CBS CORP
Form 10-Q
August 03, 2010

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2010

OR

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

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

CBS CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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 ý No o

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

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

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company 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 ý

Number of shares of common stock outstanding at July 31, 2010:

Class A Common Stock, par value $.001 per share	50,882,897
Class B Common Stock, par value $.001 per share	629,855,757

CBS CORPORATION
INDEX TO FORM 10-Q

Table of Contents

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,	
	2010	**2009**	**2010**	**2009**
Revenues	$ 3,331.0	$ 3,006.3	$ 6,861.9	$ 6,166.2
Expenses:				
Operating	2,077.7	1,984.4	4,641.2	4,297.5
Selling, general and administrative	673.1	625.7	1,289.2	1,221.9
Restructuring charges	1.7	8.8	58.8	9.6
Depreciation and amortization	143.5	145.2	284.3	287.5
Total expenses	2,896.0	2,764.1	6,273.5	5,816.5
Operating income	435.0	242.2	588.4	349.7
Interest expense	(133.6)	(133.9)	(271.6)	(267.1)
Interest income	1.1	1.1	2.2	2.7
Loss on early extinguishment of debt	(40.3)	(30.5)	(37.9)	(29.8)
Other items, net	(13.6)	(3.5)	(26.7)	(15.4)
Earnings before income taxes and equity in loss of investee companies	248.6	75.4	254.4	40.1
Provision for income taxes	(91.7)	(56.9)	(112.7)	(65.7)
Equity in loss of investee companies, net of tax	(6.8)	(3.1)	(17.8)	(14.3)
Net earnings (loss)	$ 150.1	$ 15.4	$ 123.9	$ (39.9)
Basic and diluted net earnings (loss) per common share	$ ..22	$ ..02	$ ..18	$ (.06)
Weighted average number of common shares outstanding:				
Basic	679.1	673.4	677.7	672.5
Diluted	693.4	680.2	692.8	672.5

Dividends per common share	$	..05	$	..05	$	..10	$	..10

See notes to consolidated financial statements.

Table of Contents

CBS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions, except per share amounts)

	At June 30, 2010	At December 31, 2009
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 838.1	$ 716.7
Receivables, less allowances of $125.7 (2010) and $142.6 (2009)	2,895.6	2,900.2
Programming and other inventory (Note 4)	496.8	1,085.0
Deferred income tax assets, net	307.2	303.4
Prepaid income taxes	21.0	
Prepaid expenses and other current assets	678.7	630.4
Current assets of discontinued operations	4.1	1.2
Total current assets	5,241.5	5,636.9
Property and equipment:		
Land	328.9	329.3
Buildings	707.4	706.6
Capital leases	196.4	196.3
Advertising structures	1,991.7	2,039.8
Equipment and other	1,729.7	1,726.0
	4,954.1	4,998.0
Less accumulated depreciation and amortization	2,238.7	2,139.3
Net property and equipment	2,715.4	2,858.7
Programming and other inventory (Note 4)	1,296.2	1,464.2
Goodwill	8,660.1	8,667.5
Intangible assets (Note 3)	6,682.0	6,753.7
Other assets	1,330.7	1,489.9
Assets of discontinued operations	88.3	91.1
Total Assets	$ 26,014.2	$ 26,962.0
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 332.7	$ 436.4
Accrued compensation	261.3	320.7
Participants' share and royalties payable	1,046.4	955.0
Program rights	626.7	729.2
Deferred revenue	266.7	461.5
Income taxes payable		4.0
Current portion of long-term debt (Note 6)	26.1	443.6
Accrued expenses and other current liabilities	1,328.9	1,376.9
	18.9	19.2

Current liabilities of discontinued operations		
Total current liabilities	3,907.7	4,746.5
Long-term debt (Note 6)	6,515.9	6,553.3
Pension and postretirement benefit obligations	2,114.5	2,117.4
Deferred income tax liabilities, net	696.5	631.9
Other liabilities	3,345.7	3,636.6
Liabilities of discontinued operations	250.9	256.9
Commitments and contingencies (Note 10)		
Stockholders' Equity:		
Class A Common Stock, par value $.001 per share; 375.0 shares authorized; 51.0 (2010) and 51.8 (2009) shares issued	.1	.1
Class B Common Stock, par value $.001 per share; 5,000.0 shares authorized; 748.5 (2010) and 743.4 (2009) shares issued	.7	.7
Additional paid-in capital	43,448.7	43,479.2
Accumulated deficit	(30,247.8)	(30,371.7)
Accumulated other comprehensive loss (Note 1)	(329.5)	(395.5)
	12,872.2	12,712.8
Less treasury stock, at cost; 120.2 (2010) and 120.4 (2009) Class B Shares	3,689.2	3,693.4
Total Stockholders' Equity	9,183.0	9,019.4
Total Liabilities and Stockholders' Equity	$ 26,014.2	$ 26,962.0

See notes to consolidated financial statements.

Table of Contents

CBS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; in millions)

	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Operating Activities:		
Net earnings (loss)	$ 123.9	$ (39.9)
Adjustments to reconcile net earnings (loss) to net cash flow provided by operating activities:		
Depreciation and amortization	284.3	287.5
Stock-based compensation	69.6	66.8
Loss on early extinguishment of debt	37.9	29.8
Equity in loss of investee companies, net of tax and distributions	17.9	15.8
Decrease to accounts receivable securitization program (Note 6)		(300.0)
Change in assets and liabilities, net of effects of acquisitions	717.4	335.3
Net cash flow provided by operating activities	1,251.0	395.3
Investing Activities:		
Acquisitions, net of cash acquired	(7.9)	(9.3)
Capital expenditures	(99.7)	(139.3)
Investments in and advances to investee companies	(41.2)	(23.7)
Purchases of marketable securities		(35.6)
Proceeds from dispositions	1.6	22.5
Other investing activities	(.1)	(.4)
Net cash flow used for investing activities	(147.3)	(185.8)
Financing Activities:		
Repayments to banks, including commercial paper, net		(2.3)
Proceeds from issuance of senior notes	496.9	974.4
Repayment of notes and debentures	(976.1)	(1,007.5)
Payment of capital lease obligations	(8.1)	(7.7)
Dividends	(73.7)	(228.6)
Purchase of Company common stock	(35.6)	(16.5)
Proceeds from exercise of stock options	2.7	
Excess tax benefit from stock-based compensation	12.0	.7
Decrease to accounts receivable securitization program (Note 6)	(400.0)	
Other financing activities	(.4)	
Net cash flow used for financing activities	(982.3)	(287.5)
Net increase (decrease) in cash and cash equivalents	121.4	(78.0)
Cash and cash equivalents at beginning of period	716.7	419.5
Cash and cash equivalents at end of period	$ 838.1	$ 341.5
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 263.5	$ 265.2
Cash paid for income taxes	$ 32.3	$ 72.4

See notes to consolidated financial statements.

Table of Contents

CBS CORPORATION AND SUBSIDIARIES

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

1) BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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, 2009.

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

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

Net Earnings (Loss) per Common Share Basic earnings (loss) per share ("EPS") is based upon net earnings (loss) divided by the weighted average number of common shares outstanding during the period. Diluted EPS reflects the effect of the assumed exercise of stock options and vesting of restricted stock units ("RSUs"), market-based performance share units ("PSUs") and restricted shares only in the periods in which such effect would have been dilutive. For the three and six months ended June 30, 2010, respectively, stock options to purchase 32.8 million and 33.0 million shares of Class B Common Stock were outstanding but excluded from the calculation of diluted EPS because their inclusion would have been anti-dilutive. For the three months ended June 30, 2009, stock options to purchase 43.0 million shares of Class B Common Stock were outstanding but excluded from the calculation of diluted EPS because their inclusion would have been anti-dilutive. For the six months ended June 30, 2009, stock options to purchase 45.0 million shares of Class B Common Stock and 19.4 million RSUs, PSUs and restricted shares were outstanding but excluded from the calculation of diluted EPS because their inclusion would have been anti-dilutive since the Company reported a net loss.

Table of Contents

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 calculation of basic and diluted EPS.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Weighted average shares for basic EPS	679.1	673.4	677.7	672.5
Dilutive effect of shares issuable under stock-based compensation plans	14.3	6.8	15.1	
Weighted average shares for diluted EPS	693.4	680.2	692.8	672.5

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net earnings (loss)	$ 150.1	$ 15.4	$ 123.9	$ (39.9)
Other comprehensive income (loss), net of tax:				
Cumulative translation adjustments	(14.5)	122.9	(19.8)	44.5
Net actuarial loss and prior service costs	8.9	11.0	85.9	22.3
Change in fair value of cash flow hedges		(1.4)	(.1)	
Net unrealized gain (loss) on securities	(.1)	1.2		.3
Total comprehensive income	$ 144.4	$ 149.1	$ 189.9	$ 27.2

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

Additional Paid-In Capital For the six months ended June 30, 2010 and 2009, the Company recorded dividends of $69.6 million and $69.3 million, respectively, as a reduction to additional paid-in capital as the Company had an accumulated deficit balance.

Adoption of New Accounting Standards

Variable Interest Entities

Effective January 1, 2010, the Company adopted revised Financial Accounting Standards Board ("FASB") guidance which changes the model for determining whether an entity should consolidate a Variable Interest Entity ("VIE"). This new model requires an assessment of whether an entity has a controlling financial interest in a VIE and is therefore the primary beneficiary and required to consolidate the VIE. This guidance also requires an ongoing assessment of whether an entity continues to be the primary beneficiary of a VIE. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

Table of Contents

CBS CORPORATION AND SUBSIDIARIES

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

Transfers of Financial Assets

Effective January 1, 2010, the Company adopted amended FASB guidance on accounting for transfers of financial assets. This amended guidance removes the concept of a qualifying special-purpose entity, establishes specific conditions for reporting a transfer of a portion of a financial asset as a sale, and limits the circumstances in which a financial asset, or portion of a financial asset, should be derecognized when the transferor has not transferred the entire original financial asset and/or when the transferor has continuing involvement with the transferred financial asset. The adoption of this guidance required the Company's securitized accounts receivables to be recorded on the Consolidated Balance Sheet with a corresponding increase to debt. During the first quarter of 2010, the Company reduced the amounts outstanding under its revolving accounts receivable securitization program from $400.0 million at December 31, 2009 to zero and terminated the program.

Recent Pronouncements

Revenue Arrangements with Multiple Deliverables

In October 2009, the FASB issued guidance on revenue arrangements with multiple deliverables, effective for the Company beginning January 1, 2011. This guidance establishes a hierarchy for determining the selling price of a deliverable in a multiple element arrangement. The selling price used for each deliverable will be based on the Company-specific objective evidence if available, third party evidence if Company-specific evidence is not available, or estimated selling price if neither Company-specific objective evidence nor third party evidence is available. This guidance requires the best estimate of the selling price that would be used to sell the deliverable on a stand-alone basis. The Company is currently evaluating the impact of the adoption of this guidance 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, 2010 and 2009.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
RSUs, PSUs and restricted shares	$ 29.2	$ 27.2	$ 56.0	$ 54.9
Stock options and equivalents	7.8	6.7	13.6	11.9
Stock-based compensation expense, before income taxes	37.0	33.9	69.6	66.8
Related tax benefit	(14.6)	(13.5)	(27.4)	(26.7)
Stock-based compensation expense, net of tax benefit	$ 22.4	$ 20.4	$ 42.2	$ 40.1

During the six months ended June 30, 2010, the Company granted 8.6 million RSUs with a weighted average per unit grant date fair value of $13.31. RSU grants during 2010 generally vest over a one-to-four-year service period. Certain RSU awards are also subject to satisfying performance conditions. The number of shares that will be issued upon vesting of RSU awards with performance conditions can range from 0% to 120% of the target award, based on the achievement of established

Table of Contents

CBS CORPORATION AND SUBSIDIARIES

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

operating performance goals. During the six months ended June 30, 2010, the Company also granted .2 million PSUs with an aggregate grant date fair value of $5.5 million. The number of shares that will be issued upon vesting of PSUs can range from 0% to 300% of the target award, based on the ranking of the total shareholder return for CBS Corp. Class B Common Stock within the S&P 500 Index over a designated three-year measurement period, or in certain circumstances, based on the achievement of established operating performance goals. During the six months ended June 30, 2010, the Company also granted 6.6 million stock options with a weighted average exercise price of $13.44. Stock option grants during 2010 generally vest over a four-year service period.

Total unrecognized compensation cost related to non-vested RSUs and PSUs at June 30, 2010 was $189.9 million, which is expected to be expensed over a weighted average period of 2.5 years. Total unrecognized compensation cost related to unvested stock option awards and stock option equivalents at June 30, 2010 was $75.0 million, which is expected to be expensed over a weighted average period of 2.8 years.

3) INTANGIBLE ASSETS

The Company's intangible assets were as follows:

At June 30, 2010	**Gross**	**Accumulated Amortization**	**Net**
Intangible assets subject to amortization:			
Leasehold agreements	$ 886.0	$ (531.6)	$ 354.4
Franchise agreements	494.0	(262.8)	231.2
Other intangible assets	403.6	(214.2)	189.4
Total intangible assets subject to amortization	1,783.6	(1,008.6)	775.0
FCC licenses	5,738.2		5,738.2
Trade names	168.8		168.8
Total intangible assets	$ 7,690.6	$ (1,008.6)	$ 6,682.0

At December 31, 2009	**Gross**	**Accumulated Amortization**	**Net**
Intangible assets subject to amortization:			
Leasehold agreements	$ 883.6	$ (504.1)	$ 379.5
Franchise agreements	512.5	(261.7)	250.8
Other intangible assets	415.6	(199.2)	216.4
Total intangible assets subject to amortization	1,811.7	(965.0)	846.7
FCC licenses	5,738.2		5,738.2
Trade names	168.8		168.8
Total intangible assets	$ 7,718.7	$ (965.0)	$ 6,753.7

Amortization expense was $33.1 million and $33.4 million for the three months ended June 30, 2010 and 2009, respectively, and $66.3 million for each of the six months ended June 30, 2010 and 2009. The Company expects its aggregate annual amortization expense for existing intangible assets subject to amortization for each of the years, 2010 through 2014, to be as follows:

	2010	2011	2012	2013	2014
Amortization expense	$ 129.2	$ 116.4	$ 94.9	$ 83.4	$ 75.4

Table of Contents

CBS CORPORATION AND SUBSIDIARIES

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

4) PROGRAMMING AND OTHER INVENTORY

	At June 30, 2010	At December 31, 2009
Program rights	$ 1,095.8	$ 1,737.5
Television programming:		
Released (including acquired libraries)	513.6	547.9
In process and other	38.1	134.8
Theatrical programming:		
Released	29.0	
In process and other	48.0	58.5
Publishing, primarily finished goods	67.5	69.6
Other	1.0	.9
Total programming and other inventory	1,793.0	2,549.2
Less current portion	496.8	1,085.0
Total noncurrent programming and other inventory	$ 1,296.2	$ 1,464.2

5) 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, is the Executive Chairman of the Board of Directors and founder of both CBS Corp. and Viacom Inc. In addition, Ms. Shari Redstone, Mr. Sumner M. Redstone's daughter, is the president and a director of NAI and the vice chair of the board of directors of both CBS Corp. and Viacom Inc. Mr. David R. Andelman is a director of CBS Corp. and serves as a director of NAI. Mr. Frederic V. Salerno is a director of CBS Corp. and serves as a director of Viacom Inc. At June 30, 2010, NAI beneficially owned CBS Corp. Class A Common Stock representing approximately 79.7% of the voting power of all classes of CBS Corp.'s Common Stock, and owned approximately 6.0% of CBS Corp.'s Class A Common Stock and Class B Common Stock on a combined basis.

Viacom Inc. CBS Corp., as part of its normal course of business, enters into transactions with Viacom Inc. and its subsidiaries. CBS Corp., through its Entertainment segment, licenses its television products to Viacom Inc., primarily MTV Networks and BET Networks. In addition, CBS Corp. recognizes advertising revenues for media spending placed by various subsidiaries of Viacom Inc., primarily Paramount Pictures. 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 $70.5 million and $40.9 million for the three months ended June 30, 2010 and 2009, respectively, and $109.5 million and $112.3 million for the six months ended June 30, 2010 and 2009, respectively.

Showtime Networks pays license fees to Paramount Pictures for motion picture programming under an exclusive output agreement which covers feature films initially theatrically released in the U.S. through 2007. Showtime Networks has exhibition rights to each film licensed under this agreement during three pay television exhibition windows over the course of several years after each such film's initial theatrical release. This agreement has not been renewed for new feature films initially theatrically released in the U.S. after 2007. These license fees are initially recorded as programming inventory and amortized over the shorter of the life of the license agreement or projected useful life of the programming. In addition,

Table of Contents

CBS CORPORATION AND SUBSIDIARIES

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

CBS Corp. places advertisements with and leases production facilities from various subsidiaries of Viacom Inc. The total spending for all of these transactions was $5.6 million and $4.8 million for the three months ended June 30, 2010 and 2009, respectively, and $10.9 million and $8.8 million for the six months ended June 30, 2010 and 2009, respectively.

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

	At June 30, 2010	At December 31, 2009
Amounts due from Viacom Inc.		
Receivables	$ 129.4	$ 164.4
Other assets (Receivables, noncurrent)	215.0	268.3
Total amounts due from Viacom Inc.	$ 344.4	$ 432.7
Amounts due to Viacom Inc.		
Accounts payable	$ 2.7	$ 2.8
Program rights	5.5	18.4
Other liabilities (Program rights, noncurrent)	.4	3.8
Total amounts due to Viacom Inc.	$ 8.6	$ 25.0

Other Related Parties The Company owns 50% of The CW, a television broadcast network, which is accounted for by the Company as an equity investment. CBS Corp. earns revenues from The CW, primarily from the licensing of the Company's television programming. Total revenues from The CW were $16.1 million and $17.2 million for the three months ended June 30, 2010 and 2009, respectively, and $51.3 million and $34.1 million for the six months ended June 30, 2010 and 2009, respectively.

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

6) BANK FINANCING AND DEBT

The following table sets forth the Company's debt.

	At June 30, 2010	At December 31, 2009
Senior debt (4.625% 8.875% due 2010 2056)[a]	$ 6,463.9	$ 6,909.5
Other notes	1.4	2.7
Obligations under capital leases	97.2	105.2
Total debt	6,562.5	7,017.4
Less discontinued operations debt[b]	20.5	20.5

Total debt from continuing operations		6,542.0		6,996.9
Less current portion		26.1		443.6
Total long-term debt from continuing operations, net of current portion	$	6,515.9	$	6,553.3

(a) At June 30, 2010 and December 31, 2009, the senior debt balances included (i) a net unamortized premium of $1.7 million and $2.2 million, respectively, and (ii) an increase in the carrying value of the debt relating to previously settled fair value hedges of $87.5 million and $92.4 million, respectively. The face value of the Company's senior debt was $6.37 billion at June 30, 2010 and $6.81 billion at December 31, 2009.

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

Table of Contents

CBS CORPORATION AND SUBSIDIARIES

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

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.

For the six months ended June 30, 2010 and 2009, debt issuances, redemptions and repurchases were as follows:

Debt Issuances

April 2010, $500.0 million 5.75% senior notes due 2020
June 2009, $250.0 million 8.875% senior notes due 2019
May 2009, $350.0 million 8.875% senior notes due 2019
May 2009, $400.0 million 8.20% senior notes due 2014

Debt Redemptions

Second quarter of 2010

$414.6 million 7.70% senior notes due 2010

Debt Repurchases

Second quarter of 2010

$400.0 million 6.625% senior notes due 2011, through a tender offer
$42.6 million 8.625% debentures due 2012, through a tender offer
$57.4 million 5.625% senior notes due 2012, through a tender offer
$6.1 million 6.625% senior notes due 2011

First quarter of 2010

$19.5 million 5.50% senior debentures due 2033

Second quarter of 2009

$825.5 million 7.70% senior notes due 2010, through a tender offer

First quarter of 2009

$152.8 million 7.70% senior notes due 2010

These transactions resulted in a pre-tax loss on early extinguishment of debt of $40.3 million and $37.9 million for the three and six months ended June 30, 2010, respectively, and $30.5 million and $29.8 million for the three and six months ended June 30, 2009, respectively.

At June 30, 2010, the Company classified $543.6 million of senior notes maturing in May 2011 as long-term debt on the Consolidated Balance Sheet, reflecting its intent and ability to refinance this debt on a long-term basis.

Credit Facility

At June 30, 2010, the Company had a $2.0 billion revolving credit facility which expires in December 2012 (the "Credit Facility"). The Credit Facility requires the Company to maintain a maximum Consolidated Leverage Ratio of 4.5x at the end of the second quarter of 2010, which will be reduced to 4.25x at the end of the third quarter of 2010 and 4.0x at the end of the fourth quarter of 2010, subject to further future reductions, and a minimum Consolidated Coverage Ratio of 3.0x for the trailing four

Table of Contents

CBS CORPORATION AND SUBSIDIARIES

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

quarters, each as further described in the Credit Facility. At June 30, 2010, the Company's Consolidated Leverage Ratio was approximately 2.9x and Consolidated Coverage Ratio was approximately 4.4x.

The primary purpose of the Credit Facility is to support commercial paper borrowings. At June 30, 2010, the Company had no commercial paper borrowings under its $2.0 billion commercial paper program. At June 30, 2010, the remaining availability under the Credit Facility, net of outstanding letters of credit, was $1.825 billion.

Accounts Receivable Securitization Program

The Company participated in a revolving accounts receivable securitization program which provided for the sale of receivables on a non-recourse basis to unrelated third parties on a one-year renewable basis. During the first quarter of 2010, the Company reduced the amounts outstanding under its revolving accounts receivable securitization program from $400.0 million at December 31, 2009 to zero and terminated the program.

On January 1, 2010, the Company adopted amended FASB guidance on the accounting for transfers of financial assets which required the Company's securitized accounts receivables to be recorded on the Consolidated Balance Sheet with a corresponding increase to debt. As a result, the decrease to the accounts receivable securitization program of $400.0 million during 2010 is reflected as cash flows used for financing activities and the decrease of $300.0 million for the six months ended June 30, 2009 is reflected as cash flows used for operating activities under previous FASB guidance.

During the period before the termination of the program in 2010 and for the six months ended June 30, 2009, proceeds from collections of securitized accounts receivables of $263.1 million and $609.9 million, respectively, were reinvested in the revolving receivable securitization program. The net loss associated with securitizing the program's accounts receivables was $.5 million for 2010 and $1.3 million for the six months ended June 30, 2009.

7) PENSION AND OTHER POSTRETIREMENT BENEFITS

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

	Pension Benefits		Postretirement Benefits	
Three Months Ended June 30,	**2010**	**2009**	**2010**	**2009**
Components of net periodic cost:				
Service cost	$ 7.8	$ 7.8	$ .2	$ .2
Interest cost	66.8	72.4	10.8	12.3
Expected return on plan assets	(56.7)	(54.8)		
Amortization of actuarial loss (gain)	17.9	21.2	(2.6)	(2.8)
Amortization of prior service cost (credit)	.1	.2	(.2)	(.1)
Net periodic cost	$ 35.9	$ 46.8	$ 8.2	$ 9.6

Table of Contents

CBS CORPORATION AND SUBSIDIARIES

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

	Pension Benefits		Postretirement Benefits	
Six Months Ended June 30,	**2010**	**2009**	**2010**	**2009**
Components of net periodic cost:				
Service cost	$ 15.6	$ 15.2	$ .4	$ .4
Interest cost	133.6	145.3	21.6	24.7
Expected return on plan assets	(113.4)	(109.3)		
Amortization of actuarial loss (gain)	35.8	42.5	(5.2)	(5.6)
Amortization of prior service cost (credit)	.2	.4	(.4)	(.2)
Net periodic cost	$ 71.8	$ 94.1	$ 16.4	$ 19.3

8) STOCKHOLDERS' EQUITY

On May 26, 2010, the Company announced a quarterly cash dividend of $.05 per share on its Class A and Class B Common Stock payable on July 1, 2010. The total dividend was $35.0 million of which $33.9 million was paid on July 1, 2010 and $1.1 million was accrued to be paid upon vesting of RSUs. During the second quarter of 2010, the Company paid $37.1 million for the dividend declared on February 23, 2010 and for dividend payments on RSUs that vested during the second quarter of 2010.

9) INCOME TAXES

The provision for income taxes represents federal, state and local, and foreign income taxes on earnings before income taxes and equity in loss of investee companies.

The provision for income taxes was $91.7 million and $56.9 million for the three months ended June 30, 2010 and 2009, respectively, and $112.7 million and $65.7 million for the six months ended June 30, 2010 and 2009, respectively. The provision for income taxes for the six months ended June 30, 2010 included three discrete items which impacted comparability totaling $25.9 million, comprised of a $62.2 million reduction of deferred tax assets associated with the 2010 Patient Protection and Affordable Care Act, partially offset by a $26.4 million reversal of previously established deferred tax liabilities and a $9.9 million tax benefit from the settlements of tax audits. The provision for income taxes for the three and six months ended June 30, 2009 was impacted by a reduction of deferred tax assets associated with stock-based compensation of $23.3 million and $42.1 million, respectively. This reduction reflects the difference between the estimated tax benefit recognized based on the grant date fair value of the stock-based compensation award versus the actual tax benefit realized based on the market value on the date of vest.

The Company is currently under examination by various U.S. and foreign tax authorities through the 2007 tax year. With respect to open tax years in all jurisdictions, the Company believes it is reasonably possible that the reserve for uncertain tax positions may decrease during the remainder of 2010 by approximately $20 million, plus accrued interest, a portion of which may impact the Company's effective income tax rate. The estimate of any additional impact to the reserve for uncertain tax positions within the next twelve months can not currently be determined.

CBS CORPORATION AND SUBSIDIARIES

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

10) COMMITMENTS AND CONTINGENCIES

Off-Balance Sheet Arrangements

The Company has indemnification obligations with respect to letters of credit and surety bonds primarily used as security against non-performance in the normal course of business. At June 30, 2010, the outstanding letters of credit and surety bonds approximated $386.8 million and were not recorded on the Consolidated Balance Sheet.

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

Legal Matters

Securities and Derivative Actions. On December 12, 2008, the City of Pontiac General Employees' Retirement System filed a self-styled class action complaint in the United States District Court for the Southern District of New York against the Company and its Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, and Treasurer, alleging violations of federal securities law. The complaint, which was filed on behalf of a putative class of purchasers of the Company's common stock between February 26, 2008 and October 10, 2008 (the "Class Period"), alleges that, among other things, the Company's failure to timely write down the value of certain assets caused the Company's reported operating results during the Class Period to be materially inflated. The plaintiffs seek unspecified compensatory damages. On February 11, 2009, a motion was filed in the case on behalf of The City of Omaha, Nebraska Civilian Employees' Retirement System, and The City of Omaha Police and Fire Retirement System (collectively, the "Omaha Funds") seeking to appoint the Omaha Funds as the lead plaintiffs in this case; on March 5, 2009, the court granted that motion. On May 4, 2009, the plaintiffs filed an Amended Complaint, which removes the Treasurer as a defendant and adds the Executive Chairman. On July 13, 2009, all defendants filed a motion to dismiss this action. On March 16, 2010, the court granted the Company's motion and dismissed this action as to the Company and all defendants. On April 30, 2010, the plaintiffs filed a motion for leave to serve an amended complaint, which is pending before the court. The Company believes that the plaintiffs' claims are without merit and intends to vigorously defend itself in the litigation.

On October 2, 2009, a shareholder derivative complaint, Hatcher v. Moonves, et al., was filed in the United States District Court for the Southern District of New York naming the Company, as a nominal defendant, members of its board of directors and its Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer as defendants. The complaint alleges that the defendants breached fiduciary duties by failing to timely write down the value of certain of the Company's assets and relates to the same or similar allegations in the Omaha Funds case. The complaint seeks, among other things, unspecified compensatory damages, restitution from the defendants with respect to compensation, benefits and profits obtained and the institution of certain reforms to the Company's internal control functions. On December 11, 2009, another shareholder derivative complaint, Iron Workers v. Redstone, et al., was filed in the United States District Court for the Southern District of New York naming the same defendants as the Hatcher action, and making similar claims and demands. On December 28, 2009, the Hatcher and Iron Workers actions were consolidated and, on February 16, 2010, the plaintiffs

CBS CORPORATION AND SUBSIDIARIES

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

filed a consolidated amended complaint in the United States District Court for the Southern District of New York. On April 3, 2010, the plaintiffs unilaterally filed a stipulation discontinuing the action without prejudice. On April 6, 2010, the court entered an order adopting this stipulation.

On December 22, 2009, another shareholder derivative complaint, Gray v. Redstone, et al., was filed in the Supreme Court, New York County, naming the same defendants as the Hatcher and Iron Workers actions, and making similar claims and demands. On March 8, 2010, the Company filed a motion to dismiss the action. On July 1, 2010, the parties entered into a stipulation discontinuing this action without prejudice, which was adopted by the court on July 6, 2010.

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

In another case involving broadcasts on another network, in June 2007, the United States Court of Appeals for the Second Circuit vacated the FCC's November 2006 finding that the broadcast of fleeting and isolated expletives was indecent and remanded the case to the FCC (the "fleeting expletives case"). On March 17, 2008, the United States Supreme Court granted the FCC's petition to review the United States Court of Appeals for the Second Circuit's decision. On November 4, 2008, the United States Supreme Court heard argument in this case. On April 28, 2009, the United States Supreme Court issued a 5-4 decision reversing the Second Circuit's judgment on administrative grounds in favor of the FCC and remanding the fleeting expletives case to the Second Circuit. The Second Circuit requested additional briefing and argument was heard on January 13, 2010. On July 13, 2010, the Second Circuit struck down an FCC policy on indecency and found that the FCC's indecency policies and decisions regarding the use of "fleeting expletives" on radio and television violated the First Amendment.

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

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

CBS CORPORATION AND SUBSIDIARIES

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

Additionally, the Company, from time to time, has received and may receive in the future letters of inquiry from the FCC prompted by complaints alleging that certain programming on the Company's broadcasting stations included indecent material.

Claims Related to Former Businesses: Asbestos, 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 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, 2010, the Company had pending approximately 58,920 asbestos claims, as compared with approximately 62,360 as of December 31, 2009 and 64,480 as of June 30, 2009. During the second quarter of 2010, the Company received approximately 740 new claims and closed or moved to an inactive docket approximately 4,160 claims. The Company reports claims as closed when it becomes aware that a dismissal order has been entered by a court or when the Company has reached agreement with the claimants on the material terms of a settlement. Settlement costs depend on the seriousness of the injuries that form the basis of the claim, the quality of evidence supporting the claims and other factors. The Company's total costs for the years 2009 and 2008 for settlement and defense of asbestos claims after insurance recoveries and net of tax benefits were approximately $17.8 million and $15.0 million, respectively. The Company's costs for settlement and defense of asbestos claims may vary year to year as insurance proceeds are not always recovered in the same period as the insured portion of the expenses.

The Company believes that its reserves and insurance are adequate to cover its asbestos liabilities. This belief is based upon many factors and assumptions, including the number of outstanding claims, estimated average cost per claim, the breakdown of claims by disease type, historic claim filings, costs per claim of resolution and the filing of new claims. While the number of asbestos claims filed against the Company has trended down in recent years, it is difficult to predict future asbestos liabilities, as events and circumstances may occur including, among others, the number and types of claims and average cost to resolve such claims, which could affect the Company's estimate of its asbestos liabilities.

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.

General. 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,

Table of Contents

CBS CORPORATION AND SUBSIDIARIES

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

"litigation"). Litigation is inherently uncertain and always difficult to predict. However, based on its understanding and evaluation of the relevant facts and circumstances, the Company believes that the above-described legal matters and other litigation to which it is a party are not likely, in the aggregate, to have a material adverse effect on its results of operations, financial position or cash flows. Under the Separation Agreement between the Company and Viacom Inc., the Company and Viacom Inc. have agreed to defend and indemnify the other in certain litigation in which the Company and/or Viacom Inc. is named.

11) RESTRUCTURING CHARGES

During the six months ended June 30, 2010, the Company recorded restructuring charges of $58.8 million, reflecting $47.0 million of severance costs associated with the elimination of positions and $12.5 million of contract termination and other associated costs, partially offset by the reversal of $.7 million as a result of changes in estimates of previously established restructuring accruals. During the year ended December 31, 2009, the Company recorded restructuring charges of $22.8 million, reflecting $20.8 million of severance costs and $6.7 million of contract termination and other associated costs, partially offset by the reversal of $4.7 million as a result of changes in estimates of previously established restructuring accruals. During the year ended December 31, 2008, the Company recorded restructuring charges of $136.7 million, which reflected $127.5 million of severance costs and $9.2 million of contract termination and other associated costs. As of June 30, 2010, the Company had paid $139.4 million of the severance costs and $11.3 million of the contract termination and other associated costs. The Company expects to substantially utilize the remaining reserves by the end of 2011.

	Balance at December 31, 2009	2010 Charges	2010 Payments	Balance at June 30, 2010
Entertainment	$ 2.2	$ 10.4	$ (6.9)	$ 5.7
Cable Networks	.1		(.1)	
Publishing	2.4	1.7	(2.4)	1.7
Local Broadcasting	28.6	25.2	(15.2)	38.6
Outdoor	6.2	21.5	(6.1)	21.6
Corporate	.3		(.3)	
Total	$ 39.8	$ 58.8	$ (31.0)	$ 67.6

Table of Contents

CBS CORPORATION AND SUBSIDIARIES

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

12) FAIR VALUE MEASUREMENTS

The following tables set forth the Company's assets and liabilities measured at fair value on a recurring basis at June 30, 2010 and December 31, 2009. These assets and liabilities have been categorized according to the three-level fair value hierarchy established by the FASB, which prioritizes the inputs used in measuring fair value.

At June 30, 2010	Level 1 [a]	Level 2 [b]	Level 3 [c]	Total
Assets:				
Investments	$ 51.2	$ 25.0	$	$ 76.2
Foreign currency hedges		4.2		4.2
Total Assets	$ 51.2	$ 29.2	$	$ 80.4
Liabilities:				
Deferred compensation	$	$ 132.0	$	$ 132.0
Foreign currency hedges		.8		.8
Total Liabilities	$	$ 132.8	$	$ 132.8

At December 31, 2009	Level 1 [a]	Level 2 [b]	Level 3 [c]	Total
Assets:				
Investments	$ 57.2	$	$	$ 57.2
Total Assets	$ 57.2	$	$	$ 57.2
Liabilities:				
Deferred compensation	$	$ 138.6	$	$ 138.6
Foreign currency hedges		5.8		5.8
Total Liabilities	$	$ 144.4	$	$ 144.4

(a) Level 1 valuation is based on quoted prices for the asset in active markets.

(b) Level 2 valuation is based on inputs that are observable other than quoted market prices in Level 1, such as quoted prices for the asset or liability in inactive markets or quoted prices for similar assets or liabilities.

(c) Level 3 valuation is based on unobservable inputs reflecting the Company's own assumptions about the assumptions that market participants would use in pricing the asset.

The fair value of Level 1 investments is determined based on publicly quoted market prices in active markets. The fair value of Level 2 investments is determined by reference to market prices for similar securities. The fair value of foreign currency hedges is determined based on the present value of future cash flows using observable inputs including foreign currency exchange rates. The fair value of deferred compensation is determined based on the fair value of the investments elected by employees.

13) FINANCIAL INSTRUMENTS

The Company's carrying value of financial instruments approximates fair value, except for differences with respect to notes and debentures. At June 30, 2010 and December 31, 2009, the carrying value of the senior debt was $6.46 billion and $6.91 billion, respectively, and the fair value, which is

Table of Contents

CBS CORPORATION AND SUBSIDIARIES

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

estimated, based on quoted market prices and includes accrued interest, was $7.05 billion and $7.25 billion, respectively.

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

Foreign Exchange Contracts

Foreign exchange forward contracts have principally been used to hedge projected cash flows, generally within the next twelve months, in such currencies as the British Pound, the Euro, the Canadian Dollar and the Australian Dollar. The Company designates forward contracts used to hedge projected future television and film production costs as cash flow hedges. Gains or losses on the effective portion of designated cash flow hedges are initially recorded in OCI and reclassified to the statement of operations when the hedged item is recognized. Additionally, the Company enters into non-designated forward contracts to hedge non-U.S. dollar denominated cash flows. The change in fair value of the non-designated contracts is included in "Other items, net" in the Consolidated Statement of Operations.

At June 30, 2010, the notional amount of all foreign currency contracts was $124.6 million, of which $16.0 million related to the hedging of future production costs and $108.6 million represents hedges of expected foreign currency cash flows. At December 31, 2009, the notional amount of all foreign currency contracts was $97.1 million, of which $2.1 million related to the hedging of future production costs and $95.0 million represented hedges of expected foreign currency cash flows.

Interest Rate Swaps

All of the Company's long-term debt has been issued under fixed interest rate agreements. During 2009, the Company entered into fixed-to-floating rate swap agreements for a portion of this debt, which were designated as fair value hedges. Gains or losses on interest rate swaps were recorded as a change in the carrying value of the debt attributable to the risk being hedged. During the fourth quarter of 2009, the Company settled all of its interest rate swaps outstanding. The Company did not have any interest rate swaps outstanding at June 30, 2010 or December 31, 2009.

The fair value of foreign exchange contracts recorded on the Consolidated Balance Sheets were as follows:

	At June 30, 2010	At December 31, 2009	Balance Sheet Account
Designated hedging instruments:			
Assets	$ .1	$	Prepaid expenses and other current assets
Liabilities	$ (.3)	$ (.1)	Accrued expenses and other current liabilities
Non-designated hedging instruments:			
Assets	$ 4.1	$	Prepaid expenses and other current assets
Liabilities	$ (.5)	$ (5.7)	Accrued expenses and other current liabilities

Table of Contents

CBS CORPORATION AND SUBSIDIARIES

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

Gains (losses) recognized on derivative financial instruments were as follows:

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Financial Statement Account
Foreign exchange contracts:			
Designated hedging instruments:			
Recognized in OCI	$	$ (1.4)	Change in fair value of cash flow hedges
Reclassified from accumulated OCI	$	$ 2.9	Programming costs
Non-designated hedging instruments	$ 5.7	$ (5.7)	Other items, net
Designated interest rate swaps	$	$ 2.8	Interest expense

	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009	Financial Statement Account
Foreign exchange contracts:			
Designated hedging instruments:			
Recognized in OCI	$ (.1)	$	Change in fair value of cash flow hedges
Reclassified from accumulated OCI	$	$ 3.0	Programming costs
Non-designated hedging instruments	$ 3.8	$ (3.1)	Other items, net
Designated interest rate swaps	$	$ 2.8	Interest expense

14) REPORTABLE SEGMENTS

The following tables set forth the Company's financial performance by reportable segment. The Company's operating segments, which are the same as its reportable segments, have been determined in accordance with the Company's internal management structure, which is organized based upon products and services. In the fourth quarter of 2009, the Company realigned its management structure to more effectively pursue its long-term strategy of investing in content businesses and capitalizing on its strong local presence. As a result, the Company realigned its operating segments. Prior period results have been reclassified to conform to this presentation.

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Revenues:				
Entertainment	$ 1,671.7	$ 1,515.5	$ 3,753.2	$ 3,333.1
Cable Networks	368.8	328.4	736.8	669.0
Publishing	189.7	181.4	341.4	343.1

Local Broadcasting	678.2	579.5	1,283.7	1,089.9
Outdoor	456.3	434.1	848.5	814.0
Eliminations	(33.7)	(32.6)	(101.7)	(82.9)
Total Revenues	$ 3,331.0	$ 3,006.3	$ 6,861.9	$ 6,166.2

Table of Contents

CBS CORPORATION AND SUBSIDIARIES

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Intercompany Revenues:				
Entertainment	$ 25.7	$ 25.6	$ 82.8	$ 67.9
Cable Networks	.1	.2	.2	.8
Local Broadcasting	5.1	4.5	10.5	8.7
Outdoor	2.8	2.3	8.2	5.5
Total Intercompany Revenues	$ 33.7	$ 32.6	$ 101.7	$ 82.9

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Segment OIBDA:				
Entertainment	$ 222.5	$ 209.5	$ 357.0	$ 360.6
Cable Networks	129.3	96.9	230.2	180.3
Publishing	16.7	8.1	18.8	8.2
Local Broadcasting	214.0	100.6	322.8	154.7
Outdoor	77.3	42.2	89.4	67.3
Corporate	(55.9)	(34.7)	(94.6)	(63.2)
Residual costs	(26.2)	(35.9)	(52.5)	(71.9)
Eliminations	.8	.7	1.6	1.2
OIBDA	578.5	387.4	872.7	637.2
Depreciation and amortization	(143.5)	(145.2)	(284.3)	(287.5)
Total Operating Income	435.0	242.2	588.4	349.7
Interest expense	(133.6)	(133.9)	(271.6)	(267.1)
Interest income	1.1	1.1	2.2	2.7
Loss on early extinguishment of debt	(40.3)	(30.5)	(37.9)	(29.8)
Other items, net	(13.6)	(3.5)	(26.7)	(15.4)
Earnings before income taxes and equity in loss of investee companies	248.6	75.4	254.4	40.1
Provision for income taxes	(91.7)	(56.9)	(112.7)	(65.7)

Equity in loss of investee companies, net of tax	(6.8)	(3.1)	(17.8)	(14.3)
Net Earnings (Loss)	$ 150.1	$ 15.4	$ 123.9	$ (39.9)

Table of Contents

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,	
	2010	**2009**	**2010**	**2009**
Operating Income (Loss):				
Entertainment	$ 181.1	$ 165.7	$ 274.3	$ 272.7
Cable Networks	123.7	91.0	218.9	168.4
Publishing	15.0	6.1	15.5	4.0
Local Broadcasting	189.6	78.9	274.0	110.8
Outdoor	12.1	(24.8)	(38.7)	(63.0)
Corporate	(61.1)	(39.5)	(104.7)	(72.5)
Residual costs	(26.2)	(35.9)	(52.5)	(71.9)
Eliminations	.8	.7	1.6	1.2
Total Operating Income	$ 435.0	$ 242.2	$ 588.4	$ 349.7

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
Depreciation and Amortization:				
Entertainment	$ 41.4	$ 43.8	$ 82.7	$ 87.9
Cable Networks	5.6	5.9	11.3	11.9
Publishing	1.7	2.0	3.3	4.2
Local Broadcasting	24.4	21.7	48.8	43.9
Outdoor	65.2	67.0	128.1	130.3
Corporate	5.2	4.8	10.1	9.3
Total Depreciation and Amortization	$ 143.5	$ 145.2	$ 284.3	$ 287.5

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
Stock-based Compensation:				
Entertainment	$ 11.9	$ 12.0	$ 23.3	$ 23.3
Cable Networks	1.5	1.6	3.1	3.2
Publishing	.9	.9	1.8	1.8
Local Broadcasting	6.1	6.1	11.9	13.1

Outdoor	1.6	1.5	3.0	3.1
Corporate	15.0	11.8	26.5	22.3
Total Stock-based Compensation	$ 37.0	$ 33.9	$ 69.6	$ 66.8

Table of Contents

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,	
	2010	2009	2010	2009
Capital Expenditures:				
Entertainment	$ 23.3	$ 16.8	$ 38.2	$ 36.7
Cable Networks	3.3	1.7	4.3	2.9
Publishing	.9	.4	1.7	.9
Local Broadcasting	16.3	19.6	27.0	40.3
Outdoor	13.3	24.2	24.9	50.1
Corporate	1.7	2.4	3.6	8.4
Total Capital Expenditures	$ 58.8	$ 65.1	$ 99.7	$ 139.3

	At June 30, 2010	At December 31, 2009
Assets:		
Entertainment	$ 7,798.2	$ 8,935.6
Cable Networks	1,601.4	1,680.0
Publishing	1,044.1	1,142.7
Local Broadcasting	9,708.5	9,646.6
Outdoor	4,330.7	4,452.8
Corporate	1,522.5	1,100.2
Discontinued operations	92.4	92.3
Eliminations	(83.6)	(88.2)
Total Assets	$ 26,014.2	$ 26,962.0

Table of Contents

CBS CORPORATION AND SUBSIDIARIES

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

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 6). The following condensed consolidating financial statements present the results of operations, financial position and cash flows of CBS Corp., CBS Operations Inc., the direct and indirect Non-Guarantor Affiliates of CBS Corp. and CBS Operations Inc., and the eliminations necessary to arrive at the information for the Company on a consolidated basis.

	Statement of Operations For the Three Months Ended June 30, 2010				
	CBS Corp.	CBS Operations Inc.	Non-Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
Revenues	$ 32.5	$ 31.8	$ 3,266.7	$	$ 3,331.0
Expenses:					
Operating	16.1	25.6	2,036.0		2,077.7
Selling, general and administrative	34.7	62.0	576.4		673.1
Restructuring charges			1.7		1.7
Depreciation and amortization	1.0	3.1	139.4		143.5
Total expenses	51.8	90.7	2,753.5		2,896.0
Operating income (loss)	(19.3)	(58.9)	513.2		435.0
Interest (expense) income, net	(146.7)	(75.3)	89.5		(132.5)
Loss on early extinguishment of debt	(40.3)				(40.3)
Other items, net	(.1)	8.3	(21.8)		(13.6)
Earnings (loss) before income taxes and equity in earnings (loss) of investee companies	(206.4)	(125.9)	580.9		248.6
Benefit (provision) for income taxes	75.5	45.1	(212.3)		(91.7)
Equity in earnings (loss) of investee companies, net of tax	281.0	145.4	(6.8)	(426.4)	(6.8)
Net earnings	$ 150.1	$ 64.6	$ 361.8	$ (426.4)	$ 150.1