

CBS CORP
Form 10-Q
May 03, 2011

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**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 March 31, 2011

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.

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

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

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

Class A Common Stock, par value \$.001 per share 43,628,515

Class B Common Stock, par value \$.001 per share 625,155,928

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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 March 31,	
	2011	2010
Revenues	\$ 3,510	\$ 3,531
Expenses:		
Operating	2,276	2,564
Selling, general and administrative	658	616
Restructuring charges		57
Depreciation and amortization	139	141
Total expenses	3,073	3,378
Operating income	437	153
Interest expense	(110)	(138)
Interest income	2	1
Gain on early extinguishment of debt		3
Other items, net	9	(13)
Earnings before income taxes and equity in loss of investee companies	338	6
Provision for income taxes	(122)	(21)
Equity in loss of investee companies, net of tax	(14)	(11)
Net earnings (loss)	\$ 202	\$ (26)
Basic net earnings (loss) per common share	\$..30	\$ (.04)
Diluted net earnings (loss) per common share	\$..29	\$ (.04)
Weighted average number of common shares outstanding:		
Basic	674	676
Diluted	693	676
Dividends per common share	\$..05	\$..05

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See notes to consolidated financial statements.

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Table of Contents**CBS CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(Unaudited; in millions, except per share amounts)

	At March 31, 2011	At December 31, 2010
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 972	\$ 480
Receivables, less allowances of \$139 (2011) and \$131 (2010)	3,146	3,248
Programming and other inventory (Note 4)	438	725
Deferred income tax assets, net	305	303
Prepaid income taxes	52	45
Prepaid expenses	262	178
Other current assets	456	351
Current assets of discontinued operations	6	5
Total current assets	5,637	5,335
Property and equipment:		
Land	330	329
Buildings	711	709
Capital leases	194	197
Advertising structures	2,118	2,073
Equipment and other	1,787	1,797
	5,140	5,105
Less accumulated depreciation and amortization	2,498	2,411
Net property and equipment	2,642	2,694
Programming and other inventory (Note 4)		
	1,339	1,425
Goodwill	8,622	8,524
Intangible assets (Note 3)	6,607	6,624
Other assets	1,453	1,469
Assets of discontinued operations	72	72
Total Assets	\$ 26,372	\$ 26,143
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 376	\$ 439
Accrued compensation	257	408
Participants' share and royalties payable	984	943
Program rights	780	601
Deferred revenue	359	292
Current portion of long-term debt (Note 6)	26	27
Accrued expenses and other current liabilities	1,396	1,299

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Current liabilities of discontinued operations	17	17
Total current liabilities	4,195	4,026
Long-term debt (Note 6)	5,968	5,973
Pension and postretirement benefit obligations	1,981	1,986
Deferred income tax liabilities, net	789	715
Other liabilities	3,458	3,420
Liabilities of discontinued operations	201	202
Commitments and contingencies (Note 10)		
Stockholders' Equity:		
Class A Common Stock, par value \$.001 per share; 375 shares authorized; 44 (2011 and 2010) shares issued		
Class B Common Stock, par value \$.001 per share; 5,000 shares authorized; 762 (2011) and 757 (2010) shares issued	1	1
Additional paid-in capital	43,427	43,443
Accumulated deficit	(29,446)	(29,648)
Accumulated other comprehensive loss (Note 1)	(266)	(286)
	13,716	13,510
Less treasury stock, at cost; 132 (2011) and 120 (2010) Class B Shares	3,936	3,689
Total Stockholders' Equity	9,780	9,821
Total Liabilities and Stockholders' Equity	\$ 26,372	\$ 26,143

See notes to consolidated financial statements.

Table of Contents**CBS CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited; in millions)

	Three Months Ended March 31,	
	2011	2010
Operating Activities:		
Net earnings (loss)	\$ 202	\$ (26)
Adjustments to reconcile net earnings (loss) to net cash flow provided by operating activities:		
Depreciation and amortization	139	141
Stock-based compensation	34	33
Equity in loss of investee companies, net of tax and distributions	16	11
Change in assets and liabilities, net of effects of acquisitions	503	542
Net cash flow provided by operating activities	894	701
Investing Activities:		
Acquisitions, net of cash acquired	(53)	(2)
Capital expenditures	(41)	(41)
Investments in and advances to investee companies	(26)	(31)
Proceeds from dispositions	13	
Other investing activities	4	
Net cash flow used for investing activities	(103)	(74)
Financing Activities:		
Repayment of notes and debentures	(2)	(17)
Payment of capital lease obligations	(4)	(4)
Dividends	(37)	(37)
Purchase of Company common stock	(296)	(25)
Proceeds from exercise of stock options	10	2
Excess tax benefit from stock-based compensation	35	10
Decrease to accounts receivable securitization program (Note 6)		(400)
Other financing activities	(5)	
Net cash flow used for financing activities	(299)	(471)
Net increase in cash and cash equivalents	492	156
Cash and cash equivalents at beginning of period	480	717
Cash and cash equivalents at end of period	\$ 972	\$ 873
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 104	\$ 132
Cash paid for income taxes	\$ 19	\$ 18

See notes to consolidated financial statements.

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CBS CORPORATION AND SUBSIDIARIES

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

1) BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Net Earnings (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") and market-based performance share units ("PSUs") only in the periods in which such effect would have been dilutive. For the three months ended March 31, 2011, stock options to purchase 26 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 March 31, 2010, all of the 50 million of outstanding stock options to purchase shares of Class B Common Stock and all of the 22 million of outstanding RSUs and PSUs were 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	
	March 31,	
	2011	2010
Weighted average shares for basic EPS	674	676
Dilutive effect of shares issuable under stock-based compensation plans	19	
Weighted average shares for diluted EPS	693	676

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

	Three Months Ended	
	March 31,	
	2011	2010
Net earnings (loss)	\$ 202	\$ (26)
Other comprehensive income (loss), net of tax:		
Cumulative translation adjustments	13	(5)
Net actuarial loss and prior service costs	7	77
Total comprehensive income	\$ 222	\$ 46

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

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

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

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

Additional Paid-In Capital For the three months ended March 31, 2011 and 2010, the Company recorded dividends of \$34 million and \$35 million, respectively, as a reduction to additional paid-in capital as the Company had an accumulated deficit balance.

Table of Contents**CBS CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
(Tabular dollars in millions, except per share amounts)**Adoption of New Accounting Standards***Revenue Arrangements with Multiple Deliverables*

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

2) STOCK-BASED COMPENSATION

The following table summarizes the Company's stock-based compensation expense for the three months ended March 31, 2011 and 2010.

	Three Months Ended	
	March 31,	
	2011	2010
RSUs and PSUs	\$ 25	\$ 27
Stock options and equivalents	9	6
Stock-based compensation expense, before income taxes	34	33
Related tax benefit	(13)	(13)
Stock-based compensation expense, net of tax	\$ 21	\$ 20

During the three months ended March 31, 2011, the Company granted 4 million RSUs with a weighted average per unit grant date fair value of \$21.75. RSU grants during the first quarter of 2011 generally vest over a one-to-four-year service period. Certain RSU awards are also subject to satisfying performance conditions. The number of shares that will be issued upon vesting of RSU awards with performance conditions can range from 0% to 120% of the target award, based on the achievement of established operating performance goals. During the three months ended March 31, 2011, the Company also granted 6 million stock options with a weighted average exercise price of \$23.16. Stock option grants during the first quarter of 2011 generally vest over a four-year service period and expire eight years from the date of grant.

Total unrecognized compensation cost related to non-vested RSUs at March 31, 2011 was \$207 million, which is expected to be expensed over a weighted average period of 2.7 years. Total unrecognized compensation cost related to unvested stock option awards at March 31, 2011 was \$98 million, which is expected to be expensed over a weighted average period of 3.1 years.

Table of Contents**CBS CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
(Tabular dollars in millions, except per share amounts)**3) INTANGIBLE ASSETS**

The Company's intangible assets were as follows:

At March 31, 2011	Gross	Accumulated Amortization	Net
Intangible assets subject to amortization:			
Leasehold agreements	\$ 904	\$ (581)	\$ 323
Franchise agreements	493	(280)	213
Other intangible assets	384	(220)	164
Total intangible assets subject to amortization	1,781	(1,081)	700
FCC licenses	5,738		5,738
Trade names	169		169
Total intangible assets	\$ 7,688	\$ (1,081)	\$ 6,607

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

Amortization expense was \$31 million and \$33 million for the three months ended March 31, 2011 and 2010, respectively. The Company expects its aggregate annual amortization expense for existing intangible assets subject to amortization for each of the years, 2011 through 2015, to be as follows:

	2011	2012	2013	2014	2015
Amortization expense	\$ 121	\$ 99	\$ 87	\$ 79	\$ 69

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 March 31, 2011	At December 31, 2010
Program rights	\$ 1,136	\$ 1,372
Television programming:		
Released (including acquired libraries)	471	534
In process and other	61	119
Theatrical programming:		
Released	32	29
In process and other	7	26
Publishing, primarily finished goods	69	69
Other	1	1
 Total programming and other inventory	 1,777	 2,150
Less current portion	438	725
 Total noncurrent programming and other inventory	 \$ 1,339	 \$ 1,425

5) RELATED PARTIES

National Amusements, Inc. National Amusements, Inc. ("NAI") is the controlling stockholder of CBS Corp. and Viacom Inc. Mr. Sumner M. Redstone, the controlling stockholder, chairman of the board of directors and chief executive officer of NAI, is the Executive Chairman of the Board of Directors and founder of both CBS Corp. and Viacom Inc. In addition, Ms. Shari Redstone, Mr. Sumner M. Redstone's daughter, is the president and a director of NAI and the vice chair of the board of directors of both CBS Corp. and Viacom Inc. Mr. David R. Andelman is a director of CBS Corp. and serves as a director of NAI. Mr. Frederic V. Salerno is a director of CBS Corp. and serves as a director of Viacom Inc. At March 31, 2011, NAI directly or indirectly owned approximately 79% of CBS Corp.'s voting Class A Common Stock, and owned approximately 6% of CBS Corp.'s Class A Common Stock and non-voting Class B Common Stock on a combined basis.

Viacom Inc. CBS Corp., as part of its normal course of business, enters into transactions with Viacom Inc. and its subsidiaries. CBS Corp., through its Entertainment segment, licenses its television products to Viacom Inc., primarily MTV Networks and BET Networks. In addition, CBS Corp. recognizes advertising revenues for media spending placed by various subsidiaries of Viacom Inc., primarily Paramount Pictures. 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 \$51 million and \$39 million for the three months ended March 31, 2011 and 2010, respectively.

CBS Corp. places advertisements with, and leases production facilities, licenses programming and purchases other goods and services from various subsidiaries of Viacom Inc. The total amounts for these transactions were \$6 million and \$5 million for the three months ended March 31, 2011 and 2010, respectively.

Table of Contents**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 March 31, 2011	At December 31, 2010
Amounts due from Viacom Inc.		
Receivables	\$ 99	\$ 104
Other assets (Receivables, noncurrent)	233	252
Total amounts due from Viacom Inc.	\$ 332	\$ 356
Amounts due to Viacom Inc.		
Accounts payable	\$ 8	\$ 5
Program rights	4	4
Other liabilities (Program rights, noncurrent)		1
Total amounts due to Viacom Inc.	\$ 12	\$ 10

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 \$27 million and \$45 million for the three months ended March 31, 2011 and 2010, respectively.

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

6) BANK FINANCING AND DEBT

The following table sets forth the Company's debt.

	At March 31, 2011	At December 31, 2010
Senior debt (4.30% 8.875% due 2012 2056)	\$ 5,928	\$ 5,929
Other notes		2
Obligations under capital leases	87	90
Total debt	6,015	6,021
Less discontinued operations debt ^(b)	21	21
Total debt from continuing operations	5,994	6,000
Less current portion	26	27
Total long-term debt from continuing operations, net of current portion	\$ 5,968	\$ 5,973

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- (a) At March 31, 2011 and December 31, 2010, the senior debt balances included (i) a net unamortized premium of \$2 million and \$1 million, respectively, and (ii) an increase in the carrying value of the debt relating to previously settled fair value hedges of \$81 million and \$83 million, respectively. The face value of the Company's senior debt was \$5.85 billion at both March 31, 2011 and December 31, 2010.
- (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 million of the Company's wholly owned subsidiary, CBS Broadcasting Inc., is not guaranteed.

During the first quarter of 2010, the Company repurchased \$20 million of its 5.50% senior debentures due 2033 resulting in a pre-tax gain on early extinguishment of debt of \$3 million.

Credit Facility

At March 31, 2011, the Company had a \$2.0 billion revolving credit facility which expires in March 2015 (the "Credit Facility"). The Credit Facility requires the Company to maintain a maximum Consolidated Leverage Ratio of 4.0x at the end of each quarter and a minimum Consolidated Coverage Ratio of 3.0x for the trailing four quarters, each as further described in the Credit Facility. At March 31, 2011, the Company's Consolidated Leverage Ratio was approximately 2.1x and Consolidated Coverage Ratio was approximately 6.1x.

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

The primary purpose of the Credit Facility is to support commercial paper borrowings. At March 31, 2011, the Company had no commercial paper borrowings under its \$2.0 billion commercial paper program. At March 31, 2011, the remaining availability under the Credit Facility, net of outstanding letters of credit, was \$1.98 billion.

Accounts Receivable Securitization Program

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

7) PENSION AND OTHER POSTRETIREMENT BENEFITS

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

Three Months Ended March 31,	Pension Benefits		Postretirement Benefits	
	2011	2010	2011	2010
Components of net periodic cost:				
Service cost	\$ 9	\$ 8	\$	\$
Interest cost	62	67	9	11
Expected return on plan assets	(59)	(57)		
Amortization of actuarial loss (gain)	16	18	(2)	(3)
Net periodic cost	\$ 28	\$ 36	\$ 7	\$ 8

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CBS CORPORATION AND SUBSIDIARIES

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

8) STOCKHOLDERS' EQUITY

During the first quarter of 2011, the Company repurchased 11.8 million shares of CBS Corp. Class B Common Stock for \$250 million under its \$1.5 billion share repurchase program, through an accelerated share repurchase transaction. In addition, during each of the first quarters of 2011 and 2010, the Company repurchased 2 million shares of its Class B Common Stock by withholding shares to satisfy employee tax withholding obligations from the vesting of RSUs.

On February 23, 2011, the Company announced a quarterly cash dividend of \$.05 per share on its Class A and Class B Common Stock payable on April 1, 2011. The total dividend was \$34 million of which \$33 million was paid on April 1, 2011 and \$1 million was accrued to be paid upon vesting of RSUs. During the first quarter of 2011, the Company paid \$37 million for the dividend declared on November 18, 2010 and for dividend payments on RSUs that vested during the first quarter of 2011.

9) INCOME TAXES

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

The provision for income taxes for the three months ended March 31, 2011 increased to \$122 million from \$21 million for the three months ended March 31, 2010, driven by the increase in earnings before income taxes. In addition, the provision for income taxes for the three months ended March 31, 2010 included three discrete items which impacted comparability totaling \$26 million, comprised of a \$62 million reduction of deferred tax assets associated with the enactment of the Patient Protection and Affordable Care Act in 2010, partially offset by a \$26 million reversal of previously established deferred tax liabilities and a \$10 million tax benefit from the settlements of state and local income tax audits.

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

10) COMMITMENTS AND CONTINGENCIES

Off-Balance Sheet Arrangements

The Company has indemnification obligations with respect to letters of credit and surety bonds primarily used as security against non-performance in the normal course of business. At March 31, 2011, the outstanding letters of credit and surety bonds approximated \$391 million and were not recorded on the Consolidated Balance Sheet.

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

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CBS CORPORATION AND SUBSIDIARIES

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

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

Legal Matters

Securities Action. On December 12, 2008, the City of Pontiac General Employees' Retirement System filed a self-styled class action complaint in the United States District Court for the Southern District of New York against the Company and its Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, and Treasurer, alleging violations of federal securities law. The complaint, which was filed on behalf of a putative class of purchasers of the Company's common stock between February 26, 2008 and October 10, 2008 (the "Class Period"), alleges that, among other things, the Company's failure to timely write down the value of certain assets caused the Company's reported operating results during the Class Period to be materially inflated. The plaintiffs seek unspecified compensatory damages. On February 11, 2009, a motion was filed in the case on behalf of The City of Omaha, Nebraska Civilian Employees' Retirement System, and The City of Omaha Police and Fire Retirement System (collectively, the "Omaha Funds") seeking to appoint the Omaha Funds as the lead plaintiffs in this case; on March 5, 2009, the court granted that motion. On May 4, 2009, the plaintiffs filed an Amended Complaint, which removes the Treasurer as a defendant and adds the Executive Chairman. On July 13, 2009, all defendants filed a motion to dismiss this action. On March 16, 2010, the court granted the Company's motion and dismissed this action as to the Company and all defendants. On April 30, 2010, the plaintiffs filed a motion for leave to serve an amended complaint. On September 23, 2010, the court issued an order granting leave to amend. On October 8, 2010, the Company was served with an Amended Complaint, which redefines the Class Period to be April 29, 2008 to October 10, 2008 and alleges that the impairment charge should have been taken during the first quarter of 2008. The Company filed a motion to dismiss this Amended Complaint on November 19, 2010. The Company believes that the plaintiffs' claims are without merit and intends to vigorously defend itself in the litigation.

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

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

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

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

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

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

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

Claims are frequently filed and/or settled in groups, which may make the amount and timing of settlements, and the number of pending claims, subject to significant fluctuation from period to period. The Company does not report as pending those claims on inactive, stayed, deferred or similar dockets which some jurisdictions have established for claimants who allege minimal or no impairment. As of March 31, 2011, the Company had pending approximately 52,230 asbestos claims, as compared with approximately 52,220 as of December 31, 2010 and 62,340 as of March 31, 2010. During the first

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

quarter of 2011, the Company received approximately 1,440 new claims and closed or moved to an inactive docket approximately 1,430 claims. The Company reports claims as closed when it becomes aware that a dismissal order has been entered by a court or when the Company has reached agreement with the claimants on the material terms of a settlement. Settlement costs depend on the seriousness of the injuries that form the basis of the claim, the quality of evidence supporting the claims and other factors. The Company's total costs for the years 2010 and 2009 for settlement and defense of asbestos claims after insurance recoveries and net of tax benefits were approximately \$14 million and \$18 million, respectively. The Company's costs for settlement and defense of asbestos claims may vary year to year as insurance proceeds are not always recovered in the same period as the insured portion of the expenses.

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

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

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

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

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

During the years ended December 31, 2010 and 2009, the Company recorded restructuring charges of \$81 million and \$23 million, respectively. The charges reflected \$87 million of severance costs and \$22 million of contract termination and other associated costs, partially offset by reversals of \$5 million as a result of changes in estimates of previously established restructuring accruals. As of March 31, 2011, the cumulative amount paid since the restructuring activities began in 2009 was \$59 million, of which \$50 million was for the severance costs and \$9 million was for the contract termination and other associated costs. The Company expects to substantially utilize the remaining reserves by the end of 2011, however, certain payments associated with the early termination of long-term contractual agreements will continue through 2012.

	Balance at December 31, 2010	First Quarter 2011 Payments	Balance at March 31, 2011
Entertainment	\$ 11	\$ (3)	\$ 8
Cable			
Networks	2		2
Publishing	2		2
Local			
Broadcasting	26	(5)	21
Outdoor	16	(4)	12
Total	\$ 57	\$ (12)	\$ 45

12) FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

The Company's carrying value of financial instruments approximates fair value, except for differences with respect to the notes and debentures. At March 31, 2011 and December 31, 2010, the carrying value of the senior debt was \$5.93 billion for both periods and the fair value, which is estimated based on quoted market prices and includes accrued interest, was \$6.50 billion and \$6.54 billion, respectively.

The Company uses derivative financial instruments primarily to modify its exposure to market risks from fluctuations in foreign currency exchange rates. The Company does not use derivative instruments unless there is an underlying exposure and, therefore, the Company does not hold or enter into derivative financial instruments for speculative trading purposes. The fair value of the Company's derivative instruments and the related activity was not material to the Consolidated Balance Sheets and Consolidated Statements of Operations for any of the periods presented.

The following tables set forth the Company's assets and liabilities measured at fair value on a recurring basis at March 31, 2011 and December 31, 2010. These assets and liabilities have been categorized according to the three-level fair value hierarchy established by the FASB, which prioritizes the inputs used in measuring fair value. Level 1 is based on publicly quoted prices for the asset or liability in active markets. Level 2 is based on inputs that are observable other than quoted market prices in active markets, such as quoted prices for the asset or liability in inactive markets or quoted prices for similar

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

assets or liabilities. Level 3 is based on unobservable inputs reflecting the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

At March 31, 2011	Level 1	Level 2	Level 3	Total
Assets:				
Investments	\$ 67	\$	\$	\$ 67
Total Assets	\$ 67	\$	\$	\$ 67
Liabilities:				
Deferred compensation	\$	\$ 167	\$	\$ 167
Foreign currency hedges		6		6
Total Liabilities	\$	\$ 173	\$	\$ 173

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

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

Table of Contents**CBS CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
(Tabular dollars in millions, except per share amounts)**13) REPORTABLE SEGMENTS**

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

	Three Months Ended	
	March 31,	
	2011	2010
Revenues:		
Entertainment	\$ 1,994	\$ 2,081
Cable Networks	393	368
Publishing	155	152
Local Broadcasting	621	606
Outdoor	413	392
Eliminations	(66)	(68)
Total Revenues	\$ 3,510	\$ 3,531

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	
	March 31,	
	2011	2010
Intercompany Revenues:		
Entertainment	\$ 55	\$ 57
Local Broadcasting	5	5
Outdoor	6	6
Total Intercompany Revenues	\$ 66	\$ 68

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(Tabular dollars in millions, except per share amounts)

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

	Three Months Ended	
	March 31,	
	2011	2010
Segment OIBDA:		
Entertainment	\$ 268	\$ 134
Cable Networks	153	101
Publishing	7	2
Local Broadcasting	169	109
Outdoor	49	12
Corporate	(52)	(39)
Residual costs	(19)	(26)
Eliminations	1	1
OIBDA	576	294
Depreciation and amortization	(139)	(141)
Total Operating Income	437	153
Interest expense	(110)	(138)
Interest income	2	1
Gain on early extinguishment of debt	3	3
Other items, net	9	(13)
Earnings before income taxes and equity in loss of investee companies	338	6
Provision for income taxes	(122)	(21)
Equity in loss of investee companies, net of tax	(14)	(11)
Net earnings (loss)	\$ 202	\$ (26)

	Three Months Ended	
	March 31,	
	2011	2010
Operating Income (Loss):		
Entertainment	\$ 230	\$ 93
Cable Networks	147	95
Publishing	5	1
Local Broadcasting	143	84
Outdoor	(12)	(51)
Corporate	(58)	(44)
Residual costs	(19)	(26)

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Eliminations	1	1
Total Operating Income	\$ 437	\$ 153

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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 March 31,	
	2011	2010
Depreciation and Amortization:		
Entertainment	\$ 38	\$ 41
Cable Networks	6	6
Publishing	2	1
Local Broadcasting	26	25
Outdoor	61	63
Corporate	6	5
Total Depreciation and Amortization	\$ 139	\$ 141

	Three Months Ended March 31,	
	2011	2010
Stock-based Compensation:		
Entertainment	\$ 12	\$ 11
Cable Networks	1	2
Publishing	1	1
Local Broadcasting	5	6
Outdoor	1	1
Corporate	14	12
Total Stock-based Compensation	\$ 34	\$ 33

	Three Months Ended March 31,	
	2011	2010
Capital Expenditures:		
Entertainment	\$ 14	\$ 15
Cable Networks	2	1
Publishing		1
Local Broadcasting	12	11
Outdoor	12	11
Corporate	1	2
Total Capital Expenditures	\$ 41	\$ 41

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(Tabular dollars in millions, except per share amounts)

	At March 31, 2011	At December 31, 2010
Assets:		
Entertainment	\$ 8,155	\$ 8,324
Cable Networks	1,616	1,650
Publishing	1,017	1,126
Local Broadcasting	9,581	9,686
Outdoor	4,281	4,256
Corporate	1,711	1,094
Discontinued operations	78	77
Eliminations	(67)	(70)
Total Assets	\$ 26,372	\$ 26,143

14) CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

CBS Operations Inc. is a wholly owned subsidiary of the Company. CBS Operations Inc. has fully and unconditionally guaranteed CBS Corp.'s senior debt securities (See Note 6). The following condensed consolidating financial statements present the results of operations, financial position and cash flows of CBS Corp., CBS Operations Inc., the direct and indirect Non-Guarantor Affiliates of CBS Corp. and CBS Operations Inc., and the eliminations necessary to arrive at the information for the Company on a consolidated basis.

	Statement of Operations For the Three Months Ended March 31, 2011				
	CBS Corp.	CBS Operations Inc.	Non- Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
Revenues	\$ 32	\$ 28	\$ 3,450	\$	\$ 3,510
Expenses:					
Operating	18	22	2,236		2,276
Selling, general and administrative	28	57	573		658
Depreciation and amortization	1	4	134		139
Total expenses	47	83	2,943		3,073
Operating income (loss)	(15)	(55)	507		437
Interest (expense) income, net	(129)	(84)	105		(108)
Other items, net	1	(2)	10		9
	(143)	(141)	622		338

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Earnings (loss) before income taxes and equity in earnings (loss) of investee companies						
Benefit (provision) for income taxes	48	48	(218)		(122)	
Equity in earnings (loss) of investee companies, net of tax	297	248	(14)	(545)		(14)
Net earnings	\$ 202	\$ 155	\$ 390	\$ (545)	\$	202

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CBS CORPORATION AND SUBSIDIARIES

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

	Statement of Operations For the Three Months Ended March 31, 2010				
	CBS Corp.	CBS Operations Inc.	Non- Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
Revenues	\$ 33	\$ 29	\$ 3,469	\$	\$ 3,531
Expenses:					
Operating	16	25	2,523		2,564
Selling, general and administrative	35	44	537		616
Restructuring charges			57		57
Depreciation and amortization	1	3	137		141
Total expenses	52	72	3,254		3,378
Operating income (loss)	(19)	(43)	215		153
Interest (expense) income, net	(148)	(82)	93		(137)
Gain on early extinguishment of debt	3				3
Other items, net		2	(15)		(13)
Earnings (loss) before income taxes and equity in earnings (loss) of investee companies	(164)	(123)	293		6
Benefit (provision) for income taxes	26	47	(94)		(21)
Equity in earnings (loss) of investee companies, net of tax	112	170	(11)	(282)	(11)
Net earnings (loss)	\$ (26)	\$ 94	\$ 188	\$ (282)	\$ (26)

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

	Balance Sheet				
	At March 31, 2011				
	CBS Corp.	CBS Operations Inc.	Non-Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
Assets					
Cash and cash equivalents	\$ 579	\$ 1	\$ 392	\$	\$ 972
Receivables, net	24	32	3,090		3,146
Programming and other inventory	4	5	429		438
Prepaid expenses and other current assets	108	91	893	(11)	1,081
Total current assets	715	129	4,804	(11)	5,637
Property and equipment	43	93	5,004		5,140
Less accumulated depreciation and amortization	11	49	2,438		2,498
Net property and equipment	32	44	2,566		2,642
Programming and other inventory	7	89	1,243		1,339
Goodwill	98	62	8,462		8,622
Intangible assets	255		6,352		6,607
Investments in consolidated subsidiaries	34,859	6,974		(41,833)	
Other assets	225	14	1,286		1,525
Intercompany		4,287	12,917	(17,204)	
Total Assets	\$ 36,191	\$ 11,599	\$ 37,630	\$ (59,048)	\$ 26,372
Liabilities and Stockholders' Equity					
Accounts payable	\$ 1	\$ 5	\$ 370	\$	\$ 376
Participants' share and royalties payable		22	962		984
Program rights	5	5	770		780
Current portion of long-term debt	8		18		26
Accrued expenses and other current liabilities	271	250	1,520	(12)	2,029
Total current liabilities	285	282	3,640	(12)	4,195
Long-term debt	5,847		121		5,968
Other liabilities	3,371	403	2,653	2	6,429
Intercompany	16,908			(16,908)	
Stockholders' Equity:					
Preferred Stock			128	(128)	
Common Stock	1	123	1,136	(1,259)	1
Additional paid-in capital	43,427		61,435	(61,435)	43,427
Retained earnings (deficit)	(29,446)	11,122	(26,984)	15,862	(29,446)

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Accumulated other comprehensive income (loss)	(266)		301	(301)	(266)
	13,716	11,245	36,016	(47,261)	13,716
Less treasury stock, at cost	3,936	331	4,800	(5,131)	3,936
Total Stockholders' Equity	9,780	10,914	31,216	(42,130)	9,780
Total Liabilities and Stockholders' Equity	\$ 36,191	\$ 11,599	\$ 37,630	\$ (59,048)	\$ 26,372

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

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

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Accumulated other comprehensive income
(loss)

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

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CBS CORPORATION AND SUBSIDIARIES

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

	Statement of Cash Flows				
	For the Three Months Ended March 31, 2011				
	CBS Corp.	CBS Operations Inc.	Non- Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
Net cash flow (used for) provided by operating activities	\$ (116)	\$ (99)	\$ 1,109	\$	\$ 894
Investing Activities:					
Acquisitions, net of cash acquired			(53)		(53)
Capital expenditures			(41)		(41)
Investments in and advances to investee companies			(26)		(26)
Proceeds from dispositions			13		13
Other investing activities		4			4
Net cash flow provided by (used for) investing activities		4	(107)		(103)
Financing Activities:					
Repayment of notes			(2)		(2)
Payment of capital lease obligations			(4)		(4)
Dividends	(37)				(37)
Purchase of Company common stock	(296)				(296)
Proceeds from exercise of stock options	10				10
Excess tax benefit from stock-based compensation	35				35
Other financing activities	(5)				(5)
Increase (decrease) in intercompany payables	883	95	(978)		
Net cash flow provided by (used for) financing activities	590	95	(984)		(299)
Net increase in cash and cash equivalents	474		18		492
Cash and cash equivalents at beginning of period	105	1	374		480
Cash and cash equivalents at end of period	\$ 579	\$ 1	\$ 392	\$	\$ 972

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CBS CORPORATION AND SUBSIDIARIES

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

	Statement of Cash Flows For the Three Months Ended March 31, 2010				
	CBS Corp.	CBS Operations Inc.	Non- Guarantor Affiliates	Eliminations	CBS Corp. Consolidated
Net cash flow (used for) provided by operating activities	\$ (139)	\$ (99)	\$ 939	\$	\$ 701
Investing Activities:					
Acquisitions, net of cash acquired			(2)		(2)
Capital expenditures		(2)	(39)		(41)
Investments in and advances to investee companies			(31)		(31)
Net cash flow used for investing activities		(2)	(72)		(74)
Financing Activities:					
Repayment of notes and debentures	(17)				(17)
Payment of capital lease obligations			(4)		(4)
Dividends	(37)				(37)
Purchase of Company common stock	(25)				(25)
Proceeds from exercise of stock options	2				2
Excess tax benefit from stock-based compensation	10				10
Decrease to accounts receivable securitization program			(400)		(400)
Increase (decrease) in intercompany payables	509	101	(610)		
Net cash flow provided by (used for) financing activities	442	101	(1,014)		(471)
Net increase (decrease) in cash and cash equivalents	303		(147)		156
Cash and cash equivalents at beginning of period	248		469		717
Cash and cash equivalents at end of period	\$ 551	\$	\$ 322	\$	\$ 873

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

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

Overview

CBS Corporation's first quarter 2011 results benefitted from the strength of the Company's content, the new programming agreement with Turner Broadcasting System, Inc. for the telecast of the *NCAA Division I Men's Basketball Championship* ("NCAA Tournament") and continued improvement in the advertising marketplace. Revenue comparisons in 2011 were impacted by the absence of the 2010 Super Bowl broadcast on the CBS Television Network and the new programming agreement for the NCAA Tournament beginning in 2011 which resulted in lower revenues, yet higher profits. In aggregate, these two non-comparable items negatively impacted the first quarter 2011 revenue comparison by approximately 10 percentage points. Total revenues of \$3.51 billion for the first quarter 2011 decreased 1% from \$3.53 billion for the same prior-year period principally reflecting these two non-comparable items, which were mostly offset by growth in underlying revenues, including higher local and network primetime advertising, higher ratings and pricing for sports programming, and higher affiliate and subscription fees.

Operating income for the first quarter of 2011 of \$437 million increased 186% from \$153 million for the first quarter of 2010 reflecting growth across all of the Company's segments with improvement in operating income margins of eight percentage points to 12% in 2011 from 4% in 2010. This growth was achieved due to the aforementioned underlying revenue growth and significantly lower sports programming costs from the absence of the 2010 Super Bowl broadcast on the CBS Television Network and the new programming agreement for the NCAA Tournament. The Company reported first quarter diluted earnings per share of \$.29 for 2011, up from a loss of \$.04 per diluted share for 2010, driven by the operating income growth and \$28 million lower interest expense, principally due to a \$1.40 billion reduction to the Company's outstanding debt during 2010.

During the first quarter of 2011, the Company repurchased 11.8 million shares of its Class B Common Stock for \$250 million, under the \$1.5 billion share repurchase program, for an average cost of \$21.26 per share. Despite this repurchase activity, the Company ended the first quarter with \$972 million of cash on hand, an increase of \$492 million from December 31, 2010. Free cash flow for the first quarter of 2011 was \$853 million, an increase of \$193 million from \$660 million for the same prior-year period. The Company generated cash flow from operating activities of \$894 million for the three months ended March 31, 2011, up \$193 million from \$701 million for the comparable prior-year period. Free cash flow, a non-GAAP financial measure, reflects the Company's net cash flow provided by (used for) operating activities less capital expenditures. See "Reconciliation of Non-GAAP Financial Information" on pages 32-33 for a reconciliation of net cash flow provided by (used for) operating activities, the most directly comparable financial measure in accordance with accounting principles generally accepted in the United States of America ("GAAP"), to free cash flow.

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

Consolidated Results of Operations**Three Months Ended March 31, 2011 versus Three Months Ended March 31, 2010***Revenues*

The following table presents the Company's consolidated revenues by type for the three months ended March 31, 2011 and 2010.

Revenues by Type	Three Months Ended March 31,					
	2011	Percentage of Total	2010	Percentage of Total	Increase/(Decrease)	
	\$		\$		\$	%
Advertising	\$ 2,292	65%	\$ 2,381	67%	\$ (89)	(4)%
Content licensing and distribution	740	21	714	20	26	4
Affiliate and subscription fees	420	12	383	11	37	10
Other	58	2	53	2	5	9
Total Revenues	\$ 3,510	100%	\$ 3,531	100%	\$ (21)	(1)%

Advertising sales decreased \$89 million, or 4%, to \$2.29 billion for the three months ended March 31, 2011 driven by the absence of the 2010 broadcast of *Super Bowl XLIV* on the CBS Television Network and the impact of the new programming agreement for the NCAA Tournament. Beginning in 2011, pursuant to a 14-year agreement between the Company and Turner Broadcasting System, Inc., the Company and Turner are telecasting the NCAA Tournament. In aggregate, these items negatively impacted the advertising revenue comparison by 14 percentage points. Advertising sales also reflect ratings and pricing increases for sports programming, a 9% increase in network primetime advertising and growth in local advertising of 4%, despite a difficult comparison to the first quarter of 2010 which included the benefit to the CBS television stations from the 2010 Super Bowl broadcast and higher political advertising revenues.

Content licensing and distribution revenues increased \$26 million, or 4%, to \$740 million for the three months ended March 31, 2011 principally reflecting higher domestic syndication sales of television programming and higher revenues from theatrical films.

Affiliate and subscription fees increased \$37 million, or 10%, to \$420 million for the three months ended March 31, 2011 due to growth in subscriptions and rate increases at Showtime Networks and CBS Sports Network, and higher retransmission revenues.

International Revenues

The Company generated approximately 17% of its total revenues from international regions for the three months ended March 31, 2011 versus 16% for the three months ended March 31, 2010.

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

Operating Expenses

The following table presents the Company's consolidated operating expenses by type for the three months ended March 31, 2011 and 2010.

Operating Expenses by Type	Three Months Ended March 31,					
	2011		2010		Increase/(Decrease)	
		Percentage of Total		Percentage of Total	\$	%
Programming	\$ 923	41%	\$ 1,230	48%	\$ (307)	(25)%
Production	529	23	535	21	(6)	(1)
Billboard, transit and other occupancy	247	11	241	9	6	2
Participation, distribution and royalty	193	8	158	6	35	22
Other	384	17	400	16	(16)	(4)
Total Operating Expenses	\$ 2,276	100%	\$ 2,564	100%	\$ (288)	(11)%

For the three months ended March 31, 2011, programming expenses decreased \$307 million, or 25%, to \$923 million, and production expenses decreased \$6 million, or 1%, to \$529 million. These decreases were primarily driven by lower sports programming and production costs from the absence of the 2010 broadcast of *Super Bowl XLIV* on the CBS Television Network and the impact of the new programming agreement for the NCAA Tournament beginning in 2011. The decrease in production costs was partially offset by higher investment in new television series.

Billboard, transit and other occupancy expenses for the three months ended March 31, 2011 increased \$6 million, or 2%, to \$247 million primarily driven by higher variable costs associated with higher revenues and the impact of foreign exchange rate changes.

Participation, distribution and royalty costs for the three months ended March 31, 2011 increased \$35 million, or 22%, to \$193 million principally due to higher participations associated with higher syndication sales, and higher advertising and other distribution costs for theatrical films.

Other operating expenses for the three months ended March 31, 2011 decreased \$16 million, or 4%, to \$384 million reflecting lower costs associated with the absence of sponsorship revenues resulting from the new programming agreement for the NCAA Tournament.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses, which include expenses incurred for selling and marketing costs, occupancy and back office support, increased \$42 million, or 7%, to \$658 million for the three months ended March 31, 2011 primarily due to higher advertising expense from the timing of cable original series premieres and higher employee related costs, including sales commissions and incentive compensation, partially offset by lower pension and postretirement benefits costs. Pension and postretirement benefits costs decreased \$9 million to \$35 million for the three months ended March 31, 2011 from \$44 million for the same prior-year period principally due to the favorable performance of pension plan assets in 2010 as well as the benefit from pre-funding pension plans at the end of 2010. SG&A expenses as a percentage of revenues were 19% and 17% for the three months ended March 31, 2011 and 2010, respectively.

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**Management's Discussion and Analysis of
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Restructuring Charges

For the three months ended March 31, 2010, in a continued effort to reduce its cost structure, the Company recorded restructuring charges of \$57 million, reflecting \$45 million of severance costs associated with the elimination of positions and \$12 million of contract termination and other associated costs.

Depreciation and Amortization

For the three months ended March 31, 2011, depreciation and amortization decreased \$2 million, or 1%, to \$139 million.

Interest Expense

For the three months ended March 31, 2011, interest expense decreased \$28 million to \$110 million from \$138 million for the same prior-year period primarily resulting from the reduction of debt during 2010. The Company had \$5.99 billion and \$6.97 billion of principal amounts of debt outstanding (including current maturities) at March 31, 2011 and 2010, respectively, both at weighted average interest rates of 7%.

Interest Income

For the three months ended March 31, 2011, interest income increased \$1 million to \$2 million from the same prior-year period.

Gain on Early Extinguishment of Debt

For the three months ended March 31, 2010, gain on early extinguishment of debt of \$3 million reflected the pre-tax gain recognized upon the repurchase of \$20 million of the Company's 5.50% senior debentures due 2033.

Other Items, Net

For the three months ended March 31, 2011, "Other items, net" reflected income of \$9 million versus a net loss of \$13 million for the same prior-year period, in both cases principally consisting of foreign exchange rate changes.

Provision for Income Taxes

The provision for income taxes for the three months ended March 31, 2011 increased to \$122 million from \$21 million for the three months ended March 31, 2010, driven by the increase in earnings before income taxes. In addition, the provision for income taxes for the three months ended March 31, 2010 included three discrete items which impacted comparability totaling \$26 million, comprised of a \$62 million reduction of deferred tax assets associated with the enactment of the Patient Protection and Affordable Care Act in 2010, partially offset by a \$26 million reversal of previously established deferred tax liabilities and a \$10 million tax benefit from the settlements of state and local income tax audits.

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**Management's Discussion and Analysis of
Results of Operations and Financial Condition (Continued)**
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Equity in Loss of Investee Companies, Net of Tax

For the three months ended March 31, 2011, equity in loss of investee companies, net of tax, increased \$3 million to a loss of \$14 million, reflecting the Company's share of the operating results of its equity investments.

Net Earnings (Loss)

The Company reported net earnings of \$202 million for the three months ended March 31, 2011 versus a net loss of \$26 million for the three months ended March 31, 2010 driven by the growth in operating income and decline in interest expense.

Reconciliation of Non-GAAP Financial Information

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

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

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

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

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

	Three Months Ended	
	March 31,	
	2011	2010
Net cash flow provided by operating activities	\$ 894	\$ 701
Capital expenditures	(41)	(41)
Free cash flow	\$ 853	\$ 660

Segment Results of Operations

The following tables present the Company's revenues, segment operating income (loss) before depreciation and amortization ("Segment OIBDA"), operating income (loss), and depreciation and amortization by segment, for the three months ended March 31, 2011 and 2010. The Company presents Segment OIBDA as the primary measure of profit and loss for its operating segments in accordance with Financial Accounting Standards Board ("FASB") guidance for segment reporting. The Company believes the presentation of Segment OIBDA is relevant and useful for investors because it allows investors to view segment performance in a manner similar to the primary method used by the Company's management and enhances their ability to understand the Company's operating performance. The reconciliation of Segment OIBDA to the Company's consolidated Net earnings (loss) is presented in Note 13 (Reportable Segments) to the consolidated financial statements.

	Three Months Ended	
	March 31,	
	2011	2010
Revenues:		
Entertainment	\$ 1,994	\$ 2,081
Cable Networks	393	368
Publishing	155	152
Local Broadcasting	621	606
Outdoor	413	392
Eliminations	(66)	(68)
Total Revenues	\$ 3,510	\$ 3,531

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

	Three Months Ended March 31,	
	2011	2010
Segment OIBDA:		
Entertainment	\$ 268	\$ 134
Cable Networks	153	101
Publishing	7	2
Local Broadcasting	169	109
Outdoor	49	12
Corporate	(52)	(39)
Residual costs	(19)	(26)
Eliminations	1	1
OIBDA	576	294
Depreciation and amortization	(139)	(141)
 Total Operating Income	 \$ 437	 \$ 153
Operating Income (Loss):		
Entertainment	\$ 230	\$ 93
Cable Networks	147	95
Publishing	5	1
Local Broadcasting	143	84
Outdoor	(12)	(51)
Corporate	(58)	(44)
Residual costs	(19)	(26)
Eliminations	1	1
 Total Operating Income	 \$ 437	 \$ 153
Depreciation and Amortization:		
Entertainment	\$ 38	\$ 41
Cable Networks	6	6
Publishing	2	1
Local Broadcasting	26	25
Outdoor	61	63
Corporate	6	5
 Total Depreciation and Amortization	 \$ 139	 \$ 141

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

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

(Contributed 57% to consolidated revenues for the three months ended March 31, 2011 versus 59% for the comparable prior-year period.)

	Three Months Ended March 31,	
	2011	2010
Revenues	\$ 1,994	\$ 2,081
OIBDA	\$ 268	\$ 134
Depreciation and amortization	(38)	(41)
Operating income	\$ 230	\$ 93
OIBDA as a % of revenues	13%	6%
Operating income as a % of revenues	12%	4%
Restructuring charges	\$	\$ 11
Capital expenditures	\$ 14	\$ 15

For the three months ended March 31, 2011, Entertainment revenues decreased 4% to \$1.99 billion from \$2.08 billion for the same prior-year period principally reflecting the absence of the 2010 telecast of *Super Bowl XLIV* on the CBS Television Network and the impact of the new programming agreement for the NCAA Tournament. Beginning in 2011, pursuant to a 14-year agreement between the Company and Turner Broadcasting System, Inc., the Company and Turner are telecasting the NCAA Tournament. In aggregate, these two items negatively impacted the first quarter 2011 Entertainment revenue comparison by approximately 17 percentage points. Results also reflect advertising revenue increases from higher pricing and ratings for the broadcast of sporting events, higher primetime advertising revenues for the CBS Television Network and higher content licensing and distribution revenues, principally driven by higher domestic syndication sales and higher revenues from theatrical films.

For the three months ended March 31, 2011, Entertainment operating income increased \$137 million, or 147%, to \$230 million and OIBDA increased \$134 million, or 100%, to \$268 million with improved operating income and OIBDA margins of eight percentage points and seven percentage points to 12% and 13%, respectively. The OIBDA and operating income increases and margin improvement reflect growth in primetime advertising revenues, the impact of the new programming agreement for the NCAA Tournament and lower programming costs from the absence of the 2010 telecast of *Super Bowl XLIV*. Restructuring charges of \$11 million incurred during the first quarter of 2010 primarily reflect severance costs associated with the elimination of positions.

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

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

(Contributed 11% to consolidated revenues for the three months ended March 31, 2011 versus 10% for the comparable prior-year period.)

	Three Months Ended March 31,	
	2011	2010
Revenues	\$ 393	\$ 368
OIBDA	\$ 153	\$ 101
Depreciation and amortization	(6)	(6)
Operating income	\$ 147	\$ 95
OIBDA as a % of revenues	39%	27%
Operating income as a % of revenues	37%	26%
Capital expenditures	\$ 2	\$ 1

For the three months ended March 31, 2011, Cable Networks revenues increased 7% to \$393 million from \$368 million for the same prior-year period due to rate increases and growth in subscriptions at Showtime Networks, CBS Sports Network and Smithsonian Networks. At March 31, 2011, Showtime Networks, including *Showtime*, *The Movie Channel* and *Flix*, in the aggregate, had 69 million subscriptions, up by 6 million from March 31, 2010, primarily driven by increased cable, direct broadcast satellite ("DBS") and telephone company subscriptions. At March 31, 2011, CBS Sports Network subscriptions of 41 million were up by 5 million from March 31, 2010, reflecting increased cable subscriptions, driven by the Company's ten year carriage agreement with Comcast Corporation entered into in 2010, and higher DBS subscriptions. At March 31, 2011, Smithsonian Networks had 8 million subscriptions, up by 3 million from March 31, 2010.

For the three months ended March 31, 2011, Cable Networks operating income increased \$52 million, or 55%, to \$147 million and OIBDA increased \$52 million, or 51%, to \$153 million from the same prior-year period, primarily due to revenue growth and the timing of programming expenses, partially offset by higher advertising expense associated with the timing of series premieres.

Beginning in April 2011, CBS College Sports Network was renamed CBS Sports Network.

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

Publishing (*Simon & Schuster*)

(Contributed 4% to consolidated revenues for each of the three months ended March 31, 2011 and 2010.)

	Three Months Ended March 31,	
	2011	2010
Revenues	\$ 155	\$ 152
OIBDA	\$ 7	\$ 2
Depreciation and amortization	(2)	(1)
Operating income	\$ 5	\$ 1
OIBDA as a % of revenues	5%	1%
Operating income as a % of revenues	3%	1%
Restructuring charges	\$ 1	\$ 1
Capital expenditures	\$ 1	\$ 1

For the three months ended March 31, 2011, Publishing revenues increased \$3 million to \$155 million from \$152 million for the same prior-year period reflecting strong growth in digital sales of Publishing content, partially offset by lower print book sales. Sales of digital content were \$28 million for the first quarter of 2011, representing the highest quarter to date, and more than doubling last year's first quarter digital sales. Sales of digital content represented approximately 18% of total Publishing revenues in the first quarter of 2011 as compared to 8% for the comparable prior-year period. Best selling titles in the first quarter of 2011 include *Sing You Home* by Jodi Picoult, *I'll Walk Alone* by Mary Higgins Clark and *The 17 Day Diet* by Dr. Mike Moreno.

For the three months ended March 31, 2011, Publishing operating income increased \$4 million to \$5 million and OIBDA increased \$5 million to \$7 million from the same prior-year period with improvements in operating income and OIBDA margins of two percentage points and four percentage points, respectively. These increases were driven by lower shipping, production and returns costs from the significant increase in digital sales as a percentage of total revenues.

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

Local Broadcasting (*CBS Television Stations and CBS Radio*)

(Contributed 18% to consolidated revenues for the three months ended March 31, 2011 versus 17% for the comparable prior-year period.)

	Three Months Ended March 31,	
	2011	2010
Revenues	\$ 621	\$ 606
OIBDA	\$ 169	\$ 109
Depreciation and amortization	(26)	(25)
Operating income	\$ 143	\$ 84
OIBDA as a % of revenues	27%	18%
Operating income as a % of revenues	23%	14%
Restructuring charges	\$ 25	\$ 25
Capital expenditures	\$ 12	\$ 11

For the three months ended March 31, 2011, Local Broadcasting revenues increased 2% to \$621 million from \$606 million for the same prior-year period, primarily driven by higher advertising sales and higher retransmission revenues. Despite the difficult comparison to the first quarter of 2010, which included the benefit to the CBS television stations from the 2010 Super Bowl broadcast, higher political advertising sales and revenues from a television station that was sold in August 2010, CBS Television Stations revenues increased 1% reflecting growth in many key advertising categories, including automotive, financial services, and travel and leisure, as well as higher retransmission revenues. CBS Radio revenues increased 4%, reflecting the improved advertising marketplace, with growth in automotive, retail and financial services, and increased market share.

For the three months ended March 31, 2011, Local Broadcasting operating income increased 70% to \$143 million and OIBDA increased 55% to \$169 million from the same prior-year period, reflecting improved OIBDA and operating income margins for the first quarter of 2011. These increases were driven by the revenue growth, lower programming costs and restructuring charges of \$25 million recorded in the first quarter of 2010 principally associated with the elimination of positions and contract terminations.

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**Management's Discussion and Analysis of
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Outdoor (*CBS Outdoor*)

(Contributed 12% to consolidated revenues for the three months ended March 31, 2011 versus 11% for the comparable prior-year period.)

	Three Months Ended March 31,	
	2011	2010
Revenues	\$ 413	\$ 392
OIBDA	\$ 49	\$ 12
Depreciation and amortization	(61)	(63)
Operating loss	\$ (12)	\$ (51)
OIBDA as a % of revenues	12%	3%
Restructuring charges	\$	\$ 20
Capital expenditures	\$ 12	\$ 11

For the three months ended March 31, 2011, Outdoor revenues increased 5% to \$413 million from \$392 million for the same prior-year period resulting from the continued improvement in the outdoor advertising marketplace. Revenues for the Americas (comprising North America and South America) for the first quarter of 2011 increased 11% in constant dollars from the same prior-year period, driven by growth in the U.S. billboards and displays businesses, including the impact of new transit contracts entered into in 2010. Revenues for Europe decreased 6% in constant dollars, reflecting weakness in the European economy. Approximately 44% and 47% of Outdoor revenues were generated from regions outside the United States for the three months ended March 31, 2011 and 2010, respectively.

For the three months ended March 31, 2011, Outdoor reported an operating loss of \$12 million versus an operating loss of \$51 million for the same prior-year period. Outdoor OIBDA increased \$37 million to \$49 million for the three months ended March 31, 2011 from \$12 million for the same prior-year period. These increases were driven by the revenue growth and restructuring charges of \$20 million incurred during the first quarter of 2010.

Corporate

For the three months ended March 31, 2011, corporate expenses increased 32% to \$58 million from \$44 million for the same prior-year period, primarily reflecting the timing of expenses and expense increases resulting from the Company's higher stock price.

Residual Costs

Residual costs primarily include pension and postretirement benefits costs for benefit plans retained by the Company for previously divested businesses. For the three months ended March 31, 2011, residual costs decreased 27% to \$19 million from \$26 million for the same prior-year period, primarily due to the favorable performance of pension plan assets in 2010, as well as the benefit from pre-funding the Company's pension plans at the end of 2010.

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

Financial Position

Current assets increased by \$302 million to \$5.64 billion at March 31, 2011 from \$5.34 billion at December 31, 2010, primarily due to an increase in cash and cash equivalents, partially offset by a decrease in programming and other inventory. The decrease in programming and other inventory of \$287 million reflected the expensing of prepaid sports and entertainment programming rights. The allowance for doubtful accounts as a percentage of receivables was 4% at both March 31, 2011 and December 31, 2010.

Net property and equipment of \$2.64 billion at March 31, 2011 decreased \$52 million from \$2.69 billion at December 31, 2010, primarily reflecting depreciation expense of \$108 million, partially offset by capital expenditures of \$41 million and foreign currency translation adjustments.

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

Intangible assets, principally consisting of FCC licenses, leasehold agreements and franchise agreements, decreased by \$17 million to \$6.61 billion at March 31, 2011 from \$6.62 billion at December 31, 2010, primarily due to amortization expense of \$31 million, partially offset by acquisitions of interactive businesses.

Current liabilities increased by \$169 million to \$4.20 billion at March 31, 2011 from \$4.03 billion at December 31, 2010, primarily reflecting increases related to sports programming rights.

Cash Flows

Cash and cash equivalents increased by \$492 million and \$156 million for the three months ended March 31, 2011 and 2010, respectively. The changes in cash and cash equivalents were as follows:

	Three Months Ended March 31,	
	2011	2010
Cash provided by operating activities	\$ 894	\$ 701
Cash used for investing activities	(103)	(74)
Cash used for financing activities	(299)	(471)
Net increase in cash and cash equivalents	\$ 492	\$ 156

Operating Activities. For the three months ended March 31, 2011, cash provided by operating activities increased \$193 million to \$894 million from \$701 million for the same prior-year period primarily reflecting the growth in operating income and lower payments for interest, partially offset by the absence of the benefit to 2010 cash flow from the Super Bowl broadcast on the CBS Television Network.

Cash paid for income taxes for the three months ended March 31, 2011 was \$19 million versus \$18 million for the three months ended March 31, 2010.

Investing Activities. Cash used for investing activities of \$103 million for the three months ended March 31, 2011 principally reflected capital expenditures of \$41 million, payments for acquisitions of

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**Management's Discussion and Analysis of
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\$53 million, primarily for interactive businesses, and investments in investee companies of \$26 million. Cash used for investing activities of \$74 million for the three months ended March 31, 2010 principally reflected capital expenditures of \$41 million and investments in investee companies of \$31 million.

Financing Activities. Cash used for financing activities of \$299 million for the three months ended March 31, 2011 principally reflected the purchase of Company common stock for \$296 million, of which \$250 million relates to the repurchase of 11.8 million shares of CBS Corp. Class B Common Stock under the Company's \$1.5 billion share repurchase program, and dividend payments of \$37 million, partially offset by proceeds from the exercise of stock options and the excess tax benefit from stock-based compensation. Cash used for financing activities of \$471 million for the three months ended March 31, 2010 principally reflected a \$400 million reduction to amounts outstanding under the accounts receivable securitization program, dividend payments of \$37 million, the purchase of Company common stock for \$25 million and the repayment of notes of \$17 million.

Cash Dividends and Repurchase of Company Stock

During the first quarter of 2011, the Company repurchased 11.8 million shares of CBS Corp. Class B Common Stock for \$250 million under its \$1.5 billion share repurchase program, through an accelerated share repurchase transaction. In addition, during each of the first quarters of 2011 and 2010, the Company repurchased 2 million shares of its Class B Common Stock by withholding shares to satisfy employee tax withholding obligations from the vesting of RSUs.

On February 23, 2011, the Company announced a quarterly cash dividend of \$.05 per share on its Class A and Class B Common Stock payable on April 1, 2011. The total dividend was \$34 million of which \$33 million was paid on April 1, 2011 and \$1 million was accrued to be paid upon vesting of RSUs. During the first quarter of 2011, the Company paid \$37 million for the dividend declared on November 18, 2010 and for dividend payments on RSUs that vested during the first quarter of 2011.

On May 3, 2011, the Company announced that its Board of Directors has authorized an increase in the quarterly cash dividend on the Company's common stock from \$.05 to \$.10 per share. The dividend is payable on July 1, 2011 to shareholders of record as of June 10, 2011.

Capital Structure

The following table sets forth the Company's debt.

	At March 31, 2011	At December 31, 2010
Senior debt (4.30% 8.875% due 2012 2016)	\$ 5,928	\$ 5,929
Other notes		2
Obligations under capital leases	87	90
Total debt	6,015	6,021
Less discontinued operations debt ^(b)	21	21
Total debt from continuing operations	5,994	6,000
Less current portion	26	27
Total long-term debt from continuing operations, net of current portion	\$ 5,968	\$ 5,973

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- (a) At March 31, 2011 and December 31, 2010, the senior debt balances included (i) a net unamortized premium of \$2 million and \$1 million, respectively, and (ii) an increase in the carrying value of the debt relating to previously settled fair value hedges of \$81 million and \$83 million, respectively. The face value of the Company's senior debt was \$5.85 billion at both March 31, 2011 and December 31, 2010.
- (b) Included in "Liabilities of discontinued operations" on the Consolidated Balance Sheets.

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

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

During the first quarter of 2010, the Company repurchased \$20 million of its 5.50% senior debentures due 2033 resulting in a pre-tax gain on early extinguishment of debt of \$3 million.

Credit Facility

At March 31, 2011, the Company had a \$2.0 billion revolving credit facility which expires in March 2015 (the "Credit Facility"). The Credit Facility requires the Company to maintain a maximum Consolidated Leverage Ratio of 4.0x at the end of each quarter and a minimum Consolidated Coverage Ratio of 3.0x for the trailing four quarters, each as further described in the Credit Facility. At March 31, 2011, the Company's Consolidated Leverage Ratio was approximately 2.1x and Consolidated Coverage Ratio was approximately 6.1x.

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

The primary purpose of the Credit Facility is to support commercial paper borrowings. At March 31, 2011, the Company had no commercial paper borrowings under its \$2.0 billion commercial paper program. At March 31, 2011, the remaining availability under the Credit Facility, net of outstanding letters of credit, was \$1.98 billion.

Accounts Receivable Securitization Program

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

Liquidity and Capital Resources

The Company continually projects anticipated cash requirements for its operating, investing and financing needs as well as cash flows generated from operating activities available to meet these needs. The Company's operating needs include, among other items, commitments for sports programming rights, television and film programming, talent contracts, franchise payments, interest payments, and pension funding obligations. The Company's investing and financing spending includes capital expenditures, share repurchases, dividends and principal payments on its outstanding indebtedness. The Company believes that its operating cash flows, cash and cash equivalents, borrowing capacity under its Credit Facility, which had \$1.98 billion of remaining availability at March 31, 2011 and access to capital markets are sufficient to fund its operating, investing and financing requirements for the next twelve months.

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

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

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

Off-Balance Sheet Arrangements

The Company has indemnification obligations with respect to letters of credit and surety bonds primarily used as security against non-performance in the normal course of business. At March 31, 2011, the outstanding letters of credit and surety bonds approximated \$391 million and were not recorded on the Consolidated Balance Sheet.

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

Legal Matters

Securities Action. On December 12, 2008, the City of Pontiac General Employees' Retirement System filed a self-styled class action complaint in the United States District Court for the Southern District of New York against the Company and its Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, and Treasurer, alleging violations of federal securities law. The complaint, which was filed on behalf of a putative class of purchasers of the Company's common stock between February 26, 2008 and October 10, 2008 (the "Class Period"), alleges that, among other things, the Company's failure to timely write down the value of certain assets caused the Company's reported operating results during the Class Period to be materially inflated. The plaintiffs seek unspecified compensatory damages. On February 11, 2009, a motion was filed in the case on behalf of The City of Omaha, Nebraska Civilian Employees' Retirement System, and The City of Omaha Police and Fire Retirement System (collectively, the "Omaha Funds") seeking to appoint the Omaha Funds as the lead plaintiffs in this case; on March 5, 2009, the court granted that motion. On May 4, 2009, the plaintiffs filed an Amended Complaint, which removes the Treasurer as a defendant and adds the Executive Chairman. On July 13, 2009, all defendants filed a motion to dismiss this action. On March 16, 2010, the court granted the Company's motion and dismissed this action as to the Company and all defendants. On April 30, 2010, the plaintiffs filed a motion for leave to serve an amended complaint. On September 23, 2010, the court issued an order granting leave to amend. On October 8, 2010, the Company was served with an Amended Complaint, which redefines the Class Period to be April 29, 2008 to October 10, 2008 and alleges that the impairment charge should have been taken during the first quarter of 2008. The Company filed a motion to dismiss this Amended Complaint on November 19, 2010. The Company believes that the plaintiffs' claims are without merit and intends to vigorously defend itself in the litigation.

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

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

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

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

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

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

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

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

Claims are frequently filed and/or settled in groups, which may make the amount and timing of settlements, and the number of pending claims, subject to significant fluctuation from period to period. The Company does not report as pending those claims on inactive, stayed, deferred or similar dockets which some jurisdictions have established for claimants who allege minimal or no impairment. As of March 31, 2011, the Company had pending approximately 52,230 asbestos claims, as compared with approximately 52,220 as of December 31, 2010 and 62,340 as of March 31, 2010. During the first quarter of 2011, the Company received approximately 1,440 new claims and closed or moved to an inactive docket approximately 1,430 claims. The Company reports claims as closed when it becomes aware that a dismissal order has been entered by a court or when the Company has reached agreement with the claimants on the material terms of a settlement. Settlement costs depend on the seriousness of the injuries that form the basis of the claim, the quality of evidence supporting the claims and other factors. The Company's total costs for the years 2010 and 2009 for settlement and defense of asbestos claims after insurance recoveries and net of tax benefits were approximately \$14 million and \$18 million, respectively. The Company's costs for settlement and defense of asbestos claims may vary year to year as insurance proceeds are not always recovered in the same period as the insured portion of the expenses.

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

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

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

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

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

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

Related Parties

National Amusements, Inc. National Amusements, Inc. ("NAI") is the controlling stockholder of CBS Corp. and Viacom Inc. Mr. Sumner M. Redstone, the controlling stockholder, chairman of the board of directors and chief executive officer of NAI, is the Executive Chairman of the Board of Directors and founder of both CBS Corp. and Viacom Inc. In addition, Ms. Shari Redstone, Mr. Sumner M. Redstone's daughter, is the president and a director of NAI and the vice chair of the board of directors of both CBS Corp. and Viacom Inc. Mr. David R. Andelman is a director of CBS Corp. and serves as a director of NAI. Mr. Frederic V. Salerno is a director of CBS Corp. and serves as a director of Viacom Inc. At March 31, 2011, NAI directly or indirectly owned approximately 79% of CBS Corp.'s voting Class A Common Stock, and owned approximately 6% of CBS Corp.'s Class A Common Stock and non-voting Class B Common Stock on a combined basis.

Viacom Inc. CBS Corp., as part of its normal course of business, enters into transactions with Viacom Inc. and its subsidiaries. CBS Corp., through its Entertainment segment, licenses its television products to Viacom Inc., primarily MTV Networks and BET Networks. In addition, CBS Corp. recognizes advertising revenues for media spending placed by various subsidiaries of Viacom Inc., primarily Paramount Pictures. 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 \$51 million and \$39 million for the three months ended March 31, 2011 and 2010, respectively.

CBS Corp. places advertisements with, and leases production facilities, licenses programming and purchases other goods and services from various subsidiaries of Viacom Inc. The total amounts for these transactions were \$6 million and \$5 million for the three months ended March 31, 2011 and 2010, respectively.

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**Management's Discussion and Analysis of
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(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 March 31, 2011	At December 31, 2010
Amounts due from Viacom Inc.		
Receivables	\$ 99	\$ 104
Other assets (Receivables, noncurrent)	233	252
Total amounts due from Viacom Inc.	\$ 332	\$ 356
Amounts due to Viacom Inc.		
Accounts payable	\$ 8	\$ 5
Program rights	4	4
Other liabilities (Program rights, noncurrent)		1
Total amounts due to Viacom Inc.	\$ 12	\$ 10

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 \$27 million and \$45 million for the three months ended March 31, 2011 and 2010, respectively.

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

Adoption of New Accounting Standards

Revenue Arrangements with Multiple Deliverables

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

Critical Accounting Policies

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

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

Cautionary Statement Concerning Forward-Looking Statements

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

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

Item 4. Controls and Procedures.

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

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

Table of Contents**PART II OTHER INFORMATION****Item 1A. Risk Factors.**

The following updates the corresponding risk factors included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

Changes in U.S. Communications Laws or Other Regulations May Have an Adverse Effect on the Company's Business (updated information is presented below)

The FCC delivered to Congress the National Broadband Plan, which recommends proposals relative to broadband deployment and use. In order to provide additional spectrum for wireless broadband services, the National Broadband Plan proposes to make spectrum available through initiatives including voluntary spectrum auctions. It is difficult to predict the timing or outcome of this proposed plan or its effect, if any, on the Company's broadcasting properties.

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

The Company and its suppliers engage the services of writers, directors, actors and other talent, trade employees and others who are subject to collective bargaining agreements. If the Company or its suppliers are unable to renew expiring collective bargaining agreements, it is possible that the affected unions or others could take action in the form of strikes or work stoppages. Such actions, higher costs in connection with these agreements or a significant labor dispute could adversely affect the Company's television, radio, cable networks, online and motion picture businesses by disrupting the Company's ability to provide scheduled services and programming or by causing delays in the production of the Company's television or radio programming, motion pictures or the Company's outdoor business by disrupting its ability to place advertising on outdoor faces. In March 2011, owners of the National Football League (NFL) teams imposed a lockout against NFL players when their collective bargaining agreement expired. However, on April 18, 2011, a U.S. District Court judge ordered an end to the lockout, to which the NFL has filed a notice of appeal with the U.S. Court of Appeals for the Eighth Circuit. There is no assurance as to the outcome of this litigation, which continues between the NFL and the players. Depending on their duration, a lockout or any strikes or work stoppages could have an adverse effect on the Company's revenues, cash flows and/or operating income and/or the timing thereof.

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

Below is a summary of CBS Corp.'s purchases of its Class B Common Stock during the three months ended March 31, 2011 under its \$1.5 billion share repurchase program, publicly announced on November 4, 2010.

(In millions, except per share amounts)		Total Number of Shares Purchased ^(a)	Average Price Per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Remaining Authorization
January 1, 2011	January 31, 2011	9.1	(a)	9.1	\$ 1,250
February 1, 2011	February 28, 2011				\$ 1,250
March 1, 2011	March 31, 2011	2.7	(a)	2.7	\$ 1,250
Total		11.8	\$ 21.26	11.8	\$ 1,250

(a)

During the first quarter of 2011, the Company repurchased 11.8 million shares of CBS Corp. Class B Common Stock for \$250 million through an accelerated share repurchase ("ASR") transaction, of which 9.1 million shares were delivered in January 2011 and the remaining 2.7 million shares were delivered upon settlement of the ASR in March 2011.

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Item 6. Exhibits.

Exhibit

No.	Description of Document
(10)	Material Contracts
(a)	Employment Agreement dated as of February 3, 2011 between CBS Corporation and Anthony G. Ambrosio (filed herewith).
(12)	Statement Regarding Computation of Ratios (filed herewith)
(31)	Rule 13a-14(a)/15d-14(a) Certifications
(a)	Certification of the Chief Executive Officer of CBS Corporation pursuant to Rule 13a-14(a), or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002 (filed herewith).
(b)	Certification of the Chief Financial Officer of CBS Corporation pursuant to Rule 13a-14(a), or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002 (filed herewith).
(32)	Section 1350 Certifications
(a)	Certification of the Chief Executive Officer of CBS Corporation furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002 (furnished herewith).
(b)	Certification of the Chief Financial Officer of CBS Corporation furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002 (furnished herewith).
(101)	Interactive Data File
	The following furnished materials from CBS Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, formatted in XBRL (Extensible Business Reporting Language), are collectively included herewith as Exhibit 101:
	101. INS XBRL Instance Document.
	101. SCH XBRL Taxonomy Extension Schema.
	101. CAL XBRL Taxonomy Extension Calculation Linkbase.
	101. DEF XBRL Taxonomy Extension Definition Linkbase.
	101. LAB XBRL Taxonomy Extension Label Linkbase.
	101. PRE XBRL Taxonomy Extension Presentation Linkbase.

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SIGNATURES

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

Date: May 3, 2011

CBS CORPORATION

(Registrant)

/s/ JOSEPH R. IANNIELLO

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

/s/ THOMAS S. SHILEN, JR.

Date: May 3, 2011

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

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