



April 6, 2018

Dear Fellow Shareholder,

We are moving into an exciting future at CBS Corporation, as we come off a terrific year in 2017. Revenue for the year grew 4% to a record \$13.7 billion, and adjusted EPS* was up 7% to an all-time high of \$4.40—our eighth straight year of EPS growth. What’s even more impressive is that we posted these results while going up against a banner year in 2016, when we had the Super Bowl and record political spending. And the good news is, 2018 is shaping up to be even better.

Our success is driven by CBS’ strategy of monetizing our must-have content in more and more lucrative ways. This includes growing new incremental revenue from a number of places, like the fees we get from cable companies, other program distributors, and our local television affiliates for the right to air our network programming; from what are called “skinny” programming packages, which have fewer channels than traditional services and are increasingly offered by new distribution platforms; from CBS and Showtime’s direct-to-consumer, “over-the-top” streaming services; from international content sales; and finally, from a host of new opportunities in advertising.

During 2017, we reached several significant benchmarks in this regard. We crossed the halfway mark to our 2020 goal of \$2.5 billion in fees from those cable companies, other program distributors, and affiliates—well ahead of schedule. And we made great gains toward our 2020 goal of eight million subscribers combined from our *CBS All Access* and Showtime over-the-top services. We also struck deals to be on a number of those “skinny” programming packages, including with Hulu, YouTube TV, and others. In fact, when you add all of our subscribers from across the various distribution platforms in broadcast, cable, and streaming, our subscriptions are actually *growing*, which is not something many media companies can say. And the best part is that the growth is driven by the newer distribution platforms, which give us more money per subscriber. So our rates are increasing as well.

We are also growing internationally as we reap the benefit of our higher investment in content. In 2017, we created an all-time high of 64 series for 12 television, cable, and streaming platforms, resulting in several key international licensing deals, including the sale of our new *Dynasty* drama on The CW to Netflix in 188 countries. We also continue to expand the brand of our premium network to new markets all the time by doing deals for our entire Showtime portfolio. And we closed on our acquisition of Network Ten, one of the Big Three Australian broadcasters, which plays right into our core strength and provides us with compelling digital opportunities to expand *CBS All Access* internationally.

Thanks to all of these growing revenue streams, and the split-off of our radio business that we completed in 2017, our fast-growing, nonadvertising sources now represent about 60% of our overall revenue, up from about 30% 10 years ago. At the same time, our base advertising business remains strong. Network advertising came in above \$4 billion for each of the last five years, so while advertising has become a smaller part of our overall business, our total is still very steady, and we are

* *Adjusted net earnings per diluted share*

pursuing new opportunities here as well. For example, more viewers are watching our programming on their own time, days and even weeks after a show first airs, and we are monetizing that viewing. During 2017, deals for seven days of viewing became the standard, and we negotiated agreements for 35 days of viewing for the very first time. In addition, we realigned our sales force, so we can more easily sell advertising across platforms. It's just another way we continue to set ourselves up for the multiplatform future.

None of these growth opportunities would be possible without our must-have content. We have many of the biggest hits and most-valuable franchises in the business, and that starts with the CBS Television Network, where we won the 2016-17 season for the 14th time in 15 years and for the ninth year in a row. We kicked off the current season by sweeping the 2017 fourth quarter in primetime, daytime, and late night for the first time in eight years. And we currently have five of the top 10 shows, including *Young Sheldon*, this season's #1 new show, *Bull*, last season's #1 new show, and perennial hits *The Big Bang Theory* and *NCIS*. In addition, CBS has 10 of the top 20 shows in primetime, including the #1 news program, *60 Minutes*.

Late night is also building great momentum. For the first time in 22 years, *The Late Show with Stephen Colbert* ended the 2016-17 season as the #1 show in late night, and it's now more than a million viewers ahead of its closest competitor. Also during 2017, *The Late Late Show with James Corden* grew faster than any of its competitors. Both shows are growing online as well. During 2017, *The Late Show* was the #1 most-social late-night talk show on Twitter, and *The Late Late Show* currently has more than 10 million subscribers on its YouTube channel.

At CBS Sports, our marquee events continue to bring in big audiences. Last year's *NCAA Division I Men's College Basketball Tournament* was the second most-watched in 23 years. And this year's AFC Championship game attracted more than 48 million viewers and was the second most-watched event in all of television so far in 2018. We also made some terrific talent moves by bringing in former Dallas Cowboy Tony Romo to join Jim Nantz in the broadcast booth for our NFL coverage, which was one of the great success stories in television this season.

Like all of our divisions, CBS News is moving forward into an exciting future, adding new broadcast journalists in leading roles and expanding *CBSN*, our digital news network. During 2017, the incomparable Oprah Winfrey joined *60 Minutes* as a contributor, and in recent months we brought in new anchors to our key programs, including Margaret Brennan at *Face the Nation*, John Dickerson at *CBS This Morning*, and Jeff Glor as host of our flagship news broadcast, *CBS Evening News*. Jeff was a correspondent and lead anchor on *CBSN* during its critical launch period, and we are now bringing more digital brand extensions to *CBS Evening News* than we've ever had before.

CBSN also had an outstanding year. Live streams grew 17% to 287 million streams, and it continues to expand by attracting a modern and younger news consumer. In fact, this business model has been so successful that we're now using it to launch two more of our most popular brands into their own direct-to-consumer platforms—*CBS Sports HQ*, which debuted this February, and an *Entertainment Tonight* streaming service, which will launch this fall.

2017 was also a breakout year for *CBS All Access*. Our subs doubled year-over-year, thanks to a full array of content offerings, including live events such as NFL games and the *Grammys*, more than 10,000 episodes of current and library programming, and new original series, led by the runaway success of *Star Trek: Discovery*. We have even more original programming in the works, including a highly anticipated reboot of *The Twilight Zone*. Plus, we're gearing up to launch *CBS All Access* in the international marketplace, starting in Canada later this year.

Showtime continues to operate on the leading edge of premium television, and our strategy of premiering about one series a month is driving this success. In 2017, we had the #1 scripted series on premium television in three out of four quarters—*Homeland* in the first, *Billions* in the second, and *Shameless* in the fourth. As a result, we surpassed 25 million total subscribers for the very first time, led by strong growth from our direct-to-consumer service, Showtime over-the-top, which also helped make 2017 our best year ever in terms of revenue from subscription growth. We're off to another strong start here in 2018, with the launch of several new hit series, including our new drama, *The Chi*, and our new animated satire, *Our Cartoon President*, which is executive produced by Stephen Colbert.

Premium content fueled our results at Simon & Schuster, which ended 2017 with 195 bestsellers, including 30 that reached #1. This includes an extraordinary week in the fall when we had #1 titles across eight different New York Times bestseller categories.

And in Local Media, our TV stations continue to benefit from our big-event primetime programming, including the *NCAA Men's College Basketball Tournament* and the *Emmys*, which set an ad sales record last year. 2018 is also shaping up to be strong for our local stations, driven by political spending on the mid-term elections.

Across the board, we continue to lead CBS through a strategic and operational transformation. We are delivering terrific results while we set ourselves up for future growth, and I am as confident as ever that we are on a path for long-term success.

As I write this, our board of directors has established a special committee of independent directors to evaluate a potential combination with Viacom Inc. We will update you when the process is completed. As always, we remain committed to delivering for our shareholders, and we thank you for your continued support.

A handwritten signature in black ink, appearing to read "Leslie Moonves". The signature is fluid and cursive, with a large initial "L" and "M".

Leslie Moonves

Chairman of the Board, President and Chief Executive Officer

**Adjusted net earnings per diluted share ("EPS") is a non-GAAP financial measure. For a reconciliation of this non-GAAP financial measure to reported EPS and for more information on the Company's 2017 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, 2017, which is available in the Investors/Financial & Stock Information section of our website at www.cbcorporation.com. This letter should be read in conjunction with CBS Corporation's 2017 Annual Report on Form 10-K, including the risk factors and the "Cautionary Statement Concerning Forward-Looking Statements" discussed therein, which is available in the Investors/SEC Filings section of our website.*