

CBS CORP
Form 10-Q
August 02, 2007

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2007

OR

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

For the transition period from _____ to _____
Commission File Number 001-09553

CBS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

04-2949533
(I.R.S. Employer
Identification No.)

51 W. 52nd Street, New York, New York
(Address of principal executive offices)

10019
(Zip Code)

(212) 975-4321

(Registrant's telephone number, including area code)

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

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

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

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

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

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

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Dividends per common share	\$..22	\$..18	\$..44	\$..34
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See notes to consolidated financial statements.

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CBS CORPORATION AND SUBSIDIARIES

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

	At June 30, 2007	At December 31, 2006
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,796.8	\$ 3,074.6
Receivables, less allowances of \$149.0 (2007) and \$152.6 (2006)	2,541.7	2,824.0
Programming and other inventory (Note 6)	729.6	982.9
Deferred income tax assets, net	307.7	307.7
Prepaid expenses and other current assets	893.9	757.3
Current assets of discontinued operations (Note 4)	159.1	197.6
Total current assets	7,428.8	8,144.1
Property and equipment:		
Land	332.8	343.7
Buildings	642.6	582.3
Capital leases	206.4	207.3
Advertising structures	1,705.7	1,619.0
Equipment and other	1,630.2	1,522.3
	4,517.7	4,274.6
Less accumulated depreciation and amortization	1,708.3	1,460.8
Net property and equipment	2,809.4	2,813.8
Programming and other inventory (Note 6)	1,584.0	1,665.6
Goodwill (Note 5)	19,022.8	18,821.5
Intangible assets (Note 5)	10,254.3	10,425.0
Other assets	1,510.3	1,553.2
Assets of discontinued operations (Note 4)	82.2	85.6
Total Assets	\$ 42,691.8	\$ 43,508.8
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 396.1	\$ 502.3
Accrued compensation	263.6	375.3
Participants' share and royalties payable	777.3	767.5
Program rights	1,028.0	906.9
Current portion of long-term debt (Note 8)	19.5	15.0
Accrued expenses and other current liabilities	1,891.5	1,813.8
Current liabilities of discontinued operations (Note 4)	21.0	18.7
Total current liabilities	4,397.0	4,399.5
Long-term debt (Note 8)	6,995.8	7,027.3
Pension and postretirement benefit obligations	1,987.7	1,993.3
Deferred income tax liabilities, net	2,397.7	2,310.7
Other liabilities	3,665.3	3,595.6
Liabilities of discontinued operations (Note 4)	614.4	658.9

Commitments and contingencies (Note 12)

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Minority interest	.6	1.0
Stockholders' Equity:		
Class A Common Stock, par value \$.001 per share; 375.0 shares authorized; 60.2 (2007) and 61.5 (2006) shares issued	.1	.1
Class B Common Stock, par value \$.001 per share; 5,000.0 shares authorized; 724.6 (2007) and 715.5 (2006) shares issued	.7	.7
Additional paid-in capital	44,325.1	44,259.3
Accumulated deficit	(19,554.2)	(20,175.9)
Accumulated other comprehensive loss (Note 1)	(184.1)	(246.3)
	24,587.6	23,837.9
Less treasury stock, at cost; 63.1 (2007) and 8.6 (2006) Class B Shares	1,954.3	315.4
Total Stockholders' Equity	22,633.3	23,522.5
Total Liabilities and Stockholders' Equity	\$ 42,691.8	\$ 43,508.8

See notes to consolidated financial statements.

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

	Six Months Ended June 30,	
	2007	2006
Operating Activities:		
Net earnings	\$ 617.5	\$ 1,008.6
Less: Net earnings from discontinued operations		284.3
Net earnings from continuing operations	617.5	724.3
Adjustments to reconcile net earnings from continuing operations to net cash flow provided by operating activities:		
Depreciation and amortization	224.7	216.6
Stock-based compensation	51.5	30.8
Equity in (earnings) loss of affiliated companies, net of tax	6.8	(3.0)
Distributions from affiliated companies	5.0	9.8
Minority interest, net of tax	(.4)	(.1)
Change in assets and liabilities, net of effects of acquisitions	624.9	326.1
Net cash flow provided by operating activities from continuing operations	1,530.0	1,304.5
Net cash flow provided by operating activities from discontinued operations		33.0
Net cash flow provided by operating activities	1,530.0	1,337.5
Investing Activities:		
Capital expenditures	(206.6)	(113.2)
Acquisitions, net of cash acquired	(309.6)	(68.3)
Proceeds from dispositions	305.6	1,247.0
Investments in and advances to affiliated companies	(43.8)	(.3)
Net receipts from Viacom Inc. related to the Separation	212.2	77.6
Other, net	(.8)	
Net cash flow (used for) provided by investing activities from continuing operations	(43.0)	1,142.8
Net cash flow used for investing activities from discontinued operations		(34.5)
Net cash flow (used for) provided by investing activities	(43.0)	1,108.3
Financing Activities:		
Repayment of notes	(660.0)	(832.0)
Proceeds from issuance of notes	678.0	
Borrowings from (repayments to) banks, including commercial paper, net	1.9	(2.8)
Payment of capital lease obligations	(8.2)	(7.2)
Purchase of Company common stock	(1,602.1)	(5.7)
Dividends	(313.9)	(229.9)
Proceeds from exercise of stock options	131.7	37.5
Excess tax benefit from stock-based compensation	7.8	.8

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Net cash flow used for financing activities	(1,764.8)	(1,039.3)
Net increase (decrease) in cash and cash equivalents	(277.8)	1,406.5
Cash and cash equivalents at beginning of period	3,074.6	1,655.3
Cash and cash equivalents at end of period	\$ 2,796.8	\$ 3,061.8
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 258.7	\$ 259.4
Cash paid for income taxes	\$ 373.9	\$ 401.9
Non-cash investing and financing activities:		
Non-cash purchase of Company common stock (See Note 10)	\$ 64.0	\$
Acquisition of CSTV Networks:		
Fair value of assets acquired	\$	\$ 350.3
Fair value of liabilities assumed		(30.3)
Cash paid, net of cash acquired		(47.3)
Impact on Stockholders' Equity	\$	\$ 272.7

See notes to consolidated financial statements.

CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular dollars in millions, except per share amounts)

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business CBS Corporation (together with its consolidated subsidiaries unless the context otherwise requires, the "Company" or "CBS Corp.") is comprised of the following segments: Television (CBS Television, comprised of the CBS Network, television stations, and its television production and syndication operations; Showtime Networks; and CSTV Networks), Radio (CBS Radio), Outdoor (CBS Outdoor) and Publishing (Simon & Schuster). During 2006, the Company sold Paramount Parks to Cedar Fair, L.P. for \$1.24 billion in cash. As a result, Paramount Parks is presented as a discontinued operation in the consolidated financial statements for the three and six months ended June 30, 2006.

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

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

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

Net Earnings per Common Share Basic earnings per share ("EPS") is based upon net earnings divided by the weighted average number of common shares outstanding during the period. Diluted EPS reflects the effect of the assumed vesting of restricted shares and restricted stock units ("RSUs") and the assumed exercise of stock options only in the periods in which such effect would have been dilutive. For the three and six months ended June 30, 2007, respectively, stock options to purchase 12.5 million and 15.3 million shares of CBS Corp. Class B Common Stock were outstanding but excluded from the calculation of diluted EPS because their inclusion would have been anti-dilutive. For the three and six months ended June 30, 2006, stock options to purchase 40.6 million shares of CBS Corp. Class B Common Stock were outstanding but excluded from the calculation of diluted EPS because their inclusion would have been anti-dilutive.

CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

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

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net earnings	\$ 404.0	\$ 781.7	\$ 617.5	\$ 1,008.6
Other comprehensive income (loss), net of tax:				
Cumulative translation adjustments	35.1	56.6	51.0	45.2
Adjustment for amortization of actuarial losses and prior service costs	5.5		10.8	
Minimum pension liability adjustment		16.5		2.3
Net unrealized loss on securities		(.4)		(.3)
Change in fair value of cash flow hedges	.2		.4	
Other comprehensive income from discontinued operations, net of tax		17.0		17.5
Total comprehensive income	\$ 444.8	\$ 871.4	\$ 679.7	\$ 1,073.3

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

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

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

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

CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

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

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

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

2) STOCK-BASED COMPENSATION

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

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

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

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

CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

3) ACQUISITIONS AND DISPOSITIONS

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

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

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

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

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

4) DISCONTINUED OPERATIONS

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

CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

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

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

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

5) GOODWILL AND INTANGIBLE ASSETS

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

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

(a)

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

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

At June 30, 2007	Gross	Accumulated Amortization	Net
Intangible assets subject to amortization:			
Leasehold agreements	\$ 842.6	\$ (401.5)	\$ 441.1
Franchise agreements	511.1	(202.4)	308.7

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Other intangible assets	245.7	(139.9)	105.8
Total intangible assets subject to amortization	1,599.4	(743.8)	855.6
FCC licenses	9,386.7		9,386.7
Trade names	12.0		12.0
Total intangible assets	\$ 10,998.1	\$ (743.8)	\$ 10,254.3

CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

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

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

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

6) PROGRAMMING AND OTHER INVENTORY

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

7) RELATED PARTIES

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

CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

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

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

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

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

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

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

CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

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

	At June 30, 2007	At December 31, 2006
Amounts due from Viacom Inc.		
Receivables	\$ 157.9	\$ 187.2
Other assets (Receivables, noncurrent)	212.1	260.7
Total amounts due from Viacom Inc.	\$ 370.0	\$ 447.9
Amounts due to Viacom Inc.		
Accounts payable	\$ 4.2	\$ 5.2
Program rights	64.0	56.1
Other liabilities (Program rights, noncurrent)	28.3	10.7
Total amounts due to Viacom Inc.	\$ 96.5	\$ 72.0

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

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

CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

8) BANK FINANCING AND DEBT

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

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

(a)

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

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

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

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

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

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

Credit Facility

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

CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

9) PENSION AND OTHER POSTRETIREMENT BENEFITS

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

Three Months Ended June 30,	Pension Benefits		Postretirement Benefits	
	2007	2006	2007	2006
Components of net periodic cost:				
Service cost	\$ 8.7	\$ 9.7	\$.3	\$.4
Interest cost	74.4	74.2	14.9	15.0
Expected return on plan assets	(69.5)	(66.9)		
Amortization of prior service cost	.2	.2		(.2)
Recognized actuarial loss	8.5	20.3		.2
Curtailement costs		.7		
Net periodic cost	\$ 22.3	\$ 38.2	\$ 15.2	\$ 15.4

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

10) CASH DIVIDENDS AND PURCHASE OF COMPANY STOCK

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

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

CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

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

11) PROVISION FOR INCOME TAXES

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

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

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

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

12) COMMITMENTS AND CONTINGENCIES

Off-Balance Sheet Arrangements

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

The Company has indemnification obligations with respect to letters of credit and surety bonds primarily used as security against non-performance in the normal course of business. The outstanding letters of credit and surety bonds approximated \$413.8 million at June 30, 2007 and are not recorded on the Consolidated Balance Sheet as of June 30, 2007.

In the course of its business, the Company both provides and receives indemnities which are intended to allocate certain risks associated with business transactions. Similarly, the Company may remain contingently liable for various obligations of a business that has been divested in the event that a third

CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

party does not live up to its obligations under an indemnification obligation. The Company records a liability for its indemnification obligations and other contingent liabilities when probable under generally accepted accounting principles.

Legal Matters

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

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

Claims Related to Former Businesses: Asbestos, Environmental and Other. The Company is a defendant in lawsuits claiming various personal injuries related to asbestos and other materials, which allegedly occurred principally as a result of exposure caused by various products manufactured by Westinghouse, a predecessor, generally prior to the early 1970s. Westinghouse was neither a producer nor a manufacturer of asbestos. The Company is typically named as one of a large number of defendants in

CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

both state and federal cases. In the majority of asbestos lawsuits, the plaintiffs have not identified which of the Company's products is the basis of a claim. Claims against the Company in which a product has been identified principally relate to exposures allegedly caused by asbestos-containing insulating material in turbines sold for power-generation, industrial and marine use, or by asbestos containing grades of decorative micarta, a laminate used in commercial ships.

Claims are frequently filed and/or settled in large groups, which may make the amount and timing of settlements, and the number of pending claims, subject to significant fluctuation from period to period. The Company does not report as pending those claims on inactive, stayed, deferred or similar dockets which some jurisdictions have established for claimants who allege minimal or no impairment. As of June 30, 2007, the Company had pending approximately 72,890 asbestos claims, as compared with approximately 73,310 as of December 31, 2006 and approximately 94,730 as of June 30, 2006. Of the claims pending as of June 30, 2007, approximately 48,220 were pending in state courts, 21,140 in federal courts and, additionally, approximately 3,530 were third party claims pending in state courts. During the second quarter of 2007, the Company received approximately 1,490 new claims and closed or moved to an inactive docket approximately 1,110 claims. The Company reports claims as closed when it becomes aware that a dismissal order has been entered by a court or when the Company has reached agreement with the claimants on the material terms of a settlement. Settlement costs depend on the seriousness of the injuries that form the basis of the claim, the quality of evidence supporting the claims and other factors. To date, the Company has not been liable for any third party claims. The Company's total costs for the years 2006 and 2005 for settlement and defense of asbestos claims after insurance recoveries and net of tax benefits were approximately \$5.7 million and \$37.2 million, respectively. The Company's costs for settlement and defense of asbestos claims may vary year to year as insurance proceeds are not always recovered in the same period as the insured portion of the expenses. The Company believes that its reserves and insurance are adequate to cover its asbestos liabilities.

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

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

On March 15, 2006, the FCC also notified the Company and certain affiliates of the CBS Television Network of apparent liability for forfeitures relating to a broadcast of the program *Without a Trace*. The FCC proposed to assess a forfeiture of \$32,500 against each of these stations, totaling \$260,000 for the Company's owned stations. The Company is contesting the FCC decision and the proposed forfeitures. Also, on March 15, 2006, as part of an omnibus indecency order, the FCC ruled that a broadcast of *The Early Show* was indecent, but declined to issue a forfeiture. That decision and others

CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

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

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

13) RESTRUCTURING CHARGES

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

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

14) REPORTABLE SEGMENTS

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

CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

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

The Company presents Segment operating income before depreciation and amortization ("Segment OIBDA") as the primary measure of profit and loss for its operating segments in accordance with SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"). The Company believes the presentation of Segment OIBDA is relevant and useful for investors because it allows investors to view segment performance in a manner similar to the primary method used by the Company's management and enhances their ability to understand the Company's operating performance.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Segment OIBDA:				
Television	\$ 549.5	\$ 535.4	\$ 948.5	\$ 959.1
Radio	187.3	227.9	351.7	398.5
Outdoor	168.3	160.0	268.5	259.1
Publishing	20.1	10.6	43.9	16.4
Corporate	(41.6)	(39.7)	(68.4)	(67.4)
Residual costs	(24.2)	(35.3)	(48.3)	(70.6)
Depreciation and amortization	(109.5)	(108.6)	(224.7)	(216.6)
Total Operating Income	749.9	750.3	1,271.2	1,278.5
Interest expense	(145.5)	(140.8)	(285.3)	(285.1)
Interest income	33.8	18.5	73.1	31.1
Loss on early extinguishment of debt		(2.0)		(6.0)
Other items, net	4.3	(15.2)	2.8	(18.1)
Earnings from continuing operations before income taxes, equity in earnings (loss) of affiliated companies and minority interest	642.5	610.8	1,061.8	1,000.4
Provision for income taxes	(233.7)	(118.0)	(437.9)	(279.2)
Equity in earnings (loss) of affiliated companies, net of tax	(4.9)	(3.0)	(6.8)	3.0
Minority interest, net of tax	.1		.4	.1
Net earnings from continuing operations	404.0	489.8	617.5	724.3
Net earnings from discontinued operations		291.9		284.3

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Net Earnings	\$	404.0	\$	781.7	\$	617.5	\$	1,008.6
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CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

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

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

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

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

CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

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

15) CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

CBS Operations Inc. is a wholly owned subsidiary of the Company. CBS Operations Inc. has fully and unconditionally guaranteed CBS Corp.'s senior debt securities (see Note 8). The following condensed consolidating financial statements present the results of operations, financial position and cash flows of CBS Corp., CBS Operations Inc., the direct and indirect Non-Guarantor Affiliates of CBS Corp. and CBS Operations Inc., and the eliminations necessary to arrive at the information for the Company on a consolidated basis.

Statement of Operations					
For the Three Months Ended June 30, 2007					
	CBS Corp.	CBS Operations Inc.	Non-Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
Revenues	\$ 38.1	\$ 16.6	\$ 3,320.2	\$	\$ 3,374.9
Expenses:					
Operating	19.2	8.3	1,814.5		1,842.0
Selling, general and administrative	34.7	47.2	591.6		673.5
Depreciation and amortization	1.0	1.2	107.3		109.5
Total expenses	54.9	56.7	2,513.4		2,625.0
Operating income (loss)	(16.8)	(40.1)	806.8		749.9
Interest income (expense), net	(145.0)	(70.3)	103.6		(111.7)
Other items, net	(2.8)	3.1	4.0		4.3
Earnings (loss) from continuing operations before income taxes, equity in earnings (loss) of affiliated companies and minority interest	(164.6)	(107.3)	914.4		642.5
Benefit (provision) for income taxes	65.1	42.5	(341.3)		(233.7)
Equity in earnings (loss) of affiliated companies, net of tax	503.5	174.1	.9	(683.4)	(4.9)

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Minority interest, net of tax				.1				.1		
Net earnings	\$	404.0	\$	109.3	\$	574.1	\$	(683.4)	\$	404.0

CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

Statement of Operations					
For the Six Months Ended June 30, 2007					
	CBS Corp.	CBS Operations Inc.	Non-Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
Revenues	\$ 75.5	\$ 29.2	\$ 6,928.0	\$	\$ 7,032.7
Expenses:					
Operating	38.5	16.6	4,182.7		4,237.8
Selling, general and administrative	67.6	80.3	1,151.1		1,299.0
Depreciation and amortization	2.4	2.1	220.2		224.7
Total expenses	108.5	99.0	5,554.0		5,761.5
Operating income (loss)	(33.0)	(69.8)	1,374.0		1,271.2
Interest income (expense), net	(292.9)	(139.2)	219.9		(212.2)
Other items, net	(15.7)	2.4	16.1		2.8
Earnings (loss) from continuing operations before income taxes, equity in earnings (loss) of affiliated companies and minority interest	(341.6)	(206.6)	1,610.0		1,061.8
Benefit (provision) for income taxes	135.1	81.8	(654.8)		(437.9)
Equity in earnings (loss) of affiliated companies, net of tax	824.0	302.3	(.6)	(1,132.5)	(6.8)
Minority interest, net of tax			.4		.4
Net earnings	\$ 617.5	\$ 177.5	\$ 955.0	\$ (1,132.5)	\$ 617.5

CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

Statement of Operations
For the Three Months Ended June 30, 2006

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

CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

Statement of Operations For the Six Months Ended June 30, 2006					
	CBS Corp.	CBS Operations Inc.	Non-Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
Revenues	\$ 76.6	\$ 35.3	\$ 6,946.6	\$	\$ 7,058.5
Expenses:					
Operating	38.6	22.2	4,140.9		4,201.7
Selling, general and administrative	89.5	88.2	1,184.0		1,361.7
Depreciation and amortization	2.7	1.4	212.5		216.6
Total expenses	130.8	111.8	5,537.4		5,780.0
Operating income (loss)	(54.2)	(76.5)	1,409.2		1,278.5
Interest income (expense), net	(324.5)	(136.4)	206.9		(254.0)
Loss on early extinguishment of debt	(6.0)				(6.0)
Other items, net	(18.6)	(18.2)	18.7		(18.1)
Earnings (loss) from continuing operations before income taxes, equity in earnings of affiliated companies and minority interest	(403.3)	(231.1)	1,634.8		1,000.4
Benefit (provision) for income taxes	160.9	92.3	(532.4)		(279.2)
Equity in earnings of affiliated companies, net of tax	1,251.0	259.2	3.0	(1,510.2)	3.0
Minority interest, net of tax			.1		.1
Net earnings from continuing operations	1,008.6	120.4	1,105.5	(1,510.2)	724.3
Net earnings (loss) from discontinued operations		295.3	(11.0)		284.3
Net earnings	\$ 1,008.6	\$ 415.7	\$ 1,094.5	\$ (1,510.2)	\$ 1,008.6

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CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

	Balance Sheet At June 30, 2007				
	CBS Corp.	CBS Operations Inc.	Non-Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
Assets					
Cash and cash equivalents	\$ 2,487.7	\$ 2.7	\$ 306.4	\$	\$ 2,796.8
Receivables, net	30.2	9.5	2,502.0		2,541.7
Programming and other inventory	6.5	7.1	716.0		729.6
Prepaid expenses and other current assets	224.5	93.9	1,082.8	(40.5)	1,360.7
Total current assets	2,748.9	113.2	4,607.2	(40.5)	7,428.8
Property and equipment	53.7	43.7	4,420.3		4,517.7
Less accumulated depreciation and amortization	17.2	19.8	1,671.3		1,708.3
Net property and equipment	36.5	23.9	2,749.0		2,809.4
Programming and other inventory	5.5	32.5	1,546.0		1,584.0
Goodwill	100.3	63.0	18,859.5		19,022.8
Intangible assets	641.2		9,613.1		10,254.3
Investments in consolidated subsidiaries	42,967.5	4,277.2		(47,244.7)	
Other assets	97.9	50.8	1,443.8		1,592.5
Total Assets	\$ 46,597.8	\$ 4,560.6	\$ 38,818.6	\$ (47,285.2)	\$ 42,691.8
Liabilities and Stockholders' Equity					
Accounts payable	\$ 1.6	\$ 39.6	\$ 354.9	\$	\$ 396.1
Participants' share and royalties payable		15.3	762.0		777.3
Program rights	5.8	7.1	1,015.1		1,028.0
Current portion of long-term debt			19.5		19.5
Accrued expenses and other	538.6	225.9	1,452.5	(40.9)	2,176.1
Total current liabilities	546.0	287.9	3,604.0	(40.9)	4,397.0
Long-term debt	6,798.0		197.8		6,995.8
Other liabilities	2,074.2	1,741.2	4,850.5	(.8)	8,665.1
Intercompany payables	9,837.1	(7,133.9)	(7,813.0)	5,109.8	
Minority interest			.6		.6
Stockholders' Equity:					
Preferred Stock			128.2	(128.2)	

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Common Stock	.8	122.8	1,135.9	(1,258.7)	.8
Additional paid-in capital	44,325.1		61,434.7	(61,434.7)	44,325.1
Retained earnings (deficit)	(14,845.0)	9,542.5	(19,993.4)	5,741.7	(19,554.2)
Accumulated other comprehensive income (loss)	(184.1)	.1	404.3	(404.4)	(184.1)
	29,296.8	9,665.4	43,109.7	(57,484.3)	24,587.6
Less treasury stock, at cost	1,954.3		5,131.0	(5,131.0)	1,954.3
Total Stockholders' Equity	27,342.5	9,665.4	37,978.7	(52,353.3)	22,633.3
Total Liabilities and Stockholders' Equity	\$ 46,597.8	\$ 4,560.6	\$ 38,818.6	\$ (47,285.2)	\$ 42,691.8

CBS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tabular dollars in millions, except per share amounts)

Balance Sheet					
At December 31, 2006					
	CBS Corp.	CBS Operations Inc.	Non-Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
Assets					
Cash and cash equivalents	\$ 1,543.8	\$.5	\$ 1,530.3	\$	\$ 3,074.6
Receivables, net	35.9	18.2	2,769.9		2,824.0
Programming and other inventory	6.3	7.1	969.5		982.9
Prepaid expenses and other current assets	162.7	70.6	1,037.1	(7.8)	1,262.6
Total current assets	1,748.7	96.4	6,306.8	(7.8)	8,144.1
Property and equipment	55.0	37.4	4,182.2		4,274.6
Less accumulated depreciation and amortization	16.3	18.5	1,426.0		