

TIME WARNER CABLE INC.
Form 10-Q
October 30, 2014
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

☐ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2014 or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 001-33335

TIME WARNER CABLE INC.

(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

84-1496755
*(I.R.S. Employer
Identification No.)*

60 Columbus Circle

New York, New York 10023

(Address of principal executive offices) (Zip Code)

(212) 364-8200

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Description of Class	Shares Outstanding as of October 28, 2014
Common Stock \$0.01 par value	280,494,496

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

INTRODUCTION

Management's discussion and analysis of results of operations and financial condition (MD&A) is a supplement to the accompanying consolidated financial statements and provides additional information on Time Warner Cable Inc.'s (together with its subsidiaries, TWC or the Company) business, any recent developments, financial condition, cash flows and results of operations. MD&A is organized as follows:

Overview. This section provides a general description of TWC's business, as well as any recent developments the Company believes are important in understanding the results of operations and financial condition or in understanding anticipated future trends. This section also provides a summary of how the Company's operations are presented in the accompanying consolidated financial statements.

Results of operations. This section provides an analysis of the Company's results of operations for the three and nine months ended September 30, 2014. This analysis is presented on both a consolidated and reportable segment basis.

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

Caution concerning forward-looking statements. This section provides a description of the use of forward-looking information appearing in this report, including in MD&A and the consolidated financial statements. Such information is based on management's current expectations about future events, which are subject to uncertainty and changes in circumstances. Refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2013 (the 2013 Form 10-K) for a discussion of the risk factors applicable to the Company.

OVERVIEW

TWC is among the largest providers of video, high-speed data and voice services in the U.S., with technologically advanced, well-clustered cable systems located mainly in five geographic areas—New York State (including New York City), the Carolinas, the Midwest (including Ohio, Kentucky and Wisconsin), Southern California (including Los Angeles) and Texas. TWC's mission is to connect its customers to the world simply, reliably and with superior service. As of September 30, 2014, TWC served approximately 15.1 million customers who subscribed to one or more of its video, high-speed data and voice services. During the nine months ended September 30, 2014, TWC's revenue increased 2.9% to approximately \$17.0 billion.

Comcast Merger

On February 12, 2014, the Company entered into an Agreement and Plan of Merger (the Agreement) with Comcast Corporation (Comcast) whereby the Company agreed to merge with and into a 100% owned subsidiary of Comcast (the Comcast merger). Upon completion of the Comcast merger, all of the outstanding shares of the Company will be cancelled and each issued and outstanding share will be converted into the right to receive 2.875 shares of Class A common stock of Comcast. At their special meetings on October 8, 2014 and October 9, 2014, respectively, Comcast s shareholders approved the issuance of Comcast Class A common stock to TWC stockholders in the Comcast merger and TWC stockholders approved the adoption of the Agreement. TWC and Comcast expect to complete the Comcast merger in early 2015, subject to receipt of regulatory approvals, as well as satisfaction of certain other closing conditions.

On April 25, 2014, Comcast entered into a binding agreement with Charter Communications, Inc., (Charter), which contemplates three transactions (the divestiture transactions): (1) a contribution, spin-off and merger transaction, (2) an asset exchange and (3) a sale of assets. The completion of the divestiture transactions will result in the combined company divesting a net total of approximately 3.9 million video subscribers, a portion of which are TWC subscribers (primarily in the Midwest). The divestiture transactions are expected to occur contemporaneously with one another and are conditioned upon and will occur following the closing of the Comcast merger. They are also subject to a number of other conditions. The Comcast merger is not conditioned upon the closing of the divestiture transactions and, accordingly, the Comcast merger can be completed regardless of whether the divestiture transactions are ultimately completed.

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OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Reportable Segments

Effective in the first quarter of 2014, the Company determined it has three reportable segments: Residential Services, Business Services and Other Operations. The Company's reportable segments have been determined based on how management evaluates and manages the business. The Company has recast its financial information and disclosures for the prior periods to reflect the segment disclosures as if the current presentation had been in effect throughout all periods presented. For additional information about the components of each of the Company's reportable segments, as well as shared functions, refer to Financial Statement Presentation Reportable Segments, below.

Residential Services Segment

TWC offers video, high-speed data and voice services, as well as security and home management services, to residential customers. As of September 30, 2014, the Company served 14.5 million residential services customers and, during the nine months ended September 30, 2014, TWC generated approximately \$13.8 billion of revenue from the provision of residential services, which represented 81.3% of TWC's total revenue.

TWC's video service provides over 300 channels (including, on average, 200 high-definition (HD) channels) and 28,000 hours of video-on-demand programming, which, increasingly, consumers can watch on the device of their choosing, both inside and outside the home. TWC's high-speed data service is available in a range of speed (from up to 2 to 300 megabits per second (Mbps) downstream), price and consumption (unlimited, 30 gigabyte (GB) and 5 GB) levels and, for most high-speed data customers, includes access to a nationwide network of more than 250,000 Cable WiFi hotspots along with communications and Internet security features. TWC's voice service provides unlimited calling to the U.S., Canada, Puerto Rico and Mexico and access to popular features in one simple package. TWC's IntelligentHome service provides state-of-the-art security and home management technology, taking advantage of TWC's always-on broadband network and around-the-clock security monitoring centers.

Residential Services revenue has benefited from increases in the number of high-speed data subscribers and growth in revenue per residential customer relationship (the latter due to an increasing percentage of subscribers purchasing more advanced, higher-priced tiers of service and increases in prices and high-speed data equipment rental charges), offset by losses in residential video subscribers.

Residential Services programming costs represent a significant portion of the Company's operating costs and expenses and are expected to continue to increase, reflecting rate increases on existing programming services and the carriage of new networks, partially offset by a decline in total video subscribers. TWC expects that its programming costs as a percentage of video revenue will continue to increase, in part due to an increasingly competitive environment.

Business Services Segment

TWC offers a wide range of business high-speed data, networking, voice, video, hosting and cloud computing services. As of September 30, 2014, TWC served 674,000 business customers, including small and medium

businesses; large enterprises; government, education and non-profit institutions; and telecommunications carriers. TWC offers business services at retail and wholesale using its own network infrastructure and third-party infrastructure as required to meet customer needs.

During the nine months ended September 30, 2014, revenue from the provision of business services increased 22.8% to \$2.1 billion, which represented 12.2% of TWC's total revenue. The Company expects continued strong growth in Business Services revenue driven by an increase in the number of customers (the result of continued penetration of buildings currently on its network and investment to connect new buildings to its network) and revenue per customer (due to growing product penetration, demand for higher-priced tiers of service and price increases). Given the large opportunity and TWC's still modest share in business services, the Company has established a target of growing Business Services to exceed \$5 billion in annual revenue by 2018.

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OF OPERATIONS AND FINANCIAL CONDITION (Continued)

On December 31, 2013, TWC completed its acquisition of DukeNet Communications, LLC (DukeNet), a regional fiber optic network company that provides data and high-capacity bandwidth services to wireless carrier, data center, government and enterprise customers in North Carolina and South Carolina, as well as five other states in the Southeast. Beginning in 2014, the results of DukeNet, which generated revenue of \$87 million for the nine months ended September 30, 2014, are included in the Business Services segment.

Other Operations Segment

TWC's Other Operations segment principally consists of (i) Time Warner Cable Media (TWC Media), the advertising sales arm of TWC; (ii) the Company's regional sports networks that carry Los Angeles Lakers basketball games and other sports programming (Time Warner Cable SportsNet and Time Warner Cable Deportes and, collectively, the Lakers RSNs); (iii) the Company's local sports, news and lifestyle channels (e.g., Time Warner Cable News NY1); (iv) other operating revenue and costs, including those derived from the Advance/Newhouse Partnership and home shopping network-related services; and (v) beginning in 2014, operating revenue and costs associated with SportsNet LA, discussed below. During the nine months ended September 30, 2014, TWC generated revenue from Other Operations of \$1.3 billion.

As discussed further below in Financial Statement Presentation, TWC Media sells video and online advertising inventory to local, regional and national advertising customers and also sells advertising inventory on behalf of other video distributors, including, among others, Verizon Communications Inc.'s (Verizon) FiOS, AT&T Inc.'s (AT&T U-verse and Charter. Advertising revenue generated by TWC Media is cyclical, benefiting in years that include political elections as a result of political candidate and issue-related advertising.

On February 25, 2014, American Media Productions, LLC (American Media Productions), an unaffiliated third party, launched SportsNet LA, a regional sports network carrying the Los Angeles Dodgers baseball games and other sports programming. In accordance with long-term agreements with American Media Productions, TWC acts as the network's exclusive advertising and affiliate sales agent and has certain branding and programming rights with respect to the network. In addition, TWC provides certain production and technical services to American Media Productions. As a result of the launch of SportsNet LA, related revenue, including intersegment revenue, and expenses are included in the Company's Other Operations segment.

Competition

The operations of each of TWC's reportable segments face intense competition, both from existing competitors and, as a result of the rapid development of new technologies, services and products, from new entrants.

Residential Services Segment

TWC faces intense competition for residential customers from a variety of alternative communications, information and entertainment delivery sources. TWC competes with incumbent local telephone companies and overbuilders

across each of its residential services. Some of these competitors offer a broad range of services with features and functions comparable to those provided by TWC and in bundles similar to those offered by TWC, sometimes including wireless service. Each of TWC's residential services also faces competition from other companies that provide services on a stand-alone basis. TWC's residential video service faces competition from direct broadcast satellite services, and increasingly from companies that deliver content to consumers over the Internet. TWC's residential high-speed data and voice services face competition from wireless Internet and voice providers. TWC's residential voice service also faces competition from over-the-top phone services and other alternatives.

Business Services Segment

TWC faces significant competition as to each of its business services offerings. Its business high-speed data, networking and voice services face competition from a variety of telecommunication carriers, including incumbent local telephone companies. TWC's cell tower backhaul service also faces competition from traditional telephone companies as well as other telecommunications carriers, such as metro and regional fiber-based carriers. TWC's business video service faces competition from direct broadcast satellite providers. TWC also competes with cloud, hosting and related service providers and application-service providers.

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Other Operations Segment

TWC faces intense competition in its advertising business across many different platforms and from a wide range of local and national competitors. Competition has increased and will likely continue to increase as new formats for advertising seek to attract the same advertisers. TWC competes for advertising revenue against, among others, local broadcast stations, national cable and broadcast networks, radio, newspapers, magazines and outdoor advertisers, as well as online advertising companies.

Recent Developments

Common Stock Repurchase Program

As a result of the Company's entry into the merger agreement with Comcast, the Company's common stock repurchase program (the "Stock Repurchase Program") was suspended on February 13, 2014. From the inception of the Stock Repurchase Program in the fourth quarter of 2010 through February 12, 2014, the Company repurchased 92.9 million shares of TWC common stock at an average price of \$83.37 per share, or \$7.744 billion in total. As of September 30, 2014, the Company had \$2.723 billion remaining under the Stock Repurchase Program authorization.

Financial Statement Presentation

Basis of Presentation

Changes in Basis of Presentation

Effective in the first quarter of 2014, the Company determined it has three reportable segments. The Company has recast its financial information and disclosures for the prior periods to reflect the segment disclosures as if the current presentation had been in effect throughout all periods presented. Refer to Note 11 to the accompanying consolidated financial statements for further information regarding the Company's segment information.

Additionally, during the first quarter of 2014, the Company revised its categorization of operating costs and expenses to be consistent with how such costs and expenses are presented to management and to provide a more meaningful presentation. The Company has recast the accompanying consolidated financial statements, financial information and disclosures of operating costs and expenses for the prior periods to reflect the new categorization, which had no impact on total operating costs and expenses, Operating Income or net income attributable to TWC shareholders for any period presented. The Company's consolidated operating costs and expenses are presented in the following categories: (i) programming and content, (ii) sales and marketing, (iii) technical operations, (iv) customer care and (v) other operating costs.

Reclassifications

As discussed above, certain reclassifications have been made to the prior period financial information presented herein to conform to the current year presentation.

Consolidated

Revenue. The Company generates revenue from each of its reportable segments: Residential Services, Business Services and Other Operations, which includes revenue generated by TWC Media, the Lakers RSNs, SportsNet LA and other operating revenue, including amounts derived from the Advance/Newhouse Partnership and home shopping network-related services. Each of the reportable segments is discussed below under Reportable Segments.

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Operating costs and expenses

Programming and content. Programming and content costs include (i) video programming costs for the Residential Services and Business Services segments and (ii) content costs, which include (a) the content acquisition costs associated with the Lakers RSNs and (b) other content production costs for the Lakers RSNs and the Company's local sports, news and lifestyle channels. Beginning in 2014, programming and content costs also include the content acquisition and production costs associated with SportsNet LA. Content acquisition costs for the Los Angeles Lakers basketball games and Los Angeles Dodgers baseball games are recorded as games are exhibited over the applicable season.

Sales and marketing. Sales and marketing costs consist of the costs incurred at the Residential Services, Business Services and Other Operations segments to sell and market the Company's services. Costs primarily include employee-related and third-party marketing costs (e.g., television, online, print and radio advertising). Employee-related costs primarily include costs associated with retail centers and activities related to direct sales and retention sales.

Technical operations. Technical operations costs consist of the costs incurred at the Residential Services, Business Services and Other Operations segments associated with the installation, repair and maintenance of the Company's distribution plant. Costs primarily include employee-related costs and materials costs associated with non-capitalizable activities.

Customer care. Customer care costs consist of the costs incurred at the Residential Services and Business Services segments associated with the Company's customer service activities. Costs primarily include employee-related costs and outsourced customer care costs.

Other operating. Other operating costs consist of all other operating costs incurred at the Residential Services, Business Services and Other Operations segments that are not specifically identified above, including Residential Services and Business Services video franchise and other fees. Other operating costs also include operating costs associated with broad corporate functions (e.g., accounting and finance, information technology, executive management, legal and human resources). In addition, other operating costs include functions supporting more than one reportable segment that are centrally managed, including costs associated with facilities (e.g., rent, property taxes and utilities), network operations (e.g., employee costs associated with central engineering activities), vehicles and procurement.

Reportable Segments

The Company's segment results include intercompany transactions related to programming provided to the Residential Services and Business Services segments by the Lakers RSNs, the Company's local sports, news and lifestyle channels and, beginning in 2014, SportsNet LA. These services are reflected as programming expense for the Residential Services and Business Services segments and as revenue for the Other Operations segment and are eliminated in

consolidation. Additionally, the operating costs described above that are associated with broad corporate functions or functions supporting more than one reportable segment are recorded as shared functions and are not allocated to the reportable segments. As such, the reportable segment results reflect how management views such segments in assessing financial performance and allocating resources and are not necessarily indicative of the results of operations that each segment would have achieved had they operated as stand-alone entities during the periods presented.

Residential Services Segment

Revenue. Residential Services segment revenue consists of revenue from video, high-speed data, voice and other services offered to residential subscribers. The Company sells video, high-speed data and voice services to residential subscribers separately and in bundled packages at rates lower than if the subscriber purchases each product on an individual basis. Revenue received from subscribers to bundled packages is allocated to each product in a pro-rata manner based on the standalone selling price of each of the respective services.

Video. Video revenue includes subscriber fees for the Company's various tiers or packages of video programming services generally distinguished from one another by the number and type of programming networks they include. Video revenue also includes related equipment rental charges, installation charges and fees collected on behalf of local franchising authorities and the Federal Communications Commission (the FCC). Additionally, video

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revenue includes revenue from the sale of premium networks, transactional video-on-demand (e.g., events and movies) and digital video recorder (DVR) service.

High-speed data. High-speed data revenue primarily includes subscriber fees for the Company's high-speed data services and related equipment rental and installation charges. The Company offers multiple tiers of high-speed data services providing various service speeds, data usage levels and other attributes to meet the different needs of its subscribers. In addition, high-speed data revenue includes fees received from third-party Internet service providers (e.g., Earthlink) whose online services are provided to some of TWC's customers.

Voice. Voice revenue includes subscriber fees for the Company's voice services, along with related installation charges, as well as fees collected on behalf of governmental authorities.

Other. Other revenue includes revenue from security and home management services and other residential subscriber-related fees.

Operating costs and expenses. Residential Services segment operating costs and expenses include the operating costs and expenses that management believes are necessary to assess the performance of and allocate resources to the Residential Services segment. Such costs include programming costs, sales and marketing costs, technical operations costs, customer care costs, video franchise and other fees and other operating costs (e.g., high-speed data connectivity costs, voice network costs and bad debt expense). Employee costs directly attributable to the Residential Services segment are included within each operating cost and expense category as applicable. Operating costs and expenses exclude costs and expenses related to corporate functions and functions supporting more than one reportable segment that are centrally managed (e.g., facilities, network operations, vehicles and procurement) and are not within the control of segment management.

Business Services Segment

Revenue. Business Services segment revenue consists of revenue from video, high-speed data, voice, wholesale transport and other services offered to business customers. The Company sells video, high-speed data and voice services to business subscribers separately and in bundled packages, and the revenue is allocated to each product in a pro-rata manner based on the standalone selling price of each of the respective services.

Video. Video revenue includes the same fee categories received from business video subscribers as described above under Residential Services video revenue.

High-speed data. High-speed data revenue primarily includes subscriber fees for the Company's high-speed data services and related installation charges. High-speed data revenue also includes amounts generated by the sale of commercial networking and point-to-point transport services, such as Metro Ethernet services.

Voice. Voice revenue includes subscriber fees for the Company's voice services, along with related installation charges, as well as fees collected on behalf of governmental authorities.

Wholesale transport. Wholesale transport revenue primarily includes amounts generated by the sale of point-to-point transport services offered to wireless telephone providers (i.e., cell tower backhaul) and other telecommunications carriers.

Other. Other revenue primarily includes revenue from enterprise-class, cloud-enabled hosting, managed applications and services and other business subscriber-related fees.

Operating costs and expenses. Business Services segment operating costs and expenses include the operating costs and expenses that management believes are necessary to assess the performance of and allocate resources to the Business Services segment. Such costs are consistent with the operating costs and expense categories described above under Residential Services operating costs and expenses. Operating costs and expenses exclude costs and expenses related to corporate functions and functions supporting more than one reportable segment that are centrally managed (e.g., facilities, network operations, vehicles and procurement) and are not within the control of segment management.

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Other Operations Segment

Revenue

Advertising. Advertising revenue is generated through TWC Media's sale of video and online advertising inventory to local, regional and national advertising customers. The Company derives most of its advertising revenue from the sale of advertising inventory on cable networks owned by third parties. The rights to such advertising inventory are acquired by the Company in connection with its agreements to carry such networks or through contractual agreements to sell advertising inventory on behalf of other video distributors (including, among others, Verizon's FiOS, AT&T's U-verse and Charter). The Company also generates advertising revenue from the sale of inventory on the Lakers' RSNs, the Company's local sports, news and lifestyle channels (e.g., Time Warner Cable News NY1) and, beginning in 2014, SportsNet LA.

Other. Other revenue primarily includes (i) fees received from distributors of the Lakers' RSNs; (ii) fees paid to TWC by the Advance/Newhouse Partnership for (a) the ability to distribute the Company's high-speed data service and (b) TWC's management of certain functions, including, among others, the acquisition of programming rights, as well as the provision of certain functions, including engineering; (iii) home shopping network-related revenue (including commissions earned on the sale of merchandise and carriage fees); and (iv) beginning in 2014, fees received from distributors of SportsNet LA. Other revenue also includes intercompany revenue from the Residential Services and Business Services segments for programming provided by the Lakers' RSNs, the Company's local sports, news and lifestyle channels and, beginning in 2014, SportsNet LA.

Operating costs and expenses. Other operating costs and expenses primarily include operating costs associated with TWC Media, the Lakers' RSNs and the Company's local sports, news and lifestyle channels and, beginning in 2014, SportsNet LA.

Shared Functions

Operating costs and expenses. Shared functions operating costs and expenses consist of costs associated with broad corporate functions (e.g., accounting and finance, information technology, executive management, legal and human resources) or functions supporting more than one reportable segment that are centrally managed (e.g., facilities, network operations, vehicles and procurement) as well as other activities not attributable to a reportable segment.

Merger-related and restructuring costs. All merger-related and restructuring costs incurred by the Company are recorded as shared functions.

Use of Operating Income before Depreciation and Amortization

In discussing its segment performance, the Company may use certain measures that are not calculated and presented in accordance with U.S. generally accepted accounting principles (GAAP). These measures include Operating Income before Depreciation and Amortization (OIBDA), which the Company defines as Operating Income before depreciation of tangible assets and amortization of intangible assets. For additional information regarding the use of segment OIBDA, see Note 11 to the accompanying consolidated financial statements.

Recent Accounting Standards

See Note 2 to the accompanying consolidated financial statements for recently issued accounting standards yet to be adopted.

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TIME WARNER CABLE INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS
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RESULTS OF OPERATIONS**Three and Nine Months Ended September 30, 2014 Compared to Three and Nine Months Ended September 30, 2013**

The following discussion provides an analysis of the Company's results of operations and should be read in conjunction with the accompanying consolidated statement of operations, as well as the consolidated financial statements and notes thereto and MD&A included in the 2013 Form 10-K, as recast in the Current Report on Form 8-K filed with the Securities and Exchange Commission (the "SEC") on April 24, 2014.

Consolidated Results

The consolidated financial results for the Company for the three and nine months ended September 30, 2014 and 2013 were as follows (in millions):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013 (recast)	% Change	2014	2013 (recast)	% Change
Revenue:						
Residential services	\$ 4,615	\$ 4,579	0.8%	\$ 13,845	\$ 13,822	0.2%
Business services	724	594	21.9%	2,083	1,696	22.8%
Other	375	345	8.7%	1,094	1,025	6.7%
Total revenue	5,714	5,518	3.6%	17,022	16,543	2.9%
Costs and expenses:						
Programming and content	1,326	1,210	9.6%	3,976	3,719	6.9%
Sales and marketing ^(a)	556	528	5.3%	1,655	1,497	10.6%
Technical operations ^(a)	401	394	1.8%	1,143	1,129	1.2%
Customer care ^(a)	210	191	9.9%	622	575	8.2%
Other operating ^(a)	1,167	1,190	(1.9%)	3,538	3,669	(3.6%)
Depreciation	824	790	4.3%	2,394	2,371	1.0%
Amortization	33	32	3.1%	101	95	6.3%
Merger-related and restructuring costs	46	23	100.0%	187	81	130.9%

Total costs and expenses	4,563	4,358	4.7%	13,616	13,136	3.7%
Operating Income	1,151	1,160	(0.8%)	3,406	3,407	
Interest expense, net	(353)	(379)	(6.9%)	(1,066)	(1,175)	(9.3%)
Other income, net	5		NM	28	10	180.0%
Income before income taxes	803	781	2.8%	2,368	2,242	5.6%
Income tax provision	(304)	(249)	22.1%	(891)	(828)	7.6%
Net income	499	532	(6.2%)	1,477	1,414	4.5%
Less: Net income attributable to noncontrolling interests						
			NM			NM
Net income attributable to TWC shareholders	\$ 499	\$ 532	(6.2%)	\$ 1,477	\$ 1,414	4.5%

NM Not meaningful.

(a) Amounts include total employee costs, as follows (in millions):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013 (recast)	% Change	2014	2013 (recast)	% Change
Employee costs	\$ 1,238	\$ 1,225	1.1%	\$ 3,720	\$ 3,646	2.0%

Revenue. The increase in revenue for the three and nine months ended September 30, 2014 was due to growth in revenue at all segments. Revenue by segment is discussed in greater detail below in Segment Results.

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Costs and expenses

Operating costs and expenses. The increase in operating costs and expenses for the three and nine months ended September 30, 2014 was primarily due to increases in the following, which are discussed further in Segment Results : programming costs at the Residential Services segment; content costs at the Other Operations segment; sales and marketing costs at the Residential Services and Business Services segments; customer care costs at the Residential Services segment; and costs associated with advertising inventory sold on behalf of other video distributors (ad rep agreements) at the Other Operations segment; partially offset by decreases in voice costs at the Residential Services and Business Services segments. The growth in operating costs and expenses for the three and nine months ended September 30, 2014 was reduced by a decrease in pension expense of \$31 million and \$92 million, respectively.

Depreciation. The increase in depreciation for the three and nine months ended September 30, 2014 was primarily due to growth in shorter-lived capitalized software assets and an increase associated with certain DukeNet assets (acquired on December 31, 2013), partially offset by a decrease associated with certain Insight Communications Company, Inc. (Insight) assets (acquired on February 29, 2012) that were fully depreciated as of August 2013.

Merger-related and restructuring costs. For the three and nine months ended September 30, 2014, the Company incurred merger-related costs of \$48 million and \$163 million, respectively. These costs primarily consisted of Comcast merger-related costs, which, for the three and nine months ended September 30, 2014, included employee retention costs of \$34 million and \$103 million, respectively, and advisory and legal fees of \$15 million and \$57 million, respectively. Merger-related costs for the three and nine months ended September 30, 2014 also included a \$1 million reversal and \$3 million of costs, respectively, incurred in connection with the DukeNet acquisition. During the three and nine months ended September 30, 2013, the Company incurred merger-related costs of \$2 million and \$9 million, respectively, in connection with the Insight acquisition. The Company expects to incur additional merger-related costs during the remainder of 2014 in connection with the Comcast merger.

The results for the three and nine months ended September 30, 2014 included a net \$2 million reversal and \$24 million of restructuring costs, respectively, and for the three and nine months ended September 30, 2013, restructuring costs of \$21 million and \$72 million, respectively, primarily related to employee terminations and other exit costs. The Company expects to incur additional restructuring costs during the remainder of 2014.

Operating Income. Operating Income for the three and nine months ended September 30, 2014 decreased slightly primarily due to higher operating costs and expenses, depreciation and merger-related and restructuring costs, partially offset by growth in revenue, as discussed above.

Interest expense, net. Interest expense, net, for the three and nine months ended September 30, 2014 decreased primarily due to lower average fixed-rate debt outstanding during the periods as compared to 2013.

Other income, net. Other income, net, detail is shown in the table below (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Income from equity-method investments, net	\$ 5	\$ 2	\$ 27	\$ 16
Gain (loss) on equity award reimbursement obligation to Time Warner ^(a)		(3)	1	(8)
Other		1		2
Other income, net	\$ 5	\$	\$ 28	\$ 10

^(a) See Note 6 to the accompanying consolidated financial statements for a discussion of the Company's accounting for its equity award reimbursement obligation to Time Warner Inc. (Time Warner).

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Income tax provision. For the three months ended September 30, 2014 and 2013, the Company recorded income tax provisions of \$304 million and \$249 million, respectively. For the nine months ended September 30, 2014 and 2013, the Company recorded income tax provisions of \$891 million and \$828 million, respectively. The effective tax rates were 37.9% and 31.9% for the three months ended September 30, 2014 and 2013, respectively, and 37.6% and 36.9% for the nine months ended September 30, 2014 and 2013, respectively.

The income tax provision and effective tax rate for the nine months ended September 30, 2014 include a benefit of \$24 million as a result of the passage of the New York State budget during the first quarter of 2014 that, in part, lowers the New York State business tax rate beginning in 2016.

The income tax provisions and the effective tax rates for the three and nine months ended September 30, 2013 include (i) a benefit of \$32 million primarily related to changes in the tax rate applied to calculate the Company's net deferred income tax liability as a result of changes to state tax apportionment factors and (ii) a benefit of \$27 million resulting from income tax reform legislation enacted in North Carolina, which, along with other changes, phases in a reduction in North Carolina's corporate income tax rate over several years.

Absent the impact of these items, the effective tax rates would have been 37.9% and 39.4% for the three months ended September 30, 2014 and 2013, respectively, and 38.6% and 39.6% for the nine months ended September 30, 2014 and 2013, respectively.

Net income attributable to TWC shareholders and net income per common share attributable to TWC common shareholders. Net income attributable to TWC shareholders and net income per common share attributable to TWC common shareholders were as follows (in millions, except per share data):

	Three Months Ended			Nine Months Ended		
	September 30, 2014	September 30, 2013	% Change	September 30, 2014	September 30, 2013	% Change
Net income attributable to TWC shareholders	\$ 499	\$ 532	(6.2%)	\$ 1,477	\$ 1,414	4.5%
Net income per common share attributable to TWC common shareholders:						
Basic	\$ 1.77	\$ 1.86	(4.8%)	\$ 5.25	\$ 4.85	8.2%
Diluted	\$ 1.76	\$ 1.84	(4.3%)	\$ 5.22	\$ 4.81	8.5%

Net income attributable to TWC shareholders for the three months ended September 30, 2014 decreased primarily due to an increase in income tax provision and a decrease in Operating Income, partially offset by a decrease in interest expense, net. Net income attributable to TWC shareholders for the nine months ended September 30, 2014 increased primarily due to a decrease in interest expense, net, partially offset by an increase in income tax provision. Net income per common share attributable to TWC common shareholders for the three and nine months ended September 30, 2014 benefited from lower average common shares outstanding as a result of share repurchases under the Stock Repurchase Program.

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TIME WARNER CABLE INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS
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Segment Results

Residential Services. The financial results of the Residential Services segment for the three and nine months ended September 30, 2014 and 2013 were as follows (in millions):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013 (recast)	% Change	2014	2013 (recast)	% Change
Revenue:						
Video	\$ 2,497	\$ 2,600	(4.0%)	\$ 7,538	\$ 7,945	(5.1%)
High-speed data	1,620	1,461	10.9%	4,784	4,291	11.5%
Voice	476	498	(4.4%)	1,462	1,534	(4.7%)
Other	22	20	10.0%	61	52	17.3%
Total revenue	4,615	4,579	0.8%	13,845	13,822	0.2%
Operating costs and expenses:						
Programming	1,274	1,217	4.7%	3,811	3,670	3.8%
Sales and marketing ^(a)	375	363	3.3%	1,113	1,019	9.2%
Technical operations ^(a)	362	360	0.6%	1,030	1,033	(0.3%)
Customer care ^(a)	176	163	8.0%	522	491	6.3%
Video franchise and other fees ^(b)	117	119	(1.7%)	350	367	(4.6%)
Other ^(a)	185	234	(20.9%)	569	748	(23.9%)
Total operating costs and expenses	2,489	2,456	1.3%	7,395	7,328	0.9%
OIBDA	\$ 2,126	\$ 2,123	0.1%	\$ 6,450	\$ 6,494	(0.7%)

(a) Amounts include total employee costs, as follows (in millions):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013 (recast)	% Change	2014	2013 (recast)	% Change
Employee costs	\$ 693	\$ 678	2.2%	\$ 2,032	\$ 1,969	3.2%

(b) Video franchise and other fees include fees collected on behalf of franchising authorities and the FCC.

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TIME WARNER CABLE INC.
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OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Selected residential subscriber-related statistics as of September 30, 2014 and 2013 were as follows (in thousands):

	September 30,		
	2014^(a)	2013	% Change
Video ^(b)	10,827	11,414	(5.1%)
High-speed data ^(c)	11,507	11,050	4.1%
Voice ^(d)	4,989	4,805	3.8%
Single play ^(e)	5,674	5,656	0.3%
Double play ^(f)	4,700	4,824	(2.6%)
Triple play ^(g)	4,083	3,989	2.4%
Customer relationships ^(h)	14,457	14,469	(0.1%)

(a) The Company's subscriber numbers as of September 30, 2014 reflect adjustments related to the treatment of employee accounts recorded during the second quarter of 2014 that decreased residential high-speed data subscribers by 10,000, residential voice subscribers by 17,000, residential single play subscribers by 19,000, residential double play subscribers by 4,000 and residential customer relationships by 23,000.

(b) Video subscriber numbers reflect billable subscribers who purchase at least the basic service video programming tier. The determination of whether a video subscriber is categorized as residential or business is based on the type of subscriber purchasing the service.

(c) High-speed data subscriber numbers reflect billable subscribers who purchase any of the high-speed data services offered by TWC. The determination of whether a high-speed data subscriber is categorized as residential or business is generally based upon the type of service provided to that subscriber.

(d) Voice subscriber numbers reflect billable subscribers who purchase an IP-based telephony service. The determination of whether a voice subscriber is categorized as residential or business is generally based upon the type of service provided to that subscriber.

(e) Single play subscriber numbers reflect customers who subscribe to one of the Company's video, high-speed data and voice services.

(f) Double play subscriber numbers reflect customers who subscribe to two of the Company's video, high-speed data and voice services.

(g) Triple play subscriber numbers reflect customers who subscribe to all three of the Company's video, high-speed data and voice services.

(h) Customer relationships represent the number of subscribers who purchase at least one of the Company's video, high-speed data and voice services. For example, a subscriber who purchases only high-speed data service and no

video service will count as one customer relationship, and a subscriber who purchases both video and high-speed data services will also count as only one customer relationship.

Revenue. Residential Services segment revenue for the three and nine months ended September 30, 2014 increased primarily due to an increase in high-speed data revenue, partially offset by decreases in video and voice revenue, each of which is discussed further below.

Average monthly revenue per unit for the Residential Services segment for the three and nine months ended September 30, 2014 and 2013 was as follows:

	Three Months Ended			Nine Months Ended		
	September 30,			September 30,		
	2014	2013	% Change	2014	2013	% Change
Video ^(a)	\$ 76.39	\$ 74.90	2.0%	\$ 75.77	\$ 74.90	1.2%
High-speed data ^(b)	47.24	44.07	7.2%	46.83	43.15	8.5%
Voice ^(c)	31.86	34.06	(6.5%)	32.97	34.44	(4.3%)
Customer relationship ^(d)	106.58	105.06	1.4%	106.34	105.04	1.2%

(a) Average monthly residential video revenue per unit represents residential video revenue divided by the corresponding average residential video subscribers for the period.

(b) Average monthly residential high-speed data revenue per unit represents residential high-speed data revenue divided by the corresponding average residential high-speed data subscribers for the period.

(c) Average monthly residential voice revenue per unit represents residential voice revenue divided by the corresponding average residential voice subscribers for the period.

(d) Average monthly residential revenue per residential customer relationship represents residential services revenue divided by the corresponding average residential customer relationships for the period.

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The major components of residential video revenue for the three and nine months ended September 30, 2014 and 2013 were as follows (in millions):

	Three Months Ended			Nine Months Ended		
	September 30,		% Change	September 30,		% Change
	2014	2013		2014	2013	
Programming tiers ^(a)	\$ 1,621	\$ 1,692	(4.2%)	\$ 4,898	\$ 5,173	(5.3%)
Premium networks	204	183	11.5%	606	577	5.0%
Transactional video-on-demand	52	70	(25.7%)	172	202	(14.9%)
Video equipment rental and installation charges	349	359	(2.8%)	1,033	1,099	(6.0%)
DVR service	154	177	(13.0%)	479	527	(9.1%)
Franchise and other fees ^(b)	117	119	(1.7%)	350	367	(4.6%)
Total	\$ 2,497	\$ 2,600	(4.0%)	\$ 7,538	\$ 7,945	(5.1%)

^(a) Programming tier revenue includes subscriber fees for the Company's various tiers or packages of video programming services generally distinguished from one another by the number and type of programming networks they include.

^(b) Franchise and other fees include fees collected on behalf of franchising authorities and the FCC.

The decrease in residential video revenue for the three and nine months ended September 30, 2014 was primarily due to a decline in video subscribers, partially offset by an increase in average revenue per subscriber. The increase in average revenue per subscriber was primarily the result of price increases and higher premium network revenue (which, for the three and nine months ended September 30, 2013, was reduced by approximately \$15 million of subscriber credits issued in connection with a temporary blackout of a premium network resulting from a dispute with a programming vendor), partially offset by lower transactional video-on-demand revenue.

Residential high-speed data revenue increased for the three and nine months ended September 30, 2014 due to growth in average revenue per subscriber and an increase in high-speed data subscribers. The increase in average revenue per subscriber was primarily due to increases in prices and equipment rental charges and a greater percentage of subscribers purchasing higher-priced tiers of service.

The decrease in residential voice revenue for the three and nine months ended September 30, 2014 was primarily due to a decrease in average revenue per subscriber, which, for the three months ended September 30, 2014, was partially offset by growth in voice subscribers.

Operating costs and expenses. Operating costs and expenses for the three and nine months ended September 30, 2014 increased primarily due to increases in programming costs, sales and marketing costs and customer care costs, partially offset by a decline in other operating costs. Selected Residential Services average monthly costs per subscriber for the three and nine months ended September 30, 2014 and 2013 were as follows:

	Three Months Ended			Nine Months Ended		
	September 30,			September 30,		
	2014	2013	% Change	2014	2013	% Change
Programming costs per video subscriber	\$ 38.96	\$ 35.08	11.1%	\$ 38.31	\$ 34.60	10.7%
Voice costs per voice subscriber	\$ 3.95	\$ 7.81	(49.4%)	\$ 4.43	\$ 8.42	(47.4%)

For the three and nine months ended September 30, 2014, the increase in programming costs (which include intercompany expense from the Other Operations segment for programming costs associated with the Lakers RSNs, the Company's local sports, news and lifestyle channels and, beginning in 2014, SportsNet LA) was primarily due to contractual rate increases and the carriage of SportsNet LA, partially offset by a decline in video subscribers and lower transactional video-on-demand costs. For the three and nine months ended September 30, 2013, programming costs were reduced by \$10 million and \$20 million, respectively, due to changes in cost estimates for programming services primarily resulting from contract negotiations, changes in programming audit reserves and certain contract settlements. The Company expects the rate of growth in Residential Services average monthly programming costs per video subscriber in the fourth quarter of 2014 to increase compared to the fourth quarter of 2013.

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Sales and marketing costs for the three and nine months ended September 30, 2014 increased primarily due to headcount growth and higher compensation costs per employee, including customer retention, and, for the nine months ended September 30, 2014, increased marketing activities.

Customer care costs for the three and nine months ended September 30, 2014 increased primarily due to growth in employee costs.

Other operating costs for the three and nine months ended September 30, 2014 decreased primarily due to a decline in voice costs. Voice costs for the three and nine months ended September 30, 2014 decreased \$55 million and \$179 million, respectively, primarily due to a decrease in delivery costs per subscriber as a result of the in-sourcing of voice transport, switching and interconnection services from Sprint Corporation (which was completed during the first quarter of 2014). The Company expects Residential Services average monthly voice costs per voice subscriber to decrease in the fourth quarter of 2014 compared to the fourth quarter of 2013.

OIBDA. OIBDA for the three months ended September 30, 2014 increased slightly due to revenue growth, partially offset by an increase in operating costs and expenses. OIBDA for the nine months ended September 30, 2014 decreased due to an increase in operating costs and expenses, partially offset by growth in revenue.

Business Services. The financial results of the Business Services segment for the three and nine months ended September 30, 2014 and 2013 were as follows (in millions):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013 (recast)	% Change	2014	2013 (recast)	% Change
Revenue:						
Video	\$ 93	\$ 87	6.9%	\$ 272	\$ 258	5.4%
High-speed data	343	282	21.6%	980	806	21.6%
Voice	132	110	20.0%	373	308	21.1%
Wholesale transport	105	65	61.5%	303	181	67.4%
Other	51	50	2.0%	155	143	8.4%
Total revenue	724	594	21.9%	2,083	1,696	22.8%
Operating costs and						

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expenses:						
Programming	36	34	5.9%	109	99	10.1%
Sales and marketing ^(a)	132	119	10.9%	387	333	16.2%
Technical operations ^(a)	27	22	22.7%	75	59	27.1%
Customer care ^(a)	34	28	21.4%	100	84	19.0%
Video franchise and other fees ^(b)	5	5		13	13	
Other ^(a)	48	42	14.3%	146	126	15.9%
Total operating costs and expenses	282	250	12.8%	830	714	16.2%
OIBDA	\$ 442	\$ 344	28.5%	\$ 1,253	\$ 982	27.6%

(a) Amounts include total employee costs, as follows (in millions):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013 (recast)	% Change	2014	2013 (recast)	% Change
Employee costs	\$ 164	\$ 145	13.1%	\$ 476	\$ 408	16.7%

(b) Video franchise and other fees include fees collected on behalf of franchising authorities and the FCC.

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TIME WARNER CABLE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS

OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Selected business subscriber-related statistics as of September 30, 2014 and 2013 were as follows (in thousands):

	September 30,		% Change
	2014	2013	
Video ^(a)	203	193	5.2%
High-speed data ^(b)	566	500	13.2%
Voice ^(c)	313	262	19.5%
Single play ^(d)	341	322	5.9%
Double play ^(e)	258	220	17.3%
Triple play ^(f)	75	64	17.2%
Customer relationships ^(g)	674	606	11.2%

- (a) Video subscriber numbers reflect billable subscribers who purchase at least the basic service video programming tier. The determination of whether a video subscriber is categorized as residential or business is based on the type of subscriber purchasing the service.
- (b) High-speed data subscriber numbers reflect billable subscribers who purchase any of the high-speed data services offered by TWC. The determination of whether a high-speed data subscriber is categorized as residential or business is generally based upon the type of service provided to that subscriber.
- (c) Voice subscriber numbers reflect billable subscribers who purchase an IP-based telephony service. The determination of whether a voice subscriber is categorized as residential or business is generally based upon the type of service provided to that subscriber.
- (d) Single play subscriber numbers reflect customers who subscribe to one of the Company's video, high-speed data and voice services.
- (e) Double play subscriber numbers reflect customers who subscribe to two of the Company's video, high-speed data and voice services.
- (f) Triple play subscriber numbers reflect customers who subscribe to all three of the Company's video, high-speed data and voice services.
- (g) Customer relationships represent the number of subscribers who purchase at least one of the Company's video, high-speed data and voice services. For example, a subscriber who purchases only high-speed data service and no video service will count as one customer relationship, and a subscriber who purchases both video and high-speed data services will also count as only one customer relationship. Customers who purchase wholesale transport or cloud services but do not purchase one of the Company's video, high-speed data or voice services are not included in the Company's subscriber results.

Revenue. Business services revenue for the three and nine months ended September 30, 2014 increased primarily due to growth in high-speed data and voice subscribers, an organic increase in cell tower backhaul revenue of \$9 million and \$30 million, respectively, and DukeNet revenue of \$29 million and \$87 million, respectively (the majority of which is included in wholesale transport).

Operating costs and expenses. Operating costs and expenses for the three and nine months ended September 30, 2014 increased primarily as a result of increased headcount and higher compensation costs per employee, as well as costs associated with DukeNet. These increases were partially offset by lower voice costs due to the in-sourcing of voice transport, switching and interconnection services.

OIBDA. OIBDA for the three and nine months ended September 30, 2014 increased due to the increase in revenue, partially offset by higher operating costs and expenses, as discussed above.

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

Other Operations. The financial results of the Other Operations segment for the three and nine months ended September 30, 2014 and 2013 were as follows (in millions):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013 (recast)	% Change	2014	2013 (recast)	% Change
Revenue:						
Advertising	\$ 276	\$ 253	9.1%	\$ 795	\$ 741	7.3%
Other	162	140	15.7%	479	432	10.9%
Total revenue	438	393	11.5%	1,274	1,173	8.6%
Operating costs and expenses ^(a)	240	152	57.9%	730	533	37.0%
OIBDA	\$ 198	\$ 241	(17.8%)	\$ 544	\$ 640	(15.0%)

(a) Amounts include total employee costs, as follows (in millions):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013 (recast)	% Change	2014	2013 (recast)	% Change
Employee costs	\$ 77	\$ 76	1.3%	\$ 240	\$ 238	0.8%

Revenue. Advertising revenue for the three and nine months ended September 30, 2014 increased primarily due to growth in political advertising revenue, as well as higher non-political revenue from ad rep agreements. Political advertising revenue was \$26 million and \$52 million for the three and nine months ended September 30, 2014, respectively, compared to \$12 million and \$21 million for the three and nine months ended September 30, 2013, respectively. The Company expects advertising revenue in the fourth quarter of 2014 to increase compared to the

fourth quarter of 2013 due to an increase in political advertising revenue.

Other revenue for the three and nine months ended September 30, 2014 increased primarily due to affiliate fees from the Residential Services segment as well as other distributors of the Lakers RSNs.

Operating costs and expenses. Operating costs and expenses for the three and nine months ended September 30, 2014 increased primarily related to SportsNet LA content costs and growth in costs associated with ad rep agreements.

OIBDA. OIBDA for the three and nine months ended September 30, 2014 decreased due to an increase in operating costs and expenses, partially offset by higher revenue, as discussed above.

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TIME WARNER CABLE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS

OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Shared Functions. Costs and expenses associated with the Company's shared functions, which consist of operating costs associated with broad corporate functions (e.g., accounting and finance, information technology, executive management, legal and human resources) or functions supporting more than one reportable segment that are centrally managed (e.g., facilities, network operations, vehicles and procurement) as well as other activities not directly attributable to a reportable segment, for the three and nine months ended September 30, 2014 and 2013 were as follows (in millions):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013 (recast)	% Change	2014	2013 (recast)	% Change
Operating costs and expenses ^(a)	\$ 712	\$ 703	1.3%	\$ 2,159	\$ 2,162	(0.1%)
Merger-related and restructuring costs	46	23	100.0%	187	81	130.9%
Total costs and expenses	\$ 758	\$ 726	4.4%	\$ 2,346	\$ 2,243	4.6%

(a) Amounts include total employee costs, as follows (in millions):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013 (recast)	% Change	2014	2013 (recast)	% Change
Employee costs	\$ 304	\$ 326	(6.7%)	\$ 972	\$ 1,031	(5.7%)

Operating costs and expenses. Operating costs and expenses for the three and nine months ended September 30, 2014 were impacted by increased maintenance expense, as well as lower costs as a result of operating efficiencies, including decreased headcount.

Merger-related and restructuring costs. Merger-related costs of \$48 million and \$163 million were incurred for the three and nine months ended September 30, 2014, respectively. These costs primarily consisted of Comcast merger-related costs, which, for the three and nine months ended September 30, 2014, included employee retention costs of \$34 million and \$103 million, respectively, and advisory and legal fees of \$15 million and \$57 million, respectively. Merger-related costs for the three and nine months ended September 30, 2014 also included a \$1 million reversal and \$3 million of costs, respectively, incurred in connection with the DukeNet acquisition. During the three and nine months ended September 30, 2013, the Company incurred merger-related costs of \$2 million and \$9 million, respectively, in connection with the Insight acquisition. The Company expects to incur additional merger-related costs during the remainder of 2014 in connection with the Comcast merger.

The results for the three and nine months ended September 30, 2014 included a net \$2 million reversal and \$24 million of restructuring costs, respectively, and for the three and nine months ended September 30, 2013, restructuring costs of \$21 million and \$72 million, respectively, primarily related to employee terminations and other exit costs. The Company expects to incur additional restructuring costs during the remainder of 2014.

FINANCIAL CONDITION AND LIQUIDITY

Management believes that cash generated by or available to TWC should be sufficient to fund its capital and liquidity needs for the next twelve months and for the foreseeable future thereafter, including quarterly dividend payments and maturities of long-term debt. TWC's sources of cash include cash and equivalents on hand, cash provided by operating activities and borrowing capacity under the Company's \$3.5 billion senior unsecured five-year revolving credit facility (the Revolving Credit Facility) and the Company's \$2.5 billion unsecured commercial paper program (which is supported by unused committed capacity under the Revolving Credit Facility), as well as access to capital markets.

In accordance with the Company's investment policy of diversifying its investments and limiting the amount of its investments in a single entity or fund, the Company may invest its cash and equivalents in a combination of money market and government funds and U.S. Treasury securities, as well as other similar instruments.

TWC's unused committed financial capacity was \$2.939 billion as of September 30, 2014, reflecting \$526 million of cash and equivalents and \$2.413 billion of available borrowing capacity under the Revolving Credit Facility.

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TIME WARNER CABLE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS

OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Current Financial Condition

As of September 30, 2014, the Company had \$24.302 billion of debt, \$526 million of cash and equivalents (net debt of \$23.776 billion, defined as total debt less cash and equivalents) and \$7.905 billion of total TWC shareholders equity. As of December 31, 2013, the Company had \$25.052 billion of debt, \$525 million of cash and equivalents, (net debt of \$24.527 billion) and \$6.943 billion of total TWC shareholders equity.

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

Balance as of December 31, 2013	\$ 24,527
Cash provided by operating activities	(4,540)
Capital expenditures	3,179
Dividends paid	642
Repurchases of common stock	259
Proceeds from exercise of stock options	(199)
Excess tax benefit from equity-based compensation	(131)
All other, net	39
Balance as of September 30, 2014	\$ 23,776

On October 23, 2014, the Company's Board of Directors declared a quarterly cash dividend of \$0.75 per share of TWC common stock, payable in cash on December 15, 2014 to stockholders of record at the close of business on November 28, 2014.

Cash Flows

Cash and equivalents increased \$1 million for the nine months ended September 30, 2014 and decreased \$2.428 billion for the nine months ended September 30, 2013. Components of these changes are discussed below in more detail.

Operating Activities

Details of cash provided by operating activities are as follows (in millions):

	Nine Months Ended	
	September 30,	
	2014	2013
Operating Income	\$ 3,406	\$ 3,407
Depreciation	2,394	2,371
Amortization	101	95
Noncash equity-based compensation	138	100
Cash paid for interest, net ^(a)	(1,187)	(1,304)
Cash paid for income taxes, net ^(b)	(286)	(471)
All other, net, including working capital changes	(26)	(44)
Cash provided by operating activities	\$ 4,540	\$ 4,154

^(a) Amounts include interest income received (including amounts received under interest rate swap contracts) of \$92 million and \$121 million for the nine months ended September 30, 2014 and 2013, respectively.

^(b) Amounts include cash refunds of income taxes of \$14 million and \$1 million for the nine months ended September 30, 2014 and 2013, respectively.

Cash provided by operating activities increased from \$4.154 billion for the nine months ended September 30, 2013 to \$4.540 billion for the nine months ended September 30, 2014. This increase was primarily related to decreases in cash paid for income taxes, net, and cash paid for interest, net.

Table of Contents**TIME WARNER CABLE INC.****MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS****OF OPERATIONS AND FINANCIAL CONDITION (Continued)**

Cash paid for income taxes, net, for the nine months ended September 30, 2014 decreased primarily as a result of certain capital expenditure-related deductions, including the tangible repair regulations (e.g., de minimus expensing) released in late 2013, which was partially offset by the continued reversal of bonus depreciation benefits recorded in prior years. The Company expects that cash paid for income taxes, net, in 2014 will decrease compared to 2013.

Cash paid for interest, net, for the nine months ended September 30, 2014 decreased primarily as a result of the maturity of TWC's 6.20% senior notes due July 2013 (\$1.5 billion in aggregate principal amount) and 8.25% senior notes due February 2014 (\$750 million in aggregate principal amount).

The Company made no cash contributions to its qualified defined benefit pension plans (the "qualified pension plans") during the nine months ended September 30, 2014. As of September 30, 2014, the qualified pension plans were estimated to be overfunded by \$116 million, and the Company does not expect to make any discretionary cash contributions to the qualified pension plans during the remainder of 2014. For the nonqualified defined benefit pension plan (the "nonqualified pension plan"), the Company will continue to make contributions during the remainder of 2014 to the extent benefits are paid.

Investing Activities

Details of cash used by investing activities are as follows (in millions):

	Nine Months Ended September 30,	
	2014	2013
Capital expenditures	\$ (3,179)	\$ (2,371)
Purchases of investments:		
Short-term investments in U.S. Treasury securities		(575)
All other	(2)	(11)
Return of capital from investees		7
Proceeds from sale, maturity and collection of investments	18	476
Acquisition of intangible assets	(31)	(30)
Other investing activities	22	19
Cash used by investing activities	\$ (3,172)	\$ (2,485)

Cash used by investing activities increased from \$2.485 billion for the nine months ended September 30, 2013 to \$3.172 billion for the nine months ended September 30, 2014, principally due to an increase in capital expenditures, partially offset by the 2013 purchases of short-term investments in U.S. Treasury securities (net of maturities).

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

TWC's capital expenditures by major category were as follows (in millions):

	Nine Months Ended September 30,	
	2014	2013
Customer premise equipment ^(a)	\$ 1,231	\$ 829
Scalable infrastructure ^(b)	797	592
Line extensions ^(c)	517	421
Upgrades/rebuilds ^(d)	107	85
Support capital ^(e)	527	444
Total capital expenditures	\$ 3,179	\$ 2,371

- (a) Amounts represent costs incurred in the purchase and installation of equipment that resides at a customer's home or business for the purpose of receiving/sending video, high-speed data and/or voice signals. Such equipment includes set-top boxes, remote controls, high-speed data modems (including wireless), telephone modems and the costs of installing such new equipment. Customer premise equipment also includes materials and labor costs incurred to install the drop cable that connects a customer's dwelling or business to the closest point of the main distribution network.
- (b) Amounts represent costs incurred in the purchase and installation of equipment that controls signal reception, processing and transmission throughout TWC's distribution network, as well as controls and communicates with the equipment residing at a customer's home or business. Also included in scalable infrastructure is certain equipment necessary for content aggregation and distribution (video-on-demand equipment) and equipment necessary to provide certain video, high-speed data and voice service features (voicemail, email, etc.).
- (c) Amounts represent costs incurred to extend TWC's distribution network into a geographic area previously not served. These costs typically include network design, the purchase and installation of fiber optic and coaxial cable and certain electronic equipment.
- (d) Amounts primarily represent costs incurred to upgrade or replace certain existing components or an entire geographic area of TWC's distribution network. These costs typically include network design, the purchase and installation of fiber optic and coaxial cable and certain electronic equipment.
- (e) Amounts represent all other capital purchases required to run day-to-day operations. These costs typically include vehicles, land and buildings, computer hardware/software, office equipment, furniture and fixtures, tools and test equipment. Amounts include capitalized software costs of \$247 million and \$235 million for the nine months ended September 30, 2014 and 2013, respectively.

The Company expects capital expenditures to be approximately \$4.0 billion in 2014 as the Company invests to improve network reliability, upgrade older customer premise equipment and expand its network to additional residences, commercial buildings and cell towers.

Financing Activities

Details of cash used by financing activities are as follows (in millions):

	Nine Months Ended	
	September 30,	
	2014	2013
Short-term borrowings, net	\$ 1,027	\$
Repayments of long-term debt	(1,750)	(1,500)
Redemption of mandatorily redeemable preferred equity		(300)
Dividends paid	(642)	(573)
Repurchases of common stock	(259)	(1,856)
Proceeds from exercise of stock options	199	124
Excess tax benefit from equity-based compensation	131	81
Taxes paid in cash in lieu of shares issued for equity-based compensation	(74)	(64)
Other financing activities	1	(9)
Cash used by financing activities	\$ (1,367)	\$ (4,097)

Table of Contents**TIME WARNER CABLE INC.****MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS****OF OPERATIONS AND FINANCIAL CONDITION (Continued)**

Cash used by financing activities was \$1.367 billion for the nine months ended September 30, 2014 compared to \$4.097 billion for the nine months ended September 30, 2013. Cash used by financing activities for the nine months ended September 30, 2014 primarily consisted of repayments of TWC's 8.25% senior notes due February 2014 (\$750 million in aggregate principal amount) and 7.50% senior notes due April 2014 (\$1.0 billion in aggregate principal amount), the payment of quarterly cash dividends and repurchases of TWC common stock (prior to the suspension of the Stock Repurchase Program in connection with the announcement of the Comcast merger), partially offset by borrowings under the Company's commercial paper program. Cash used by financing activities for the nine months ended September 30, 2013 primarily consisted of repurchases of TWC common stock, the repayment of TWC's 6.20% senior notes due July 2013 (\$1.5 billion in aggregate principal amount), the payment of quarterly cash dividends and the redemption of mandatorily redeemable non-voting Series A Preferred Equity Membership Units issued by Time Warner NY Cable LLC, a former subsidiary of TWC.

Outstanding Debt and Available Financial Capacity

Debt as of September 30, 2014 and December 31, 2013 was as follows:

	Maturity	Interest Rate	Outstanding Balance as of	
			September 30, 2014	December 31, 2013
(in millions)				
TWC notes and debentures ^(a)	2015-2042	5.736% ^(b)	\$ 21,126	\$ 22,938
TWCE debentures ^(c)	2023-2033	7.896% ^(b)	2,062	2,065
Revolving credit facility ^(d)	2017			
Commercial paper program ^(d)	2017	0.315% ^(b)	1,027	
Capital leases	2016-2042		87	49
Total debt ^(e)			\$ 24,302	\$ 25,052

^(a) Outstanding balance amounts of the TWC notes and debentures as of September 30, 2014 and December 31, 2013 each include £1.267 billion of senior unsecured notes valued at \$2.054 billion and \$2.098 billion, respectively, using the exchange rates at each date.

^(b) Rate represents a weighted-average effective interest rate as of September 30, 2014 and, for the TWC notes and debentures, includes the effects of interest rate swaps and cross-currency swaps.

^(c) Outstanding balance amounts of the Time Warner Cable Enterprises LLC (TWCE) debentures as of September 30, 2014 and December 31, 2013 include an unamortized fair value adjustment of \$62 million and \$65 million,

respectively, primarily consisting of the fair value adjustment recognized as a result of the 2001 merger of America Online, Inc. (now known as AOL Inc.) and Time Warner Inc. (now known as Historic TW Inc.).

- (d) As of September 30, 2014, the Company had \$2.413 billion of available borrowing capacity under the Revolving Credit Facility (which reflects a reduction of \$60 million for outstanding letters of credit backed by the Revolving Credit Facility).
- (e) Outstanding balance amounts of total debt as of September 30, 2014 and December 31, 2013 include current maturities of long-term debt of \$1.540 billion and \$1.767 billion, respectively.

See the 2013 Form 10-K for further details regarding the Company's outstanding debt and other financing arrangements, including certain information about maturities, covenants and rating triggers related to such debt and financing arrangements. As of September 30, 2014, TWC was in compliance with the leverage ratio covenant of the Revolving Credit Facility, with a ratio of consolidated total debt as of September 30, 2014 to consolidated EBITDA for the twelve months ended September 30, 2014 of approximately 3.0 times. In accordance with the Revolving Credit Facility agreement, consolidated total debt as of September 30, 2014 was calculated as (a) total debt per the accompanying consolidated balance sheet less the TWCE unamortized fair value adjustment (discussed above) and the fair value of debt subject to interest rate swaps, less (b) total cash per the accompanying consolidated balance sheet in excess of \$25 million. In accordance with the Revolving Credit Facility agreement, consolidated EBITDA for the twelve months ended September 30, 2014 was calculated as Operating Income plus depreciation, amortization and equity-based compensation expense.

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TIME WARNER CABLE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS

OF OPERATIONS AND FINANCIAL CONDITION (Continued)

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, particularly statements anticipating future growth in revenue, Operating Income, cash provided by operating activities and other financial measures. Words such as anticipates, estimates, expects, projects, intentions, plans, believes and words and terms of similar substance used in connection with any discussion of future operating or financial performance identify forward-looking statements. These forward-looking statements are included throughout this report and are based on management's current expectations and beliefs about future events. As with any projection or forecast, they are subject to uncertainty and changes in circumstances.

The Company operates in a highly competitive, consumer and technology driven and rapidly changing business that is affected by government regulation and economic, strategic, political and social conditions. Various factors could adversely affect the operations, business or financial results of TWC in the future and cause TWC's actual results to differ materially from those contained in the forward-looking statements, including those factors discussed in detail in Item 1A, Risk Factors, in the 2013 Form 10-K, and in TWC's other filings made from time to time with the SEC after the date of this report. In addition, important factors that could cause the Company's actual results to differ materially from those in its forward-looking statements include:

increased competition from video, high-speed data, networking and voice providers, particularly direct broadcast satellite operators, telecommunication carriers, companies that deliver programming over broadband Internet connections, and wireless broadband and phone providers;

the Company's ability to deal effectively with the current challenging economic environment or further deterioration in the economy, which may negatively impact customers' demand for the Company's services and also result in a reduction in the Company's advertising revenue;

the Company's continued ability to exploit new and existing technologies that appeal to residential and business services customers and advertisers;

changes in the regulatory and tax environments in which the Company operates, including, among others, regulation of broadband Internet services, net neutrality legislation or regulation and federal, state and local taxation;

increased difficulty negotiating programming and retransmission agreements on favorable terms, resulting in increased costs to the Company and/or the loss of popular programming; and

changes in, or impediments to executing on, the Company's plans, initiatives and strategies, including the proposed Comcast merger.

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

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TIME WARNER CABLE INC.

ITEM 4. CONTROLS AND PROCEDURES

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The Company, under the supervision and with the participation of its management, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed in reports filed or submitted by the Company under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that information required to be disclosed by the Company is accumulated and communicated to the Company's management to allow timely decisions regarding the required disclosure.

Changes in Internal Control Over Financial Reporting

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

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TIME WARNER CABLE INC.
CONSOLIDATED BALANCE SHEET

(Unaudited)

	September 30, 2014	December 31, 2013
	(in millions)	
ASSETS		
Current assets:		
Cash and equivalents	\$ 526	\$ 525
Receivables, less allowances of \$134 million and \$77 million as of September 30, 2014 and December 31, 2013, respectively	950	954
Deferred income tax assets	319	334
Other current assets	279	331
Total current assets	2,074	2,144
Investments	69	56
Property, plant and equipment, net	15,794	15,056
Intangible assets subject to amortization, net	549	552
Intangible assets not subject to amortization	26,012	26,012
Goodwill	3,138	3,196
Other assets	1,000	1,257
Total assets	\$ 48,636	\$ 48,273
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 462	\$ 565
Deferred revenue and subscriber-related liabilities	193	188
Accrued programming and content expense	902	869
Current maturities of long-term debt	1,540	1,767
Other current liabilities	1,922	1,837
Total current liabilities	5,019	5,226
Long-term debt	22,762	23,285
Deferred income tax liabilities, net	12,230	12,098
Other liabilities	716	717
Commitments and contingencies (Note 12)		
TWC shareholders' equity:		
Common stock, \$0.01 par value, 280.4 million and 277.9 million shares issued and outstanding as of September 30, 2014 and December 31, 2013, respectively	3	3

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Additional paid-in capital	7,093	6,951
Retained earnings (accumulated deficit)	824	(55)
Accumulated other comprehensive income (loss), net	(15)	44
Total TWC shareholders' equity	7,905	6,943
Noncontrolling interests	4	4
Total equity	7,909	6,947
Total liabilities and equity	\$ 48,636	\$ 48,273

See accompanying notes.

Table of Contents**TIME WARNER CABLE INC.****CONSOLIDATED STATEMENT OF OPERATIONS**

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013 (recast)	2014	2013 (recast)
	(in millions, except per share data)			
Revenue	\$ 5,714	\$ 5,518	\$ 17,022	\$ 16,543
Costs and expenses:				
Programming and content	1,326	1,210	3,976	3,719
Sales and marketing	556	528	1,655	1,497
Technical operations	401	394	1,143	1,129
Customer care	210	191	622	575
Other operating	1,167	1,190	3,538	3,669
Depreciation	824	790	2,394	2,371
Amortization	33	32	101	95
Merger-related and restructuring costs	46	23	187	81
Total costs and expenses	4,563	4,358	13,616	13,136
Operating Income	1,151	1,160	3,406	3,407
Interest expense, net	(353)	(379)	(1,066)	(1,175)
Other income, net	5		28	10
Income before income taxes	803	781	2,368	2,242
Income tax provision	(304)	(249)	(891)	(828)
Net income	499	532	1,477	1,414
Less: Net income attributable to noncontrolling interests				
Net income attributable to TWC shareholders	\$ 499	\$ 532	\$ 1,477	\$ 1,414
Net income per common share attributable to TWC common shareholders:				
Basic	\$ 1.77	\$ 1.86	\$ 5.25	\$ 4.85
Diluted	\$ 1.76	\$ 1.84	\$ 5.22	\$ 4.81

Weighted-average common shares outstanding:							
Basic		279.8		285.0		278.8	289.9
Diluted		283.5		289.0		282.5	293.8
Cash dividends declared per share of common stock							
	\$	0.75	\$	0.65	\$	2.25	\$ 1.95

See accompanying notes.

Table of Contents**TIME WARNER CABLE INC.****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(in millions)			
Net income	\$ 499	\$ 532	\$ 1,477	\$ 1,414
Change in accumulated unrealized losses on pension benefit obligation, net of income tax benefit (provision) of \$0 and \$(8) million for the three months ended September 30, 2014 and 2013, respectively, and \$16 million and \$(36) million for the nine months ended September 30, 2014 and 2013, respectively	(1)	10	(26)	56
Change in accumulated deferred gains (losses) on cash flow hedges, net of income tax benefit (provision) of \$(36) million and \$(48) million for the three months ended September 30, 2014 and 2013, respectively, and \$21 million and \$(58) million for the nine months ended September 30, 2014 and 2013, respectively	58	77	(33)	91
Other comprehensive income (loss)	57	87	(59)	147
Comprehensive income	556	619	1,418	1,561
Less: Comprehensive income attributable to noncontrolling interests				
Comprehensive income attributable to TWC shareholders	\$ 556	\$ 619	\$ 1,418	\$ 1,561

See accompanying notes.

Table of Contents**TIME WARNER CABLE INC.****CONSOLIDATED STATEMENT OF CASH FLOWS**

(Unaudited)

	Nine Months Ended September 30,	
	2014	2013
	(in millions)	
OPERATING ACTIVITIES		
Net income	\$ 1,477	\$ 1,414
Adjustments for noncash and nonoperating items:		
Depreciation	2,394	2,371
Amortization	101	95
Income from equity-method investments, net of cash distributions	(19)	(9)
Deferred income taxes	185	353
Equity-based compensation expense	138	100
Excess tax benefit from equity-based compensation	(131)	(81)
Changes in operating assets and liabilities, net of acquisitions and dispositions:		
Receivables	20	17
Accounts payable and other liabilities	317	(137)
Other changes	58	31
Cash provided by operating activities	4,540	4,154
INVESTING ACTIVITIES		
Capital expenditures	(3,179)	(2,371)
Purchases of investments	(2)	(586)
Return of capital from investees		7
Proceeds from sale, maturity and collection of investments	18	476
Acquisition of intangible assets	(31)	(30)
Other investing activities	22	19
Cash used by investing activities	(3,172)	(2,485)
FINANCING ACTIVITIES		
Short-term borrowings, net	1,027	
Repayments of long-term debt	(1,750)	(1,500)
Redemption of mandatorily redeemable preferred equity		(300)
Dividends paid	(642)	(573)
Repurchases of common stock	(259)	(1,856)
Proceeds from exercise of stock options	199	124
Excess tax benefit from equity-based compensation	131	81
Taxes paid in cash in lieu of shares issued for equity-based compensation	(74)	(64)
Other financing activities	1	(9)

Cash used by financing activities	(1,367)	(4,097)
Increase (decrease) in cash and equivalents	1	(2,428)
Cash and equivalents at beginning of period	525	3,304
Cash and equivalents at end of period	\$ 526	\$ 876

See accompanying notes.

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TIME WARNER CABLE INC.
CONSOLIDATED STATEMENT OF EQUITY

(Unaudited)

	TWC Shareholders Equity	Non- controlling Interests (in millions)	Total Equity
Balance as of December 31, 2012	\$ 7,279	\$ 4	\$ 7,283
Net income	1,414		1,414
Other comprehensive income	147		147
Cash dividends declared (\$1.95 per common share)	(573)		(573)
Repurchase and retirement of common stock	(1,844)		(1,844)
Equity-based compensation expense	100		100
Excess tax benefit realized from equity-based compensation	81		81
Shares issued upon exercise of stock options	124		124
Taxes paid in lieu of shares issued for equity-based compensation	(64)		(64)
Other changes	(2)		(2)
Balance as of September 30, 2013	\$ 6,662	\$ 4	\$ 6,666
Balance as of December 31, 2013	\$ 6,943	\$ 4	\$ 6,947
Net income	1,477		1,477
Other comprehensive loss	(59)		(59)
Cash dividends declared (\$2.25 per common share)	(642)		(642)
Repurchase and retirement of common stock	(208)		(208)
Equity-based compensation expense	138		138
Excess tax benefit realized from equity-based compensation	131		131
Shares issued upon exercise of stock options	199		199
Taxes paid in lieu of shares issued for equity-based compensation	(74)		(74)
Balance as of September 30, 2014	\$ 7,905	\$ 4	\$ 7,909

See accompanying notes.

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TIME WARNER CABLE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Description of Business

Time Warner Cable Inc. (together with its subsidiaries, TWC or the Company) is among the largest providers of video, high-speed data and voice services in the U.S., with technologically advanced, well-clustered cable systems located mainly in five geographic areas: New York State (including New York City), the Carolinas, the Midwest (including Ohio, Kentucky and Wisconsin), Southern California (including Los Angeles) and Texas. TWC's mission is to connect its customers to the world simply, reliably and with superior service. TWC offers video, high-speed data and voice services to residential and business services customers. TWC's residential services also include security and home management services, and TWC's business services also include networking and transport services (including cell tower backhaul services) and enterprise-class, cloud-enabled hosting, managed applications and services. TWC also sells video and online advertising inventory to a variety of local, regional and national customers.

On February 12, 2014, the Company entered into an Agreement and Plan of Merger with Comcast Corporation (Comcast) whereby the Company agreed to merge with and into a 100% owned subsidiary of Comcast. Refer to Note 3 for further details regarding the merger with Comcast.

On April 25, 2014, Comcast entered into a binding agreement with Charter Communications, Inc., (Charter), which contemplates three transactions: (1) a contribution, spin-off and merger transaction, (2) an asset exchange and (3) a sale of assets, all of which are subject to a number of conditions. Refer to Note 3 for further details regarding Comcast's transactions with Charter.

Basis of Presentation

Changes in Basis of Presentation

Effective in the first quarter of 2014, the Company determined it has three reportable segments: Residential Services, Business Services and Other Operations. The Company's reportable segments have been determined based on how management evaluates and manages the business. The Company has recast its financial information and disclosures for the prior periods to reflect the segment disclosures as if the current presentation had been in effect throughout all periods presented. Refer to Note 11 for further information regarding the Company's segment information.

Additionally, during the first quarter of 2014, the Company revised its categorization of operating costs and expenses to be consistent with how such costs and expenses are presented to management and to provide a more meaningful presentation. The Company has recast the consolidated financial statements, financial information and disclosures of operating costs and expenses for the prior periods to reflect the new categorization, which had no impact on total operating costs and expenses, Operating Income or net income attributable to TWC shareholders for any period presented. The Company's operating costs and expenses are presented in the following categories: (i) programming and content, (ii) sales and marketing, (iii) technical operations, (iv) customer care and (v) other operating costs.

Basis of Consolidation

The consolidated financial statements include all of the assets, liabilities, revenue, expenses and cash flows of TWC and all entities in which TWC has a controlling voting interest. The consolidated financial statements include the results of the Time Warner Entertainment-Advance/Newhouse Partnership (TWE-A/N) only for the TWE-A/N cable systems that are controlled by TWC and for which TWC holds an economic interest. Intercompany accounts and transactions between consolidated companies have been eliminated in consolidation.

Use of Estimates

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

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TIME WARNER CABLE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Significant estimates inherent in the preparation of the consolidated financial statements include accounting for allowances for doubtful accounts, depreciation and amortization, business combinations, derivative financial instruments, pension benefits, equity-based compensation, income taxes, loss contingencies, certain programming arrangements and asset impairments. Allocation methodologies used to prepare the consolidated financial statements are based on estimates and have been described in the notes, where appropriate.

Reclassifications

As discussed above, certain reclassifications have been made to the prior period financial information to conform to the current year presentation.

Interim Financial Statements

The consolidated financial statements are unaudited; however, in the opinion of management, they contain all the adjustments (consisting of those of a normal recurring nature) considered necessary to present fairly the financial position, results of operations and cash flows for the periods presented in conformity with GAAP applicable to interim periods. The consolidated financial statements should be read in conjunction with the audited consolidated financial statements of TWC for the year ended December 31, 2013 as recast in the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 24, 2014.

2. RECENT ACCOUNTING STANDARDS

Accounting Standards Not Yet Adopted

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board issued authoritative guidance that outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most recent current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also specifies the accounting for certain incremental costs of obtaining a contract and costs to fulfill a contract with a customer. Entities have the option of applying either a full retrospective approach to all periods presented or a modified approach that reflects differences prior to the date of adoption as an adjustment to equity. This guidance will be effective for TWC on January 1, 2017 and the Company is currently assessing the impact of this guidance on its consolidated financial statements.

3. COMCAST MERGER

On February 12, 2014, the Company entered into an Agreement and Plan of Merger (the Agreement) with Comcast whereby the Company agreed to merge with and into a 100% owned subsidiary of Comcast (the Comcast merger). Upon completion of the Comcast merger, all of the outstanding shares of the Company will be cancelled and each issued and outstanding share will be converted into the right to receive 2.875 shares of Class A common stock of Comcast. At their special meetings on October 8, 2014 and October 9, 2014, respectively, Comcast s shareholders approved the issuance of Comcast Class A common stock to TWC stockholders in the Comcast merger and TWC stockholders approved the adoption of the Agreement. TWC and Comcast expect to complete the Comcast merger in early 2015, subject to receipt of regulatory approvals, as well as satisfaction of certain other closing conditions.

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

(Unaudited)

On April 25, 2014, Comcast entered into a binding agreement with Charter, which contemplates three transactions (the divestiture transactions): (1) a contribution, spin-off and merger transaction, (2) an asset exchange and (3) a sale of assets. The completion of the divestiture transactions will result in the combined company divesting a net total of approximately 3.9 million video subscribers, a portion of which are TWC subscribers (primarily in the Midwest). The divestiture transactions are expected to occur contemporaneously with one another and are conditioned upon and will occur following the closing of the Comcast merger. They are also subject to a number of other conditions. The Comcast merger is not conditioned upon the closing of the divestiture transactions and, accordingly, the Comcast merger can be completed regardless of whether the divestiture transactions are ultimately completed.

4. EARNINGS PER SHARE

Basic net income per common share attributable to TWC common shareholders is determined using the two-class method and is computed by dividing net income attributable to TWC common shareholders by the weighted average of common shares outstanding during the period. The two-class method is an earnings allocation formula that determines income per share for each class of common stock and participating security according to dividends declared and participation rights in undistributed earnings. Diluted net income per common share attributable to TWC common shareholders reflects the more dilutive earnings per share amount calculated using the treasury stock method or the two-class method.

Set forth below is a reconciliation of net income attributable to TWC common shareholders per basic and diluted common share (in millions, except per share data):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Net income attributable to TWC common shareholders	\$ 495	\$ 529	\$ 1,464	\$ 1,406
Net income allocated to participating securities ^(a)	4	3	13	8
Net income attributable to TWC shareholders	\$ 499	\$ 532	\$ 1,477	\$ 1,414
Weighted-average basic common shares outstanding	279.8	285.0	278.8	289.9

Dilutive effect of nonparticipating equity awards	1.6	1.9	1.8	1.7
Dilutive effect of participating equity awards ^(a)	2.1	2.1	1.9	2.2
Weighted-average diluted common shares outstanding	283.5	289.0	282.5	293.8
Net income per common share attributable to TWC common shareholders:				
Basic	\$ 1.77	\$ 1.86	\$ 5.25	\$ 4.85
Diluted	\$ 1.76	\$ 1.84	\$ 5.22	\$ 4.81

^(a) The Company's restricted stock units granted to employees and non-employee directors are considered participating securities with respect to regular quarterly cash dividends.

5. GOODWILL AND INDEFINITE-LIVED INTANGIBLE ASSETS

In the first quarter of 2014, in connection with the Company's determination that it has three reportable segments, the Company performed an evaluation of its reporting units and concluded that the Company has three reporting units (Residential Services, Business Services and TWC Media). The Company reallocated its goodwill to the new reporting units based upon the relative fair value of each reporting unit as of January 1, 2014. The Company determined that the fair value of each of the reporting units was significantly in excess of the respective carrying value.

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

(Unaudited)

The estimated fair value of each reporting unit for purposes of re-allocating goodwill was performed using a combination of a discounted cash flows (DCF) analysis and a market-based approach, which utilized significant unobservable inputs (Level 3) within the fair value hierarchy. The inputs used in the DCF analysis included forecasted cash flows under the Company s most recent long-range projections, discount rates that reflect the risks inherent in each reporting unit and terminal growth rates. The market-based approach imputed the value of the reporting units after considering trading multiples for other publicly traded cable companies, telecommunications providers, and advertisers that are similar to the Company s reporting units.

In addition, the Company performed a quantitative impairment test of its cable franchise rights resulting in the conclusion that the fair value of these assets were significantly in excess of their carrying value. The quantitative impairment test for cable franchise rights was performed using a DCF analysis. The inputs used in the DCF analysis included forecasted cash flows under the Company s most recent long-range projections attributable to the cable franchise rights and discount rates that reflect the risks inherent in the cable franchise rights.

As of the Company s July 1, 2014 annual testing date and based on its qualitative assessment, the Company determined that it was not more likely than not that its cable franchise rights and goodwill were impaired and, therefore, the Company did not perform a quantitative assessment as part of its annual impairment testing. In making that determination, management identified and analyzed qualitative factors, including factors that would most significantly impact a DCF analysis of the fair values of the cable franchise rights and the fair values of the Company s reporting units. This process included a review of the Company s most recent projections, analysis of operating results versus the prior year and budget, changes in market values, changes in discount rates and changes in terminal growth rate assumptions.

6. DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

The fair values of assets and liabilities associated with the Company s derivative financial instruments recorded in the consolidated balance sheet as of September 30, 2014 and December 31, 2013 consisted of the following (in millions):

	Assets		Liabilities	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Interest rate swaps ^{(a)(b)}	\$ 90	\$ 135	\$ 34	\$ 50
Cross-currency swaps ^{(a)(c)}	223	321		
				11

Equity award reimbursement obligation^(d)

Total	\$	313	\$	456	\$	34	\$	61
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- (a) The Company's interest rate swap and cross-currency swap contracts with multiple counterparties are subject to contractual terms that provide for the net settlement of all such contracts with each counterparty, including cash collateral received or paid, through a single payment in the event of default on or termination of any one contract by either party. The fair values of the assets and liabilities associated with interest rate swaps and cross-currency swaps are presented on a gross basis in the consolidated balance sheet and are classified as current or noncurrent based on the maturity date of the respective contract.
- (b) Of the total amount of interest rate swap assets recorded as of September 30, 2014 and December 31, 2013, \$4 million and \$8 million, respectively, is recorded in other current assets in the consolidated balance sheet. The total amount of interest rate swap liabilities recorded as of September 30, 2014 and December 31, 2013 is recorded in other liabilities in the consolidated balance sheet.
- (c) The fair values of the assets and liabilities associated with cross-currency swaps are recorded in other assets and other liabilities, respectively, in the consolidated balance sheet.
- (d) The fair value of the equity award reimbursement obligation was recorded in other current liabilities in the consolidated balance sheet as of December 31, 2013.

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

(Unaudited)

Fair Value Hedges

The Company uses interest rate swaps to manage interest rate risk by effectively converting fixed-rate debt into variable-rate debt. Under such contracts, the Company is entitled to receive semi-annual interest payments at fixed rates and is required to make semi-annual interest payments at variable rates, without exchange of the underlying principal amount. Such contracts are designated as fair value hedges. The Company recognized no gain or loss related to its interest rate swaps because the changes in the fair values of such instruments were completely offset by the changes in the fair values of the hedged fixed-rate debt. The fair value of interest rate swaps was determined using a DCF analysis based on the terms of the contract and expected forward interest rates, and incorporates the credit risk of the Company and each counterparty (a Level 2 fair value measurement). The following table summarizes the terms of the Company's existing fixed to variable interest rate swaps as of September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
Maturities	2015-2019	2014-2019
Notional amount (in millions)	\$ 6,100	\$ 7,850
Weighted-average pay rate (variable based on LIBOR plus variable margins)	4.77%	4.89%
Weighted-average receive rate (fixed)	6.58%	6.86%

The notional amounts of interest rate instruments, as presented in the above table, are used to measure interest to be paid or received and do not represent the amount of exposure to credit loss.

Cash Flow Hedges

The Company uses cross-currency swaps to manage foreign exchange risk related to foreign currency denominated debt by effectively converting foreign currency denominated debt, including annual interest payments and the payment of principal at maturity, to U.S. dollar denominated debt. Such contracts are designated as cash flow hedges. The Company has entered into cross-currency swaps to effectively convert its £1.275 billion aggregate principal amount of fixed-rate British pound sterling denominated debt, including annual interest payments and the payment of principal at maturity, to fixed-rate U.S. dollar denominated debt. The cross-currency swaps have maturities of June 2031 and July 2042. The fair value of cross-currency swaps was determined using a DCF analysis based on expected forward interest and exchange rates, and incorporates the credit risk of the Company and each counterparty (a Level 2 fair value measurement). The following table summarizes the deferred gain (loss) activity related to cash flow hedges recognized in accumulated other comprehensive income (loss), net, and reclassified into other income, net, for the three and nine months ended September 30, 2014 and 2013 (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Deferred gains (losses) recognized:				
Cross-currency swaps	\$ (19)	\$ 249	\$ (98)	\$ 140
Deferred (gains) losses reclassified into earnings:				
Cross-currency swaps ^(a)	113	(124)	44	9
Total net deferred gains (losses) recognized	94	125	(54)	149
Income tax (provision) benefit	(36)	(48)	21	(58)
Total net deferred gains (losses) recognized, net of tax	\$ 58	\$ 77	\$ (33)	\$ 91

^(a) Deferred gains (losses) on cross-currency swaps were reclassified from accumulated other comprehensive income (loss), net, to other income, net, which offsets the re-measurement gains (losses) recognized in other income, net, on the British pound sterling denominated debt.

Any ineffectiveness related to the Company's cash flow hedges has been and is expected to be immaterial.

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

(Unaudited)

Equity Award Reimbursement Obligation

Prior to 2007, some of TWC's employees were granted options to purchase shares of Time Warner Inc. (Time Warner) common stock in connection with their past employment with subsidiaries and affiliates of Time Warner, including TWC. Upon the exercise of Time Warner stock options held by TWC employees, TWC was obligated to reimburse Time Warner for the excess of the market price of Time Warner common stock on the day of exercise over the option exercise price (the intrinsic value of the award). The Company recorded the equity award reimbursement obligation at fair value in other current liabilities in the consolidated balance sheet. The change in the equity award reimbursement obligation fluctuated primarily with the fair value and expected volatility of Time Warner common stock and changes in fair value were recorded in other income, net, in the period of change. On March 12, 2014, all remaining outstanding Time Warner stock options held by TWC employees expired and the Company was obligated to reimburse Time Warner \$6 million, which consisted of the intrinsic value of awards exercised through March 12, 2014 for which payment had not yet been made. As of March 12, 2014, the Company no longer viewed this obligation as a derivative financial instrument valued using Level 3 fair value measurements as the \$6 million remaining liability was fixed.

Changes in the fair value of the equity award reimbursement obligation, valued using significant unobservable inputs (Level 3), from January 1 through September 30 are presented below (in millions):

	2014	2013
Balance at beginning of period	\$ 11	\$ 19
(Gains) losses recognized in other income, net	(1)	8
Payments to Time Warner for awards exercised	(4)	(15)
Transfer out of Level 3	(6)	
Balance at end of period	\$	\$ 12

Assets Measured at Fair Value on a Nonrecurring Basis

The Company's assets measured at fair value on a nonrecurring basis include equity-method investments, long-lived assets, indefinite-lived intangible assets and goodwill. The Company reviews the carrying amounts of such assets whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable or at least annually as of July 1 for indefinite-lived intangible assets and goodwill. Any resulting asset impairment would require that the asset be reduced to its fair value. Refer to Note 5 for further details regarding the Company's fair value analysis of cable franchise rights and goodwill.

Fair Value of Other Financial Instruments

The Company's other financial instruments not measured at fair value on a recurring basis include (a) cash and equivalents, receivables, accounts payable, accrued liabilities and borrowings under the Company's commercial paper program, which are reflected at cost in the consolidated balance sheet, and (b) TWC senior notes and debentures and Time Warner Cable Enterprises LLC (TWCE) senior debentures (collectively, the senior notes and debentures) not subject to fair value hedge accounting, which are reflected at amortized cost in the consolidated balance sheet. With the exception of the senior notes and debentures, cost approximates fair value for these instruments due to their short-term nature. The carrying value and related estimated fair value of the senior notes and debentures was \$23.187 billion and \$27.577 billion, respectively, as of September 30, 2014 and \$25.003 billion and \$25.187 billion, respectively, as of December 31, 2013. Estimated fair values for the senior notes and debentures are determined by reference to the market value of the instrument as quoted on a national securities exchange or in an over-the-counter market (a Level 1 fair value measurement).

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

(Unaudited)

7. TWC SHAREHOLDERS' EQUITY**Changes in Common Stock**

Changes in the Company's common stock from January 1 through September 30 are presented below (in millions):

	2014	2013
Balance at beginning of period	277.9	297.7
Shares issued under the Company's equity-based compensation plan	4.0	3.8
Shares repurchased and retired	(1.5)	(18.6)
Balance at end of period	280.4	282.9

Common Stock Repurchase Program

As a result of the Company's entry into the merger agreement with Comcast, the Company's \$4.0 billion common stock repurchase program (the "Stock Repurchase Program") was suspended on February 13, 2014. Prior to the merger agreement with Comcast, the Company repurchased 1.5 million shares of TWC common stock for \$208 million during 2014. As of September 30, 2014, the Company had \$2.723 billion remaining under the Stock Repurchase Program authorization.

Accumulated Other Comprehensive Income (Loss), Net

Changes in accumulated other comprehensive income (loss), net, included in TWC shareholders' equity from January 1 through September 30 are presented below (in millions):

	2014	2013
Balance at beginning of period	\$ 44	\$ (663)
Other comprehensive income (loss) before reclassifications, net of tax	(86)	105
Amounts reclassified into earnings, net of tax	27	42
Other comprehensive income (loss), net of tax	(59)	147
Balance at end of period	\$ (15)	\$ (516)

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

(Unaudited)

The following table summarizes the changes in the components of accumulated other comprehensive income (loss), net, included in TWC shareholders' equity from January 1 through September 30 (in millions):

	2014	2013
<i>Unrealized losses on pension benefit obligation:</i>		
Balance at beginning of period	\$ (104)	\$ (708)
Other comprehensive income (loss) before reclassifications, net of tax	(25)	21
Amounts reclassified into earnings, net of tax:		
Amortization of actuarial (gain) loss ^(a)	(2)	56
Income tax (benefit) provision	1	(21)
Amortization of actuarial (gain) loss, net of tax	(1)	35
Other comprehensive income (loss), net of tax	(26)	56
Balance at end of period	\$ (130)	\$ (652)
<i>Deferred gains (losses) on cash flow hedges:</i>		
Balance at beginning of period	\$ 149	\$ 45
Other comprehensive income (loss) before reclassifications, net of tax	(61)	84
Amounts reclassified into earnings, net of tax:		
Effective portion of loss on cash flow hedges ^(b)	44	9
Income tax benefit	(16)	(2)
Effective portion of loss on cash flow hedges, net of tax	28	7
Other comprehensive income (loss), net of tax	(33)	91
Balance at end of period	\$ 116	\$ 136
<i>Other changes:</i>		
Balance at beginning and end of period	\$ (1)	\$

^(a) Amounts are included in the computation of net periodic benefit costs as discussed further in Note 9.

^(b) Amounts are recorded in other income, net, in the consolidated statement of operations as discussed further in Note 6.

8. EQUITY-BASED COMPENSATION

TWC is authorized under the Company's stock incentive plan (the 2011 Plan) to grant restricted stock units (RSUs) and options to purchase shares of TWC common stock to its employees and non-employee directors. As of September 30, 2014, the 2011 Plan provides for the issuance of up to 20.0 million shares of TWC common stock, of which 8.7 million shares were available for grant.

Equity-based compensation expense recognized for the three and nine months ended September 30, 2014 and 2013 was as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Restricted stock units ^(a)	\$ 40	\$ 19	\$ 121	\$ 69
Stock options	5	7	17	31
Total equity-based compensation expense^(a)	\$ 45	\$ 26	\$ 138	\$ 100

^(a) For the three and nine months ended September 30, 2014, amounts include \$17 million and \$40 million, respectively, of equity-based compensation expense recognized in merger-related and restructuring costs in the consolidated statement of operations.

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

(Unaudited)

Restricted Stock Units

For the nine months ended September 30, 2014, TWC granted 3.778 million RSUs at a weighted-average grant date fair value of \$135.72 per RSU, which included 143,000 RSUs subject to performance-based vesting conditions (PBUs) at a weighted-average grant date fair value of \$135.31 per PBU. For the nine months ended September 30, 2013, TWC granted 1.200 million RSUs at a weighted-average grant date fair value of \$87.30 per RSU, which included 142,000 PBUs at a weighted-average grant date fair value of \$87.31 per PBU. Total unrecognized compensation cost related to unvested RSUs as of September 30, 2014, without taking into account expected forfeitures, was \$501 million, which the Company expects to recognize over a weighted-average period of 3.85 years, without taking into account acceleration of vesting.

As a result of the planned Comcast merger, the Company advanced the timing of its annual grants that would have been made in 2015 and 2016 into 2014. As a result, eligible employees were granted additional RSUs having a value equal to (and with vesting terms consistent with) those that these employees otherwise would have received in each of 2015 and 2016 (the retention grants), but without performance-based vesting conditions. Specifically, the retention grant corresponding to the 2015 annual grant will vest 50% in February of 2018 and 50% in February of 2019; the retention grant corresponding to the 2016 annual grant will vest 50% in February of 2019 and 50% in February of 2020, in each case subject to continued employment. Like the Company's other equity awards, if a grantee's employment is terminated without cause or for good reason within 24 months following the closing of the Comcast merger, the retention grants will vest in full. However, if the merger has not yet closed and the grantee's employment is terminated prior to the date on which either retention grant would have normally been made (i.e., February 2015 or 2016, as appropriate), such retention grant will be forfeited. Employees who received retention grants will generally not be eligible for additional equity awards in 2015 or 2016. Consequently, absent the closing of the Comcast merger, both the employees and the Company would generally be in the same position they would have been in had the additional RSUs been granted in 2015 and 2016, rather than in 2014.

With the exception of the retention grants discussed above, RSUs, including PBUs, generally vest 50% on each of the third and fourth anniversary of the grant date, subject to continued employment and, in the case of PBUs, subject to the satisfaction and certification of the applicable performance conditions. RSUs generally provide for accelerated vesting upon the termination of the grantee's employment after reaching a specified age and years of service or upon certain terminations of the grantee's employment within 24 months following the closing of the Comcast merger and, in the case of PBUs, subject to the satisfaction and certification of the applicable performance conditions. PBUs are subject to forfeiture if the applicable performance condition is not satisfied. RSUs awarded to non-employee directors are not subject to vesting or forfeiture restrictions and the shares underlying the RSUs will generally be issued in connection with a director's termination of service as a director. Pursuant to the directors' compensation program, certain directors with more than three years of service on the Board of Directors have elected an in-service vesting period for their RSU awards. Holders of RSUs are generally entitled to receive cash dividend equivalents or retained distributions related to regular cash dividends or other distributions, respectively, paid by TWC. In the case of PBUs, the receipt of the dividend equivalents is subject to the satisfaction and certification of the applicable performance conditions. Retained distributions are subject to the vesting requirements of the underlying RSUs. Upon the vesting of

a RSU, shares of TWC common stock may be issued from authorized but unissued shares or from treasury stock, if any.

Stock Options

For the nine months ended September 30, 2014, TWC granted no stock options. For the nine months ended September 30, 2013, TWC granted 2.539 million stock options at a weighted-average grant date fair value of \$15.66 per option, which included 302,000 stock options subject to performance-based vesting conditions (PBOs) at a weighted-average grant date fair value of \$15.57 per PBO. Total unrecognized compensation cost related to unvested stock options as of September 30, 2014, without taking into account expected forfeitures, was \$28 million, which the Company expects to recognize over a weighted-average period of 1.92 years, without taking into account acceleration of vesting.

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

(Unaudited)

Stock options, including PBOs, have exercise prices equal to the fair market value of TWC common stock at the date of grant. Generally, stock options vest ratably over a four-year vesting period and expire ten years from the date of grant, subject to continued employment and, in the case of PBOs, subject to the satisfaction and certification of the applicable performance condition. Certain stock option awards provide for accelerated vesting upon the termination of the grantee's employment after reaching a specified age and years of service or upon certain terminations of the grantee's employment within 24 months following the closing of the Comcast merger and, in the case of PBOs, subject to the satisfaction and certification of the applicable performance conditions. PBOs are subject to forfeiture if the applicable performance condition is not satisfied. Upon the exercise of a stock option, shares of TWC common stock may be issued from authorized but unissued shares or from treasury stock, if any.

The table below presents the assumptions used to value stock options at their grant date for the nine months ended September 30, 2013 and reflects the weighted average of all awards granted within the period:

Expected volatility	26.14%
Expected term to exercise from grant date (in years)	5.94
Risk-free rate	1.19%
Expected dividend yield	2.97%

9. PENSION COSTS

TWC sponsors the Time Warner Cable Pension Plan (the "TWC Pension Plan") and the Time Warner Cable Union Pension Plan (the "Union Pension Plan"), and, together with the TWC Pension Plan, the qualified pension plans), both qualified defined benefit pension plans, that together provide pension benefits to a majority of the Company's employees. TWC also provides a nonqualified defined benefit pension plan for certain employees (the "nonqualified pension plan" and, together with the qualified pension plans, the "pension plans"). Pension benefits are based on formulas that reflect the employees' years of service and compensation during their employment period. TWC uses a December 31 measurement date for its pension plans. The components of net periodic benefit costs for the three and nine months ended September 30, 2014 and 2013 is as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Service cost	\$ 43	\$ 51	\$ 129	\$ 153
Interest cost	36	35	108	104

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Expected return on plan assets	(58)	(54)	(174)	(160)
Amounts amortized	(1)	19	(2)	56
Net periodic benefit costs	\$ 20	\$ 51	\$ 61	\$ 153

The Company made no cash contributions to the qualified pension plans during the nine months ended September 30, 2014, and does not expect to make any discretionary cash contributions to the qualified pension plans during the remainder of 2014. For the nonqualified pension plan, the Company will continue to make contributions during the remainder of 2014 to the extent benefits are paid.

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TIME WARNER CABLE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

10. MERGER-RELATED AND RESTRUCTURING COSTS

Merger-related and restructuring costs for the three and nine months ended September 30, 2014 and 2013 consisted of the following (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Merger-related costs	\$ 48	\$ 2	\$ 163	\$ 9
Restructuring costs	(2)	21	24	72
Total merger-related and restructuring costs	\$ 46	\$ 23	\$ 187	\$ 81

Merger-related Costs

For the three and nine months ended September 30, 2014, the Company incurred merger-related costs of \$48 million and \$163 million, respectively. These costs primarily consisted of Comcast merger-related costs, which, for the three and nine months ended September 30, 2014, included employee retention costs of \$34 million and \$103 million, respectively, and advisory and legal fees of \$15 million and \$57 million, respectively. Merger-related costs for the three and nine months ended September 30, 2014 also included a \$1 million reversal and \$3 million of costs, respectively, incurred in connection with the acquisition of DukeNet Communications, LLC. During the three and nine months ended September 30, 2013, the Company incurred merger-related costs of \$2 million and \$9 million, respectively, in connection with the acquisition of Insight Communications Company, Inc. The Company expects to incur additional merger-related costs during the remainder of 2014 in connection with the Comcast merger. Changes in the Company's accruals for merger-related costs are presented below (in millions):

	Employee Costs	Other Costs	Total
Remaining liability as of December 31, 2012	\$ 7	\$ 7	\$ 14
Costs incurred		13	13
Cash paid ^(a)	(4)	(17)	(21)
Remaining liability as of December 31, 2013	3	3	6
Costs incurred	66	58	124
Adjustments	(1)		(1)

Cash paid		(5)		(48)		(53)
Remaining liability as of September 30, 2014 ^(b)	\$	63	\$	13	\$	76

^(a) Of the total cash paid in 2013, \$16 million was paid during the nine months ended September 30, 2013.

^(b) The remaining \$76 million liability as of September 30, 2014 is classified as a current liability in the consolidated balance sheet.

In addition to the cash settled liabilities shown in the table above, the Company also issued retention RSUs, as discussed in Note 8, which resulted in additional merger-related costs of \$17 million and \$40 million for the three and nine months ended September 30, 2014, respectively.

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

(Unaudited)

Restructuring Costs

The results for the three and nine months ended September 30, 2014 included a net \$2 million reversal and \$24 million of restructuring costs, respectively, and for the three and nine months ended September 30, 2013, restructuring costs of \$21 million and \$72 million, respectively, primarily related to employee terminations and other exit costs. The Company expects to incur additional restructuring costs during the remainder of 2014. Changes in the Company's restructuring reserves are presented below (in millions):

	Employee Termination Costs	Other Exit Costs	Total
Remaining liability as of December 31, 2012	\$ 24	\$ 3	\$ 27
Costs incurred	88	18	106
Cash paid ^(a)	(73)	(17)	(90)
Remaining liability as of December 31, 2013	39	4	43
Costs incurred	13	14	27
Adjustments	(3)		(3)
Cash paid	(39)	(17)	(56)
Remaining liability as of September 30, 2014 ^(b)	\$ 10	\$ 1	\$ 11

^(a) Of the total cash paid in 2013, \$75 million was paid during the nine months ended September 30, 2013.

^(b) Of the remaining liability as of September 30, 2014, \$8 million is classified as a current liability, with the remaining amount classified as a noncurrent liability in the consolidated balance sheet. Amounts are expected to be paid through March 2018.

11. SEGMENT INFORMATION

Effective in the first quarter of 2014, the Company determined it has three reportable segments, which have been determined based on how management evaluates and manages the business. The Company has recast its financial information and disclosures for the prior periods to reflect the segment disclosures as if the current presentation had been in effect throughout all periods presented.

The Company classifies its operations into the following reportable segments:

Residential Services, which principally consists of video, high-speed data and voice services provided to residential customers as well as other residential services, including security and home management services.

Business Services, which principally consists of data, video and voice services provided to business customers as well as other business services, including enterprise-class, cloud-enabled hosting, managed applications and services.

Other Operations, which principally consists of (i) Time Warner Cable Media (TWC Media), the advertising sales arm of TWC, (ii) TWC-owned and/or operated regional sports networks (RSNs) and local sports, news and lifestyle channels (e.g., Time Warner Cable News NY1) and (iii) other operating revenue and costs, including those derived from the Advance/Newhouse Partnership and home shopping network-related services. The business units reflected in the Other Operations segment individually do not meet the thresholds to be reported as separate reportable segments.

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(Unaudited)

In addition to the above reportable segments, the Company has shared functions (referred to as Shared Functions) that include activities not attributable to a specific reportable segment. Shared Functions consists of operating costs and expenses associated with broad corporate functions (e.g., accounting and finance, information technology, executive management, legal and human resources) or functions supporting more than one reportable segment that are centrally managed (e.g., facilities, network operations, vehicles and procurement) as well as other activities not attributable to a reportable segment. As such, the reportable segment results reflect how management views such segments in assessing financial performance and allocating resources and are not necessarily indicative of the results of operations that each segment would have achieved had they operated as stand-alone entities during the periods presented.

In evaluating the profitability of the Company's segments, the components of net income (loss) below OIBDA, as defined below, are not separately evaluated by management at the segment level. Due to the nature of the Company's operations, a majority of its assets, including its distribution systems, are utilized across the Company's operations and are not segregated by segment. In addition, segment assets are not reported to, or used by, management to allocate resources or assess the performance of the Company's segments. Accordingly, the Company has not disclosed asset information by segment.

Segment information for the three and nine months ended September 30, 2014 and 2013 is as follows (in millions):

	Three Months Ended September 30, 2014						
	Residential Services Segment	Business Services Segment	Other Operations Segment	Shared Functions	Intersegment Eliminations	Total Consolidated	
Revenue ^(a)	\$ 4,615	\$ 724	\$ 438	\$	\$ (63)	\$ 5,714	
Operating costs and expenses	(2,489)	(282)	(240)	(712)	63	(3,660)	
Merger-related and restructuring costs				(46)		(46)	
OIBDA	\$ 2,126	\$ 442	\$ 198	\$ (758)	\$	2,008	
Depreciation						(824)	
Amortization						(33)	
						\$ 1,151	

Operating
Income

	Three Months Ended September 30, 2013						
	Residential Services Segment	Business Services Segment	Other Operations Segment	Shared Functions	Intersegment Eliminations		Total Consolidated
Revenue ^(a)	\$ 4,579	\$ 594	\$ 393	\$	\$ (48)		\$ 5,518
Operating costs and expenses	(2,456)	(250)	(152)	(703)	48		(3,513)
Merger-related and restructuring costs				(23)			(23)
OIBDA	\$ 2,123	\$ 344	\$ 241	\$ (726)	\$		1,982
Depreciation							(790)
Amortization							(32)
Operating Income							\$ 1,160

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TIME WARNER CABLE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Nine Months Ended September 30, 2014

	Residential Services Segment	Business Services Segment	Other Operations Segment	Shared Functions	Intersegment Eliminations	Total Consolidated
Revenue ^(a)	\$ 13,845	\$ 2,083	\$ 1,274	\$	\$ (180)	\$ 17,022
Operating costs and expenses	(7,395)	(830)	(730)	(2,159)	180	(10,934)
Merger-related and restructuring costs				(187)		(187)
OIBDA	\$ 6,450	\$ 1,253	\$ 544	\$ (2,346)	\$	\$ 5,901
Depreciation						(2,394)
Amortization						(101)
Operating Income						\$ 3,406

Nine Months Ended September 30, 2013

	Residential Services Segment	Business Services Segment	Other Operations Segment	Shared Functions	Intersegment Eliminations	Total Consolidated
Revenue ^(a)	\$ 13,822	\$ 1,696	\$ 1,173	\$	\$ (148)	\$ 16,543
Operating costs and expenses	(7,328)	(714)	(533)	(2,162)	148	(10,589)
Merger-related and restructuring costs				(81)		(81)
OIBDA	\$ 6,494	\$ 982	\$ 640	\$ (2,243)	\$	\$ 5,873
Depreciation						(2,371)
Amortization						(95)

Operating Income	\$ 3,407
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(a) Revenue derived from outside the U.S. was insignificant in all periods presented. No single customer accounted for a significant amount of revenue in any period presented.

Intersegment Eliminations relates to the programming provided to the Residential Services and Business Services segments by the Company's RSNs and local sports, news and lifestyle channels. These services are reflected as programming expense for the Residential Services and Business Services segments and as revenue for the Other Operations segment.

Intersegment revenue for the three and nine months ended September 30, 2014 and 2013 consisted of the following (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Residential Services	\$	\$	\$	\$
Business Services				
Other Operations	63	48	180	148
Total intersegment revenue	\$ 63	\$ 48	\$ 180	\$ 148

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(Unaudited)

The Company's revenue for the three and nine months ended September 30, 2014 and 2013 was derived from the following sources (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Residential Services revenue:				
Video	\$ 2,497	\$ 2,600	\$ 7,538	\$ 7,945
High-speed data	1,620	1,461	4,784	4,291
Voice	476	498	1,462	1,534
Other	22	20	61	52
Total Residential Services revenue	4,615	4,579	13,845	13,822
Business Services revenue:				
Video	93	87	272	258
High-speed data	343	282	980	806
Voice	132	110	373	308
Wholesale transport	105	65	303	181
Other	51	50	155	143
Total Business Services revenue	724	594	2,083	1,696
Other Operations revenue:				
Advertising	276	253	795	741
Other	162	140	479	432
Total Other Operations revenue	438	393	1,274	1,173
Intersegment eliminations	(63)	(48)	(180)	(148)
Total revenue	\$ 5,714	\$ 5,518	\$ 17,022	\$ 16,543

Use of OIBDA

Management uses Operating Income before Depreciation and Amortization (OIBDA), among other measures, in evaluating the segment's performance because it eliminates the effects of (i) considerable amounts of noncash depreciation and amortization and (ii) items not within the control of the Company's operations managers (such as income tax provision, other income (expense), net, and interest expense, net). Management also uses this measure to evaluate the Company's consolidated operating performance and to allocate resources and capital to the segments.

Performance measures derived from OIBDA are also used in the Company's annual incentive compensation programs. In addition, this measure is commonly used by analysts, investors and others in evaluating the Company's performance.

This measure has inherent limitations. For example, OIBDA does not reflect capital expenditures or the periodic costs of certain capitalized assets used in generating revenue. To compensate for such limitations, management evaluates the Company's consolidated performance through, among other measures, various cash flow measures, which reflect capital expenditure decisions, and net income attributable to TWC shareholders, which reflects the periodic costs of capitalized assets. OIBDA also fails to reflect the significant costs borne by the Company for income taxes and debt servicing costs, the results of the Company's equity investments and other non-operational income or expense. Management compensates for these limitations by using other analytics such as a review of net income attributable to TWC shareholders.

This non-GAAP measure should be considered in addition to, not as a substitute for, the Company's Operating Income and net income attributable to TWC shareholders, as well as other measures of financial performance reported in accordance with GAAP, and may not be comparable to similarly titled measures used by other companies.

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

(Unaudited)

12. COMMITMENTS AND CONTINGENCIES**Legal Proceedings**

Following the announcement of the Comcast merger on February 13, 2014, eight putative class action complaints challenging the merger were filed on behalf of purported TWC stockholders, seven in the Supreme Court of the State of New York, County of New York and one in the Court of Chancery of the State of Delaware. These complaints were captioned: *Barrett v. Time Warner Cable Inc., et al.* (N.Y. Sup. Ct.); *Karl Graulich IRA v. Marcus, et al.* (N.Y. Sup. Ct.); *Wedeking v. Time Warner Cable Inc., et al.* (N.Y. Sup. Ct.); *Lassoff v. Time Warner Cable Inc., et al.* (N.Y. Sup. Ct.); *Thomas v. Marcus, et al.* (N.Y. Sup. Ct.); *Tangarone v. Time Warner Cable Inc., et al.* (N.Y. Sup. Ct.); *Louisiana Municipal Police Employees Retirement System v. Black, et al.* (Del. Ch.); and *Empire State Supply Corp. v. Time Warner Cable Inc., et al.* (N.Y. Sup. Ct.). On March 25, 2014, the plaintiff in *Tangarone v. Time Warner Cable Inc.* voluntarily discontinued the action in the New York Supreme Court and re-filed the action in the Court of Chancery of the State of Delaware under the caption *Tangarone v. Time Warner Cable Inc., et al.* (Del. Ch.). Likewise, on March 26, 2014, the plaintiffs in *Empire State Supply Corp. v. Time Warner Cable Inc., et al.* voluntarily discontinued the action in the New York Supreme Court, and re-filed the action on March 27, 2014 in the Court of Chancery of the State of Delaware under the caption *Empire State Supply Corp. v. Time Warner Cable Inc., et al.* (Del. Ch.). On March 28, 2014, the plaintiffs in *Louisiana Municipal Police Employees Retirement System v. Black, et al.* (Del. Ch.) filed an amended complaint. On April 2, 2014, the Court orally granted a motion to consolidate the pending actions in the New York Supreme Court under the caption *Barrett, et al. v. Time Warner Cable Inc., et al.* (N.Y. Sup. Ct.), which the Court did formally by written order on April 15, 2014. On April 3, 2014, the plaintiffs in *Barrett, et al. v. Time Warner Cable Inc., et al.* (N.Y. Sup. Ct.) filed a consolidated amended complaint. The various complaints name as defendants the Company, the members of the Company's Board of Directors, Comcast and Tango Acquisition Sub, Inc. (Merger Sub). The complaints assert that the members of the Company's Board of Directors breached their fiduciary duties to the Company's stockholders during the Comcast merger negotiations and by entering into the Comcast merger agreement and approving the Comcast merger, and that Comcast and Merger Sub aided and abetted such breaches of fiduciary duties. The complaints also allege that the Company and its Board of Directors failed to disclose in the registration statement related to the Comcast merger material facts relating to the merger. The complaints seek, among other relief, injunctive relief enjoining the shareholder vote on the Comcast merger, unspecified declaratory and equitable relief, compensatory damages in an unspecified amount, and costs and fees. On July 22, 2014, the parties to the litigation entered into a memorandum of understanding reflecting the terms of an agreement, subject to final approval by the New York Supreme Court and certain other conditions, to settle all of the outstanding litigation challenging the merger. The Company believes that the claims asserted against it in the lawsuits are without merit and, if the settlement does not receive final approval by the New York Supreme Court or otherwise is not consummated, intends to defend against the litigation vigorously.

On December 11, 2013, Constellation Technologies LLC, a wholly owned subsidiary of Rockstar Consortium US LP (Rockstar), filed a complaint in the U.S. District Court for the Eastern District of Texas alleging that the Company and its subsidiary, TWCE, infringe six patents purportedly relating to the Company's use of various technologies, including switched digital technology for video delivery, Multiprotocol Label Switching (MPLS) networks and data routing techniques, Ethernet passive optical networks and IP Multimedia Subsystem (IMS) protocols to provide video,

high-speed data and voice services. Rockstar acquired these patents and others from Nortel Networks Limited, a wholly owned subsidiary of Nortel Networks Corporation, in 2011. The plaintiff is seeking unspecified monetary damages. On January 3, 2014, the plaintiff filed an Amended Complaint, and on February 7, 2014, the Company moved to dismiss certain allegations in the Amended Complaint. On September 29, 2014, the court denied the Company's motion to dismiss. The Company intends to defend against this lawsuit vigorously, but is unable to predict the outcome of this lawsuit or reasonably estimate a range of possible loss.

On December 19, 2011, Sprint Communications Company L.P. filed a complaint in the U.S. District Court for the District of Kansas alleging that the Company infringes 12 patents purportedly relating to Voice over Internet Protocol (VoIP) services. The plaintiff is seeking unspecified monetary damages as well as injunctive relief. The Company intends to defend against this lawsuit vigorously, but is unable to predict the outcome of this lawsuit or reasonably estimate a range of possible loss.

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

(Unaudited)

The Company is the defendant in *In re: Set-Top Cable Television Box Antitrust Litigation*, ten purported class actions filed in federal district courts throughout the U.S. These actions are subject to a Multidistrict Litigation (MDL) Order transferring the cases for pretrial proceedings to the U.S. District Court for the Southern District of New York. On July 26, 2010, the plaintiffs filed a third amended consolidated class action complaint (the Third Amended Complaint), alleging that the Company violated Section 1 of the Sherman Antitrust Act, various state antitrust laws and state unfair/deceptive trade practices statutes by tying the sales of premium cable television services to the leasing of set-top converter boxes. The plaintiffs are seeking, among other things, unspecified treble monetary damages and an injunction to cease such alleged practices. On September 30, 2010, the Company filed a motion to dismiss the Third Amended Complaint, which the court granted on April 8, 2011. On June 17, 2011, the plaintiffs appealed this decision to the U.S. Court of Appeals for the Second Circuit. The Company intends to defend against this lawsuit vigorously, but is unable to predict the outcome of this lawsuit or reasonably estimate a range of possible loss.

On August 9, 2010, the plaintiffs in *Michelle Downs and Laurie Jarrett, et al. v. Insight Communications Company, L.P.* filed a second amended complaint in a purported class action in the U.S. District Court for the Western District of Kentucky alleging that Insight Communications Company, L.P. violated Section 1 of the Sherman Antitrust Act by tying the sales of premium cable television services to the leasing of set-top converter boxes, which is similar to the federal claim against the Company in *In re: Set-Top Cable Television Box Antitrust Litigation*, discussed above. The plaintiffs are seeking, among other things, unspecified treble monetary damages and an injunction to cease such alleged practices. On July 19, 2013, the Company filed a motion for summary judgment, which argued that Insight Communications Company, L.P. did not coerce the plaintiffs to lease a set-top converter box, a necessary element of the plaintiffs' claim. On July 29, 2014, the court granted TWC's summary judgment motion and entered judgment in TWC's favor and, on August 26, 2014, the plaintiffs filed a motion for reconsideration. The Company intends to defend against this lawsuit vigorously, but is unable to predict the outcome of this lawsuit or reasonably estimate a range of possible loss.

From time to time, the Company receives notices from third parties and, in some cases, is party to litigation alleging that certain of the Company's services or technologies infringe the intellectual property rights of others. Claims of intellectual property infringement could require TWC to enter into royalty or licensing agreements on unfavorable terms, incur substantial monetary liability or be enjoined preliminarily or permanently from further use of the intellectual property in question. In addition, certain agreements entered into by the Company may require it to indemnify the other party for certain third-party intellectual property infringement claims, which could increase the Company's damages and its costs of defending against such claims. Even if the claims are without merit, defending against the claims can be time consuming and costly.

Other Matters

The California Attorney General and the Alameda County, California District Attorney are investigating whether certain of the Company's waste disposal policies, procedures and practices are in violation of the California Business and Professions Code and the California Health and Safety Code. These entities are seeking injunctive relief, civil penalties and attorneys' fees. While the Company is unable to predict the outcome of this investigation, it does not

believe that the outcome will have a material effect on its results of operations, financial condition or cash flows.

In March 2003, the interests in cable networks and filmed entertainment held by Time Warner Entertainment Company, L.P. (TWE) were transferred to Time Warner and all of Time Warner's interests in cable systems were transferred to the Company (the TWE Restructuring). As part of the TWE Restructuring, Time Warner agreed to indemnify the Company from and against any and all liabilities relating to, arising out of or resulting from specified litigation matters brought against the TWE non-cable businesses. Although Time Warner has agreed to indemnify the Company against such liabilities, TWE remains a named party in certain litigation matters. In connection with an internal reorganization on September 30, 2012, TWE merged with and into TWCE, with TWCE as the surviving entity.

The costs and other effects of future litigation, governmental investigations, legal and administrative cases and proceedings (whether civil or criminal), settlements, judgments and investigations, claims and changes in pending matters (including those matters described above), and developments or assertions by or against the Company relating to intellectual property rights and intellectual property licenses, could have a material adverse effect on the Company's business, financial condition and operating results.

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

(Unaudited)

13. ADDITIONAL FINANCIAL INFORMATION**Other Current Assets**

Other current assets as of September 30, 2014 and December 31, 2013 consisted of the following (in millions):

	September 30, 2014	December 31, 2013
Prepaid income taxes	\$ 53	\$ 142
Other prepaid expenses	195	155
Other current assets	31	34
Total other current assets	\$ 279	\$ 331

Other Current Liabilities

Other current liabilities as of September 30, 2014 and December 31, 2013 consisted of the following (in millions):

	September 30, 2014	December 31, 2013
Accrued compensation and benefits	\$ 430	\$ 394
Accrued interest	395	529
Accrued sales and other taxes	318	132
Accrued insurance	194	185
Accrued franchise fees	143	155
Other accrued expenses	442	442
Total other current liabilities	\$ 1,922	\$ 1,837

Interest Expense, Net

Interest expense, net, for the three and nine months ended September 30, 2014 and 2013 consisted of the following (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Interest expense	\$ (353)	\$ (379)	\$ (1,066)	\$ (1,178)
Interest income				3
Interest expense, net	\$ (353)	\$ (379)	\$ (1,066)	\$ (1,175)

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

(Unaudited)

Other Income, Net

Other income, net, for the three and nine months ended September 30, 2014 and 2013 consisted of the following (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Income from equity-method investments, net	\$ 5	\$ 2	\$ 27	\$ 16
Gain (loss) on equity award reimbursement obligation to Time Warner		(3)	1	(8)
Other		1		2
Other income, net	\$ 5	\$	\$ 28	\$ 10

Related Party Transactions

The Company's transactions with related parties (i.e., equity-method investees) for the three and nine months ended September 30, 2014 and 2013 consisted of the following (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenue	\$ 3	\$ 2	\$ 6	\$ 6
Costs and expenses:				
Programming and content	\$ (39)	\$ (43)	\$ (132)	\$ (147)
Other operating	(5)	(6)	(15)	(15)
Total costs and expenses	\$ (44)	\$ (49)	\$ (147)	\$ (162)

Supplemental Cash Flow Information

Additional financial information with respect to cash (payments) and receipts for the nine months ended September 30, 2014 and 2013 is as follows (in millions):

	Nine Months Ended September 30,	
	2014	2013
Cash paid for interest	\$ (1,279)	\$ (1,425)
Interest income received ^(a)	92	121
Cash paid for interest, net	\$ (1,187)	\$ (1,304)
Cash paid for income taxes	\$ (300)	\$ (472)
Cash refunds of income taxes	14	1
Cash paid for income taxes, net	\$ (286)	\$ (471)

^(a) Interest income received includes amounts received under interest rate swap contracts.

The consolidated statement of cash flows for the nine months ended September 30, 2013 includes (a) purchases of short-term investments in U.S. Treasury securities of \$575 million (included in purchases of investments) and (b) proceeds from the maturity of short-term investments in U.S. Treasury securities of \$475 million (included in proceeds from sale, maturity and collection of investments).

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TIME WARNER CABLE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The consolidated statement of cash flows for the nine months ended September 30, 2013 does not reflect \$21 million of common stock repurchases that were included in other current liabilities as of September 30, 2013 for which payment was made in October 2013.

14. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

Set forth below are condensed consolidating financial statements presenting the financial position, results of operations (including comprehensive income) and cash flows of (i) Time Warner Cable Inc. (the Parent Company), (ii) Time Warner Cable Enterprises LLC (TWCE or the Guarantor Subsidiary), a direct 100% owned subsidiary of the Parent Company, (iii) the direct and indirect non-guarantor subsidiaries of the Parent Company (the Non-Guarantor Subsidiaries) on a combined basis and (iv) the eliminations necessary to arrive at the information for Time Warner Cable Inc. on a consolidated basis. The Guarantor Subsidiary has fully and unconditionally guaranteed the debt securities issued by the Parent Company in its 2007 registered exchange offer and subsequent public offerings. The Parent Company directly owns all of the voting and economic interests of the Guarantor Subsidiary.

There are no legal or regulatory restrictions on the Parent Company's ability to obtain funds from any of its 100% owned subsidiaries through dividends, loans or advances.

These condensed consolidating financial statements should be read in conjunction with the consolidated financial statements of Time Warner Cable Inc.

Basis of Presentation

As discussed in Note 1, during the first quarter of 2014, the Company revised its categorization of operating costs and expenses to be consistent with how such costs and expenses are presented to management and to provide a more meaningful presentation. As such, the Company has recast operating costs and expenses in the consolidating statement of operations for the prior periods to reflect the new categorization. Refer to Note 1 for further details.

On November 1, 2013, the Company completed the second phase of an internal reorganization to simplify its organizational structure. As part of this phase of the reorganization, on November 1, 2013, TW NY Cable Holding Inc. merged with and into the Parent Company, with the Parent Company as the surviving entity, and TWC Internet Holdings II merged with and into TWCE, with TWCE as the surviving entity and a direct 100% owned subsidiary of the Parent Company. As a result of this phase of the reorganization, the presentation of the condensed consolidating statement of operations, comprehensive income and cash flows for the prior periods has been recast to reflect TWCE as the sole subsidiary guarantor of debt securities issued by the Parent Company.

In presenting the condensed consolidating financial statements, the equity method of accounting has been applied to (i) the Parent Company's interests in the Guarantor Subsidiary and the Non-Guarantor Subsidiaries and (ii) the Guarantor Subsidiary's interests in the Non-Guarantor Subsidiaries, where applicable, even though all such

subsidiaries meet the requirements to be consolidated under GAAP. All intercompany balances and transactions between the Parent Company, the Guarantor Subsidiary and the Non-Guarantor Subsidiaries have been eliminated, as shown in the column Eliminations. All assets and liabilities have been allocated to the Parent Company, the Guarantor Subsidiary and the Non-Guarantor Subsidiaries generally based on legal entity ownership. Certain administrative costs have been allocated to the Parent Company, the Guarantor Subsidiary and the Non-Guarantor Subsidiaries based on revenue recorded at the respective entity. Beginning December 1, 2013, the Parent Company began allocating 100% of its third-party interest expense, net of interest income received from intercompany loans, to the Guarantor Subsidiary. Prior to December 1, 2013, a portion of the interest expense incurred by the Parent Company was allocated to the Guarantor Subsidiary and the Non-Guarantor Subsidiaries based on revenue recorded at the respective entity. The income tax provision has been presented based on each subsidiary's legal entity activity including income tax benefits related to allocated administrative costs and interest expense. Deferred income taxes have been presented based upon the temporary differences between the carrying amounts of the respective assets and liabilities of the applicable entities.

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

(Unaudited)

The Company's condensed consolidating financial information as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and 2013 is as follows (in millions):

Condensed Consolidating Balance Sheet as of September 30, 2014

	Parent Company	Guarantor Subsidiary	Non- Guarantor Subsidiaries	Eliminations	TWC Consolidated
ASSETS					
Current assets:					
Cash and equivalents	\$ 318	\$	\$ 208	\$	\$ 526
Receivables, net	35		915		950
Receivables from affiliated parties	214		27	(241)	
Deferred income tax assets	10		309		319
Other current assets	36	33	210		279
Total current assets	613	33	1,669	(241)	2,074
Investments in and amounts due from consolidated subsidiaries	44,158	45,570	7,641	(97,369)	
Investments		56	13		69
Property, plant and equipment, net		28	15,766		15,794
Intangible assets subject to amortization, net		5	544		549
Intangible assets not subject to amortization			26,012		26,012
Goodwill			3,138		3,138
Other assets	919		81		1,000
Total assets	\$ 45,690	\$ 45,692	\$ 54,864	\$ (97,610)	\$ 48,636
LIABILITIES AND EQUITY					
Current liabilities:					
Accounts payable	\$	\$	\$ 462	\$	\$ 462
			193		193

Deferred revenue and subscriber-related liabilities					
Payables to affiliated parties	27	211	3	(241)	
Accrued programming and content expense			902		902
Current maturities of long-term debt	1,531		9		1,540
Other current liabilities	665	22	1,235		1,922
Total current liabilities	2,223	233	2,804	(241)	5,019
Long-term debt	20,622	2,062	78		22,762
Deferred income tax liabilities, net	304	154	11,772		12,230
Long-term payables to affiliated parties	7,641	14,702		(22,343)	
Other liabilities	126	101	489		716
TWC shareholders' equity:					
Due to (from) TWC and subsidiaries	6,869	1,088	(7,957)		
Other TWC shareholders' equity	7,905	27,352	47,674	(75,026)	7,905
Total TWC shareholders' equity	14,774	28,440	39,717	(75,026)	7,905
Noncontrolling interests			4		4
Total equity	14,774	28,440	39,721	(75,026)	7,909
Total liabilities and equity	\$ 45,690	\$ 45,692	\$ 54,864	\$ (97,610)	\$ 48,636

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TIME WARNER CABLE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Condensed Consolidating Balance Sheet as of December 31, 2013

	Parent Company	Guarantor Subsidiary	Non- Guarantor Subsidiaries	Eliminations	TWC Consolidated
ASSETS					
Current assets:					
Cash and equivalents	\$ 316	\$	\$ 209	\$	\$ 525
Receivables, net	63	1	890		954
Receivables from affiliated parties	158		28	(186)	
Deferred income tax assets	5	9	320		334
Other current assets	120	42	169		331
Total current assets	662	52	1,616	(186)	2,144
Investments in and amounts due from consolidated subsidiaries	42,492	43,285	7,641	(93,418)	
Investments		43	13		56
Property, plant and equipment, net		30	15,026		15,056
Intangible assets subject to amortization, net		6	546		552
Intangible assets not subject to amortization			26,012		26,012
Goodwill			3,196		3,196
Other assets	1,165		92		1,257
Total assets	\$ 44,319	\$ 43,416	\$ 54,142	\$ (93,604)	\$ 48,273
LIABILITIES AND EQUITY					
Current liabilities:					
Accounts payable	\$	\$	\$ 565	\$	\$ 565
Deferred revenue and subscriber-related liabilities			188		188
Payables to affiliated parties	28	155	3	(186)	
			869		869

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Accrued programming and content expense					
Current maturities of long-term debt	1,758		9		1,767
Other current liabilities	591	67	1,179		1,837
Total current liabilities	2,377	222	2,813	(186)	5,226
Long-term debt	21,179	2,065	41		23,285
Deferred income tax liabilities, net	359	161	11,578		12,098
Long-term payables to affiliated parties	7,641	14,702		(22,343)	
Other liabilities	140	89	488		717
TWC shareholders' equity:					
Due to (from) TWC and subsidiaries	5,680	453	(6,133)		
Other TWC shareholders' equity	6,943	25,724	45,351	(71,075)	6,943
Total TWC shareholders' equity	12,623	26,177	39,218	(71,075)	6,943
Noncontrolling interests			4		4
Total equity	12,623	26,177	39,222	(71,075)	6,947
Total liabilities and equity	\$ 44,319	\$ 43,416	\$ 54,142	\$ (93,604)	\$ 48,273

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(Unaudited)

Condensed Consolidating Statement of Operations for the Three Months Ended September 30, 2014

	Parent Company	Guarantor Subsidiary	Non- Guarantor Subsidiaries	Eliminations	TWC Consolidated
Revenue	\$	\$	\$ 5,714	\$	\$ 5,714
Costs and expenses:					
Programming and content			1,326		1,326
Sales and marketing			556		556
Technical operations			401		401
Customer care			210		210
Other operating			1,167		1,167
Depreciation			824		824
Amortization			33		33
Merger-related and restructuring costs	13		33		46
Total costs and expenses	13		4,550		4,563
Operating Income (Loss)	(13)		1,164		1,151
Equity in pretax income of consolidated subsidiaries	868	1,185		(2,053)	
Interest income (expense), net	(52)	(353)	52		(353)
Other income, net		1	4		5
Income before income taxes	803	833	1,220	(2,053)	803
Income tax provision	(304)	(311)	(322)	633	(304)
Net income	499	522	898	(1,420)	499
Less: Net income attributable to noncontrolling interests					
Net income attributable to TWC shareholders	\$ 499	\$ 522	\$ 898	\$ (1,420)	\$ 499

Condensed Consolidating Statement of Comprehensive Income for the Three Months Ended September 30, 2014

	Parent Company	Guarantor Subsidiary	Non- Guarantor Subsidiaries	Eliminations	TWC Consolidated
Net income	\$ 499	\$ 522	\$ 898	\$ (1,420)	\$ 499
Change in accumulated unrealized losses on pension benefit obligation, net of tax	(1)				(1)
Change in accumulated deferred gains (losses) on cash flow hedges, net of tax	58				58
Other comprehensive income	57				57
Comprehensive income	556	522	898	(1,420)	556
Less: Comprehensive income attributable to noncontrolling interests					
Comprehensive income attributable to TWC shareholders	\$ 556	\$ 522	\$ 898	\$ (1,420)	\$ 556

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(Unaudited)

Condensed Consolidating Statement of Operations for the Three Months Ended September 30, 2013

(recast)

	Parent Company	Guarantor Subsidiary	Non- Guarantor Subsidiaries	Eliminations	TWC Consolidated
Revenue	\$	\$	\$ 5,518	\$	\$ 5,518
Costs and expenses:					
Programming and content			1,210		1,210
Sales and marketing			528		528
Technical operations			394		394
Customer care			191		191
Other operating			1,190		1,190
Depreciation			790		790
Amortization			32		32
Merger-related and restructuring costs			23		23
Total costs and expenses			4,358		4,358
Operating Income			1,160		1,160
Equity in pretax income of consolidated subsidiaries	834	890		(1,724)	
Interest expense, net	(53)	(128)	(198)		(379)
Other income (expense), net		(1)	1		
Income before income taxes	781	761	963	(1,724)	781
Income tax provision	(249)	(252)	(144)	396	(249)
Net income	532	509	819	(1,328)	532
Less: Net income attributable to noncontrolling interests					
Net income attributable to TWC shareholders	\$ 532	\$ 509	\$ 819	\$ (1,328)	\$ 532

Condensed Consolidating Statement of Comprehensive Income for the Three Months Ended September 30, 2013

(recast)

	Parent Company	Guarantor Subsidiary	Non- Guarantor Subsidiaries	Eliminations	TWC Consolidated
Net income	\$ 532	\$ 509	\$ 819	\$ (1,328)	\$ 532
Change in accumulated unrealized losses on pension benefit obligation, net of tax	10				10
Change in accumulated deferred gains (losses) on cash flow hedges, net of tax	77				77
Other comprehensive income	87				87
Comprehensive income	619	509	819	(1,328)	619
Less: Comprehensive income attributable to noncontrolling interests					
Comprehensive income attributable to TWC shareholders	\$ 619	\$ 509	\$ 819	\$ (1,328)	\$ 619

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TIME WARNER CABLE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Condensed Consolidating Statement of Operations for the Nine Months Ended September 30, 2014