | 711.0 |
| **Net cash flow provided by operating activities** | 1,337.5 | 1,946.7 |
| **Investing Activities:** | | |
| Capital expenditures | (113.2) | (123.3) |
| Acquisitions, net of cash acquired | (68.3) | (317.0) |
| Proceeds from dispositions | 1,247.0 | 125.1 |
| Proceeds from sale of investments | — | 107.8 |
| Net receipts from Viacom Inc. related to the Separation | 77.6 | — |
| Other, net | (.3) | (.4) |
| Net cash flow provided by (used for) investing activities from continuing operations | 1,142.8 | (207.8) |
| Net cash flow used for investing activities attributable to discontinued operations | (34.5) | (287.4) |
| **Net cash flow provided by (used for) investing activities** | 1,108.3 | (495.2) |
| **Financing Activities:** | | |
| Repayment of notes | (832.0) | (1,419.1) |
| (Repayments to) borrowings from banks, including commercial paper, net | (2.8) | 2,266.3 |
| Proceeds from exercise of stock options | 37.5 | 119.4 |
| Dividends | (229.9) | (229.8) |
| Payment of capital lease obligations | (7.2) | (6.6) |
| Purchase of Company common stock | (5.7) | (2,408.5) |
| Other, net | .8 | — |
| Net cash flow used for financing activities from continuing operations | (1,039.3) | (1,678.3) |
| Net cash flow used for financing activities attributable to discontinued operations | — | (34.0) |
| **Net cash flow used for financing activities** | (1,039.3) | (1,712.3) |
| Net increase (decrease) in cash and cash equivalents | 1,406.5 | (260.8) |
| Cash and cash equivalents at beginning of period ($150.0 (2005) of discontinued operations cash) | 1,655.3 | 928.2 |
| **Cash and cash equivalents at end of period** (includes $116.6 (2005) of discontinued operations cash) | $ 3,061.8 | $ 667.4 |
| **Supplemental disclosure of cash flow information** | | |
| Cash paid for interest from continuing operations | $ 259.4 | $ 323.8 |
| Cash paid for income taxes from continuing operations | $ 401.9 | $ 249.7 |
| Non-cash investing and financing activities: | | |
| Fair value of assets acquired | $ 376.3 | $ 306.6 |
| Fair value of liabilities (assumed) settled | (35.3) | 10.4 |
| Cash paid, net of cash acquired | (68.3) | (317.0) |
| **Impact on Stockholders' Equity** | $ 272.7 | $ — |

See notes to consolidated financial statements.

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Description of Business*—CBS Corporation (the "Company" or "CBS Corp.") is comprised of the following segments: Television (CBS Television Network, UPN, Showtime Networks Inc. ("Showtime Networks"), CSTV Networks, Inc. ("CSTV Networks"), CBS Television Stations, CBS Paramount Television and King World), Radio (CBS Radio), Outdoor (CBS Outdoor) and Publishing (Simon & Schuster). On June 30, 2006, the Company sold Paramount Parks to Cedar Fair, L.P. for $1.24 billion. As a result, Paramount Parks is presented as a discontinued operation in the Consolidated Financial Statements. Prior periods have been reclassified to conform to this current presentation.

*The Separation*—The separation of former Viacom Inc. ("Former Viacom") into two publicly traded entities, CBS Corp. and the new Viacom Inc. ("Viacom Inc.") was completed on December 31, 2005 (the "Separation"). As a result, each outstanding share of Former Viacom class A common stock was converted into .5 of a share of CBS Corp. Class A Common Stock and .5 of a share of Viacom Inc. class A common stock and each outstanding share of Former Viacom class B common stock was converted into .5 of a share of CBS Corp. Class B Common Stock and .5 of a share of Viacom Inc. class B common stock. All prior period share and per share data have been adjusted to reflect this conversion.

The Separation is accounted for by the Company as a spin-off of Viacom Inc. Accordingly, the operations of Viacom Inc. are presented as discontinued operations in the accompanying Consolidated Statements of Operations for the three and six months ended June 30, 2005. Included in discontinued operations are allocations of corporate expenses and Paramount Pictures corporate overhead including accounting, treasury, legal, human resources, information systems and other services, to reflect the utilization of such shared services and fixed assets by Viacom Inc. These allocations were made using specific identification of costs, assets and liabilities, and other relative percentages where specific identification was not determinable. In the opinion of management, the allocation methodologies are reasonable. The corporate expenses of CBS Corp. and Viacom Inc., operating as separate stand-alone entities, may have been different from those reflected in the Consolidated Statements of Operations for the three and six months ended June 30, 2005.

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

*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, 2005.

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 with the current presentation.

(Tabular dollars in millions, except per share amounts)

*Use of Estimates*—The preparation of the Company's financial statements in conformity with generally accepted accounting principles 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 exercise of stock options and vesting of restricted shares and restricted share units ("RSUs") only in the periods in which such effect would have been 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. For the three and six months ended June 30, 2005, respectively, stock options to purchase 66.4 million and 64.7 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.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2006** | **2005** | **2006** | **2005** |
| Weighted average shares for basic EPS | 764.6 | 800.1 | 763.7 | 806.3 |
| Dilutive effect of shares issuable under stock-based compensation plans | 5.0 | 4.4 | 4.5 | 4.8 |
| Weighted average shares for diluted EPS | 769.6 | 804.5 | 768.2 | 811.1 |

(Tabular dollars in millions, except per share amounts)

*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, | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Net earnings | $ 781.7 | $ 753.8 | $ 1,008.6 | $ 1,338.8 |
| Other comprehensive income (loss), net of tax: | | | | |
| Cumulative translation adjustments | 56.6 | (10.1) | 45.2 | (74.7) |
| Minimum pension liability adjustment | 16.5 | 12.4 | 2.3 | 14.5 |
| Net unrealized gain (loss) on securities | (.4) | .1 | (.3) | (.4) |
| Change in fair value of cash flow hedges | — | .1 | — | .1 |
| Other comprehensive income (loss) from discontinued operations, net of tax | 17.0 | (34.6) | 17.5 | 7.3 |
| Total comprehensive income | $ 871.4 | $ 721.7 | $ 1,073.3 | $ 1,285.6 |

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

*Recent Pronouncements*—In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109" ("FIN 48"), effective for fiscal years beginning after December 15, 2006. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes." FIN 48 prescribes 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. The Company is currently evaluating the impact of the adoption of FIN 48 on the Company's Consolidated Financial Statements.

## 2) STOCK-BASED COMPENSATION

The following table summarizes the Company's stock-based compensation expense for the three and six months ended June 30, 2006 and 2005:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Stock options | $ 6.6 | $ — | $ 15.0 | $ — |
| RSUs and Restricted shares | 11.6 | 5.0 | 15.8 | 8.2 |
| **Stock-based compensation expense** | $ 18.2 | $ 5.0 | $ 30.8 | $ 8.2 |

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

Effective January 1, 2006, the Company adopted SFAS No. 123 (revised 2004) "Share-Based Payment" ("SFAS 123R"). SFAS 123R requires companies to measure the cost of employee services received in exchange for an award of equity instruments based on grant-date fair value of the award. That cost is recognized over the vesting period during which an employee is required to provide service in exchange for the award. The Company adopted SFAS 123R using the modified-prospective application method and, accordingly, recognizes compensation cost for stock-based compensation for all new or modified grants after the date of adoption. In addition, the Company recognizes the unvested portion of the grant-date fair value of awards made prior to the adoption based on the fair values previously calculated for disclosure purposes. In accordance with this method of adoption, prior period results have not been restated.

**Stock Options**

Stock options generally vest over a three- to four-year service period and generally expire eight to ten years from the date of grant. Forfeitures are estimated on the date of grant based on historical forfeiture rates. On an annual basis, the Company adjusts the compensation expense based on actual forfeitures and revises its forfeiture rate as necessary.

Total unrecognized compensation cost related to unvested stock option awards at June 30, 2006 was approximately $29.6 million which is expected to be expensed over a weighted average period of 2.7 years.

The weighted-average fair value of each option as of the grant date was $5.95 and $10.36 for the six months ended June 30, 2006 and 2005, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

| | 2006 | 2005 |
|---|---|---|
| Expected dividend yield | 2.66% | .76% |
| Expected stock price volatility | 23% | 24% |
| Risk-free interest rate | 4.89% | 3.90% |
| Expected life of options (years) | 5.57 | 5.58 |

During 2006, the expected stock price volatility was determined using an average of the implied volatility of traded options to purchase CBS Corp. Class B Common Stock and the implied volatility of similar entities. The risk-free interest rate is based on a U.S. Treasury rate in effect on the date of grant with a term equal to the expected life. The expected term was determined based on historical employee exercise and post-vesting termination behavior. The expected dividend yield for 2006 is based on the current annual dividend rate. The Black-Scholes assumptions for grants during 2005 were based on characteristics relating to shares of Former Viacom class B common stock.

(Tabular dollars in millions, except per share amounts)

The following table summarizes the Company's stock option activity for the six months ended June 30, 2006:

| | Options Outstanding | Weighted-Average Exercise Price | Remaining Contractual Life (Years) | Total Intrinsic Value |
|---|---|---|---|---|
| Outstanding at December 31, 2005 | 130,129,978 | $ 32.29 | | |
| Granted | 751,866 | 26.37 | | |
| Exercised | (1,314,259) | 13.48 | | |
| Canceled | (2,782,714) | 34.40 | | |
| Outstanding at March 31, 2006 | 126,784,871 | 32.41 | 4.66 | $ 73.5 |
| Granted | 1,504,868 | 25.89 | | |
| Exercised | (1,293,816) | 15.25 | | |
| Canceled | (7,236,209) | 38.86 | | |
| Voluntary Exchange Offer | (63,699,168) | 34.05 | | |
| Outstanding at June 30, 2006 | 56,060,546 | $ 29.93 | 3.44 | $ 109.5 |
| Exercisable at June 30, 2006 | 47,892,008 | $ 30.22 | 2.80 | $ 107.2 |

The following table summarizes other information relating to stock option exercises during the three and six months ended June 30, 2006 and 2005:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2006 | 2005(a) | 2006 | 2005(a) |
| Proceeds from stock option exercises | $ 19.8 | $ 63.1 | $ 37.5 | $ 119.4 |
| Tax benefit of stock option exercises | $ 5.5 | $ 20.1 | $ 11.8 | $ 44.6 |
| Intrinsic value | $ 13.6 | $ 59.8 | $ 29.7 | $ 127.0 |

(a) Information for 2005 includes activity for options held by employees of Former Viacom.

Prior to the adoption of SFAS 123R, the Company followed the disclosure-only provisions of SFAS No. 123, "Accounting for Stock Based Compensation" ("SFAS 123"). The Company applied APB Opinion No. 25 "Accounting for Stock Issued to Employees" and, accordingly, did not recognize compensation expense for the stock option grants because the Company typically does not issue options at exercise prices below market value at date of grant.

Effective March 8, 2005, the vesting of certain unvested stock options granted from 1999 through 2004 was accelerated. Incremental after-tax expense of $168.2 million in continuing operations and $108.4 million in discontinued operations associated with the acceleration was reflected in the first quarter 2005 pro forma disclosure.

The following table reflects the effect on net earnings from continuing operations and earnings per share from continuing operations if the Company had applied the fair value recognition provisions of

(Tabular dollars in millions, except per share amounts)

SFAS 123 to stock-based employee compensation for the second quarter and six months ended June 30, 2005.

| | Three Months Ended June 30, 2005 | Six Months Ended June 30, 2005 |
|---|---|---|
| Net earnings from continuing operations | $ 380.1 | $ 614.5 |
| Option expense, net of tax | (24.9) | (226.3) |
| Net earnings from continuing operations after option expense | $ 355.2 | $ 388.2 |
| Basic earnings per share: | | |
| Net earnings from continuing operations | $ .48 | $ .76 |
| Net earnings from continuing operations after option expense | $ .44 | $ .48 |
| Diluted earnings per share: | | |
| Net earnings from continuing operations | $ .47 | $ .76 |
| Net earnings from continuing operations after option expense | $ .44 | $ .48 |

If the Company had applied the fair value recognition provision of SFAS 123, an incremental after-tax expense would have been recognized in discontinued operations for the three and six months ended June 30, 2005 of $3.4 million and $136.7 million, respectively.

**RSUs and Restricted Shares**

Compensation expense for RSUs is determined based upon the market price of the shares underlying the awards on the grant date and expensed over the vesting period. RSUs generally vest over a three- to four-year service period. RSU awards granted to certain senior executives vest over a one- to four-year period based on the achievement of certain one-year performance criteria. Forfeitures are estimated on the date of grant based on historical forfeiture rates. On an annual basis, the Company adjusts the compensation expense based on actual forfeitures and revises its forfeiture rate as necessary.

Total unrecognized compensation cost related to non-vested restricted shares and RSUs at June 30, 2006 was approximately $187.2 million which is expected to be recognized over a weighted average period of 3.1 years.

(Tabular dollars in millions, except per share amounts)

The following table summarizes the Company's RSU and restricted share activity for the six months ended June 30, 2006:

| | Restricted Shares and RSUs | | Weighted-Average Grant Date Fair Value |
|---|---|---|---|
| Non-vested at December 31, 2005 | 1,839,290 | $ | 29.30 |
| Granted | 438,122 | | 26.14 |
| Vested | (543,322) | | 29.35 |
| Forfeited | (45,183) | | 29.35 |
| Non-vested at March 31, 2006 | 1,688,907 | $ | 28.46 |
| Granted | 4,403,657 | | 25.55 |
| Voluntary Exchange Offer | 7,167,263 | | 26.64 |
| Vested | (5,300) | | 27.27 |
| Forfeited | (79,831) | | 26.58 |
| Non-vested at June 30, 2006 | 13,174,696 | $ | 26.51 |

**Voluntary Exchange Offer**

On June 1, 2006, the Company announced the completion of its Voluntary Exchange Offer ("VEO") which gave eligible employees the voluntary opportunity to tender their stock options to purchase shares of CBS Corp. Class B Common Stock in exchange for restricted shares (for eligible employees who are subject to United States income tax) or RSUs (for eligible employees who are not subject to United States income tax) of CBS Corp. Class B Common Stock having a value equal to 75% of the fair value attributed to the eligible options. For the restricted shares and RSUs issued in exchange for the fully vested options, no compensation expense will be recorded. For the restricted shares and RSUs issued in exchange for unvested options, compensation expense will be recorded based on grant-date fair value of the options over the remaining vesting period. Employees who participated in the VEO made separate tendering decisions with respect to all of their stock options awarded prior to January 1, 2006 that were out-of-the-money (options with an exercise price equal to or greater than $24.9340) and all of those that were in-the-money (options with an exercise price less than $24.9340). Restricted shares and RSUs issued in connection with the VEO vest in two equal annual installments on the second and third anniversaries of the date of grant, June 1, 2006, subject to forfeiture and other restrictions. As a result of the VEO, options to purchase 63.7 million shares of CBS Corp. Class B Common Stock were exchanged for 7.1 million restricted shares and .1 million RSUs.

Upon exercise of stock options or vesting of RSUs or restricted shares, the Company issues new shares from its existing authorization. The Company has reserved a total of 69,235,242 shares of CBS Corp. Class B Common Stock for future exercise of stock options and vesting of RSUs and restricted shares outstanding as of June 30, 2006. Stock options and RSUs available for future grant at June 30, 2006 were 55,428,996.

**3) ACQUISITIONS AND DISPOSITIONS**

On June 30, 2006, the Company completed the sale of its Paramount Parks division to Cedar Fair, L.P. for $1.24 billion in cash. (See Note 4)

(Tabular dollars in millions, except per share amounts)

On January 5, 2006, the Company completed the acquisition of CSTV Networks, a cable network and online digital sports media company, for a purchase price of $325 million, comprised of 10.2 million shares of CBS Corp. Class B Common Stock and $52 million in cash. CSTV Networks' results have 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.

## 4) DISCONTINUED OPERATIONS

On June 30, 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 all periods presented.

The Separation of Former Viacom into two publicly traded entities, CBS Corp. and Viacom Inc. was completed on December 31, 2005. The Separation is accounted for by the Company as a spin-off of Viacom Inc. Accordingly, the operations of Viacom Inc. are presented as discontinued operations in CBS Corp.'s Consolidated Financial Statements for the three months and six months ended June 30, 2005.

The following tables set forth the detail of CBS Corp.'s net earnings (loss) from discontinued operations, which are comprised of Paramount Parks for the three and six months ended June 30, 2006 and 2005 and Viacom Inc. for the three and six months ended June 30, 2005. Viacom Inc. includes the results of its continuing operations and its discontinued business, Famous Players, and eliminations of transactions between CBS Corp. and Viacom Inc.

| | 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 |
| Income tax provision | (178.5) | (169.2) |
| Net earnings from discontinued operations | $ 291.9 | $ 284.3 |

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

| Three Months Ended June 30, 2005 | Viacom Inc. | Paramount Parks | Total |
|---|---|---|---|
| Revenues from discontinued operations | $ 2,312.9 | $ 144.2 | $ 2,457.1 |
| Earnings from discontinued operations | $ 595.5 | $ 8.2 | $ 603.7 |
| Minority interest | (2.6) | — | (2.6) |
| Earnings from discontinued operations before income taxes | 592.9 | 8.2 | 601.1 |
| Income tax provision, net of minority interest | (226.6) | (.8) | (227.4) |
| Net earnings from discontinued operations | $ 366.3 | $ 7.4 | $ 373.7 |

| Six Months Ended June 30, 2005 | Viacom Inc. | Paramount Parks | Total |
|---|---|---|---|
| Revenues from discontinued operations | $ 4,441.8 | $ 153.1 | $ 4,594.9 |
| Earnings (loss) from discontinued operations | $ 1,204.4 | $ (11.8) | $ 1,192.6 |
| Minority interest | (5.0) | — | (5.0) |
| Earnings (loss) from discontinued operations before income taxes | 1,199.4 | (11.8) | 1,187.6 |
| Income tax (provision) benefit, net of minority interest | (473.1) | 9.8 | (463.3) |
| Net earnings (loss) from discontinued operations | $ 726.3 | $ (2.0) | $ 724.3 |

The following table presents the major classes of assets and liabilities of discontinued operations, included in the Consolidated Balance Sheets:

| | At June 30, 2006 | At December 31, 2005 |
|---|---|---|
| Other current assets | $ 26.5 | $ 108.9 |
| Goodwill | — | 274.5 |
| Other assets | 103.1 | 639.8 |
| Other assets | 103.1 | 914.3 |
| Total Assets | $ 129.6 | $ 1,023.2 |
| Other current liabilities | $ 26.0 | $ 152.5 |
| Long-term debt | 83.0 | 83.0 |
| Other liabilities | 388.9 | 501.8 |
| Other liabilities | 471.9 | 584.8 |
| Total Liabilities | $ 497.9 | $ 737.3 |

At June 30, 2006 the Company's discontinued operations primarily include aircraft financing leases that are generally expected to liquidate in accordance with contractual terms.

(Tabular dollars in millions, except per share amounts)

## 5) GOODWILL AND INTANGIBLE ASSETS

The changes in the book value of goodwill, by segment, for the six months ended June 30, 2006 were as follows:

| | At December 31, 2005(a) | Acquisitions | Adjustments(b) | At June 30, 2006 |
|---|---|---|---|---|
| Television | $ 8,535.8 | $ 295.2(c) | $ 5.3 | $ 8,836.3 |
| Radio | 5,193.6 | — | (4.2) | 5,189.4 |
| Outdoor | 4,492.0 | 1.6 | 47.6 | 4,541.2 |
| Publishing | 408.4 | 7.5 | .2 | 416.1 |
| Total | $ 18,629.8 | $ 304.3 | $ 48.9 | $ 18,983.0 |

(a) Restated to reflect Paramount Parks as a discontinued operation. (See Note 4)

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

(c) Acquisition of CSTV Networks.

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

| At June 30, 2006 | Gross | Accumulated Amortization | Net |
|---|---|---|---|
| Intangible assets subject to amortization: | | | |
| Leasehold agreements | $ 799.1 | $ (346.9) | $ 452.2 |
| Franchise agreements | 508.0 | (175.7) | 332.3 |
| Other intangible assets | 247.2 | (120.6) | 126.6 |
| Total intangible assets subject to amortization | 1,554.3 | (643.2) | 911.1 |
| FCC licenses | 9,567.0 | — | 9,567.0 |
| Trade names | 12.0 | — | 12.0 |
| Total intangible assets | $ 11,133.3 | $ (643.2) | $ 10,490.1 |

| At December 31, 2005 | Gross | Accumulated Amortization | Net |
|---|---|---|---|
| Intangible assets subject to amortization: | | | |
| Leasehold agreements | $ 807.7 | $ (327.5) | $ 480.2 |
| Franchise agreements | 509.6 | (166.8) | 342.8 |
| Other intangible assets | 220.2 | (107.7) | 112.5 |
| Total intangible assets subject to amortization | 1,537.5 | (602.0) | 935.5 |
| FCC licenses | 9,566.7 | — | 9,566.7 |
| Trade names | 12.0 | — | 12.0 |
| Total intangible assets | $ 11,116.2 | $ (602.0) | $ 10,514.2 |

Amortization expense was $25.6 million and $23.2 million for the three months ended June 30, 2006 and 2005, respectively, and $50.1 million and $46.3 million for the six months ended June 30, 2006 and

(Tabular dollars in millions, except per share amounts)

2005, respectively. The Company expects its aggregate annual amortization expense for existing intangible assets subject to amortization for each of the years, 2006 through 2010, to be as follows:

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Amortization expense | $ 98.4 | $ 89.3 | $ 87.9 | $ 86.5 | $ 82.8 |

## 6) PROGRAMMING AND OTHER INVENTORY

| | At June 30, 2006 | At December 31, 2005 |
|---|---|---|
| Program rights | $ 1,711.8 | $ 2,054.4 |
| Television: | | |
| Released (including acquired film libraries) | 600.9 | 682.2 |
| In process and other | 29.4 | 48.9 |
| Publishing, primarily finished goods | 77.4 | 68.2 |
| Other | .7 | .7 |
| Total programming and other inventory | 2,420.2 | 2,854.4 |
| Less current portion | 743.8 | 970.0 |
| Total non-current programming and other inventory | $ 1,676.4 | $ 1,884.4 |

## 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, 2006, NAI beneficially owned CBS Corp.'s Class A Common Stock, representing approximately 74% of the voting power of all classes of CBS Corp.'s Common Stock, and approximately 11% of CBS Corp.'s Class A Common Stock and Class B Common Stock on a combined basis.

*Viacom Inc.* 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. Pursuant to the provisions of the Separation Agreement, the estimated special dividend is subject to adjustment. On March 14, 2006, the Company submitted to Viacom Inc. an adjustment to increase the estimated special dividend in the amount of approximately $460 million. On May 5, 2006, Viacom Inc. paid to the Company the net undisputed amount of the dividend adjustment of $167 million plus net interest of $2.9 million. The remaining adjustment to increase the estimated special dividend in the amount of approximately $293 million is being disputed by Viacom Inc. and is subject to a resolution process specified in the Separation Agreement.

(Tabular dollars in millions, except per share amounts)

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 television products on behalf of CBS Television and Showtime Networks in the home entertainment market. Simon & Schuster is also involved in transactions with Viacom Inc. CBS Corp.'s total revenues from these transactions were $27.4 million and $46.6 million for the three months ended June 30, 2006 and 2005, respectively, and $42.8 million and $75.5 million for the six months ended June 30, 2006 and 2005, 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 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 $45.2 million and $27.1 million for the three months ended June 30, 2006 and 2005, respectively, and $78.0 million and $59.8 million for the six months ended June 30, 2006 and 2005, respectively.

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

| | At June 30, 2006 | At December 31, 2005 |
|---|---|---|
| **Amounts due from Viacom Inc.** | | |
| Receivables | $ 192.1 | $ 235.8 |
| Other assets (Receivables, noncurrent) | 150.1 | 225.2 |
| **Total amounts due from Viacom Inc.** | $ 342.2 | $ 461.0 |
| **Amounts due to Viacom Inc.** | | |
| Accounts payable | $ 4.1 | $ 3.4 |
| Program rights | 56.1 | 64.7 |
| Other liabilities (Program rights, noncurrent) | 41.9 | 41.2 |
| **Total amounts due to Viacom Inc.** | $ 102.1 | $ 109.3 |

*Other Related Parties.* The Company owned approximately 18% of Westwood One, Inc. ("Westwood One") as of June 30, 2006, which is accounted for by the Company as an equity investment. Three members of Westwood One's board of directors are officers of CBS Radio or otherwise affiliated with the Company. 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 stations air programs and/or commercials supplied by Westwood One and, in return, the stations receive affiliation fees and certain programming cost reimbursements.

(Tabular dollars in millions, except per share amounts)

CBS Television also has arrangements with Westwood One relating to the provision of news and sports programming to Westwood One. Revenues from all of these arrangements were approximately $20.3 million and $19.8 million for the three months ended June 30, 2006 and 2005, respectively, and $40.8 million and $40.7 million for the six months ended June 20, 2006 and 2005, respectively.

## 8) BANK FINANCING AND DEBT

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

| | At June 30, 2006 | At December 31, 2005 |
|---|---|---|
| Notes payable to banks | $ 5.0 | $ 7.2 |
| Senior debt (4.625% - 8.875% due 2006-2051) | 6,990.2 | 7,919.9 |
| Other notes | .8 | 1.0 |
| Obligations under capital leases | 122.7 | 125.4 |
| Total debt | 7,118.7 | 8,053.5 |
| Less discontinued operations debt (a) | 83.0 | 153.2 |
| Less current portion of long-term debt | 16.3 | 747.1 |
| Total long-term debt from continuing operations, net of current portion | $ 7,019.4 | $ 7,153.2 |

(a) Included in "Other liabilities" on the Consolidated Balance Sheets.

The Company's total debt includes (i) an aggregate unamortized premium of $30.5 million and $31.8 million and (ii) the decrease in the carrying value of the debt, since inception, relating to fair value hedges of $34.8 million and $8.5 million as of June 30, 2006 and December 31, 2005, respectively.

The senior debt of CBS Corp. is fully and unconditionally guaranteed by its wholly owned subsidiary, CBS Operations Inc. (formerly known as Viacom International Inc.). Senior debt in the amount of $52.2 million in the Company's wholly owned subsidiary, CBS Broadcasting Inc., is not guaranteed.

On January 30, 2006, the Company redeemed, at maturity, all of the outstanding 6.4% senior notes for $800.0 million.

During the six months ended June 30, 2006, the Company repurchased $52.2 million of its 7.70% senior notes due 2010 and $50.0 million of its 6.625% senior notes due 2011, resulting in a loss on early extinguishment of debt of $2.0 million and $6.0 million for the three and six months ended June 30, 2006, respectively.

### *Credit Facility*

As of June 30, 2006, 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, 2006, 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, 2006, the remaining availability under this Credit Facility, net of outstanding letters of credit, was $2.75 billion.

(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:

| | Pension Benefits | | Postretirement Benefits | |
|---|---|---|---|---|
| Three Months Ended June 30, | 2006 | 2005 | 2006 | 2005 |
| Components of net periodic cost: | | | | |
| Service cost | $ 9.7 | $ 9.8 | $ .4 | $ .6 |
| Interest cost | 74.2 | 74.0 | 15.0 | 17.2 |
| Expected return on plan assets | (66.9) | (71.3) | — | (.2) |
| Amortization of transition obligation | — | .1 | — | — |
| Amortization of unrecognized prior service cost | .2 | .3 | (.2) | (.2) |
| Recognized actuarial loss | 20.3 | 13.3 | .2 | .7 |
| Curtailment costs | .7 | — | — | — |
| Net periodic cost | $ 38.2 | $ 26.2 | $ 15.4 | $ 18.1 |

| | Pension Benefits | | Postretirement Benefits | |
|---|---|---|---|---|
| Six Months Ended June 30, | 2006 | 2005 | 2006 | 2005 |
| Components of net periodic cost: | | | | |
| Service cost | $ 19.5 | $ 19.6 | $ .9 | $ 1.2 |
| Interest cost | 148.5 | 148.0 | 30.1 | 34.4 |
| Expected return on plan assets | (133.8) | (142.6) | (.1) | (.5) |
| Amortization of transition obligation | — | .1 | — | — |
| Amortization of unrecognized prior service cost | .4 | .6 | (.3) | (.3) |
| Recognized actuarial loss | 40.5 | 26.5 | .4 | 1.4 |
| Settlement costs | 7.1 | — | — | — |
| Curtailment costs | .7 | — | — | — |
| Net periodic cost | $ 82.9 | $ 52.2 | $ 31.0 | $ 36.2 |

During the six months ended June 30, 2006, the Company contributed $50.0 million to pre-fund one of its qualified pension plans.

## 10) CASH DIVIDENDS AND SHARE PURCHASE PROGRAM

On May 25, 2006, the Company announced a 12.5% increase in the quarterly cash dividend to $.18 per share on CBS Corp. Class A and Class B Common Stock. The increased dividend was paid on July 1, 2006 to stockholders of record at the close of business on June 5, 2006. On April 1, 2006 the Company paid $124.1 million to stockholders of record at the close of business on February 28, 2006 for the $.16 per share dividend declared on January 25, 2006. Dividends during the six months ended June 30, 2006 and 2005 were recorded as a reduction to additional paid-in capital as the Company had an accumulated deficit balance.

The Company has not made any purchases under its stock purchase program during the six months ended June 30, 2006. For the six months ended June 30, 2005, on a trade date basis, the Company purchased approximately 33.5 million shares of its Class B Common Stock for $2.40 billion under its $8.0 billion stock purchase program.

## 11) PROVISION FOR INCOME TAXES

The provision for income taxes for continuing operations (exclusive of income tax on equity in earnings (loss) of affiliates and minority interest) was $118.0 million for the three months ended June 30, 2006, compared with $242.3 million for the three months ended June 30, 2005. For the second quarter of 2006, the Company's effective income tax rate decreased to 19.3% from 39.1% reflecting a benefit of $129.0 million from the settlement of certain income tax audits. For the six months ended June 30, 2006, the Company's effective tax rate of 27.9% decreased from 40.1% for the same prior-year period.

## 12) COMMITMENT AND CONTINGENCIES

***Off-Balance Sheet Arrangements***

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

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 $408.8 million at June 30, 2006 and are not recorded on the balance sheet as of June 30, 2006.

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 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, 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 is 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 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 intends to appeal this decision. Any liabilities in this matter adverse to the Company and/or Viacom Inc. will be shared equally between the Company and Viacom Inc. The Company believes that the plaintiffs' positions in these actions are without merit and 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 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, 2006, the Company had pending approximately 94,730 asbestos claims, as compared with approximately 101,170 as of December 31, 2005 and approximately 104,700 as of June 30, 2005. Of the claims pending as of June 30, 2006, approximately 58,860 were pending in state courts, 33,210 in federal courts and approximately 2,660 were third party claims. During the second quarter of 2006, the Company received approximately 1,550 new claims and closed or moved to an inactive docket approximately 5,120 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 2005 and 2004 for settlement and defense of asbestos claims after insurance recoveries and net of tax benefits were approximately $37.2 million and

$58.4 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.

*Payola.* The Attorney General of the State of New York is conducting an investigation of record companies, radio stations and independent record promoters relating to the promotion and selection of music on radio stations, principally to determine whether radio stations have received undisclosed payments or other items of value that were tied to their decisions on what songs to play, a practice commonly known as "payola." In connection with this investigation, the Attorney General has entered into settlement agreements with EMI Music, Sony/BMG Music Entertainment, Universal Music Group and Warner Music Group Corp. The Attorney General has also filed a lawsuit against Entercom Communications Corp., which owns and operates radio stations in the State of New York, alleging that various arrangements with record companies and independent record promoters are, inter alia, deceptive business practices under New York law. CBS Radio has provided information to the Attorney General and has otherwise cooperated with the investigation. However, if CBS Radio is unable to resolve this matter with the Attorney General, it is possible that the Attorney General will institute litigation. In addition, the FCC, based on a review of information provided to it by the Attorney General, has initiated its own investigation of whether certain arrangements between radio stations and record companies and independent record promoters constitute "payola" in violation of the Communications Act. The FCC has issued a Letter of Inquiry to CBS Radio and three other large radio companies requesting additional information about these practices. CBS Radio intends to cooperate with the FCC in this investigation and is in the process of gathering the information requested by the FCC.

*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 it could bring the appeal. 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 totaling $3.35 million for such matter; of that amount $260,000 is against certain owned and operated stations and the remainder is against stations affiliated with the CBS Television Network. 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 are the subject of a petition for review filed in the U.S. Court of Appeals for the Second Circuit by the Company, as well as the other broadcast networks and their affiliate associations. Additionally, the

(Tabular dollars in millions, except per share amounts)

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 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 amounts will be effective when the FCC issues implementing regulations.

On an ongoing basis, the Company defends itself in a multitude of 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

The CW, a new broadcast network and 50/50% joint venture with Warner Bros. Entertainment, will be launched in September 2006. As a result, UPN plans to cease broadcasting its network schedule at the conclusion of the 2005/2006 broadcast season. In connection with the shutdown of UPN, the Television segment recorded restructuring charges of $24.0 million in selling, general and administrative 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. The Company paid and charged $.1 million against the restructuring liabilities during the second quarter of 2006.

## 14) REPORTABLE SEGMENTS

The following tables set forth the Company's financial performance by reportable operating segment. The Company's reportable operating segments have been determined in accordance with the Company's internal management structure, which is organized based upon products and services. Paramount Parks, previously included in an all other category named Parks/Publishing, is presented as a discontinued operation (See Note 4). Prior periods have been reclassified to conform to this current presentation.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| **Revenues:** | | | | |
| Television | $ 2,259.8 | $ 2,284.2 | $ 4,775.5 | $ 4,679.3 |
| Radio | 519.1 | 566.5 | 953.6 | 1,029.3 |
| Outdoor | 534.4 | 499.3 | 986.6 | 928.4 |
| Publishing | 176.0 | 174.7 | 357.1 | 333.4 |
| Eliminations | (6.2) | (11.4) | (14.3) | (18.2) |
| **Total Revenues** | $ 3,483.1 | $ 3,513.3 | $ 7,058.5 | $ 6,952.2 |

(Tabular dollars in millions, except per share amounts)

The Company presents Segment operating income before depreciation and amortization ("Segment OIBDA") as the primary measure of profit and loss for its operating segments. The Company believes the presentation of Segment OIBDA is relevant and useful for the 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, | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| **Segment OIBDA:** | | | | |
| Television | $ 535.4 | $ 547.5 | $ 959.1 | $ 959.5 |
| Radio | 227.9 | 280.5 | 398.5 | 477.7 |
| Outdoor | 160.0 | 134.9 | 259.1 | 204.2 |
| Publishing | 10.6 | 9.9 | 16.4 | 13.2 |
| Corporate | (39.7) | (26.8) | (67.4) | (45.7) |
| Residual costs | (35.3) | (29.6) | (70.6) | (59.3) |
| Depreciation and amortization | (108.6) | (107.5) | (216.6) | (214.8) |
| **Total Operating Income** | 750.3 | 808.9 | 1,278.5 | 1,334.8 |
| Interest expense | (140.8) | (175.7) | (285.1) | (350.9) |
| Interest income | 18.5 | 3.2 | 31.1 | 6.2 |
| Loss on early extinguishment of debt | (2.0) | — | (6.0) | — |
| Other items, net | (15.2) | (17.4) | (18.1) | 21.6 |
| Earnings from continuing operations before income taxes, equity in earnings (loss) of affiliated companies and minority interest | 610.8 | 619.0 | 1,000.4 | 1,011.7 |
| Provision for income taxes | (118.0) | (242.3) | (279.2) | (405.7) |
| Equity in earnings (loss) of affiliated companies, net of tax | (3.0) | 3.5 | 3.0 | 8.7 |
| Minority interest, net of tax | — | (.1) | .1 | (.2) |
| Net earnings from continuing operations | 489.8 | 380.1 | 724.3 | 614.5 |
| Net earnings from discontinued operations | 291.9 | 373.7 | 284.3 | 724.3 |
| **Net earnings** | $ 781.7 | $ 753.8 | $ 1,008.6 | $ 1,338.8 |

(Tabular dollars in millions, except per share amounts)

| | Three Months Ended June 30, 2006 | Three Months Ended June 30, 2005 | Six Months Ended June 30, 2006 | Six Months Ended June 30, 2005 |
|---|---|---|---|---|
| **Operating Income:** | | | | |
| Television | $ 491.9 | $ 505.5 | $ 874.7 | $ 875.7 |
| Radio | 219.6 | 272.9 | 382.2 | 462.4 |
| Outdoor | 107.9 | 81.7 | 152.4 | 98.2 |
| Publishing | 8.2 | 7.8 | 11.9 | 8.8 |
| Segment Total | 827.6 | 867.9 | 1,421.2 | 1,445.1 |
| Corporate | (42.0) | (29.4) | (72.1) | (51.0) |
| Residual costs | (35.3) | (29.6) | (70.6) | (59.3) |
| **Total Operating Income** | $ 750.3 | $ 808.9 | $ 1,278.5 | $ 1,334.8 |

| | Three Months Ended June 30, 2006 | Three Months Ended June 30, 2005 | Six Months Ended June 30, 2006 | Six Months Ended June 30, 2005 |
|---|---|---|---|---|
| **Depreciation and Amortization:** | | | | |
| Television | $ 43.5 | $ 42.0 | $ 84.4 | $ 83.8 |
| Radio | 8.3 | 7.6 | 16.3 | 15.3 |
| Outdoor | 52.1 | 53.2 | 106.7 | 106.0 |
| Publishing | 2.4 | 2.1 | 4.5 | 4.4 |
| Corporate | 2.3 | 2.6 | 4.7 | 5.3 |
| **Total Depreciation and Amortization** | $ 108.6 | $ 107.5 | $ 216.6 | $ 214.8 |

| | At June 30, 2006 | At December 31, 2005 |
|---|---|---|
| **Total Assets:** | | |
| Television | $ 19,827.2 | $ 20,197.1 |
| Radio | 11,078.8 | 11,088.9 |
| Outdoor | 7,114.0 | 7,151.7 |
| Publishing | 938.4 | 1,005.8 |
| Corporate | 4,190.6 | 3,662.5 |
| Eliminations | (79.5) | (76.4) |
| **Total Assets** | $ 43,069.5 | $ 43,029.6 |

| | Three Months Ended June 30, 2006 | Three Months Ended June 30, 2005 | Six Months Ended June 30, 2006 | Six Months Ended June 30, 2005 |
|---|---|---|---|---|
| **Capital Expenditures:** | | | | |
| Television | $ 29.5 | $ 58.6 | $ 48.4 | $ 76.1 |
| Radio | 14.9 | 8.3 | 24.4 | 16.8 |
| Outdoor | 20.5 | 15.4 | 36.9 | 29.1 |
| Publishing | 1.2 | .8 | 1.5 | 1.3 |
| Corporate | .8 | — | 2.0 | — |
| **Total Capital Expenditures** | $ 66.9 | $ 83.1 | $ 113.2 | $ 123.3 |

(Tabular dollars in millions, except per share amounts)

## 15) CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

CBS Operations Inc. (formerly known as Viacom International 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, 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 | 621.4 | .1 | 714.1 |
| Depreciation and amortization | 1.4 | .7 | 106.5 | — | 108.6 |
| Total expenses | 66.2 | 61.7 | 2,604.8 | .1 | 2,732.8 |
| Operating income (loss) | (26.2) | (42.1) | 818.7 | (.1) | 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 of affiliated companies and minority interest | (176.8) | (134.0) | 921.7 | (.1) | 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) |
| Minority interest, net of tax | — | — | — | — | — |
| Net earnings from continuing operations | 781.7 | 38.9 | 676.6 | (1,007.4) | 489.8 |
| Net earnings from discontinued operations | — | 295.3 | (3.4) | — | 291.9 |
| Net earnings | $ 781.7 | $ 334.2 | $ 673.2 | $ (1,007.4) | $ 781.7 |

(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 | 1,183.8 | .2 | 1,361.7 |
| Depreciation and amortization | 2.7 | 1.4 | 212.5 | — | 216.6 |
| Total expenses | 130.8 | 111.8 | 5,537.2 | .2 | 5,780.0 |
| Operating income (loss) | (54.2) | (76.5) | 1,409.4 | (.2) | 1,278.5 |
| Interest 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) | 1,635.0 | (.2) | 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 | 1,105.7 | (1,510.4) | 724.3 |
| Net earnings from discontinued operations | — | 295.3 | (11.0) | — | 284.3 |
| Net earnings | $ 1,008.6 | $ 415.7 | $ 1,094.7 | $ (1,510.4) | $ 1,008.6 |

(Tabular dollars in millions, except per share amounts)

| | Statement of Operations For the Three Months Ended June 30, 2005 | | | | |
|---|---|---|---|---|---|
| | CBS Corp. | CBS Operations Inc. | Non-Guarantor Affiliates | Eliminations | CBS Corp. Consolidated |
| Revenues | $ 49.5 | $ 17.3 | $ 3,446.5 | $ — | $ 3,513.3 |
| Expenses: | | | | | |
| Operating | 23.2 | 9.2 | 1,930.5 | — | 1,962.9 |
| Selling, general and administrative | 38.8 | 38.6 | 556.6 | — | 634.0 |
| Depreciation and amortization | 1.3 | 1.2 | 105.0 | — | 107.5 |
| Total expenses | 63.3 | 49.0 | 2,592.1 | — | 2,704.4 |
| Operating income (loss) | (13.8) | (31.7) | 854.4 | — | 808.9 |
| Interest income (expense), net | (198.1) | (48.3) | 73.9 | — | (172.5) |
| Other items, net | (9.2) | 10.7 | 10.1 | (29.0) | (17.4) |
| Earnings (loss) from continuing operations before income taxes, equity in earnings of affiliated companies and minority interest | (221.1) | (69.3) | 938.4 | (29.0) | 619.0 |
| Benefit (provision) for income taxes | 88.2 | 28.1 | (358.6) | — | (242.3) |
| Equity in earnings of affiliated companies, net of tax | 886.7 | 174.4 | 3.6 | (1,061.2) | 3.5 |
| Minority interest, net of tax | — | — | (.1) | — | (.1) |
| Net earnings from continuing operations | 753.8 | 133.2 | 583.3 | (1,090.2) | 380.1 |
| Net earnings from discontinued operations | — | 262.9 | 89.6 | 21.2 | 373.7 |
| Net earnings | $ 753.8 | $ 396.1 | $ 672.9 | $ (1,069.0) | $ 753.8 |

(Tabular dollars in millions, except per share amounts)

| | Statement of Operations For the Six Months Ended June 30, 2005 | | | | |
|---|---|---|---|---|---|
| | CBS Corp. | CBS Operations Inc. | Non-Guarantor Affiliates | Eliminations | CBS Corp. Consolidated |
| Revenues | $ 92.3 | $ 28.6 | $ 6,831.3 | $ — | $ 6,952.2 |
| Expenses: | | | | | |
| Operating | 43.0 | 17.6 | 4,063.5 | — | 4,124.1 |
| Selling, general and administrative | 79.1 | 60.9 | 1,138.5 | — | 1,278.5 |
| Depreciation and amortization | 2.3 | 2.5 | 210.0 | — | 214.8 |
| Total expenses | 124.4 | 81.0 | 5,412.0 | — | 5,617.4 |
| Operating income (loss) | (32.1) | (52.4) | 1,419.3 | — | 1,334.8 |
| Interest expense, net | (391.8) | (92.9) | 140.0 | — | (344.7) |
| Other items, net | 48.0 | 21.8 | 9.8 | (58.0) | 21.6 |
| Earnings (loss) from continuing operations before income taxes, equity in earnings of affiliated companies and minority interest | (375.9) | (123.5) | 1,569.1 | (58.0) | 1,011.7 |
| Benefit (provision) for income taxes | 150.0 | 52.0 | (607.7) | — | (405.7) |
| Equity in earnings of affiliated companies, net of tax | 1,564.7 | 360.2 | 9.4 | (1,925.6) | 8.7 |
| Minority interest, net of tax | — | — | (.2) | — | (.2) |
| Net earnings from continuing operations | 1,338.8 | 288.7 | 970.6 | (1,983.6) | 614.5 |
| Net earnings from discontinued operations | — | 516.4 | 183.0 | 24.9 | 724.3 |
| Net earnings | $ 1,338.8 | $ 805.1 | $ 1,153.6 | $ (1,958.7) | $ 1,338.8 |

(Tabular dollars in millions, except per share amounts)

| | Balance Sheet At June 30, 2006 | | | | |
|---|---|---|---|---|---|
| | CBS Corp. | CBS Operations Inc. | Non-Guarantor Affiliates | Eliminations | CBS Corp. Consolidated |
| **Assets** | | | | | |
| Cash and cash equivalents | $ 2,175.5 | $ 1.5 | $ 884.8 | $ — | $ 3,061.8 |
| Receivables, net | 29.2 | 17.1 | 2,405.6 | — | 2,451.9 |
| Programming and other inventory | 6.5 | 6.0 | 731.3 | — | 743.8 |
| Prepaid expenses and other current assets | 144.8 | 67.4 | 1,042.2 | (1.8) | 1,252.6 |
| Total current assets | 2,356.0 | 92.0 | 5,063.9 | (1.8) | 7,510.1 |
| Property and equipment | 53.4 | 31.3 | 4,040.8 | — | 4,125.5 |
| Less accumulated depreciation and amortization | 15.9 | 17.1 | 1,388.3 | — | 1,421.3 |
| Net property and equipment | 37.5 | 14.2 | 2,652.5 | — | 2,704.2 |
| Programming and other inventory | 9.5 | 90.5 | 1,576.4 | — | 1,676.4 |
| Goodwill | 100.3 | 63.0 | 18,819.7 | — | 18,983.0 |
| Intangible assets | — | — | 10,490.1 | — | 10,490.1 |
| Investments in consolidated subsidiaries | 37,595.9 | 3,918.7 | — | (41,514.6) | — |
| Other assets | 232.1 | 36.1 | 1,437.5 | — | 1,705.7 |
| Total Assets | $ 40,331.3 | $ 4,214.5 | $ 40,040.1 | $ (41,516.4) | $ 43,069.5 |
| **Liabilities and Stockholders' Equity** | | | | | |
| Accounts payable | $ 1.9 | $ 9.0 | $ 368.0 | $ — | $ 378.9 |
| Participants' share, residuals and royalties payable | — | 9.4 | 732.4 | — | 741.8 |
| Program rights | 7.7 | 7.4 | 863.4 | — | 878.5 |
| Current portion of long-term debt | — | — | 16.3 | — | 16.3 |
| Accrued expenses and other | 723.6 | 82.8 | 1,446.5 | (2.1) | 2,250.8 |
| Total current liabilities | 733.2 | 108.6 | 3,426.6 | (2.1) | 4,266.3 |
| Long-term debt | 6,907.2 | — | 112.2 | — | 7,019.4 |
| Other liabilities | 3,699.6 | 933.6 | 4,037.7 | — | 8,670.9 |
| Intercompany payables | 1,489.9 | (6,019.3) | (8,580.0) | 13,109.4 | — |
| Minority interest | — | — | 1.8 | — | 1.8 |
| Stockholders' Equity: | | | | | |
| Preferred Stock | — | — | 128.2 | (128.2) | — |
| Common Stock | .8 | 122.8 | 1,135.9 | (1,258.7) | .8 |
| Additional paid-in capital | 44,505.0 | — | 61,434.7 | (61,347.7) | 44,592.0 |
| Retained earnings (deficit) | (16,114.4) | 9,152.3 | (21,953.2) | 8,087.5 | (20,827.8) |
| Accumulated other comprehensive income (loss) | (568.9) | (83.5) | 296.2 | 23.4 | (332.8) |
| | 27,822.5 | 9,191.6 | 41,041.8 | (54,623.7) | 23,432.2 |
| Less treasury stock, at cost | 321.1 | — | — | — | 321.1 |
| Total Stockholders' Equity | 27,501.4 | 9,191.6 | 41,041.8 | (54,623.7) | 23,111.1 |
| Total Liabilities and Stockholders' Equity | $ 40,331.3 | $ 4,214.5 | $ 40,040.1 | $ (41,516.4) | $ 43,069.5 |

(Tabular dollars in millions, except per share amounts)

| | Balance Sheet At December 31, 2005 | | | | |
|---|---|---|---|---|---|
| | CBS Corp. | CBS Operations Inc. | Non-Guarantor Affiliates | Eliminations | CBS Corp. Consolidated |
| **Assets** | | | | | |
| Cash and cash equivalents | $ 1,153.0 | $ — | $ 502.3 | $ — | $ 1,655.3 |
| Receivables, net | 40.1 | 17.0 | 2,669.0 | — | 2,726.1 |
| Programming and other inventory | 7.0 | 7.4 | 955.6 | — | 970.0 |
| Prepaid expenses and other current assets | 222.9 | 70.3 | 1,165.1 | (14.2) | 1,444.1 |
| Total current assets | 1,423.0 | 94.7 | 5,292.0 | (14.2) | 6,795.5 |
| Property and equipment | 51.0 | 30.8 | 3,935.1 | — | 4,016.9 |
| Less accumulated depreciation and amortization | 14.1 | 15.0 | 1,251.4 | — | 1,280.5 |
| Net property and equipment | 36.9 | 15.8 | 2,683.7 | — | 2,736.4 |
| Programming and other inventory | 11.6 | 52.2 | 1,820.6 | — | 1,884.4 |
| Goodwill | 100.3 | 63.0 | 18,466.5 | — | 18,629.8 |
| Intangible assets | — | — | 10,514.2 | — | 10,514.2 |
| Investments in consolidated subsidiaries | 36,344.9 | 4,011.6 | — | (40,356.5) | — |
| Other assets | 266.2 | 23.2 | 2,179.9 | — | 2,469.3 |
| Total Assets | $ 38,182.9 | $ 4,260.5 | $ 40,956.9 | $ (40,370.7) | $ 43,029.6 |
| **Liabilities and Stockholders' Equity** | | | | | |
| Accounts payable | $ 1.9 | $ 119.1 | $ 467.6 | $ — | $ 588.6 |
| Participants' share, residuals and royalties payable | — | 5.6 | 862.3 | — | 867.9 |
| Program rights | 8.7 | 9.3 | 844.4 | — | 862.4 |
| Current portion of long-term debt | 729.5 | — | 17.6 | — | 747.1 |
| Accrued expenses and other | 598.6 | 104.8 | 1,623.7 | (14.5) | 2,312.6 |
| Total current liabilities | 1,338.7 | 238.8 | 3,815.6 | (14.5) | 5,378.6 |
| Long-term debt | 7,037.2 | — | 116.0 | — | 7,153.2 |
| Other liabilities | 2,963.9 | 890.5 | 4,904.5 | .2 | 8,759.1 |
| Intercompany payables | 1,387.8 | (4,954.4) | (9,190.4) | 12,757.0 | — |
| Minority interest | — | — | 1.7 | — | 1.7 |
| Stockholders' Equity: | | | | | |
| Preferred Stock | — | — | 128.2 | (128.2) | — |
| Common Stock | .8 | 122.8 | 1,135.9 | (1,258.7) | .8 |
| Additional paid-in capital | 44,217.4 | — | 61,434.8 | (61,347.8) | 44,304.4 |
| Retained earnings (deficit) | (17,898.5) | 8,080.8 | (21,616.6) | 9,597.9 | (21,836.4) |
| Accumulated other comprehensive income (loss) | (530.1) | (118.0) | 227.2 | 23.4 | (397.5) |
| | 25,789.6 | 8,085.6 | 41,309.5 | (53,113.4) | 22,071.3 |
| Less treasury stock, at cost | 334.3 | — | — | — | 334.3 |
| Total Stockholders' Equity | 25,455.3 | 8,085.6 | 41,309.5 | (53,113.4) | 21,737.0 |
| Total Liabilities and Stockholders' Equity | $ 38,182.9 | $ 4,260.5 | $ 40,956.9 | $ (40,370.7) | $ 43,029.6 |

(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 provided by (used for) 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 |
| Net receipts from Viacom Inc. related to the Separation | 57.3 | — | 20.3 | — | 77.6 |
| Other, net | — | — | (.3) | — | (.3) |
| Net cash flow provided by (used for) investing activities from continuing operations | 10.0 | 1,079.2 | 53.6 | — | 1,142.8 |
| Net cash flow used for investing activities attributable to discontinued operations | — | — | (34.5) | — | (34.5) |
| **Net cash flow provided by (used for) 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) |
| Proceeds from exercise of stock options | 37.5 | — | — | — | 37.5 |
| Dividends | (229.9) | — | — | — | (229.9) |
| Payment of capital lease obligations | — | — | (7.2) | — | (7.2) |
| Purchase of Company common stock | (5.7) | — | — | — | (5.7) |
| Other, net | .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 |

(Tabular dollars in millions, except per share amounts)

| | Statement of Cash Flows For the Six Months Ended June 30, 2005 | | | | |
|---|---|---|---|---|---|
| | CBS Corp. | CBS Operations Inc. | Non-Guarantor Affiliates | Eliminations | CBS Corp. Consolidated |
| **Net cash flow provided by (used for) operating activities** | $ (885.2) | $ 465.1 | $ 2,366.8 | $ — | $ 1,946.7 |
| **Investing Activities:** | | | | | |
| Capital expenditures | — | — | (123.3) | — | (123.3) |
| Acquisitions, net of cash acquired | — | — | (317.0) | — | (317.0) |
| Proceeds from dispositions | — | — | 125.1 | — | 125.1 |
| Proceeds from sale of investments | 101.5 | 3.2 | 3.1 | — | 107.8 |
| Other, net | .2 | — | (.6) | — | (.4) |
| Net cash flow provided by (used for) investing activities from continuing operations | 101.7 | 3.2 | (312.7) | — | (207.8) |
| Net cash flow used for investing activities attributable to discontinued operations | — | (196.1) | (91.3) | — | (287.4) |
| **Net cash flow provided by (used for) investing activities** | 101.7 | (192.9) | (404.0) | — | (495.2) |
| **Financing Activities:** | | | | | |
| Repayment of notes | (1,402.2) | — | (16.9) | — | (1,419.1) |
| Borrowings from (repayments to) banks, including commercial paper, net | 2,267.2 | — | (.9) | — | 2,266.3 |
| Proceeds from exercise of stock options | 119.4 | — | — | — | 119.4 |
| Dividends | (229.8) | — | — | — | (229.8) |
| Payment of capital lease obligations | — | — | (6.6) | — | (6.6) |
| Purchase of Company common stock | (2,408.5) | — | — | — | (2,408.5) |
| Increase (decrease) in intercompany payables | 2,001.6 | (266.1) | (1,735.5) | — | — |
| Net cash flow provided by (used for) financing activities from continuing operations | 347.7 | (266.1) | (1,759.9) | — | (1,678.3) |
| Net cash flow used for financing activities attributable to discontinued operations | — | (9.0) | (25.0) | — | (34.0) |
| **Net cash flow provided by (used for) financing activities** | 347.7 | (275.1) | (1,784.9) | — | (1,712.3) |
| Net increase (decrease) in cash and cash equivalents | (435.8) | (2.9) | 177.9 | — | (260.8) |
| Cash and cash equivalents at beginning of period | 569.2 | 11.2 | 347.8 | — | 928.2 |
| **Cash and cash equivalents at end of period** | $ 133.4 | $ 8.3 | $ 525.7 | $ — | $ 667.4 |

**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, 2005.

**Recent Developments**

On June 30, 2006, the Company sold Paramount Parks to Cedar Fair, L.P. for $1.24 billion. As a result, Paramount Parks, previously included in an all other category named Parks/Publishing, is presented as a discontinued operation. Prior periods have been reclassified to conform to this current presentation.

On June 1, 2006, the Company announced the completion of its Voluntary Exchange Offer ("VEO") which gave eligible employees the opportunity to tender their outstanding stock options to purchase shares of CBS Corp. Class B Common Stock in exchange for restricted shares or restricted share units ("RSUs") of CBS Corp. Class B Common Stock. As a result of the VEO, options to purchase 63.7 million shares of CBS Corp. Class B Common Stock were exchanged for 7.1 million restricted shares and .1 million restricted share units.

On May 25, 2006, the Company announced a 12.5% increase in the quarterly cash dividend on CBS Corp. Class A and Class B Common Stock from $.16 to $.18 per share. The dividend of $139.1 million was paid on July 1, 2006 to shareholders of record as of June 5, 2006.

On May 23, 2006, the Company announced that it will explore the divestiture of its radio stations in ten markets: Austin, Buffalo, Cincinnati, Columbus, Fresno, Greensboro-Winston/Salem, Kansas City, Memphis, Rochester and San Antonio.

**Separation**

The separation of former Viacom Inc. ("Former Viacom") into two publicly traded entities, CBS Corporation (the "Company" or "CBS Corp.") and new Viacom Inc. ("Viacom Inc.") was completed on December 31, 2005 (the "Separation"). As a result, each outstanding share of Former Viacom class A common stock was converted into .5 of a share of CBS Corp. Class A Common Stock and .5 of a share of Viacom Inc. class A common stock and each outstanding share of Former Viacom class B common stock was converted into ..5 of a share of CBS Corp. Class B Common Stock and .5 of a share of Viacom Inc. class B common stock. All prior period share and per share data have been adjusted to reflect this conversion. The results of Viacom Inc. have been presented as discontinued operations for the three and six months ended June 30, 2005.

In connection with the Separation, CBS Corp. and Viacom Inc. entered into a separation agreement (the "Separation 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. Pursuant to the provisions of the Separation Agreement, the estimated special dividend is subject to adjustment. On March 14, 2006, the Company submitted to Viacom Inc. an adjustment to increase the estimated special dividend in the amount of approximately $460 million. On May 5, 2006, Viacom Inc. paid to the Company the net undisputed amount of the dividend adjustment of $167 million plus net interest of $2.9 million. The remaining adjustment to increase the estimated special dividend in the amount of approximately $293 million is being disputed by Viacom Inc. and is subject to a resolution process specified in the Separation Agreement.

**Consolidated Results of Operations**

**Three and Six Months Ended June 30, 2006 versus Three and Six Months Ended June 30, 2005**

*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, 2006 and 2005.

| | Three Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | | | | | Increase/(Decrease) | |
| Revenues by Type | 2006 | Percentage of Total | 2005 | Percentage of Total | $ | % |
| Advertising sales | $ 2,650.7 | 76% | $ 2,655.1 | 76% | $ (4.4) | —% |
| Television license fees | 295.9 | 9 | 281.8 | 8 | 14.1 | 5 |
| Affiliate fees | 273.9 | 8 | 247.7 | 7 | 26.2 | 11 |
| Publishing | 176.1 | 5 | 174.7 | 5 | 1.4 | 1 |
| Other | 86.5 | 2 | 154.0 | 4 | (67.5) | (44) |
| **Total Revenues** | $ 3,483.1 | 100% | $ 3,513.3 | 100% | $ (30.2) | (1)% |

| | Six Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | | | | | Increase/(Decrease) | |
| Revenues by Type | 2006 | Percentage of Total | 2005 | Percentage of Total | $ | % |
| Advertising sales | $ 5,216.2 | 74% | $ 5,233.1 | 75% | $ (16.9) | —% |
| Television license fees | 768.2 | 11 | 587.2 | 9 | 181.0 | 31 |
| Affiliate fees | 536.2 | 8 | 496.0 | 7 | 40.2 | 8 |
| Publishing | 357.2 | 5 | 333.4 | 5 | 23.8 | 7 |
| Other | 180.7 | 2 | 302.5 | 4 | (121.8) | (40) |
| **Total Revenues** | $ 7,058.5 | 100% | $ 6,952.2 | 100% | $ 106.3 | 2% |

Advertising sales decreased $4.4 million to $2.65 billion for the second quarter of 2006 and $16.9 million to $5.22 billion for the six months ended June 30, 2006 primarily reflecting a decrease at Radio principally offset by growth at Outdoor. Outdoor advertising growth primarily reflected an increase in North American properties of 9% for the second quarter and the six-month period and a 2% increase in Europe for the second quarter. Radio advertising revenues decreased 8% for the second quarter and 7% for the six-month period reflecting declines in both average unit rates and units sold. Television advertising revenues were relatively flat for both the second quarter and the six months.

Television license fees increased $14.1 million, or 5%, to $295.9 million for the three months ended June 30, 2006 primarily reflecting higher revenues from the domestic syndication of *Without a Trace* and higher foreign syndication partially offset by the absence of license fees from the prior year second-cycle cable renewal of *Everybody Loves Raymond.* For the six months ended June 30, 2006, television license fees increased $181.0 million, or 31%, to $768.2 million primarily reflecting the second-cycle domestic syndication of *Frasier* in the first quarter of 2006.

Affiliate fees increased $26.2 million, or 11%, to $273.9 million for the second quarter and $40.2 million, or 8%, to $536.2 million for the six months ended June 30, 2006 primarily driven by the inclusion of CSTV Networks since its acquisition in January 2006 as well as rate increases and subscriber growth at Showtime Networks.

Publishing revenues increased $1.4 million, or 1%, to $176.1 million for the second quarter of 2006 primarily due to higher distribution fees. For the six months ended June 30, 2006, Publishing revenues increased $23.8 million, or 7%, to $357.2 million, primarily reflecting growth in the Adult group due to contributions from top-selling titles.

Other revenues, which include ancillary fees for Television and Radio operations, digital media and home entertainment revenues, decreased $67.5 million, or 44%, to $86.5 million for the second quarter and decreased $121.8 million, or 40%, to $180.7 million for the six months ended June 30, 2006, primarily reflecting lower home entertainment revenues due to the switch from self-distribution in 2005 to third party distribution in 2006.

*International Revenues*

The Company generated approximately 11% of its total revenues from international regions for each of the three and six months ended June 30, 2006 and 2005.

*Operating Expenses*

The tables below present the Company's consolidated operating expenses by type:

| | Three Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | | | | | Increase/(Decrease) | |
| **Operating Expenses by Type** | **2006** | **Percentage of Total** | **2005** | **Percentage of Total** | **$** | **%** |
| Programming | $ 756.2 | 40% | $ 779.1 | 40% | $ (22.9) | (3)% |
| Production | 525.9 | 28 | 552.3 | 28 | (26.4) | (5) |
| Outdoor operations | 287.7 | 15 | 279.0 | 14 | 8.7 | 3 |
| Publishing operations | 121.7 | 6 | 122.8 | 6 | (1.1) | (1) |
| Other | 218.6 | 11 | 229.7 | 12 | (11.1) | (5) |
| **Total Operating Expenses** | $ 1,910.1 | 100% | $ 1,962.9 | 100% | $ (52.8) | (3)% |

| | Six Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | | | | | Increase/(Decrease) | |
| **Operating Expenses by Type** | **2006** | **Percentage of Total** | **2005** | **Percentage of Total** | **$** | **%** |
| Programming | $ 1,759.6 | 42% | $ 1,788.6 | 43% | $ (29.0) | (2)% |
| Production | 1,225.0 | 29 | 1,118.2 | 27 | 106.8 | 10 |
| Outdoor operations | 557.8 | 13 | 552.5 | 14 | 5.3 | 1 |
| Publishing operations | 248.9 | 6 | 238.8 | 6 | 10.1 | 4 |
| Other | 410.4 | 10 | 426.0 | 10 | (15.6) | (4) |
| **Total Operating Expenses** | $ 4,201.7 | 100% | $ 4,124.1 | 100% | $ 77.6 | 2% |

For the three months ended June 30, 2006, operating expenses decreased $52.8 million, or 3%, to $1.91 billion. For the six months ended June 30, 2006, operating expenses increased $77.6 million, or 2%, to $4.20 billion.

Programming expenses for the second quarter decreased $22.9 million, or 3%, to $756.2 million and for the six months decreased $29.0 million, or 2%, to $1.76 billion primarily reflecting lower costs associated with primetime series at the broadcast networks and lower program costs at Radio.

Production expenses for the second quarter decreased $26.4 million, or 5%, to $525.9 million principally reflecting lower production from the mix of network series. For the six months ended June 30, 2006, production expenses increased $106.8 million, or 10%, to $1.23 billion primarily reflecting higher costs relating to the first quarter 2006 domestic syndication of *Frasier*.

Outdoor operations expenses for the second quarter increased $8.7 million, or 3%, to $287.7 million and for the six months increased $5.3 million, or 1%, to $557.8 million primarily reflecting higher billboard lease costs and other outdoor expenses.

Publishing operations expenses for the second quarter decreased $1.1 million, or 1%, to $121.7 million primarily reflecting lower royalty expenses. For the six months ended June 30, 2006, Publishing operations costs increased $10.1 million, or 4%, to $248.9 million, reflecting higher cost of book sales.

Other operating expenses for the second quarter decreased $11.1 million, or 5%, to $218.6 million and for the six months decreased $15.6 million, or 4%, to $410.4 million primarily reflecting lower home entertainment distribution costs due to the switch from self-distribution in 2005 to third party distribution in 2006 partially offset by higher costs associated with digital media and employee-related costs.

*Selling, General and Administrative Expenses*

Selling, general and administrative ("SG&A") expenses, which include expenses incurred for selling and marketing costs, occupancy and back office support, increased $80.1 million, or 13%, to $714.1 million for the second quarter and increased $83.2 million, or 7%, to $1.36 billion for the six months ended June 30, 2006, primarily reflecting $24.0 million of UPN shutdown costs recorded in the second quarter of 2006, higher employee-related costs, including stock-based compensation, the absence of a $14.6 million gain recognized in the second quarter of 2005 on the sale of one of the Company's radio stations, and the inclusion of CSTV Networks, partially offset by lower advertising expense and professional fees. Pension and postretirement benefits increased $9.3 million to $53.6 million for the second quarter and increased $25.5 million to $113.9 million for the six months ended June 30, 2006 versus the comparable prior-year period. The increases for both periods were primarily due to an increase in pension costs from the recognition of higher actuarial losses from the change in mortality rate assumption, and lower than expected plan asset performance in 2005, partially offset by lower postretirement benefit costs reflecting the effect of a Medicare Part D subsidy. The six-month period also reflected settlement costs related to an international pension plan. SG&A expenses as a percentage of revenues increased to 21% for the three months ended June 30, 2006 versus 18% for the same prior-year period and increased to 19% for the six months ended June 30, 2006 versus 18% in 2005.

*Depreciation and Amortization*

For the three and six months ended June 30, 2006, depreciation and amortization increased 1% to $108.6 million and increased 1% to $216.6 million, respectively, from the comparable prior-year periods.

*Interest Expense*

For the three and six months ended June 30, 2006, interest expense decreased 20% and 19%, respectively, to $140.8 million and $285.1 million, respectively, due to lower debt balances in 2006. In the fourth quarter of 2005, the Company received from Viacom Inc. a $5.4 billion special cash dividend as a result of the Separation, which was used by the Company to repay outstanding commercial paper, debt outstanding under revolving credit facilities and certain fixed rate debt upon maturity in January 2006. In addition, certain fixed rate debt was repaid during 2005, upon maturity. The Company had approximately $7.04 billion and $10.22 billion of principal amount of debt outstanding (including current maturities) as of June 30, 2006 and 2005, respectively, at weighted average interest rates of 7.0% and 6.0%, respectively.

*Interest Income*

For the three months ended June 30, 2006, interest income increased $15.3 million to $18.5 million and for the six months ended June 30, 2006, increased $24.9 million to $31.1 million primarily due to higher interest rates and increased cash and cash equivalents.

*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, 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 associated with securitizing trade receivables and foreign exchange losses of $3.4 million.

For the three months ended June 30, 2005, Other items, net reflected a net loss of $17.4 million principally consisting of foreign exchange losses of $13.8 million and losses of $3.2 million associated with securitizing trade receivables. For the six months ended June 30, 2005, Other items, net of $21.6 million principally reflected a gain on the sale of Marketwatch.com, Inc. of $64.6 million, partially offset by a non-cash charge of $26.5 million associated with other-than-temporary declines in the Company's investments, foreign exchange losses of $10.0 million and losses associated with securitizing trade receivables of $6.2 million.

*Provision for Income Taxes*

The provision for income taxes for continuing operations (exclusive of income tax on equity in earnings (loss) of affiliates and minority interest) was $118.0 million for the three months ended June 30, 2006, compared with $242.3 million for the three months ended June 30, 2005. For the second quarter of 2006, the Company's effective income tax rate decreased to 19.3% from 39.1% reflecting a benefit of $129.0 million from the settlement of certain income tax audits. For the six months ended June 30, 2006, the Company's effective tax rate of 27.9% decreased from 40.1% for the same prior-year period.

*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, primarily Westwood One, Inc. ("Westwood One"). In addition, The CW, a 50/50% joint venture with Warner Bros. Entertainment, has been accounted for as an equity investment beginning in the second quarter of 2006.

*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 for the three and six months ended June 30, 2006 principally reflected the gain on sale of the Paramount Parks division to Cedar Fair, L.P. for $1.24 billion in cash. For 2005 periods, net earnings from discontinued operations included the operating results of Paramount Parks and Viacom Inc., prior to its separation from the Company.

*Net Earnings*

The Company reported net earnings of $781.7 million for the three months ended June 30, 2006 versus $753.8 million for the three months ended June 30, 2005 and net earnings of $1.01 billion for the six months ended June 30, 2006 versus net earnings of $1.34 billion for the six months ended June 30, 2005.

**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, 2006 and 2005.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| **Revenues:** | | | | |
| Television | $ 2,259.8 | $ 2,284.2 | $ 4,775.5 | $ 4,679.3 |
| Radio | 519.1 | 566.5 | 953.6 | 1,029.3 |
| Outdoor | 534.4 | 499.3 | 986.6 | 928.4 |
| Publishing | 176.0 | 174.7 | 357.1 | 333.4 |
| Eliminations | (6.2) | (11.4) | (14.3) | (18.2) |
| **Total Revenues** | $ 3,483.1 | $ 3,513.3 | $ 7,058.5 | $ 6,952.2 |

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| **Segment OIBDA (a):** | | | | |
| Television | $ 535.4 | $ 547.5 | $ 959.1 | $ 959.5 |
| Radio | 227.9 | 280.5 | 398.5 | 477.7 |
| Outdoor | 160.0 | 134.9 | 259.1 | 204.2 |
| Publishing | 10.6 | 9.9 | 16.4 | 13.2 |
| Corporate | (39.7) | (26.8) | (67.4) | (45.7) |
| Residual costs | (35.3) | (29.6) | (70.6) | (59.3) |
| Depreciation and amortization | (108.6) | (107.5) | (216.6) | (214.8) |
| **Operating Income** | $ 750.3 | $ 808.9 | $ 1,278.5 | $ 1,334.8 |
| **Operating Income:** | | | | |
| Television | $ 491.9 | $ 505.5 | $ 874.7 | $ 875.7 |
| Radio | 219.6 | 272.9 | 382.2 | 462.4 |
| Outdoor | 107.9 | 81.7 | 152.4 | 98.2 |
| Publishing | 8.2 | 7.8 | 11.9 | 8.8 |
| Corporate | (42.0) | (29.4) | (72.1) | (51.0) |
| Residual costs | (35.3) | (29.6) | (70.6) | (59.3) |
| **Total Operating Income** | $ 750.3 | $ 808.9 | $ 1,278.5 | $ 1,334.8 |
| **Depreciation and Amortization:** | | | | |
| Television | $ 43.5 | $ 42.0 | $ 84.4 | $ 83.8 |
| Radio | 8.3 | 7.6 | 16.3 | 15.3 |
| Outdoor | 52.1 | 53.2 | 106.7 | 106.0 |
| Publishing | 2.4 | 2.1 | 4.5 | 4.4 |
| Corporate | 2.3 | 2.6 | 4.7 | 5.3 |
| **Total Depreciation and Amortization** | $ 108.6 | $ 107.5 | $ 216.6 | $ 214.8 |

(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 "Disclosure 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 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.

**Television** *(CBS and UPN Television Networks and Stations; Television Production and Syndication, Showtime Networks and CSTV Networks)*

(Contributed 65% and 68% to consolidated revenues for the three and six months ended June 30, 2006 versus 65% and 67% for the prior-year periods.)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Revenues | $ 2,259.8 | $ 2,284.2 | $ 4,775.5 | $ 4,679.3 |
| OIBDA | $ 535.4 | $ 547.5 | $ 959.1 | $ 959.5 |
| Depreciation and amortization | (43.5) | (42.0) | (84.4) | (83.8) |
| Operating income (OI) | $ 491.9 | $ 505.5 | $ 874.7 | $ 875.7 |
| OI as a % of revenues | 22% | 22% | 18% | 19% |
| Capital expenditures | $ 29.5 | $ 58.6 | $ 48.4 | $ 76.1 |

For the three months ended June 30, 2006, Television revenues decreased $24.4 million, or 1%, to $2.26 billion, reflecting a decrease in home entertainment revenues due to the switch from self-distribution in 2005 to third party distribution in 2006. The decrease is partially offset by 11% higher affiliate fees principally due to rate increases and subscriber growth at Showtime Networks and 5% higher television license revenues. Television license revenues increased 5% primarily from the domestic syndication of *Without a Trace* and higher foreign syndication revenues partially offset by the absence of license fees from the prior year second-cycle cable renewal of *Everybody Loves Raymond*. For the six months ended June 30, 2006, Television revenues increased $96.2 million, or 2%, to $4.78 billion primarily due to 31% higher television license fee revenues, 8% higher affiliate revenues partially offset by lower home entertainment revenues. Television license fee revenues increased 31% principally from the second-cycle domestic syndication of *Frasier* in the first quarter of 2006 and higher foreign syndication revenues. Affiliate revenues increased primarily due to rate increases and subscriber growth at Showtime Networks and the inclusion of CSTV Networks results since its acquisition in January 2006. Television advertising revenues remained relatively flat versus the prior year for both the three and six-month periods.

For the three months ended June 30, 2006, Television operating income decreased $13.6 million, or 3%, to $491.9 million and OIBDA decreased $12.1 million, or 2%, to $535.4 million. For the six months ended June 30, 2006, operating income decreased slightly to $874.7 million from $875.7 million and OIBDA decreased slightly to $959.1 million from $959.5 million. These decreases principally reflect $24.0 million of UPN shutdown costs and higher stock-based compensation partially offset by lower costs associated with primetime series at the broadcast networks. For the six months, the decrease also reflects higher costs associated with the second-cycle domestic syndication of *Frasier* primarily offset by higher revenues as noted above. Included in total Television expenses is stock-based compensation of $8.5 million and $14.3 million for the three and six months ended June 30, 2006, respectively, versus $2.1 million and $3.4 million for the same prior-year periods. Operating income as a percentage of revenues was 22% and 18% for the three and six months ended June 30, 2006, respectively, versus 22% and 19% for the same prior-year periods.

The CW, a new broadcast network and 50/50% joint venture with Warner Bros. Entertainment, will be launched in September 2006. As a result, UPN plans to cease broadcasting its network schedule at the conclusion of the 2005/2006 broadcast season. The CW has been accounted for as an equity investment beginning in the second quarter of 2006. In connection with the shutdown of UPN, the Television segment recorded restructuring charges 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. The Company paid and charged $.1 million against the restructuring liabilities during the second quarter of 2006.

On January 5, 2006, the Company completed the acquisition of CSTV Networks, a cable network and online digital sports media company, for a purchase price of approximately $325 million, comprised of 10.2 million shares of CBS Corp. Class B Common Stock and $52 million in cash. The results of CSTV Networks have been included in the Television segment since its date of acquisition.

**Radio** *(CBS Radio)*

(Contributed 15% and 14% to consolidated revenues for the three and six months ended June 30, 2006 and 16% and 15% for the comparable prior-year periods.)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Revenues | $ 519.1 | $ 566.5 | $ 953.6 | $ 1,029.3 |
| OIBDA | $ 227.9 | $ 280.5 | $ 398.5 | $ 477.7 |
| Depreciation and amortization | (8.3) | (7.6) | (16.3) | (15.3) |
| Operating income (OI) | $ 219.6 | $ 272.9 | $ 382.2 | $ 462.4 |
| OI as a % of revenues | 42% | 48% | 40% | 45% |
| Capital expenditures | $ 14.9 | $ 8.3 | $ 24.4 | $ 16.8 |

For the three and six months ended June 30, 2006, Radio revenues decreased $47.4 million, or 8%, to $519.1 million, and $75.7 million, or 7%, to $953.6 million, respectively. The decreases reflected the weakness in the radio advertising market as well as the impact of programming changes at 27 owned radio stations. Radio advertising revenues decreased 8% for the quarter and 7% for the six months due to decreases in the average unit rates and units sold. Radio receives affiliation and other fees and consideration for management services provided to Westwood One, an affiliated company. Revenues from these arrangements were approximately $14.4 million and $29.8 million for the three and six months ended June 30, 2006 versus $16.3 million and $32.5 million for the comparable prior-year periods.

For the three months ended June 30, 2006, Radio operating income decreased $53.3 million, or 20%, to $219.6 million and OIBDA decreased $52.6 million, or 19%, to $227.9 million. For the six months, operating income decreased $80.2 million, or 17%, to $382.2 million and OIBDA decreased $79.2 million, or 17%, to $398.5 million. These decreases are due primarily to the revenue decline noted above. Operating expenses decreased $2.6 million, or 2% for the quarter and $3.2 million, or 1% for the six months due primarily to lower program costs. SG&A expenses increased $7.9 million, or 5%, for the quarter and $6.7 million, or 2% for the six months due to the absence of a $14.6 million gain recognized in the second quarter of 2005 on the sale of one of the Company's radio stations and higher marketing costs for morning programming and new formats, partially offset by lower legal expenses. Included in total Radio expenses is stock-based compensation of $3.4 million and $5.4 million for the three and six months ended June 30, 2006, respectively, versus $.6 million and $1.1 million for the same prior-year periods. Operating income as a percentage of revenues was 42% and 48% for the three months ended June 30, 2006 and 2005, respectively, and 40% and 45% for the six months ended June 30, 2006 and 2005, respectively.

For the remainder of 2006, the Company anticipates that Radio revenues and operating income will continue to be adversely impacted, similar to the impact during the first half of 2006, by the weakness in the radio advertising market and the programming changes at 27 owned radio stations. In July 2006, Radio took initiatives to reduce its cost structure by eliminating more than 100 staff positions. Also, the Company announced that it is exploring the divestiture of certain radio stations in ten of its smaller markets.

**Outdoor** *(CBS Outdoor)*

(Contributed 15% and 14% to revenues for the three and six months ended June 30, 2006 and 14% and 13% for the three and six months ended June 30, 2005.)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Revenues | $ 534.4 | $ 499.3 | $ 986.6 | $ 928.4 |
| OIBDA | $ 160.0 | $ 134.9 | $ 259.1 | $ 204.2 |
| Depreciation and amortization | (52.1) | (53.2) | (106.7) | (106.0) |
| Operating income (OI) | $ 107.9 | $ 81.7 | $ 152.4 | $ 98.2 |
| OI as a % of revenues | 20% | 16% | 15% | 11% |
| Capital expenditures | $ 20.5 | $ 15.4 | $ 36.9 | $ 29.1 |

For the three and six months ended June 30, 2006, Outdoor revenues increased $35.1 million, or 7%, to $534.4 million, and $58.2 million, or 6%, to $986.6 million, respectively. For the second quarter, the revenue increase reflected 9% growth in North American properties and 2% growth in Europe. North American properties reflected growth of 7% in the U.S., 17% in Canada and 15% in Mexico for the quarter. For the six months, Outdoor's revenue increase was driven by 9% growth in North American properties, reflecting growth of 8% in the U.S., 13% in Canada and 21% in Mexico, partially offset by a decrease of 1% in Europe. In constant dollars, however, European revenues increased 4% for the six months. Approximately 44% and 45% of Outdoor's revenues were generated from international regions for the three months ended June 30, 2006 and 2005, respectively, and 45% and 46% for the six months ended June 30, 2006 and 2005, respectively.

For the three months ended June 30, 2006, Outdoor operating income increased $26.2 million, or 32%, to $107.9 million and OIBDA increased $25.1 million, or 19%, to $160.0 million. For the six months, operating income increased $54.2 million, or 55%, to $152.4 million and OIBDA increased $54.9 million, or 27%, to $259.1 million. For the second quarter and six months, the increases in operating income and OIBDA reflected the revenue increases noted above, partially offset by higher expenses. Operating expenses increased $8.7 million, or 3%, for the quarter and $5.3 million, or 1%, for the six months due primarily to higher billboard lease costs and other outdoor expenses. For the six months, these increases were partially offset by the favorable impact of foreign exchange. SG&A expenses increased $1.4 million, or 2%, for the quarter due primarily to higher employee-related costs. For the six months, SG&A expenses decreased $2.0 million, or 1%, reflecting lower professional fees and bad debt expense, as well as the favorable impact of foreign exchange, partially offset by higher employee-related costs. Included in total Outdoor expenses is stock-based compensation of $.9 million and $1.4 million for the three and six months ended June 30, 2006, respectively, versus $.2 million and $.3 million for the same prior-year periods. Operating income as a percentage of revenues was 20% and 16% for the three months ended June 30, 2006 and 2005, respectively, and 15% and 11% for the six months ended June 30, 2006 and 2005, respectively.

**Publishing** (*Simon & Schuster*)

(Contributed 5% to consolidated revenues for the three and six months ended June 30, 2006 and 2005.)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Revenues | $ 176.0 | $ 174.7 | $ 357.1 | $ 333.4 |
| OIBDA | $ 10.6 | $ 9.9 | $ 16.4 | $ 13.2 |
| Depreciation and amortization | (2.4) | (2.1) | (4.5) | (4.4) |
| Operating income (OI) | $ 8.2 | $ 7.8 | $ 11.9 | $ 8.8 |
| OI as a % of revenues | 5% | 4% | 3% | 3% |
| Capital expenditures | $ 1.2 | $ .8 | $ 1.5 | $ 1.3 |

For the three and six months ended June 30, 2006, Publishing revenues increased $1.3 million, or 1%, to $176.0 million, and $23.7 million, or 7%, to $357.1 million, respectively. For the quarter, the increase in revenues reflected higher distribution fees and for the six months, the increase was driven by higher sales from the Adult group, reflecting top-selling titles such as *Two Little Girls in Blue* by Mary Higgins Clark and *Cell* by Stephen King.

For the three months ended June 30, 2006, Publishing operating income increased $.4 million, or 5%, to $8.2 million and OIBDA increased $.7 million, or 7%, to $10.6 million. For the six months, operating income increased $3.1 million, or 35%, to $11.9 million and OIBDA increased $3.2 million, or 24%, to $16.4 million. These increases reflected the revenue increases partially offset by higher total expenses. Operating expenses decreased $1.1 million, or 1%, for the quarter due to lower royalty expenses, and increased $10.1 million, or 4%, for the six months due primarily to higher cost of sales relating to the revenue increase. SG&A expenses increased $1.7 million, or 4%, for the quarter and $10.5 million, or 13% for the six months primarily reflecting higher employee-related costs and advertising and selling expenses. Included in total Publishing expenses is stock-based compensation of $.5 million and $.8 million for the three and six months ended June 30, 2006, respectively, versus $.2 million and $.3 million for the same prior-year periods. Operating income as a percentage of revenues was 5% and 4% for the three months ended June 30, 2006 and 2005, respectively, and 3% for each of the six months ended June 30, 2006 and 2005.

**Financial Position**

Current assets increased $714.6 million to $7.51 billion at June 30, 2006 from $6.80 billion at December 31, 2005 primarily due to increases in cash and cash equivalents, offset by decreases in receivables and programming and other inventory principally due to the timing of receivable collections and investment in programming. The increase in cash and cash equivalents principally reflected the sale of Paramount Parks, partially offset by the repayment of debt. The allowance for doubtful accounts as a percentage of receivables was 5.5% at June 30, 2006 compared with 5.1% at December 31, 2005.

Net property and equipment decreased $32.2 million to $2.70 billion at June 30, 2006 from $2.74 billion at December 31, 2005, primarily reflecting depreciation expense of $166.5 million, partially offset by capital expenditures of $113.2 million, additional property and equipment from acquisitions of $11.3 million and foreign exchange.

Goodwill increased $353.2 million to $18.98 billion at June 30, 2006 from $18.63 billion at December 31, 2005, primarily reflecting the acquisition of CSTV Networks.

Other assets decreased $763.6 million to $1.71 billion at June 30, 2006 from $2.47 billion at December 31, 2005, primarily due to the sale of Paramount Parks, which was presented as a discontinued operation at December 31, 2005.

Current liabilities decreased $1.11 billion to $4.27 billion at June 30, 2006 from $5.38 billion at December 31, 2005 primarily due to a decrease in current portion of long-term debt due to the repayment of senior notes. Accounts payable decreased due to the timing of payments.

Other liabilities decreased $233.4 million to $6.50 billion at June 30, 2006 from $6.74 billion at December 31, 2005, primarily due to the sale of Paramount Parks, which was presented as a discontinued operation at December 31, 2005.

**Cash Flows**

Cash and cash equivalents increased by $1.41 billion for the six months ended June 30, 2006. The change in cash and cash equivalents was as follows:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2006 | 2005 |
| **Cash provided by operating activities from:** | | |
| Continuing operations | $ 1,304.5 | $ 1,235.7 |
| Discontinued operations | 33.0 | 711.0 |
| Cash provided by operating activities | 1,337.5 | 1,946.7 |
| **Cash provided by (used for) investing activities from:** | | |
| Continuing operations | 1,142.8 | (207.8) |
| Discontinued operations | (34.5) | (287.4) |
| Cash provided by (used for) investing activities | 1,108.3 | (495.2) |
| **Cash used for financing activities from:** | | |
| Continuing operations | (1,039.3) | (1,678.3) |
| Discontinued operations | — | (34.0) |
| Cash used for financing activities | (1,039.3) | (1,712.3) |
| Net increase (decrease) in cash and cash equivalents | $ 1,406.5 | $ (260.8) |

***Operating Activities.*** Cash provided by operating activities from continuing operations of $1.30 billion for the six months ended June 30, 2006 increased $68.8 million, or 6%, from $1.24 billion in the same prior-year period reflecting an increase in earnings from continuing operations and lower cash interest resulting from a reduction in debt in 2006, partially offset by higher cash taxes and lower cash inflows from net changes in operating assets and liabilities.

Cash paid for income taxes from continuing operations for the six months ended June 30, 2006 was $401.9 million versus $249.7 million for the six months ended June 30, 2005 principally due to higher taxable income in 2006.

***Investing Activities.*** 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 decreased $10.1 million or 8%. Cash used for investing activities from continuing operations of $207.8 million for the six months ended June 30, 2005 principally reflected acquisitions of $317.0 million, primarily consisting of the acquisition of KOVR-TV and capital expenditures of $123.3 million, partially offset by proceeds from dispositions of $125.1 million, principally from the sales of a radio station and two television stations and proceeds from the sale of investments of $107.8 million, primarily reflecting the sale of Marketwatch.com, Inc.

***Financing Activities.*** Cash used for financing activities of $1.04 billion for the six months ended June 30, 2006 principally 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 used for financing from continuing operations of $1.68 billion for the six months ended June 30, 2005 primarily reflected the purchase of Company common stock of $2.41 billion, the repayment of notes of $1.42 billion and dividend payments of $229.8 million, partially offset by the net proceeds from bank borrowings of $2.27 billion and cash proceeds from the exercise of stock options of $119.4 million.

***Cash Dividends and Share Purchase Program***

On May 25, 2006, the Company announced a 12.5% increase in the quarterly cash dividend to $.18 per share on CBS Corp. Class A and Class B Common Stock. The increased dividend was paid on July 1, 2006 to stockholders of record at the close of business on June 5, 2006. On April 1, 2006 the Company paid $124.1 million to stockholders of record at the close of business on February 28, 2006 for the $.16 per share dividend declared on January 25, 2006.

The Company has not made any purchases under its stock purchase program during the six months ended June 30, 2006. For the six months ended June 30, 2005, on a trade date basis, the Company purchased approximately 33.5 million shares of its Class B Common Stock for $2.40 billion under its $8.0 billion stock purchase program.

**Capital Structure**

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

| | At June 30, 2006 | At December 31, 2005 |
|---|---|---|
| Notes payable to banks | $ 5.0 | $ 7.2 |
| Senior debt (4.625% – 8.875% due 2006–2051) | 6,990.2 | 7,919.9 |
| Other notes | .8 | 1.0 |
| Obligations under capital leases | 122.7 | 125.4 |
| Total debt | 7,118.7 | 8,053.5 |
| Less discontinued operations debt (a) | 83.0 | 153.2 |
| Less current portion of long-term debt | 16.3 | 747.1 |
| Total long-term debt from continuing operations, net of current portion | $ 7,019.4 | $ 7,153.2 |

(a) Included in "Other liabilities" on the Consolidated Balance Sheets.

The Company's total debt includes (i) an aggregate unamortized premium of $30.5 million and $31.8 million and (ii) the decrease in the carrying value of the debt, since inception, relating to fair value hedges of $34.8 million and $8.5 million as of June 30, 2006 and December 31, 2005, respectively.

The senior debt of CBS Corp. is fully and unconditionally guaranteed by its wholly owned subsidiary, CBS Operations Inc. (formerly known as Viacom International Inc.). Senior debt in the amount of $52.2 million in the Company's wholly owned subsidiary, CBS Broadcasting Inc., is not guaranteed.

On January 30, 2006, the Company redeemed, at maturity, all of the outstanding 6.4% senior notes for $800.0 million.

During the six months ended June 30, 2006, the Company repurchased $52.2 million of its 7.70% senior notes due 2010 and $50.0 million of its 6.625% senior notes due 2011, resulting in a loss on early extinguishment of debt of $2.0 million and $6.0 million for the three and six months ended June 30, 2006, respectively.

***Credit Facility***

As of June 30, 2006, 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, 2006, 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, 2006, the remaining availability under this Credit Facility, net of outstanding letters of credit, was $2.75 billion.

***Accounts Receivable Securitization Programs***

As of June 30, 2006, 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, 2006, 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 ($1.30 billion at June 30, 2006), cash and cash equivalents ($3.06 billion at June 30, 2006), borrowing capacity under its committed bank facilities (which consisted of an unused revolving credit facility of $2.75 billion at June 30, 2006), and access to capital markets are sufficient to fund its operating needs, including commitments and contingencies, capital and investing commitments and its financing requirements for the foreseeable future. The funding for commitments to purchase sports programming rights, television and film operations, 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 activity available to meet these needs. Any 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 a committed bank facility that 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 $2.385 billion of securities under the shelf registration statement.

***Voluntary Exchange Offer***

On June 1, 2006, the Company announced the completion of its VEO which gave eligible employees the voluntary opportunity to tender their outstanding stock options to purchase shares of CBS Corp. Class B Common Stock in exchange for restricted shares (for eligible employees who are subject to United States income tax) or RSUs (for eligible employees who are not subject to United States income tax) of CBS Corp. Class B Common Stock having a value equal to 75% of the fair value attributed to the eligible options. For the restricted shares and RSUs issued in exchange for the fully vested options, no compensation expense will be recorded. For the restricted shares and RSUs issued in exchange for unvested options, compensation expense will be recorded based on grant-date fair value of the options over the remaining vesting period. Employees who participated in the VEO made separate tendering decisions with respect to all of their stock options awarded prior to January 1, 2006 that were out-of-the-money (options with an exercise price equal to or greater than $24.9340) and all of those that were in-the-money (options with an exercise price less than $24.9340). Restricted shares and RSUs issued in connection with the VEO vest in two equal annual installments on the second and third anniversaries of the date of grant, June 1, 2006, subject to forfeitures and other restrictions. As a result of the VEO, options to purchase 63.7 million shares of CBS Corp. Class B Common Stock were exchanged for 7.1 million restricted shares and .1 million RSUs.

***Off-Balance Sheet Arrangements***

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

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 $408.8 million at June 30, 2006 and are not recorded on the balance sheet as of June 30, 2006.

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 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, 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 is 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 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 intends to appeal this decision. Any liabilities in this matter adverse to the Company and/or Viacom Inc. will be shared equally between the Company and Viacom Inc. The Company believes that the plaintiffs' positions in these actions are without merit and 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 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, 2006, the Company had pending approximately 94,730 asbestos claims, as compared with approximately 101,170 as of December 31, 2005 and approximately 104,700 as of June 30, 2005. Of the claims pending as of June 30, 2006, approximately 58,860 were pending in state courts, 33,210 in federal courts and approximately 2,660 were third party claims. During the second quarter of 2006, the Company received approximately 1,550 new claims and closed or moved to an inactive docket approximately 5,120 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 2005 and 2004 for settlement and defense of asbestos claims after insurance recoveries and net of tax benefits were approximately $37.2 million and $58.4 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, 2006. 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 product liability claims (other than asbestos) arising from historical operations of the Company and its predecessors.

*Payola.* The Attorney General of the State of New York is conducting an investigation of record companies, radio stations and independent record promoters relating to the promotion and selection of music on radio stations, principally to determine whether radio stations have received undisclosed payments or other items of value that were tied to their decisions on what songs to play, a practice commonly known as "payola." In connection with this investigation, the Attorney General has entered into settlement agreements with EMI Music, Sony/BMG Music Entertainment, Universal Music Group and Warner Music Group Corp. The Attorney General has also filed a lawsuit against Entercom Communications Corp., which owns and operates radio stations in the State of New York, alleging that various arrangements with record companies and independent record promoters are, inter alia, deceptive business practices under New York law. CBS Radio has provided information to the Attorney General and has otherwise cooperated with the investigation. However, if CBS Radio is unable to resolve this matter with the Attorney General, it is possible that the Attorney General will institute litigation. In addition, the FCC, based on a review of information provided to it by the Attorney General, has initiated its own investigation of whether certain arrangements between radio stations and record companies and independent record promoters constitute "payola" in violation of the Communications Act. The FCC has issued a Letter of Inquiry to CBS Radio and three other large radio companies requesting additional information about these practices. CBS Radio intends to cooperate with the FCC in this investigation and is in the process of gathering the information requested by the FCC.

*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 it could bring the appeal. 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 totaling $3.35 million for such matter; of that amount $260,000 is against certain owned and operated stations and the remainder is against stations affiliated with the CBS Television Network. 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 are the subject of a petition for review filed in the U.S. Court of Appeals for the Second Circuit by the Company, as well as the other broadcast networks and their affiliate associations. 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 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 amounts will be effective when the FCC issues implementing regulations.

On an ongoing basis, the Company defends itself in a multitude of 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 CBS Corp. and Viacom Inc. At June 30, 2006, NAI beneficially owned CBS Corp.'s Class A Common stock, representing approximately 74% of the voting power of all classes of CBS Corp.'s Common Stock, and approximately 11% of CBS Corp.'s Class A Common Stock and Class B Common Stock on a combined basis.

*Viacom Inc.* 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 television products on behalf of Television and Showtime Networks in the home entertainment market. Simon & Schuster is also involved in transactions with Viacom Inc. CBS Corp.'s total revenues from these transactions were $27.4 million and $46.6 million for the three months ended June 30, 2006 and 2005, respectively and $42.8 million and $75.5 million for the six months ended June 30, 2006 and 2005, 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 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 $45.2 million and $27.1 million for the three months ended June 30, 2006 and 2005, respectively and $78.0 million and $59.8 million for the six months ended June 30, 2006 and 2005, respectively.

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

| | | At June 30, 2006 | | At December 31, 2005 |
|---|---|---|---|---|
| **Amounts due from Viacom Inc.** | | | | |
| Receivables | $ | 192.1 | $ | 235.8 |
| Other assets (Receivables, noncurrent) | | 150.1 | | 225.2 |
| **Total amounts due from Viacom Inc.** | | 342.2 | $ | 461.0 |
| **Amounts due to Viacom Inc.** | | | | |
| Accounts payable | $ | 4.1 | $ | 3.4 |
| Program rights | | 56.1 | | 64.7 |
| Other liabilities (Program rights, noncurrent) | | 41.9 | | 41.2 |
| **Total amounts due to Viacom Inc.** | $ | 102.1 | $ | 109.3 |

*Other Related Parties.* The Company owned approximately 18% of Westwood One Inc. ("Westwood One") as of June 30, 2006, which is accounted for by the Company as an equity investment. Three members of Westwood One's board of directors are officers of CBS Radio or otherwise affiliated with the Company. 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 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 relating to the provision of news and sports programming to Westwood One. Revenues from all of these arrangements were approximately $20.3 million and $19.8 million for the three months ended June 30, 2006 and 2005, respectively, and $40.8 million and $40.7 million for the six months ended June 20, 2006 and 2005, respectively.

**Recent Pronouncements**

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109" ("FIN 48"), effective for fiscal years beginning after December 15, 2006. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN 48 prescribes 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. The Company is currently evaluating the impact of the adoption of FIN 48 on the Company's Consolidated Financial Statements.

**Critical Accounting Policies**

On January 1, 2006, the Company adopted SFAS No. 123 (revised 2004) "Share-Based Payment" ("SFAS 123R"). SFAS 123R requires companies to measure the cost of employee services received in exchange for an award of equity instruments based on grant-date fair value of the award. That cost is recognized over the vesting period during which an employee is required to provide service in exchange for the award. The Company adopted SFAS 123R using the modified-prospective application method and accordingly, recognizes compensation cost for stock-based compensation for all new or modified grants after the date of adoption. In addition, the Company recognizes the unvested portion of the grant-date fair value of awards made prior to the adoption based on the fair values previously calculated for disclosure purposes. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The determination of the assumptions used in the Black-Scholes model requires management to make significant judgments and estimates. The use of different assumptions and estimates in the Black-Scholes option pricing model could have a material impact on the estimated fair value of option grants and the related expense. The expected stock price volatility was determined using an average of the implied volatility of traded options to purchase CBS Corp. Class B Common Stock and the implied volatility of similar entities. The risk free interest rate is based on a U.S. Treasury rate in effect on the date of grant with a term equal to the expected life. The expected term was determined based on historical employee exercise and post-vesting termination behavior. The expected dividend yield for 2006 is based on the current annual dividend rate.

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, 2005, for a discussion for the companies other critical accounting policies.

**Cautionary Statement Concerning Forward-Looking Statements**

This quarterly report on Form 10-Q, including "Item 2—Management's Discussion and Analysis of Results of Operations and Financial Condition," contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements within the meaning of section 27A of the Securities Act of 1933 and section 21E of the Securities Exchange Act of 1934. These forward-looking statements are not based on historical facts, but rather reflect the Company's current expectations concerning future results and events. These forward-looking statements generally can be identified by the use of statements that include phrases such as "believe," "expect," "anticipate," "intend," "plan," "foresee," "likely," "will" or other similar words or phrases. Similarly, statements that describe the Company's objectives, plans or goals are or may be forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that are difficult to predict and which may cause the actual results, performance or achievements of the Company to be different from any future results, performance and achievements expressed or implied by these statements. These risks, uncertainties and other factors include, among others: advertising market conditions generally; changes in the public acceptance of the Company's programming; changes in technology and its effect on competition in the Company's markets; whether the Company will achieve results anticipated by the Separation; 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, 2005. 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 only 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 of Form 10-K for the year ended December 31, 2005.

**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 1. Legal Proceedings.

*Shareholder Derivative Lawsuits.* As previously reported, two shareholder derivative lawsuits, consolidated as *In re Viacom 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, 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. 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 intends to appeal this decision. 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.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the three months ended June 30, 2006, the Company did not purchase any of its shares including purchases under its $8.0 billion stock purchase program which has remaining authorization of $579.8 million.

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

The Annual Meeting of Stockholders of CBS Corporation was held on May 25, 2006. The following matters were voted on at the meeting: (i) the election of 12 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 2006, (iii) the approval of the amended and restated CBS Corporation 2004 Long-Term Management Incentive Plan, (iv) the approval of the amended and restated CBS Corporation 2000 Stock Option Plan for Outside Directors, and (v) the approval of the CBS Corporation 2005 RSU Plan for Outside Directors.

(i) The entire nominated board of directors was elected and 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 | 61,372,400 | 206,717 |
| Joseph A. Califano, Jr. | 61,286,856 | 292,261 |
| William S. Cohen | 61,387,054 | 192,063 |
| Philippe P. Dauman | 61,158,074 | 421,043 |
| Charles K. Gifford | 61,393,667 | 185,450 |
| Bruce S. Gordon | 61,397,552 | 181,565 |
| Leslie Moonves | 61,368,959 | 210,158 |
| Shari Redstone | 61,150,735 | 428,382 |
| Sumner M. Redstone | 61,144,147 | 434,970 |
| Ann N. Reese | 61,373,642 | 205,475 |
| Judith A. Sprieser | 61,396,421 | 182,696 |
| Robert D. Walter | 61,185,691 | 393,426 |

(ii) 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 2006 were as follows:

| For: | Against: | Abstentions: |
| --- | --- | --- |
| 61,470,685 | 58,472 | 49,960 |

(iii) The votes cast for, against, abstentions and the broker non-votes with respect to the approval of the amended and restated CBS Corporation 2004 Long-Term Management Incentive Plan were as follows:

| For: | Against: | Abstentions: | Broker Non-Votes: |
| --- | --- | --- | --- |
| 54,025,093 | 1,923,778 | 74,449 | 5,555,797 |

(iv) The votes cast for, against, abstentions and the broker non-votes with respect to the approval of the amended and restated CBS Corporation 2000 Stock Option Plan for Outside Directors were as follows:

| For: | Against: | Abstentions: | Broker Non-Votes: |
| --- | --- | --- | --- |
| 53,715,811 | 2,234,522 | 72,988 | 5,555,796 |

(v) The votes cast for, against, abstentions and the broker non-votes with respect to the approval of the CBS Corporation 2005 RSU Plan for Outside Directors were as follows:

| For: | Against: | Abstentions: | Broker Non-Votes: |
| --- | --- | --- | --- |
| 53,573,926 | 2,373,256 | 76,138 | 5,555,797 |

**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** |
| | | CBS Corporation 2004 Long-Term Management Incentive Plan (as amended and restated through May 25, 2006) (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 8, 2006

/s/ FREDRIC G. REYNOLDS

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

Date: August 8, 2006

/s/ SUSAN C. GORDON

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

**EXHIBIT INDEX**

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**Exhibit 10**

**CBS CORPORATION**
**2004 LONG-TERM MANAGEMENT INCENTIVE PLAN**
**(as amended and restated through May 25, 2006)**

## ARTICLE I

## GENERAL

**Section 1.1 Purpose.**

The purpose of the CBS Corporation 2004 Long-Term Management Incentive Plan (the "Plan") is to benefit and advance the interests of CBS Corporation, a Delaware corporation (the "Company"), and its Subsidiaries (as defined below) by rewarding certain employees of the Company and its Subsidiaries for their contributions to the financial success of the Company and its Subsidiaries and thereby motivate them to continue to make such contributions in the future. This Plan replaces the 2000 Long-Term Management Incentive Plan, as amended (the "Predecessor Plan"). From and after the date on which the stockholders of the Company approve the Plan, no further awards shall be made under the Predecessor Plan.

**Section 1.2 Definitions.**

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

(a) "Administrator" shall mean the individual or individuals to whom the Committee delegates authority under the Plan in accordance with Section 1.3(c).

(b) "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.

(c) "Appreciation Value" shall mean the excess, if any, of the Value of a Phantom Share on the applicable Valuation Date or date of termination of employment or of the Participant's death, Retirement or Permanent Disability (as described in Section 5.5(a) hereof), as the case may be, over the Initial Value of such Phantom Share.

(d) "Awards" shall mean any Stock Options, Stock Appreciation Rights, Restricted Shares, Restricted Share Units, unrestricted shares of Class B Common Stock, Phantom Shares, Dividend Equivalents, Performance Awards or Other Awards or a combination of any of the above.

(e) "Board" shall mean the Board of Directors of the Company.

(f) "Class B Common Stock" shall mean shares of Class B Common Stock, par value $0.001 per share, of the Company.

(g) "Code" shall mean the Internal Revenue Code of 1986, as amended, including any successor law thereto, and the rules and regulations promulgated thereunder.

(h) "Committee" shall mean the Compensation Committee of the Board (or such other Committee(s) as may be appointed or designated by the Board) to administer the Plan in accordance with Section 1.3 of the Plan.

(i) "Date of Grant" shall mean the effective date of the grant of an Award as set forth in the applicable Agreement.

(j) "Dividend Equivalent" means 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 Section 7.1 hereof. Payments in respect of Dividend Equivalents may be in cash, or, in the discretion of the Committee, in shares of Class B Common Stock or other securities of the Company designated by the Committee or in a combination of cash, shares of Class B Common Stock or such other securities.

(k) "Earnings Per Share" shall have the meaning provided by GAAP.

(l) "Effective Date" shall have the meaning set forth in Article XII.

(m) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, including any successor law thereto.

(n) "Fair Market Value" of a share of Class B Common Stock on a given date shall be, unless otherwise determined by the Committee, the 4:00 p.m. (New York time) 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) or any other authoritative source selected by the Company.

(o) "Free Cash Flow" shall mean the Company's Operating Income before depreciation and amortization, less cash interest, taxes paid, working capital requirements and capital expenditures.

(p) "GAAP" shall mean generally accepted accounting principles in the United States.

(q) "Initial Value" shall mean the value of a Phantom Share as specified by the Committee as of the Date of Grant or the Value of a Phantom Share calculated as of the Date of Grant or such earlier date as the Committee may determine.

(r) "Net Earnings" shall have the meaning provided in GAAP.

(s) "Net Earnings from Continuing Operations" shall have the meaning provided in GAAP.

(t) "Net Revenue" shall have the meaning provided by GAAP.

(u) "OIBDA" shall mean the Company's Operating Income before depreciation and amortization.

(v) "OIBDA Without Inter-Company Eliminations" shall mean the Company's Operating Income before depreciation, amortization and inter-company eliminations.

(w) "Operating Income" shall have the meaning provided by GAAP.

(x) "Operating Revenue" shall have the meaning provided by GAAP.

(y) "Other Awards" shall mean any form of award authorized under Section 7.2 of the Plan, other than a Stock Option, Stock Appreciation Right, Restricted Share, Restricted Share

Unit, unrestricted share of Class B Common Stock, Phantom Share, Performance Award or Dividend Equivalent.

(z) "Outstanding Phantom Share" shall mean a Phantom Share granted to a Participant for which the Valuation Date has not yet occurred.

(aa) "Outstanding Stock Option" shall mean a Stock Option granted to a Participant which has not yet been exercised and which has not yet expired or been terminated in accordance with its terms.

(bb) "Participant" shall mean any employee who has met the eligibility requirements set forth in Section 1.4 hereof and to whom an Award has been made under the Plan.

(cc) "Performance Award" shall mean any award of Performance Shares or Performance Units pursuant to Article VI hereof.

(dd) "Performance Goals" shall have the meaning set forth in Section 6.2 hereof.

(ee) "Performance Period" shall mean a period of time over which performance is measured as determined by the Committee in its sole discretion.

(ff) "Performance Share" shall mean an award granted pursuant to Article VI hereof of a share of Class B Common Stock subject to the terms and conditions set forth in the applicable Agreement.

(gg) "Performance Units" shall mean an award granted pursuant to Article VI hereof, payable in cash, or, in the discretion of the Committee, in shares of Class B Common Stock or other securities of the Company designated by the Committee or in a combination of cash, shares of Class B Common Stock or such other securities, subject to the terms and conditions set forth in the Plan and in the applicable Agreement.

(hh) "Permanent Disability" shall have the same meaning as such term or a similar term has in the long-term disability policy maintained by the Company or a Subsidiary thereof for the Participant and that is in effect on the date of the onset of the Participant's Permanent Disability, unless the Committee determines otherwise, in its discretion; *provided*, *however*, with respect to grants of Incentive Stock Options, permanent disability shall have the meaning given it under the rules governing Incentive Stock Options under the Code.

(ii) "Phantom Share" shall mean a contractual right granted to a Participant pursuant to Article V to receive an amount equal to the Appreciation Value at such time, subject to the terms and conditions set forth in the Plan and the applicable Agreement.

(jj) "Predecessor Plan" shall have the meaning set forth in Section 1.1 hereof.

(kk) "Replacement Award" shall mean an Award granted in substitution for a Stock Option that is tendered and canceled in an exchange offer conducted pursuant to the last sentence of Section 2.5.

(ll) "Restricted Share" shall mean a share of Class B Common Stock granted to a Participant pursuant to Article III, which is subject to the restrictions set forth in Section 3.3 hereof and to such other terms, conditions and restrictions as are set forth in the Plan and the applicable Agreement.

(mm) "Restricted Share Unit" shall mean a contractual right granted to a Participant pursuant to Article IV to receive, in the discretion of the Committee, shares of Class B Common Stock, a cash payment equal to the Fair Market Value of Class B Common Stock, or other securities of the Company designated by the Committee or a combination of cash, shares of Class B Common Stock or such other securities, subject to the terms and conditions set forth in the Plan and in the applicable Agreement.

(nn) "Retirement" with respect to awards made prior to May 1, 2006 shall mean the resignation or termination of employment after attainment of an age and years of service required for payment of an immediate pension pursuant to the terms of any qualified defined benefit retirement plan maintained by the Company or a Subsidiary in which the Participant participates; *provided, however,* that no resignation or termination prior to a Participant's 60th birthday shall be deemed a retirement unless the Committee so determines in its sole discretion; and *provided, further,* that the resignation or termination of employment other than a Termination for Cause after attainment of age 60 shall be deemed a retirement if the Participant does not participate in a qualified defined benefit retirement plan maintained by the Company or any of its Subsidiaries.

"Retirement" with respect to awards made on or after May 1, 2006 shall, unless otherwise determined by the Committee, mean the termination (other than by reason of death or for a Termination for Cause) of a Participant's employment with the Company and/or one of its Subsidiaries once the Participant is at least 55 years of age and has completed at least ten years of service (as determined pursuant to the Company's applicable practices) with the Company and/or its Subsidiaries, *provided*, *however*, that no termination prior to a Participant's having attained his or her 55th birthday and completed at least ten years of such service shall be deemed a retirement unless the Committee so determines in its sole discretion.

(oo) "Revenue" shall have the meaning provided by GAAP.

(pp) "Section 162(m)" shall mean Section 162(m) of the Code and the rules and regulations promulgated thereunder from time to time.

(qq) "Section 162(m) Exception" shall mean the exception under Section 162(m) for "qualified performance-based compensation."

(rr) "Section 162(m) Performance Goals" shall have the meaning set forth in Section 6.2 hereof.

(ss) "Section 409A" shall mean Section 409A of the Internal Revenue Code of 1986, as amended and the rules, regulations and guidance issued thereunder.

(tt) "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.

(uu) "Stock Appreciation Right" shall mean a contractual right granted to a Participant pursuant to Article II to receive an amount determined in accordance with Section 2.6 of the Plan, subject to such other terms and conditions as are set forth in the Plan and the applicable Agreement.

(vv) "Stock Option" shall mean a contractual right granted to a Participant pursuant to Article II to purchase shares of Class B Common Stock at such time and price, and subject to such other terms and conditions as are set forth in the Plan and the applicable Agreement. Stock

Options may be "Incentive Stock Options" within the meaning of Section 422 of the Code or "Non-Qualified Stock Options" which do not meet the requirements of such Code section.

(ww) "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).

(xx) "Substitute Awards" means Awards granted upon assumption of, or in substitution for, outstanding awards previously granted by a company or other entity all or a portion of the assets or equity of which is acquired by the Company or with which the Company merges or otherwise combines.

(yy) "Termination for Cause" shall mean a termination of employment with the Company or any of its Subsidiaries which, as determined by the Committee, is by reason of (i)"cause" as such term or a similar term is defined in any employment agreement that is in effect and applicable to the Participant, or (ii) if there is no such employment agreement or if such employment agreement contains no such term, unless the Committee determines otherwise, the Participant's: (A) dishonesty; (B) conviction of embezzlement, fraud or other conduct which would constitute a felony; (C) willful unauthorized disclosure of confidential information; (D) failure, neglect of or refusal to substantially perform the duties of the Participant's employment; or (E) any other act or omission which is a material breach of the Company's policies regarding employment practices or the applicable federal, state and local laws prohibiting discrimination or which is materially injurious to the financial condition or business reputation of the Company or any Subsidiary thereof.

(zz) "Valuation Date" shall mean the date on which the Appreciation Value of a Phantom Share shall be measured and fixed in accordance with Section 5.2(a) hereof.

(aaa) The "Value" of a Phantom Share shall be determined by reference to the "average Fair Market Value" of a share of Class B Common Stock. The "average Fair Market Value" on a given date of a share of Class B Common Stock shall be determined over the 30-day period ending on such date or such other period as the Committee may decide shall be applicable to a grant of Phantom Shares, determined by dividing (i) by (ii), where (i) shall equal the sum of the Fair Market Values on each day that the Class B Common Stock was traded and a closing price was reported during such period, and (ii) shall equal the number of days, as determined by the Committee for the purposes of determining the average Fair Market Value for such Phantom Shares, on which the Class B Common Stock was traded and a closing price was reported during such period.

**Section 1.3 Administration of the Plan.**

(a) *Board or Committee to Administer.* The Plan shall be administered by the Board or by a Committee appointed by the Board, consisting of at least two members of the Board; *provided* that, with respect to any Award that is intended to satisfy the requirements of the Section 162(m) Exception, such Committee shall consist of at least such number of directors as is required from time to time to satisfy the Section 162(m) Exception, and each such Committee member shall satisfy the qualification requirements of such exception; *provided, however,* that, if any such Committee member is found not to have met the qualification requirements of the Section 162(m) Exception, any actions taken or Awards granted by the Committee shall not be invalidated by such failure to so qualify.

(b) *Powers of the Committee.*

(i) The Committee shall adopt such rules as it may deem appropriate in order to carry out the purpose of the Plan. All questions of interpretation, administration and application of the Plan shall be determined by a majority of the members of the Committee then in office, except that the Committee may authorize any one or more of its members, or any officer of the Company, to execute and deliver documents on behalf of the Committee. The determination of such majority shall be final and binding as to all matters relating to the Plan.

(ii) The Committee shall have authority to select Participants from among the class of eligible persons specified in Section 1.4 below, to determine the type of Award to be granted, to determine the number of shares of Class B Common Stock subject to an Award or the cash amount payable in connection with an Award, and to determine the terms and conditions of each Award in accordance with the terms of the Plan. Except as provided in Section 6.4, the Committee shall also have the authority to amend the terms of any outstanding Award or waive any conditions or restrictions applicable to any Award; *provided, however*, that no amendment shall materially impair the rights of the holder thereof without the holder's consent. With respect to any restrictions in the Plan or in any Agreement that are based on the requirements of Section 422 of the Code, the Section 162(m) Exception, the rules of any exchange upon which the Company's securities are listed, or any other applicable law, rule or restriction to the extent that any such restrictions are no longer required, the Committee shall have the sole discretion and authority to grant Awards that are not subject to such restrictions and/or to waive any such restrictions with respect to outstanding Awards.

(c) *Delegation by the Committee.* The Committee may, but need not, from time to time delegate some or all of its authority under the Plan to an Administrator consisting of one or more members of the Committee or of one or more officers of the Company; *provided, however*, that the Committee may not delegate its authority (i) to make Awards to employees (A) who are subject on the date of the Award to the reporting rules under Section 16(a) of the Exchange Act, (B) whose compensation for such fiscal year may be subject to the limit on deductible compensation pursuant to Section 162(m) or (C) who are officers of the Company who are delegated authority by the Committee hereunder, or (ii) to interpret the Plan or any Award, or (iii) under Article X of the Plan. Any delegation hereunder shall be subject to the restrictions and limits that the Committee specifies at the time of such delegation or thereafter. Nothing in the Plan shall be construed as obligating the Committee to delegate authority to an Administrator, and the Committee may at any time rescind the authority delegated to an Administrator appointed hereunder or appoint a new Administrator. At all times, the Administrator appointed under this Section 1.3(c) shall serve in such capacity at the pleasure of the Committee. Any action undertaken by the Administrator in accordance with the Committee's delegation of authority shall have the same force and effect as if undertaken directly by the Committee, and any reference in the Plan to the Committee shall, to the extent consistent with the terms and limitations of such delegation, be deemed to include a reference to the Administrator.

**Section 1.4 Eligible Persons.**

Awards may be granted to any employee of the Company or any of its Subsidiaries.

**Section 1.5 Class B Common Stock Subject to the Plan.**

(a) *Plan Limit.* The shares of Class B Common Stock subject to Awards under the Plan shall be made available from authorized but unissued Class B Common Stock, from Class B Common Stock issued and held in the treasury of the Company or, subject to such conditions as the Committee may determine, from shares beneficially owned by one or more stockholders of the Company. Subject to adjustment under Article VIII hereof, the total number of shares of Class B Common Stock available for Awards made on or after January 1, 2006 under the Plan (the "Section 1.5 Limit") is 61,605,522 shares of Class B Common Stock (such number having been adjusted for the Separation), plus any shares added back to this Section 1.5(a) pursuant to Section 1.5(c)(ii).

(b) *Plan Sub-Limits.* Subject to adjustment under Article VIII hereof, the maximum aggregate number of shares of Class B Common Stock that may be issued in conjunction with awards made on or after January 1, 2006 of (i) Restricted Shares, Restricted Share Units, unrestricted shares of Class B Common Stock, Performance Shares and Dividend Equivalents, and (ii) Performance Units and Other Awards but only if the Performance Units or Other Awards are paid or settled in shares of Class B Common Stock, is 34,243,573 shares (such number having been adjusted to account for the Separation), *provided* that, subject to adjustment under Article VIII hereof, no more than 75,000 shares may be issued as unrestricted Class B Common Stock.

(c) *Rules Applicable to Determining Shares Available for Issuance.* For purposes of determining the number of shares of Class B Common Stock that remain available for issuance, the following rules apply:

(i) In connection with the granting of an Award (other than an Award denominated in dollars), the number of shares of Class B Common Stock in respect of which the Award is granted or denominated shall be counted against the Section 1.5 Limit (and, if applicable, the limits set forth in Section 1.5(b)).

(ii) To the extent permitted by law or the rules and regulations of any stock exchange on which the Class B Common Stock is listed, the number of shares of Class B Common Stock that shall be added back to the Section 1.5 Limit (and, if applicable, the limits set forth in Section 1.5(b)) and shall again be available for Awards, shall be the corresponding number of shares of Class B Common Stock that are:

(A) tendered in payment of the exercise price of an Award or to satisfy a Participant's tax or other withholding obligations with respect to an Award;

(B) subject to an Award which for any reason expires or is cancelled, forfeited, or terminated without having been exercised or paid, *provided*, *however*, that shares of Class B Common Stock that are subject to Stock Options that are tendered and canceled in an exchange offer conducted pursuant to the last sentence of Section 2.5 shall not become available for future Awards;

(C) withheld from any Award to satisfy a Participant's tax or other withholding obligations or to pay the exercise price of an Award; and

(D) subject to Awards that are instead settled in cash.

Anything to the contrary in this Section 1.5(c) notwithstanding, if an Award is settled in whole or in part by delivery of fewer than the full number of shares of Class B Common Stock subject to such Award, the excess, if any, of the number of shares of Class B Common Stock subject to the Award over the number of shares of Class B Common Stock delivered to the Participant upon exercise or settlement shall not be counted against the Section 1.5 Limit (and, if applicable, the limits set forth in Section 1.5(b)) and shall again be available for Awards.

(iii) Any shares of Class B Common Stock underlying Substitute Awards or Replacement Awards shall not be counted against the Section 1.5 Limit (and, if applicable, the limits set forth in Section 1.5(b)).

**Section 1.6 Section 162(m) Limits on Awards to Participants.**

(a) *Limits on Certain Stock Options, Stock Appreciation Rights and Phantom Shares.* The maximum aggregate number of shares of Class B Common Stock that may be granted to any Participant during the five-year period starting on the Effective Date of the Plan with respect to Stock Options, Stock Appreciation Rights or Phantom Shares that are granted at no less than 100% of Fair Market Value on the Date of Grant is 25,468,760 (such number having been adjusted for the Separation) (regardless of whether Stock Appreciation Rights and Phantom Shares are settled in cash, Class B Common Stock, other Company securities or a combination thereof), subject to adjustment pursuant to Article VIII hereof.

(b) *Limits on other Awards.* The maximum amount of Awards (other than those Awards set forth in Section 1.6(a)) intended to qualify for the Section 162(m) Exception that may be awarded to any Participant in respect of any Performance Period is $50 million (with respect to Awards denominated in cash) and 5,093,752 shares (such number having been adjusted for the Separation) of Class B Common Stock (with respect to Awards denominated in shares of Class B Common Stock), subject to adjustment pursuant to Article VIII hereof. Notwithstanding the preceding sentence, if in respect of any Performance Period, the Committee grants to a Participant Awards having an aggregate dollar value and/or number of shares less than the maximum dollar value and/or number of shares that could be paid or awarded to such Participant based on the degree to which the relevant Performance Goals were attained, the excess of such maximum dollar value and/or number of shares over the aggregate dollar value and/or number of shares actually subject to Awards granted to such Participant shall be carried forward and shall increase the maximum dollar value and/or number of shares that may be awarded to such Participant in respect of the next Performance Period in respect of which the Committee grants to such Participant an Award intended to qualify for the Section 162(m) Exception, subject to adjustment pursuant to Article VIII hereof.

**Section 1.7 Agreements.**

The Committee shall determine and set forth in an Agreement the terms and conditions of each Award (other than an Award of unrestricted Class B Common Stock). Each Agreement (i) shall state the Date of Grant and the name of the Participant, (ii) shall specify the terms of the Award, (iii) shall be signed by a person designated by the Committee and, if so required by the Committee, by the Participant, (iv) shall incorporate the Plan by reference and (v) shall be delivered or otherwise made available to the Participant. The Agreement shall contain such other terms and conditions as are required by the Plan and, in addition, such other terms not inconsistent with the Plan as the Committee may deem advisable. The Committee shall have the authority to adjust the terms of the Agreements relating to an Award in a jurisdiction outside of the United States (i) to comply with the laws of such jurisdiction or (ii) to obtain more favorable tax treatment for the Company and/or any Subsidiary, as applicable, and/or for the Participants in such jurisdiction. Such authority shall be notwithstanding the fact that the requirements of the local jurisdiction may be more restrictive than the terms set forth in the Plan.

## ARTICLE II

## PROVISIONS APPLICABLE TO STOCK OPTIONS

**Section 2.1 Grants of Stock Options.**

The Committee may from time to time grant to eligible employees Stock Options on the terms and conditions set forth in the Plan and on such other terms and conditions as are not inconsistent with the purposes and provisions of the Plan, as the Committee, in its discretion, may from time to time determine. Each Agreement covering a grant of Stock Options shall specify the number of Stock Options granted, the Date of Grant, the exercise price of such Stock Options, whether such Stock Options are Incentive Stock Options or Non-Qualified Stock Options, the period during which such Stock Options may be exercised, any vesting schedule, any Performance Goals and any other terms that the Committee deems appropriate.

**Section 2.2 Exercise Price.**

The Committee shall establish the per share exercise price of a Stock Option on the Date of Grant in such amount as the Committee shall determine; *provided* that such exercise price shall not be less than 100% of the Fair Market Value of a share of Class B Common Stock on the Date of Grant, unless such Stock Option is subject to any Performance Goals pursuant to Article VI. In addition, notwithstanding the foregoing, the per share exercise price of a Stock Option that is a Substitute Award may be less than 100% of the Fair Market Value of a share of Class B Common Stock on the Date of Grant, *provided* that the excess of:

(i) the aggregate Fair Market Value (as of the Date of Grant of such Substitute Award) of the shares of Class B Common Stock subject to the Substitute Award, over

(ii) the aggregate exercise price thereof, does not exceed the excess of:

(iii) the aggregate fair market value (as of the time immediately preceding the transaction pursuant to which the Substitute Award was granted, such fair market value to be determined by the Committee) of the shares of the predecessor entity that were subject to the award assumed or substituted for by the Company, over

(iv) the aggregate exercise price of such shares.

The exercise price of any Stock Option will be subject to adjustment in accordance with the provisions of Article VIII of the Plan.

**Section 2.3 Exercise of Stock Options.**

(a) *Exercisability.* Stock Options shall be exercisable only to the extent the Participant is vested therein, subject to any restrictions that the Committee shall determine and specify in the applicable Agreement (or any employment agreement applicable to the Participant). The Committee shall establish the vesting schedule applicable to the Stock Options granted hereunder, which vesting schedule shall specify the period of time, the increments in which a Participant shall vest in the Stock Options and/or any applicable Performance Goal requirements, subject to any restrictions that the Committee shall determine and specify in the applicable Agreement (or any employment agreement applicable to the Participant). The Committee may, in its sole discretion, accelerate the time at which a Participant vests in his Stock Options.

(b) *Option Period.* For each Stock Option granted, the Committee shall specify the period during which the Stock Option may be exercised.

(c) *Registration Restrictions.* A Stock Option shall not be exercisable, no transfer of shares of Class B Common Stock shall be made to any Participant, and any attempt to exercise a Stock Option or to transfer any such shares shall be void and of no effect, unless and until (i) a registration statement under the Securities Act of 1933, as amended, has been duly filed and declared effective pertaining to the shares of Class B Common Stock subject to such Stock Option, and the shares of Class B Common Stock subject to such Stock Option have been duly qualified under applicable federal or state securities or blue sky laws or (ii) the Committee, in its sole discretion, determines, or the Participant, upon the request of the Committee, provides an opinion of counsel satisfactory to the Committee, that such registration or qualification is not required as a result of the availability of an exemption from registration or qualification under such laws. Without limiting the foregoing, if at any time the Committee shall determine, in its sole discretion, that the listing, registration or qualification of the shares of Class B Common Stock subject to such Stock Option is required under any federal or state law or on any securities exchange or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, delivery or purchase of such shares pursuant to the exercise of a Stock Option, such Stock Option shall not be exercised in whole or in part unless and until such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(d) *Exercise in the Event of Termination of Employment, Retirement, Death or Permanent Disability.*

(i) *Termination other than for Cause, or due to Retirement, Death or Permanent Disability.* Except as otherwise provided in this Section 2.3 or as otherwise determined by the Committee, in the event that (A) the Participant ceases to be an employee of the Company or any of its Subsidiaries by reason of the voluntary termination by the Participant or the termination by the Company or any of its Subsidiaries other than for Cause, his Outstanding Stock Options may be exercised to the extent then exercisable until the earlier of six months after the date of such termination or the Expiration Date, (B) the Participant ceases to be an employee of the Company or any of its Subsidiaries by reason of the Participant's Retirement, the Participant may exercise his outstanding Stock Options to the extent exercisable on the date of Retirement until (a) the earlier of the third anniversary of such date or the Expiration Date or (b) with respect to awards made on or after May 1, 2006, the Expiration Date; (C) the Permanent Disability of the Participant occurs, his Outstanding Stock Options may be exercised to the extent exercisable upon the date of the onset of such Permanent Disability until the earlier of the third anniversary of such date or the Expiration Date; and (D) a Participant dies during a period during which his Stock Options could have been exercised by him, his Outstanding Stock Options may be exercised to the extent exercisable at the date of death by the person who acquired the right to exercise such Stock Options by will or the laws of descent and distribution or permitted transfer until the earlier of the second anniversary of the date of death or the Expiration Date. Except as otherwise provided in this Section 2.3 or as otherwise determined by the Committee, upon the occurrence of an event described in clauses (A), (B), (C) or (D) of this Section 2.3(d)(i), all rights with respect to Stock Options that are not vested as of such event will be relinquished.

(ii) *Termination for Cause.* If a Participant's employment with the Company or any of its Subsidiaries ends due to a Termination for Cause then, unless the Committee in its discretion determines otherwise, all Outstanding Stock Options, whether or not then vested, shall terminate effective as of the date of such termination.

(iii) *Maximum Exercise Period*. Anything in this Section 2.3(d) to the contrary notwithstanding and unless the Committee determines otherwise, no Stock Option shall be exercisable after the earlier to occur of (A) the expiration of the option period set forth in the applicable Agreement or (B) the tenth anniversary of the Date of Grant thereof. If the date determined in accordance with the preceding sentence is not a business day, the Stock Options may be exercised up to and including the last business day before such date.

**Section 2.4 Payment of Purchase Price Upon Exercise.**

Every share purchased through the exercise of a Stock Option shall be paid for in full on or before the settlement date for the shares of Class B Common Stock issued pursuant to the exercise of the Stock Options in cash or, in the discretion of the Committee, in shares of Class B Common Stock or other securities of the Company designated by the Committee, in a combination of cash, shares or such other securities or in any other form of valid consideration that is acceptable to the Committee in its sole discretion. If the Agreement so provides, such exercise price may also be paid in whole or in part using a net share settlement procedure or through the withholding of shares subject to the Stock Option with a value equal to the exercise price. In accordance with the rules and procedures established by the Committee for this purpose, a Stock Option may also be exercised through a "cashless exercise" procedure, approved by the Committee, involving a broker or dealer, that affords Participants the opportunity to sell immediately some or all of the shares underlying the exercised portion of the Stock Option in order to generate sufficient cash to pay the exercise price of the Option.

**Section 2.5 No Repricing of Stock Options.**

The Committee may not "reprice" any Stock Option. "Reprice" means any of the following or any other action that has the same effect: (i) amending a Stock Option to reduce its exercise price, (ii) canceling a Stock Option at a time when its exercise price exceeds the Fair Market Value of a share of Class B Common Stock in exchange for a Stock Option, Restricted Share or other equity award unless the cancellation and exchange occurs in connection with a merger, acquisition, spin-off or other similar corporate transaction, or (iii) taking any other action that is treated as a repricing under GAAP, *provided* that nothing in this Section 2.5 shall prevent the Committee from making adjustments pursuant to Article VIII. Notwithstanding the preceding sentence, the provisions of this Section 2.5 shall not apply to any exchange offer that relates exclusively to options to purchase shares of the Company granted prior to the Separation. Awards granted in connection with an exchange offer conducted pursuant to the preceding sentence shall be considered Replacement Awards for purposes of the Plan.

**Section 2.6 Stock Appreciation Rights.**

(a) *Generally.* The Committee may grant Stock Appreciation Rights alone or in tandem with other Awards.

(b) *Stock Appreciation Rights Granted In Tandem with Stock Options.* If the Stock Appreciation Right is granted in tandem with a Stock Option, such Stock Appreciation Right may be granted either at the time of the grant of the Stock Option or by amendment at any time prior to the exercise, expiration or termination of such Stock Option. The Stock Appreciation Right shall be subject to the same terms and conditions as the related Stock Option and shall be exercisable only at such times and to such extent as the related Stock Option is exercisable. A Stock Appreciation Right shall entitle the holder to surrender to the Company the related Stock Option unexercised and receive from the Company in exchange therefor an amount equal to the excess of the Fair Market Value of the shares of Class B Common Stock subject to such Stock Option, determined as of the day preceding the surrender of such Stock Option, over the Stock Option aggregate exercise price. Such amount shall be paid in cash, or in the discretion of the Committee, in shares of Class B Common Stock or other securities of the Company designated by the Committee or in a combination of cash, shares of Class B Common Stock or such other securities.

(c) *Stock Appreciation Rights Granted Alone or In Tandem with Awards Other Than Stock Options.* Subject to the next sentence, Stock Appreciation Rights granted alone or in tandem with Awards other than Stock Options shall be subject to such terms and conditions as the Committee shall establish at or after the time of grant and set forth in the applicable Agreement. The Committee shall establish the per share exercise price of a Stock Appreciation Right granted alone on the Date of Grant in such amount as the Committee shall determine; *provided* that such exercise price shall not be less than 100% of the Fair Market Value of a share of Class B Common Stock on the Date of Grant, unless such Stock Appreciation Right is subject to any Performance Goals pursuant to Article VI. In addition, notwithstanding the foregoing, the per share exercise price of a Stock Appreciation Right that is a Substitute Award may be less than 100% of the Fair Market Value of a share of Class B Common Stock on the Date of Grant; *provided* that the excess of:

(i) the aggregate Fair Market Value (as of the Date of Grant of such Substitute Award) of the shares of Class B Common Stock subject to the Substitute Award, over

(ii) the aggregate exercise price thereof, does not exceed the excess of:

(iii) the aggregate fair market value (as of the time immediately preceding the transaction pursuant to which the Substitute Award was granted, such fair market value to be determined by the Committee) of the shares of the predecessor entity that were subject to the award assumed or substituted for by the Company, over

(iv) the aggregate exercise price of such shares.

The exercise price of any Stock Appreciation Right will be subject to adjustment in accordance with the provisions of Article VIII of the Plan.

## ARTICLE III
## PROVISIONS APPLICABLE TO RESTRICTED SHARES

**Section 3.1 Grants of Restricted Shares.**

The Committee may from time to time grant to eligible employees Restricted Shares on the terms and conditions set forth in the Plan and on such other terms and conditions as are not inconsistent with the purposes and provisions of the Plan, as the Committee, in its discretion, may from time to time determine. Each Agreement covering a grant of Restricted Shares shall specify the number of Restricted Shares granted, the Date of Grant, the price, if any, to be paid by the Participant for such Restricted Shares, the vesting schedule (as provided for in Section 3.2 hereof) and any Performance Goals for such Restricted Shares and any other terms that the Committee deems appropriate.

**Section 3.2 Vesting.**

The Committee shall establish the vesting schedule applicable to Restricted Shares granted hereunder, which vesting schedule shall specify the period of time, the increments in which a Participant shall vest in the Restricted Shares and/or any applicable Performance Goal requirements, subject to any restrictions that the Committee shall determine and specify in the applicable Agreement. Restricted Shares whose vesting is contingent solely on the requirement of continued employment shall not fully vest in less than three years from the Date of Grant, *except* that the Committee may establish a vesting schedule that will result in full vesting in less than three years from the Date of Grant for any Restricted Shares awarded as Replacement Awards.

**Section 3.3 Rights and Restrictions Governing Restricted Shares.**

The Participant shall have all rights of a holder as to such shares of Class B Common Stock (including, to the extent applicable, the right to receive dividends and to vote), subject to the following restrictions: (a) the Participant shall not be entitled to be registered on the books and records of the Company as a stockholder until such shares have vested; (b) none of the Restricted Shares may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of until such shares have vested; and (c) except as otherwise provided in Section 3.6 below, all unvested Restricted Shares shall be immediately forfeited upon a Participant's termination of employment with the Company or any Subsidiary for any reason or the Participant's death, Retirement or Permanent Disability.

**Section 3.4 Adjustment with Respect to Restricted Shares.**

Any other provision of the Plan to the contrary notwithstanding, the Committee may, in its discretion, at any time accelerate the date or dates on which Restricted Shares vest. The Committee may, in its sole discretion, remove any and all restrictions on such Restricted Shares whenever it may determine that, by reason of changes in applicable law, the rules of any stock exchange on which the Class B Common Stock is listed or other changes in circumstances arising after the Date of Grant, such action is appropriate.

**Section 3.5 Delivery of Restricted Shares.**

On the date on which Restricted Shares vest, all restrictions contained in the Agreement covering such Restricted Shares and in the Plan shall lapse as to such Restricted Shares. Restricted Share Awards issued hereunder may be evidenced in such manner as the Committee 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 Committee, in its sole discretion, may determine to be necessary or advisable in order to comply with applicable federal or state securities laws.

**Section 3.6 Termination of Employment, Retirement, Death or Permanent Disability.**

In the event that (i) the Participant's employment with the Company or any of its Subsidiaries ends by reason of voluntary termination by the Participant, termination by the Company or any of its Subsidiaries other than for Cause, termination by the Company or any of its Subsidiaries for Cause or the Participant's Retirement, or (ii) the Participant's death or Permanent Disability occurs, prior to the date or dates on which Restricted Shares vest, the Participant shall forfeit all unvested Restricted Shares as of the date of such event, unless the Committee determines otherwise.

**Section 3.7 Grants of Unrestricted Shares.**

Subject to the limit set forth in the proviso in Section 1.5(b) (as such limit may be adjusted under Article VIII hereof), the Committee may, in its sole discretion, make awards of unrestricted Class B Common Stock to eligible employees in recognition of outstanding achievements and performance.

## ARTICLE IV
## PROVISIONS APPLICABLE TO RESTRICTED SHARE UNITS

**Section 4.1 Grants of Restricted Share Units.**

The Committee may from time to time grant Restricted Share Units on the terms and conditions set forth in the Plan and on such other terms and conditions as are not inconsistent with the purposes and provisions of the Plan as the Committee, in its discretion, may from time to time determine. Each Restricted Share Unit awarded to a Participant shall correspond to one share of Class B Common Stock. Each Agreement covering a grant of Restricted Share Units shall specify the number of Restricted Share Units granted, the vesting schedule (as provided for in Section 4.2 hereof) for such Restricted Share Units and any Performance Goals and any other terms that the Committee deems appropriate.

**Section 4.2 Vesting.**

The Committee shall establish the vesting schedule applicable to Restricted Share Units granted hereunder, which vesting schedule shall specify the period of time, the increments in which a Participant shall vest in the Restricted Share Units and/or any applicable Performance Goal requirements, subject to any restrictions that the Committee shall determine and specify in the applicable Agreement. Restricted Share Units whose vesting is contingent solely on the requirement of continued employment shall not fully vest in less than three years from the Date of Grant, *except* that the Committee may establish a vesting schedule that will result in full vesting in less than three years from the Date of Grant for any Restricted Share Units awarded as Replacement Awards.

**Section 4.3 Adjustment with Respect to Restricted Share Units.**

Any other provision of the Plan to the contrary notwithstanding, the Committee may, in its discretion, at any time accelerate the date or dates on which Restricted Share Units vest.

**Section 4.4 Settlement of Restricted Share Units.**

On the date on which Restricted Share Units vest, all restrictions contained in the Agreement covering such Restricted Share Units and in the Plan shall lapse as to such Restricted Share Units and the Restricted Stock

Units will be payable, at the discretion of the Committee, in cash equal to the Fair Market Value of the shares subject to such Restricted Share Units, in shares of Class B Common Stock or in other securities of the Company designated by the Committee or in a combination of cash, shares of Class B Common Stock or such other securities. Restricted Share Units paid in Class B Common Stock may be evidenced in such manner as the Committee 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 Committee, in its sole discretion, may determine to be necessary or advisable in order to comply with applicable federal or state securities laws.

**Section 4.5 Termination of Employment, Retirement, Death or Permanent Disability.**

In the event that (i) the Participant's employment with the Company or any of its Subsidiaries ends by reason of voluntary termination by the Participant, termination by the Company or any of its Subsidiaries other than for Cause, termination by the Company or any of its Subsidiaries for Cause or the Participant's Retirement, or (ii) the Participant's death or Permanent Disability occurs, prior to the date or dates on which Restricted Share Units vest, the Participant shall forfeit all unvested Restricted Share Units as of the date of such event, unless the Committee determines otherwise and provides that some or all of such Participant's unvested Restricted Share Units shall vest as of the date of such event, in which case, in the discretion of the Committee, either certificates representing shares of Class B Common Stock or a cash payment equal to the Fair Market Value of the shares of Class B Common Stock, shall be delivered in accordance with Section 4.4 above, to the Participant or in the case of the Participant's death, to the person or persons who acquired the right to receive such certificates by will or the laws of descent and distribution.

## ARTICLE V
## PROVISIONS APPLICABLE TO PHANTOM SHARES

**Section 5.1 Grants of Phantom Shares.**

The Committee may from time to time grant to eligible employees Phantom Shares, the value of which is determined by reference to a share of Class B Common Stock, on the terms and conditions set forth in the Plan and on such other terms and conditions as are not inconsistent with the purposes and provisions of the Plan as the Committee, in its discretion, may from time to time determine. Each Agreement covering a grant of Phantom Shares shall specify the number of Phantom Shares granted, the Initial Value of such Phantom Shares, the Valuation Dates, the number of Phantom Shares whose Appreciation Value shall be determined on each such Valuation Date, any applicable vesting schedule (as provided for in Section 5.3 hereof) and Performance Goals for such Phantom Shares, and any applicable limitation on payment (as provided for in Section 5.4 hereof) for such Phantom Shares and any other terms that the Committee deems appropriate.

**Section 5.2 Appreciation Value.**

(a) *Valuation Dates; Measurement of Appreciation Value.* The Committee shall provide in the Agreement for one or more Valuation Dates on which the Appreciation Value of the Phantom Shares granted pursuant to the Agreement shall be measured and fixed, and shall designate in the Agreement the number of such Phantom Shares whose Appreciation Value is to be calculated on each such Valuation Date. Unless otherwise determined by the Committee, each Valuation Date shall be December 15 and no Valuation Date shall occur later than the year in which the eighth (8th) anniversary of the Date of Grant occurs.

(b) *Payment of Appreciation Value.* Except as otherwise provided in Section 5.5 hereof, and subject to the limitation contained in Section 5.4 hereof, the Appreciation Value of a Phantom Share shall be paid to a Participant in cash, or in the discretion of the Committee, in shares of Class B Common Stock or other securities of the Company designated by the Committee or in a combination of cash, shares of Class B Common Stock or such other securities, as soon as practicable following the Valuation Date applicable to such Phantom Share.

**Section 5.3 Vesting.**

The Committee may establish a vesting schedule applicable to Phantom Shares granted hereunder, which vesting schedule shall specify the period of time, the increments in which a Participant shall vest in the Phantom Shares and/or any applicable Performance Goal requirements, subject to any restrictions that the Committee shall determine and specify in the applicable Agreement.

**Section 5.4 Limitation on Payment.**

The Committee may, in its discretion, establish and set forth in the Agreement a maximum dollar amount payable under the Plan for each Phantom Share granted pursuant to such Agreement.

**Section 5.5 Termination of Employment, Retirement, Death or Permanent Disability.**

(a) *Termination Other Than for Cause, or due to Retirement, Death or Permanent Disability.* Except as otherwise provided in this Section 5.5, if, before the occurrence of one or more Valuation Dates applicable to the Participant's Outstanding Phantom Shares, (i) the Participant's employment with the Company or any of its Subsidiaries ends by reason of the voluntary termination by the Participant, the termination by the Company or any of its Subsidiaries other than for Cause or the Participant's Retirement or (ii) the Participant's death or Permanent Disability occurs, then, unless the Committee, in its discretion, determines otherwise, the Appreciation Value of each Outstanding Phantom Share as to which the Participant's rights are vested as of the date of such event shall be the lesser of (x) the Appreciation Value of such Phantom Share calculated as of the date of such event or (y) the Appreciation Value of such Phantom Share calculated as of the originally scheduled Valuation Date applicable thereto. Unless the Committee, in its discretion, determines otherwise, the Appreciation Value so determined for each such vested Outstanding Phantom Share shall then be payable to the Participant following the originally scheduled Valuation Date applicable thereto in accordance with Section 5.2(b) hereof. Upon the occurrence of an event described in this Section 5.5(a), unless the Committee determines otherwise, all rights with respect to Phantom Shares that are not vested as of such date will be relinquished.

(b) *Termination for Cause.* If a Participant's employment with the Company or any of its Subsidiaries ends due to a Termination for Cause, then, unless the Committee, in its discretion, determines otherwise, all Outstanding Phantom Shares, whether or not vested, and any and all rights to the payment of Appreciation Value with respect to such Outstanding Phantom Shares shall be forfeited effective as of the date of such termination.

## ARTICLE VI
## PERFORMANCE AWARDS

**Section 6.1 Grants of Performance Awards.**

The Committee may from time to time grant to eligible employees Performance Awards consisting of Performance Shares or Performance Units on the terms and conditions set forth in the Plan and on such other terms and conditions as are not inconsistent with the purposes and provisions of the Plan, as the Committee, in its discretion, may from time to time determine. Performance Awards may be granted either alone or in addition to other Awards made under the Plan.

**Section 6.2 Performance Goals.**

Unless otherwise determined by the Committee, the grant, vesting and/or exercisability of Performance Awards shall be conditioned, in whole or in part, on the attainment of performance targets, in whole or in part, related to one or more performance goals over a Performance Period. For any such Performance Awards that are intended to qualify for the Section 162(m) Exception, the performance targets on which the grant, vesting and/or exercisability are conditioned shall be selected by the Committee from among the following goals (the "Section 162(m) Performance Goals"): OIBDA, OIBDA Without Inter-Company Eliminations, Operating Income, Free Cash Flow, Net Earnings, Net Earnings from Continuing Operations, Earnings Per Share, Revenue, Net Revenue, Operating Revenue, total shareholder return, share price, return on equity, return in excess of cost of capital, profit in excess of cost of capital, return on assets, return on invested capital, net operating profit after tax, operating margin, profit margin or any combination thereof. In addition, for any Awards not intended to qualify for the Section 162(m) Exception, the Committee may establish performance targets based on other performance goals as it deems appropriate (together with the Section 162(m) Performance Goals, the "Performance Goals"). The Performance Goals may be described in terms of objectives that are related to the individual Participant or objectives that are Company-wide or related to a Subsidiary, division, department, region, function or business unit and may be measured on an absolute or cumulative basis or on the basis of percentage of improvement over time, and may be measured in terms of Company performance (or performance of the applicable Subsidiary, division, department, region, function or business unit) or measured relative to selected peer companies or a market index.

**Section 6.3 Performance Goals on Awards other than Performance Awards.**

The Committee, in its sole discretion, may also require that the grant, vesting and/or exercisability of Awards other than Performance Awards be conditioned, in whole or in part, on the attainment of performance targets, in whole or in part, related to Performance Goals over a Performance Period, as described in Section 6.2.

**Section 6.4 Discretion to Reduce Awards.**

The Committee retains the right to reduce any Award below the maximum amount that could be paid based on the degree to which the Performance Goals related to such Award were attained. The Committee may not increase any Award intended to qualify for the Section 162(m) Exception in any manner that would adversely affect the treatment of the Award under the Section 162(m) Exception.

**Section 6.5 Adjustment of Calculation of Performance Goals.**

In the event that, during any Performance Period, any recapitalization, reorganization, merger, acquisition, divestiture, consolidation, spin-off, combination, liquidation, dissolution, sale of assets or other similar corporate transaction or event, or any other extraordinary event or circumstance occurs which has the effect, as determined by the Committee, in its sole and absolute discretion, of distorting the applicable performance criteria involving the Company, including, without limitation, changes in accounting standards, the Committee may adjust or modify, as determined by the Committee, in its sole and absolute discretion, the calculation of the Performance Goals, to the extent necessary to prevent reduction or enlargement of the Participants' Awards under the Plan for such Performance Period attributable to such transaction, circumstance or event. All determinations that the Committee makes pursuant to this Section 6.5 shall be conclusive and binding on all persons for all purposes.

## ARTICLE VII
## DIVIDEND EQUIVALENTS AND OTHER AWARDS

**Section 7.1 Dividend Equivalents.**

Subject to the provisions of this Plan and any Agreement, the recipient of an Award (including, without limitation, any Award deferred pursuant to Section 9.9) may, if so determined by the Committee, be entitled to receive, currently or on a deferred basis, interest or dividends or Dividend Equivalents, with respect to the number of shares of Class B Common Stock covered by the Award, as determined by the Committee, in its sole discretion, and the Committee may provide that such amounts (if any) shall be deemed to have been reinvested in additional shares of Class B Common Stock or otherwise reinvested and/or shall be subject to the same terms and conditions (including vesting and forfeiture provisions) as the related Award.

**Section 7.2 Other Awards.**

The Committee shall have the authority to specify the terms and provisions of other forms of equity-based or equity-related awards not described above that the Committee determines to be consistent with the purpose of the Plan and the interests of the Company. Other Awards may also include cash payments under the Plan which may be based on one or more criteria determined by the Committee that are unrelated to the value of Class B Common Stock and that may be granted in tandem with, or independent of, Awards granted under the Plan.

**Section 7.3 Substitute Awards**

Notwithstanding any terms or conditions of the Plan to the contrary, Substitute Awards may have substantially the same terms and conditions, including without limitation provisions relating to vesting, exercise periods, expiration, payment, forfeiture, and the consequences of termination of employment and changes in control, as the awards that they replace.

## ARTICLE VIII
## EFFECT OF CERTAIN CORPORATE CHANGES

In the event of a merger, consolidation, stock-split, reverse stock-split, dividend, distribution, combination, reclassification, reorganization, split-up, spin-off or recapitalization that changes the character or amount of the Class B Common Stock or any other changes in the corporate structure, equity securities or capital structure of the Company, the Committee shall make such adjustments, if any, to (i) the number and kind of securities subject to any outstanding Award, (ii) the exercise price or purchase price, if any, of any outstanding Award or the Initial Value of any Outstanding Phantom Shares, and (iii) the maximum number and kind of securities referred to in Sections 1.5(a) and (b) and Sections 1.6(a) and (b) of the Plan, in each case, as it deems appropriate. The Committee may, in its sole discretion, also make such other adjustments as it deems appropriate in order to preserve the benefits or potential benefits intended to be made available hereunder. All determinations that the Committee makes pursuant to this Article VIII shall be conclusive and binding on all persons for all purposes.

## ARTICLE IX
## MISCELLANEOUS

**Section 9.1 No Rights to Awards or Continued Employment.**

Nothing in the Plan or in any Agreement, nor the grant of any Award under the Plan, shall confer upon any individual any right to be employed by or to continue in the employment of the Company or any Subsidiary thereof, nor to be entitled to any remuneration or benefits not set forth in the Plan or such Agreement, including the right to receive any future Awards under the Plan or any other plan of the Company or any Subsidiary thereof or interfere with or limit the right of the Company or any Subsidiary thereof to modify the terms of or terminate such individual's employment at any time for any reason.

**Section 9.2 Restriction on Transfer.**

The rights of a Participant with respect to any Award shall be exercisable during the Participant's lifetime only by the Participant and shall not be transferable by the Participant to whom such Award is granted, except by will or the laws of descent and distribution, *provided* that the Committee may permit other transferability, subject to any conditions and limitations that it may, in its sole discretion, impose.

**Section 9.3 Taxes.**

The Company or a Subsidiary thereof, as appropriate, shall have the right to deduct from all payments made under the Plan to a Participant or to a Participant's estate any federal, state, local or other taxes required by law to be withheld with respect to such payments. The Committee, in its discretion, may require, as a condition to the exercise or settlement of any Award or delivery of any certificate(s) for shares of Class B Common Stock, that an additional amount be paid in cash equal to the amount of any federal, state, local or other taxes required to be withheld as a result of such exercise or settlement. In addition, the Committee may establish procedures to allow Participants to satisfy such withholding obligations through a net share settlement procedure or the withholding of shares subject to the applicable Award, or through a "cashless exercise" procedure as described in Section 2.4. Any Participant who makes an election under Section 83(b) of the Code to have his Award taxed in accordance with such election must give notice to the Company of such election immediately upon making a valid election in accordance with the rules and regulations of the Code. Any such election must be made in accordance with the rules and regulations of the Code.

**Section 9.4 Stockholder Rights.**

No Award under the Plan shall entitle a Participant or a Participant's estate or permitted transferee to any rights of a holder of shares of Class B Common Stock of the Company, except as provided in Article III with respect to Restricted Shares or when and until the Participant, the Participant's estate or the permitted transferee is registered on the books and records of the Company as a stockholder with respect to the exercise or settlement of such Award.

**Section 9.5 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 stock whose rights are superior to or affect the Class B Common Stock or the rights thereof or which are convertible into or exchangeable for 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 9.6 Source of Payments.**

The general funds of the Company shall be the sole source of cash settlements of Awards under the Plan and payments of Appreciation Value and the Company shall not have any obligation to establish any separate fund or trust or other segregation of assets to provide for payments under the Plan. Nothing contained in this Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Company and a Participant or any other person. To the extent a person acquires any rights to receive payments hereunder from the Company, such rights shall be no greater than those of an unsecured creditor.

**Section 9.7 Exercise Periods Following Termination of Employment.**

For the purposes of determining the dates on which Awards may be exercised following a termination of employment or following the Retirement, death or Permanent Disability of a Participant, the day following the date of such event shall be the first day of the exercise period and the Award may be exercised up to and including the last business day falling within the exercise period. Thus, if the last day of the exercise period is not a business day, then the last date an Award may be exercised is the last business day preceding the end of the exercise period.

**Section 9.8 Breach of Agreements.**

The Committee may include in any Agreement a provision requiring the Participant to return gains (as defined by the Committee) realized on Awards made under the Plan in the event the Committee determines that a material breach of specified obligations under one or more written agreements between a Participant and the Company has occurred during the one year period after termination of the Participant's employment with the Company or a Subsidiary.

**Section 9.9 Deferral of Awards.**

The Committee may establish procedures pursuant to which the payment of any Award may be deferred.

**Section 9.10 Employment of Participant by Subsidiary.**

Unless the Committee determines otherwise, the employment of a Participant who works for a Subsidiary shall terminate, for Plan purposes, on the date on which the Participant's employing company ceases to be a Subsidiary.

**Section 9.11 409A.**

If any provision of the Plan or an Agreement contravenes any regulations or Treasury guidance promulgated under Section 409A or could cause a Participant to be subject to the interest and penalties under Section 409A, such provision of the Plan or any Agreement shall be deemed modified in such a manner as, to maintain, to the maximum extent practicable, the original intent of the applicable provision without violating the provisions of Section 409A. Moreover, any discretionary authority that the Board or Committee may have pursuant to the Plan shall not be applicable to an Award that is subject to Section 409A to the extent such discretionary authority would contravene Section 409A.

## ARTICLE X
## AMENDMENT AND TERMINATION

The Plan may be terminated and may be altered, amended, suspended or terminated at any time, in whole or in part, by the Board; *provided*, *however*, that no alteration or amendment will be effective without stockholder approval if such approval is required by law or under the rules of the New York Stock Exchange or other principal stock exchange on which the Class B Common Stock is listed. No termination or amendment of the Plan may, without the consent of the Participant to whom an Award has been made, materially adversely affect the rights of such Participant in such Award. Notwithstanding any provision herein to the contrary, the Committee shall have broad authority to amend the Plan or any outstanding Award under the Plan without the approval of the Participant to the extent the Committee deems necessary or appropriate to avoid subjecting a Participant to interest and/or penalties under Section 409A with respect to any Award, even if such amendment would otherwise be detrimental to the Participant. Unless previously terminated pursuant to this Article X, the Plan shall terminate on the fifth anniversary of the Effective Date, and no further Awards may be granted hereunder after such date.

## ARTICLE XI
## INTERPRETATION

**Section 11.1 Governmental Regulations.**

The Plan, and all Awards hereunder, shall be subject to all applicable rules and regulations of governmental or other authorities.

**Section 11.2 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 11.3 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 XII
## EFFECTIVE DATE AND STOCKHOLDER APPROVAL

The Effective Date of the Plan is March 10, 2004, and stockholder approval was obtained at the first annual meeting of stockholders following such date. Unless earlier terminated in accordance with Article X 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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**Exhibit 12**

**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**
**(Tabualar in millions except ratios)**

| | Six Months Ended June 30, | | Twelve Months Ended December 31, | | | | |
|---|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2005 | 2004 | 2003 | 2002 | 2001 |
| Earnings (loss) before income taxes | $ 1,000.4 | $ 1,011.7 | $ (7,511.7) | $ (15,801.6) | $ 1,825.8 | $ 1,829.0 | $ 225.3 |
| Add: | | | | | | | |
| Distributions from affiliated companies | 9.8 | 2.5 | 9.5 | 12.6 | 1.7 | 4.1 | 1.3 |
| Interest expense, net of capitalized interest | 284.4 | 350.6 | 719.6 | 693.7 | 715.0 | 753.0 | 844.6 |
| Capitalized interest amortized | — | — | — | — | — | — | — |
| 1/3 of rental expense | 87.4 | 87.4 | 111.4 | 104.4 | 97.5 | 94.2 | 108.7 |
| Total Earnings (loss) | $ 1,382.0 | $ 1,452.2 | $ (6,671.2) | $ (14,990.9) | $ 2,640.0 | $ 2,680.3 | $ 1,179.9 |
| Fixed charges: | | | | | | | |
| Interest expense, net of capitalized interest | $ 284.4 | $ 350.6 | $ 719.6 | $ 693.7 | $ 715.0 | $ 753.0 | $ 844.6 |
| 1/3 of rental expense | 87.4 | 87.4 | 111.4 | 104.4 | 97.5 | 94.2 | 108.7 |
| Total fixed charges | $ 371.8 | $ 438.0 | $ 831.0 | $ 798.1 | $ 812.5 | $ 847.2 | $ 953.3 |
| Preferred Stock dividend requirements | — | — | — | — | — | — | — |
| Total fixed charges and Preferred Stock dividend requirements | $ 371.8 | $ 438.0 | $ 831.0 | $ 798.1 | $ 812.5 | $ 847.2 | $ 953.3 |
| Ratio of earnings to fixed charges | 3.7x | 3.3x | Note a | Note a | 3.2x | 3.2x | 1.2x |
| Ratio of earnings to combined fixed charges and Preferred Stock dividend requirements | 3.7x | 3.3x | Note a | Note a | 3.2x | 3.2x | 1.2x |

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 $7.50 billion and $15.79 billion in 2005 and 2004, respectively.

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**Exhibit 31(a)**

**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 8, 2006

/s/ LESLIE MOONVES

Leslie Moonves
President and Chief Executive Officer

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**Exhibit 31(b)**

**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 8, 2006

/s/ FREDRIC G. REYNOLDS

Fredric G. Reynolds
Executive Vice President and
Chief Financial Officer

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CERTIFICATION

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**Exhibit 32(a)**

**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, 2006 as filed with the Securities and Exchange Commission (the "Report"), I, Leslie Moonves, 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 8, 2006

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**Exhibit 32(b)**

**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, 2006 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 8, 2006