

TIME WARNER INC.
Form 10-Q
November 05, 2014
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

for the quarterly period ended September 30, 2014 or

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

**for the transition period from _____ to _____
Commission file number 001-15062**

TIME WARNER INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of

13-4099534
(I.R.S. Employer

incorporation or organization)

Identification No.)

One Time Warner Center

New York, NY 10019-8016

(Address of Principal Executive Offices) (Zip Code)

(212) 484-8000

(Registrant's Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant 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 No

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. (Check one):

Large accelerated filer

Accelerated filer

(Do not check if a smaller reporting

Non-accelerated filer company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Description of Class	Shares Outstanding as of October 28, 2014
Common Stock \$.01 par value	838,486,246

Table of Contents

TIME WARNER INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

	Page
PART I. FINANCIAL INFORMATION	
<u>Management's Discussion and Analysis of Results of Operations and Financial Condition</u>	1
<u>Item 4. Controls and Procedures</u>	23
<u>Consolidated Balance Sheet at September 30, 2014 and December 31, 2013</u>	24
<u>Consolidated Statement of Operations for the Three and Nine Months Ended September 30, 2014 and 2013</u>	25
<u>Consolidated Statement of Comprehensive Income for the Three and Nine Months Ended September 30, 2014 and 2013</u>	26
<u>Consolidated Statement of Cash Flows for the Nine Months Ended September 30, 2014 and 2013</u>	27
<u>Consolidated Statement of Equity for the Nine Months Ended September 30, 2014 and 2013</u>	28
<u>Notes to Consolidated Financial Statements</u>	29
<u>Supplementary Information</u>	48
PART II. OTHER INFORMATION	
<u>Item 1. Legal Proceedings</u>	57
<u>Item 1A. Risk Factors</u>	57
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	57
<u>Item 5. Other Information</u>	58
<u>Item 6. Exhibits</u>	58

Table of Contents

TIME WARNER INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

INTRODUCTION

Management's discussion and analysis of results of operations and financial condition (MD&A) is a supplement to the accompanying consolidated financial statements and provides additional information on Time Warner Inc.'s (Time Warner or the Company) businesses, current developments, financial condition, cash flows and results of operations. MD&A is organized as follows:

Overview. This section provides a general description of Time Warner's business segments, as well as recent developments the Company believes are important in understanding the results of operations and financial condition or in understanding anticipated future trends.

Results of operations. This section provides an analysis of the Company's results of operations for the three and nine months ended September 30, 2014. This analysis is presented on both a consolidated and a business segment basis. In addition, a brief description of transactions and other items that affect the comparability of the results being analyzed is included.

Financial condition and liquidity. This section provides an analysis of the Company's financial condition as of September 30, 2014 and cash flows for the nine months ended September 30, 2014.

Caution concerning forward-looking statements. This section provides a description of the use of forward-looking information appearing in this report, including in MD&A and the consolidated financial statements.

Separation of Time Inc.

On June 6, 2014, the Company completed the legal and structural separation of the Company's Time Inc. segment from the Company (the Time Separation). With the completion of the Time Separation, the Company disposed of the Time Inc. segment in its entirety and ceased to consolidate its assets, liabilities and results of operations in the Company's consolidated financial statements. Accordingly, the Company has recast its financial information to present the financial condition and results of operations of its former Time Inc. segment as discontinued operations in the accompanying consolidated financial statements for all periods presented. See Note 1, Description of Business and Basis of Presentation, to the accompanying consolidated financial statements. In connection with the Time Separation, the Company received \$1.4 billion from Time Inc. consisting of proceeds from Time Inc.'s acquisition of the IPC publishing business in the U.K. from a wholly-owned subsidiary of Time Warner and a special dividend.

OVERVIEW

Time Warner is a leading media and entertainment company whose major businesses encompass an array of the most respected and successful media brands. Among the Company's brands are TNT, TBS, CNN, HBO, Cinemax, Warner Bros. and New Line Cinema. During the nine months ended September 30, 2014, the Company generated Revenues of \$19.834 billion (up 5% from \$18.857 billion in 2013), Operating Income of \$4.586 billion (up 1% from \$4.535 billion in 2013), Income from continuing operations of \$3.174 billion (up 31% from \$2.420 billion in 2013), Net Income attributable to Time Warner shareholders of \$3.109 billion (up 15% from \$2.708 billion in 2013) and Cash provided by operations from continuing operations of \$2.674 billion (up 4% from \$2.568 billion in 2013).

Time Warner Businesses

Time Warner classifies its operations into three reportable segments: Turner, Home Box Office and Warner Bros. For additional information regarding Time Warner's segments, refer to Note 13, Segment Information, to the accompanying consolidated financial statements.

Turner. Time Warner's Turner segment consists of businesses managed by Turner Broadcasting System, Inc. (Turner). During the nine months ended September 30, 2014, the Turner segment recorded Revenues of \$7.789 billion (39% of the Company's total Revenues) and Operating Income of \$2.166 billion.

Table of Contents

TIME WARNER INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Turner operates domestic and international television networks, including such recognized brands as TNT, TBS, truTV, CNN, Cartoon Network and Adult Swim, which are among the leaders in advertising-supported television networks. The Turner networks generate revenues principally from providing programming to affiliates that have contracted to receive and distribute this programming to subscribers and from the sale of advertising. In addition, Turner provides online and mobile offerings for on-demand viewing of programs on its networks and live streaming of its networks to authenticated subscribers. Turner also manages and operates various digital media properties that primarily consist of websites, including *CNN.com*, *CNNMoney.com*, *BleacherReport.com*, *NBA.com*, *NCAA.com* and *cartoonnetwork.com*, that generate revenues principally from the sale of advertising and sponsorships.

Home Box Office. Time Warner's Home Box Office segment consists of businesses managed by Home Box Office, Inc. (Home Box Office). During the nine months ended September 30, 2014, the Home Box Office segment recorded Revenues of \$4.060 billion (20% of the Company's total Revenues) and Operating Income of \$1.392 billion.

Home Box Office operates the HBO and Cinemax multi-channel premium pay television services, with the HBO service ranking as the most widely distributed multi-channel premium pay television service. HBO- and Cinemax-branded premium pay and basic tier television services are distributed in more than 60 countries across Latin America, Asia and Europe. HBO and Cinemax domestic premium pay television subscribers have access to the authenticated HBO GO and MAX GO streaming services, respectively, on various mobile devices and other online platforms, and an authenticated HBO GO streaming service is available to international premium pay television subscribers of HBO in a number of countries. Home Box Office generates revenues principally from providing programming to domestic affiliates that have contracted to receive and distribute such programming to their customers who subscribe to the HBO or Cinemax services. Home Box Office's agreements with domestic affiliates are typically long-term arrangements that provide for annual service fee increases and marketing support. While fees to Home Box Office under affiliate agreements are generally based on the number of subscribers served by the affiliates, the relationship between subscriber totals and the amount of revenues earned depends on the specific terms of the applicable agreement, which may include basic and/or pay television subscriber thresholds, volume discounts and other performance-based discounts. Marketing and promotional activities intended to retain existing subscribers and acquire new subscribers may also impact revenue earned. Home Box Office also derives subscription revenues from the distribution by international affiliates of country-specific HBO and Cinemax premium pay and basic tier television services to their local subscribers. Additional sources of revenues for Home Box Office are the home entertainment sales of its original programming, including *Game of Thrones*, *True Blood* and *Boardwalk Empire*, via DVDs, Blu-ray Discs and electronic sell-through (EST) and the licensing of its original programming primarily to international television networks and the Amazon Prime Instant Video subscription video-on-demand (SVOD) service (the Amazon SVOD Service).

Warner Bros. Time Warner's Warner Bros. segment consists of businesses managed by Warner Bros. Entertainment Inc. (Warner Bros.) that principally produce and distribute feature films, television shows and videogames. During the nine months ended September 30, 2014, the Warner Bros. segment recorded Revenues of \$8.711 billion (41% of the Company's total Revenues) and Operating Income of \$840 million.

The Warner Bros. segment's theatrical product revenues are generated principally through rental fees from theatrical exhibition of feature films, including the following recently released films: *Annabelle*, *Edge of Tomorrow*, *Godzilla*, *The Judge*, *The LEGO Movie* and *Tammy*, and subsequently through licensing fees received from the distribution of films on television broadcast and cable networks, premium pay television and SVOD services. Television product revenues are generated principally from the licensing of programs to television broadcast and cable networks and premium pay television and SVOD services. The segment also generates revenues for both its theatrical and television product through home video distribution on DVDs and Blu-ray Discs and in various digital formats (e.g., EST and video-on-demand). In addition, the segment generates revenues through the development and distribution of videogames.

Warner Bros. continues to be an industry leader in the television content business. Domestically, for the 2014/2015 season, Warner Bros. is producing over 60 series, including (i) at least two series for each of the five broadcast networks (including *2 Broke Girls*, *Arrow*, *The Bachelor*, *The Big Bang Theory*, *The Flash*, *The Following*, *Forever*, *Gotham*, *The Middle*, *Mike & Molly*, *Mom*, *The Mysteries of Laura*, *Person of Interest*, *Stalker*, *Vampire Diaries* and *The Voice*), (ii) original series for cable television networks (including *Major Crimes*, *Pretty Little Liars*, *Rizzoli & Isles* and *Sullivan & Son*), (iii) series for premium pay television services (*The Leftovers* and *Shameless*), (iv) series for first-run syndication (including *The Ellen DeGeneres Show*, *Extra* and *TMZ*) and (v) animated series for cable television networks. Warner Bros.

Table of Contents

TIME WARNER INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

also licenses many of these series internationally. In addition, in 16 countries across Europe, South America, Australia and New Zealand, Warner Bros. operates a group of local television production companies that focus on developing non-scripted programs and formats that can be sold internationally and adapted for sale in the U.S. Warner Bros. also creates locally-produced versions of programs owned by the studio as well as original local television programming for international territories.

The distribution and sale of physical discs (both standard definition DVDs and high definition Blu-ray Discs) is one of the largest contributors to the segment's revenues and profits. In recent years, home video revenues have declined as a result of several factors, including consumers shifting to subscription rental services and discount rental kiosks, which generate significantly less revenue per transaction for the Company than physical disc sales; changing retailer initiatives and strategies (e.g., reduction of floor space devoted to physical discs); retail store closures; increasing competition for consumer discretionary time and spending; and piracy. The electronic delivery of film and television content is growing and becoming more important to the Warner Bros. segment, which has helped to offset some of the decline in sales of physical discs. During the three and nine months ended September 30, 2014, consumer spending on physical discs continued to decline and consumer spending on electronic delivery continued to increase.

Recent Developments

Restructuring Activities

For the three months ended September 30, 2014, the Company incurred \$303 million of Restructuring and severance costs related to restructuring activities designed to position the Company for the current operating environment and reallocate resources to the Company's growth initiatives. The restructuring activities and related costs relate to reductions in the Company's workforce. The Restructuring and severance costs by operating segment and at Corporate are as follows: \$199 million at Turner, \$48 million at Home Box Office, \$45 million at Warner Bros. and \$11 million at Corporate. Headcount reductions associated with these restructuring activities are expected to be approximately 2,400. The Company expects additional headcount reductions and related Restructuring and severance costs ranging from approximately \$120 million to \$150 million in the fourth quarter of 2014, primarily at the Warner Bros. segment.

In addition to the restructuring activities noted above, during the three months ended September 30, 2014, Turner conducted a strategic evaluation of its programming, and as result of such evaluation decided to no longer air certain (principally licensed) programming. In connection with that decision, the Company incurred \$343 million of programming impairments related to programming that will no longer be aired subsequent to September 30, 2014, reflecting \$482 million of programming impairments at the Turner segment, partially offset by \$139 million of intercompany eliminations primarily related to intercompany profits on programming licensed by the Warner Bros. segment to the Turner segment. The programming impairments have been classified as Costs of revenues in the Company's Consolidated Statement of Operations.

Tax Matter

During the third quarter of 2014, the Company recognized a tax benefit of \$687 million primarily related to the reversal of certain tax reserves, including related interest accruals, in connection with a Federal tax settlement on the examination of the Company's 2005-2007 tax returns. Certain matters addressed in the examination were not resolved and, accordingly, the Company is pursuing resolution of such matters through the Internal Revenue Service's administrative appeals process.

NBA Agreement

On October 3, 2014, Turner entered into a nine-year agreement with the National Basketball Association (NBA), which extends Turner's relationship with the NBA through the 2024/2025 season and increases TNT's regular season coverage from 52 live games annually to 64 live games annually beginning with the 2016/2017 season. The agreement also provides Turner with enhanced digital rights during the extension period. The aggregate cash commitment for the programming rights under the new agreement is approximately \$10.5 billion.

Table of Contents

TIME WARNER INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

2014 Debt Offering

On May 20, 2014, Time Warner issued \$2.0 billion aggregate principal amount of debt securities in a public offering. See *Financial Condition and Liquidity Outstanding Debt and Other Financing Arrangements* for more information.

Venezuela Currency

Certain of the Company's divisions conduct business in Venezuela. As of September 30, 2014, the Company has \$163 million of net Venezuelan Bolivares Fuertes (VEF) denominated consolidated monetary assets, primarily consisting of cash and accounts receivable, which have been remeasured at the official exchange rate as published by the Central Bank of Venezuela of 6.3 VEF to each U.S. Dollar. However, because of Venezuelan government-imposed restrictions on the exchange of foreign currency in Venezuela, the Company has not been able to convert VEF earned in Venezuela into U.S. Dollars at the official government rate.

In March 2013, the Venezuelan government announced the creation of a new foreign currency exchange system called the Complimentary System of Foreign Currency Acquirement (SICAD), a complementary currency auction system it created for purchases of U.S. Dollars by certain eligible importers and tourists. In December 2013, the Venezuelan government published the SICAD rate for the first time and issued Exchange Agreement No. 24, which clarified that SICAD could be used only by companies operating in the oil and gas industry for certain transactions and for gold purchases conducted by the Central Bank of Venezuela. In January 2014, the government expanded the use of SICAD and announced that it would increase the amount of U.S. Dollars available to buyers to \$220 million per week from \$100 million. In addition, through Exchange Agreement No. 25, the government noted that it would expand the use of the SICAD auction rate for certain other types of transactions that were previously limited to the official rate. For the period that includes September 30, 2014, the published SICAD exchange rate was 12 VEF for each U.S. Dollar. Based on the published SICAD requirements, the Company does not believe it is eligible to access the SICAD exchange. If the Company had used the published SICAD exchange rate as of September 30, 2014 to remeasure its VEF-denominated consolidated monetary assets, the Company would have recognized foreign exchange losses of approximately \$78 million, on a pretax basis, in its Consolidated Statement of Operations.

On March 24, 2014, the Venezuelan government introduced a new currency exchange system referred to as SICAD 2, which is regulated by the Central Bank of Venezuela. The Company does not believe it is eligible to access the SICAD 2 exchange due to the requirement that an entity be domiciled in Venezuela to participate in the exchange. During the three months ended September 30, 2014, the published average daily rate was approximately 50.0 VEF for each U.S. Dollar. Given the status of its eligibility to access the SICAD and SICAD 2 exchanges, the Company continues to use the official exchange rate for its remeasurement rate as of September 30, 2014. If the Company is able to utilize the SICAD 2 exchange system to regularly access U.S. Dollars in future periods, the SICAD 2 rate may be used as its remeasurement rate. If the Company had used the published SICAD 2 exchange rate as of September 30, 2014 to remeasure its VEF-denominated consolidated monetary assets, the Company would have recognized foreign exchange losses of approximately \$143 million, on a pretax basis, in its Consolidated Statement of Operations.

Central European Media Enterprises Ltd.

During the second quarter of 2014, Time Warner and Central European Media Enterprises Ltd. (CME) completed a series of related financing transactions.

On May 2, 2014, pursuant to a rights offering by CME, Time Warner acquired approximately 2.8 million units, each consisting of \$100 principal amount of 15% senior secured notes due 2017 and 21 unit warrants, with each unit warrant entitling the Company to purchase one share of CME Class A common stock. In addition, Time Warner acquired 581,533 units in a private offering, and CME issued warrants to Time Warner to purchase an additional 30 million shares of Class A common stock. The warrants issued to Time Warner, including the unit warrants in connection with the rights offering and the private offering, have a four-year term and an exercise price of \$1.00 per share, do not contain any voting rights and are not exercisable until the second anniversary of their issuance. The warrants are subject to a limited right whereby the Company can exercise any of its warrants earlier solely to own up to 49.9% of CME s Class A common stock.

Table of Contents

TIME WARNER INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Additionally, Time Warner provided CME with a \$115 million revolving credit facility and a \$30 million term loan that mature on December 1, 2017. Amounts outstanding under the revolving credit facility will bear interest at a rate per annum based on LIBOR (subject to a minimum rate of 1.00%) plus 14%. CME can pay accrued interest for an applicable quarterly interest period either fully in cash or by adding such amount to the outstanding principal amount of the revolving credit facility. The revolving credit facility also contains a commitment fee on the average daily unused amount under the facility of 0.50% per annum. As of September 30, 2014, no amounts have been drawn under the revolving credit facility. The \$30 million term loan bears interest at a rate of 15.0% per annum, paid semi-annually either fully in cash or by adding such amount to the principal amount of the loan.

These transactions did not change the Company's approximate 49% voting interest, but resulted in the Company holding an approximate 75% economic interest in CME on a diluted basis.

Eyeworks

On June 2, 2014, Warner Bros. acquired the operations outside the U.S. of Eyeworks Group, a television production and distribution company, which are located in 15 countries across Europe, South America, Australia and New Zealand, for approximately \$267 million, net of cash acquired (the *Eyeworks Acquisition*).

Sale and Leaseback of Time Warner Center

On January 16, 2014, Time Warner sold the space it owned in Time Warner Center for approximately \$1.3 billion and agreed to lease space in Time Warner Center from the buyer until early 2019. In connection with these transactions, the Company recognized a pretax gain of \$441 million and a tax benefit of \$58 million in the first quarter of 2014. Additionally, a pretax gain of approximately \$325 million has been deferred and is being recognized ratably over the lease period. The Company also reached a preliminary agreement relating to the move of its Corporate headquarters and its New York City-based employees to the Hudson Yards development on the west side of Manhattan, which remains subject to further negotiation and execution of final agreements. Assuming final agreements are reached, the Company expects to invest approximately \$1.3 billion in the Hudson Yards development project over the next several years.

RESULTS OF OPERATIONS

Changes in Basis of Presentation

As discussed more fully in Note 1, *Description of Business and Basis of Presentation*, to the accompanying consolidated financial statements, the 2013 financial information has been recast so that the basis of presentation is consistent with that of the 2014 financial information. This recast reflects the financial condition and results of operations of the Company's former Time Inc. segment as discontinued operations for all periods presented.

Recent Accounting Guidance

See Note 1, Description of Business and Basis of Presentation, to the accompanying consolidated financial statements for a discussion of recent accounting guidance.

Table of Contents

TIME WARNER INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Transactions and Other Items Affecting Comparability

As more fully described herein and in the related notes to the accompanying consolidated financial statements, the comparability of Time Warner's results from continuing operations has been affected by transactions and certain other items in each period as follows (millions):

	Three Months Ended		Nine Months Ended	
	9/30/14	9/30/13 (recast)	9/30/14	9/30/13 (recast)
Asset impairments	\$ (5)	\$ (5)	\$ (31)	\$ (35)
Gain (loss) on operating assets, net	(5)	113	451	130
Other	(12)	32	(71)	14
Impact on Operating Income	(22)	140	349	109
Investment gains (losses), net	(78)	12	(57)	67
Amounts related to the separation of Time Warner Cable Inc.	-	3	(1)	9
Amounts related to the disposition of Warner Music Group	1	-	-	-
Amounts related to the Time Separation	2	-	2	-
Items affecting comparability relating to equity method investments	(5)	-	(25)	(12)
Pretax impact	(102)	155	268	173
Income tax impact of above items	7	(52)	84	(69)
Impact of items affecting comparability on income from continuing operations attributable to Time Warner Inc.	\$ (95)	\$ 103	\$ 352	\$ 104

shareholders

In addition to the items affecting comparability described above, the Company incurred Restructuring and severance costs of \$303 million and \$346 million for the three and nine months ended September 30, 2014, respectively, and \$56 million and \$132 million for the three and nine months ended September 30, 2013, respectively. For the three months ended September 30, 2014, the Company also incurred \$343 million of programming impairments, reflecting \$482 million of programming impairments at the Turner segment, partially offset by \$139 million of intercompany eliminations. For further discussion of Restructuring and severance costs and the programming impairments, see Overview, Consolidated Results and Business Segment Results.

Asset Impairments

During the three months ended September 30, 2014, the Company recognized asset impairments of \$5 million, consisting of \$4 million at the Turner segment related to miscellaneous assets and \$1 million at Corporate related to certain internally developed software. For the nine months ended September 30, 2014, the Company recognized asset impairments of \$15 million at the Turner segment related to miscellaneous assets, \$4 million at the Home Box Office segment related to the noncash impairment of an international tradename and \$5 million and \$7 million at the Warner Bros. segment and Corporate, respectively, related to certain internally developed software.

During the three months ended September 30, 2013, the Company recognized an international intangible asset impairment of \$5 million at the Turner segment. During the nine months ended September 30, 2013, the Company recognized asset impairments of \$35 million, consisting of \$17 million related to certain of Turner's international intangible assets, \$6 million related to programming assets resulting from Turner's decision in the first quarter of 2013 to shut down certain of its entertainment networks in Spain, \$5 million at the Warner Bros. segment related to miscellaneous assets and \$7 million at Corporate related to certain internally developed software.

Table of Contents

TIME WARNER INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Gain (Loss) on Operating Assets, Net

For the three and nine months ended September 30, 2014, the Company recognized a \$5 million loss on operating assets at the Turner segment related to the shutdown of a business. For the nine months ended September 30, 2014, the Company also recognized \$15 million of gains at the Turner segment, reflecting a \$2 million gain primarily related to the sale of a building in South America and a \$13 million gain related to the sale of Zite, Inc. (Zite), a news content aggregation and recommendation platform, and a \$441 million gain at Corporate in connection with the sale and leaseback of the Company's space in Time Warner Center.

For the three and nine months ended September 30, 2013, the Company recognized a \$105 million gain at the Home Box Office segment upon Home Box Office's acquisition of its former partner's interests in HBO Asia and HBO South Asia (collectively, HBO Asia), a \$2 million gain at the Turner segment on the sale of a building and a \$6 million gain at the Warner Bros. segment on miscellaneous operating assets. For the nine months ended September 30, 2013, the Company also recognized a \$9 million gain at the Home Box Office segment upon Home Box Office's acquisition of its former partner's interest in HBO Nordic and an \$8 million gain at Corporate on the disposal of certain corporate assets.

Other

Other reflects external costs related to mergers, acquisitions or dispositions of \$12 million and \$71 million for the three and nine months ended September 30, 2014, respectively, and \$6 million and \$24 million for the three and nine months ended September 30, 2013, respectively. External costs related to mergers, acquisitions or dispositions for the three and nine months ended September 30, 2014 consisted of \$4 million and \$14 million, respectively, at the Turner segment primarily related to exit costs in connection with the shutdown of CNN Latino, \$4 million and \$12 million, respectively, at the Warner Bros. segment primarily related to the Eyeworks Acquisition and \$4 million and \$45 million, respectively, at Corporate primarily related to the Time Separation. External costs related to mergers, acquisitions or dispositions for the three and nine months ended September 30, 2013 primarily reflected higher costs at Corporate of \$4 million and \$20 million, respectively, primarily related to the Time Separation. Other also includes a gain of \$38 million for the three and nine months ended September 30, 2013 at Corporate related to the curtailment of certain post-retirement benefits (the Curtailment).

External costs related to mergers, acquisitions or dispositions and the gain related to the Curtailment are included in Selling, general and administrative expenses in the accompanying Consolidated Statement of Operations.

Investment Gains (Losses), Net

For the three and nine months ended September 30, 2014, the Company recognized \$78 million and \$57 million, respectively, of net miscellaneous investment losses, consisting of \$58 million and \$59 million, respectively, of losses related to fair value adjustments on CME warrants and \$20 million of net miscellaneous investment losses for the three months ended September 30, 2014 and \$2 million of net miscellaneous investment gains for the nine months

ended September 30, 2014. For the three months ended September 30, 2013, the Company recognized a \$12 million gain associated with a fair value adjustment on an option to acquire securities that was terminated during the third quarter of 2013. For the nine months ended September 30, 2013, the Company recognized \$67 million of net miscellaneous investment gains consisting of a \$65 million gain on the sale of the Company's investment in a theater venture in Japan, which included a \$10 million gain related to a foreign currency contract, and \$2 million of net miscellaneous investment gains.

Amounts Related to the Separation of Time Warner Cable Inc.

The Company recognized other expense of \$1 million for the nine months ended September 30, 2014 and other income of \$4 million and \$10 million for the three and nine months ended September 30, 2013, respectively, related to the expiration, exercise and net change in the estimated fair value of Time Warner equity awards held by Time Warner Cable Inc. (TWC) employees, which has been reflected in Other loss, net in the accompanying Consolidated Statement of Operations. For the three and nine months ended September 30, 2013, the Company also recognized \$1 million of other loss related to changes in the value of a TWC tax indemnification receivable, which has also been reflected in Other loss, net in the accompanying Consolidated Statement of Operations.

Table of Contents

TIME WARNER INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Amounts Related to the Disposition of Warner Music Group

For the three and nine months ended September 30, 2014, the Company recognized other income of \$1 million and \$0, respectively, primarily related to a tax indemnification obligation associated with the disposition of Warner Music Group (WMG) in 2004. These amounts have been reflected in Other loss, net in the accompanying Consolidated Statement of Operations.

Amounts Related to the Time Separation

For the three and nine months ended September 30, 2014, the Company recognized \$2 million of other income related to the expiration, exercise and net change in the estimated fair value of Time Warner equity awards held by certain Time Inc. employees.

Items Affecting Comparability Relating to Equity Method Investments

For the three and nine months ended September 30, 2014, the Company recognized \$4 million as its share of costs related to a government investigation of an equity method investee and \$1 million and \$9 million, respectively, as its share of discontinued operations recorded by an equity method investee. In addition, for the nine months ended September 30, 2014, the Company recognized \$12 million as its share of a loss on the extinguishment of debt recorded by an equity method investee. For the nine months ended September 30, 2013, the Company recognized \$12 million as its share of a loss on the extinguishment of debt recorded by an equity method investee. These amounts have been reflected in Other loss, net in the accompanying Consolidated Statement of Operations.

Income Tax Impact

The income tax impact reflects the estimated tax provision or tax benefit associated with each item affecting comparability. The estimated tax provision or tax benefit can vary based on certain factors, including the taxability or deductibility of the items and foreign tax on certain items.

Consolidated Results

The following discussion provides an analysis of the Company's results of operations and should be read in conjunction with the accompanying Consolidated Statement of Operations.

Revenues. The components of Revenues are as follows (millions):

Three Months Ended

Nine Months Ended

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	9/30/14	9/30/13	% Change	9/30/14	9/30/13	% Change
		(recast)			(recast)	
Subscription	\$ 2,518	\$ 2,297	10%	\$ 7,473	\$ 6,895	8%
Advertising	980	1,017	(4%)	3,360	3,360	-
Content	2,625	2,614	-	8,578	8,228	4%
Other	120	114	5%	423	374	13%
Total revenues	\$ 6,243	\$ 6,042	3%	\$ 19,834	\$ 18,857	5%

Table of Contents

TIME WARNER INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

For the three and nine months ended September 30, 2014, the increase in Subscription revenues was primarily related to increases at the Turner and Home Box Office segments. Advertising revenues for the three months ended September 30, 2014 decreased primarily due to a decrease at the Turner segment. Advertising revenues for the nine months ended September 30, 2014 were flat as higher revenues at the Turner segment were offset by higher intercompany eliminations. Content revenues for the three months ended September 30, 2014 were essentially flat as an increase at Warner Bros. was offset by higher intercompany eliminations. The increase in Content revenues for the nine months ended September 30, 2014 was primarily due to increases at the Warner Bros. and Home Box Office segments, partially offset by higher intercompany eliminations. The increase in Other revenues for the three and nine months ended September 30, 2014 was primarily related to an increase at the Warner Bros. segment.

Each of the revenue categories is discussed in greater detail by segment in Business Segment Results.

Costs of Revenues. For the three months ended September 30, 2014, Costs of revenues increased to \$3.681 billion from \$3.158 billion for the three months ended September 30, 2013 reflecting increases at the Turner and Home Box Office segments, partially offset by higher intercompany eliminations. For the nine months ended September 30, 2014, Costs of revenues increased to \$11.457 billion from \$10.508 billion for the nine months ended September 30, 2013 reflecting increases at the Turner, Warner Bros. and Home Box Office segments, partially offset by higher intercompany eliminations. Included in Costs of Revenues for the three and nine months ended September 30, 2014 was \$343 million of programming impairments related to programming that will no longer be aired subsequent to September 30, 2014, reflecting \$482 million of programming impairments at the Turner segment, partially offset by \$139 million of intercompany eliminations primarily related to intercompany profits on programming licensed by the Warner Bros. segment to the Turner segment. The segment variations are discussed in Business Segment Results.

Selling, General and Administrative Expenses. For the three months ended September 30, 2014, Selling, general and administrative expenses increased 6% to \$1.226 billion from \$1.157 billion for the three months ended September 30, 2013, primarily reflecting an increase at Corporate and the Warner Bros. and Turner segments, partially offset by a decline at the Home Box Office segment. For the nine months ended September 30, 2014, Selling, general and administrative expenses increased 2% to \$3.713 billion from \$3.626 billion for the nine months ended September 30, 2013 primarily related to increases at Corporate and the Home Box Office segment, partially offset by decreases at the Turner and Warner Bros. segments. The segment variations are discussed in Business Segment Results.

Included in Costs of revenues and Selling, general and administrative expenses is depreciation expense of \$131 million and \$399 million for the three and nine months ended September 30, 2014, respectively, and \$136 million and \$408 million for the three and nine months ended September 30, 2013, respectively.

Amortization Expense. Amortization expense was \$52 million and \$152 million for the three and nine months ended September 30, 2014, respectively, and \$50 million and \$151 million for the three and nine months ended September 30, 2013, respectively.

Restructuring and Severance Costs. For the three and nine months ended September 30, 2014 and 2013, the Company incurred Restructuring and severance costs primarily related to employee terminations and other exit activities. Restructuring and severance costs are as follows (millions):

	Three Months Ended		Nine Months Ended	
	9/30/14	9/30/13 (recast)	9/30/14	9/30/13 (recast)
Turner	\$ 199	\$ 30	\$ 223	\$ 64
Home Box Office	48	24	57	36
Warner Bros.	45	2	50	33
Corporate	11	-	16	(1)
Total restructuring and severance costs	\$ 303	\$ 56	\$ 346	\$ 132

Operating Income. Operating Income decreased to \$971 million for the three months ended September 30, 2014 from \$1.729 billion for the three months ended September 30, 2013. Excluding the items noted under Transactions and Other Items Affecting Comparability totaling \$22 million of expense and \$140 million of income for the three months ended September 30, 2014 and 2013, respectively, Operating Income decreased \$596 million, primarily reflecting a decrease at the Turner segment.

Table of Contents

TIME WARNER INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Operating Income increased to \$4.586 billion for the nine months ended September 30, 2014 from \$4.535 billion for the nine months ended September 30, 2013. Excluding the items noted under Transactions and Other Items Affecting Comparability totaling \$349 million and \$109 million of income for the nine months ended September 30, 2014 and 2013, respectively, Operating Income decreased \$189 million, reflecting a decrease at the Turner segment, partially offset by increases at the Home Box Office and Warner Bros. segments.

The segment variations are discussed under Business Segment Results.

Interest Expense, Net. For the three months ended September 30, 2014, Interest expense, net increased to \$307 million from \$300 million for the three months ended September 30, 2013 reflecting higher average debt balances, partially offset by higher interest income of \$18 million mainly due to noncash interest income related to the CME transactions in the second quarter of 2014 and lower average interest rates. For the nine months ended September 30, 2014, Interest expense, net decreased to \$868 million from \$889 million for the nine months ended September 30, 2013 reflecting higher interest income of \$67 million mainly due to the recognition of interest income on a note receivable that was collected in March 2014 and noncash interest income related to the CME transactions in the second quarter of 2014 as well as lower average interest rates, partially offset by higher average debt balances.

Other Loss, Net. Other loss, net detail is shown in the table below (millions):

	Three Months Ended		Nine Months Ended	
	9/30/14	9/30/13 (recast)	9/30/14	9/30/13 (recast)
Investment gains (losses), net	\$ (78)	\$ 12	\$ (57)	\$ 67
Amounts related to the separation of TWC	-	3	(1)	9
Amounts related to the disposition of WMG	1	-	-	-
Amounts related to the Time Separation	2	-	2	-
Loss from equity method investees	(63)	(26)	(83)	(117)
Other	3	(9)	(1)	(19)
Other loss, net	\$ (135)	\$ (20)	\$ (140)	\$ (60)

Investment gains (losses), net and amounts related to the separation of TWC, the disposition of WMG and the Time Separation are discussed under Transactions and Other Items Affecting Comparability. The remaining change in Other loss, net for the three months ended September 30, 2014 was primarily related to higher net losses from equity method investees and for the nine months ended September 30, 2014 was primarily related to lower net losses from equity method investees.

Income Tax (Provision) Benefit. Income tax benefit was \$437 million for the three months ended September 30, 2014 as compared to an Income tax provision of \$451 million for the three months ended September 30, 2013. Income tax provision decreased to \$404 million for the nine months ended September 30, 2014 from \$1.166 billion for the nine months ended September 30, 2013. The Company's effective tax rate was (83)% and 11% for the three and nine months ended September 30, 2014, respectively, compared to 32% and 33% for the three and nine months ended September 30, 2013, respectively. The decrease in the effective tax rate for the three and nine months ended September 30, 2014 was primarily due to the recognition of a tax benefit attributable to the reversal of tax reserves in connection with a Federal tax settlement, which decreased the effective tax rate by 130% and 19% for the three and nine months ended September 30, 2014, respectively. For more information, refer to Note 14, Commitments and Contingencies, to the accompanying consolidated financial statements.

Income from Continuing Operations. Income from continuing operations was \$966 million and \$958 million for the three months ended September 30, 2014 and 2013, respectively. Excluding the items noted under Transactions and Other

Table of Contents

TIME WARNER INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Items Affecting Comparability totaling \$95 million of expense and \$103 million of income for the three months ended September 30, 2014 and 2013, respectively, income from continuing operations increased \$206 million, primarily reflecting an income tax benefit, partly offset by lower Operating Income. Basic and Diluted income from continuing operations per common share attributable to Time Warner Inc. common shareholders were \$1.13 and \$1.11, respectively, for the three months ended September 30, 2014 and were \$1.04 and \$1.02, respectively, for the three months ended September 30, 2013.

Income from continuing operations was \$3.174 billion and \$2.420 billion for the nine months ended September 30, 2014 and 2013, respectively. Excluding the items noted under Transactions and Other Items Affecting Comparability totaling \$352 million and \$104 million of income for the nine months ended September 30, 2014 and 2013, respectively, Income from continuing operations increased \$506 million, primarily reflecting a decrease in Income tax provision. Basic and Diluted income from continuing operations per common share attributable to Time Warner Inc. common shareholders were \$3.63 and \$3.56, respectively, for the nine months ended September 30, 2014 and were \$2.60 and \$2.55, respectively, for the nine months ended September 30, 2013.

Discontinued Operations, Net of Tax. For the three and nine months ended September 30, 2014, Discontinued operations, net of tax was income of \$1 million and a loss of \$65 million, respectively, compared to income of \$225 million and \$288 million for the three and nine months ended September 30, 2013, respectively.

For the three months ended September 30, 2014, Basic and Diluted income from discontinued operations per common share attributable to Time Warner Inc. common shareholders were both \$0.00. For the nine months ended September 30, 2014, Basic and Diluted loss from discontinued operations per common share attributable to Time Warner Inc. common shareholders were \$0.08 and \$0.07, respectively. For the three months ended September 30, 2013, Basic and Diluted income from discontinued operations per common share attributable to Time Warner Inc. common shareholders were \$0.25 and \$0.24, respectively. For the nine months ended September 30, 2013, Basic and Diluted income from discontinued operations per common share attributable to Time Warner Inc. common shareholders were \$0.31 and \$0.30, respectively.

Net Income Attributable to Time Warner Inc. Shareholders. Net income attributable to Time Warner Inc. shareholders was \$967 million and \$1.183 billion for the three months ended September 30, 2014 and 2013, respectively, and \$3.109 billion and \$2.708 billion for the nine months ended September 30, 2014 and 2013, respectively. Basic and Diluted net income per common share attributable to Time Warner Inc. common shareholders were \$1.13 and \$1.11, respectively, for the three months ended September 30, 2014 and were \$1.29 and \$1.26, respectively, for the three months ended September 30, 2013. Basic and Diluted net income per common share attributable to Time Warner Inc. common shareholders were \$3.55 and \$3.49, respectively, for the nine months ended September 30, 2014 and were \$2.91 and \$2.85, respectively, for the nine months ended September 30, 2013.

Table of Contents

TIME WARNER INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Business Segment Results

Turner. Revenues and Operating Income of the Turner segment for the three and nine months ended September 30, 2014 and 2013 are as follows (millions):

	Three Months Ended			Nine Months Ended		
	9/30/14	9/30/13	% Change	9/30/14	9/30/13	% Change
Revenues:						
Subscription	\$ 1,334	\$ 1,217	10%	\$ 3,966	\$ 3,665	8%
Advertising	993	1,011	(2%)	3,414	3,368	1%
Content	83	71	17%	268	265	1%
Other	36	39	(8%)	141	137	3%
Total revenues	2,446	2,338	5%	7,789	7,435	5%
Costs of revenues^(a)						
Selling, general and administrative ^(a)	(430)	(417)	3%	(1,264)	(1,287)	(2%)
Gain (loss) on operating assets	(5)	2	NM	10	2	NM
Asset impairments	(4)	(5)	(20%)	(15)	(23)	(35%)
Restructuring and severance costs	(199)	(30)	NM	(223)	(64)	248%
Depreciation	(51)	(58)	(12%)	(157)	(174)	(10%)
Amortization	(4)	(5)	(20%)	(12)	(15)	(20%)
Operating Income	\$ 337	\$ 967	(65%)	\$ 2,166	\$ 2,633	(18%)

(a) Costs of revenues and Selling, general and administrative expenses exclude depreciation.

The increase in Subscription revenues for the three and nine months ended September 30, 2014 reflected higher domestic revenues of \$92 million and \$249 million, respectively, primarily due to higher domestic rates and higher international revenues of \$25 million and \$52 million, respectively, mainly driven by growth in Latin America.

The decrease in Advertising revenues for the three months ended September 30, 2014 primarily reflected a decrease in international revenues mainly in Latin America. The increase in Advertising revenues for the nine months ended September 30, 2014 reflected domestic growth of \$50 million, driven by the 2014 National Collegiate Athletic Association Division I Men's Basketball Championship tournament (the NCAA Tournament), including the airing of additional games and higher pricing, partially offset by lower audience delivery and demand.

The components of Costs of revenues for the Turner segment are as follows (millions):

	Three Months Ended			Nine Months Ended		
	9/30/14	9/30/13	% Change	9/30/14	9/30/13	% Change
Programming costs:						
Originals and sports	\$ 674	\$ 451	49%	\$ 2,356	\$ 2,006	17%
Acquired films and syndicated series	545	211	158%	1,002	654	53%
Total programming costs	1,219	662	84%	3,358	2,660	26%
Other direct operating costs	197	196	1%	604	581	4%
Costs of revenues ^(a)	\$ 1,416	\$ 858	65%	\$ 3,962	\$ 3,241	22%

(a) Costs of revenues exclude depreciation.

Table of Contents

TIME WARNER INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

For the three and nine months ended September 30, 2014, Costs of revenues increased primarily due to programming impairments of \$482 million as a result of the Turner segment's decision following its strategic evaluation of its programming to no longer air certain programming. Excluding these programming impairments, programming costs increased for the three and nine months ended September 30, 2014 primarily due to higher originals and sports programming costs, which for the three months ended September 30, 2014 was primarily due to an increased volume of original series and higher costs related to the first year of a new agreement with Major League Baseball and for the nine months ended September 30, 2014 was primarily due to higher costs related to the NCAA Tournament and original series.

For the three months ended September 30, 2014, Selling, general and administrative expenses increased mainly due to higher marketing expenses in conjunction with the launch of new original programming. For the nine months ended September 30, 2014, Selling, general and administrative expenses decreased primarily due to the reversal of a \$20 million accrued contingency.

Refer to Transactions and Other Items Affecting Comparability for a discussion of Asset impairments, Gain (loss) on operating assets and external costs related to mergers, acquisitions and dispositions for the three and nine months ended September 30, 2014 and 2013, which affected the comparability of the Turner segment's results.

The results for the three months ended September 30, 2014 included \$199 million of Restructuring and severance costs primarily related to headcount reductions in connection with restructuring activities designed to position the Company for the current operating environment and reallocate resources to the Company's growth initiatives. For the three and nine months ended September 30, 2013, Turner incurred Restructuring and severance costs primarily related to employee severance actions.

The decrease in Operating Income for the three and nine months ended September 30, 2014, was primarily due to higher Costs of revenues and higher Restructuring and severance costs, partially offset by higher Revenues.

Home Box Office. Revenues and Operating Income of the Home Box Office segment for the three and nine months ended September 30, 2014 and 2013 are as follows (millions):

	Three Months Ended			Nine Months Ended		
	9/30/14	9/30/13	% Change	9/30/14	9/30/13	% Change
Revenues:						
Subscription	\$ 1,156	\$ 1,050	10%	\$ 3,427	\$ 3,135	9%
Content	146	136	7%	627	495	27%
Other	2	-	NM	6	-	NM

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Total revenues	1,304	1,186	10%	4,060	3,630	12%
Costs of revenues ^(a)	(678)	(558)	22%	(1,992)	(1,743)	14%
Selling, general and administrative ^(a)	(176)	(181)	(3%)	(546)	(516)	6%
Gain on operating assets	-	105	(100%)	-	114	(100%)
Asset impairment	-	-	NM	(4)	-	NM
Restructuring and severance costs	(48)	(24)	100%	(57)	(36)	58%
Depreciation	(18)	(24)	(25%)	(58)	(65)	(11%)
Amortization	(4)	(2)	100%	(11)	(6)	83%
Operating income	\$ 380	\$ 502	(24%)	\$ 1,392	\$ 1,378	1%

^(a) Costs of revenues and Selling, general and administrative expenses exclude depreciation.

The increase in Subscription revenues for the three and nine months ended September 30, 2014 was primarily due to higher domestic subscription revenues of \$57 million and \$151 million, respectively, driven primarily by higher contractual rates and an increase in the number of subscribers, as well as the consolidation of HBO Asia in September 2013, which contributed revenues of \$40 million and \$120 million for the three and nine months ended September 30, 2014, respectively, and to a lesser extent for the nine months ended September 30, 2014, the consolidation of HBO Nordic in June 2013.

Table of Contents

TIME WARNER INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

The increase in Content revenues for the three months ended September 30, 2014 was primarily due to higher home video revenues. The increase in Content revenues for the nine months ended September 30, 2014 was primarily due to the licensing of select original programming to the Amazon SVOD Service.

The components of Costs of revenues for the Home Box Office segment are as follows (millions):

	Three Months Ended			Nine Months Ended		
	9/30/14	9/30/13	% Change	9/30/14	9/30/13	% Change
Programming costs:						
Originals and sports	\$ 219	\$ 191	15%	\$ 697	\$ 627	11%
Acquired films and syndicated series	262	222	18%	751	671	12%
Total programming costs	481	413	16%	1,448	1,298	12%
Other direct operating costs	197	145	36%	544	445	22%
Costs of revenues ^(a)	\$ 678	\$ 558	22%	\$ 1,992	\$ 1,743	14%

(a) Costs of revenues exclude depreciation.

The increase in Costs of revenues for the three and nine months ended September 30, 2014 reflected higher programming and other direct operating costs. The increase in programming costs for the three and nine months ended September 30, 2014 was primarily due to higher Acquired films and syndicated series programming costs, which for the three months ended September 30, 2014 included the consolidation of HBO Asia and for the nine months ended September 30, 2014 included the consolidations of both HBO Asia and HBO Nordic, as well as higher Originals and

sports programming costs, reflecting higher costs for original series. The increase in other direct operating costs for the three and nine months ended September 30, 2014 was mainly due to higher participation expenses and for the nine months ended September 30, 2014 the absence of a \$31 million reduction to a receivable allowance recorded in 2013.

For the three months ended September 30, 2014, Selling, general and administrative expenses decreased mainly due to lower domestic marketing expenses of \$9 million, partially offset by the consolidation of HBO Asia, which contributed \$6 million of expenses. For the nine months ended September 30, 2014, Selling, general and administrative expenses increased due to the consolidations of HBO Asia and HBO Nordic, which contributed \$31 million of expenses.

Refer to Transactions and Other Items Affecting Comparability for a discussion of Asset impairments and Gain (loss) on operating assets for the three and nine months ended September 30, 2014 and 2013, which affected the comparability of the Home Box Office segment's results.

The results for the three months ended September 30, 2014 included \$48 million of Restructuring and severance costs primarily related to headcount reductions in connection with restructuring activities designed to position the Company for the current operating environment and reallocate resources to the Company's growth initiatives. For the three and nine months ended September 30, 2013, Home Box Office incurred Restructuring and severance costs primarily related to executive severance costs.

The decrease in Operating Income for the three months ended September 30, 2014 was primarily due to the impact of a \$105 million gain on operating assets on the results for the three months ended September 30, 2013 and higher costs of revenues, partially offset by higher revenues. The increase in Operating Income for the nine months ended September 30, 2014 was primarily due to higher Revenues, partially offset by higher Costs of revenues and the impact of a \$105 million gain on operating assets on the results for the nine months ended September 30, 2013.

Table of Contents

TIME WARNER INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Warner Bros. Revenues and Operating Income of the Warner Bros. segment for the three and nine months ended September 30, 2014 and 2013 are as follows (millions):

	Three Months Ended			Nine Months Ended		
	9/30/14	9/30/13	% Change	9/30/14	9/30/13	% Change
Revenue	\$ 35	\$ 30	17%	\$ 102	\$ 95	7%
Cost of Revenue	23	25	(8%)	57	57	-
Operating Income	2,634	2,564	3%	8,268	7,927	4%
Depreciation and Amortization	83	75	11%	284	237	20%
Operating Expenses	2,775	2,694	3%	8,711	8,316	5%
Goodwill Impairment	(1,941)	(1,862)	4%	(6,162)	(5,874)	5%
Operating Income (Loss)	(452)	(438)	3%	(1,361)	(1,381)	(1%)
Intangible Assets	-	6	NM	-	6	NM
Goodwill	-	-	NM	(5)	(5)	-
Operating Income (Loss) before Depreciation and Amortization	(45)	(2)	NM	(50)	(33)	52%
Operating Income (Loss) before Depreciation and Amortization and Goodwill Impairment	(56)	(48)	17%	(164)	(148)	11%
Operating Income (Loss) before Depreciation and Amortization, Goodwill Impairment and Intangible Assets	(44)	(43)	2%	(129)	(130)	(1%)
Operating Income (Loss) before Depreciation and Amortization, Goodwill Impairment, Intangible Assets and Other	\$ 237	\$ 307	(23%)	\$ 840	\$ 751	12%

(a) Costs of revenues and Selling, general and administrative expenses exclude depreciation.

Content revenues primarily relate to theatrical product (which is content made available for initial exhibition in theaters) and television product (which is content made available for initial airing on television). The components of

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Content revenues for the three and nine months ended September 30, 2014 and 2013 are as follows (millions):

	Three Months Ended			Nine Months Ended		
	9/30/14	9/30/13	% Change	9/30/14	9/30/13	% Change
Theatrical product:						
Film rentals	\$ 271	\$ 520	(48%)	\$ 1,264	\$ 1,473	(14%)
Home video and electronic delivery	390	371	5%	1,335	1,271	5%
Television licensing	430	346	24%	1,274	1,227	4%
Consumer products and other	75	57	32%	184	142	30%
Total theatrical product	1,166	1,294	(10%)	4,057	4,113	(1%)
Television product:						
Television licensing	993	897	11%	2,967	2,663	11%
Home video and electronic delivery	144	162	(11%)	368	458	(20%)
Consumer products and other	59	51	16%	205	178	15%
Total television product	1,196	1,110	8%	3,540	3,299	7%
Other	272	160	70%	671	515	30%
Total Content revenues	\$ 2,634	\$ 2,564	3%	\$ 8,268	\$ 7,927	4%

Theatrical product revenues from film rentals decreased for the three months ended September 30, 2014, primarily reflecting lower revenues of \$262 million from theatrical films released during the third quarter of 2014 compared to the third quarter of 2013. The Company released 5 theatrical films during both the three months ended September 30, 2014 and

Table of Contents

TIME WARNER INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

2013. Theatrical product revenues from film rentals decreased for the nine months ended September 30, 2014, reflecting lower revenues of \$248 million from theatrical films released in the first nine months of 2014 compared to the first nine months of 2013, partially offset by higher carryover revenues of \$39 million from prior period releases. The Company released 14 theatrical films in the first nine months of both 2014 and 2013.

For the three months ended September 30, 2014, theatrical product revenues from home video and electronic delivery increased due to higher revenues of \$38 million from prior period releases, including catalog titles, partially offset by lower revenues of \$19 million from releases during the third quarter of 2014 compared to the third quarter of 2013. There were 3 home video and electronic delivery releases during both the three months ended September 30, 2014 and 2013. For the nine months ended September 30, 2014, theatrical product revenues from home video and electronic delivery increased due to higher revenues of \$108 million from releases in the first nine months of 2014 compared to the first nine months of 2013, partially offset by lower revenues of \$44 million from prior period releases, including catalog titles. There were 11 and 10 home video and electronic delivery releases during the first nine months of 2014 and 2013, respectively.

Theatrical product revenues from television licensing increased for the three and nine months ended September 30, 2014 due primarily to the timing and mix of availabilities.

Television product revenues from television licensing for the three and nine months ended September 30, 2014 increased primarily due to higher license fees from SVOD services and growth in television production reflecting additional series produced and revenues from the Eyeworks Acquisition. In addition, the growth in television product revenues from television licensing for the three months ended September 30, 2014 was partly offset by lower license fees from networks, television station groups and premium pay television services.

The decrease in television product revenues from home video and electronic delivery for the three and nine months ended September 30, 2014 was primarily due to continued declines in sales of consumer packaged goods.

Other content revenues increased for the three months ended September 30, 2014 reflecting higher revenues of \$28 million from videogames released during the third quarter of 2014 compared to the third quarter of 2013, and for the nine months ended September 30, 2014 due to higher carryover revenues of \$53 million from videogames released in prior periods. The Company released 3 and 6 videogames during the three and nine months ended September 30, 2014, respectively, and 1 and 6 videogames during the three and nine months ended September 30, 2013, respectively. In addition, Other content revenues increased for the three and nine months ended September 30, 2014 due to \$75 million of revenues from a patent license and settlement agreement.

Other revenues increased for the nine months ended September 30, 2014 primarily due to an increase in the production of television series on behalf of third parties.

The components of Costs of revenues for the Warner Bros. segment are as follows (millions):

	Three Months Ended			Nine Months Ended		
	9/30/14	9/30/13	% Change	9/30/14	9/30/13	% Change
Film and television production costs	\$ 1,321	\$ 1,234	7%	\$ 4,082	\$ 3,828	7%
Print and advertising costs	409	416	(2%)	1,368	1,377	(1%)
Other costs, including merchandise and related costs	211	212	-	712	669	6%
Costs of revenues ^(a)	\$ 1,941	\$ 1,862	4%	\$ 6,162	\$ 5,874	5%

(a) Costs of revenues exclude depreciation.

Table of Contents

TIME WARNER INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Included in film and television production costs are production costs related to videogames, as well as theatrical film and videogame valuation adjustments resulting primarily from revisions to estimates of ultimate revenue and/or costs for certain theatrical films and videogames. Theatrical film valuation adjustments for the three and nine months ended September 30, 2014 were \$14 million and \$50 million, respectively, and \$21 million and \$31 million for the three and nine months ended September 30, 2013, respectively. Videogame valuation adjustments for the three and nine months ended September 30, 2014 were \$27 million and \$45 million, respectively, and \$27 million for both the three and nine months ended September 30, 2013. The changes in film and television production costs for the three and nine months ended September 30, 2014 were primarily due to the performance and mix of product released.

For the nine months ended September 30, 2014, Selling, general and administrative expenses decreased mainly due to a reversal of certain bad debt reserves.

Refer to Transactions and Other Items Affecting Comparability for a discussion of Asset impairments, Gain (loss) on operating assets and external costs related to mergers, acquisitions and dispositions for the three and nine months ended September 30, 2014 and 2013, which affected the comparability of the Warner Bros. segment's results.

The results for the three months ended September 30, 2014 included \$45 million of Restructuring and severance costs primarily related to headcount reductions in connection with restructuring activities designed to position the Company for the current operating environment and reallocate resources to the Company's growth initiatives. As discussed in Recent Developments, the Warner Bros. segment expects additional headcount reductions and related Restructuring and severance costs in the fourth quarter of 2014. For the nine months ended September 30, 2013, Warner Bros. incurred Restructuring and severance costs primarily related to executive severance costs.

The decrease in Operating Income for the three months ended September 30, 2014 was primarily due to higher Costs of revenues and higher Restructuring and severance costs, partially offset by higher Revenues. The increase in Operating Income for the nine months ended September 30, 2014 was primarily due to higher Revenues and lower Selling, general and administrative expenses, partially offset by higher Costs of revenues and higher Restructuring and severance costs.

Corporate. Corporate's Operating Income (Loss) for the three and nine months ended September 30, 2014 and 2013 was as follows (millions):

	Three Months Ended			Nine Months Ended		
	9/30/14	9/30/13	% Change	9/30/14	9/30/13	% Change
Selling, general and administrative ^(a)	\$ (101)	\$ (97)	4%	\$ (345)	\$ (293)	18%

Curtailment	-	38	(100%)	-	38	(100%)
Gain on operating assets	-	-	-	441	8	NM
Asset impairments	(1)	-	NM	(7)	(7)	-
Restructuring and severance costs	(11)	-	NM	(16)	1	NM
Depreciation	(6)	(6)	-	(20)	(21)	(5%)
Operating Income (Loss)	\$ (119)	\$ (65)	83%	\$ 53	\$ (274)	(119%)

^(a) Selling, general and administrative expenses exclude depreciation.

Refer to Transactions and Other Items Affecting Comparability for a discussion of Asset impairments, Gain (loss) on operating assets, the Curtailment and external costs related to mergers, acquisitions and dispositions for the three and nine months ended September 30, 2014 and 2013, which affected the comparability of Corporate s results.

The results for the three months ended September 30, 2014 included \$11 million of Restructuring and severance costs primarily related to headcount reductions in connection with restructuring activities designed to position the Company for the current operating environment and reallocate resources to the Company s growth initiatives.

Excluding the transactions noted above, Operating Loss for the nine months ended September 30, 2014 increased primarily due to the absence of a benefit associated with a reduction in certain accrued employee benefit plan liabilities in 2013.

Table of Contents

TIME WARNER INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Selling, general and administrative expenses included costs related to enterprise efficiency initiatives of \$10 million and \$14 million for the three months ended September 30, 2014 and 2013, respectively, and \$34 million and \$36 million for the nine months ended September 30, 2014 and 2013, respectively. The enterprise efficiency initiatives involve the centralization of certain administrative functions to generate cost savings or other benefits for the Company.

FINANCIAL CONDITION AND LIQUIDITY

Management believes that cash generated by or available to the Company should be sufficient to fund its capital and liquidity needs for the foreseeable future, including scheduled debt repayments, quarterly dividend payments and the purchase of common stock under the Company's stock repurchase program. Time Warner's sources of cash include Cash provided by operations, Cash and equivalents on hand, available borrowing capacity under its committed credit facilities and commercial paper program and access to capital markets. Time Warner's unused committed capacity at September 30, 2014 was \$8.230 billion, which included \$3.210 billion of Cash and equivalents.

In connection with the Time Separation, the Company received \$1.4 billion from Time Inc. consisting of proceeds from Time Inc.'s acquisition of the IPC publishing business in the U.K. from a wholly-owned subsidiary of Time Warner and a special dividend.

Current Financial Condition

At September 30, 2014, Time Warner had net debt of \$19.347 billion (\$22.557 billion of debt less \$3.210 billion of Cash and equivalents) and \$25.230 billion of Shareholders' equity, compared to net debt of \$18.311 billion (\$20.127 billion of debt less \$1.816 billion of Cash and equivalents) and \$29.904 billion of Shareholders' equity at December 31, 2013.

The following table shows the significant items contributing to the increase in net debt from December 31, 2013 to September 30, 2014 (millions):

Balance at December 31, 2013 (recast)	\$ 18,311
Cash provided by operations from continuing operations	(2,674)
Capital expenditures	316
Repurchases of common stock	4,481
Dividends paid to common stockholders	841
Investments and acquisitions, net of cash acquired	908
Proceeds from Time Inc. in the Time Separation	(1,400)
Proceeds from the sale of Time Warner Center	(1,264)

Other investment and sale proceeds	(142)
Proceeds from the exercise of stock options	(276)
All other, net	246

Balance at September 30, 2014 \$ 19,347

On June 13, 2014, Time Warner's Board of Directors authorized up to \$5.0 billion of share repurchases in addition to the \$5.0 billion it had previously authorized for share repurchases beginning January 1, 2014. Purchases under the stock repurchase program may be made from time to time on the open market and in privately negotiated transactions. The size and timing of these purchases are based on a number of factors, including price and business and market conditions. From January 1, 2014 through October 31, 2014, the Company repurchased 69 million shares of common stock for \$4.859 billion pursuant to trading plans under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended.

On January 16, 2014, Time Warner sold the space it owned in Time Warner Center for approximately \$1.3 billion and agreed to lease space in Time Warner Center from the buyer until early 2019. In connection with these transactions, the Company recognized a pretax gain of \$441 million and a tax benefit of \$58 million in the first quarter of 2014. Additionally, a pretax gain of approximately \$325 million has been deferred and is being recognized ratably over the lease period. The Company also reached a preliminary agreement relating to the move of its Corporate headquarters and its New

Table of Contents

TIME WARNER INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

York City-based employees to the Hudson Yards development on the west side of Manhattan, which remains subject to further negotiation and execution of final agreements. Assuming final agreements are reached, the Company expects to invest approximately \$1.3 billion in the Hudson Yards development project over the next several years.

Cash Flows

Cash and equivalents increased by \$1.394 billion, including \$184 million of Cash used by discontinued operations, for the nine months ended September 30, 2014. Cash and equivalents decreased by \$1.256 billion, including \$259 million of Cash provided by discontinued operations for the nine months ended September 30, 2013. Components of these changes are discussed below in more detail.

Operating Activities from Continuing Operations

Details of Cash provided by operations from continuing operations are as follows (millions):

	Nine Months Ended September 30,	
	2014	2013
		(recast)
Operating Income	\$ 4,586	\$ 4,535
Depreciation and amortization	551	559
Net interest payments ^(a)	(847)	(840)
Net income taxes paid ^(b)	(1,381)	(782)
All other, net, including working capital changes	(235)	(904)
Cash provided by operations from continuing operations	\$ 2,674	\$ 2,568

^(a) Includes cash interest received of \$44 million and \$38 million for the nine months ended September 30, 2014 and 2013, respectively.

^(b) Includes income tax refunds received of \$43 million and \$62 million for the nine months ended September 30, 2014 and 2013, respectively.

Cash provided by operations from continuing operations for the nine months ended September 30, 2014 increased primarily due to lower cash used by working capital and higher Operating Income, partially offset by higher net

income taxes paid. Cash used by working capital decreased primarily due to the timing of Restructuring and severance payments and lower participation payments.

Investing Activities from Continuing Operations

Details of Cash provided (used) by investing activities from continuing operations are as follows (millions):

	Nine Months Ended September 30,	
	2014	2013 (recast)
Investments in available-for-sale securities	\$ (30)	\$ (25)
Investments and acquisitions, net of cash acquired:		
Eyeworks	(267)	-
CME	(371)	(287)
All other	(240)	(172)
Capital expenditures	(316)	(296)
Proceeds from the sale of available-for-sale securities	17	33
Proceeds from Time Inc. in the Time Separation	1,400	-
Proceeds from the sale of Time Warner Center	1,264	-
Other investment proceeds	125	167
Cash provided (used) by investing activities from continuing operations	\$ 1,582	\$ (580)

Table of Contents

TIME WARNER INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

The change in Cash provided (used) by investing activities from continuing operations for the nine months ended September 30, 2014 was primarily due to cash received in connection with the Time Separation and proceeds from the sale of space in Time Warner Center. Included in Other investment proceeds for the nine months ended September 30, 2014 is \$99 million of payments related to the Company's investment in the Hudson Yards development in connection with the Company's plan to consolidate its New York City locations to the Hudson Yards development.

Financing Activities from Continuing Operations

Details of Cash used by financing activities from continuing operations are as follows (millions):

	Nine Months Ended September 30,	
	2014	2013
		(recast)
Borrowings	\$ 2,406	\$ 24
Debt repayments	(21)	(756)
Proceeds from the exercise of stock options	276	596
Excess tax benefit from equity instruments	138	154
Principal payments on capital leases	(8)	(6)
Repurchases of common stock	(4,481)	(2,603)
Dividends paid	(841)	(811)
Other financing activities	(147)	(101)
Cash used by financing activities from continuing operations	\$ (2,678)	\$ (3,503)

Cash used by financing activities from continuing operations for the nine months ended September 30, 2014 decreased primarily due to an increase in Borrowings and lower Debt repayments, partially offset by higher Repurchases of common stock and lower Proceeds from the exercise of stock options.

During the nine months ended September 30, 2014, the Company issued approximately 8 million shares of common stock and received \$276 million in connection with the exercise of stock options. At September 30, 2014, all of the approximately 24 million exercisable stock options outstanding on such date had exercise prices below the closing price of the Company's common stock on the New York Stock Exchange.

Cash Flows from Discontinued Operations

Details of Cash provided (used) by discontinued operations are as follows (millions):

	Nine Months Ended September 30,	
	2014	2013 (recast)
Cash provided (used) by operations from discontinued operations	\$ (10)	\$ 263
Cash used by investing activities from discontinued operations	(51)	(22)
Cash used by financing activities from discontinued operations	(36)	-
Effect of change in cash and equivalents of discontinued operations	(87)	18
Cash provided (used) by discontinued operations	\$ (184)	\$ 259

Table of Contents

TIME WARNER INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Outstanding Debt and Other Financing Arrangements*Outstanding Debt and Committed Financial Capacity*

At September 30, 2014, Time Warner had total committed capacity, defined as maximum available borrowings under various existing debt arrangements and cash and short-term investments, of \$30.823 billion. Of this committed capacity, \$8.230 billion was unused and \$22.557 billion was outstanding as debt. At September 30, 2014, total committed capacity, outstanding letters of credit, outstanding debt and total unused committed capacity were as follows (millions):

	Committed Capacity ^(a)	Letters of Credit ^(b)	Outstanding Debt ^(c)	Unused Committed Capacity
Cash and equivalents	\$ 3,210	\$ -	\$ -	\$ 3,210
Revolving credit facilities and commercial paper program ^(d)	5,000	-	-	5,000
Fixed-rate public debt	21,914	-	21,914	-
Other obligations ^(e)	699	36	643	20
Total	\$ 30,823	\$ 36	\$ 22,557	\$ 8,230

^(a) The revolving credit facilities, commercial paper program and public debt of the Company rank pari passu with the senior debt of the respective obligors thereon. The weighted average maturity of the Company's outstanding debt and other financing arrangements was 13.4 years as of September 30, 2014.

^(b) Represents the portion of committed capacity, including from bilateral letter of credit facilities, reserved for outstanding and undrawn letters of credit.

^(c) Represents principal amounts adjusted for premiums and discounts. At September 30, 2014, the principal amounts of the Company's publicly issued debt mature as follows: \$0 in 2014, \$1.000 billion in 2015, \$1.150 billion in 2016, \$500 million in 2017, \$600 million in 2018, \$650 million in 2019 and \$18.131 billion thereafter. In the period after 2019, no more than \$2.0 billion will mature in any given year.

^(d) The revolving credit facilities consist of two \$2.5 billion revolving credit facilities. The Company may issue unsecured commercial paper notes up to the amount of the unused committed capacity under the revolving credit facilities.

- (e) Unused committed capacity includes committed financings of subsidiaries under local bank credit agreements. Other debt obligations totaling \$168 million are due within the next twelve months.

2014 Debt Offering

On May 20, 2014, Time Warner issued \$2.0 billion aggregate principal amount of debt securities from its shelf registration statement, consisting of \$650 million aggregate principal amount of 2.10% Notes due 2019, \$750 million aggregate principal amount of 3.55% Notes due 2024 and \$600 million aggregate principal amount of 4.65% Debentures due 2044.

Programming Licensing Backlog

Programming licensing backlog represents the amount of future revenues not yet recorded from cash contracts for the worldwide licensing of theatrical and television product for premium cable, basic cable, network and syndicated television exhibition. Backlog was approximately \$6.7 billion and \$5.5 billion at September 30, 2014 and December 31, 2013, respectively. Included in the backlog amounts is licensing of theatrical and television product from the Warner Bros. segment to the Turner segment in the amount of \$665 million and \$477 million at September 30, 2014 and December 31, 2013, respectively. Also included in the backlog amounts is licensing of theatrical product from the Warner Bros. segment to the Home Box Office segment in the amount of \$748 million and \$749 million at September 30, 2014 and December 31, 2013, respectively.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often include words such as anticipates, estimates, expects, projects, intends, believes and words and terms of similar substance in connection with discussions of future operating or financial performance. Examples of forward-looking statements in this report include, but are not limited to, statements regarding

Table of Contents

TIME WARNER INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

(i) the adequacy of the Company's liquidity to meet its needs for the foreseeable future; (ii) the Company's expected investment in space in the Hudson Yards development; (iii) the Company's expectation that it will incur additional headcount reductions and related Restructuring and severance costs in the fourth quarter of 2014, primarily at the Warner Bros. segment; and (iv) the size of the headcount reductions associated with the Company's restructuring activities.

The Company's forward-looking statements are based on management's current expectations and assumptions regarding the Company's business and performance, the economy and other future conditions and forecasts of future events, circumstances and results. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances. The Company's actual results may vary materially from those expressed or implied in its forward-looking statements. Important factors that could cause the Company's actual results to differ materially from those in its forward-looking statements include government regulation, economic, strategic, political and social conditions and the following factors:

- recent and future changes in technology, services and standards, including, but not limited to, alternative methods for the delivery, storage and consumption of digital media and evolving home entertainment formats;
- changes in consumer behavior, including changes in spending behavior and changes in when, where and how digital content is consumed;
- the popularity of the Company's content;
- changes in the Company's plans, initiatives and strategies, and consumer acceptance thereof;
- changes in the plans, initiatives and strategies of the third parties that distribute, license and/or sell Time Warner's content;
- competitive pressures, including as a result of audience fragmentation and changes in technology;
- the Company's ability to deal effectively with economic slowdowns or other economic or market difficulties;
- changes in advertising market conditions or advertising expenditures due to, among other things, economic conditions, changes in consumer behavior, pressure from public interest groups,
- changes in laws and regulations and other societal or political developments;
- piracy and the Company's ability to exploit and protect its intellectual property rights in and to its content and other products;
- lower than expected valuations associated with the cash flows and revenues at Time Warner's reporting units, which could result in Time Warner's inability to realize the value recorded for intangible assets and goodwill at those reporting units;
- increased volatility or decreased liquidity in the capital markets, including any limitation on the Company's ability to access the capital markets for debt securities, refinance its outstanding indebtedness or obtain bank financings on acceptable terms;
- the effects of any significant acquisitions, dispositions and other similar transactions by the Company;
- the failure to meet earnings expectations;

the adequacy of the Company's risk management framework;
changes in U.S. GAAP or other applicable accounting policies;
the impact of terrorist acts, hostilities, natural disasters (including extreme weather) and pandemic viruses;
a disruption or failure of the Company's or its vendors' network and information systems or other technology
relied on by the Company;
the effect of union or labor disputes or player lockouts affecting the professional sports leagues whose
programming is shown on the Company's networks;
changes in tax, federal communication and other laws and regulations;
currency exchange restrictions and currency devaluation risks in some foreign countries, including, but not
limited to, Venezuela;
changes in foreign exchange rates; and
the other risks and uncertainties detailed in Part I, Item 1A. Risk Factors, in the Company's Annual Report on
Form 10-K for the year ended December 31, 2013.

Any forward-looking statement made by the Company in this report speaks only as of the date on which it is made. The Company is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements, whether as a result of new information, subsequent events or otherwise.

Table of Contents

TIME WARNER INC.

Item 4. CONTROLS AND PROCEDURES

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The Company, under the supervision and with the participation of its management, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed in reports filed or submitted by the Company under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that information required to be disclosed by the Company is accumulated and communicated to the Company's management to allow timely decisions regarding the required disclosure.

Changes in Internal Control Over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting during the quarter ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Table of Contents

TIME WARNER INC.
CONSOLIDATED BALANCE SHEET
(Unaudited; millions, except share amounts)

	September 30, 2014	December 31, 2013 (recast)
ASSETS		
Current assets		
Cash and equivalents	\$ 3,210	\$ 1,816
Receivables, less allowances of \$940 and \$1,383	7,005	7,305
Inventories	1,776	1,648
Deferred income taxes	181	369
Prepaid expenses and other current assets	721	559
Current assets of discontinued operations	-	834
Total current assets	12,893	12,531
Noncurrent inventories and theatrical film and television production costs	6,779	7,016
Investments, including available-for-sale securities	2,336	2,009
Property, plant and equipment, net	2,678	3,291
Intangible assets subject to amortization, net	1,225	1,338
Intangible assets not subject to amortization	7,034	7,043
Goodwill	27,587	27,401
Other assets	2,563	2,458
Noncurrent assets of discontinued operations	-	4,912
Total assets	\$ 63,095	\$ 67,999
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 7,052	\$ 6,754
Deferred revenue	504	542
Debt due within one year	1,168	66
Current liabilities of discontinued operations	-	1,026
Total current liabilities	8,724	8,388
Long-term debt	21,389	20,061
Deferred income taxes	1,797	2,287
Deferred revenue	349	351
Other noncurrent liabilities	5,606	6,324
Noncurrent liabilities of discontinued operations	-	684

Commitments and Contingencies (Note 14)

Equity

Common stock, \$0.01 par value, 1.652 billion and 1.652 billion shares issued and 842 million and 895 million shares outstanding	17	17
Additional paid-in capital	149,549	153,410
Treasury stock, at cost (810 million and 757 million shares)	(41,563)	(37,630)
Accumulated other comprehensive loss, net	(841)	(852)
Accumulated deficit	(81,932)	(85,041)
Total Time Warner Inc. shareholders' equity	25,230	29,904
Noncontrolling interests	-	-
Total equity	25,230	29,904
Total liabilities and equity	\$ 63,095	\$ 67,999

See accompanying notes.

Table of Contents

TIME WARNER INC.
CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited; millions, except per share amounts)

	Three Months Ended		Nine Months Ended	
	9/30/14	9/30/13 (recast)	9/30/14	9/30/13 (recast)
Revenues	\$ 6,243	\$ 6,042	\$ 19,834	\$ 18,857
Costs of revenues	(3,681)	(3,158)	(11,457)	(10,508)
Selling, general and administrative	(1,226)	(1,157)	(3,713)	(3,626)
Amortization of intangible assets	(52)	(50)	(152)	(151)
Restructuring and severance costs	(303)	(56)	(346)	(132)
Asset impairments	(5)	(5)	(31)	(35)
Gain (loss) on operating assets, net	(5)	113	451	130
Operating income	971	1,729	4,586	4,535
Interest expense, net	(307)	(300)	(868)	(889)
Other loss, net	(135)	(20)	(140)	(60)
Income from continuing operations before income taxes	529	1,409	3,578	3,586
Income tax (provision) benefit	437	(451)	(404)	(1,166)
Income from continuing operations	966	958	3,174	2,420
Discontinued operations, net of tax	1	225	(65)	288
Net income	967	1,183	3,109	2,708
Less Net loss attributable to noncontrolling interests	-	-	-	-
Net income attributable to Time Warner Inc. shareholders	\$ 967	\$ 1,183	\$ 3,109	\$ 2,708

Per share information attributable to Time Warner Inc. common shareholders:

Basic income per common share from continuing operations	\$ 1.13	\$ 1.04	\$ 3.63	\$ 2.60
Discontinued operations	-	0.25	(0.08)	0.31
Basic net income per common share	\$ 1.13	\$ 1.29	\$ 3.55	\$ 2.91

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Average basic common shares outstanding	850.9	916.8	872.2	926.1
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Diluted income per common share from continuing operations	\$ 1.11	\$ 1.02	\$ 3.56	\$ 2.55
Discontinued operations	-	0.24	(0.07)	0.30

Diluted net income per common share	\$ 1.11	\$ 1.26	\$ 3.49	\$ 2.85
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Average diluted common shares outstanding	870.2	938.8	891.6	948.7
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Cash dividends declared per share of common stock	\$ 0.3175	\$ 0.2875	\$ 0.9525	\$ 0.8625
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See accompanying notes.

Table of Contents

TIME WARNER INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Unaudited; millions)

	Three Months Ended		Nine Months Ended	
	9/30/14	9/30/13	9/30/14	9/30/13
Net income	\$ 967	\$ 1,183	\$ 3,109	\$ 2,708
Other comprehensive income (loss), net of tax:				
Foreign currency translation:				
Unrealized gains (losses) occurring during the period	(49)	14	(67)	(85)
Reclassification adjustment for gains realized in net income	-	-	-	(6)
Change in foreign currency translation	(49)	14	(67)	(91)
Securities:				
Unrealized gains (losses) occurring during the period	2	1	(3)	1
Reclassification adjustment for gains realized in net income	-	-	(5)	-
Net gains (losses) on securities	2	1	(8)	1
Benefit obligations:				
Unrealized gains (losses) occurring during the period	1	2	(36)	(17)
Reclassification adjustment for losses realized in net income	4	4	15	16
Change in benefit obligations	5	6	(21)	(1)
Derivative financial instruments:				
Unrealized gains occurring during the period	4	13	3	26
Reclassification adjustment for (gains) losses realized in net income	1	(6)	-	(19)
Change in derivative financial	5	7	3	7

instruments

Other comprehensive income (loss)	(37)	28	(93)	(84)
Comprehensive income	930	1,211	3,016	2,624
Less Comprehensive loss attributable to noncontrolling interests	-	-	-	-
Comprehensive income attributable to Time Warner Inc. shareholders	\$ 930	\$ 1,211	\$ 3,016	\$ 2,624

See accompanying notes.

Table of Contents

TIME WARNER INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
Nine Months Ended September 30,
(Unaudited; millions)

	2014	2013 (recast)
OPERATIONS		
Net income	\$ 3,109	\$ 2,708
Less Discontinued operations, net of tax	65	(288)
Net income from continuing operations	3,174	2,420
Adjustments for noncash and nonoperating items:		
Depreciation and amortization	551	559
Amortization of film and television costs	5,933	5,202
Asset impairments	31	35
Gain on investments and other assets, net	(453)	(70)
Equity in losses of investee companies, net of cash distributions	136	165
Equity-based compensation	174	189
Deferred income taxes	(315)	708
Changes in operating assets and liabilities, net of acquisitions	(6,557)	(6,640)
Cash provided by operations from continuing operations	2,674	2,568
INVESTING ACTIVITIES		
Investments in available-for-sale securities	(30)	(25)
Investments and acquisitions, net of cash acquired	(878)	(459)
Capital expenditures	(316)	(296)
Investment proceeds from available-for-sale securities	17	33
Proceeds from Time Inc. in the Time Separation	1,400	-
Proceeds from the sale of Time Warner Center	1,264	-
Other investment proceeds	125	167
Cash provided (used) by investing activities from continuing operations	1,582	(580)
FINANCING ACTIVITIES		
Borrowings	2,406	24
Debt repayments	(21)	(756)
Proceeds from exercise of stock options	276	596
Excess tax benefit from equity instruments	138	154

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Principal payments on capital leases	(8)	(6)
Repurchases of common stock	(4,481)	(2,603)
Dividends paid	(841)	(811)
Other financing activities	(147)	(101)
Cash used by financing activities from continuing operations	(2,678)	(3,503)
Cash provided (used) by continuing operations	1,578	(1,515)
Cash provided (used) by operations from discontinued operations	(10)	263
Cash used by investing activities from discontinued operations	(51)	(22)
Cash used by financing activities from discontinued operations	(36)	-
Effect of change in cash and equivalents of discontinued operations	(87)	18
Cash provided (used) by discontinued operations	(184)	259
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	1,394	(1,256)
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	1,816	2,760
CASH AND EQUIVALENTS AT END OF PERIOD	\$ 3,210	\$ 1,504

See accompanying notes.

Table of Contents

TIME WARNER INC.
CONSOLIDATED STATEMENT OF EQUITY

Nine Months Ended September 30,

(Unaudited; millions)

	Time Warner Shareholders	2014 Noncontrolling Interests	Total Equity	Time Warner Shareholders	2013 Noncontrolling Interests	Total E
PRICE AT BEGINNING OF						
PERIOD	\$ 29,904	\$ -	\$ 29,904	\$ 29,796	\$ 1	\$ 2
Change in equity	3,109	-	3,109	2,708	-	-
Comprehensive loss						
Attributable to Continuing Operations	(115)	-	(115)	(50)	-	-
Comprehensive income (loss)						
Attributable to Discontinued Operations	22	-	22	(34)	-	-
Changes related to the Time Warner Corporation	(2,797)	-	(2,797)	-	-	-
Dividends	(841)	-	(841)	(811)	-	-
Change in stock repurchases	(4,500)	-	(4,500)	(2,604)	-	-
Changes related primarily to stock options and restricted stock units	448	-	448	924	-	-
PRICE AT END OF PERIOD	\$ 25,230	\$ -	\$ 25,230	\$ 29,929	\$ 1	\$ 2

See accompanying notes.

Table of Contents

TIME WARNER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Description of Business

Time Warner Inc. (Time Warner or the Company) is a leading media and entertainment company, whose businesses include television networks and film and TV entertainment. Time Warner classifies its operations into three reportable segments: *Turner*: consisting principally of cable networks and digital media properties; *Home Box Office*: consisting principally of premium pay television services domestically and premium pay and basic tier television services internationally; and *Warner Bros.*: consisting principally of feature film, television, home video and videogame production and distribution.

Separation of Time Inc.

On June 6, 2014 (the Distribution Date), the Company completed the legal and structural separation of the Company's Time Inc. segment from the Company (the Time Separation). The Time Separation was effected as a pro rata dividend of all shares of Time Inc. common stock held by Time Warner in a spin-off to Time Warner stockholders. With the completion of the Time Separation, the Company disposed of the Time Inc. segment in its entirety and ceased to consolidate its assets, liabilities and results of operations in the Company's consolidated financial statements. Accordingly, the Company has recast its financial information to present the financial condition and results of operations of its former Time Inc. segment as discontinued operations in the accompanying consolidated financial statements for all periods presented. For a summary of discontinued operations, see Note 2.

In connection with the Time Separation, the Company received \$1.4 billion from Time Inc., consisting of proceeds relating to Time Inc.'s acquisition of the IPC publishing business in the U.K. from a wholly-owned subsidiary of Time Warner and a special dividend.

Basis of Presentation

Changes in Basis of Presentation

The 2013 financial information has been recast so that the basis of presentation is consistent with that of the 2014 financial information. This recast reflects the financial condition and results of operations of the Company's former Time Inc. segment as discontinued operations for all periods presented.

Interim Financial Statements

The consolidated financial statements are unaudited; however, in the opinion of management, they contain all of the adjustments (consisting of those of a normal recurring nature) considered necessary to present fairly the financial position, results of operations and cash flows for the periods presented in conformity with U.S. generally accepted accounting principles (GAAP) applicable to interim periods. The consolidated financial statements should be read in conjunction with the audited consolidated financial statements of Time Warner included in the Company's Annual

Report on Form 10-K for the year ended December 31, 2013 (the 2013 Form 10-K).

Basis of Consolidation

The consolidated financial statements include all of the assets, liabilities, revenues, expenses and cash flows of entities in which Time Warner has a controlling interest (subsidiaries). Intercompany accounts and transactions between consolidated entities have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and footnotes thereto. Actual results could differ from those estimates.

Table of Contents**TIME WARNER INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Significant estimates and judgments inherent in the preparation of the consolidated financial statements include accounting for asset impairments, multiple-element transactions, allowances for doubtful accounts, depreciation and amortization, the determination of ultimate revenues as it relates to amortization of capitalized film and programming costs and participations and residuals, home video and videogames product, business combinations, pension and other postretirement benefits, equity-based compensation, income taxes, contingencies, litigation matters, reporting revenue for certain transactions on a gross versus net basis, and the determination of whether the Company should consolidate certain entities.

Venezuela Currency

Certain of the Company's divisions conduct business in Venezuela. As of September 30, 2014, the Company has \$163 million of net Venezuelan Bolivares Fuertes (VEF) denominated consolidated monetary assets, primarily consisting of cash and accounts receivable, which have been remeasured at the official exchange rate as published by the Central Bank of Venezuela of 6.3 VEF to each U.S. Dollar. However, because of Venezuelan government-imposed restrictions on the exchange of foreign currency in Venezuela, the Company has not been able to convert VEF earned in Venezuela into U.S. Dollars at the official government rate. While there are two other legal exchange systems available in Venezuela, the Company believes the official exchange rate is appropriate to use as its remeasurement rate at September 30, 2014 for several reasons, including (i) the Company's belief that it is not eligible to access those other exchange systems due to the requirement that an entity be domiciled in Venezuela to participate, (ii) a lack of clarity about those exchange systems' stability and transaction volume and (iii) the Company's eligibility to access Venezuelan currency exchange markets operated by the government in the past several years. If the Company had used the least favorable legal published exchange rate as of September 30, 2014 to remeasure its VEF-denominated consolidated monetary assets, the Company would have recognized foreign exchange losses of approximately \$143 million, on a pretax basis, in the Consolidated Statement of Operations.

Accounting Guidance Adopted in 2014***Share-Based Payment Awards with Performance Targets Attainable After the Requisite Service Period***

On July 1, 2014, the Company early adopted guidance that clarifies that a performance target that affects the vesting of an award payable in shares and that can be met after the requisite service period is a performance condition. Therefore, compensation expense related to such awards should only be recognized when it becomes probable that the performance target will be met, which could occur after the requisite service period has been satisfied. The adoption of this guidance did not have an impact on the Company's consolidated financial statements.

Presentation of Unrecognized Tax Benefits

On January 1, 2014, the Company adopted on a prospective basis guidance requiring a liability related to an unrecognized tax benefit to be offset against a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward if such settlement is required or expected in the event the uncertain tax position is disallowed. In situations in which a net operating loss carryforward, a similar tax loss or a tax credit carryforward is not available at the reporting date under the tax law of a jurisdiction or the tax law of a jurisdiction does not require it,

and the Company does not intend to use the deferred tax asset for such purpose, the unrecognized tax benefit would be presented in the financial statements as a liability and will not be combined with deferred tax assets. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

Accounting Guidance Not Yet Adopted

Revenue Recognition

In May 2014, guidance was issued that establishes a new revenue recognition framework in U.S. GAAP for all companies and industries. The core principle of the guidance is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those goods or services. The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. In addition, this guidance requires new or expanded disclosures related to

Table of Contents

TIME WARNER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the judgments made by companies when following this framework. The guidance will become effective on either a full or modified retrospective basis for the Company on January 1, 2017. The Company is evaluating the impact the guidance will have on its consolidated financial statements.

Discontinued Operations

In April 2014, guidance was issued that raises the threshold for disposals to qualify as discontinued operations. Under this new guidance, a discontinued operation is (i) a component of an entity or group of components that has been disposed of or is classified as held for sale and represents a strategic shift that has or will have a major effect on an entity's operations and financial results or (ii) an acquired business that is classified as held for sale on the acquisition date. This guidance also requires expanded or new disclosures for discontinued operations, individually material disposals that do not meet the definition of a discontinued operation, an entity's continuing involvement with a discontinued operation following disposal and retained equity method investments in a discontinued operation. This guidance will become effective on a prospective basis for the Company on January 1, 2015 and is not expected to have a material impact on the Company's consolidated financial statements.

2. BUSINESS DISPOSITIONS AND ACQUISITIONS

Separation of Time Inc.

As discussed in Note 1, on June 6, 2014, the Company completed the legal and structural separation of the Company's Time Inc. segment from the Company. With the completion of the Time Separation, the Company disposed of the Time Inc. segment in its entirety and ceased to consolidate its assets, liabilities and results of operations in the Company's consolidated financial statements. Accordingly, the Company has recast its financial information to present the financial condition and results of operations of its former Time Inc. segment as discontinued operations in the consolidated financial statements for all periods presented.

Eyeworks

On June 2, 2014, Warner Bros. acquired the operations outside the U.S. of Eyeworks Group, a television production and distribution company, which are located in 15 countries across Europe, South America, Australia and New Zealand, for approximately \$267 million, net of cash acquired.

Summary of Discontinued Operations

Discontinued operations primarily reflects the Company's former Time Inc. segment. In addition, during the third quarter of 2013, the Company recognized additional net tax benefits of \$137 million associated with certain foreign tax attributes of the Warner Music Group, which the Company disposed of in 2004.

Table of Contents**TIME WARNER INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Discontinued operations for the three and nine months ended September 30, 2014 and 2013 is as follows (millions, except per share amounts):

	Three Months Ended		Nine Months Ended	
	9/30/14	9/30/13	9/30/14	9/30/13
Total revenues	\$ -	\$ 818	\$ 1,415	\$ 2,388
Pretax income (loss)	3	114	(94)	226
Income tax benefit (provision)	(2)	111	29	62
Net income (loss)	\$ 1	\$ 225	\$ (65)	\$ 288
Net income (loss) attributable to Time Warner Inc. shareholders	\$ 1	\$ 225	\$ (65)	\$ 288
Per share information attributable to Time Warner Inc. common shareholders:				
Basic net income (loss) per common share	\$ -	\$ 0.25	\$ (0.08)	\$ 0.31
Average basic common shares outstanding	850.9	916.8	872.2	926.1
Diluted net income (loss) per common share	\$ -	\$ 0.24	\$ (0.07)	\$ 0.30
Average diluted common shares outstanding	870.2	938.8	891.6	948.7

3. INVESTMENTS**Central European Media Enterprises Ltd.**

During the second quarter of 2014, Time Warner and Central European Media Enterprises Ltd. (CME) completed a series of related financing transactions.

On May 2, 2014, pursuant to a rights offering by CME, Time Warner acquired approximately 2.8 million units, each consisting of \$100 principal amount of 15% senior secured notes due 2017 (the Senior Secured Notes) and 21 unit warrants, with each unit warrant entitling the Company to purchase one share of CME Class A common stock. In addition, Time Warner acquired 581,533 units in a private offering, and CME issued warrants to Time Warner to purchase an additional 30 million shares of Class A common stock. The warrants issued to Time Warner, including the unit warrants in connection with the rights offering and the private offering, have a four-year term and an exercise price of \$1.00 per share, do not contain any voting rights and are not exercisable until the second anniversary of their issuance. The warrants are subject to a limited right whereby the Company can exercise any of its warrants earlier solely to own up to 49.9% of CME's Class A common stock.

Additionally, Time Warner provided CME with a \$115 million revolving credit facility and a \$30 million term loan that mature on December 1, 2017. Amounts outstanding under the revolving credit facility will bear interest at a rate per annum based on LIBOR (subject to a minimum rate of 1.00%) plus 14%. CME can pay accrued interest for an applicable quarterly interest period either fully in cash or by adding such amount to the principal amount of the revolving credit facility. The revolving credit facility also contains a commitment fee on the average daily unused amount under the facility of 0.50% per annum. As of September 30, 2014, no amounts have been drawn under the revolving credit facility. The \$30 million term loan bears interest at a rate of 15.0% per annum, paid semi-annually either fully in cash or by adding such amount to the principal amount of the loan.

These transactions did not change the Company's approximate 49% voting interest, but resulted in the Company holding an approximate 75% economic interest in CME on a diluted basis. The Company accounts for its investment in CME's Class A common stock and Series A convertible preferred stock under the equity method of accounting. The Company accounts for its investment in CME's Series B convertible redeemable preferred shares under the cost method of accounting. The warrants issued to Time Warner are recorded at fair value in the Consolidated Balance Sheet. The initial value of the warrants was recognized as a discount to the Senior Secured Notes and term loan and a deferred gain related to providing the revolving credit facility. The Senior Secured Notes are accounted for at their amortized cost and classified as held-to-maturity in the Consolidated Balance Sheet.

Table of Contents**TIME WARNER INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. FAIR VALUE MEASUREMENTS**

A fair value measurement is determined based on the assumptions that a market participant would use in pricing an asset or liability. A three-tiered hierarchy draws distinctions between market participant assumptions based on (i) observable inputs such as quoted prices in active markets (Level 1), (ii) inputs other than quoted prices in active markets that are observable either directly or indirectly (Level 2) and (iii) unobservable inputs that require the Company to use present value and other valuation techniques in the determination of fair value (Level 3). The following table presents information about assets and liabilities required to be carried at fair value on a recurring basis as of September 30, 2014 and December 31, 2013, respectively (millions):

	September 30, 2014				December 31, 2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Trading securities:								
Diversified equity securities ^(a)	\$ 233	\$ 5	\$ -	\$ 238	\$ 254	\$ 5	\$ -	\$ 259
Available-for-sale securities:								
Equity securities	25	-	-	25	56	-	-	56
Debt securities	-	61	-	61	-	40	-	40
Derivatives:								
Foreign exchange contracts								
Other	-	16	-	16	-	10	-	10
Other	-	-	159	159	6	-	8	14
Liabilities:								
Derivatives:								
Foreign exchange contracts								
Other	-	-	-	-	-	(17)	-	(17)
Other	-	-	(6)	(6)	-	-	(7)	(7)
Total	\$ 258	\$ 82	\$ 153	\$ 493	\$ 316	\$ 38	\$ 1	\$ 355

(a) Consists of investments related to deferred compensation.

The Company primarily applies the market approach for valuing recurring fair value measurements.

The balance as of September 30, 2014 of assets and liabilities valued using significant unobservable inputs (Level 3) primarily related to an asset of \$154 million related to warrants to purchase shares of CME Class A common stock. The Company estimates the fair value of these warrants using a Monte Carlo Simulation model. Significant unobservable inputs used in the fair value measurement at September 30, 2014 are an expected term of 2.94 years and an expected volatility of approximately 83%. As of both September 30, 2014 and 2013, the other Level 3 assets and liabilities consisted of assets related to equity instruments held by employees of former subsidiaries of the Company, liabilities for contingent consideration and options to redeem securities.

Table of Contents**TIME WARNER INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table reconciles the beginning and ending balances of net derivative assets and liabilities classified as Level 3 and identifies the total gains (losses) the Company recognized during the nine months ended September 30, 2014 and 2013 on such assets and liabilities that were included in the Consolidated Balance Sheet as of September 30, 2014 and 2013 (millions):

	September 30, 2014	September 30, 2013
Balance as of the beginning of the period	\$ 1	\$ 7
Included in other loss, net	(58)	12
Purchases	213	-
Settlements	(19)	(13)
Issuances	16	(2)
Transfers in and/or out of Level 3	-	-
Balance as of the end of the period	\$ 153	\$ 4
Net gain (loss) for the period included in net income related to assets and liabilities still held as of the end of the period	\$ (57)	\$ 10

Other Financial Instruments

The Company's other financial instruments, including debt, are not required to be carried at fair value. Based on the interest rates prevailing at September 30, 2014, the fair value of Time Warner's debt exceeded its carrying value by approximately \$3.706 billion and, based on interest rates prevailing at December 31, 2013, the fair value of Time Warner's debt exceeded its carrying value by approximately \$2.754 billion. The fair value of Time Warner's debt was considered a Level 2 measurement as it was based on observable market inputs such as current interest rates and, where available, actual sales transactions. Unrealized gains or losses on debt do not result in the realization or expenditure of cash and generally are not recognized in the consolidated financial statements unless the debt is retired prior to its maturity.

Information about the Company's investments in CME that are not required to be carried at fair value on a recurring basis is as follows (millions):

Carrying Value	Fair Value	Fair Value Hierarchy
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Class A common stock ^(a)	\$	45	\$	163	Level 1
Series B convertible redeemable preferred shares		227		204	Level 2
Senior secured notes		222		364	Level 2

^(a) Includes one share of Series A convertible preferred stock.

The fair values of the Company's investments in CME's Class A common stock (including Series A convertible preferred stock) and Series B convertible redeemable preferred shares are primarily determined by reference to the September 30, 2014 closing price of CME's common stock. The fair value of the Company's investment in CME's Senior Secured Notes is primarily determined by reference to observable sales transactions.

The carrying value for the majority of the Company's other financial instruments approximates fair value due to the short-term nature of the financial instruments or because the financial instruments are of a longer-term nature and are recorded on a discounted basis.

Non-Financial Instruments

The majority of the Company's non-financial instruments, which include goodwill, intangible assets, inventories and property, plant and equipment, are not required to be carried at fair value on a recurring basis. However, if certain triggering events occur (or at least annually for goodwill and indefinite-lived intangible assets), a non-financial instrument is required to be evaluated for impairment. If the Company determines that the non-financial instrument is impaired, the Company would be required to write down the non-financial instrument to its fair value.

Table of Contents

TIME WARNER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During the nine months ended September 30, 2014, the Company performed impairment reviews of certain intangible assets at international subsidiaries of Turner and Home Box Office. As a result, the Company recorded noncash impairments of \$5 million to write down the value of these assets to \$7 million. During the three and nine months ended September 30, 2013, the Company performed impairment reviews of certain intangible assets at international subsidiaries of Turner. As a result, the Company recorded noncash impairments of \$5 million and \$17 million, respectively, to write down the value of these assets to zero. The resulting fair value measurements were considered to be Level 3 measurements and were determined using a discounted cash flow (DCF) methodology with assumptions for cash flows associated with the use and eventual disposition of the assets.

In determining the fair value of its theatrical films, the Company employs a DCF methodology that includes cash flow estimates of a film's ultimate revenue and costs as well as a discount rate. The discount rate utilized in the DCF analysis is based on the weighted average cost of capital of the respective business (e.g., Warner Bros.) plus a risk premium representing the risk associated with producing a particular theatrical film. The fair value of any theatrical film and television production that management plans to abandon is zero. As the primary determination of fair value is determined using a DCF model, the resulting fair value is considered a Level 3 measurement. The following table presents certain theatrical film and television production costs, which were recorded as inventory in the Consolidated Balance Sheet, that were written down to fair value (millions):

	Carrying value before write down	Carrying value after write down
Fair value measurements made during the three months ended September 30,:		
2014	\$ 46	\$ -
2013	70	45
Fair value measurements made during the nine months ended September 30,:		
2014	\$ 234	\$ 140