

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):

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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 pres

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)

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](http://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](http://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

Appendix A: Non-GAAP Financial Measures  
A-15

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 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.

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.