

TIME WARNER INC.
Form DEFA14A
May 15, 2015

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
(Amendment No.)

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:

(5) Total fee paid:

Fee paid previously with preliminary materials.

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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 meetings with shareholders. The attached Proxy Statement Summary is intended to facilitate discussions at those meetings and presents information regarding Time Warner's businesses, performance, executive compensation programs, and governance practices taken from Time Warner's 2015 Proxy Statement.

2015 Proxy Statement Summary
May 2015

Overview

Clear Strategy

Strong Governance

Practices

Use leading scale and brands to create the best content

Use technology to enhance consumer experience, drive usage and improve Company economics

Expand internationally in faster-growing territories

Focus on operating and capital efficiency

Compensation Program

Closely Aligned With

Performance

Substantial emphasis on variable performance-based compensation (93% of target compensation for CEO)

Balanced mix of short-

and long-term performance measures that drive shareholder value
Challenging financial and strategic goals set at the beginning of each performance period
89.5% of votes cast at the 2014 Annual Meeting of Shareholders were in favor of named executive officer
compensation
Focused Business
Independent
Board
with
director
experience
in:
media,
technology,
consumer-facing
businesses;
creating
or managing large enterprises; and making complex strategic, financial and operational decisions
Policy on Board refreshment promotes good mix of Board tenure
Robust annual Board self-evaluation and ongoing director education
Long-standing
practice
of
ongoing
dialogue
with
shareholders;
engaged
with
shareholders
representing
almost 55% of shares in 2014
History of Strong
Financial Performance
Streamlined company and operations to focus on high quality branded video content
Completed
transition
in
senior
leadership,
with
new
CEOs
at
each
of
the
Company's
three
operating
divisions and a new CFO

Adjusted
EPS
increased
18%,
the
6th
consecutive
year
of
at
least
high
teens
growth
Free Cash Flow of \$3.5 billion in 2014, another year of strong growth
Total
Shareholder
Return
(TSR)
of
30%
(1-YR),**162%**
(3-YR)
and
244%
(5-YR)
at
or
near
the
top
of
Company's entertainment and media peer group in each period
2

Our Operating Strategy: 2014 Highlights & Initiatives

Use technology to
enhance consumer
experience, drive
usage and improve
Company economics

Use leading
scale and
brands to create the
best content

Expand internationally
in faster-growing
territories

Turner Broadcasting System, Inc.

Expanded HBO GO to additional platforms, including Amazon Fire, PS3 and Xbox One

Launched CNNGo, connecting subscribers to CNN's news and original programming live and on demand via a variety of digital platforms

Bleacher Report ranked as the #2 digital sports destination in 2014, with approximately 40 million average monthly domestic multi-platform unique users for the year

Announced HBO NOW, an over-the-top streaming service (launched in U.S. April 2015)

Acquired non-U.S. operations of Eyeworks Group; Warner Bros. now has local production companies in 16 international territories

Announced global kids initiative between Turner and Warner Bros.

3

Home Box Office, Inc.

Warner Bros. Entertainment Inc.

TBS, TNT & Adult Swim ranked among ad-supported cable's top-10 networks in primetime among adults 18-49

Turner renewed long-term partnership with the NBA through the 2024-2025 season

Announced plans to double investment in original programming on TNT and TBS over next several years

HBO and Cinemax added a total of 2.8M domestic subscribers, the most in over 30 years

More Primetime Emmy awards than any other network for the 13th year in a row

Warner Bros. generated over \$4 billion at the global box office for the 6th year in a row; announced expanded slate of movies for 2016-2020

#1 producer of primetime series with over 60 series airing for the 2014-2015 television season

History of Strong Financial Performance*

Free Cash Flow (\$B)

Return on Invested Capital

Adjusted Operating Income (\$B)

Adjusted EPS

1-YR Growth: 18.2%

3-YR CAGR: 18.2%

4

*

On

June

6,

2014,

the
Company
completed
the
legal
and
structural
separation
of
Time
Inc.
from
the
Company
(the
Time
Separation).
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 for all periods presented.
See

Appendix
A
for
definitions
of
non-GAAP
financial
measures
and
reconciliations
to
the
most
directly
comparable
GAAP
financial
measures.

\$4.3
\$4.9
\$5.3

\$5.7
\$6.2
\$5.8
\$0.9
2009
2010
2011
2012
2013
2014

Adjusted Operating Income

Q314/Q414 Programming charges at Turner and restructuring & severance charges

\$1.69
\$2.14
\$2.51
\$2.94
\$3.51
\$4.15
2009
2010
2011
2012
2013
2014
\$2.6
\$2.2
\$2.2
\$2.5
\$3.1
\$3.5
2009
2010
2011
2012
2013
2014
20%
21%
22%
2012
2013
2014

Commitment to Shareholder Value

5
Committed to providing direct returns to shareholders through repurchases and dividends (\$B)
\$26.3B
cumulative
returns
2009

2014
\$2.1
\$3.0
\$5.6
\$4.3

\$4.8

1-YR

3-YR

5-YR

30%

14%

163%

75%

244%

105%

\$6.6

\$1.2

\$2.0

\$4.6

\$3.3

\$3.7

\$5.5

\$0.9

\$1.0

\$1.0

\$1.0

\$1.1

\$1.1

2009

2010

2011

2012

2013

2014

Delivered 1-year, 3-year and 5-year TSR more than double the S&P 500's TSR over the same time periods

Share Repurchases

Dividends

S&P 500

Time Warner

Compensation Mix that Links Pay to Performance

Chairman / CEO Pay*

Pay for Other NEOs*

93% Variable

80% Variable

6

* The percentages in the charts reflect the base salary, target annual bonus and target annual value of long-term incentive awards, excluding matching contributions in retirement programs or personal benefits, which constitute less than 3% of each NEO's 2014 direct

Base

Salary

7%

Annual

Cash

Bonus
36%
PSUs &
Stock
Options
57%
Base
Salary
20%
Annual
Cash
Bonus
40%
PSUs &
Stock
Options
26%
RSUs
14%

Performance Metrics Align With Our Business Model
Incentive
Component
Time
Horizon
Performance
Measure
Performed
Delivered
2014 Outcome Linked to
Performance
Annual Cash
Bonus

1-year
Adj. Divisional Pre-Tax Income
(ADPTI)
70%
10% ADPTI growth in 2014
143% financial
performance rating
(maximum
150%)
Free Cash Flow
\$3.5B of Free Cash Flow
Individual progress on key long-
term strategic objectives
30%
Individual performance
achievements described on
pages 60-61 of the 2015
proxy statement
Individual performance
ratings ranged from
140% to 150%
(maximum
150%)
PSUs with a
Performance
Period Ending in
2014
3-year
Cumulative Adj. EPS
Double-digit annual growth
193% Adj. EPS rating
TSR modifier at 120%
Payout capped at 200%
TSR relative to the S&P 500
171% TSR at 91 percentile
Stock Options
4-year
vesting
period
TWX common stock price
2014 increase
28%
3-year increase
147%
5-year increase
206%
Long-term stock price
performance determines
value realized
7

1
For
PSUs,
Company
and
S&P
500
TSR
is
calculated
using
the
average
closing
price
for
the
30
trading
days
ending
on
the
first
and
last
days
of
the
performance
period.
1
st

More Challenging Financial Goals in 2014

8

Financial goals set for 2014 bonuses were even more challenging than the 2013 goals

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

1

2013 Goals adjusted to reflect Time Separation; see the 2015 proxy statement for additional information.

Adjusted Divisional Pre-Tax Income Growth

Required for 150% Growth Rating

Free Cash Flow (\$B)

Required for 150% Growth Rating

9%

11%

2013

2014

\$2.8

\$3.4

2013

2014

1

1

Compensation Decisions in 2014 and Early 2015

Compensation Committee reviewed enterprise-wide incentive programs

Conducted to ensure incentive programs continue to meet the following key objectives:

- o Support long-term financial and strategic performance expectations

- o Appropriately reflect competitive peer practices

Compensation Program Review

Employment Agreement Renewals

Renewed
employment
agreements
with

all
NEOs

other
than
the
CEO

in
2014
and
early
2015

o
Secured benefit of executives
continued service

o
Recognized their strong ongoing performance

o
Majority of compensation increase provided via long-term (equity) compensation to enhance shareholder
alignment

o
Continue to reflect best practices (*e.g.*, no gross-ups)

9
o
Identified opportunities to increase alignment with shareholder interests and more effectively support
Company's long-term goals via greater emphasis on equity compensation

Concluded
programs
are
generally
well-structured
and
aligned
with
peer
practices

Best Practices in Compensation Governance
Pay-for-Performance
Multiple Performance Metrics and Time
Horizons
Share Ownership and Retention
Requirements
Regular Engagement with Shareholders
Limited Personal Benefits
Policy Limiting Equity Dilution
Annual Compensation-Related Risk
Review
Clawback Policy
Independent Compensation Consultant

10

What We Do

What We Don't Do

No Targeting Specific Percentiles

No Guaranteed Bonuses

No Excise Tax Gross-Ups

No Change in Control Agreements

No Tax Gross-Ups for Personal Benefits

No Repricing or Buyouts of Stock

Options

No Hedging or Pledging by Executives

No Excessive Overhang

Limits on Pension Credits and

Calculations

Strong Governance Practices

Board

Independence:

All

directors,

other

than

the

CEO,

are

independent

and

each

Board
committee
consists
solely
of
independent directors

Director
Qualifications:

Diverse
skills
and
broad,
relevant
experience;
annual
self-evaluation
process
and
robust
ongoing director education program

Board
Refreshment

Policy:
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; non-employee directors will not be eligible for nomination for a term during which they will reach age 75

Board
Leadership
Policy
with
Lead
Independent
Director
Currently

in
Place:
Role

involves
significant
authority
and responsibilities, including authority over meeting agendas; Board Leadership Policy requires consideration of Board
leadership
at
least
annually,
with
disclosure
to
shareholders
on
factors
reviewed
(see
2015
report
posted
at
www.timewarner.com/leadership)

Strong Shareholder Rights in Place:

All directors elected annually; majority vote standard in uncontested director
elections; no supermajority vote provisions in charter or by-laws; right of shareholders holding 15% of shares to request
a special meeting

Long
History
of
Shareholder
Engagement:
Engaged
with
shareholders
representing
almost
55%
of
common
stock
in
2014
11

12

Highly Experienced and Diverse Board of Directors

Key Skills and Qualifications

Application of Key Skills and Qualifications

Leadership and Senior Management

Support development, implementation and oversight of execution of business plans and strategies; ability to identify and develop leadership qualities in others

Media, Communications or Technology

Business

Understanding of Company's business, strategy and long-range plans; insights regarding new technologies and business models

Finance, Investments, Banking or M&A

Understanding and evaluation of Company's capital structure, financing / investment activities and financial statements; provide relevant perspectives and support for strategic decisions in an increasingly complex business environment

Consumer-Focused Business

Insights regarding the marketing and distribution of content to consumers worldwide

Legal, Regulatory and Government Relations

Insight into working constructively with governments around the world and addressing public policy matters

International Operations/Global Economic Policy

Provide useful business and cultural perspectives regarding international operations

The Board is comprised of directors who possess deep experience in all key areas that are important to our business

13
First
major
U.S.-based
media
and
entertainment
company
to
publish
comprehensive
CSR
report

most

recent

report

available online (www.timewarner.com/citizenship)

Content creation and distribution guided by core values: journalistic integrity, freedom of expression, diversity of viewpoints and responsible content

o

One of the first companies to adopt a policy regarding tobacco depictions in films

o

From

the

adoption

of

our

policy

in

2005

through

2014,

there

were

no

depictions

in

our

G-rated

films

and

a

95%

reduction of such depictions in our PG and PG-13-rated films

Commitment

to

conduct

business

in

an

environmentally

responsible

manner

while

reducing

environmental

footprint,

focusing

on

four

key

areas:

energy
and
greenhouse
gas
reduction;
green
production
of
feature
film
and
television;

waste reduction and recycling; green buildings

o
Reduced greenhouse gas emissions over the last several years

o
Report emissions and reductions annually

Existing practices and policies already address tobacco depictions in films and the reduction of greenhouse gas emissions

Commitment to Social Responsibility

Time Warner has a clear commitment and robust disclosure on environmental and social matters

and
the
Board
recommends

a
vote
AGAINST
proposals

#5
and
#6

14
Written
Consent
is
Not
in
Shareholders
Best
Interest
No Procedural Protections
o

The proposal does not require any information to be provided to shareholders prior to the consent becoming effective, such as a description of the proposed action, the reasons for the proposed action and any potential

conflicts of interest of the shareholder(s) seeking the action

Meetings Better Protect Rights of All Shareholders

o

Shareholder meetings are a better method to present important matters for consideration by shareholders

Shareholders Have Rights and Protections that Reduce the Need for Written Consent Rights

o

Shareholders elect directors annually by majority vote in uncontested director elections, and any incumbent director who does not receive a majority of the votes cast for his or her election is required to offer to resign from the Board

o

Holders of 15% of the outstanding common stock may request a special meeting of shareholders

o

Shareholders may submit proposals for presentation at an annual meeting (including nominations of director candidates)

o

Shareholders may communicate directly with any director (including the Lead Independent Director), any Board committee or the full Board

o

The Board consists of a substantial majority of independent directors

all directors other than the Company's CEO. The Board recommends

a vote AGAINST proposal

#4

Non-GAAP
Financial
Measures

-

Definitions

A-16

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, 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 the foreign currency loss during 2014, related to the translation of net income denominated in Venezuelan currency resulting from the Company's change to begin using the SICAD 2 exchange rate.

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 with the following items excluded from Income from Continuing Operations attributable to Time Warner Inc. common shareholders: noncash impairments of goodwill, intangible and fixed assets and investments; gains and losses on operating assets (other than deferred gains on sale-leasebacks), liabilities and investments; gains and losses recognized in connection with pension and other postretirement 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 invest
foreign
currency
loss
during
2014,
related
to
the
translation
of
net
monetary
assets
denominated
in
Venezuelan
currency
resulting
from
the
Company's
change
to
begin
using
the
SICAD
2
exchange
rate;
and
amounts
attributable
to
businesses
classified
as
discontinued
operations;
as
well as the impact of taxes and noncontrolling interests on the above items and the Company's share of the above items with r

method investments.

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 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 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

mergers, acquisitions, investments or dispositions, to the extent such costs are expensed, and excess tax benefits from equity in 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 no effect on the reported Free Cash Flow for such periods.

On June 6, 2014, the Company completed the legal and structural separation of Time Inc. from the Company. Accordingly, the 2012 and 2013 financial information presented in this Appendix has been recast to present the financial position and results of the Company's former Time Inc. segment as discontinued operations.

Non-GAAP
Financial
Measures

-

Reconciliations

A-17

Reconciliation of Adjusted Operating Income to Operating Income

(In millions; Unaudited)

Reconciliation of Adjusted EPS to Diluted Income Per Common Share from Continuing Operations Attributable to Time Warner

Common Shareholders

(Unaudited)

Year Ended December 31,

2014

2013

2012

2011

2010

2009

(recast)

(recast)

(recast)

(recast)

(recast)

Adjusted Operating Income

\$

5,833

\$

6,195

\$

5,663

\$

5,284

\$

4,874

\$

4,339

Asset impairments

(69)

(61)

(180)

(27)

(9)

(52)

Gain (loss) on operating assets, net

464

129

45

7

70

(33)

Venezuelan foreign currency loss

(1)

(173)

Other

(2)

(80)

5

(30)

(22)
(22)
(30)
Operating Income
\$
5,975
\$
6,268
\$
5,498
\$
5,242
\$
4,913
\$
4,224
Year Ended December 31,
2014
2013
2012
2011
2010
2009
(recast)
(recast)
(recast)
(recast)
(recast)
Diluted income per common share from continuing operations attributable
to Time Warner Inc. Common Shareholders
\$
4.41
\$
3.56
\$
2.73
\$
2.37
\$
1.99
\$
1.63
Less Impact of items affecting comparability on diluted income per
common share from continuing operations attributable to Time Warner
Inc. Common Shareholders
0.26
0.05
(0.21)
(0.14)
(0.15)

(0.06)

Adjusted EPS

\$

4.15

\$

3.51

\$

2.94

\$

2.51

\$

2.14

\$

1.69

(1)

Venezuelan foreign currency loss during the year ended December 31, 2014 related to the translation of net monetary assets denominated in Venezuelan bolivars from the Company's change to begin using the SICAD 2 exchange rate.

(2)

For 2014, 2013 and 2012, the definition of Other includes gains and losses recognized in connection with pension and other postretirement benefit plan settlements; external costs related to mergers, acquisitions or dispositions; and amounts related to securities litigation and government investigations.

Other

includes

external

costs

related

to

mergers,

acquisitions

or

dispositions;

and

amounts

related

to

securities

litigation

and

government

investigations.

There

were

no

pension

and

other

postretirement

benefit

plan

curtailments

or
settlements
in
2011.
For
2010
and
2009,
the
definition
of
Other
includes
only
amounts
related
to
securities
litigation
and government investigations.

Non-GAAP
Financial
Measures

-

Reconciliations

A-18

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

(In millions; Unaudited)

Year Ended December 31,

2014

2013

2012

2011

2010

2009

(recast)

(recast)

(recast)

(recast)

(recast)

Cash provided by operations from continuing operations

\$

3,681

\$

3,258

\$

2,987

\$

2,939

\$

2,778

\$

3,033

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

76

231

32

14

21

Add excess tax benefits from equity instruments

179

179

83

22

7

1
Less capital expenditures
(474)
(568)
(609)
(724)
(582)
(489)
Less principal payments on capital leases
(11)
(9)
(11)
(12)
(14)
(18)
Free Cash Flow
\$
3,451
\$
3,091
\$
2,485
\$
2,247
\$
2,211
\$
2,578

Non-GAAP
Financial
Measures

-

Reconciliations

A-19

Reconciliation of Return on Invested Capital (ROIC)

(In millions; Unaudited)

Reconciliation

of

Operating

Income

to

Net
 Operating
 Profit
 After
 Taxes
 (NOPAT)
 Year Ended December 31,
 2014
 2013
 2012
 (recast)
 (recast)
 Operating Income
 \$
 5,975
 \$
 6,268
 \$
 5,498
 Asset impairments
 69
 61
 180
 Gain on operating assets, net
 (464
)
 (129)
 (45)
 Venezuelan foreign currency loss
 (1)
 173

 Other operating income items
 80
 (5)
 30
 Adjusted Operating Income
 5,833
 6,195
 5,663
 Add Amortization expense
 202
 209
 212
 Adjusted Operating Income before amortization expense
 6,035
 6,404
 5,875
 Less Income taxes

(2)
(1,267
)
(2,049
)
(1,998
)
Add equity loss, net of taxes
(153
)
(150
)
(180
)
Adjust for items affecting comparability relating to equity method investments
97
30
94
NOPAT
(3)
\$
4,712
\$
4,235
\$
3,791

Non-GAAP
Financial
Measures

-

Reconciliations

A-20

Reconciliation of Total Assets to Capital Employed

Year Ended December 31,

2014

2013

2012

2011

(recast)

(recast)

(recast)

Total Assets

\$

63,259

\$

67,999

\$

68,095

\$

67,811

Less:

Deferred tax assets

(184)

(369)

(384)

(563)

Assets related to Discontinued Operations

(5,746)

(5,943)

(6,157)

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

(8,086)

(7,296)

(8,059)

(7,825)

Excess cash

(4)

(1,118)

(316)

(1,260)

(1,881)

Capital employed

53,871

54,272

52,449

51,385

Less Purchase Price Adjustments

(5)

(32,894)

(33,049)

(33,194)

(33,403)

Capital employed excluding PPA

\$

20,977

\$

21,223

\$
19,255
\$
17,982
Average Capital Employed
(6)
\$
54,072
\$
53,361
\$
51,917
Average Capital Employed excluding PPA
(6)
\$
21,100
\$
20,239
\$
18,619
ROIC
(7)
9%
8%
7%
ROIC excluding PPA
(7)
22%
21%
20%
2014
2013
2012
Actual
Adjustments
As
Adjusted
Actual
Adjustments
As
Adjusted
Actual
Adjustments
As
Adjusted
(recast)
(recast)
(recast)
(recast)
(recast)

(recast)

Income from continuing
operations before
income taxes

4,679

69

4,610

4,968

106

4,862

4,033

(292)

4,325

Income tax provision

(785)

165

(950)

(1,614)

(59)

(1,555)

(1,370)

86

(1,456)

Effective Tax rate

17%

-239%

21%

32%

56%

32%

34%

29%

34%

(1)

Venezuelan foreign currency loss during 2014 related to the translation of net monetary assets denominated in Venezuelan currency beginning using the SICAD 2 exchange rate.

(2)

Calculated

using

the

Company's

adjusted

effective

tax

rate

21%

for

2014,

32%

for
2013
and
34%
for
2012.
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
below.

Non-GAAP
Financial
Measures

-

Reconciliations

A-21

(3)

Net operating profit after taxes (NOPAT) represents the Adjusted Operating Income before amortization expense, net of tax plus the equity income (loss), net of taxes from investments accounted for under the equity method adjusted for the Company relating to such equity method investments.

(4)

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

(5)

Purchase Price Adjustments (PPA) reflect the net outstanding goodwill and intangible assets recognized in connection with Historic TW Inc.) with America Online, Inc. (now known as Historic AOL LLC) in 2001 and the restructuring of Time Warner (6)

Average Capital Employed and Average Capital Employed excluding PPA are calculated using the respective amounts at December 31, 2014 and 2013, respectively, divided by two.

Year Ended December 31,

2014

2013

2012

(recast)

(recast)

Items Affecting Comparability

Asset impairments

\$

(69)

\$

(61)

\$

(180)

Gain on operating assets, net

464

129

45

Venezuelan

foreign

currency

loss

(a)

(173)

Other

operating

income

items

(b)

(80)

5

(30)

Gains (losses) on investments

30

61

(30)

Other

Amounts related to separation of Time Warner Cable Inc.

(11)

3

4

Amounts related to disposition of Warner Music Group

2

(1)

(7)

Amounts related to separation of Time Inc.

3

Items affecting comparability relating to equity method investments

(97)

(30)

(94)

Total other

(103)

(28)

(97)

Total of above items affecting comparability

69

106

(292)

Income

tax

impact

of

above

items

(c)

165

(59)

86

Impact of items affecting comparability on income from continuing operations

attributable to Time Warner Inc. shareholders

\$

234

\$

47

\$

(206)

(a)

Venezuelan foreign currency loss during 2014 related to the translation of net monetary assets denominated in Venezuelan currency. Company's change to begin using the SICAD 2 exchange rate.

(b)

Other operating income items includes gains and losses recognized in connection with pension and other postretirement benefit settlements; external costs related to mergers, acquisitions or dispositions; and amounts related to securities litigation and government

(c)

For the year ended December 31, 2014, the gain on the sale and leaseback of Time Warner Center was offset by the utilization

(7)

Return on Invested Capital (ROIC) is calculated as NOPAT divided by Average Capital Employed and ROIC excluding PPA. Capital Employed excluding PPA.