

TIME WARNER INC.  
Form DEFA14A  
May 19, 2014

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**Time Warner Inc.**

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**Explanatory Note:** As part of Time Warner Inc.'s regular, ongoing engagement with shareholders, Time Warner is planning to have a number of in-person meetings with shareholders. The attached Proxy Statement Summary is intended to facilitate discussions at those meetings and presents information regarding the Company's businesses, performance, executive compensation programs, and governance practices taken from the Company's 2014 Proxy Statement.

2014 Proxy Statement Summary  
May 2014

|                                  |  |
|----------------------------------|--|
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Executive Summary

Clear Operating Strategy

Sound Corporate &

Compensation Governance

Practices

Use leading scale and brands to create the best content

Lead digital transition of our industry

Expand internationally in faster-growing territories

Focus on operating and capital efficiency

Compensation Program

Closely Aligned With

Performance

Significant emphasis on variable performance-based compensation (93% of total target pay for CEO)

Mix of performance measures across varying time horizons

Challenging financial and strategic goals set at the beginning of each performance period  
Informed by shareholder perspectives; following long-standing practice of ongoing shareholder  
engagement, held conversations with shareholders representing > 40% of common stock in late 2013

93%  
of  
votes  
cast  
by  
shareholders

in  
2013  
were

in  
favor  
of

named  
executive  
officer  
compensation

Focused Business Model  
Sustained Strong Financial  
Performance

Global leader in media and entertainment with a focus on video content

Three ongoing operating divisions: Turner, HBO, and Warner Bros.

Time Inc. will be spun-off on June 6, 2014

Adjusted  
Operating  
Income

5-year  
compound  
annual  
growth

rate  
of  
9.5%;

2013  
growth  
of

7.7%  
to  
a

record \$6.6B

Free Cash Flow grew 20% in 2013, to \$3.5B

Adjusted EPS 5-year compound annual growth rate of 21.6%; 2013 growth of 16.4% to \$3.77

3

Board's leadership structure and composition provide effective independent oversight  
Committee follows strong governance practices to determine executive compensation



Overview of Our Businesses

4

Owns and operates leading cable television networks and related digital properties in the U.S. and internationally, including TBS, TNT, CNN, Cartoon Network, Adult Swim, truTV and Turner Sports

Turner accounted for 33% of the Company's total revenues in 2013

Operates leading premium pay television services HBO and Cinemax, in the U.S. and internationally

Home Box Office accounted for 17% of the Company's total revenues in 2013

Global leader in entertainment with businesses that produce and distribute feature films, television programming, home entertainment, comic books, and

videogames, and license characters and brands for consumer products

Warner Bros. accounted for 39% of the Company's total revenues in 2013

One of the largest magazine publishers based on readership and print advertising revenues; also operates related websites and operations

Time Inc. accounted for 11% of the Company's total revenues in 2013

The Company will spin off Time Inc. to its shareholders on June 6, 2014

Our Operating Strategy

2013 Highlights

Lead digital transition of  
our industry

Use leading scale and  
brands to create the  
best content

Expand internationally  
in faster-growing  
territories

Turner

o

TBS #1 ad-supported cable network in primetime among adults 18-34 and adults 18-49

- o Adult Swim #2 among adults 18-34
- o TNT aired four of the top 15 original series on ad-supported cable Home Box Office
- o More Primetime Emmy awards than any other network for the 12th year in a row Warner Bros.
- o #1 at the worldwide box office, with films grossing over \$5 billion in 2013
- o #1 producer of primetime broadcast series with > 60 series airing for the 2013-2014 season

Continued to lead the development of new digital services and business models, such as TV Everywhere (including HBO GO), UltraViolet, Disc-to-Digital and digital magazines

HBO  
GO  
active  
users  
grew  
over  
30%  
and  
average  
monthly  
usage  
grew  
at  
a  
double  
digit  
rate

Increased monetization of content through platforms such as subscription video on demand

Turner  
launched  
networks  
in  
Asia  
and  
Latin  
America,  
expanding  
to  
more  
than  
150  
channels  
in  
over 200 countries

Home  
Box

Office  
launched  
premium  
services  
in  
Denmark,  
Norway  
and  
India  
and  
purchased  
its  
partners  
interests in HBO Asia, HBO South Asia and HBO Nordic  
5

Sustained Strong Financial Performance\*

Free Cash Flow (\$B)

Return on Invested Capital

1-YR Growth: 7.7%

3-YR CAGR: 6.9%

Adjusted Operating Income (\$B)

Adjusted EPS

1-YR Growth: 16.4%

3-YR CAGR: 15.8%

6

\* See Annex A for definitions of non-GAAP financial measures and reconciliations to the most directly comparable GAAP financial measures.

\$4.2

\$4.6

\$5.4

\$5.9

\$6.1

\$6.6

2008

2009

2010

2011

2012

2013

2008

2009

2010

2011

2012

2013

\$1.42

\$1.82

\$2.43

\$2.86

\$3.24

\$3.77

2009

2010

2011

2012

2013

\$2.9

\$2.7

\$2.7

\$2.9

\$3.5

20%

19%

19%

2011

2012

2013

Commitment to Driving Shareholder Value

Direct Returns of Capital (\$B)

Total Shareholder Return

7

~\$19.7B in returns

since 2009

\$2.1

\$3.0

\$5.6

\$4.3

\$4.8

2009

2010



2011

2012

2013

Share Repurchases

Dividends

48.6%

133.1%

282.3%

32.4%

56.8%

128.2%

1-YR

3-YR

5-YR

Time Warner

S&P 500

Compensation Mix Focused on Components that  
Drive Performance  
Chairman / CEO Pay  
Pay for Other NEOs  
93% Variable  
81% Variable  
8  
7%  
36%  
57%  
13%  
19%  
43%

25%

Base Salary

Target Annual Cash Bonus

Target Value of Performance Long-Term

Incentive Awards (PSUs & Stock Options)

Base Salary

Target Annual Cash Bonus

Target Value of Performance Long-Term

Incentive Awards (PSUs & Stock Options)

Target Value of Long-Term Incentive

Awards (RSUs)

Performance Measures and 2013 Results  
Incentive  
Component  
Time  
Horizon  
Performance  
Measure  
How TWX & NEOs Performed  
on the Performance Measures  
2013 Outcome Linked to  
Performance  
Annual Cash  
Bonus

1-year  
Adj. Divisional Pre-Tax Income  
70%  
8% growth in 2013  
145% financial  
performance rating  
(maximum  
150%)  
Free Cash Flow  
20% growth in 2013  
Annual progress on key long-term  
strategic objectives  
30%  
Individual performance  
achievements described on  
pages 45-46 of the proxy  
statement  
Individual performance  
ratings ranged from  
130% to 140%  
(maximum  
150%)  
PSUs with a  
Performance  
Period Ending  
in 2013  
3-year  
TSR relative to the S&P 500  
130.7% TSR (2011-2013)  
91  
percentile  
of  
the  
S&P  
500  
182.2% payout for  
2011-2013 PSUs  
Stock Options  
4-year  
vesting  
period  
TWX common stock price  
1-year increase  
45.8%  
3-year increase  
116.7%  
5-year increase  
235.7%  
Value realized  
determined by long-

term stock price  
performance  
9

1  
For PSUs, (1) TSR is calculated using the average closing price for the 30 trading days ending on the first and last days of the period from the S&P 500 Index during the performance period due to the decline of such companies stock price below the minimum market capitalization standard only if their stock is no longer traded on a national exchange

Multiple performance measures that are important to investors  
Varying time horizons  
1  
1  
st

More  
Challenging  
Financial  
Goals  
for  
2013  
\*

2013 Adjusted Divisional Pre-Tax Income and Free Cash Flow goals for annual cash bonuses were significantly more challenging than for 2012

Higher growth required to achieve the same rating across entire range of outcomes

Adjusted Divisional Pre-Tax Income Growth

Required for 150% Rating

Free Cash Flow

Required for 150% Rating

10

\*

See

Annex

A

for

definitions

of

non-GAAP

financial

measures

and

reconciliations

to

the

most

directly

comparable

GAAP

financial

measures.

6%

9%

2012

2013

\$2,565

\$3,195

2012

2013



CEO Pay

The Company entered into a new five-year employment agreement with Mr. Bewkes in 2012, effective January 1, 2013. Terms disclosed in the proxy statement filed last year

Structure of the agreement reflects input from shareholders

Increase in target compensation consisted only of long-term performance-based incentive opportunity

No increase in base salary or target bonus

No upfront grant of equity awards, and no further grants of time-vested RSUs

Removed exercise tax gross-up

Stock ownership requirement increased to 8x base salary (up from 5x)

2013 CEO compensation reflects the terms of the agreement

Mr. Bewkes

2013 Compensation

Base Salary

No change

Annual Cash Bonus

No change in target bonus

Financial criteria:

o

Committee approved a 145% financial performance rating

Individual performance:

o

Committee approved a 140% individual performance rating

Long-Term Incentive

Awards

Target annual value of long-term incentive awards increased

Awards entirely performance-based, with 50% of target value in PSUs and 50% in stock options

11

Best Practices in Compensation Governance

Regular engagement with shareholders, with input reflected in compensation plan design

Emphasis on variable compensation with multiple performance metrics

Substantial share ownership and retention requirements

Limited personal benefits

Limit on annual equity dilution

No gross-ups, including for change-in-control

Clawback policy

Use of independent compensation consultant

Annual compensation-related risk review and disclosure

12

Sound Corporate Governance

Lead Independent Director

has robust authority, including authority over meeting agendas

Board Leadership Policy requires consideration of Board leadership at least annually, with disclosure to shareholders on factors reviewed (see 2014 report posted at [www.timewarner.com/leadership](http://www.timewarner.com/leadership))

Stephen Bollenbach has served as Lead Independent Director since

May 2012

Director

Qualifications:

The

Board

believes

that

the  
Company  
is  
best  
served  
by  
a  
board  
of  
directors  
consisting  
of

individuals who have a variety of complementary skills, professional experience, and backgrounds, and who bring diverse viewpoints and perspectives to the Board

Board Independence:

All directors, other than the CEO, are independent and each Board committee consists solely of independent directors

Board Refreshment:

The Board believes it is well-served by having non-employee directors with a mix of tenures and expects that average tenure will generally not exceed 10 years

Director Accountability:

Board is elected annually (no classified board) under a majority-vote standard

Special  
Meeting

Rights:  
Shareholders

have  
the  
right  
to  
request  
special  
meetings

(15%  
threshold)

ESG Disclosure:

The Company keeps the investment community informed on activities relating to environmental, social and governance matters, including through updates on corporate social responsibility (additional details at

[www.timewarner.com/citizenship](http://www.timewarner.com/citizenship))

13

Non-GAAP Financial Measures -  
Definitions

A-1

Annex A

**Adjusted Operating Income (Loss)** is defined as Operating Income (Loss) excluding the impact of noncash impairments of goodwill, intangible and fixed assets; gains and losses on operating assets (other than deferred gains on sale-leasebacks); gains and losses recognized in connection with pension and other postretirement benefit plan curtailments or settlements; external costs related to mergers, acquisitions or dispositions, as well as contingent consideration related to such transactions, to the extent such costs are expensed; and amounts related to securities litigation and government investigations.

**Adjusted Divisional Pre-Tax Income** is defined as Adjusted Operating Income plus Income (loss) from equity method investments.

**Adjusted EPS** is defined as Diluted Income per Common Share from Continuing Operations attributable to Time Warner Inc. common shareholders excluding noncash impairments of goodwill, intangible and fixed assets and investments; gains and losses

operating assets (other than deferred gains on sale-leasebacks), liabilities and investments; gains and losses recognized in connection with pension and other postretirement benefit plan curtailments or settlements; external costs related to mergers, acquisitions, investments or dispositions, as well as contingent consideration related to such transactions, to the extent such costs are expensed; amounts related to securities litigation and government investigations; and amounts attributable to businesses classified as discontinued operations, as well as the impact of taxes and noncontrolling interests on the above items.

For periods ending on or after July 1, 2012, **Free Cash Flow** is defined as Cash Provided by Operations from Continuing Operations plus payments related to securities litigation and government investigations (net of any insurance recoveries), external costs related to mergers, acquisitions, investments or dispositions, to the extent such costs are expensed, contingent consideration payments made in connection with acquisitions, and excess tax benefits from equity instruments, less capital expenditures, principal payments on capital leases and partnership distributions, if any. For periods ending prior to that date, Free Cash Flow is defined as Cash Provided by Operations from Continuing Operations plus payments related to securities litigation and government investigations (net of any insurance recoveries), external costs related to mergers, acquisitions, investments or dispositions, to the extent such costs are expensed, and excess tax benefits from equity instruments, less capital expenditures, principal payments on capital leases and partnership distributions, if any. A change to the definition of Free Cash Flow for periods prior to July 1, 2012, to adjust for contingent consideration payments made in connection with acquisitions would have had no impact on the reported Free Cash Flow for such periods.

Year Ended December  
31,  
2013  
2012  
2011  
2010  
2009  
2008  
Adjusted Operating Income  
\$  
6,599  
\$  
6,126



\$  
5,864

\$  
5,400

\$  
4,618

\$  
4,193

Asset impairments

(140)

(186)

(44)

(20)

(85)

(7,213)

Gain (loss) on operating assets, net

142

9

7

70

(33)

(3)

Other

(1)

4

(31)

(22)

(22)

(30)

(21)

Operating Income

\$

6,605

\$

5,918

\$

5,805

\$

5,428

\$

4,470

\$

(3,044)

Non-GAAP Financial Measures -

Reconciliations

A-2

Reconciliation of Adjusted Operating Income to Operating Income

(In millions; Unaudited)

(1)

For 2013 and 2012, the definition of Other includes gains and losses recognized in connection with pension and other postretirement

mergers,  
acquisitions  
or  
dispositions;  
and  
amounts  
related  
to  
securities  
litigation  
and  
government  
investigations.

For  
2011,  
the  
definition  
of

Other  
includes  
external  
costs  
related  
to

mergers,  
acquisitions or dispositions; and amounts related to securities litigation and government investigations. There were no pension

2011. For

2010, 2009 and 2008,

the  
definition  
of

Other  
includes  
only  
amounts  
related

to  
securities  
litigation  
and  
government  
investigations.

Reconciliation of Adjusted EPS to Diluted Income Per Common Share from Continuing Operations  
(Unaudited)

Year Ended December

31,  
2013  
2012  
2011  
2010

2009

2008

Diluted income per common share from continuing operations

\$

3.77

\$

3.00

\$

2.71

\$

2.27

\$

1.74

\$

(4.27)

Less Impact of items affecting comparability on diluted income  
per common share from continuing operations

(0.24)

(0.15)

(0.16)

(0.08)

(5.69)

Adjusted diluted income per common share from continuing  
operations

\$

3.77

\$

3.24

\$

2.86

\$

2.43

\$

1.82

\$

1.42

A-3

Reconciliation of Cash Provided by Operations from Continuing Operations to Free Cash Flow

(In millions; Unaudited)

Year Ended December

31,

2013

2012

2011

2010

2009

Cash provided by operations from continuing operations

\$

3,716

\$  
3,476  
\$  
3,448  
\$  
3,314  
\$  
3,386  
Add payments related to securities litigation and government  
investigations

3  
8  
22  
30  
Add  
external  
costs  
related  
to  
mergers,  
acquisitions,  
investments  
or  
dispositions and contingent consideration payments

232  
33  
14

21  
Add excess tax benefits from equity instruments

179  
83  
22  
7  
1

Less capital expenditures

(602)  
(643)  
(772)  
(631)  
(547)

Less principal payments on capital leases

(9)  
(11)  
(12)  
(14)  
(18)

Free Cash Flow

\$

3,516

\$

2,941

\$

2,708

\$

2,698

\$

2,873

Non-GAAP Financial Measures -  
Reconciliations

A-4  
Non-GAAP Financial Measures -  
Reconciliations  
Reconciliation of Return on Invested Capital (ROIC)  
(In millions; Unaudited)  
Reconciliation of Operating Income to NOPAT  
Year Ended December 31,  
2013  
2012  
2011  
Operating Income  
\$  
6,605

\$  
 5,918  
 \$  
 5,805  
 Asset impairments  
 140  
 186  
 44  
 Loss on Operating Assets  
 (142)  
 (9)  
 (7)  
 Other operating income items  
 (4)  
 31  
 22  
 Adjusted Operating Income  
 6,599  
 6,126  
 5,864  
 Add Amortization expense  
 251  
 248  
 269  
 Adjusted Operating Income before amortization expense  
 6,850  
 6,374  
 6,133  
 Less  
 Income  
 taxes  
 (1)  
 (2,261)  
 (2,167)  
 (2,024)  
 Add equity loss, net of taxes  
 (152)  
 (183  
 )  
 (79)  
 Adjust for items affecting comparability relating to equity  
 method investments  
 30  
 94  
 1  
 NOPAT  
 (2)  
 \$  
 4,467  
 \$



4,118  
\$  
4,031

A-5  
Reconciliation of Total Assets to Capital Employed  
Non-GAAP Financial Measures -  
Reconciliations  
(1)  
Calculated  
using  
the  
Company's  
adjusted  
effective  
tax  
rate

33%  
 for  
 2013,  
 34%  
 for  
 2012  
 and  
 33%  
 for  
 2011.

The  
 Company's  
 adjusted  
 effective  
 tax  
 rate  
 reflects  
 the  
 impact  
 of  
 the  
 items  
 affecting  
 comparability on the Company's Income from continuing operations as set forth as set forth below.

2013  
 2012  
 2011

Actual  
 Adjustments  
 As Adjusted

Actual  
 Adjustments  
 As Adjusted

Actual  
 Adjustments  
 As Adjusted  
 Income from continuing  
 operations before  
 income taxes

5,303  
     39  
     5,264  
 4,448  
     (335)  
 4,783  
 4,359

(201)  
 4,560  
 Income tax provision  
 (1,749)  
 (34) (1,715)

(1,526)  
 100  
 (1,626)  
 (1,477)  
 43  
 (1,520)

Effective Tax rate

33%  
 87%  
 33%  
 34%  
 30%  
 34%  
 34%  
 21%

33%  
 Year Ended December

31,  
 2013  
 2012  
 2011  
 2010

Total Assets

\$  
 67,994  
 \$  
 68,089  
 \$  
 67,801  
 \$  
 66,732

Less:

Deferred tax assets

(447)  
 (474  
 )  
 (663  
 )  
 (581)

Total current liabilities of continuing  
 operations less debt due within one year

(8,317)  
 (9,050)  
 (8,899)

)  
 (8,800  
 )  
 Excess cash  
 (3)  
 (362)  
 (1,341)  
 (1,976  
 )  
 (2,163)  
 Capital employed  
 58,868  
 57,224  
 56,263  
 55,188  
 Less Purchase Price Adjustments  
 (34,888)  
 (35,060)  
 (35,292)  
 (35,528)  
 Capital employed excluding PPA  
 \$  
 23,980  
 \$  
 22,164  
 \$  
 20,971  
 \$  
 19,660  
 Average Capital Employed  
 (5)  
 \$  
 58,046  
 \$  
 56,744  
 \$  
 55,726  
 Average Capital Employed excluding PPA  
 (5)  
 \$  
 23,072  
 \$  
 21,568  
 \$  
 20,316  
 ROIC  
 (6)  
 8%  
 7%  
 7%

ROIC excluding PPA

(6)

19%

19%

20%

(4)

A-6  
Non-GAAP Financial Measures -  
Reconciliations  
Year  
Ended  
December  
31,  
2013  
2012  
2011  
Items Affecting Comparability  
Asset impairments  
\$

(140)  
\$  
(186)  
\$  
(44)  
Gains on operating assets, net  
142  
9  
7  
Other  
operating  
income  
items  
(a)  
4  
(31)  
(22)  
Gains (losses) on investments  
61  
(30)  
(136)  
Other  
Amounts related to separation of Time Warner Cable Inc.  
3  
4  
(5)  
Amounts related to separation of Warner Music Group  
(1)  
(7)

Items affecting comparability relating to equity method investments  
(30)  
(94)  
(1)  
Total other  
(28)  
(97)  
(6)  
Total of above items affecting comparability  
39  
(335)  
(201)  
Income  
tax  
impact  
of  
above  
items  
(b)  
(34)



100

43

Impact of items affecting comparability on income attributable to Time Warner Inc. shareholders

\$

5

\$

(235)

\$

(158)

(a)

For 2013 and 2012, the definition of Other operating income items includes gains and losses recognized in connection with per settlements; external costs related to mergers, acquisitions or dispositions; and amounts related to securities litigation and gove operating income items includes external costs related to mergers, acquisitions or dispositions; and amounts related to securities

(b)

For the year ended December 31, 2012, includes \$42 million that reflects the reversal of a valuation allowance related to the us 2013 sale of the Company s investment in a joint venture in Japan. The sale of such investment closed in the first quarter of 2

(2)

Net operating profit after taxes ( NOPAT ) represents the Adjusted Operating Income before amortization expense, net of tax (loss), net of taxes

from

investments

accounted

for

under

the

equity

method

adjusted

for

the

Company s

share

of

items

affecting

comparability

relating

to

such

equity

method

investments.

(3)

Excess cash represents the amount of cash in excess of \$1.5 billion.

(4)

Purchase Price Adjustments ( PPA ) reflect the net outstanding goodwill and intangible assets recognized in connection with America Online,

Inc.

(now

known  
as  
Historic  
AOL  
LLC)  
in  
2001  
and  
the  
restructuring  
of  
Time  
Warner  
Entertainment  
Company,  
L.P.  
in  
2003.

(5)  
Average Capital Employed and Average Capital Employed excluding PPA are calculated using the respective amounts at Decem

(6)  
Return  
on  
Invested  
Capital  
( ROIC )

is  
calculated  
as  
NOPAT  
divided  
by  
Average  
Capital  
Employed  
and  
ROIC  
excluding  
PPA

is  
calculated  
as  
NOPAT  
divided  
by  
Average  
Capital  
Employed  
excluding  
PPA.