TIME WARNER INC.
Form 11-K
June 21, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS AND SIMILAR

PLANS PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

x **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE**

SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2012

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE**

SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission file number: 1-15062

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:
TIME WARNER SAVINGS PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Time Warner Inc.

One Time Warner Center

New York, New York 10019

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FINANCIAL STATEMENTS AND

SUPPLEMENTAL SCHEDULES

Time Warner Savings Plan

Years Ended December 31, 2012 and 2011

With Report of Independent Registered Public

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Time Warner Savings Plan

Financial Statements and Supplemental Schedules

Years Ended December 31, 2012 and 2011

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Report of Independent Registered Public Accounting Firm

The Administrative Committee

Time Warner Savings Plan

We have audited the accompanying statements of net assets available for benefits of the Time Warner Savings Plan as of December 31, 2012 and 2011, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2012 and 2011, and the changes in its net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules of loans or fixed income obligations in default or classified as uncollectible and assets (held at end of year) as of December 31, 2012 are presented for purposes of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

New York, New York
June 21, 2013

/s/ Ernst & Young LLP

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Time Warner Savings Plan

Statements of Net Assets Available for Benefits

	December 31, 2012	December 31, 2011
	(In Thousands)	
Investments at fair value:		
Commingled trust funds	**$ 940,499**	$ 825,967
Time Warner common stock	**335,204**	287,944
Other common stocks	**712,896**	619,162
Preferred stocks	**40**	250
Synthetic investment contracts	**625,699**	611,580
Mutual funds	**960,534**	768,324
U.S. government and agency securities	**259,990**	198,401
Other fixed income securities	**145,772**	139,241
Cash, cash equivalents and other investments	**153,007**	75,565
Total investments at fair value	**4,133,641**	3,526,434
Contributions receivable:		
Employer	**9,009**	6,062
Participants	**2,591**	854
Notes receivable from participants	**64,301**	58,821
Receivables for securities sold	**67,635**	1,963
Other assets	**6,061**	4,817
Total assets	**4,283,238**	3,598,951
Payables for securities purchased	**165,702**	15,558
Other liabilities	**7,702**	4,372
Total liabilities	**173,404**	19,930
Net assets reflecting investments at fair value	**4,109,834**	3,579,021
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	**(23,018)**	(22,959)
Net assets available for benefits	**$ 4,086,816**	$ 3,556,062

See accompanying notes.

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Time Warner Savings Plan

Statements of Changes in Net Assets Available for Benefits

	Year Ended December 31, 2012	2011
	(In Thousands)	
Net assets available for benefits at beginning of year	**$ 3,556,062**	$ 3,560,140
Changes in net assets:		
Investment income, net of fees	**51,005**	46,962
Net realized and unrealized appreciation (depreciation) in the fair value of investments	**443,515**	(94,524)
Net investment income (loss)	**494,520**	(47,562)
Employing company contributions	**151,672**	144,929
Participant contributions, including rollover contributions	**193,088**	185,562
Participant loan interest income	**2,828**	2,783
Participant withdrawals	**(308,265)**	(285,775)
Administrative expenses	**(3,089)**	(4,015)
Net change	**530,754**	(4,078)
Net assets available for benefits at end of year	**$ 4,086,816**	$ 3,556,062

See accompanying notes.

Time Warner Savings Plan

Notes to Financial Statements

December 31, 2012

1. Description of the Plan

The following is an abbreviated description of the Time Warner Savings Plan (the Plan). Time Warner Inc. (Time Warner) is the Plan sponsor. More complete descriptions of the Plan are provided in the Plan documents, as amended, and the summary plan description/prospectus. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

General

The Plan is a defined contribution profit sharing plan with a 401(k) feature generally covering eligible employees of Time Warner and certain of its subsidiaries and affiliates (each, an Employing Company and, collectively, the Employing Companies).

The Plan is the only participating plan in the Time Warner Defined Contribution Plans Master Trust (the Master Trust).

The Plan administrator is a committee (the Administrative Committee) appointed by Time Warner s board of directors. Certain administrative functions of the Plan have been delegated to others in accordance with the terms of the Plan.

Effective January 1, 2011, the Plan is a Qualified Automatic Contribution Arrangement in accordance with the Internal Revenue Code of 1986, as amended (the Code), and thus is exempt from nondiscrimination testing.

Investment Funds, Contributions and Vesting

The Plan provides for multiple investment funds made available through Fidelity Management Trust Company (Fidelity) pursuant to the Master Trust. Prior to November 4, 2011, the Plan s investment funds consisted of four asset allocation (target risk) funds and thirteen core investment funds (nine of which are actively managed and four of which are index funds). Effective November 4, 2011, an additional actively managed core investment fund was added. The Plan also offers a self-directed brokerage option that is limited to mutual funds. Participant contributions, Matching Contributions (as defined below) and Rollovers (as defined below) may generally be invested in specified increments in the investment funds. Participants may periodically transfer account balances among the investment funds offered under the Plan.

Effective July 1, 2010, contributions or investment fund transfers into the Time Warner Inc. Stock Fund are prohibited, but Plan participants who hold Time Warner common stock in the

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Time Warner Savings Plan

Notes to Financial Statements (continued)

Time Warner Inc. Stock Fund have the option to reinvest cash dividends paid by Time Warner on its common stock in Time Warner common stock through the Time Warner Inc. Stock Fund in lieu of receiving the cash dividends. Effective July 1, 2010, the Time Warner Inc. Stock Fund was designated as an employee stock ownership plan component of the Plan.

Generally, the Plan provides for voluntary participant contributions on a pre-tax basis at an elected percentage of a participant s eligible compensation, up to an annual limit established by the Internal Revenue Service (IRS). Effective January 1, 2011, the elective deferral limit for highly compensated employees increased from 10%, or 20% for Turner Broadcasting System, Inc. employees, to 50% for pre-tax contributions, subject to the limit established by the IRS. After two months of continuous employment (or, with respect to employees classified as hourly or temporary employees, after 1,000 hours of credited service in any one year), matching contributions by Employing Companies (Matching Contributions) are made as a percentage of a participant s contributions to the Plan and are capped at certain percentages of the participant s eligible compensation deferred.

Employees hired on or after January 1, 2007 were automatically enrolled in the Plan at a pre-tax contribution rate of 2% approximately 90 days following the hire date, unless employees elected otherwise during the first 60 days of employment. Effective July 1, 2010, all eligible Plan participants with a pre-tax contribution rate of less than 3%, newly eligible Plan participants, and employees classified as hourly or temporary employees who are credited with at least 1,000 hours of service in any one year are automatically enrolled in the Plan at a pre-tax contribution rate of 3% unless they change their contribution rate or opt out of the Plan. Unless participants who were automatically enrolled in the Plan elected or elect otherwise, their contribution rate automatically increased by 1% beginning on either January 1, 2012 or the first anniversary of their automatic enrollment date (depending on the date they were automatically enrolled) and will continue to increase by 1% annually until the 6% maximum for automatic contributions is reached. These participant contributions and Matching Contributions are invested in a target risk fund unless participants elect other investment option(s). Participants who are automatically enrolled in the Plan may change their contribution rate or opt out of the Plan at any time.

Prior to July 1, 2010, Matching Contribution rates varied among Employing Companies and were calculated based on one of the following formulas: 66.67% on up to the first 6% of the participant s eligible compensation contributed to the Plan; or 160% on up to the first 4% of the participant s eligible compensation contributed to the Plan. Effective July 1, 2010, Matching Contribution rates for eligible Plan participants became consistent across all participating Employing Companies at a rate of 133 ^{1}&#8260$_{3}$% on up to the first 3% of eligible compensation deferred and 100% on up to the next 3% of eligible compensation deferred.

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Time Warner Savings Plan

Notes to Financial Statements (continued)

Participants are allowed to transfer amounts from certain other tax qualified plans to the Plan (Rollovers). Rollovers are included as participant contributions in the Statements of Changes in Net Assets Available for Benefits.

Matching Contributions and any other amounts contributed by an Employing Company, including those transferred into the Plan, are deemed Employing Company contributions (Employing Company Contributions). Each participant s account is credited with the participant s contributions, Rollovers, Employing Company Contributions and any earnings or losses thereon, as appropriate. Participant contributions, Rollovers and earnings thereon are fully vested.

Matching Contributions and earnings thereon generally vest based on years or periods of service as follows:

Matching Contributions Made and Earnings Thereon: (1)

Prior to March 1, 2007		**March 1, 2007 through June 30, 2010**		**On or After July 1, 2010**	
Years or Periods of Service	**Vested Percentage**	**Years or Periods of Service**	**Vested Percentage**	**Years or Periods of Service**	**Vested Percentage**
Less than 2 years	0%	Less than 1 year	0%	Less than 2 years	0%
2 but less than 3 years	25	1 but less than 2 years	20	2 years or more	100
3 but less than 4 years	50	2 but less than 3 years	40		
4 but less than 5 years	75	3 but less than 4 years	60		
5 years or more	100	4 but less than 5 years	80		
		5 years or more	100		

(1) Any completed service prior to the dates set forth in this table generally counts toward vesting.

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Time Warner Savings Plan

Notes to Financial Statements (continued)

Matching Contributions and earnings thereon also become fully vested upon a participant s termination of service due to death or disability, attainment of age 65, or upon the termination of the Plan.

The Plan provisions described above that became effective July 1, 2010 (relating to (i) the automatic enrollment of certain eligible Plan participants, (ii) the Matching Contributions rate and (iii) the vesting of Matching Contributions (and earnings thereon) made on or after July 1, 2010) do not apply to certain employees subject to a collective bargaining agreement at one of Time Warner s subsidiaries.

Forfeited Accounts

Forfeited Employing Company Contributions and earnings thereon may be used to reduce future Employing Company Contributions to the Plan and/or to pay Plan expenses. Forfeited Employing Company Contributions and earnings thereon for 2012 and 2011 were $3.2 million and $3.3 million, respectively. The amount of forfeited nonvested accounts as of December 31, 2012 and 2011 was $4.8 million and $4.2 million, respectively, and is included in the Statements of Net Assets Available for Benefits.

Notes Receivable From Participants

Under the Plan, subject to certain restrictions and penalties, participants may withdraw amounts and/or take loans from their accounts. The maximum number of loans a participant may have outstanding is limited to three at any one time, in the form of either one primary residence loan and two general loans or three general loans; provided, however, that if the primary residence loan was obtained before 2008, it does not limit the availability of the three general loans. The minimum loan amount is $1,000 and the maximum loan amount is $50,000. Loans are valued at their outstanding balances, which approximate fair value, and are treated as transfers between the individual investment funds and the participant loan fund. Loan terms may be for up to five years or 15 years if for the purchase of a primary residence. Participants who have transferred accounts to the Plan with existing loans for the purchase of a primary residence may have loan terms of up to 30 years based on the provisions of the plan from which the original loan was obtained. Effective April 1, 2007, interest rates charged for loans originated under the Plan within any quarter are set at the prime rate in effect on the first day of such quarter plus 1%. Prior to April 1, 2007, interest rates for such loans were set at the prime rate in effect at the time of the loan plus 1%. Participants who have transferred accounts to the Plan with existing loans may be subject to different interest rates on those loans, as set in accordance with the provisions of the plan from which the original loan was obtained. Interest rates on outstanding participant loans as of December 31, 2012 and 2011 ranged from 4.25% to 10.50%.

Time Warner Savings Plan

Notes to Financial Statements (continued)

Payment of Benefits

In-service withdrawals are available in certain limited circumstances, as provided under the Plan. Hardship withdrawals are allowed for participants incurring an immediate and heavy financial need, as defined by the Plan. Hardship withdrawals are strictly regulated under the Code and the regulations thereunder, and a participant must exhaust all available loan options and available distributions prior to requesting a hardship withdrawal.

Generally, on termination of service, participants are eligible to receive the vested portion of their account in a lump sum. However, subject to certain restrictions, the Plan permits other payment options. In addition, at the option of the participant, the commencement of payments may be deferred, subject to certain limitations. Benefits distributed from all investment funds in the Plan will be paid in cash, except for benefits distributed from the Time Warner Inc. Stock Fund, which also offers shares of Time Warner common stock as a distribution election. Fractional shares are paid in cash.

Plan Termination

Although it has not expressed any intent to do so, Time Warner reserves the right to discontinue Employing Company Contributions or to terminate or modify the Plan at any time. In the event of termination of the Plan, participants will become fully vested in their accounts and the net assets of the Plan will be distributed to participants in accordance with the Plan s provisions and applicable law.

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Time Warner Savings Plan

Notes to Financial Statements (continued)

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Costs and expenses incurred for the purchase, sale or transfer of investments reflected in the accompanying financial statements are considered a cost of the investment or a reduction in the proceeds of a sale, as appropriate. Investment management fees and certain administrative costs are paid by the Plan s investment funds and included in Investment income, net of fees in the Statements of Changes in Net Assets Available for Benefits.

Payment of Benefits

Participant withdrawals are recorded when paid.

Administrative Expenses

Certain administrative costs are charged to the Plan as permitted under ERISA, including, for example, fees for auditing, investment advice, recordkeeping, custodial and trustee services. Other administrative costs, for example, compensation of employees responsible for the administration of the Plan, are paid by Time Warner.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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Time Warner Savings Plan

Notes to Financial Statements (continued)

Investment Valuation and Income Recognition

Investments held by the Plan are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). See Note 4 for further discussion and disclosures related to fair value measurements.

Investments in the Statements of Net Assets Available for Benefits include fully benefit-responsive investment contracts recognized at fair value with a corresponding adjustment to reflect these investments at contract value.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded as earned. Dividends are recorded on the ex-dividend date. Net appreciation or depreciation in the fair value of investments includes the Plan s gains and losses on investments bought and sold as well as held during the year.

Recent Accounting Standard

On January 1, 2012, the Plan adopted, on a prospective basis, guidance issued by the Financial Accounting Standards Board related to fair value measurements and disclosures that (i) states that the concepts of highest and best use and valuation premise are only relevant when measuring the fair value of nonfinancial assets and, therefore, do not apply to financial assets or any liabilities, (ii) prohibits the application of a blockage factor (i.e., premiums and discounts related to size as a characteristic of the entity s holding) for all fair value measurements, regardless of hierarchy level, (iii) allows an entity that manages market risks and counterparty credit risk exposure of a group of financial instruments to measure those financial instruments on the basis of the net position for the risk being managed, (iv) requires that an entity measure the fair value of its own equity instruments from the perspective of a market participant that holds the instruments as assets and (v) requires new and enhanced disclosures. The adoption of this guidance did not have a material effect on the Plan s financial statements.

3. Investments

Plan investments are made in a variety of investment securities that are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of these investments, it is possible that changes in values could materially affect participants account balances and the amounts reported in the Statements of Net Assets Available for Benefits.

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Time Warner Savings Plan

Notes to Financial Statements (continued)

During the years ended December 31, 2012 and 2011, the Plan s investments appreciated (depreciated) in fair value as follows:

	Year Ended December 31, 2012	2011
	(In Thousands)	
Net realized and unrealized appreciation (depreciation) in fair value of investments:		
Commingled trust funds	**$ 121,285**	$ (28,782)
Time Warner common stock	**86,283**	34,170
Other common stocks	**84,985**	(55,507)
Preferred stocks	**1**	80
Mutual funds	**129,943**	(56,207)
U.S. government and agency securities	**11,305**	14,071
Other fixed income securities	**10,150**	(2,008)
Cash, cash equivalents and other investments	**(437)**	(341)
Total net realized and unrealized appreciation (depreciation) in the fair value of investments	**$ 443,515**	$ (94,524)

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Time Warner Savings Plan

Notes to Financial Statements (continued)

The following table presents investments that each represented 5% or more of the Plan s net assets available for benefits:

	December 31, 2012	December 31, 2011
	(In Thousands)	
Commingled Trust Funds:		
BlackRock Equity Index Fund H, 6,441,896 and 6,800,067 units, respectively	**$ 325,896**	$ 296,619
BlackRock MSCI ACWI ex-U.S. Index Fund C, 20,148,351 units	*	180,126
BlackRock US Debt Index Fund T, 11,432,922 units	**208,765**	*
Common Stock:		
Time Warner, 7,008,237 and 7,967,449 shares, respectively	**335,204**	287,944
Mutual Fund:		
Dodge & Cox Stock Fund, 4,084,395 and 3,887,173 shares, respectively	**497,888**	390,166

* Less than 5%

The Capital Preservation Fund, an investment fund available in the Plan, includes fully benefit-responsive synthetic investment contracts that are valued at fair value and adjusted to contract value in the Statements of Net Assets Available for Benefits. In a synthetic investment contract, debt securities (such as fixed-income, asset-backed and mortgage-backed securities) are purchased and then a financial institution agrees to provide for liquidity and an adjustable rate of return thereon (a Wrapper), which, when taken together with the underlying securities, generally results in a guaranteed return of principal and accrued interest. See Note 4 for further discussion and disclosures related to fair value measurements.

The Capital Preservation Fund and the Wrapper contracts purchased by that fund are designed to pay all participant-initiated transactions at contract value. However, the Wrapper contracts limit the ability of the fund to transact at contract value upon the occurrence of certain events. These events include, but are not limited to:

Complete or partial termination of the Plan;

Time Warner Savings Plan

Notes to Financial Statements (continued)

Any change in law, regulation or administrative ruling applicable to the Plan that could have a material adverse effect on the fund s cash flow;

Merger or consolidation of the Plan with another plan, the transfer of Plan assets to another plan, or the sale, spin-off or merger of a subsidiary or division of the Plan sponsor; and

Any early retirement program, group termination, group layoff, facility closing or similar program.

At this time, the occurrence of an event that would limit the ability of the Capital Preservation Fund to transact at contract value is not probable. The completion of the Time Separation (as described in Note 7) is not expected to limit the ability of the Capital Preservation Fund to transact at contract value.

A Wrapper issuer may terminate a Wrapper contract at any time by providing the appropriate notification. In the event that the market value of the Capital Preservation Fund s covered assets is below their contract value at the time of such termination, Fidelity, as the Capital Preservation Fund s investment manager, may elect to keep the Wrapper contract in place through another Wrapper provider until such time as the market value of the Capital Preservation Fund s covered assets is equal to their contract value. Plan participants will continue to receive the Capital Preservation Fund s Crediting Rate (as defined below).