



April 13, 2012

Dear Fellow Shareholder,

By all measures, the CBS Corporation had a remarkable year in 2011. We had the top-performing stock among our media peers in the S&P 500, a distinction we have enjoyed for the last three years. We are having great success across our businesses – from television to cable, radio to Internet, publishing to billboards. And we are benefiting from the ability of our divisions to work hand-in-hand, one of our greatest strengths. We continue to take advantage of the evolving marketplace to sell and distribute our first-class content on all sorts of platforms around the world. We are firing on all cylinders, and we are in the perfect position to benefit from the many promising opportunities ahead.

Our 2011 financial results speak to our achievements. Adjusted earnings per share were up 75% to \$1.94 – a company record, and an extremely impressive multiple of what they were just a few years ago. Revenue rose 1% to \$14.25 billion, and adjusted operating income before depreciation and amortization (OIBDA) increased 32%, to \$3.12 billion. We also generated \$1.48 billion of free cash flow. And we used our cash to return capital to shareholders in 2011 by doubling both our dividend and share buyback program. Finally, we continued to strengthen our balance sheet. Early in 2012, we refinanced some of our debt at very low rates, saving more than \$20 million per year over the next decade.

Our largest segment, Entertainment, was the driving force behind our performance. Revenue for the segment, which includes the CBS Television Network, CBS Television Studios, CBS Television Distribution and CBS Interactive, among other divisions, rose to \$7.46 billion. Growth in higher-margin revenue from digital streaming and retransmission fees helped boost adjusted OIBDA by 60%, to \$1.43 billion.

The CBS Television Network continued its reign in primetime as America's most-watched network. In the first half of the 2011-2012 season, we had 14 out of the top 20 programs in viewers, the most for any network since the advent of people meters in 1987, and 10 of the top 20 programs in adults 18-49, the highest in a decade. We had the top five scripted series, the top eight dramas and six of the top seven comedies. Our lineup is so strong that we have already renewed 18 of our shows – an unprecedented number.

CBS also has the kind of tent-pole events audiences want. This year's GRAMMYs drew nearly 40 million viewers, the largest audience in over two decades, and 13 million social media mentions.

At CBS Sports, our NFL play-off games drew the biggest ratings in decades, and we extended our agreement with the League until 2023, including three more Super Bowls to add to CBS's coverage of Super Bowl XLVII in February of next year. Meanwhile, ratings for our coverage of the *NCAA Men's Division I Basketball Championship* continue to be

strong, and our partnership with Turner Broadcasting has made this property profitable for us again.

The quality of our programming and our marquee talent continue to raise our profile. CBS Sports was recently nominated for 26 Sports Emmy Awards, and we've added to our stable of popular sports personalities by bringing in Jim Rome, among others.

At CBS News, our shows are still setting journalistic standards. *60 Minutes* won its 14<sup>th</sup> Alfred I. DuPont-Columbia University Award for Lara Logan's report from the war in Afghanistan, "A Relentless Enemy." And CBS News foreign correspondent Clarissa Ward recently won a Peabody Award for the *CBS Evening News with Scott Pelley* for her series of reports from Syria.

Our storied brands remain relevant. Even after 44 years, *60 Minutes* is one of the most-watched telecasts. *Face the Nation*, now in its 53<sup>rd</sup> season, is doing so well we have expanded it to one hour. Our morning and evening news shows also continue to evolve. Since its debut last June, *The CBS Evening News with Scott Pelley* has shifted its focus to hard news and added more than 800,000 viewers. And we're very excited about the recent launch of *CBS This Morning* with Charlie Rose, Gayle King and Erica Hill.

Our primetime programming, big televised events and hard-hitting news are attracting advertisers who pay top dollar. And they are allowing us to capture additional non-advertising revenue, which is more immune to the swings in the economy. Syndication, retransmission consent fees, reverse compensation and digital streaming are producing long-term steady and recurring revenue for us both domestically and abroad.

In the U.S., CBS Television Distribution continues to outperform the competition. In 2011, we had the top six first-run shows in syndication, with *Judge Judy* at the top of the list. Overseas, the success of the *CSI* and *NCIS* franchises made CBS Studios International the top distributor of imported drama series in Europe, and we continue to expand our reach into India and China. Our international distribution revenue grew to more than \$1 billion in 2011, and there are still many opportunities for us to pursue.

Also in 2011, we entered into lucrative agreements with online distributors, one of the most exciting areas of growth. We now have licensing agreements with Netflix and Amazon.com that are nonexclusive, meaning we can continue to sell the same content again and again. And The CW struck a deal with Hulu for its programming as well.

Our web sites continue to grow and gain popularity. CBS.com was the No. 1 network site for the third straight year. And our 30 local web portals, which combine our TV and radio content, have become the go-to sites in their respective markets.

We are also using new technology to provide second-screen experiences for our big events and top shows, and the results have been outstanding. Our apps are reaching the top of the iTunes chart, from GRAMMY Live, which hit No. 1 during the broadcast, to *60 Minutes*, which remains the top paid news app.

In cable, our networks had another terrific year. Revenue for the Cable Networks, which includes Showtime Networks, CBS Sports Network and Smithsonian Networks, increased 10% to \$1.62 billion, while OIBDA rose 24% to \$707 million. In addition, we

entered into several new carriage agreements in 2011 that recognize the value of our content.

Showtime, our premium cable channel, continued its run of hits, attracting buzz, garnering critical acclaim and drawing higher ratings. Subscriptions rose for an eighth straight year, up 10% to over 21 million. Showtime added six new shows in 2011, including *Shameless*, *Episodes* and *Homeland*, which is considered by many to be the best show on television. *Homeland* won both a Golden Globe and Peabody award, and its lead actress, Claire Danes, was also awarded a Golden Globe, along with Matt LeBlanc from *Episodes*. Our established hits continued to build audiences as well. *Dexter*, in its sixth season, had its highest ratings in 2011.

Our sports cable channel is undergoing some big changes and making its mark. In 2011, we renamed CBS College Sports to CBS Sports Network to reflect the broadening of our content. Ratings grew 14%, reaching their highest level.

In Publishing, Simon & Schuster, a renowned brand in the industry, released the blockbuster of 2011 – *Steve Jobs* by Walter Isaacson. The biography debuted at No. 1 on the New York Times best seller list and sold 379,000 copies in its first week. *11/22/63* by Stephen King was our top title in fiction and also debuted at No. 1. Both books have been on the best seller list for more than five months. In all, Simon & Schuster had 233 New York Times best sellers in 2011, including 29 that were No. 1. Publishing revenue last year was \$787 million, down slightly, while adjusted OIBDA grew 28%.

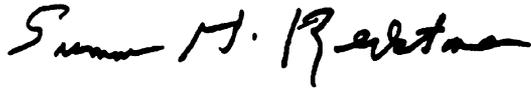
Local Broadcasting continued its ratings roll. In late news, almost every CBS television station was ranked No. 1 or No. 2 in households, and we had the most-watched station in primetime in the country's largest market with WCBS-TV in New York. In Radio, our stations ranked No. 1 or No. 2 in seven of the top 11 markets. Local Broadcasting held its own against a sluggish economy and in a year without a major political campaign. Revenue and OIBDA both fell slightly in 2011, to \$2.69 billion and \$849 million, respectively. Advertising, especially auto, is on the rebound, and we expect political spending to kick into high gear in the second half of 2012.

In Outdoor, revenue grew 4% to \$1.89 billion as strength in the Americas helped to offset declines in Europe, which was affected by the challenging economy. A shift to more profitable contracts – a focus of both our domestic and international businesses – helped adjusted OIBDA grow 20%, to \$346 million.

As you can see, our operations are strong across the board. In addition, we continue to strengthen our balance sheet by keeping a lid on costs and seeking opportunities to refinance debt at attractive rates. As our businesses continue to generate lots of excess cash, we will return capital to shareholders in the form of dividends and share buybacks.

We are at the top of our game. Across all media, our competitors are scrambling to replicate our success. As technology evolves, we will take advantage of new opportunities to derive value from our industry-leading content. Technology is our friend, and the key to our future.

It is a great time to be in the content business – and an even better time to be a CBS shareholder. We are very confident we will produce another year of tremendous results, with even more to come in the years ahead. We thank you for your continued investment and support.



Sumner M. Redstone  
Executive Chairman of the Board and Founder



Leslie Moonves  
President and Chief Executive Officer

*\* Free cash flow, adjusted OIBDA and adjusted diluted earnings per share, all for 2011 and referred to in this letter, are non-GAAP financial measures. For a reconciliation of these non-GAAP measures to reported results and for more information on the Company's 2011 results, please refer to the "Supplemental Disclosures Regarding Non-GAAP Financial Information" found at the end of our earnings release for the fourth quarter and year ended December 31, 2011, which is available in the Investors section of our website at <http://www.cbscorporation.com>. This letter should be read in conjunction with the CBS Corporation's 2011 Annual Report on Form 10-K, including the risk factors discussed therein.*